kotak Institutional Equities

UPDATE

IT Services
India

Sector View: **Neutral** NIFTY-50: **24,045** **June 27, 2024**

IT preview—moderate improvements

We forecast moderate growth rate improvement across many companies in our coverage universe, led by seasonal strength, large deal ramp-up and reducing intensity of cuts in discretionary programs. The EBIT margin performance will vary sequentially based on wage revision, but on yoy basis it will be steady or increasing for many. We expect Infosys, TCS, LTI, PSYS and KPIT to report robust sequential growth rates, while HCLT, Cyient and Mphasis will report muted numbers. Infosys, TCS and Coforge are our top picks.

Moderate improvement from an extremely low base

We expect a better sequential growth rate for many companies due to (1) seasonal strength, (2) ramp-up of cost takeout deals won in earlier quarters and (3) reducing intensity of cuts in discretionary programs, especially in the financial services vertical. Infosys will lead the growth among Tier 1 companies, with 2.5% qoq growth, followed by LTIM at 2.0% and TCS at 1.5%. Wipro and TechM will likely report flat revenues. On expected lines, HCLT will report 2% revenue decline qoq. Among mid-tier, KPIT (5.5%) and PSYS (3.5%) will report strong growth, while Mphasis (0.5%) and Cyient ((-)2.6%) will disappoint.

EBIT margins—stability for large cos, mixed trends for mid-tier companies

We forecast stable or increasing EBIT margins for large companies yoy, especially for TCS (140 bps yoy) and Wipro (60 bps yoy). Sequentially, margins will vary depending on seasonal factors and the wage revision cycle. TCS and HCLT will report qoq decline, whereas other large companies will report an increase. We expect a 30 bps qoq increase for LTIM, but a yoy decline of 170 bps due to investments to fund growth. The picture is mixed for mid-tier, with many likely to report a profitability decline yoy. This is down to upfront costs in large deals, a shift in mix of business and S&M costs. LTTS will report the sharpest yoy decline in margins at 160 bps.

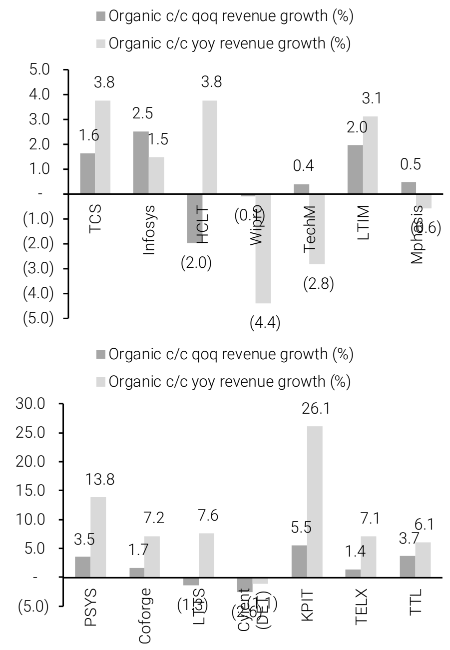
Guidance—unchanged at Infosys and HCLT; cut at Cyient (DET)

We expect Infosys to retain its FY2025E revenue growth guidance at 1-3%. Required CQGR to achieve guidance after 1Q will stand at flat to 1.4%. EBIT margin guidance at 20-22% will stay unchanged. We expect HCLT to retain 3-5% revenue growth and 18-19% EBIT margin guidance band. We expect Wipro to guide for flat revenues at the mid-point, with a guidance range of (-)1-1% for the Sep 2024 quarter. Cyient's (DET) revenue growth guidance might be lowered to low-to-mid single digits, while its EBIT margin guidance is likely to be retained at around 16% for FY2025.

Infosys and TCS—top large cap pick; Coforge among top mid-cap picks

FY2025 will be a marginally better year on lower discretionary spending cuts. Cost takeout-driven large deals will contribute to growth. Our base case for FY2026 is recovery in spending, with continued benefits of cost takeout programs. Infosys is our top pick in the space, noting its ability to drive transformation and the cost takeout agenda of clients. TCS has the same characteristics and is among our key picks.

Organic c/c growth estimates, June 2024 quarter



Source: Kotak Institutional Equities estimates

Prices in this report are based on the market close of June 27, 2024

Full sector coverage on KINSITE

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Moderate deal activity—higher onus on 2QFY25

Large and mega deal announcements have been somewhat below our expectations for most companies, except Wipro, courtesy the US$500 mn deal with a US telecom client. Most deals are driven by cost optimization mandates. We expect a reasonable large deal TCV of US$3 bn+ for Infosys. We expect muted growth or decline in TCV yoy for Mphasis, Coforge and TCS. While not impressive, TCV of TechM and HCLT will be significantly above 1QFY24 levels due to a low base. Timing of large deal signings tend to be volatile and hence, signings can bounce back for others in 2QFY25. Note that deal TCV was relatively weak for Infosys and HCLT in 1QFY24, but hit record highs in 2QFY24.

ERD services—auto remains robust, weakness elsewhere

Automotive OEMs continue to spend aggressively on technology transition, despite some moderation in sales volume growth for BEVs. Strong demand for auto ERD services has also attracted interesting moves by larger IT services peers such as HCLT and Infosys, acquiring European auto ERD services vendors over the past year. Tier-1 suppliers have been impacted due to the current disruption that is underway in the industry. KPIT should continue to benefit from strong relationships with top global OEMs. TELX and TTL will continue to leverage Tata Group relationships. However, demand in other verticals such as telecom and medical devices would remain weak. The aerospace vertical benefited from demand for aftermarket services over the past 5-6 quarters, but is seeing some signs of a slowdown. Spending on new product development programs would provide a fillip to revenue growth. Cyient (DET) and LTTS would report revenue declines qoq.

Key focus areas

- **Recovery in discretionary spending and pace of decision-making.** Macro and geopolitical uncertainties in FY2024 led to weaker discretionary spending and slowdown in pace of decision-making. We note some improvement in 1QFY24 in segments such as BFS, largely driven by a low base of the previous year. While the incremental cut in discretionary spend has moderated, an uptick appears unlikely with the delay in interest rate cuts and US elections on the horizon. Focus will be on indications of broader recovery in spending and pick-up in decision-making timelines.

- **Order book conversion.** Cost takeout is the underlying theme of most large deal wins. We expect the conversion of order book to improve as cost-focused deals ramp up and offset the incremental cut in discretionary programs.

- **Hiring.** Employee bench has been sufficiently optimized in FY2024, which is evident in higher utilization levels. Expect hiring to pick up to fuel incremental growth. We expect better fresher hiring for the industry in FY2025. We expect companies to make use of the benign supply side to onboard quality talent at reasonable wage levels. Increase in lateral hiring can also lead to a slight pick-up in attrition.

- **Resource cost optimization.** The median wage hike was healthy in FY2024, even as the overall increase in employee remuneration lagged, perhaps due to resource cost optimization measures. We expect cost structure repair to continue in FY2025, aiding in yoy margin improvement.

- **Insourcing.** While GCC ramp-ups will continue in the medium term, a higher portion of incremental spends can be channeled toward outsourcing partners than GCCs in FY2025. We believe excessive hiring immediately post-Covid limited the use of third-party providers, as utilizing excess in-house talent took a priority.

