IT Sector

Recovery signs

We hosted over 14 companies and several industry experts at the HDFC Securities' 8th annual IT conference. Key takeaways included (1) continued (prosaic) commentary on cost optimisation focus but signs of improvement in demand, (2) stable to upward bias in pricing and some improvement in the decision cycle, (3) strong GCC activity but its high growth differential with service providers likely to converge ahead, and (4) AI will become a foundational technology boosting spend in Cloud & Data for the sector and the deflationary risk on services-lines will not be homogeneous. We reckon that some of these factors assuage concerns about terminal growth for the sector. The base case of growth normalisation in H2FY25E and subsequent recovery holds. However, the sharp valuation rerating limits the 'near-term' absolute upside.

Signs of improvement: Enterprise clients remain focused on cost optimisation which continues to drive the bulk of the tech spend, but some of the stalled projects have resumed. Pricing is expected to be stable with some upward bias (a positive sign). Enterprises are starting to commit to net new spending in pockets. Pressure on discretionary tech spend has led to the gap between deals contracted and committed spending. Improvement in discretionary spending (LTIM, Mphasis) and better decision cycles can lead to a higher correlation between deal wins and revenue growth ahead. Importantly, growth can pick up even if budgets remain static, as approval velocity improves.

GCC not a binary tale: The activity at Global Capability Centers (GCC) has been strong and in a cost-constrained environment, it has impacted the growth of IT services. GCC has a large headroom for growth as there are only 8,000 GCCs globally. Growth in GCC has been higher than third-party services in the last two years as compared to a similar growth historically. The growth divergence between the two segments is likely to converge ahead. Recent hiring in tech has been driven by GCC and in tech roles by non-tech companies. In the Transportation vertical within ER&D services, OEMs are taking greater ownership of software development as demand shifts from Tier-1 to OEMs which includes the GCCs as well as providers.

AI, a net opportunity: AI will become a foundational technology like Cloud and it will boost spend on Cloud & Data. There is unlimited demand for new code development, but price/unit cost is critical. BPO and F&A services have finite demand and have a bigger deflationary risk due to AI. BPO and Testing services can have up to 40% deflationary impact due to GenAI. There's a lot of GenAI activity but it's still project based. We believe that the sector is transitioning from a period of low discretionary/elongated IT upgrade cycle to a normalisation of spending. We roll over the valuation to Dec-26E and raise the multiple of HCLT on improving outlook. Prefer TCS from tier-1 IT and Persistent Systems from mid-tier IT.

HSIE IT Coverage Universe

Company	CMP* (INR)	RECO	TP (INR)
TCS	4,479	ADD	4,695
INFO	1,910	ADD	1,980
HCLT	1,779	ADD	1,800
WPRO	514	REDUCE	520
LTIM	6,299	ADD	6,535
TECHM	1,603	REDUCE	1,545
PSYS	5,290	ADD	5,520
LTTS	5,676	REDUCE	5,100
MPHL	3,067	REDUCE	2,775
TELX	7,717	REDUCE	7,240
CYL	2,080	ADD	2,100
SSOF	678	ADD	740
BSOFT	629	ADD	780
ZENT	766	ADD	925
HAPPSTMN	810	ADD	975
MAST	2,665	ADD	3,200

*CMP as on 11th Sep 2024

Staffing

Company	CMP* (INR)	RECO	TP (INR)
Teamlease	3,129	ADD	4,050

*CMP as on 11th Sep 2024

Listed Conference participants

TCS	Sonata Software
HCL Tech	Happiest Minds
LTIMindtree	Mastek
L&T Tech	Teamlease
Mphasis	Saksoft
Tata Elxsi	Onward Tech
Cyient	Zensar Tech

Industry Experts

ISG	ER&D Expert
Nasscom	

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Contents

Tata Consultancy Services

Key takeaways:

- Client spending is expected to improve from Sep-Oct; no challenges in new deals; order book and pipeline are strong. The pricing environment is stable with an upward bias.
- The healthy order book will support growth beyond FY25E despite the 1-2 quarter blip on completion of the BSNL deal.
- Life-science in Healthcare, Manufacturing, E&U and the regional market are performing well; TCS has a dominant position with the US banks. In the retail vertical, there are some signs of recovery but the Travel & Hospitality sub-segment is moderating.
- Client sentiment remains cautious, and the company is taking time for the ROI threshold; most of the spending is for cost optimisation, vendor consolidation, and efficiency areas which generate a lot of ROI rather than discretionary spending.
- Contextual master's programs, internal delivery fulfilment and mid-level promotions support low attrition at the bottom of the pyramid.
- Margin levers include utilisation and pyramid.

Financial summary

YE March (INR bn)	FY22	FY23	FY24	FY25E	FY26E	FY27E
USD Revenue (mn)	25,707	27,927	29,080	30,713	33,203	35,450
Net Sales	1,917.54	2,254.58	2,408.93	2,571.82	2,822.28	3,048.67
EBIT	484.53	542.37	593.11	656.99	734.24	793.19
APAT	383.27	421.47	466.35	513.83	572.55	618.51
Diluted EPS (INR)	105.9	116.5	128.9	142.0	158.2	171.0
P/E (x)	42.3	38.5	34.8	31.5	28.3	26.2
EV / EBITDA (x)	29.5	26.5	24.5	22.2	19.9	18.4
RoE (%)	43.7	46.9	51.6	55.7	58.8	59.2

Source: Company, HSIE Research, Consolidated Financials

ADD

CMP (as on 11 Sep 24)	INR 4,479
Target Price	INR 4,695
NIFTY	24,918

KEY CHANGES	OLD	NEW
Rating	ADD	ADD
Price Target	INR 4,510	INR 4,695
EPS %	FY25E	FY26E
	0.0	0.0

KEY STOCK DATA	
Bloomberg code	TCS IN
No. of Shares (mn)	3,618
MCap (INR bn) / ($ mn)	16,207/192,988
6m avg traded value (INR mn)	11,642
52 Week high / low	INR 4,592/3,296

STOCK PERFORMANCE (%)	3M	6M	12M
Absolute (%)	16.9	6.8	25.7
Relative (%)	10.5	(3.8)	4.4

SHAREHOLDING PATTERN (%)	Mar-24	Jun-24
Promoters	71.77	71.77
FIs & Local MFs	10.67	11.06
FPIs	12.70	12.35
Public & Others	4.86	4.82
Pledged Shares	0.20	0.20

Source : BSE

Pledged shares as % of total shares

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HCL Technologies

Key takeaways:

- FY25E growth guidance of 3-5% CC doesn't factor any recovery in discretionary spend; ERS will recover when discretionary recovers (recent large deal in ERS).
- In BFSI, some pick-up in spend seen but not yet a full-fledged trend; barring BFSI, all verticals are expected to post sequential growth in Q2. TMT vertical is expected to outperform over the next two years.
- The correlation between new deal wins and revenue growth has been ~80% earlier (computed as TTM deals and TTM revenue with a two-quarter lag).
- Investments in AI and expanding coverage in G2000 enterprises (currently underpenetrated) will support TCV improvement to USD 2.3-2.5bn quarterly and growth in the medium term.
- BPO and Testing service lines can see a maximum deflationary impact of up to 40% due to GenAI.

