

# IT Services

India

Sector View: **Neutral**

NIFTY-50: **21,419**

**December 18, 2023**

## Optimism abounds; not enough substance yet

IT stocks have rallied 7-18% in the past one month, especially during last week. While the Fed's move warranted an upward movement in stock prices, the resulting rally was a tad optimistic, in our view. Our current revenue growth and EPS estimates already factor in the positives for FY2025—(1) soft landing in the US and (2) abating of demand headwinds. We increase fair values by 9-20% on rollover and increase in multiples factoring in lower macro uncertainty. The strong rally limits further upside in select stocks. We downgrade HCLT to ADD from BUY and Persistent to REDUCE from ADD.

### Downgrade HCLT and Persistent post sharp rally; increase fair values

Rollover to December quarter and ~2X increase in multiple factoring in lower macro uncertainty following rate cut path laid out by US Fed lead to 9-16% increase in FVs for IT stocks (see Exhibit 1). We cut rating on HCLT to an ADD from BUY following 13% stock price increase in the past month. We also cut rating on Persistent to REDUCE from ADD. The stock trades at 33X FY2026E EPS and is expensive after 22% rally in the past three months.

### Current estimates already factor in soft landing and abating of headwinds

IT services firms faced a tough demand environment in FY2024 due to (1) reluctance to commit to new programs given high economic uncertainty, (2) reprioritization of spending away from Covid-era priorities toward efficiencies and optimization, (3) excess in-house hiring and (4) longer sales and ramp-up cycle in mega deals. These headwinds resulted in muted revenue growth of 2-5% for large companies and 6-14% for mid-tier names. Revenue declined for Wipro, TechM and Mphasis. These headwinds have bottomed out and will incrementally aid demand and revenue growth in FY2025. Our base case already factors these tailwinds and a soft landing for the US economy.

### Multiples lower than FY2022 peak but also with lower forward growth estimates

Current one-year forward PE multiples are lower but approaching peak one year forward multiple during FY2022 (see Exhibit 2). However, forward growth estimates are also considerably lower. Our current FY2026E revenue growth estimates for IT companies are 1-4% lower than our FY2024E growth estimates two years ago (see Exhibit 3).

### Majority of stock price increase YTD has been a function of re-rating

Exhibit 4 provides YTD stock price increase for IT companies. Note that multiple re-rating accounts for majority of the increase even though FY2024E and FY2025E growth estimates have declined in the same period, especially for stocks such as Mphasis and TechM. Hope of improvement has not reduced even after multiple quarters of disappointment.

### CYTD share price and consensus estimates changes (%)

	YTD Price change (%)	FY2024 EPS change (%)	FY2025 EPS change (%)
TCS	21.0	(2.0)	(1.9)
Infosys	4.7	(11.7)	(11.2)
HCL Tech	43.5	(3.0)	(9.8)
Wipro	13.7	(12.4)	(11.5)
<b>TechM</b>	<b>28.5</b>	<b>(45.7)</b>	<b>(22.3)</b>
LTIM	40.4	(8.8)	(5.4)
<b>MPHL</b>	<b>34.8</b>	<b>(18.0)</b>	<b>(16.8)</b>
Persistent	87.0	1.6	4.2
LTTS	42.9	(0.2)	(0.4)
Tata Elxsi	44.0	(0.0)	0.1
KPIT	115.6	19.7	28.7
Cyient	171.1	13.6	14.7

Source: Bloomberg consensus estimates

Prices in this report are based on the market close of December 18, 2023

### Related Research

→ Persistent cost focus limits hope for

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**Infosys is our top pick followed by HCLT**

Infosys remains our top pick among IT services companies under coverage. We expect growth to normalize to 9.1% in FY2025E from 2% in FY2024E. Upside has reduced for HCLT following the recent sharp rally; it remains our next pick. Cyient is the preferred pick in mid-tier. There are interesting names among mid-tier, namely Persistent, but they trade at expensive valuations.

**Strong pick-up in discretionary spending in 1HCY24 appears less likely given cost focus**

Enterprises across most sectors are focused on cost-reduction priorities. Many have outlined cost-savings targets that stretch into 2024. The reprioritization of spends toward focus areas of investment is not yet complete. Commentaries of select banks and financial services firms do not indicate a healthy increase in technology budgets yet. These do not inspire confidence of a significant recovery in discretionary spending at least in 1HCY24. Trends around cost-reduction mandates and tech-spending outlook across individual sectors are detailed in our recent [note](#).

