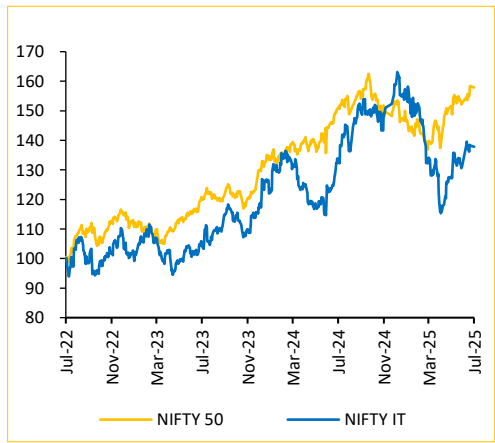


Recommendation			
Company (Ticker)	CMP (INR)	TP (INR)	Rated
Tier – I			
Tata Cons. Services (TCS)	3406	3,950	BUY
Infosys (INFO)	1639	1,580	ADD
HCL Tech (HCLT)	1708	1,580	ADD
Tech Mahindra (TECHM)	1635	1,755	BUY
Wipro (WPRO)	270	252	REDUCE
LTI Mindtree (LTIM)	5369	4,680	REDUCE
Tier – II			
Coforge (COFORGE)	1950	2,153	BUY
Persistent Systems (PSYS)	5784	5,775	ADD
Mphasis (MPHL)	2910	2,805	ADD
Zensar Tech (ZENT)	845	1,130	BUY
Happiest Minds (HAPPSTMN)	637	655	ADD
ER&D			
L&T Tech. (LTTS)	4336	4,850	BUY
Tata Elxsi (TELX)	6171	4,190	SELL
Cyient (CYL)	1290	1,555	BUY
KPIT Tech. (KPIT)	1271	1,400	ADD
New Age Tech			
IndiaMart InterMesh (INMART)	2554	2,475	ADD
Datamatics Global (DATA)	669	585	REDUCE
Allied Digital (ALDS)	178	200	ADD

*CMP as on July 8, 2025



Relative Performance (%)			
YTD	3Y	2Y	1Y
NIFTY 50	57.8	31.7	4.7
NIFTY IT	37.8	31.5	3.0

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NEAR-TERM CAUTION; LONG-TERM OPPORTUNITY

We expect IT companies globally to accelerate the integration of AI into their digital core to address technical debt & modernize legacy systems. This shift will likely drive increased client focus on cloud migration, data analytics, & AI-led services. **We believe these areas will continue to drive near-term demand, led by vendor consolidation & technology transformation opportunities. Thus, the discretionary spending is also expected to remain subdued amid global macro uncertainty, further impacted by recent changes in US tariff policy. In such uncertain times, we also believe that IT companies might actively look for strategic & cost effective M&As (mainly from BPO space) to strengthen their respective AI capabilities for stronger long term growth.**

During Q1FY26, average INR appreciated by 1.2% QoQ against USD to 85.6. Additionally, cross-currency movements—measured as a basket of major currencies against the USD—provided a significant tailwind, contributing an estimated 100–700 bps QoQ impact. Notably, EUR and GBP appreciated by as much as 7.1% and 5.7% QoQ, respectively. Meanwhile, Tier – I IT companies continued to announce notable deal wins throughout the quarter. Although macroeconomic challenges persist & continue to weigh on the Indian IT sector in near term, **we believe that the favorable cross-currency environment, coupled with strong deal momentum among Tier-I players, will support resilient Q1FY26 top-line performance subject to TCV conversions & respective currency exposures.**

EBIT margins are expected to vary across IT companies in Q1FY26, influenced by the timing of annual salary hikes for FY26. This would induce margin pressure for some companies this quarter, while others are likely to experience the impact in subsequent quarters. However, **we believe that cross-currency tailwinds, along with ongoing cost-efficiency initiatives undertaken by many IT companies, will help mitigate potential margin erosion in Q1FY26. As a result, we expect bottom-line performance across the sector to remain largely resilient, despite persistent macroeconomic headwinds.**