Financial summary

YE March (INR bn)	FY22	FY23	FY24	FY25E	FY26E	FY27E
IT USD Revenue (mn)	11,537	12,586	13,270	13,805	15,141	16,391
Net Sales	856.51	1,014.56	1,099.13	1,155.91	1,287.01	1,409.58
EBIT	162.04	184.84	200.27	210.02	244.45	268.29
APAT	134.99	148.52	157.02	164.94	192.79	211.63
Diluted EPS (INR)	49.7	54.7	57.9	60.8	71.0	78.0
P/E (x)	35.8	32.5	30.7	29.3	25.0	22.8
EV / EBITDA (x)	22.8	20.5	18.9	18.1	15.7	14.3
RoE (%)	22.1	23.3	23.5	23.6	26.4	27.8

Source: Company, HSIE Research, Consolidated Financials

ADD

CMP (as on 11 Sep 24)	**INR 1,779**
Target Price	**INR 1,800**
NIFTY	**24,918**

KEY CHANGES	**OLD**	**NEW**
Rating	ADD	ADD
Price Target	INR 1,575	INR 1,800
EPS %	FY25E	FY26E
	0.0	0.0

KEY STOCK DATA	
Bloomberg code	HCLT IN
No. of Shares (mn)	2,714
MCap (INR bn) / ($ mn)	4,827/57,479
6m avg traded value (INR mn)	5,433
52 Week high / low	INR 1,817/1,209

STOCK PERFORMANCE (%)

	3M	**6M**	**12M**
Absolute (%)	23.6	8.8	38.7
Relative (%)	17.2	(1.9)	17.4

SHAREHOLDING PATTERN (%)

	Mar-24	**Jun-24**
Promoters	60.81	60.81
FIs & Local MFs	14.97	15.80
FPIs	19.65	18.45
Public & Others	4.57	4.94
Pledged Shares	0.00	0.00

Source : BSE

Pledged shares as % of total shares

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LTIMindtree

Key takeaways:

- Growth for the company in Q2 can be similar to Q1 growth; currently, there's no clarity on furloughs impact (regular/high) in Q3.
- In the previous year, the focus was on cost takeout and vendor consolidation (80-90% of deals) and 10-20% was on the discretionary side, while this year the share of discretionary has increased to 20-25% and the remaining is cost optimisation.
- If there is pent-up demand that is released, growth in FY25E can even get to the high-single-digit.
- BFSI performance in FY25E is expected to improve as compared to FY24 performance.
- AI is a discussion point in almost all deals, either in the manufacturing hi-tech or retail vertical.
- Margins will recover with growth coming back. Utilisation won't be a contributor to margin improvement since it has peaked. However, margin levers will be fresher intake and pyramid.

ADD

CMP (as on 11 Sep 24)	**INR 6,299**
Target Price	**INR 6,535**
NIFTY	**24,918**

KEY CHANGES	**OLD**	**NEW**
Rating	ADD	ADD
Price Target	INR 6,015	INR 6,535
EPS %	FY25E	FY26E
	0.0	0.0

KEY STOCK DATA	
Bloomberg code	LTIM IN
No. of Shares (mn)	296
MCap (INR bn) / ($ mn)	1,866/22,216
6m avg traded value (INR mn)	2,825
52 Week high / low	INR 6,443/4,514

STOCK PERFORMANCE (%)

	3M	**6M**	**12M**
Absolute (%)	27.2	20.9	14.4
Relative (%)	20.8	10.3	(6.9)

SHAREHOLDING PATTERN (%)

	Mar-24	**Jun-24**
Promoters	68.60	68.60
FIs & Local MFs	13.58	14.22
FPIs	7.86	7.28
Public & Others	9.96	9.90
Pledged Shares	0.00	0.00

Source : BSE

Pledged shares as % of total shares

Financial summary

YE March (INR bn)	FY22	FY23	FY24	FY25E	FY26E	FY27E
IT USD Revenue (mn)	3,502	4,106	4,287	4,616	5,290	6,028
Net Sales	261.09	331.83	355.17	386.53	449.68	518.42
EBIT	46.52	53.85	55.69	60.94	76.57	91.38
APAT	39.50	44.10	45.85	50.48	62.93	74.74
Diluted EPS (INR)	133.5	149.1	155.0	170.7	212.7	252.7
P/E (x)	47.2	42.3	40.6	36.9	29.6	24.9
EV / EBITDA (x)	34.1	29.3	27.7	24.7	19.8	16.5
RoE (%)	30.5	28.6	25.0	23.6	25.5	26.1

Source: Company, HSIE Research, Consolidated Financials

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L&T Technologies

Key takeaways:

- Industry drivers include – lower penetration of engineering services outsourcing compared to IT services, companies dipping into India for talent and shortening of tech cycles.
- Mobility vertical has the potential to grow at 20-22% CAGR. Investment areas include software-defined vehicles, electrification and hybrid. Aerospace sub-segment growth drivers come from avionics, flight control, body engineering, and digital twins.
- Sustainability (Plant engineering and Industrial products) has the potential to grow at 14-16% CAGR. The Industrial Products sub-segment may be muted near term due to the reduced pace of investments by customers impacted by their China portfolio. The plant engineering segment has momentum and growth likely to be driven by Oil & Gas > FMCG > Chemicals supported by plant modernization spending.
- Hi-Tech has the potential to grow at 18-20% CAGR.
- LTTS has built horizontal sales and brought in leaders with domain capabilities. LTTS has industry leadership in the Sustainability segment, which results in superior margins in the vertical.
- Margin aspiration is 17-18% and levers include operating leverage, larger deals and client mining.

REDUCE

CMP (as on 11 Sep 24)	**INR 5,676**
Target Price	**INR 5,100**
NIFTY	**24,918**

KEY CHANGES	**OLD**	**NEW**
Rating	REDUCE	REDUCE
Price Target	INR 4,900	INR 5,100
EPS %	FY25E	FY26E
	0.0	0.0

KEY STOCK DATA	
Bloomberg code	LTTS IN
No. of Shares (mn)	106
MCap (INR bn) / ($ mn)	601/7,153
6m avg traded value (INR mn)	1,043
52 Week high / low	INR 6,000/4,107

STOCK PERFORMANCE (%)

	3M	**6M**	**12M**
Absolute (%)	16.1	7.7	22.1
Relative (%)	9.7	(3.0)	0.8

SHAREHOLDING PATTERN (%)

	Mar-24	**Jun-24**
Promoters	73.74	73.69
FIs & Local MFs	12.32	13.30
FPIs	5.52	4.46
Public & Others	8.42	8.55
Pledged Shares	0.00	0.00

Source : BSE

Pledged shares as % of total shares

Financial summary

YE March (INR bn)	FY22	FY23	FY24	FY25E	FY26E	FY27E
USD Revenue (mn)	880	990	1,164	1,263	1,440	1,645
Net Sales	65.70	80.14	96.47	105.78	122.40	141.51
EBIT	12.01	14.79	16.47	17.34	21.02	24.90
APAT	9.57	11.70	13.04	14.03	16.81	19.99
Diluted EPS (INR)	90.7	110.8	123.5	133.0	159.3	189.5
P/E (x)	62.6	51.2	45.9	42.7	35.6	30.0
EV / EBITDA (x)	40.9	33.4	29.9	27.4	22.5	18.8
RoE (%)	25.1	25.7	25.4	24.4	25.2	25.6

Source: Company, HSIE Research, Consolidated Financials

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Mphasis

Key takeaways:

- Discretionary is opening up and the pace is healthy; the current rate of pipeline and conversion will lead to an uptick in revenue.
- Currently at the peak of the interest rate cycle and reversal starting this month has led to 2024 budgets being utilised; the pipeline in BFSI TCV is up 20% QoQ.
- The company is focused on gaining share in US Banking from existing as well as new customers and also expanding outside of BFS (focused on top 20 accounts) in the Insurance and Hi-tech vertical.
- In the mortgage business, while rates have softened, there is no real visible pick-up in demand. Some parts of the business have shown some volume growth, especially around compliance and diligence services and as expected that segment of the market gets active before first home loans get active.
- In the earlier part of 2024, a lot of work went into setting up the early stages of GenAI adoption which will give a boost to the spends. Cloud & Data are still important, but application transformation and adoption of GenAI & Tech are equally important in driving the pipeline.
- Mphasis has added 50-60 Fortune 500 customers in the last three years, a number of them in the non-BFS space.