- **Gen AI.** Funding of gen AI PoCs and experiments is largely done through existing discretionary budgets. We believe a greater portion of spends are funneled through to AI platform providers, hyperscalers and consulting firms compared with IT services. Increasing productivity in software development and BPO services is one of the prioritized use cases, which can lead to revenue growth headwinds in the initial stages of gen AI adoption. Opportunities in modernizing data environments to support scaling up of gen AI initiatives can offset the impact.

Discussion on individual companies

- **TCS.** We expect 1.6% c/c qoq revenue growth. Our estimates include US$150 mn from the BSNL deal, a marginal growth compared with the March 2024 quarter. Revenue growth would be driven by a ramp-up in execution of strong order signings of earlier quarters. We expect weak revenues in financial services and telecom. We forecast a 140 bps qoq decline in EBIT margin due to wage revision and likely decline in utilization rates. We expect a 140 bps yoy increase in EBIT margin. We expect US$11-12 bn of deal wins, driven by a high rate of closures of cost takeout deals. Renewal component in deals will be higher, in our view. Focus will be on TCS's ability to leverage its strengths in 'Run' spends and outperform on revenue growth in FY2025E. TCS also has won quite a few mega deals, which can contribute to ~2.5% growth in FY2025E. We expect investor focus on (1) the outlook in the financial services vertical and any loss of share to insourcing at large clients, (2) state of spending in the impacted North American market, and the financial services, hi-tech and telecom verticals, (3) pipeline of deals, (4) state of discretionary spending and what would it take to revive the same, (5) impact of GCC ramp-up on growth of companies and (6) levers to defend and increase margins.

- **Infosys.** We forecast sequential revenue growth of 2.5%, led by (1) a ramp-up of multiple mega deals, (2) the one-off impact of 100 bps on revenues in the March 2024 quarter from rescoping of engagement with a financial services client—this provides a low base and effectively a 1% kicker to the June 2024 quarter's growth numbers and (3) reducing intensity of discretionary project cuts. We expect an 80 bps qoq increase in EBIT margin due to (1) the absence of the 100 bps one-off impact—at the same time, we expect normalization of ECL and post-sale client support provision, leading to a headwind of 50 bps—this leads to a net benefit of 50 bps and (2) lower visa and subcon charges and higher employee utilization rate. We expect large deal TCV of US$3 bn. The focus will be on translation of revenues of large deals signed in earlier quarters into revenues. We expect Infosys to retain its revenue growth guidance at 1-3% and EBIT margin guidance band of 20-22%. We expect investor focus to be on (1) translation of mega deals into revenues, (2) deal pipeline, (3) outlook in BFSI—an underperforming vertical, (4) discretionary spending environment, especially in impacted verticals and (5) senior management attrition.

- **HCL Tech.** We expect a 2% revenue decline due to impact of usual productivity gains in annuity deals and additional impact of offshoring of a large deal that ramped up from March 2023. We forecast a decline of 2.3% qoq in IT and business services, and 2.7% in products. The decline in revenues will have a corresponding impact on EBIT margin. We forecast 70 bps qoq and 10 bps yoy declines in EBIT margin. HCLT has disappointed so far in net new deal wins in FY2024, except for the US$2.1 bn mega deal with Verizon. This will be an area of investor focus. We forecast deal wins of US$2.5 bn. Expect the company to retain 3-5% revenue growth and 18-19% EBIT margin guidance for FY2025E. We expect investors to focus on (1) the reasons for weak deal wins (adjusted for Verizon contract) over the past four quarters and its implications for revenues, (2) 2QFY25 revenue growth indication, noting likely hit to revenues from divestment of State Street JV, (3) recovery in discretionary spending in the services segment and (4) environment required to hit aspirational margin band of 19-20%.

- **Wipro.** We expect flat revenues for the quarter. Revenues will be above the midpoint guidance of (-)1.5-0.5%. We attribute relatively strong performance to strength in CAPCO and likely recovery in the Americas market. We forecast a 30 bps increase in EBIT margin qoq due to cost containment and efficiency measures. We expect strong deal signings after multiple quarters of disappointment. Wipro announced its first mega deal since 2021 in the communications vertical. The company has signed other deals as well, besides the mega deal announced recently. We expect revenue growth guidance of (-)1 to 1%. We expect growth in Americas to be offset by weak Europe and APMEA. We expect investor focus on (1) reasons for continued senior leadership attrition, (2) efficacy of measures taken by the new CEO to turnaround business along with progress on five focus areas, (3) sustenance of green shoots in the consulting business (Capco and Rizing), (4) positioning in cost takeout and vendor consolidation deals where Wipro can be vulnerable and (5) margin levers to meet aspirational margin level of 17%+.

- **TechM.** We forecast moderate growth of 0.4%, led by the manufacturing and hi-tech verticals. We forecast weak revenues in the communications vertical due to a seasonally weak Comviva impact. We forecast a 110 bps EBIT margin increase, resulting from marginal growth and efficiency measures. We expect steady net new TCV of US$500 mn. This needs to accelerate to improve to drive revenue growth. We expect quarterly financials to have a limited sway on stock performance in the near term, with focus entirely on medium targets laid by the CEO. We expect investors to focus on (1) measures to improve margins to 15% by FY2027, (2) health of the telecom vertical, a segment in which many peers have announced mega deals, (3) growth in the keenly watched financial services vertical, (4) health of the deal pipeline and positioning in cost takeout deals and (6) any revenue leakage in existing accounts and positioning in vendor consolidation events.

Cross-currency movements are marginal across most companies qoq and yoy for June 2024 quarter; higher headwind at KPIT due to higher JPY exposure

Exhibit 1: Cross-currency tailwinds/(headwinds) qoq and yoy in June 2024 quarter for IT companies under coverage

	Currency-wise revenue mix (a)					Impact in bps on US$ revenue growth (qoq)	Impact in bps on US$ revenue growth (yoy)
	US	Europe		Rest of the world			
	USD	GBP	EUR	AUD	Others		
TCS	54	16	15	15		(29)	(50)
Infosys	67	4	15	5	9	(9)	(22)
Wipro	60	11	11	5	13	(8)	(12)
HCLT	64	13	16	7		(14)	(16)
TM	51	10	11	4	23	(10)	(18)
LTIM	72	5	11	13		(6)	(19)
Mphasis	81	11		9		(7)	(10)
Persistent	80	7	3	10		(7)	(12)
Coforge	48	32	8	3	9	(12)	5
LTTS	60	16		23		(13)	(26)
Cyient	44	8	18	12	18	(12)	(37)
KPIT	34	6	45	16		(88)	(179)
Tata Elxsi	40	30	7	22		(44)	(71)
Tata Technologies	19	23	4	54		(21)	(23)

Source: Company, Kotak Institutional Equities estimates

AUD appreciated while GBP, INR, EUR and JPY depreciated on average versus USD in June 2024 quarter

Exhibit 2: Sequential cross-currency movement in June 2024 quarter

	INR/USD	USD/GBP	USD/EUR	USD/AUD	JPY/USD
Depreciation of currencies against the US Dollar					
Mar-24	83.1	1.3	1.1	0.7	150.0
Jun-24	83.4	1.3	1.1	0.7	157.7
Appr/ (Depr) (%)	**(0.3)**	**(0.2)**	**(0.8)**	**0.8**	**(4.9)**