Cross currency movements to offset adverse constant currency impact

IT companies are likely to post muted CC growth of -2.0% to 4.0% QoQ, with Coforge leading the pack on account of ramp-up of large TCV booked in Q4FY25 which includes Sabre deal coupled with successful integration of recent acquisitions. Despite H1 typically being a strong period, FY26E may see a slowdown driven by macroeconomic concerns and the impact of U.S. tariff changes. Key verticals such as Manufacturing, Retail, Hi-Tech, and Communications are expected to face pressure, weighing on overall sector growth.

Margins likely to remain stable

We expect margins of our coverage IT companies to stay stable led by strong focus on productivity improvement through various cost optimization programs inducted by respective IT companies, plus deferred wage hikes in some cases coupled with currency benefit. However, mid-tier companies are expected to witness better margin expansion from -40 bps to 70 bps QoQ, driven by AI-led productivity improvements & strict cost control across operations.

Automotive weakness delays recovery for ER&D players

We anticipate a sequential decline across most ER&D companies due to continued challenges in the auto vertical, including slower ramp-up of existing deals. We expect QoQ growth of -3.9% to 1.0% in USD terms for Tata Elxsi, Cyient, KPIT, and LTTS. The auto sector faces headwinds from global demand slowdown, rising competition from low-cost Chinese EVs affecting R&D budgets of European OEMs, tariff uncertainties, and China's restrictions on rare earth metals. These curbs add medium-term risk, especially if they persist, further pressuring recovery & investment in automotive R&D initiatives.

Slight uptick in revenue guidance expected; Margins guidance to remain stable

We expect Infosys to increase lower end of FY26E revenue growth guidance to 1–3% (earlier 0–3%), while HCLT is likely to maintain its 2–5% growth outlook. Wipro may guide for a sequential revenue range of -1% to +1% for Q2FY26E, and LTTS is expected to reaffirm its double-digit growth guidance for the fiscal. Margin guidance is anticipated to remain stable across companies, with most operating at peak utilization. Deal TCVs is expected to remain healthy, supported by continued traction in cost optimization and AI-led initiatives.

High Conviction Investment Ideas

We believe, the ongoing investments and hyperscaler partnerships in the new-age technologies will differentiate IT companies going ahead. Thus, supported by strong AI playbooks & in-organic growth strategies of ZENT & COFORGE respectively, we remain optimistic on their long-term growth prospects.