REDUCE

CMP (as on 11 Sep 24)	**INR 3,067**
Target Price	**INR 2,775**
NIFTY	**24,918**

KEY CHANGES	**OLD**	**NEW**
Rating	REDUCE	REDUCE
Price Target	INR 2,595	INR 2,775
	FY25E	FY26E
EPS %	0.0	0.0

KEY STOCK DATA	
Bloomberg code	MPHL IN
No. of Shares (mn)	189
MCap (INR bn) / ($ mn)	580/6,908
6m avg traded value (INR mn)	2,619
52 Week high / low	INR 3,165/2,068

STOCK PERFORMANCE (%)	**3M**	**6M**	**12M**
Absolute (%)	27.9	26.4	24.2
Relative (%)	21.5	15.7	3.0

SHAREHOLDING PATTERN (%)	**Mar-24**	**Jun-24**
Promoters	55.45	40.35
FIs & Local MFs	24.74	35.95
FPIs	14.84	18.32
Public & Others	4.97	5.38
Pledged Shares	0.00	0.00

Source : BSE

Pledged shares as % of total shares

Financial summary

YE March (INR bn)	FY22	FY23	FY24	FY25E	FY26E	FY27E
USD Revenue (mn)	1,593	1,718	1,609	1,672	1,839	2,032
Net Sales	119.62	137.99	132.79	140.01	156.29	174.71
EBIT	18.27	21.09	20.11	21.73	24.67	28.02
APAT	14.46	16.38	15.55	16.81	19.21	21.89
Diluted EPS (INR)	77.3	87.6	83.1	89.9	102.7	117.0
P/E (x)	39.7	35.0	36.9	34.1	29.9	26.2
EV / EBITDA (x)	26.2	22.6	22.8	21.6	18.3	16.3
RoE (%)	21.5	22.0	18.6	18.4	19.5	20.5

Source: Company, HSIE Research, Consolidated Financials

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Tata Elxsi

Key takeaways:

- Automotive: Good traction is expected to continue and the vertical is expected to lead growth in FY25E. The transportation portfolio has shifted towards OEMs as compared to being Tier-1 led earlier. Transportation adjacencies such as Rail/Off-highway are 12-14% of the Transportation vertical. Long-term spending strategy on software/electronics budget of T1 customers also gives visibility.
- OEMs are taking greater ownership of software and software-defined vehicle engagements can provide longer revenue streams and vendor lock-in with opportunities in customization, feature development and integration.
- Media & Communication vertical remains a challenge but new spending has started with some customers. The company's NEURON IP is seeing traction with customers. Far East and Australian markets can be new growth vectors for the vertical.
- The Healthcare & Lifesciences vertical will remain challenging for the next 1-2 quarters, impacted by the delay in backfill after the completion of large programs and due to the sector taking time to do large-scale transformation. The vertical was also impacted by regulatory factors as the revenue mix had become skewed towards regulatory & compliance (70% of revenue). Digital therapeutics is a large opportunity area.
- Large scope to improve utilisation from the current low 70s to the high 70s. Over the medium term no major change in the offshore-led delivery mix is seen; the company's high margin is supported by higher fixed price engagement as well as higher offshore delivery.

REDUCE

CMP (as on 11 Sep 24)	**INR 7,717**
Target Price	**INR 7,240**
NIFTY	**24,918**

KEY CHANGES	**OLD**	**NEW**
Rating	REDUCE	REDUCE
Price Target	INR 6,710	INR 7,240
	FY25E	FY26E
EPS %	0.0	0.0

KEY STOCK DATA	
Bloomberg code	TELX IN
No. of Shares (mn)	62
MCap (INR bn) / ($ mn)	481/5,723
6m avg traded value (INR mn)	1,922
52 Week high / low	INR 9,200/6,407

STOCK PERFORMANCE (%)	**3M**	**6M**	**12M**
Absolute (%)	8.4	1.9	4.8
Relative (%)	2.0	(8.8)	(16.5)

SHAREHOLDING PATTERN (%)	**Mar-24**	**Jun-24**
Promoters	43.92	43.92
FIs & Local MFs	6.06	6.24
FPIs	14.56	13.67
Public & Others	35.46	36.17
Pledged Shares	0.00	0.00

Source : BSE

Pledged shares as % of total shares

Financial summary

YE March (INR bn)	FY22	FY23	FY24	FY25E	FY26E	FY27E
USD Revenue (mn)	331	390	429	474	552	636
Net Sales	24.71	31.45	35.52	39.65	46.92	54.68
EBIT	7.10	8.80	9.47	10.93	13.10	15.30
APAT	5.50	7.55	7.92	8.78	10.60	12.33
Diluted EPS (INR)	88.3	121.3	127.2	140.9	170.2	197.9
P/E (x)	87.4	63.6	60.7	54.8	45.3	39.0
EV / EBITDA (x)	61.4	48.7	44.5	38.4	31.9	27.2
RoE (%)	37.2	41.0	34.5	32.5	33.8	33.7

Source: Company, HSIE Research

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Cyient

Key takeaways:

- The Q1 results were weaker than expected. This was partly due to delays in receiving inputs for connectivity projects, which shifted revenue recognition. The delay in inputs for connectivity projects was about three to four weeks, causing a shift in the project schedule and in-quarter revenue recognition. This delay was not due to any fault of the company or the customer but was an unforeseen circumstance.
- Customers are more cautious with their spending due to geopolitical events and macro uncertainties. This has led to smaller, more frequent purchase orders instead of larger, one-time orders.
- Q2 is expected to be strong, with a recovery anticipated from the Q1 aberration. The company maintains a robust medium-term outlook, expecting double-digit growth.
- The company has been able to control its variable costs effectively, which gives confidence for margin recovery. As revenue builds up, the absorption impact will ease, leading to margin recovery. It expects EBIT at 16% by the exit Q4 and for FY25E it would be lower than 16%.
- Higher interest rates in North America have made customers more cautious, impacting connectivity projects. Customers are conserving cash and being more prudent with their spending. There are early signs of recovery in the connectivity business.
- New deals are becoming more strategic, with deeper customer engagements. The company is positioning itself as a more strategic partner, offering proactive solutions to customer problems. The order book is about 15% higher year-on-year, indicating a healthy pipeline of new deals.
- The company does not see significant pricing pressure due to the niche and specialised nature of its services. Customers value the company's specific competencies and expertise.
- The company is carving out its ASIC business into a wholly-owned subsidiary to focus on semiconductor opportunities. This move is aimed at giving the semiconductor business the necessary strategic focus and capital.
- The semiconductor business currently contributes about 4% of revenue, with plans to grow to USD100 mn in the next 4-5 years. The company sees significant growth opportunities in the semiconductor space, driven by demand from non-traditional semiconductor industries like automotive and industrial sectors.
- It is focusing on new markets like the Middle East and Japan, which are seen as strategic geographies. There is increasing demand from these regions, especially in the sustainability sector.