**Core long-term investment themes remain intact**

The intent to invest in tech continues across all sectors with a focus on digitalization, automation, back-end systems and AI initiatives. We expect core modernization leveraging a host of digital technologies to be a priority area of investment for the next several years. Catch-up in investment spending is possible once the macro improves.

**Two good years and two bad years have yielded normalized CAGR**

FY2021-24E revenue CAGR of IT services companies is in approximately similar range as FY2019-20 revenue CAGR, especially for the top 4 (see Exhibit 5). Persistent is a notable exception. Strong growths in FY2022 and FY2023 have been offset by moderate-to-weak growths in FY2020 and FY2024E. Interestingly, organic revenue CAGR in FY2021-24E is significantly lower than FY2019-20 CAGR for Mphasis.

**We expect 9-11% revenue growth for top 3 in FY2025E; upgrade to estimates less likely**

Our estimates bake in a strong June quarter and continued strength in September quarter as well (see Exhibit 6). This assumes a soft landing, continued momentum in large and mega deal signings and significant recovery in discretionary spending, especially in highly impacted verticals of financial services and hi-tech. We note downside risks to June quarter estimates given that enterprise focus on cost reductions will likely continue in 1HCY24. Growth beat in 2HFY25 is possible in case of strong pick-up in discretionary spending but will not lead to significant improvement in FY2025E estimates for IT companies, in our view.

**We downgrade HCLT to ADD from BUY and Persistent to REDUCE from ADD**

**Exhibit 1: Revision to target multiple and fair values for IT companies**

	Target multiple (P/E)		FV (Rs/ share)			Organic c/c revenue growth (%)		
	Old	New	Old	New	Change (%)	FY2024E	FY2025E	FY2026E
TCS	24	26	3,760	4,115	9.4	3.8	9.6	9.0
Infosys	22	24	1,700	1,870	10.0	2.0	9.1	9.7
Wipro	15	17	390	430	10.4	(4.0)	2.3	5.9
HCLT	20	23	1,410	1,600	13.5	4.2	8.8	9.0
TechM	17	19	1,150	1,350	17.4	(6.2)	5.3	9.2
LTIM	24	26	5,350	5,910	10.5	5.8	12.2	13.0
Persistent	29	32	6,000	6,985	16.4	13.5	15.0	15.9
Mphasis	20	22	2,260	2,520	11.5	(6.5)	10.9	12.6
LTTS	25	28	3,850	4,600	19.5	5.7	10.8	12.1
Cyient (DET)	21	24	2,200	2,400	9.1	7.1	11.5	11.0

	Revenue (US\$ mn)			EPS (Rs/ share)		
	FY2024E	FY2025E	FY2026E	FY2024E	FY2025E	FY2026E
TCS	29,364	32,625	34,773	127.1	142.4	157.2
Infosys	18,652	20,357	22,329	59.5	68.8	77.8
Wipro	10,796	11,045	11,702	21.3	23.2	25.2
HCLT	13,304	14,566	15,880	57.3	65.2	72.0
TechM	6,221	6,551	7,156	34.5	59.0	72.4
LTIM	4,356	4,888	5,524	165.6	196.9	233.0
Persistent	1,181	1,359	1,574	139.2	183.0	226.8
Mphasis	1,650	1,869	2,105	83.1	97.3	114.1
LTTS	1,165	1,291	1,447	122.9	141.7	161.0
Cyient (DET)	727	810	899	87.2	97.6	103.8