	INR/USD	INR/GBP	INR/EUR	INR/AUD	JPY/INR
Appreciation of the Rupee against other currencies					
Mar-24	83.1	105.2	90.0	54.5	1.8
Jun-24	83.4	105.3	89.6	55.1	1.9
Appr/ (Depr) (%)	**(0.3)**	**(0.1)**	**0.5**	**(1.1)**	**4.6**

Source: Bloomberg, Kotak Institutional Equities estimates

GBP appreciated while AUD, EUR, INR and JPY depreciated on average versus USD in June 2024 quarter

Exhibit 3: Cross-currency movement yoy in June 2024 quarter

	INR/USD	USD/GBP	USD/EUR	USD/AUD	JPY/USD
Depreciation of currencies against the US Dollar					
Jun-23	82.2	1.25	1.09	0.66	139.6
Jun-24	83.4	1.26	1.07	0.66	157.7
Appr/ (Depr) (%)	**(1.4)**	**0.8**	**(1.3)**	**(0.5)**	**(11.5)**

	INR/USD	INR/GBP	INR/EUR	INR/AUD	JPY/INR
Appreciation of the Rupee against other currencies					
Jun-23	82.2	103.0	89.5	54.6	1.7
Jun-24	83.4	105.3	89.6	55.1	1.9
Appr/ (Depr) (%)	**(1.4)**	**(2.2)**	**(0.1)**	**(0.9)**	**10.2**

Source: Bloomberg, Kotak Institutional Equities estimates

Improvement in qoq growth trend across most IT companies

Exhibit 4: Constant-currency and organic constant-currency growth for IT companies under our coverage, Sep 2021-Jun 2024E (%)

	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24E
C/C revenue growth (qoq, %)												
TCS	4.0	4.0	3.2	3.5	4.0	2.2	0.6	—	0.1	1.0	1.1	1.6
Infosys	6.3	7.0	1.2	5.5	4.0	2.4	(3.2)	1.0	2.3	(1.0)	(2.2)	2.5
Wipro IT	8.1	3.0	3.1	2.1	4.1	0.6	(0.6)	(2.8)	(2.0)	(1.7)	(0.3)	(0.1)
HCL Technologies	3.5	7.6	1.1	2.7	3.8	5.0	(1.2)	(1.3)	1.0	6.0	0.3	(2.0)
Tech Mahindra	7.2	4.7	5.4	3.5	2.9	0.2	0.3	(4.2)	(2.4)	1.1	(0.8)	0.4
LTIMindtree						1.9	0.7	0.1	1.7	0.7	(1.3)	2.0
Mphasis	6.6	7.8	4.3	2.0	1.8	(2.5)	(4.5)	(3.5)	—	1.0	2.1	0.5
Persistent		9.6	9.3	12.0	6.6	3.5	3.5	2.9	3.2	3.1	3.4	3.5
Coforge	7.5	5.3	5.0	4.7	6.2	3.7	4.7	2.7	2.3	1.8	1.9	1.7
LTTS	6.0	4.2	3.6	4.7	4.5	—	2.2	9.8	3.2	0.9	5.1	(1.3)
Cyient (DET)	5.5	4.4	1.6	6.5	12.3	11.9	3.2	0.3	1.0	1.1	(0.5)	(2.6)
KPIT	4.8	5.6	5.2	6.0	8.3	19.3	8.5	7.1	9.0	4.3	5.1	5.5
Tata Elxsi	7.4	6.5	7.4	6.5	4.7	3.5	1.6	1.2	3.4	3.0	(0.6)	1.4
Tata Technologies										1.9	0.3	3.7
C/C revenue growth (yoy, %)												
TCS	15.5	15.4	14.3	15.5	15.4	13.5	13.5	7.0	2.8	1.7	2.2	3.8
Infosys	19.4	21.5	20.6	21.2	18.8	13.7	13.7	4.2	2.5	(1.0)	—	1.5
Wipro IT	28.8	28.5	28.5	17.2	12.9	10.4	10.4	1.1	(4.8)	(6.9)	(6.6)	(4.4)
HCL Technologies	10.5	15.0	13.3	15.6	15.8	13.1	13.1	7.1	3.4	4.3	6.0	5.1
Tech Mahindra	15.5	17.5	22.6	21.2	16.8	12.7	12.7	(0.9)	(5.9)	(5.4)	(6.4)	(2.8)
LTIMindtree						16.3	16.3	8.2	4.4	3.1	1.2	3.1
Mphasis	17.2	24.2	26.8	22.1	16.8	5.7	3.1	(8.4)	(10.1)	(6.3)	(0.4)	3.7
Persistent								17.5	13.8	13.3	13.2	13.8
Coforge			27.2	24.4	22.9	21.1	20.7	18.4	14.1	12.0	9.0	7.2
LTTS	22.3	19.5	19.4	19.9	18.1	13.5	12.1	17.3	16.2	16.8	19.6	7.6
Cyient (DET)	7.7	12.1	11.3	18.7	25.8	34.4	38.4	30.6	17.1	5.4	1.8	(1.1)
KPIT		21.2	21.0	23.0	27.0	44.7	50.0	51.7	51.7	31.5	27.6	26.1
Tata Elxsi	37.2	32.7	30.9	30.9	27.8	24.4	17.9	11.9	10.1	9.4	7.2	7.1
Tata Technologies										11.6	(9.3)	6.1
Organic C/C revenue growth (qoq, %)												
TCS	4.0	4.0	3.2	3.5	4.0	2.2	0.6	—	0.1	1.0	1.1	1.6
Infosys	6.3	7.0	1.1	5.4	3.9	2.3	(3.2)	1.0	2.3	(1.0)	(2.3)	2.5
Wipro IT	7.9	(4.4)	(1.0)	1.7	2.8	(0.4)	(0.6)	(2.8)	(2.0)	(1.7)	(0.4)	(0.1)
HCL Technologies	3.5	7.6	1.1	2.6	3.8	5.0	(1.2)	(1.3)	0.5	5.1	0.3	(2.0)
Tech Mahindra	6.4	3.7	2.5	3.1	2.5	0.2	0.3	(4.2)	(2.4)	1.1	(0.8)	0.4
LTIMindtree						1.9	0.7	0.1	1.7	0.7	(1.3)	2.0
Mphasis	5.7	(0.1)	4.3	2.0	1.8	(2.5)	(4.5)	(3.5)	(0.5)	(2.8)	2.1	0.5
Persistent		9.6	9.3	12.0	6.6	3.5	3.5	2.9	3.2	3.1	3.4	3.5
Coforge	4.5	5.3	5.0	4.7	6.2	3.7	4.7	2.7	2.3	1.8	1.9	1.7
LTTS	6.0	4.2	3.6	4.7	4.5	—	2.2	0.7	1.6	(0.0)	0.8	(1.3)
Cyient (DET)	5.2	4.1	1.6	(0.4)	3.0	3.7	2.6	(0.2)	1.0	1.1	(0.5)	(2.6)
KPIT	1.1	5.6	5.2	5.3	8.0	5.9	8.5	5.7	9.0	4.3	5.1	5.5
Tata Elxsi	7.4	6.5	7.4	6.5	4.7	3.5	1.6	1.2	3.4	3.0	(0.6)	1.4
Tata Technologies										1.9	0.3	3.7
Organic C/C revenue growth (yoy, %)												
TCS	15.5	15.4	14.3	15.5	15.4	13.5	10.7	7.0	2.8	1.7	2.2	3.8
Wipro IT	15.3	15.4	14.4	10.1	8.8	6.8	4.3	(0.1)	(4.8)	(6.9)	(6.7)	(4.4)
Infosys	18.8	20.9	20.5	21.1	18.6	13.4	8.4	3.9	2.3	(1.1)	—	1.5
HCL Technologies	10.5	15.0	13.3	15.6	15.8	13.1	10.4	7.1	2.9	3.0	4.7	3.8
Tech Mahindra	12.8	13.9	16.3	15.6	11.9	9.0	5.5	(1.3)	(5.9)	(5.4)	(6.4)	(2.8)
LTIMindtree						16.3	13.5	8.2	4.4	3.1	1.2	3.1
Mphasis	14.8	14.7	18.1	13.4	9.0	5.7	3.1	(8.4)	(10.6)	(10.3)	(4.5)	(0.6)
Persistent								17.5	14.1	13.3	13.2	13.8
Coforge			16.6	21.4	22.9	21.1	20.7	18.4	14.1	12.0	9.0	7.2
LTTS	20.2	19.5	19.4	19.9	18.1	13.5	12.1	7.6	4.9	4.5	3.1	7.6
Cyient (DET)	5.1	10.7	10.7	14.7	11.5	10.6	12.0	9.4	7.9	5.4	1.8	(1.1)
KPIT		17.1	17.2	18.5	25.9	28.6	34.5	35.5	36.5	30.0	26.2	26.1
Tata Elxsi	37.2	32.7	30.9	30.9	27.8	24.4	17.9	11.9	10.1	9.4	7.2	7.1
Tata Technologies										11.6	(9.3)	6.1