Financial summary

YE March (INR bn)	FY22	FY23	FY24	FY25E	FY26E	FY27E
DET Revenue (USD mn)	504	632	714	718	809	894
Revenue (USD Mn)	608	746	863	886	1,020	1,153
Net Sales	45.34	60.16	71.47	74.29	87.22	98.55
EBIT	6.30	7.67	10.36	10.27	13.02	15.01
APAT	5.22	5.65	7.41	7.36	9.47	10.93
Diluted EPS (Rs)	47.3	51.2	67.1	66.6	85.8	99.0
P/E (x)	44.0	40.6	31.0	31.2	24.2	21.0
EV / EBITDA (x)	26.9	22.7	17.3	17.3	13.9	12.1
RoE (%)	17.2	17.2	19.2	16.6	19.5	20.3

Source: Company, HSIE Research, Consolidated Financials

ADD

CMP (as on 11 Sep 24)	**INR 2,080**
Target Price	**INR 2,100**
NIFTY	**24,918**

KEY CHANGES	**OLD**	**NEW**
Rating	ADD	ADD
Price Target	INR 1,830	INR 2,100
EPS %	FY25E	FY26E
	0.0	0.0

KEY STOCK DATA	
Bloomberg code	CYL IN
No. of Shares (mn)	111
MCap (INR bn) / ($ mn)	231/2,748
6m avg traded value (INR mn)	1,007
52 Week high / low	INR 2,459/1,542

STOCK PERFORMANCE (%)	**3M**	**6M**	**12M**
Absolute (%)	10.4	5.9	17.9
Relative (%)	4.0	(4.7)	(3.4)

SHAREHOLDING PATTERN (%)	**Mar-24**	**Jun-24**
Promoters	23.16	23.16
FIs & Local MFs	25.91	27.08
FPIs	31.04	29.47
Public & Others	19.89	20.29
Pledged Shares	0.00	0.00

Source : BSE

Pledged shares as % of total shares

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Zensar Technologies

Key takeaways:

- Zensar is focusing on growth acceleration after achieving margin stability. The company has expanded its service offerings beyond traditional ADM (Application Development and Maintenance) and infrastructure services. Newer services such as SaaS, data, advanced engineering, and digital services have shown much higher growth compared to legacy services. This diversification has been crucial in driving new deal wins.
- High client satisfaction scores have contributed to securing new deals. The company has also implemented incentive mechanisms to encourage farming. This focus on client satisfaction has helped maintain and grow relationships with key clients.
- Margin expansion has been achieved through sustainable practices, cutting unnecessary costs while maintaining essential operations. The company has put processes and data in place to ensure that inefficiencies do not accumulate again. This approach has allowed the company to improve margins without compromising on quality or service delivery.
- Zensar aims to be in the top quartile of industry performance, measured by the sum of revenue growth rate and EBITDA percentage.
- Over the past 12-18 months, Zensar has made strategic investments in supply chain, e-commerce, and digital services. These investments are already bearing fruit and are expected to drive future growth. The company is focusing on areas with high growth potential, such as digital and e-commerce, to capitalise on market trends.
- Zensar is investing in AI and automation, particularly in legacy modernisation. It has developed an AI engineering buddy to expedite legacy modernisation projects, making them more cost-effective and efficient. This investment in AI is seen as a way to stay ahead of the competition and offer innovative solutions to clients.
- BFSI, Manufacturing & Consumer Services (MCS), and Healthcare Life Sciences are performing well. The MCS vertical, in particular, has strong practices in supply chain and e-commerce. The company sees significant opportunities in these verticals and is focusing on expanding its presence in these areas.
- The TMT sector is facing significant challenges due to industry changes and shifting capital investments. Older companies like Intel and Cisco are struggling, and the anticipated capital investments in 5G have not materialised. This has led to a slowdown in the sector, impacting growth.
- The pecking order of investments in the Hi-Tech industry has changed, with more focus on capital investments in infrastructure rather than software. This has led to stress in the sector, and the company expects these challenges to continue.
- Customers are more cautious with their spending due to geopolitical events and macro uncertainties. This has led to smaller, more frequent purchase orders instead of larger, one-time orders. The company is adapting to this cautious spending environment by offering flexible and scalable solutions.

Financial summary

YE March (INR bn)	FY22	FY23	FY24	FY25E	FY26E	FY27E
USD Revenue (mn)	569	604	592	645	721	808
Net Sales	42.44	48.48	49.02	54.12	61.30	69.52
EBIT	4.72	3.69	7.38	7.87	9.15	10.71
APAT	4.16	3.28	6.65	7.17	8.25	9.56
Diluted EPS (INR)	18.2	14.3	29.1	31.4	36.1	41.8
P/E (x)	42.1	53.4	26.3	24.4	21.2	18.3
EV / EBITDA (x)	24.5	28.3	17.3	16.3	13.7	11.3
RoE (%)	16.3	11.3	20.0	18.3	18.6	19.0

Source: Company, HSIE Research, Consolidated Financials

ADD

CMP (as on 11 Sep 24)	INR 766
Target Price	INR 925
NIFTY	24,918

KEY CHANGES	OLD	NEW
Rating	ADD	ADD
Price Target	INR 860	INR 925
EPS %	FY25E	FY26E
	0.0	0.0

KEY STOCK DATA	
Bloomberg code	ZENT IN
No. of Shares (mn)	227
MCap (INR bn) / ($ mn)	174/2,068
6m avg traded value (INR mn)	955
52 Week high / low	INR 840/456

STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	9.5	35.8	49.3
Relative (%)	3.1	25.1	28.0

SHAREHOLDING PATTERN (%)

	Mar-24	Jun-24
Promoters	49.17	49.17
FIs & Local MFs	17.53	19.04
FPIs	16,53	15.74
Public & Others	16.77	16.05
Pledged Shares	0.00	0.00

Source : BSE

Pledged shares as % of total shares

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Sonata Software

Key takeaways:

- The company has maintained its target to reach USD 500mn by FY27E, which implies an organic CAGR of ~15%. The growth in the IITS segment will be led by large deals wins, scaling of healthcare and BFSI verticals, and growth in the Microsoft sell with ecosystem, Microsoft fabric and GenAI.
- Microsoft is 50% of the revenue which is mainly Dynamics & Microsoft 365. The company believes that it can reach a low to mid-teens growth rate with the current deal momentum and there is a possibility of reaching high teens with macroeconomic tailwinds.
- The company expects the margin to be ~19-20% by the end of FY25 and maintains the long-term target of the low 20s margin for the IITS segment.
- The company is investing ~1% to 1.5% of revenue in strengthening the sales channel and building the large deal pipeline. The pipeline consists of ~49 deals and ~37% of the active deal pipeline comes from Fortune 500 clients and 47% of the deals are from high-value opportunities. The win rate is ~25-30% and the book-to-bill will remain in the range of 1.2-1.4x. The company closed 14 large deals in FY24.
- The recent healthcare deal announced is similar to the deal that was announced during the Q1 earnings call. The healthcare deal revenue will flow in 2HFY25 but will have a margin impact as it involves the rebadging of employees in 2-3 locations. The deal involves Hyper automation, GenAI, managed services and a shift of work from onsite to offshore.
- The large BFSI deal ramp-up has started and the full impact will be felt in Q3. The deal is margin accretive and involves the migration of on-prem-based applications to a cloud platform and the modernisation of the client's technology infrastructure.
- The manufacturing deal in Australia involves the migration of legacy systems to the latest Microsoft technology platform and will be margin accretive.
- The company expects to derive ~20% of its revenue from GenAI services. The GenAI pipeline is ~USD 65mn across 110 clients. The cloud and data-related deals are ~52% of the pipeline vs 15% two years back. Microsoft fabric pipeline is ~USD 46m across 80 plus clients. The pipeline is strong across Microsoft Fabric and GenAI but very small to impact overall growth, but it will be a key growth driver after two years.