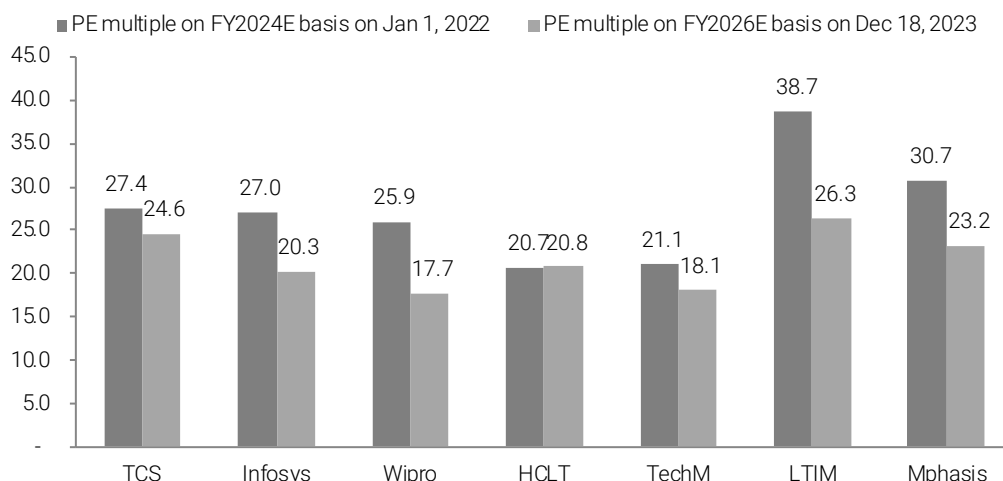
**Notes:**

(a) We value HCLT on SoTP basis with services business at 23X Dec 2025E NOPAT and products business at 9X EV/EBITDA.

(b) Cyient (DET) organic revenue growth and US\$ revenue and EPS for overall business; we value Cyient on SoTP basis with DET segment at 24X Dec 2025E PAT and market cap of Cyient DLM after applying 20% holdco discount.

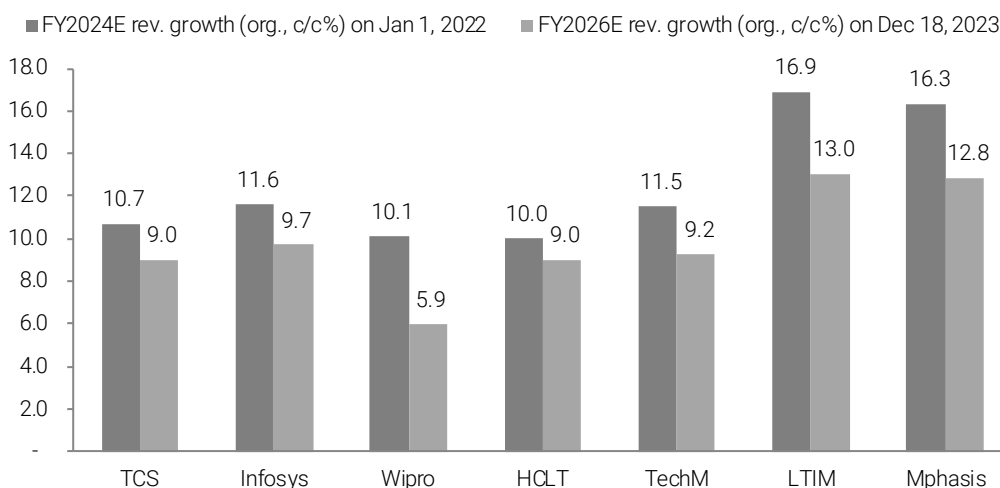
Source: Source: Kotak Institutional Equities estimates

**Exhibit 2: Current multiples are approaching peak multiple during FY2022**



Source: Kotak Institutional Equities estimates

**Exhibit 3: Significant gap in two years forward growth rate between now and during peak multiple in FY2022**



Source: Kotak Institutional Equities estimates

**Exhibit 4: YTD stock price change and contribution from re-rating for IT services companies**

	YTD Price change (%)	FY2024 EPS change (%)	FY2025 EPS change (%)	12M forward EPS change (%)	12M forward PE			Re-rating contribution (%)
					Dec-22	Current	Re-rating (%)	
TCS	21.0	(2.0)	(1.9)	9.5	25.3	28.1	11.1	54.0
Infosys	4.7	(11.7)	(11.2)	0.6	23.1	24.2	4.7	88.9
HCL Tech	43.5	(3.0)	(9.8)	9.0	17.9	23.6	32.3	78.2
Wipro	13.7	(12.4)	(11.5)	(0.7)	16.9	19.4	14.8	104.7
<b>TechM</b>	<b>28.5</b>	<b>(45.7)</b>	<b>(22.3)</b>	<b>(18.7)</b>	<b>15.1</b>	<b>24.0</b>	<b>59.1</b>	<b>146.3</b>
LTIM	40.4	(8.8)	(5.4)	7.7	24.9	32.6	31.1	80.2
<b>MPHL</b>	<b>34.8</b>	<b>(18.0)</b>	<b>(16.8)</b>	<b>(5.4)</b>	<b>19.5</b>	<b>28.0</b>	<b>43.2</b>	<b>114.3</b>
Persistent	87.0	1.6	4.2	25.2	27.8	41.9	50.4	66.7
LTTS	42.9	(0.2)	(0.4)	14.4	30.8	38.7	25.5	63.9
Tata Elxsi	44.0	(0.0)	0.1	15.4	50.7	63.3	24.8	61.7
KPIT	115.6	19.7	28.7	52.0	42.7	60.5	41.9	44.6
Cyient	171.1	13.6	14.7	34.3	14.0	28.3	101.9	74.8