Tier – I Companies

TCS						
	Q1FY26E	Q4FY25	QoQ	Q1FY25	YoY	Comments
Revenue (USD Mn)	7,560	7,465	1.3%	7,505	0.7%	We anticipate modest revenue growth of 1.3% in USD terms, driven by resilience of the BFSI vertical, while sectors such as Insurance, Retail, Healthcare, & Automotive continue to exhibit caution.
Revenue (INR Mn)	6,46,813	6,44,790	0.3%	6,26,130	3.3%	
EBITM (%)	24.3%	24.2%	10 bps	24.7%	(40) bps	EBITM is expected to expand by 10 bps QoQ to 24.3%, supported by the ramp-down of the low-margin BSNL deal. However, this benefit is partially offset by lower utilization.
EPS (INR)	34.3	33.8	1.5%	33.3	3.0%	To watch for: Management commentary on near-term demand trends, discretionary spending by clients, the pace of ramp-up in existing deals, vertical-wise performance outlook, key deal wins, and margin guidance.
INFO						
	Q1FY26E	Q4FY25	QoQ	Q1FY25	YoY	Comments
Revenue (USD Mn)	4,871	4,730	3.0%	4,714	3.3%	We expect 3% QoQ increase in USD revenue, supported by the ramp-up of recent deal wins. BFSI segment is expected to remain resilient, while Retail may continue to face softness & Manufacturing could be affected by weakness in the European automotive sector. Communication & Energy are also expected to be soft.
Revenue (INR Mn)	4,16,751	4,09,250	1.8%	3,93,140	6.0%	
EBITM (%)	20.8%	21.0%	(20) bps	21.1%	(30) bps	EBITM is expected to decline by 20 bps QoQ, primarily due to headwinds from wage hikes and deal ramp-up costs. However, this is likely to be partially offset by benefits from Project Maximus.
EPS (INR)	16.3	16.9	-3.6%	15.4	5.8%	To watch for: Potential improvement in FY26 guidance, commentary on TCV conversion, evolution of deal pipeline, trends in discretionary spending, and margin outlook.
HCLT						
	Q1FY26E	Q4FY25	QoQ	Q1FY25	YoY	Comments
Revenue (USD Mn)	3,545	3,498	1.3%	3,364	5.4%	We expect muted revenue growth due to seasonally weak demand. BFSI vertical likely to outperform other verticals such as Manufacturing, Retail, & Telecom, while the ER&D business may witness some softness.
Revenue (INR Mn)	3,03,924	3,02,460	0.5%	2,80,570	8.3%	
EBITM (%)	17.8%	17.9%	(10) bps	17.0%	80 bps	EBITM expected to decline marginally by 10 bps QoQ, primarily due to weak revenue growth.
EPS (INR)	16.1	15.9	1.3%	15.7	2.5%	To watch for: FY26 guidance commentary, any improvement in client decision making, deal pipeline, trends in discretionary spending, margin outlook, hiring outlook, outlook on products business.
TECHM						
	Q1FY26E	Q4FY25	QoQ	Q1FY25	YoY	Comments
Revenue (USD Mn)	1,550	1,549	0.0%	1,559	-0.6%	We expect flattish sequential topline growth in USD terms, as healthy performance in BFSI, Consumer, & Healthcare verticals may be offset by weakness in the Manufacturing & Communication segments. TCV is expected to remain in the previously guided range of USD 600–800Mn.
Revenue (INR Mn)	1,32,583	1,33,840	-0.9%	1,30,055	1.9%	
EBITM (%)	10.5%	10.3%	20 bps	8.5%	200 bps	EBITM is expected to expand by 20 bps QoQ to 10.9%, driven by benefits from Project Fortius, though partially offset by muted topline growth.
EPS (INR)	13.4	13.2	1.5%	9.6	39.6%	To watch for: Commentary on new client wins and pipeline in the BFSI and Healthcare verticals, demand outlook in the Communication segment, and updates on margin levers.

Tier – I Companies

WPRO						
	Q1FY26E	Q4FY25	QoQ	Q1FY25	YoY	Comments
Revenue (USD Mn)	2,560	2,597	-1.4%	2,626	-2.5%	We expect revenue to decline by 1.4% QoQ in USD terms, driven by weak demand, reduced client spending, and company-specific challenges.
Revenue (INR Mn)	2,20,410	2,25,042	-2.1%	2,19,638	0.4%	
EBITM (%)	17.0%	17.3%	(30) bps	16.5%	50 bps	EBITM is expected to remain in a tight range, as margin pressures persist due to weak topline performance.
EPS (INR)	3.1	3.4	-8.8%	2.9	6.9%	To watch for: Demand trends in the Capco business, challenges in executing cost takeout and vendor consolidation deals, the overall demand environment, and the pace of TCV conversion into revenue.
LTIM						
	Q1FY26E	Q4FY25	QoQ	Q1FY25	YoY	Comments
Revenue (USD Mn)	1,151	1,131	1.8%	1,096	5.0%	LTIM is expected to report 1.8% QoQ growth in USD terms, driven by broad-based momentum across verticals. BFSI and Hi-Tech are anticipated to perform steadily with signs of improvement, while Manufacturing may witness softness.
Revenue (INR Mn)	9,845	9,772	0.7%	9,143	7.7%	
EBITM (%)	14.3%	13.8%	50 bps	15.0%	(70) bps	We expect margin expansion of 50 bps, supported by revenue growth, benefits from the 'Fit for Future' program, and initiatives aimed at rebalancing manpower costs and improving productivity.
EPS (INR)	40.8	38.0	7.4%	38.2	6.9%	To watch for: Progression of the deal pipeline, conversion trends from pipeline to TCV and from TCV to revenue, overall demand environment, vertical-wise performance outlook, and margin trajectory.