Financial summary

YE March (INR bn)	FY22	FY23	FY24	FY25E	FY26E	FY27E
IITS USD Revenue (mn)	203	241	324	351	415	483
Net Sales	55.53	74.49	86.13	97.43	111.41	129.17
EBIT	4.16	5.45	5.96	6.75	8.93	10.73
APAT	3.76	4.52	4.83	5.44	7.07	8.32
Diluted EPS (INR)	13.4	16.1	17.2	19.4	25.2	29.7
P/E (x)	50.5	42.1	39.4	35.0	26.9	22.9
EV / EBITDA (x)	39.8	32.7	27.4	24.2	18.7	15.5
RoE (%)	37.6	37.7	35.7	35.2	38.1	37.2

Source: Company, HSIE Research, Consolidated Financials

ADD

CMP (as on 11 Sep 24)	**INR 678**
Target Price	**INR 740**
NIFTY	**24,918**

KEY CHANGES	**OLD**	**NEW**
Rating	ADD	ADD
Price Target	INR 685	INR 740
EPS %	FY25E	FY26E
	0.0	0.0

KEY STOCK DATA

Bloomberg code	SSOF IN
No. of Shares (mn)	280
MCap (INR bn) / ($ mn)	190/2,264
6m avg traded value (INR mn)	781
52 Week high / low	INR 870/469

STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	17.0	(10.1)	24.2
Relative (%)	10.6	(20.8)	2.9

SHAREHOLDING PATTERN (%)

	Mar-24	Jun-24
Promoters	28.17	28.17
FIs & Local MFs	19.05	21.56
FPIs	15.23	12.41
Public & Others	37.55	37.86
Pledged Shares	0.00	0.00

Source : BSE

Pledged shares as % of total shares

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Happiest Minds Technologies

Key takeaways:

- The company maintained its guidance of 30-35% growth for FY25E. Beyond FY25E, the company expects 15-20% organic growth (targeting 2x industry growth); USD 1bn revenue aspiration by 2031 continues.
- Cross-sell opportunities with Aureus' presence in Canada are creating opportunities and improved reinsurance capabilities, PureSoft is enabling opportunities in the APAC region. With the PureSoftware acquisition, the company will build depth in industry verticals - BFSI and Healthcare, cross-sell into marquee logos and gain access to nearshore delivery - Mexico.
- Leadership hiring includes head net new deals/Chief Growth Officer (Maninder Singh – former Tech Mahindra). Growth accelerators include client mining supported by the new verticalised organisational structure and the GenAI business unit (1.5% of revenue in Q1).
- No large customer concerns currently; the company has signed three new logos supported by PureSoftware and Aureus.
- GCC is more an opportunity than a threat for service providers such as Happiest Minds.

ADD

CMP (as on 11 Sep 24)	**INR 810**
Target Price	**INR 975**
NIFTY	**24,918**

KEY CHANGES	**OLD**	**NEW**
Rating	ADD	ADD
Price Target	INR 860	INR 975
EPS %	FY25E	FY26E
	0.0	0.0

KEY STOCK DATA

Bloomberg code	HAPPSTMN IN
No. of Shares (mn)	152
MCap (INR bn) / ($ mn)	123/1,468
6m avg traded value (INR mn)	761
52 Week high / low	INR 968/734

STOCK PERFORMANCE (%)

	3M	**6M**	**12M**
Absolute (%)	(9.0)	0.5	(13.2)
Relative (%)	(15.5)	(10.2)	(34.5)

SHAREHOLDING PATTERN (%)

	Mar-24	**Jun-24**
Promoters	50.24	44.22
FIs & Local MFs	2.57	2.85
FPIs	4.69	5.31
Public & Others	42.50	47.62
Pledged Shares	0.00	0.00

Source : BSE

Pledged shares as % of total shares

Financial summary

YE March (INR bn)	**FY22**	**FY23**	**FY24**	**FY25E**	**FY26E**	**FY27E**
IITS USD Revenue (mn)	147	178	196	256	315	381
Net Sales	10.94	14.29	16.25	21.41	26.79	32.77
EBIT	2.25	3.17	2.78	3.17	4.75	5.98
APAT	1.86	2.36	2.38	2.42	3.44	4.39
Diluted EPS (INR)	12.2	15.5	15.6	15.9	22.6	28.9
P/E (x)	66.4	52.3	51.8	50.9	35.8	28.1
EV / EBITDA (x)	46.1	33.7	34.0	28.6	20.1	16.1
RoE (%)	30.6	31.3	20.5	15.6	19.9	22.3

Source: Company, HSIE Research, Consolidated Financials

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Mastek

Key takeaways:

- The US is ~27% of Mastek's revenue and the US geography is expected to contribute ~33-35% in the next 3-4 years. The growth in the US geography will be faster than the company average. The strategic focus is reviving the US geography growth led by new deal signings, investments in salesforces and partnership ecosystem, and revival in manufacturing, healthcare and life sciences verticals.
- The US margin is currently in single digits due to client-specific issues. The US margins will become double-digit by the end of FY25E and is expected to be at the company average in the next one year.
- The deal pipeline is strong in the UK geography. There are 2-3 deals in the pipeline and the order booking will continue to remain robust. The deal from the defence department will contribute ~USD 50mn and the total opportunity size is ~USD 400mn.
- Post the UK election, the new Labour Party government focus is increasing focus on the NHS and health programs and the defence verticals. Some of the old NHS deals can restart and NHS department revenue can witness a revival.
- Partnerships with NVIDIA, Microsoft and AWS will open new possibilities. The Nvidia partnership is new but at a very nascent stage.
- Focus is driving growth from the top 30 accounts, which comprise ~57% of revenue. The company maintains the target to reach USD 1bn by the end of this decade (~15-16% organic CAGR) with ~INR200mn coming from inorganic contributions.
- Margins will recover and reach 16-17% by the end of FY25E. There is a wage hike impact of ~150-200bps, which is going to hit in 2Q and 3Q. The margin improvement will come from US margin recovery and scaling of the new deals.

Financial summary

YE March (INR bn)	FY22	FY23	FY24	FY25E	FY26E	FY27E
USD Revenue (mn)	293	318	368	411	471	540
Net Sales	21.84	25.63	30.55	34.48	40.04	45.94
EBIT	4.20	3.88	4.19	4.77	5.89	7.09
APAT	2.95	2.68	3.06	3.44	4.36	5.31
Diluted EPS (INR)	96.6	86.6	96.2	108.7	137.8	168.0
P/E (x)	27.6	30.8	27.7	24.5	19.3	15.9
EV / EBITDA (x)	16.3	18.3	16.6	14.3	11.4	9.1
RoE (%)	30.6	19.4	16.1	15.3	17.0	17.9

Source: Company, HSIE Research, Consolidated Financials

ADD

CMP (as on 11 Sep 24)	**INR 2,665**
Target Price	**INR 3,200**
NIFTY	**24,918**

KEY CHANGES	**OLD**	**NEW**
Rating	ADD	ADD
Price Target	INR 2,900	INR 3,200
EPS %	FY25E	FY26E
	0.0	0.0

KEY STOCK DATA	
Bloomberg code	MAST IN
No. of Shares (mn)	31
MCap (INR bn) / ($ mn)	82/979
6m avg traded value (INR mn)	391
52 Week high / low	INR 3,147/2,103