Notes:

- (a) Calendar year-end changes
- (b) Re-rating contribution as defined as Re-rating of PE multiple (%) / (12M forward EPS change (%) + Re-rating of PE multiple (%))

Source: Kotak Institutional Equities estimates, Bloomberg consensus estimates

Exhibit 5: YTD stock price change and contribution from re-rating for IT services companies

	2019	2020	2021	2022	2023	2024E	2-year CAGR (%)	4-year CAGR (%)
							2019-20	2021-24E
<b>Organic constant currency growth rate (%)</b>								
HCLT	6.2	10.1	0.1	12.6	13.4	4.2	8.1	7.4
TCS	11.4	7.1	(0.8)	15.4	13.7	4.7	9.2	8.1
Infosys	8.6	8.5	4.1	19.7	15.3	2.0	8.5	10.0
Wipro	5.2	3.7	(3.2)	14.2	7.5	(4.0)	4.4	3.4
TechM	5.3	4.7	(4.4)	13.3	10.0	(6.2)	5.0	2.8
LTIMindtree	18.0	11.0	4.6	27.3	19.2	5.8	14.4	13.8
Mphasis	13.0	10.9	5.0	19.0	5.8	(6.5)	11.9	5.4
Persistent Systems	2.3	4.1	11.0	31.3	26.1	13.5	8.1	20.2

Notes:

(a) Wipro reclassified IT services business in 2019; growth rates have been adjusted for divestments

Source: Kotak Institutional Equities estimates, Bloomberg consensus estimates

Exhibit 6: Qoq revenue growth trajectory in FY2025E for IT services companies, March fiscal year-ends

	Mar-24E	Jun-24E	Sep-24E	Dec-24E	Mar-25E
<b>US\$ revenue growth (qoq, %)</b>					
TCS	2.7	3.9	3.2	2.0	1.4
Infosys	1.5	4.2	3.6	2.4	0.6
HCLT	1.2	0.9	2.2	4.5	1.3
Wipro IT	0.8	1.1	1.8	1.9	1.1
TechM	(0.0)	1.8	3.5	3.5	2.3
LTIMindtree	2.2	2.3	4.3	5.3	1.5
Mphasis	2.2	3.5	4.0	2.5	1.1
Persistent	2.6	3.9	5.0	3.3	3.4