Tier – II Companies

COFORGE						
	Q1FY26E	Q4FY25	QoQ	Q1FY25	YoY	Comments
Revenue (USD Mn)	431.0	403.5	6.8%	291.4	47.9%	We expect strong QoQ revenue growth of 6.8% in USD terms, driven by the ramp-up of the Sabre deal and a robust demand environment in the BFS vertical.
Revenue (INR Mn)	36,882	34,099	8.2%	24,008	53.6%	
EBITM (%)	12.5%	11.8%	70 bps	8.8%	370 bps	EBITM is expected to expand by 70 bps QoQ to 12.5%, supported by strong revenue growth & improved operational efficiencies.
EPS (INR)	9.5	7.8	21.7%	4.0	137.5%	To watch for: Performance outlook from recent acquisitions, overall demand environment, margin trajectory, and deal conversion timelines.
PSYS						
	Q1FY26E	Q4FY25	QoQ	Q1FY25	YoY	Comments
Revenue (USD Mn)	391	375	4.3%	328	19.2%	We expect revenue growth of 4.3% QoQ in USD terms, driven by the ramp-up of recent deal wins. BFSI & Hi-Tech verticals are likely to outperform, while the Healthcare segment may remain subdued.
Revenue (INR Mn)	33,439	32,421	3.1%	27,372	22.2%	
EBITM (%)	15.7%	15.6%	10 bps	14.0%	170 bps	EBITM is expected to see a modest expansion of 10 bps, supported by improved utilization & SG&A cost optimization. However, these gains may be partially offset by adverse forex movements, absence of earn-out reversals, & ESOP-related costs.
EPS (INR)	27.2	25.4	7.1%	20.1	35.3%	To watch for: Improvement in the demand environment, vertical-wise performance trends, evolution of the deal pipeline, discretionary spending patterns, & margin levers.

Tier – II Companies

MPHASIS						
	Q1FY26E	Q4FY25	QoQ	Q1FY25	YoY	Comments
Revenue (USD Mn)	440	430	2.3%	410	7.3%	We expect USD revenue growth of 2.3% QoQ, driven by ramp-ups in the BFSI & TMT verticals. Insurance is expected to remain stable, while the Logistics and Transportation segment may continue to face softness.
Revenue (INR Mn)	37,558	37,101	1.2%	34,208	9.8%	
EBITM (%)	15.4%	15.3%	10 bps	15.0%	40 bps	Margins are expected to remain stable & within a tight range throughout FY26E.
EPS (INR)	23.8	23.4	1.7%	21.5	10.7%	To watch for: Commentary on conversion of pipeline to TCV & TCV to revenue, overall demand environment, outlook on logistics vertical.
ZENT						
	Q1FY26E	Q4FY25	QoQ	Q1FY25	YoY	Comments
Revenue (USD Mn)	158.8	156.8	1.3%	154.4	2.8%	We expect USD revenue growth of 1.3% QoQ, driven by growth in focused services & non-TMT verticals led by BFSI & Healthcare. We expect TCV wins to be around USD 200Bn.
Revenue (INR Mn)	13,586	13,589	0.0%	12,881	5.5%	
EBITM (%)	14.1%	13.9%	20 bps	13.3%	80 bps	EBITM is expected to expand by 20 bps, owing to operational efficiencies.
EPS (INR)	7.9	7.7	2.6%	6.9	14.0%	To watch for: Commentary on conversion of deal wins to revenue, TMT performance & outlook, margin trajectory, color on large deals & inorganic growth plans.
HAPPSTMN						
	Q1FY26E	Q4FY25	QoQ	Q1FY25	YoY	Comments
Revenue (USD Mn)	66	63	5.2%	56	19.3%	We expect healthy revenue growth of 5.2% QoQ in USD terms, supported by strong performance in the BFSI and Healthcare verticals, while the Manufacturing and TMT segments may continue to face softness.
Revenue (INR Mn)	567	545	4.1%	464	22.3%	
EBITM (%)	11.7%	11.3%	40 bps	13.5%	(180) bps	EBITM is expected to expand by 40 bps QoQ, supported by strong revenue growth and improved operational efficiencies.
EPS (INR)	3.4	2.3	50.0%	3.4	0.0%	To watch for: Organic growth outlook for FY26, overall demand environment, margin trajectory, potential acquisition targets & any software product launches.