STOCK PERFORMANCE (%)

	3M	**6M**	**12M**
Absolute (%)	(3.4)	(1.5)	11.0
Relative (%)	(9.8)	(12.2)	(10.2)

SHAREHOLDING PATTERN (%)

	Mar-24	**Jun-24**
Promoters	36.26	36.25
FIs & Local MFs	7.07	7.10
FPIs	14.40	14.03
Public & Others	42.27	42.62
Pledged Shares	0.00	0.00

Source : BSE

Pledged shares as % of total shares

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Teamlease

Key takeaways:

- Teamlease core staffing segment will deliver ~15-20% volume growth, excluding policy benefits announced in the budget. Demand is strong in manufacturing, retail, and consumer verticals.
- Headcount addition in the general staffing will be better vs Q1 and the DA segment will witness a strong recovery. The manufacturing segment is emerging as a strong growth driver, contributing ~13-15% of the general staffing associates base and ~50% of DA trainees.
- There will be no significant improvement in PAPM in the next 1-2 quarters, margin improvement in the core segment will be driven by operating leverage as most of the investments, the NEEM impact and core employees' wage hikes are behind. The growth in DA associates will aid margin improvement, the PAPM is lower, but the GM is higher vs general staffing.
- PAPM will improve gradually as new clients are signed on to the variable markup model with policy changes, which can accelerate the shift from an informal to a formal ecosystem.
- Specialised staffing growth is driven by GCC expansion in India, offset by softness in traditional IT staffing. GCCs are now ~55% of IT services and operate on a rate card model. The specialised staffing margins will be in the range of 6-8% and will recover with growth. The recovery in IT staffing is at least two quarters away, not seeing any signs of immediate recovery.
- The HR services segment: Ed-Tech, which is 60% of HR services, is expected to deliver ~30% revenue growth with a 7-8% EBITDA margin. Regtech has achieved breakeven and HR tech is at EBITDA loss. Overall, the HR services segment is projected to achieve a 25-30% topline growth and a 7-8% EBITDA margin within a year.
- The recent budget announcement will boost employment generation and the lower burden of PF on the employee will boost the shift towards the formal ecosystem. The details of the schemes are not out yet, but the company is closely monitoring the changes, and the net impact will be positive.

ADD

CMP (as on 11 Sep 24)	**INR 3,129**
Target Price	**INR 4,050**
NIFTY	**24,918**

KEY CHANGES	**OLD**	**NEW**
Rating	ADD	ADD
Price Target	INR 3,630	INR 4,050
EPS %	FY25E	FY26E
	+0	+0

KEY STOCK DATA	
Bloomberg code	TEAM IN
No. of Shares (mn)	17
MCap (INR bn) / ($ mn)	52/625
6m avg traded value (INR mn)	165
52 Week high / low	INR 3,700/2,300

STOCK PERFORMANCE (%)

	3M	**6M**	**12M**
Absolute (%)	9.4	7.8	22.3
Relative (%)	3.0	(2.8)	1.0

SHAREHOLDING PATTERN (%)

	Mar-24	**Jun-24**
Promoters	31.61	31.61
FIs & Local MFs	34.05	31.81
FPIs	27.01	28.71
Public & Others	7.33	7.87
Pledged Shares	1.59	1.59

Source : BSE

Pledged shares as % of total shares

Financial summary

YE March (INR bn)	**FY22**	**FY23**	**FY24**	**FY25E**	**FY26E**	**FY27E**
Net Revenue	64.80	78.70	93.22	112.70	138.71	165.90
EBITDA	1.42	1.22	1.31	1.50	2.24	2.78
APAT	1.10	1.14	1.09	1.38	2.04	2.56
Diluted EPS (INR)	64.5	66.5	65.1	82.3	121.8	152.4
P/E (x)	48.5	47.1	48.1	38.0	25.7	20.5
EV / EBITDA (x)	35.4	40.5	37.3	31.7	20.2	15.4
RoE (%)	16.4	15.1	13.6	15.9	19.7	20.2

Source: Company, HSIE Research, Consolidated Financials

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Saksoft

Key takeaways:

- The company operates in four business verticals, Fintech (including credit bureaus) at 31% of revenue, Transportation & Logistics (16% of revenue), Retail/ecommerce (11% of revenue) and Hi-tech/Media (42% of revenue).
- RegTech and Compliance is a large area of spend. Partnership in niche areas such as Transportation Management System (MercuryGate), Logistics system (CargoWise) and Logistics and Transportation integration solution (Cleo).
- ~75% of growth historically (the last 10 years) has been organic. Saksoft has targeted revenue of INR 10bn in FY25E and INR 40bn by 2030.
- GenAI can enable a 15% productivity benefit. 2,200 employees with a presence in Chennai, Bangalore, Pune, Mumbai and Manchester (UK).

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Financial summary

YE March (INR bn)	FY19	FY20	FY21	FY22	FY23	FY24
USD Revenue (mn)	51	51	52	64	83	92
Net Sales	3.58	3.59	3.86	4.8	6.66	7.62
EBIT	0.55	0.54	0.58	0.72	0.98	1.25
APAT	0.38	0.39	0.45	0.63	0.82	0.96
Diluted EPS (INR)	3.5	3.7	4.3	6.0	7.8	9.1
P/E (x)	89.6	84.9	72.0	52.0	40.2	34.4
EV / EBITDA (x)	52.9	51.0	47.6	38.7	27.7	21.8
RoE (%)	22.5	20.2	19.5	21.9	22.7	21.1

Source: Company, HSIE Research, Consolidated Financials

NOT RATED

CMP (as on 11 Sep 24)	**INR 312**
Target Price	**NA**
NIFTY	**24,918**

KEY CHANGES	OLD	NEW
Rating	NR	NR
Price Target	NA	NA
EPS %	FY25E	FY26E
	NA	NA

KEY STOCK DATA	
Bloomberg code	SAK IN
No. of Shares (mn)	105
MCap (INR bn) / ($ mn)	36/427
6m avg traded value (INR mn)	126
52 Week high / low	INR 402/210

STOCK PERFORMANCE (%)	3M	6M	12M
Absolute (%)	18.0	57.5	6.7
Relative (%)	10.0	43.5	(16.3)

SHAREHOLDING PATTERN (%)	Mar-24	Jun-24
Promoters	66.64	66.64
FIs & Local MFs	0.00	0.00
FPIs	4.00	3.53
Public & Others	29.36	29.83
Pledged Shares	0.00	0.00

Source : BSE

Pledged shares as % of total shares

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Onward Technologies

Key takeaways:

- The current business mix of the company is 81% ER&D and Digital 19% – within ER&D, 50% of revenue is from mechanical engineering and 30% is embedded. The employee base is 2,500 – Pune (~1,000), Chennai (~1,000), Bangalore (~300), Hyderabad (~100), and 150 employees outside India.
- Within verticals, Industrial Equipment is 50-55% of revenue, Transportation & Mobility is 40-45% of revenue and the recently started Healthcare & Lifesciences vertical which is 5% of the revenue. All 86 customers are US and Europe-headquartered.
- 50% of Onward Tech's revenue is from its global customer's Indian GCC. Onward Tech has scaled its growth opportunity from existing GCC customers is 15-40%.
- For Onward, onshore is an opportunity. The healthcare vertical is only US-focused, with new independent units and leadership.
- The company has 11 clients with >USD 1mn revenue (including 1 above USD 5mn+); DSO from 77 days can come down to 65 days.