Source: Kotak Institutional Equities estimates

**Exhibit 7: Profit model, balance sheet, cash model of HCLT, March fiscal year-ends, 2019-26E (Rs mn)**

	2019	2020	2021	2022	2023	2024E	2025E	2026E
<b>Profit model</b>								
Revenues	604,277	706,780	753,786	856,513	1,014,560	1,102,725	1,216,241	1,333,932
<b>EBITDA</b>	<b>139,296</b>	<b>166,792</b>	<b>208,075</b>	<b>205,157</b>	<b>226,306</b>	<b>241,451</b>	<b>266,521</b>	<b>290,836</b>
Depreciation (incl amortization of intangibles)	(21,467)	(28,399)	(46,153)	(43,270)	(41,596)	(41,392)	(41,256)	(42,017)
<b>EBIT</b>	<b>117,829</b>	<b>138,393</b>	<b>161,921</b>	<b>161,888</b>	<b>184,710</b>	<b>200,059</b>	<b>225,265</b>	<b>248,819</b>
Other income	8,042	1,798	4,149	7,460	10,079	8,276	12,274	13,692
<b>Pretax profits</b>	<b>125,871</b>	<b>140,190</b>	<b>166,070</b>	<b>169,348</b>	<b>194,788</b>	<b>208,336</b>	<b>237,539</b>	<b>262,511</b>
Tax	(24,804)	(29,354)	(36,197)	(34,317)	(46,497)	(52,748)	(60,572)	(66,940)
<b>Profit after tax</b>	<b>101,068</b>	<b>110,836</b>	<b>129,873</b>	<b>135,031</b>	<b>148,291</b>	<b>155,588</b>	<b>176,966</b>	<b>195,571</b>
Extraordinary items	–	–	(18,069)	–	–	–	–	–
<b>Diluted earnings per share (Rs)</b>	<b>36.6</b>	<b>40.8</b>	<b>47.8</b>	<b>49.7</b>	<b>54.7</b>	<b>57.3</b>	<b>65.2</b>	<b>72.0</b>
Dividend per share (Rs)	4.0	5.0	26.0	44.0	48.0	50.0	55.0	58.0
<b>Balance sheet</b>								
Total equity	423,045	485,524	607,177	609,503	641,839	679,806	712,442	754,654
Deferred taxation liability	2,257	824	1,482	1,119	1,612	1,658	1,670	1,680
Total borrowings	40,371	47,869	39,560	39,241	22,088	22,711	22,879	23,016
Minority interest	4,599	5,348	1,630	895	(81)	(83)	(84)	(84)
Other non-current liabilities	13,319	41,296	48,079	41,479	42,241	43,433	43,754	44,016
Current liabilities	112,899	201,477	175,427	184,268	208,868	223,881	243,675	264,095
<b>Total liabilities and equity</b>	<b>596,489</b>	<b>782,339</b>	<b>873,355</b>	<b>876,506</b>	<b>916,567</b>	<b>971,405</b>	<b>1,024,337</b>	<b>1,087,377</b>
Cash	92,887	78,839	139,126	154,054	170,012	186,099	204,990	231,481
Other current assets	185,590	216,709	239,804	268,047	309,472	332,349	366,561	402,032
Goodwill and intangible assets	179,226	276,585	294,773	267,450	264,087	273,112	257,148	243,987
Tangible fixed assets	58,753	83,379	84,750	79,228	76,018	79,816	94,546	107,852
Investments	26,934	66,422	69,563	62,517	53,930	55,451	55,862	56,196
Other non-current assets	53,100	60,407	45,338	45,209	43,047	44,578	45,230	45,828
<b>Total assets</b>	<b>596,489</b>	<b>782,339</b>	<b>873,355</b>	<b>876,506</b>	<b>916,567</b>	<b>971,405</b>	<b>1,024,337</b>	<b>1,087,377</b>
<b>Free cash flow</b>								
Operating cash flow, excl. working capital	81,026	114,907	199,555	161,515	182,765	183,316	192,011	209,253
Working capital changes	(27,412)	(21,467)	26,003	(9,176)	(6,288)	(5,342)	(13,937)	(14,643)
Capital expenditure	(27,349)	(18,369)	(17,557)	(15,592)	(14,430)	(23,808)	(37,410)	(40,057)
Acquisitions	(37,224)	(65,450)	(76,305)	(4,103)	(7,416)	(20,813)	–	–
Other income	8,042	1,798	5,852	4,849	4,595	8,280	12,274	13,692
<b>Free cash flow</b>	<b>(2,916)</b>	<b>11,419</b>	<b>137,548</b>	<b>137,493</b>	<b>159,226</b>	<b>141,632</b>	<b>152,937</b>	<b>168,245</b>
<b>Key assumption and ratios (%)</b>								
<b>US\$ revenue growth (b)</b>	<b>10.1</b>	<b>15.1</b>	<b>2.4</b>	<b>12.8</b>	<b>9.6</b>	<b>5.7</b>	<b>9.5</b>	<b>9.0</b>
<b>EBITDA margin</b>	<b>23.1</b>	<b>23.6</b>	<b>27.6</b>	<b>24.0</b>	<b>22.3</b>	<b>21.9</b>	<b>21.9</b>	<b>21.8</b>
<b>EBIT margin</b>	<b>19.5</b>	<b>19.6</b>	<b>21.5</b>	<b>18.9</b>	<b>18.2</b>	<b>18.1</b>	<b>18.5</b>	<b>18.7</b>