ER&D Companies

LTTS						
	Q1FY26E	Q4FY25	QoQ	Q1FY25	YoY	Comments
Revenue (USD Mn)	345.3	345.1	0.1%	295.2	17.0%	LTTS is expected to report flat growth of 0.1% QoQ in USD terms, due to seasonality in SWC & softness in Hi-tech & Mobility verticals. We expect FY26E revenue growth guidance to be maintained at low double digits (4%+ organic).
Revenue (INR Mn)	29,872	29,824	0.2%	24,619	21.3%	
EBITM (%)	13.8%	13.2%	60 bps	15.6%	(240) bps	EBITM is expected to expand by 60 bps QoQ to 13.8%, owing to SWC seasonality & tight cost control initiatives.
EPS (INR)	30.9	29.4	5.1%	29.7	4.0%	To watch for: Overall large deal momentum & deal conversion timeline, margin levers to achieve medium term EBITM target range & outlook on Sustainability & Hi-tech vertical.
TELX						
	Q1FY26E	Q4FY25	QoQ	Q1FY25	YoY	Comments
Revenue (USD Mn)	105.0	109.3	-3.9%	111.1	-5.5%	We expect TELX to report a 3.9% QoQ revenue decline, driven by continued weakness in the Media & Communications segment and a modest dip in Transportation, amid a general slowdown in client R&D spending.
Revenue (INR Mn)	8,980	9,083	-1.1%	9,265	-3.1%	
EBITM (%)	20.1%	20.1%	1 bps	24.3%	(420) bps	EBITM is expected to remain flat at 20.1% QoQ due to large deal ramp up cost, partially offset by currency tailwinds.
EPS (INR)	25.5	27.7	-7.9%	29.6	-13.9%	To watch for: Overall automotive demand environment & R&D spends amid business uncertainty; outlook of Media & Communications vertical.

ER&D Companies

CYL						
	Q1FY26E	Q4FY25	QoQ	Q1FY25	YoY	Comments
Revenue (USD Mn)	216	220	-2.2%	201	7.3%	We expect Cyient to post revenue decline of 2.2 QoQ in its DET segment, owing to the ongoing softness in Sustainability and Aerospace verticals, deal deferrals and extended closure timelines.
Revenue (INR Mn)	18,643	19,092	-2.4%	16,757	11.3%	
EBITM (%)	12.1%	12.3%	(20) Bps	11.9%	30 bps	EBITM is expected to compress by 20 bps QoQ to 12.1%. Order bookings are expected to remain range bound.
EPS (INR)	15.3	15.5	-1.3%	13.1	16.8%	To watch for: Revenue outlook for FY26E, demand outlook for Aerospace, Telecom, Automotive and Sustainability and potential measures to revive growth in Sustainability vertical.
KPITTECH						
	Q1FY26E	Q4FY25	QoQ	Q1FY25	YoY	Comments
Revenue (USD Mn)	179.0	177.3	1.0%	165.0	8.5%	We expect modest revenue growth of 1% QoQ in USD terms, driven by a slower ramp-up of deals, primarily due to weakness in the auto segment as clients delay R&D spending amid an uncertain macro environment.
Revenue (INR Mn)	15,310	15,280	0.2%	13,650	12.2%	
EBITM (%)	16.8%	17.3%	(40) bps	17.3%	0 bps	EBITM is expected to decline by 40 bps QoQ, driven by subdued revenue growth and ongoing cost optimization pressures.
EPS (INR)	7.4	8.9	-16.9%	7.5	-1.3%	To watch for: Outlook in the Auto and Communication verticals, pace of deal ramp-ups, margin trajectory, and outlook on off-highway trucks spends within commercial vehicle space.

