IT Services

An intriguing slope of optimism

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We parsed through the latest earnings transcript of Hyperscalers, leading SaaS companies, global system integrators (GSIs) and digital native providers to guage the demand outlook. Conversations are centred around three vectors – AI, clients' buying behaviour and discretionary spend. We sense divergent sentiments across the tech value chain. Optimism is highest among upstream players. Hyperscalers are committing higher capex, citing strong AI-led cloud demand. SaaS players are sanguine on stronger cloud adoption (Cloud ERP/Data Clouds) as enterprise get ready to leverage genAI capabilities. But cautioned against a still measured buying behaviour. Global SIs (CTSH, CAP) are still circumspect on discretionary environment, though pointed to a better Q3 (Jul-Aug-Sep). Digital native providers (EPAM, DAVA, GLOB), on the other hand, are least positive. This downward slope of optimism could mean two things – a) natural lag between upstream and downstream demand; b) enterprise reprioritising budgets to invest in upstream capacity crowding out services demand. Tough macro is not helping either. AI-led upstream demand, if sustains, should percolate down to services. But constrained enterprise IT budgets mean near-term demand could stay sluggish. Investors should stay selective. We prefer INFO/WPRO (expectations better aligned) and TECHM (turnaround) among large caps. We continue to see risk in LTIM.

- **Hyperscalers – putting money where mouth is:** Hyperscalers, to meet growing demand of Cloud and AI, have committed significantly higher capex in CY25 vs. CY24. MSFT mentioned cloud demand is outstripping supply. AMZN said they don't spend capital unless they have clear signal it can be monetized. AMZN reckons 85% of global IT spend is still on-prem – leaving a lot of growth ahead. Importantly, MSFT saw growth in new workload migrations again. AMZN believes enterprises have completed lion's share of optimization. These are early signs of resumption of cloud transformation journey.

- **SaaS – banking on cloud adoption:** Salesforce/Snowflake believes their enterprise-grade data cloud offerings are key for enterprise to leverage genAI capabilities. That said, Salesforce still sees a measured buying behaviour. It is more pronounced in EMEA as well as in Americas – especially in the tech sector. It likened the current economic condition to first half of last year. Snowflake, on the other hand, is seeing signs of stabilising optimization environment. SAP is seeing momentum in current cloud backlog (CCB). Interestingly, it expects maintenance and support revenues to decline as on-prem products go out of support by 2027. That could have an adverse impact on GSIs revenues, in our view. Though shift to cloud still presents a large offsetting opportunity.

- **GSIs - beyond the trough?** Both CTSH and CAP indicated no change in discretionary environment. However, CAP reiterated that the trough is now behind. It expects gradual recovery leading to a mid-to-high single digit (YoY) growth exit rate. At the upper end of their guidance, both CTSH and CAP have built improvement in discretionary environment. CTSH sees green shoots in BFS – that constitutes 60% of its financial services. CAP, however, continues to witness pressure in US banking sector. CTSH's interventions have helped it stem leakages in BFS, likely informing its positive view.

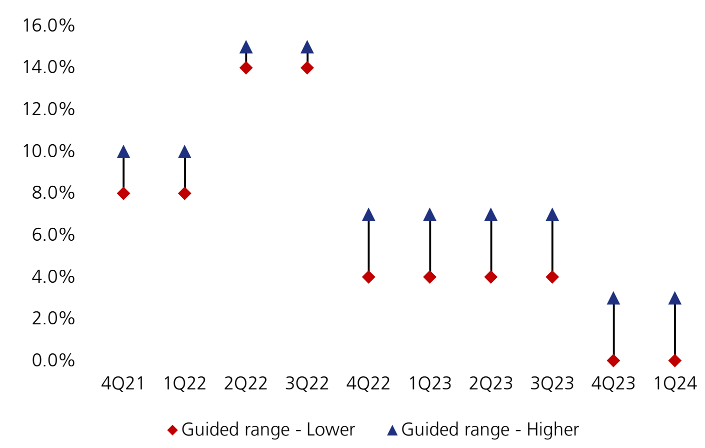
- **Digital Natives - least optimistic:** EPAM cut its CY24 guidance from 1-4% to (2.5)-0%, the only guidance cut in the quarter. It scaled back its expectation of demand improvement through the year. GLOB believes near-term IT spend will likely remain soft. EPAM has seen some discretionary spend coming through, though it is now calling out timing of the recovery yet. Interestingly, GLOB/EPAM indicated that genAI projects are taking longer than expected to scale from POC stage. Complexity of projects and risk involved in core systems (for data transformation etc) is causing decision delays. Even the pace of technology change is preventing clients to engage in lengthy genAI projects.