Source: Companies, Kotak Institutional Equities estimates

Margin improvement yoy at Tier 1 IT, excluding HCLT

Exhibit 5: EBIT margin trends for companies under coverage, Sep 2021-Jun 2024E (%)

	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24E
TCS	25.6	25.0	25.0	23.1	24.0	24.5	24.5	23.2	24.3	25.0	26.0	24.6
Wipro IT	17.7	17.6	17.0	15.0	15.1	16.3	16.3	16.0	15.0	16.0	16.4	16.7
Infosys	23.6	23.5	21.6	20.1	21.5	21.5	21.0	20.8	21.2	20.5	20.1	20.9
HCL Technologies	19.0	19.0	17.9	17.0	18.0	19.6	18.1	17.0	18.5	19.8	17.6	16.9
Tech Mahindra	15.2	14.8	13.2	11.0	11.4	12.0	11.2	6.8	4.7	5.4	7.4	8.5
LTIMindtree	17.6	18.5	18.0	17.3	17.5	13.9	16.4	16.7	16.0	15.4	14.7	15.0
Mphasis	15.1	15.1	15.2	15.3	15.3	15.3	15.3	15.4	15.5	14.9	14.9	15.0
Persistent	13.9	14.0	14.0	14.3	14.6	15.4	15.4	14.9	13.7	14.5	14.5	14.3
Coforge	13.7	14.9	14.6	12.3	14.1	14.5	14.0	11.1	11.6	13.5	13.7	12.7
LTTS	18.4	18.6	18.6	18.3	18.2	18.7	18.7	17.2	17.1	17.2	16.9	15.6
Cyient (DET)	18.4	18.6	18.6	12.8	12.5	13.9	15.1	16.1	16.5	16.0	16.0	15.6
KPIT	12.7	13.5	13.9	14.9	14.2	14.1	14.9	15.9	16.0	16.6	16.7	17.1
Tata Elxsi	28.6	31.0	30.1	30.6	26.8	27.6	27.3	27.1	27.1	26.8	25.8	25.9
Tata Technologies						16.2	15.5			16.2	16.2	16.6

Source: Companies, Kotak Institutional Equities estimates

Exhibit 6: Results preview for quarter ending June 2024 (Rs mn)

Financials	Jun-23	Mar-24	Jun-24E	qoq (%)	yoy (%)	Comments/what to look for
TCS (July 11, 2024)						
Revenues (US$ mn)	7,226	7,363	7,462	1.3	3.3	Our estimates include US$150 mn from the BSNL deal, a marginal growth compared to March 2024 quarter. Revenue growth would be driven by ramp-up of strong order signings of earlier quarters. We expect weak revenues in financial services and telecom.
Revenue growth (c/c qoq, %)	—	1.1	1.6			We forecast 140 bps qoq decline in EBIT margin due to wage revision and likely decline in utilization rates. We forecast 140 bps yoy increase in EBIT margin.
Revenue growth (c/c yoy, %)	7.0	2.2	3.8			We expect US$11-12 bn of deal wins driven by high rate of closures of cost take-out deals . Renewal component in deals will be higher in our view.
Organic revenue growth (c/c qoq, %)	—	1.1	1.6			Focus will be on TCS ability to leverage its strengths in 'Run' spends and outperform on revenue growth in FY2025E. TCS also has won quite a few mega deals which can contribute to ~2.5% growth in FY2025E.
Organic revenue growth (c/c yoy, %)	7.0	2.2	3.8			
Revenues	593,810	612,370	622,290	1.6	4.8	We expect investor focus on: (1) outlook in financial services vertical and any loss of share to insourcing at large clients, (2) state of spending in the impacted North America market and financial services, hi-tech & telecom verticals; (3) pipeline of deals; (4) state of discretionary spending and what would it take to revive the same; (5) impact of GCC ramp up on growth of companies and (6) levers to defend and increase margins.
EBITDA	149,980	171,640	165,716	(3.5)	10.5	
EBIT	137,550	159,180	153,067	(3.8)	11.3	
Adjusted net profit	110,740	124,622	120,427	(3.4)	8.7	
EBIT margin (%)	23.2	26.0	24.6	(140) bps	143 bps	
Wipro (July 19, 2024)						
Total revenues	228,248	221,955	221,959	0.0	(2.8)	We expect flattish revenues for the quarter. Revenues will be above the midpoint of guidance of -1.5-0.5%. We attribute relatively strong performance to strength in CAPCO and likely recovery in Americas market.
Global IT revenues (US$ mn)	2,779	2,657	2,653	(0.2)	(4.5)	We forecast 30 bps increase in EBIT margin qoq due to cost containment and efficiency measures.
Global IT services revenue growth (c/c qoq, %)	(2.8)	(0.3)	(0.1)			We forecast strong deal signings after multiple quarters of disappointment. Wipro announced its first mega-deal since 2021 in the communications vertical. Company has signed other deals as well besides the mega-deal announced recently.
Global IT services revenue growth (c/c yoy, %)	1.1	(6.6)	(4.4)			We expect revenue growth guidance of -1 to 1%. We expect growth in Americas to be offset by weak Europe and APMEA.
Global IT services organic revenue growth (c/c qoq, %)	(2.8)	(0.4)	(0.1)			
Global IT services organic revenue growth (c/c yoy, %)	(0.1)	(6.7)	(4.4)			We expect investor focus on (1) reasons for continued senior leadership attrition, (2) efficacy of measures taken by the new CEO to turnaround business along with progress on five focus areas, (3) sustenance of greenshoots in consulting business (Capco and Rizing), (4) positioning in cost take-out and vendor consolidation deals where Wipro can be vulnerable, and (5) margin levers to meet aspirational margin level of 17%+.
Global IT revenues	227,554	220,796	221,251	0.2	(2.8)	
EBIT	34,516	35,372	36,891	4.3	6.9	
Adj. net profit	28,701	28,345	30,246	6.7	5.4	
Total EBIT margin (%)	15.1	15.9	16.6	68 bps	150 bps	
IT Services - EBIT margin (%)	16.0	16.4	16.7	27 bps	61 bps	
Infosys (July 18, 2024)						
Revenues (US$ mn)	4,617	4,564	4,675	2.4	1.3	We forecast sequential revenue growth of 2.5% led by-- (1) ramp up of multiple mega-deals, (2) March 2024 quarter had one-off impact of 100 bps on revenues from rescoping of engagement with a financial services client. This provides a low base and effectively a 1% kicker to June 2024 quarter growth numbers, and (30 reducing intensity of discretionary project cuts.
Revenue growth (c/c qoq, %)	1.0	(2.2)	2.5			We expect 80 bps qoq increase in EBIT margin on the back of -- (1) absence of 100 bps one-off impact. At the same time, we expect normalization of ECL and post-sale client support provision leading to headwind of 50 bps. Net accrual of benefit if 50 bps and (2) lower visa and subcon charges and higher employee utilization rate.
Revenue growth (c/c yoy, %)	4.2	—	1.5			We expect large deal TCV of US$3 bn. In focus will be translation of revenues of large deals signed in earlier quarters in to revenues.
Organic revenue growth (c/c qoq, %)	1.0	(2.3)	2.5			We expect Infosys to retain revenue growth guidance of 1-3% and EBIT margin guidance band of 20-22%.
Organic revenue growth (c/c yoy, %)	3.9	—	1.5			
Revenues	379,330	379,230	389,904	2.8	2.8	
EBIT	78,910	76,210	81,553	7.0	3.3	We expect investor focus on: (1) translation of mega-deals into revenues, (2) deal pipeline, (3) outlook in BFSI, an underperforming vertical, (4) discretionary spending environment especially in impacted verticals, and (5) senior management attrition.
Adjusted net profit	59,450	59,980	62,008	3.4	4.3	
EBIT margin (%)	20.8	20.1	20.9	82 bps	11 bps	