NOT RATED

CMP (as on 11 Sep 24)	**INR 418**
Target Price	**NA**
NIFTY	**24,918**

KEY CHANGES	**OLD**	**NEW**
Rating	NR	NR
Price Target	NA	NA
	FY25E	FY26E
EPS %	NA	NA

KEY STOCK DATA	
Bloomberg code	ONT IN
No. of Shares (mn)	23
MCap (INR bn) / ($ mn)	10/110
6m avg traded value (INR mn)	48
52 Week high / low	INR 740/334

STOCK PERFORMANCE (%)

	3M	**6M**	**12M**
Absolute (%)	2.4	(5.0)	(27.8)
Relative (%)	(5.6)	(19.0)	(50.8)

SHAREHOLDING PATTERN (%)

	Mar-24	**Jun-24**
Promoters	38.12	38.02
FIs & Local MFs	7.66	7.59
FPIs	2.50	1.64
Public & Others	51.72	52.75
Pledged Shares	0.00	0.00

Source : BSE

Pledged shares as % of total shares

Financial summary

YE March (INR bn)	**FY19**	**FY20**	**FY21**	**FY22**	**FY23**	**FY24**
USD Revenue (mn)	37	38	32	41	55	57
Net Sales	2.61	2.72	2.40	3.07	4.41	4.72
EBIT	0.21	0.12	0.09	0.11	0.14	0.39
APAT	0.15	0.07	0.09	0.24	0.11	0.34
Diluted EPS (INR)	8.9	4.0	5.3	10.4	5.1	15.0
P/E (x)	47.0	104.8	78.6	40.1	82.7	28.0
EV / EBITDA (x)	25.9	29.2	36.8	41.5	33.1	17.6
RoE (%)	26.2	10.4	12.7	19.9	6.8	17.8

Source: Company, HSIE Research, Consolidated Financials

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Information Services Group (ISG)

Key takeaways:

- Growth recovery will be service-specific (areas around Cloud, AI, and DevOps) and not based on the size of the provider. Enterprises are beginning to commit to net new investments beyond their initial AI infrastructure spending.
- In BFSI, decision-making and approvals are improving. Growth can improve with lower gap between TCV announced and committed spend.
- Enormous amount of middle office transformation happening in banks right now and the tech spend is a combination of cloud, software and GCC.
- Decision-making is still slow in Europe.
- A lot of GenAI activity but still smaller project-based work; up to 40-45% effort reduction is possible in the contact centre and ADM but it is not there yet. Effort reduction in SDLC (software development life cycle) may be different - 40% in Testing and 10% in requirements.
- Of the net new deals, 60% are in Application Development and Maintenance (ADM), with 30% of ADM typically being discretionary—an area where clients have cut back in the last 12-18 months. While budgets remained flat, additional approval layers and slower decision-making contributed to the weakness. As the market recovers, faster approval processes will drive growth more than budget increases.
- There is unlimited demand for new code; however, price and cost remain critical factors. In contrast, the demand in BPO Finance & Accounting is finite (e.g., the number of invoices processed), and the ACV per unit cost is expected to decline further, posing a greater deflationary risk in BPO.
- The Telecom & Media sector remains under pressure despite numerous mega deals primarily aimed at cost reduction.

NASSCOM

Key takeaways:

- GCC (global capability centres) has a very large opportunity – globally only 8,000 GCCs as compared to the large no. of enterprises.
- Growth CAGR in the last 5 years for GCC is similar to third-party services, but in the last 2 years growth in GCC was higher (post-global financial crisis, GCC did worse than a third party); convergence of growth between GCC and the third party can happen.
- Most of the GCCs that have come in the last 5 years are doing a lot of work in engineering services.
- Success stories and the availability of talent at scale are key reasons driving growth in GCCs.
- AI will become a foundational technology like the cloud as it was digital a decade ago.
- Tech hiring has been driven by hiring in GCC and tech roles by non-tech companies.
- Tier-2 and tier-3 centers are expanding but at mid and senior level, the concentration is within the mega hubs.

ER&D Expert

Key takeaways:

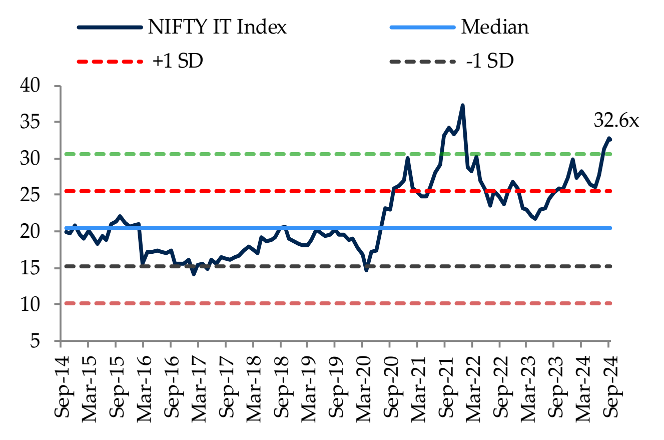
- Global engineering services outsourcing market decelerated/bottomed out at 5.5% growth in CY24E vs. ~7% in CY23; it's expected to accelerate to 9-10% over CY24-27E and reach USD 107bn. Themes such as platformisation, softwarisation and digital manufacturing will drive growth.
- Europe's market has started to slow down.
- Enterprises are prioritising cost optimisation and margin enhancement over net new digital engineering investments.
- The focus on GCC is huge and the drive towards enterprise interest in GCC enablement is not in sync with the capability towards GCC enablement.
- High growth opportunity is attracting large service providers including several M&A deals, recent being Cognizant's acquisition of Belcan.
- Cost, capability, and existing outsourcing relation are some of the factors on which an enterprise decides whether to set up GCC or go to third-party service provider. Strong horizontal capabilities and specific point capabilities backed by talent are critical.

IT Services: valuation metrics

Company	MCap (INR bn)	CMP (INR)	TP INR)	RECO	EPS (INR)				P/E (x)				RoE (%)				USD Rev CAGR% FY24-27E	EPS CAGR% FY24-27E
					FY24	FY25E	FY26E	FY27E	FY24	FY25E	FY26E	FY27E	FY24	FY25E	FY26E	FY27E		
TCS	16,390	4,479	4,695	ADD	128.9	142.0	158.2	171.0	34.8	31.5	28.3	26.2	51.6	55.7	58.8	59.2	6.8	9.9
Infosys	7,926	1,910	1,980	ADD	59.7	63.8	74.4	80.8	32.0	29.9	25.7	23.6	30.3	29.1	31.8	32.5	6.3	10.6
HCL Tech	4,827	1,779	1,800	ADD	57.9	60.8	71.0	78.0	30.7	29.3	25.0	22.8	23.5	23.6	26.4	27.8	7.3	10.5
Wipro	2,693	514	520	REDUCE	21.1	22.8	25.6	27.7	24.4	22.6	20.1	18.6	14.4	15.6	16.8	17.4	3.6	9.5
LTIMindtree	1,862	6,299	6,535	ADD	155.0	170.7	212.7	252.7	40.6	36.9	29.6	24.9	25.0	23.6	25.5	26.1	12.0	17.7
TechM	1,414	1,603	1,545	REDUCE	31.9	49.3	72.6	84.6	50.2	32.5	22.1	18.9	10.3	16.1	22.7	25.3	7.0	38.4
Persistent	814	5,290	5,520	ADD	73.4	88.0	114.5	143.6	72.0	60.1	46.2	36.8	24.5	25.2	27.9	29.4	17.7	25.1
L&T Tech	600	5,676	5,100	REDUCE	123.5	133.0	159.3	189.5	45.9	42.7	35.6	30.0	25.4	24.4	25.2	25.6	12.2	15.3
Mphasis	574	3,067	2,775	REDUCE	83.1	89.9	102.7	117.0	36.9	34.1	29.9	26.2	18.6	18.4	19.5	20.5	8.1	12.1
Tata Elxsi	481	7,717	7,240	REDUCE	127.2	140.9	170.2	197.9	60.7	54.8	45.3	39.0	34.5	32.5	33.8	33.7	14.0	15.9
Cyient	230	2,080	2,100	ADD	67.1	66.6	85.8	99.0	31.0	31.2	24.2	21.0	19.2	16.6	19.5	20.3	10.1	13.8
Sonata	190	678	740	ADD	17.2	19.4	25.2	29.7	39.4	35.0	26.9	22.9	35.7	35.2	38.1	37.2	14.3	19.9
Birlasoft	173	629	780	ADD	22.2	23.3	27.3	31.0	28.3	27.0	23.1	20.3	22.3	19.6	20.1	20.0	9.3	11.7
Zensar	175	766	925	ADD	29.1	31.4	36.1	41.8	26.3	24.4	21.2	18.3	20.0	18.3	18.6	19.0	10.9	12.9
Happiest Minds	123	810	975	ADD	15.6	15.9	22.6	28.9	51.8	50.9	35.8	28.1	20.5	15.6	19.9	22.3	24.8	22.7
Mastek	82	2,665	3,200	ADD	96.2	108.7	137.8	168.0	27.7	24.5	19.3	15.9	16.1	15.3	17.0	17.9	13.6	20.4
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**