- **Sector view:** Though improving upstream demand is a positive lead indicator, we believe near-term is likely to be muted. We prefer players where expectations are aligned and valuations are reasonable (INFO/WPRO). TECHM is a BUY on turnaround thesis. LTIM is Sell on limited earnings visibility and full valuations.

Tier I	Rating	Target Multiple	TP (INR)	Upside
TCS	HOLD	26X	4,130	11%
Infosys	BUY	23X	1,570	13%
Wipro	BUY	20X	550	14%
HCL Tech	HOLD	22X	1,480	26%
TechM	BUY	20X	1,430	15%
LTIM	SELL	22X	4,230	-9%
Tier II	**Rating**	**Target Multiple**	**TP (INR)**	**Upside**
Persistent	HOLD	33x	3,400	1%
Coforge	BUY	28x	5,570	12%
Auto ERD	**Rating**	**Target Multiple**	**TP (INR)**	**Upside**
Tata Tech	BUY	60x	1,41 0	39%
KPIT Tech	BUY	60x	2,030	47%

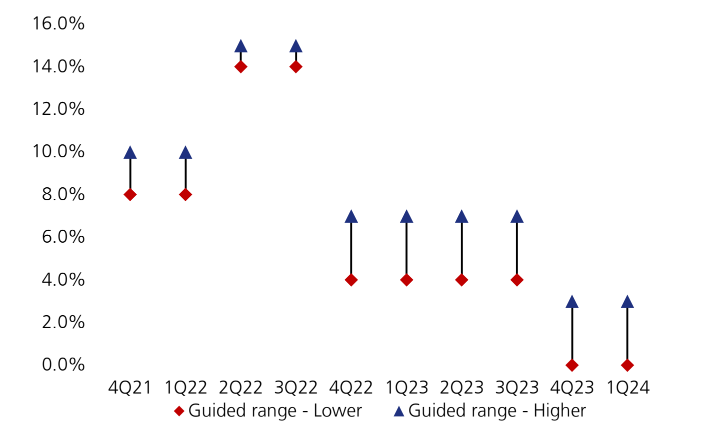
Guidance movement: Barring EPAM, guidance unchanged

Exhibit 1. Change in full year guidance: CAP



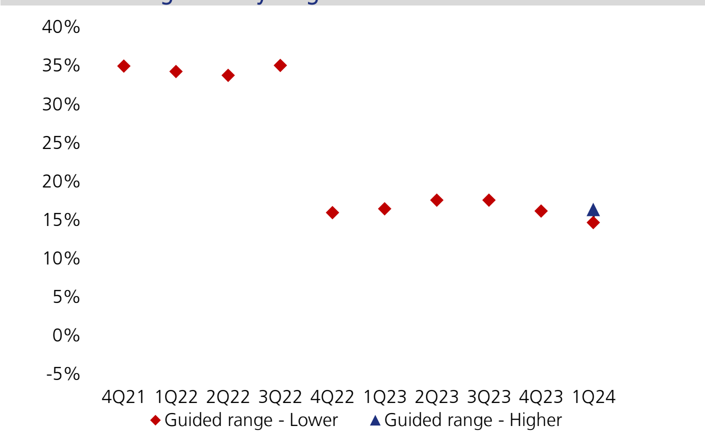
Note: Guidance for FY22 given in 4Q21,1Q22,2Q22,3Q22; Guidance for FY23 given in 4Q22,1Q23,2Q23,3Q23; FY24 guidance given in 4Q23, 1Q24,2Q24; Source: Company, JM Financial