Source: Company, Kotak Institutional Equities estimates

Exhibit 7: Results preview for quarter ending June 2024 (Rs mn)

Financials	Jun-23	Mar-24	Jun-24E	qoq (%)	yoy (%)	Comments/what to look for
HCL Technologies (July 12, 2024)						
Revenues (US$ mn)	3,200	3,430	3,357	(2.1)	4.9	We expect 2% revenue decline due to impact of usual productivity gains in annuity deals and additional impact of offshoring of a large deal that ramped up from March 2023. We forecast decline of 2.3% qoq in IT and Business Services and 2.7% in products.
Revenue growth (c/c qoq, %)	(1.3)	0.3	(2.0)			Decline in revenues will have a corresponding impact on EBIT margin. We forecast 70 bps qoq and 10 bps yoy decline in EBIT margin.
Revenue growth (c/c yoy, %)	7.1	6.0	5.1			HCLT has disappointed so far in net new deal wins in FY2024, except for US$2.1 bn mega-deal with Verizon. This will be an area of investor focus. We forecast deal wins of US$2.5 bn.
Organic revenue growth (c/c qoq, %)	(1.3)	0.3	(2.0)			Expect company to retain 3-5% revenue growth and 18-19% EBIT margin guidance for FY2025E.
Organic revenue growth (c/c yoy, %)	7.1	4.7	3.8			
Revenues	262,960	284,990	279,982	(1.8)	6.5	
EBIT	44,621	50,127	47,236	(5.8)	5.9	We expect investor focus on: (1) reasons for weak deal wins (adjusted for Verizon contract) over the last four quarters and its implications for revenues, (2) focus on 2QFY25 revenue growth indication noting likely hit to revenues from divestment of State Street JV, (3) recovery in discretionary spending in services segment, and (4) environment required to hit aspirational margin band of 19-20%.
Adjusted net profit	35,335	39,857	37,329	(6.3)	5.6	
EBIT margin (%)	17.0	17.6	16.9	(72) bps	(10) bps	
Tech Mahindra (July 25, 2024)						
Revenues (US$ mn)	1,601	1,548	1,553	0.3	(3.0)	We forecast moderate growth of 0.4% led by manufacturing and hi-tech vertical. We forecast weak revenues in communications vertical due to seasonal Comviva impact.
Revenue growth (c/c qoq, %)	(4.2)	(0.8)	0.4			We forecast 110 bps EBIT margin increase resulting from marginal growth and efficiency measures.
Revenue growth (c/c yoy, %)	(0.9)	(6.4)	(2.8)			We forecast steady net new TCV of US$500 mn. This needs to accelerate to improve to drive revenue growth.
Organic revenue growth (c/c qoq, %)	(4.2)	(0.8)	0.4			We expect quarterly financials to have limited sway on stock performance in the near-term with focus entirely on medium targets laid by the CEO.
Organic revenue growth (c/c yoy, %)	(1.3)	(6.4)	(2.8)			
Revenues	131,590	128,713	129,485	0.6	(1.6)	
EBIT	8,914	9,464	10,975	16.0	23.1	
Adjusted net profit	6,925	9,697	8,967	(7.5)	29.5	We expect investor focus on: (1) measures to improve to margins to 15% by FY2027, (2) health of telecom vertical, a segment in which many peers have announced mega-deals, (3) growth in keenly watched financial services vertical, (4) health of deal pipeline and positioning in cost take-out deals, and (6) any revenue leakage in existing accounts and positioning in vendor consolidation events.
EBIT margin (%)	6.8	7.4	8.5	112 bps	170 bps	
LTIMindtree (Week of July 15, 2024)						
Revenues (US$ mn)	1,059	1,069	1,090	1.9	2.9	We expect qoq c/c revenue growth of 2.0% driven by healthy uptick in top client, BFS and manufacturing verticals.
Revenue growth (c/c qoq, %)	0.1	(1.3)	2.0			We expect modest margin expansion with bench build-up, investments in sales, deal transition costs and visa costs consuming most of incremental profitability.
Revenue growth (c/c yoy, %)	8.2	1.2	3.1			We expected deal TCV in US$1.5-1.7 bn range due to seasonality in bookings at top client, led by renewals.
Organic revenue growth (c/c qoq, %)	0.1	(1.3)	2.0			Management has highlighted greenshoots in demand. Factors underpinning this confidence will be a key focus area.
Organic revenue growth (c/c yoy, %)	8.2	1.2	3.1			
Revenues	87,021	88,929	90,880	2.2	4.4	We expect investors to focus on: (1) overall demand commentary and indications on recovery in discretionary spending, (2) synergy deals and participation in large cost takeout and transformation deals, (3) elevated senior management attrition in recent quarters and (4) strategy to return to top-quartile growth and profitability aspirations.
EBIT (excl. forex gains)	14,508	13,087	13,625	4.1	(6.1)	
Adjusted net profit	11,515	10,999	11,733	6.7	1.9	
EBIT margin (%)	16.7	14.7	15.0	28 bps	(168) bps	

Source: Company, Kotak Institutional Equities estimates

Exhibit 8: Results preview for quarter ending June 2024 (Rs mn)