Source: Company, Kotak Institutional Equities estimates

**Exhibit 8: Profit model, balance sheet, cash model of Persistent Systems, March fiscal year-ends (Rs mn), 2019-2026E**

	2019	2020	2021	2022	2023	2024E	2025E	2026E
<b>Profit model</b>								
Revenue	33,659	35,658	41,879	57,107	83,506	97,846	113,458	133,026
Direct costs	(21,378)	(23,494)	(27,650)	(37,895)	(55,315)	(64,791)	(74,691)	(87,664)
SG&A expenses	(6,476)	(7,234)	(7,398)	(9,631)	(12,999)	(15,549)	(17,345)	(19,554)
<b>EBITDA</b>	<b>5,805</b>	<b>4,930</b>	<b>6,830</b>	<b>9,582</b>	<b>15,191</b>	<b>17,506</b>	<b>21,422</b>	<b>25,808</b>
Depreciation and amortization	(1,573)	(1,660)	(1,756)	(1,660)	(2,719)	(3,112)	(3,210)	(3,448)
<b>EBIT</b>	<b>4,233</b>	<b>3,270</b>	<b>5,075</b>	<b>7,922</b>	<b>12,472</b>	<b>14,393</b>	<b>18,212</b>	<b>22,360</b>
Other income, net	631	1,254	1,020	1,321	(64)	492	705	1,082
Pretax profits	4,863	4,523	6,094	9,243	12,409	14,885	18,917	23,442
Tax expense	(1,347)	(1,121)	(1,588)	(2,339)	(3,198)	(3,697)	(4,843)	(6,001)
Minority interest and exceptional items	–	–	–	–	–	(486)	–	–
<b>Profit after tax</b>	<b>3,517</b>	<b>3,403</b>	<b>4,507</b>	<b>6,904</b>	<b>9,211</b>	<b>10,702</b>	<b>14,074</b>	<b>17,441</b>
<b>Dil. EPS (Rs)</b>	<b>44</b>	<b>45</b>	<b>59</b>	<b>90</b>	<b>121</b>	<b>139</b>	<b>183</b>	<b>227</b>
DPS (Rs)	11	12	20	31	50	49	64	79
<b>Balance sheet</b>								
Total equity	23,447	23,858	27,957	33,682	39,651	46,585	55,737	67,103
Borrowings	12	46	44	4,325	4,285	2,285	–	–
Lease liabilities	–	662	938	1,457	2,269	2,669	3,069	3,469
Provisions	1,939	1,794	2,719	4,195	5,022	5,821	6,690	7,779
Other non-current liabilities	–	–	–	2,089	2,937	2,937	2,937	2,937
Other current liabilities	3,158	4,562	4,997	8,443	12,028	13,199	14,829	16,711
<b>Total liabilities and equity</b>	<b>28,556</b>	<b>30,922</b>	<b>36,655</b>	<b>54,191</b>	<b>66,191</b>	<b>73,495</b>	<b>83,262</b>	<b>97,999</b>
Cash and bank	6,724	4,572	9,809	9,145	9,033	15,705	20,679	29,856
Fixed assets	2,647	3,095	3,376	5,347	7,220	7,943	10,010	12,247
Intangible assets including goodwill	1,677	1,524	1,315	11,060	16,355	15,155	14,052	13,044
Receivables	4,923	5,922	5,709	9,484	15,830	16,015	18,765	21,759
Investments	7,641	9,786	9,996	8,225	6,396	6,396	6,396	6,396
Other assets	4,944	6,023	6,450	10,931	11,358	12,281	13,360	14,697
<b>Total assets</b>	<b>28,556</b>	<b>30,922</b>	<b>36,655</b>	<b>54,191</b>	<b>66,191</b>	<b>73,495</b>	<b>83,262</b>	<b>97,999</b>
<b>Cashflow statement</b>								
Operating cash flow, excl. wc	6,019	5,925	7,363	11,224	17,340	17,020	21,422	25,808
Working capital changes	(580)	(2,162)	3,156	(814)	(8,755)	1,723	(2,658)	(2,720)
Cash taxes paid	(1,405)	(1,328)	(1,582)	(2,367)	(3,405)	(3,697)	(4,843)	(6,001)
Capital expenditure	(374)	(746)	(1,251)	(3,808)	(4,321)	(2,136)	(3,675)	(4,177)
Acquisitions	(148)	(435)	(448)	(6,154)	(4,311)	–	–	–
Other income	43	(143)	(613)	237	500	508	361	294
<b>Free cash flow</b>	<b>3,659</b>	<b>1,689</b>	<b>7,686</b>	<b>4,235</b>	<b>859</b>	<b>12,910</b>	<b>10,247</b>	<b>12,910</b>
<b>Key ratios and assumptions</b>								
Revenue growth (%)	11.0	5.9	17.4	36.4	46.2	17.2	16.0	17.2
EBITDA margin (%)	17.2	13.8	16.3	16.8	18.2	17.9	18.9	19.4
EBIT margin (%)	12.6	9.2	12.1	13.9	14.9	14.7	16.1	16.8
RoAE (%)	15.7	14.4	17.4	22.4	25.1	24.8	27.5	28.4
RoACE (%)	13.7	10.2	14.0	17.3	21.6	22.1	24.6	25.7