Exhibit 2. Change in full year guidance: CTSH



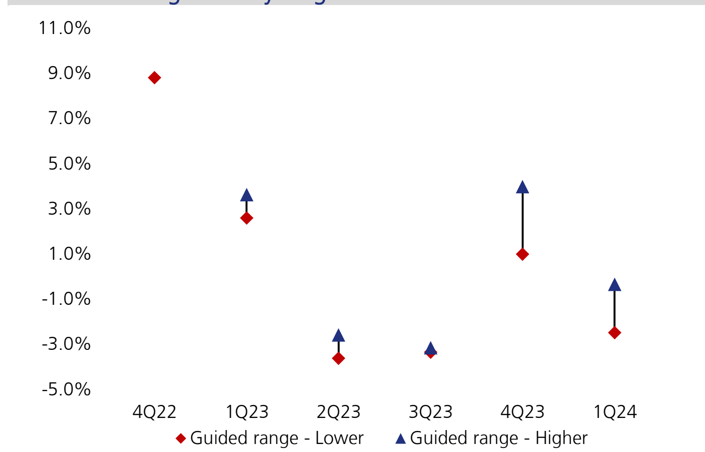
Note: Guidance for FY22 given in 4Q21,1Q22,2Q22, 3Q22. FY23 guidance given in 4Q22,1Q23,2Q23,3Q23; FY24 guidance given in 4Q23, 1Q24; Source: Company, JM Financial

Exhibit 3. Change in full year guidance: Globant



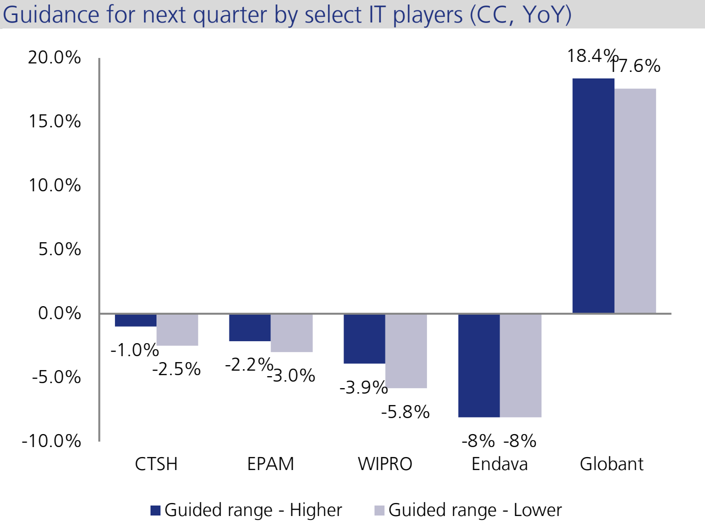
Note: Guidance for FY22 given in 4Q21,1Q22,2Q22,3Q22; Guidance for FY23 given in 4Q22,1Q23,2Q23,3Q23; FY24 guidance given in 4Q23, 1Q24,2Q24; Source: Company, JM Financial