Financials	Jun-23	Mar-24	Jun-24E	qoq (%)	yoy (%)	Comments/what to look for
Mphasis (July 25, 2024)						
Revenues (US$ mn)	398	411	412	0.4	3.6	We expect modest revenue growth of 0.5% in c/c qoq, driven by stability at top-10 clients and uptick in top 11-30 clients. We expect weak BFSI and believe that growth will be driven by other verticals.
Revenue growth (c/c qoq, %)	(3.5)	2.1	0.5			
Revenue growth (c/c yoy, %)	(8.4)	(0.4)	3.7			EBIT margin in 4QFY24 was aided by 30 bps benefit from reversal of earnout. We expect moderate increase qoq (10 bps) from reported level (14.9%).
Organic revenue growth (c/c qoq, %)	(3.5)	2.1	0.5			Net new deal wins would trend in US$300-350 mn range, some improvement as compared to past 3 quarters.
Organic revenue growth (c/c yoy, %)	(8.4)	(4.5)	(0.6)			
Revenues	32,520	34,120	34,389	0.8	5.7	We expect investors to focus on— (1) confidence on sustainable growth on account of weak deal wins over past few quarters and stress at few large clients; (2) overall tech spend outlook and sourcing strategy of large clients, (3) outlook on digital risk business, (4) margin trajectory given lower utilization and impact of acquisition, and (5) success in growing accounts beyond top 10 and progression of such accounts into larger revenue run-rate noting high client concentration.
EBIT	4,995	5,080	5,145	1.3	3.0	
Adjusted net profit	3,961	3,932	4,009	2.0	1.2	
EBIT margin (%)	15.4	14.9	15.0	7 bps	(40) bps	
Persistent (July 18, 2024)						
Revenues (US$ mn)	283	311	322	3.4	13.7	We expect 3.5% c/c growth driven further deal ramp up in healthcare vertical and other large deals won in earlier quarters. We expect sequential growth improvement in BFSI and hi-tech verticals which grew 1.8% and declined 0.7% qoq in 4QFY24 respectively.
Revenue growth (c/c qoq, %)	2.9	3.4	3.5			We expect 20 bps qoq decline in EBIT margin to 14.4% due to higher visa costs. Headwind from absence of margin benefit from earn-out reversal (180 bps) will be offset by absence of one-time transition costs and higher utilization.
Revenue growth (c/c yoy, %)	17.5	13.2	13.8			Expect deal wins TCV to be similar to 4QFY24 level (US$448 mn total TCV).
Organic revenue growth (c/c qoq, %)	3	3.4	3.5			
Organic revenue growth (c/c yoy, %)	17.5	13.2	13.8			
Revenues	23,212	25,905	26,823	3.5	15.6	We expect investors to focus on the following themes- (1) growth outlook for FY2025 and whether revenue growth can accelerate from FY2024 levels, (2) margin outlook for FY2025 and FY2026 noting that Persistent had lowered margin expectations in 4QFY24, (3) strength of deal pipeline and conversion timelines- Persistent has been able to consistently punch above weight despite higher exposure to discretionary spending and stressed verticals due to strong deal win activity, (4) update on US$2 bn revenue growth and 200-300 bps margin improvement timeline, (5) spending outlook in top accounts which face downside risks and (6) outlook for segments with high exposure to discretionary spending such as product engineering and Salesforce.
EBIT	3,466	3,744	3,832	2.3	10.5	
Adjusted net profit	2,774	3,153	3,033	(3.8)	9.3	
EBIT margin (%)	14.9	14.5	14.3	(17) bps	(65) bps	
Coforge (July 22, 2024)						
Revenues (US$ mn)	272	287	291	1.5	7.2	We expect 1.7% c/c qoq revenue growth broad based across verticals. Moderation in sequential growth is a result of muted discretionary spending environment and timing of ramp up of large deals skewed towards 2QFY24. We expect headcount growth to significantly outpace revenue growth on qoq to create capacity to fulfill demand.
Revenue growth (c/c qoq, %)	2.7	1.9	1.7			We expect 110 bps qoq decline in EBIT margin due to higher visa costs (40 bps) and lower utilization as the company builds bench strength to service deal ramp ups. Wage increases are deferred by a quarter and likely would be effective July 1st.
Revenue growth (c/c yoy, %)	18.4	9.0	7.2			We have not estimated one-time expenses related to Cigniti acquisition. Interest expenses will decline by 36% qoq to Rs235 mn due to repayment of debt related to SLK acquisition.
Organic revenue growth (c/c qoq, %)	2.7	1.9	1.7			We expect order book to remain healthy at US$300-400 mn, aided by large deal wins. Note that 4QFY24 TCV of US$774 mn had a one-off from US$400 mn renewal deal.
Organic revenue growth (c/c yoy, %)	18.4	9.0	7.2			
Revenues	22,210	23,585	24,303	3.0	9.4	We expect investor focus on: (1) revenue growth outlook for FY2025 which will decelerate from FY2024 levels; (2) Integration timelines for Cigniti acquisition and progress in synergy realization, (3) margin pressure in new deals and timeline for recovery in higher margin segments, (4) signs of acceleration in new deal TCV and 12 month order backlog, (5) progress in initiatives to reduce average resource costs and (6) update on timelines to reach US$2 bn in revenue and 150-250 bps margin expansion.
EBIT	2,468	3,223	3,095	(4.0)	25.4	
Adjusted net profit	1,782	2,314	2,258	(2.4)	26.7	
EBIT margin (%)	11.1	13.7	12.7	(93) bps	162 bps	

Source: Company, Kotak Institutional Equities estimates

Exhibit 9: Results preview for quarter ending June 2024 (Rs mn)