New Age Tech Companies

INMART						
	Q1FY26E	Q4FY25	QoQ	Q1FY25	YoY	Comments
Revenue (INR Mn)	3,693	3,551	4.0%	3,313	11.5%	We expect a 4% QoQ revenue growth, driven by increased contributions from Gold & Platinum customers. However, elevated churn among Silver customers remains a concern for sustained growth.
EBITDAM (%)	36.0%	36.7%	(70) Bps	36.1%	(10) bps	
EPS (INR)	19.5	30.1	-35.2%	19	2.6%	To watch for: ARPU-led growth, initiatives aimed at addressing foundational customer acquisition challenges, and churn rate trends across Gold, Platinum, & Silver subscriber segments.
DATA						
	Q1FY26E	Q4FY25	QoQ	Q1FY25	YoY	Comments
Revenue (INR Mn)	4,717	4,972	-5.1%	3,940	19.7%	We expect a 5.1% QoQ revenue decline, primarily due to seasonal weakness in the Digital Operations segment. However, the Digital Technologies & Digital Experiences segments are likely to post marginal improvements.
EBITDAM (%)	15.1%	15.0%	10 bps	13.0%	210 bps	
EPS (INR)	8.5	7.6	11.8%	7.4	14.9%	To watch for: Performance across strategic accounts, progress on geographic expansion, momentum in new deal wins, pipeline velocity, and how recent acquisitions are expected to strengthen the company's positioning and drive future performance.
ALDS						
	Q1FY26E	Q4FY25	QoQ	Q1FY25	YoY	Comments
Revenue (INR Mn)	2,115	2,044	3.5%	1,791	18.1%	We expect modest revenue growth of 3.5% sequentially, driven by the execution of order wins, early signs of recovery in the US market, and increasing customer engagement.
EBITDAM (%)	9.5%	-4.6%	1410 bps	8.1%	140bps	
EPS (INR)	2.4	-1.4	271.4%	1.9	26.3%	To watch for: Commentary for new deal wins & US demand environment.

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CHOICE RATING DISTRIBUTION & METHODOLOGY

Large Cap*	
BUY	The security is expected to generate upside of 15% or more over the next 12 months
ADD	The security is expected to show upside returns from 5% to less than 15% over the next 12 months
REDUCE	The security is expected to show upside or downside returns by 5% to -5% over the next 12 months
SELL	The security is expected to show downside of 5% or more over the next 12 months
Mid & Small Cap*	
BUY	The security is expected to generate upside of 20% or more over the next 12 months
ADD	The security is expected to show upside returns from 5% to less than 20% over the next 12 months
REDUCE	The security is expected to show upside or downside returns by 5% to -10% over the next 12 months
SELL	The security is expected to show downside of 10% or more over the next 12 months
Other Ratings	
NOT RATED (NR)	The stock has no recommendation from the Analyst
UNDER REVIEW (UR)	The stock is under review by the Analyst and rating may change
Sector View	
POSITIVE (P)	Fundamentals of the sector look attractive over the next 12 months
NEUTRAL (N)	Fundamentals of the sector are expected to be in status over the next 12 months
CAUTIOUS (C)	Fundamentals of the sector are expected to be challenging over the next 12 months

*Large Cap: More Than INR 20,000 Cr Market Cap

*Mid & Small Cap: Less Than INR 20,000 Cr Market Cap

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