Source: Company, Kotak Institutional Equities estimates

Exhibit 9: Kotak Institutional Equities: Valuation summary of key Indian technology companies

Company	18-Dec-23		Mkt cap.		EPS (Rs)			P/E (X)			EV/EBITDA (X)			RoE (%)		
	Price (Rs)	Rating	(Rs m)	(US\$ m)	2024E	2025E	2026E	2024E	2025E	2026E	2024E	2025E	2026E	2024E	2025E	2026E
Cyent	2,232	BUY	247,170	2,976	70.1	87.2	97.6	31.8	25.6	22.9	17.9	15.6	14.0	19.4	20.1	20.2
HCL Technologies	1,504	ADD	4,082,166	49,152	57.3	65.2	72.0	26.2	23.1	20.9	16.0	14.4	13.1	23.5	25.4	26.7
Infosys	1,564	BUY	6,492,734	78,176	59.5	68.8	77.8	26.3	22.7	20.1	17.0	15.0	13.4	31.5	33.6	34.8
KPIT Technologies	1,494	SELL	409,434	4,930	21.2	27.8	35.7	70.5	53.8	41.8	40.8	31.9	25.6	29.9	30.5	31.2
L&T Technology Services	5,329	SELL	563,430	6,784	122.9	141.7	161.0	43.3	37.6	33.1	28.5	25.2	22.0	24.3	24.4	24.2
LTIMindtree	6,139	REDUCE	1,816,686	21,874	165.6	196.9	233.0	37.1	31.2	26.4	25.2	21.5	18.3	27.2	27.5	27.6
Mphasis	2,680	REDUCE	505,792	6,090	83.1	97.3	114.1	32.2	27.5	23.5	20.3	17.4	15.1	19.2	21.1	22.9
Persistent Systems	7,147	REDUCE	549,748	6,619	145.5	183.0	226.8	49.1	39.0	31.5	30.6	24.7	20.1	25.9	27.5	28.4
Rategain	717	ADD	84,494	1,017	12.0	15.2	17.4	60.0	47.4	41.1	42.7	34.9	28.1	16.8	17.7	16.9
Tata Elxsi	9,088	SELL	565,975	6,815	132.5	157.1	185.0	68.6	57.8	49.1	50.4	42.3	35.7	36.3	36.6	36.7
TCS	3,859	ADD	14,121,011	170,025	127.1	142.4	157.2	30.4	27.1	24.5	21.3	19.0	17.1	49.2	51.0	50.9
Tech Mahindra	1,292	REDUCE	1,136,626	13,686	34.5	59.0	72.4	37.4	21.9	17.9	19.8	12.6	10.6	11.0	18.7	22.1
Wipro	445	REDUCE	2,325,850	28,005	21.3	23.2	25.2	20.9	19.2	17.6	12.4	11.2	10.1	14.8	15.2	14.7