Financials	Jun-23	Mar-24	Jun-24E	qoq (%)	yoy (%)	Comments/what to look for
LTTS (July 18, 2024)						
Revenues (US$ mn)	280	305	301	(1.5)	7.4	We expect qoq revenue decline of 1.3% in c/c driven by SWC seasonality, partly offset by large deal ramp-ups (Government of Maharashtra and Forvia). We expect strength in mobility vertical but muted trends in sustainability (Industrial products) and Hi-Tech (medical devices).
Revenue growth (c/c qoq, %)	9.8	5.1	(1.3)			We expect 130 bps qoq decline in EBIT margin to 15.6% due to impact of lower margin, large deal ramp-ups.
Revenue growth (c/c yoy, %)	17.3	19.6	7.6			We expect LTTS to retain revenue growth guidance of 8-10% for FY2025E.
Organic revenue growth (c/c qoq, %)	0.7	0.8	(1.3)			Expect healthy large deal wins during the quarter. The company announced EUR45 mn large deal with Forvia during the quarter.
Organic revenue growth (c/c yoy, %)	7.6	3.1	7.6			
Revenues	23,014	25,375	25,073	(1.2)	8.9	We expect investor focus on: (1) any indications of improvement in client decision making timelines spends on new programs; (2) uptick in large deal wins, which have been range-bound over past 15 quarters; (3) outlook for Industrial products, telecom and medical devices verticals where the management commentary has remained cautious, (4) margin levers to claw back overall EBIT margin to aspirational range of 18% over medium-term, and (5) update on guidance of US$1.5 bn quarterly revenue run rate by FY2025E.
EBIT	3,954	4,282	3,905	(8.8)	(1.2)	
Adjusted net profit	3,111	3,409	3,196	(6.2)	2.7	
EBIT margin (%)	17.2	16.9	15.6	(130) bps	(160) bps	
Cyient (July 25, 2024)						
Revenues (US$ mn)	177	179	175	(2.7)	(1.5)	We forecast DET segment revenue decline of 2.6% c/c qoq. Revenues would decline due to weakness in telecom and deferral of deal ramp-ups in aerospace and sustainability verticals.
Revenue growth (c/c qoq, %)	0.3	(0.5)	(2.6)			We expect DET segment EBIT margin of 15.6%, down 40 bps qoq due to lower utilization and revenue decline.
Revenue growth (c/c yoy, %)	30.6	1.8	(1.1)			We expect DET segment revenue growth guidance to be revised downward to low-to-mid single digit. EBIT margin outlook to be retained in the 16% range.
Organic revenue growth (c/c qoq, %)	(0.2)	(0.5)	(2.6)			We expect order book to be healthy but conversion timelines would be in focus. We expect continued spends by clients on green transportation, energy transition, defense & security, digital health and decarbonization initiatives.
Organic revenue growth (c/c yoy, %)	9.4	1.8	(1.1)			
Revenues	14,546	14,892	14,554	(2.3)	0.1	We expect investors to focus on: (1) demand outlook in industries such as aerospace, telecom, automotive and sustainability; (2) drivers of sustained double-digit growth in the medium-term; (3) visibility of spends by large clients; (4) growth runway from incremental MRO spends in aero vertical and indications of new platform development by OEMs; (5) progress on strategy to enhance capabilities across five technology pillars - digital, embedded, VLSI, networks and core engineering; and (6) levers for medium-term margin aspiration of 18%.
EBIT	2,335	2,385	2,263	(5.1)	(3.1)	
Adjusted net profit - DET	1,711	1,734	1,741	0.4	1.8	
Adjusted net profit - Group	1,767	1,892	1,927	1.9	9.1	
EBIT margin (%) - DET	16.1	16.0	15.6	(46) bps	(50) bps	
EBIT margin (%) - Group	14.7	14.4	14.3	(11) bps	(41) bps	
KPIT (July 24, 2024)						
Revenues (US$ mn)	134	159	166	4.7	24.3	We forecast robust revenue growth of 5.5% qoq in c/c terms aided by secular demand tailwinds in automotive industry and ramp-up of large deal wins.
Revenue growth (c/c qoq, %)	7.1	5.1	5.5			We expect 40 bps improvement in EBIT margin to 17.1%, primarily driven by growth leverage.
Revenue growth (c/c yoy, %)	51.7	27.6	26.1			We expect FY2025E revenue growth guidance at 18-22% c/c yoy and EBITDA margin outlook of 20+% to be retained.
Organic revenue growth (c/c qoq, %)	5.7	5.1	5.5			Deal TCV could be in US$175-200 mn range, similar to trends in the recent past.
Organic revenue growth (c/c yoy, %)	35.5	26.2	26.1			
Revenues	10,976	13,178	13,880	5.3	26.5	We expect investor focus on: (1) strength of pipeline and conversion timelines; (2) shift in priorities of automotive clients with changing demand patterns; (3) commentary on threat of insourcing by few clients; (4) white-spaces that need to be addressed to continue to participate in electrification and digitalization initiatives by automotive clients; (5) evolution of competitive landscape with larger IT services players acquiring ERD companies in specializing in automotive; and (6) outlook on spends by top clients and ramp-up of engagements with clients in lower relationship tiers.
EBIT	1,750	2,202	2,373	7.8	35.6	
Adjusted net profit	1,206	1,644	1,723	4.8	42.9	
EBIT margin (%)	15.9	16.7	17.1	39 bps	116 bps	

Source: Company, Kotak Institutional Equities estimates

Exhibit 10: Results preview for quarter ending June 2024 (Rs mn)

Financials	Jun-23	Mar-24	Jun-24E	qoq (%)	yoy (%)	Comments/what to look for
Tata Elxsi (Week of July 15, 2024)						
Revenues (US$ mn)	103	109	110	1.0	6.4	We forecast revenue growth of 1.4% c/c qoq with strength in Transportation offset by muted performance in media and healthcare verticals. Transportation would continue to benefit from (1) robust growth in spends at JLR, (2) partial ramp-up of large deal won last year and (3) lower exposure to Tier-1 suppliers. Media & communications clients remain cautious on incremental spends. Healthcare vertical performance would be impacted to slower than expected ramp-up of engagements.
Revenue growth (c/c qoq, %)	1.2	(0.6)	1.4			EBIT margin is likely to remain flat due to lower utilization and people-related investments.
Revenue growth (c/c yoy, %)	11.9	7.2	7.1			
Organic revenue growth (c/c qoq, %)	1.2	(0.6)	1.4			
Organic revenue growth (c/c yoy, %)	11.9	7.2	7.1			
Revenues	8,503	9,059	9,182	1.3	8.0	We expect investor focus on: (1) overall demand outlook in SDS segment; (2) commentary on engagements with clients other than JLR in transportation; (3) reasons for slower than expected ramp-up of deals in auto, where demand is remains strong; (4) outlook of media & communications vertical; (5) outlook of healthcare & medical devices vertical; (6) progress on scale-up of adjacencies in each of the three focus verticals.
EBIT	2,301	2,337	2,375	1.6	3.2	
Adjusted net profit	1,889	1,969	1,986	0.8	5.1	
EBIT margin (%)	27.1	25.8	25.9	7 bps	(119) bps	
Tata Technologies (Week of July 15, 2024)						
Services revenues (US$ mn)	121	120	124	3.0	2.5	We expect c/c revenue growth of 3.2% qoq for services segment and 3.7% qoq overall. Services segment revenue growth would be driven by ramp-up in anchor clients and aerospace vertical and partly offset by ramp-down at Vinfast.
Revenues (US$ mn)	153	157	162	3.5	5.8	Within Technology solutions segment, ramp-up of new engagements in Education business would be primary growth driver while products business would grow at modest rate qoq.
Revenue growth (c/c qoq, %)		0.3	3.7			
Revenue growth (c/c yoy, %)		(9.3)	6.1			We expect EBIT margin expansion of 40 bps qoq primarily driven by increased revenues from offshore locations.
Organic revenue growth (c/c qoq, %)		0.3	3.7			
Organic revenue growth (c/c yoy, %)		(9.3)	6.1			
Revenues	12,574	13,011	13,511	3.9	7.5	We expect focus on (1) medium-term outlook on spends by anchor clients and Tata group entities; (2) ramp-up in Airbus engagements and any impact of lower aircraft deliveries at airbus; (3) commentary on engagement with Vinfast and more details on BMW JV; (5) outlook on technology solutions segment.
EBIT		2,110	2,243	6.3		
Adjusted net profit		1,694	1,812	7.0		
EBIT margin (%)		16.2	16.6	38 bps		
RateGain (First week of August 2024)						
Revenues (US$ mn)	26.1	30.8	32.5	5.7	24.7	We forecast 4.5% qoq/25.5% yoy revenue growth (US$ terms). Revenue growth on qoq basis would be driven by ramp-up of large-deal win in distribution, uptick in MarTech and partly offset by muted growth in DaaS segment.
Organic revenue growth (yoy, %)	20.7	13.6	24.7			We expected the company to retain FY2025E outlook of 20% revenue growth (reported currency) and 100-200 bps EBITDAM expansion.
Revenues	2,145	2,558	2,714	6.1	26.5	We expect 40 bps qoq decline in EBITDA margins primarily due to investments in MarTech, weakness in DaaS revenue and normal seasonality in the business.
EBITDA	378	543	565	4.1	49.5	We expect investor focus on (1) outlook on overall travel industry with indications of demand normalization; (2) stronger integration of Adara with rest of the business and GTM strategy with most low-hanging fruits having been leveraged; (3) commentary on strategy to revive brand management (erstwhile BCV social) part of MarTech; (4) update on RevMax platform; (5) update on inorganic pipeline and areas that need to be bolstered; (6) FY2025E revenue and profitability outlook.
EBIT	265	447	469	4.9	77.2	
Net profit	249	500	525	4.9	110.7	
EBITDA margin (%)	17.6	21.2	20.8	(39) bps	320 bps	