Exhibit 4. Change in full year guidance: EPAM



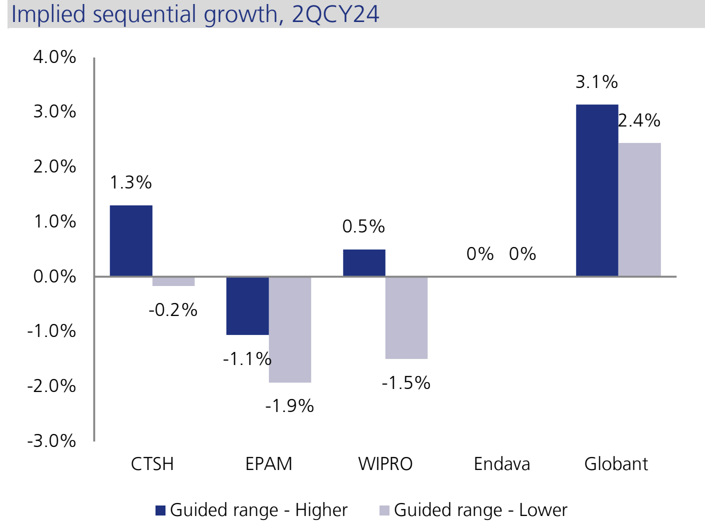
Note: Guidance for FY23 given in 4Q22,1Q23,2Q23,3Q23; FY24 guidance given in 4Q23, 1Q24,2Q24; Source: Company, JM Financial

Exhibit 5. Most available guidance point to a soft 2QCY24...
Guidance for next quarter by select IT players (CC, YoY)



Note: Considered organic growth guidance for Endava (Guided flat growth sequentially). Implied YoY growth for WIPRO; Source: Company, JM Financial

Exhibit 6. ...translating into a sequential decline in reported terms
Implied sequential growth, 2QCY24



Note: Considered organic growth guidance for Endava (Guided flat growth sequentially). QoQ growth in reported currency; Reported sequential guidance for WIPRO. Source: Company, JM Financial

Implied CQGR for India IT Services and global peers are now aligned

Exhibit 7. Implied CQGR on guided range for select Global System Integrators

(Y/E Aug)	FY23	1QFY24	2QFY24	3QFY24 E	4QFY24 E	FY24 E
Accenture (USD mn)	64,112	16,224	15,800	16,550	16,820	65,394
Growth (QoQ)		1.50%	-2.61%	4.75%	1.63%	
(Y/E Dec)	FY23	1QFY24	2QFY24 E	3QFY24 E	4QFY24 E	FY24 E
Cognizant (USD mn)	19,353	4,760	4,785	4,846	4,909	19,300
Growth (QoQ)		0.0%	0.53%	1.3%	1.3%	
(Y/E Dec)	FY23	1QFY24	2QFY24 E	3QFY24 E	4QFY24 E	FY24 E
Capgemini (EUR mn)	22,522	5,527	5,650	5,777	5,906	22,860
Growth (QoQ)		-1.6%	2.2%	2.2%	2.2%	
(Y/E Dec)	FY23	1QFY24	2QFY24 E	3QFY24 E	4QFY24 E	FY24 E
EPAM (USD mn)	4,691	1,166	1,140	1,153	1,166	4,625
Growth (QoQ)		0.7%	-2.19%	1.2%	1.2%	
(Y/E Dec)	FY23	1QFY24	2QFY24 E	3QFY24 E	4QFY24 E	FY24 E
Globant (USD mn)	2,096	571	587	617	648	2,422
Growth (QoQ)		-1.7%	2.79%	5.0%	5.0%	
	Implied growth on guided range for next quarter					
	Implied CQGR for remaining quarter to achieve mid-point of full year revenue guidance					

Note: GLOB's FY24 growth guidance of 16% includes 6 ppt contribution from acquisitions; Source: Company, JM Financial

Exhibit 8. Implied CQGR on Consensus estimates for FY25

Infosys	FY24	1Q25E	2Q25E	3Q25E	4Q25E	FY25E
Revenue USD mn	18,562	4,652	4,741	4,832	4,925	19,150
Growth (q/q)		1.92%	1.92%	1.92%	1.92%	3.17%
TCS	FY24	1Q25E	2Q25E	3Q25E	4Q25E	FY25E
Revenue USD mn	29,080	7,531	7,704	7,880	8,060	31,176
Growth (q/q)		2.29%	2.29%	2.29%	2.29%	7.21%
HCL Tech	FY24	1Q25E	2Q25E	3Q25E	4Q25E	FY25E
Revenue USD mn	13,270	3,441	3,452	3,464	3,475	13,833
Growth (q/q)		0.33%	0.33%	0.33%	0.33%	4.24%
Wipro	FY24	1Q25E	2Q25E	3Q25E	4Q25E	FY25E
Revenue USD mn	10,805	2,679	2,700	2,722	2,744	10,846
Growth (q/q)		0.81%	0.81%	0.81%	0.81%	0.38%