Company	Target Price (Rs)	O/S shares (mn)	EPS CAGR (%)	EPS growth (%)			Net Profit (Rs mn)			EBITDA (Rs mn)			Sales (Rs mn)		
				2024-26E	2024E	2025E	2026E	2024E	2025E	2026E	2024E	2025E	2026E	2024E	2025E
Cyent	2,400	111	18.0	36.0	24.5	11.9	7,756	9,655	10,803	13,352	15,282	16,767	72,157	81,614	92,221
HCL Technologies	1,600	2,714	12.0	4.9	13.7	10.4	155,588	176,966	195,571	241,451	266,521	290,836	1,102,725	1,216,241	1,333,932
Infosys	1,870	4,146	14.3	3.4	15.6	13.1	246,832	285,307	322,648	369,573	415,448	462,207	1,545,355	1,699,829	1,875,668
KPIT Technologies	940	273	29.9	51.2	31.1	28.7	5,783	7,581	9,754	9,930	12,648	15,494	48,540	59,270	70,772
L&T Technology Services	4,600	105	14.4	10.9	15.2	13.6	12,979	14,958	16,991	18,955	21,286	24,112	96,601	107,812	122,286
LTIMindtree	5,910	296	18.6	11.0	18.9	18.3	48,944	58,200	68,863	68,151	78,461	90,624	361,175	408,112	466,791
Mphasis	2,590	188	17.2	(4.4)	17.1	17.2	15,658	18,341	21,500	24,453	28,260	32,302	136,460	156,069	177,846
Persistent Systems	6,985	77	24.9	20.7	25.8	23.9	11,188	14,074	17,441	17,506	21,422	25,808	97,846	113,458	133,026
Rategain	650	109	20.8	131.0	26.6	15.2	1,308	1,656	1,907	1,872	2,237	2,701	9,614	11,004	12,550
Tata Elxsi	5,450	62	18.2	9.2	18.6	17.8	8,249	9,783	11,520	10,898	12,911	15,243	36,366	42,706	50,365
TCS	4,115	3,649	11.2	10.4	12.0	10.4	463,784	515,150	568,866	637,248	712,719	784,518	2,434,184	2,724,189	2,920,901
Tech Mahindra	1,300	890	44.8	(39.5)	71.0	22.6	30,712	52,514	64,404	55,012	85,837	101,475	515,571	547,049	604,658
Wipro	430	5,287	8.9	2.9	9.1	8.6	112,451	121,294	131,734	169,713	178,838	190,842	898,433	927,414	994,070

Source: Kotak Institutional Equities estimates



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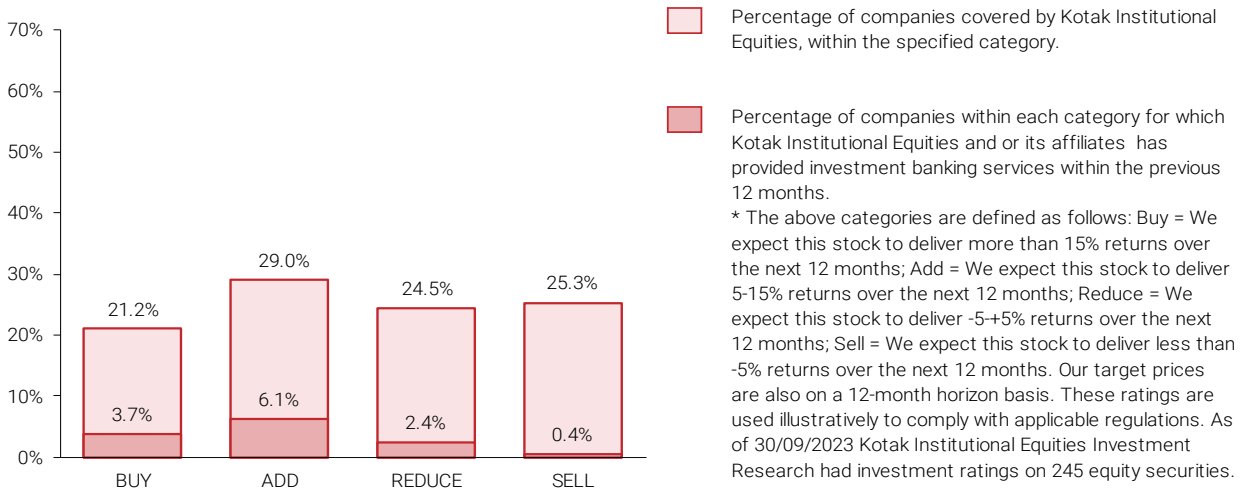
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