Note:

(a) DET segment financials for Cyient

(b) Result dates are yet to be announced for some companies

(c) KIE estimates used for organic c/c and c/c revenue growth in cases where company disclosure is not available

Source: Company, Kotak Institutional Equities

Exhibit 11: Kotak Institutional Equities’ valuation summary of key Indian technology companies

	27-Jun-24		Mkt cap.		EPS (Rs)			P/E (X)			EV/EBITDA (X)			RoE (%)		
Company	Price (Rs)	Rating	(Rs m)	(US$ m)	2024	2025E	2026E	2024	2025E	2026E	2024	2025E	2026E	2024	2025E	2026E
Coforge	5,439	ADD	362,730	4,347	132.9	145.7	186.3	40.9	37.3	29.2	24.8	19.5	15.4	24.7	20.1	19.9
Cyient	1,845	BUY	204,690	2,453	66.3	79.3	91.0	27.8	23.3	20.3	15.2	13.6	11.7	18.3	18.2	18.8
HCL Technologies	1,455	ADD	3,948,111	47,311	57.9	61.9	68.9	25.1	23.5	21.1	15.3	14.4	13.1	23.8	24.4	26.1
Infosys	1,573	BUY	6,532,384	78,279	58.5	62.6	71.3	26.9	25.1	22.1	17.5	16.3	14.4	29.7	28.4	30.0
KPIT Technologies	1,561	SELL	427,966	5,128	21.3	27.3	36.8	73.3	57.2	42.4	42.4	33.9	26.0	30.4	30.2	32.0
L&T Technology Services	4,895	SELL	517,640	6,203	123.5	129.1	148.6	39.6	37.9	32.9	25.5	25.3	21.9	25.4	23.9	24.1
LTIMindtree	5,377	REDUCE	1,592,485	19,083	155.0	168.0	200.6	34.7	32.0	26.8	23.4	22.0	18.7	25.0	23.3	24.4
Mphasis	2,442	REDUCE	461,643	5,532	82.4	89.6	103.4	29.6	27.3	23.6	18.5	17.1	14.9	18.6	18.8	20.4
Persistent Systems	4,032	REDUCE	621,068	7,442	73.7	83.7	105.9	54.7	48.2	38.1	35.5	30.8	24.6	25.6	24.1	25.9
Rategain	746	ADD	87,874	1,053	12.9	17.9	23.7	57.9	41.7	31.5	43.4	32.5	23.9	13.5	13.6	15.4
Tata Elxsi	6,998	SELL	435,783	5,222	127.2	137.7	165.6	55.0	50.8	42.3	40.2	36.0	29.9	34.5	32.1	33.9
TCS	3,934	ADD	14,234,099	170,569	129.6	142.3	157.3	30.3	27.7	25.0	21.4	19.4	17.5	50.4	52.7	52.4
Tech Mahindra	1,432	REDUCE	1,263,993	15,147	31.6	46.0	61.4	45.3	31.2	23.3	24.3	17.4	13.8	10.3	15.3	19.9
Wipro	511	SELL	2,671,455	32,012	20.9	23.6	25.3	24.4	21.7	20.2	14.1	12.8	11.6	14.3	15.2	14.6

	Target	O/S shares	EPS CAGR (%)	EPS growth (%)			Net Profit (Rs mn)			EBITDA (Rs mn)			Sales (Rs mn)		
Company	Price (Rs)	(mn)	2024-26E	2024	2025E	2026E	2024	2025E	2026E	2024	2025E	2026E	2024	2025E	2026E
Coforge	6,000	67	18.4	3.6	9.6	27.9	8,289	9,822	12,630	14,654	18,572	23,274	91,790	115,838	139,374
Cyient	2,275	111	17.2	28.6	19.5	14.9	7,349	8,785	10,091	13,029	14,360	16,564	71,473	78,844	91,038
HCL Technologies	1,600	2,716	9.1	5.9	6.9	11.3	157,070	168,017	187,206	241,959	254,995	277,551	1,099,155	1,156,154	1,274,316
Infosys	1,750	4,146	10.3	1.7	7.0	13.8	242,640	259,607	295,384	364,250	388,669	436,031	1,536,710	1,603,967	1,772,330
KPIT Technologies	1,050	273	31.5	51.9	28.1	34.9	5,811	7,448	10,048	9,913	12,329	15,864	48,715	59,501	71,331
L&T Technology Services	4,400	106	9.7	11.4	4.5	15.1	13,036	13,627	15,688	19,189	19,736	22,642	96,472	104,416	118,815
LTIMindtree	4,800	296	13.8	4.0	8.4	19.4	45,821	49,674	59,296	63,874	66,856	77,523	355,170	371,708	418,614
Mphasis	2,400	189	12.0	(5.2)	8.7	15.4	15,549	16,926	19,535	24,190	26,069	29,748	132,785	142,820	162,467
Persistent Systems	3,450	155	19.9	22.2	13.6	26.5	11,421	12,973	16,416	17,243	19,656	24,318	98,216	113,794	134,435
Rategain	900	119	35.5	148.8	38.6	32.4	1,454	2,119	2,807	1,897	2,467	3,232	9,570	11,517	13,643
Tata Elxsi	5,400	62	14.1	4.9	8.2	20.3	7,924	8,576	10,316	10,466	11,599	13,841	35,521	38,965	45,977
TCS	4,300	3,619	10.1	12.6	9.7	10.6	466,132	514,756	569,087	642,950	704,715	780,268	2,408,930	2,589,105	2,790,099
Tech Mahindra	1,220	890	39.3	(44.5)	45.3	33.5	28,160	40,917	54,609	49,645	69,505	86,971	519,955	520,764	563,558
Wipro	440	5,231	10.1	1.1	12.6	7.6	109,720	123,228	132,539	170,081	178,776	188,975	897,942	900,773	955,775

Source: Companies, Kotak Institutional Equities estimates

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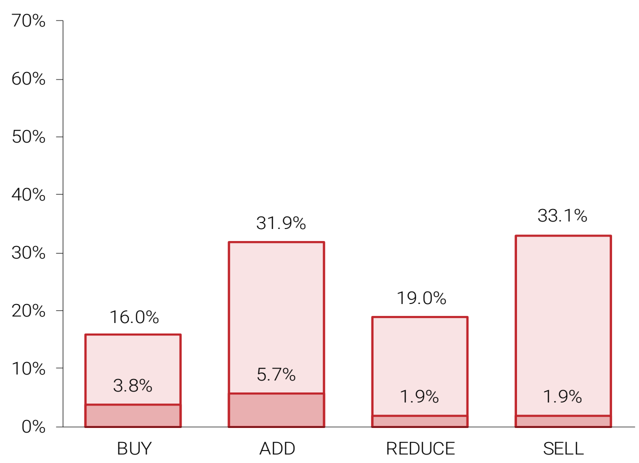

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Source: Kotak Institutional Equities

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