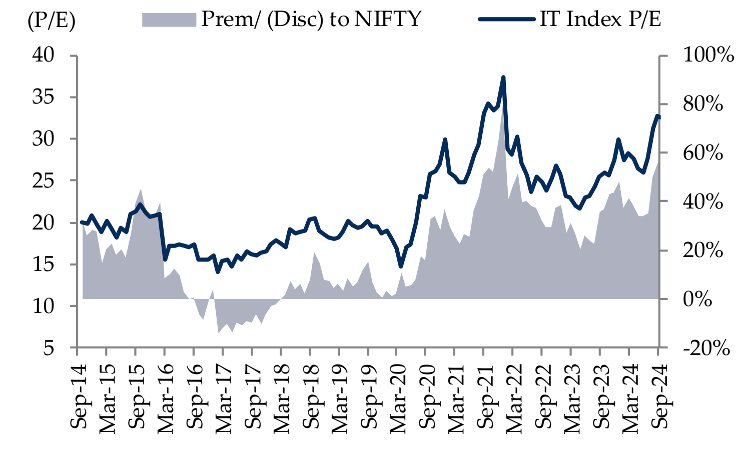
Source: HSIE Research, CMP as on 11th Sep 2024

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



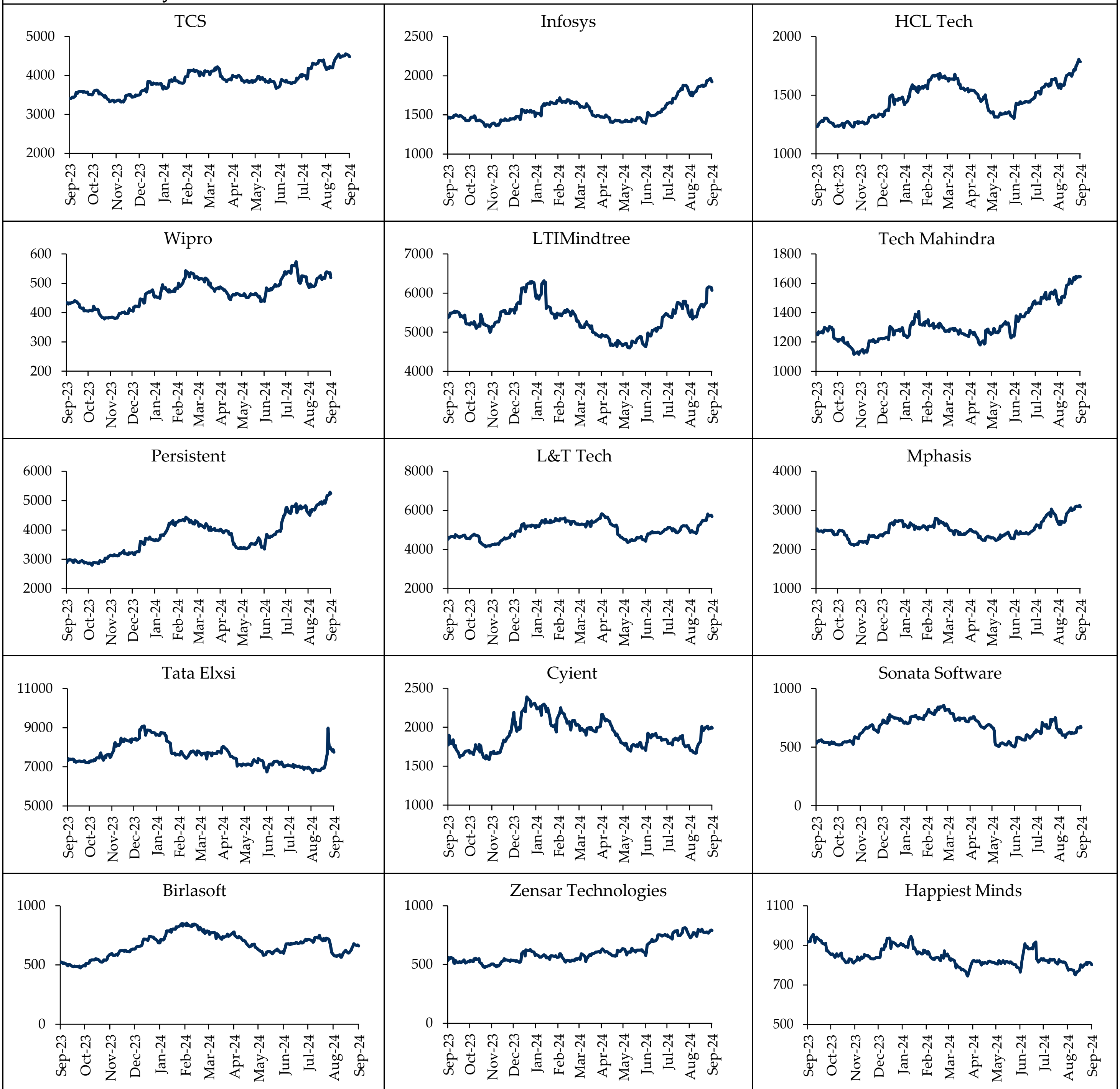
Source: Bloomberg, HSIE Research

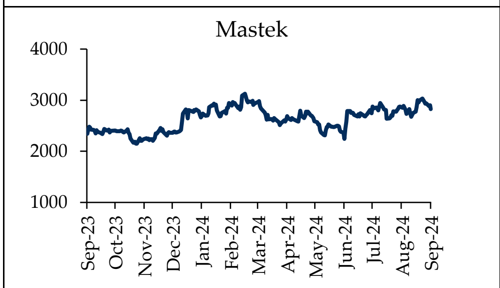
IT Index Valuation Trend vs NIFTY



Source: Bloomberg, HSIE Research

1 Yr Price history





Rating Criteria

BUY: >+15% return potential

ADD: +5% to +15% return potential

REDUCE: -10% to +5% return potential

SELL: >10% Downside return potential

Disclosure:

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