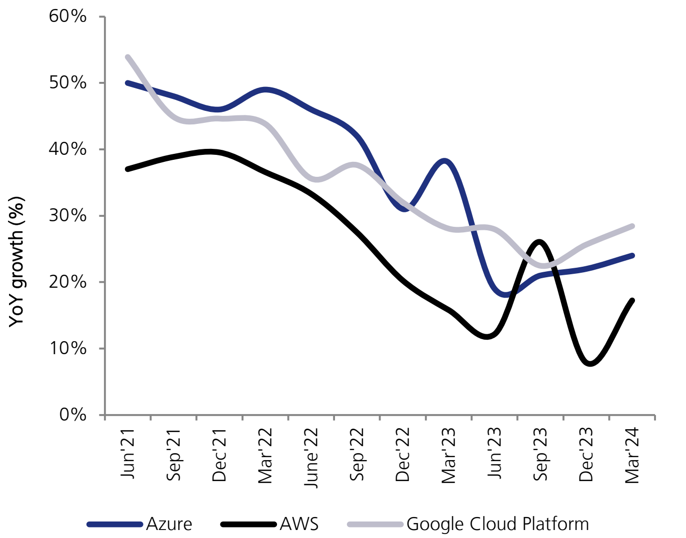
Source: Consensus estimate from Visible Alpha, JM Financial

Exhibit 9. Implied CQGR for Consensus and JMF estimates for Indian IT Services players

	Consensus Estimate			JMFL Estimate		
FY25E	Revenue (USD mn)	Growth (YoY)	CQGR (1Q25-4Q25)	Revenue (USD mn)	Growth (YoY)	CQGR (1Q25-4Q25)
Infosys	19,150	3.2%	1.9%	19,053	2.6%	1.7%
TCS	31,176	7.2%	2.3%	30,805	5.9%	1.8%
HCL Tech	13,833	4.2%	0.3%	13,867	4.5%	0.4%
Wipro	10,846	0.4%	0.8%	10,880	0.7%	0.9%

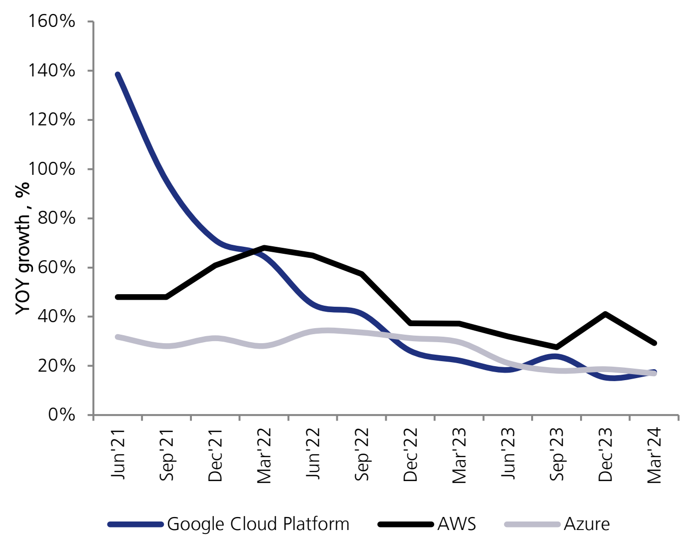
Source: Consensus estimates from visible Alpha, JM Financial estimates

Exhibit 10. Cloud revenue growth of hyperscalers picked up in1Q…
Cloud revenue growth, YoY - Hyperscalers



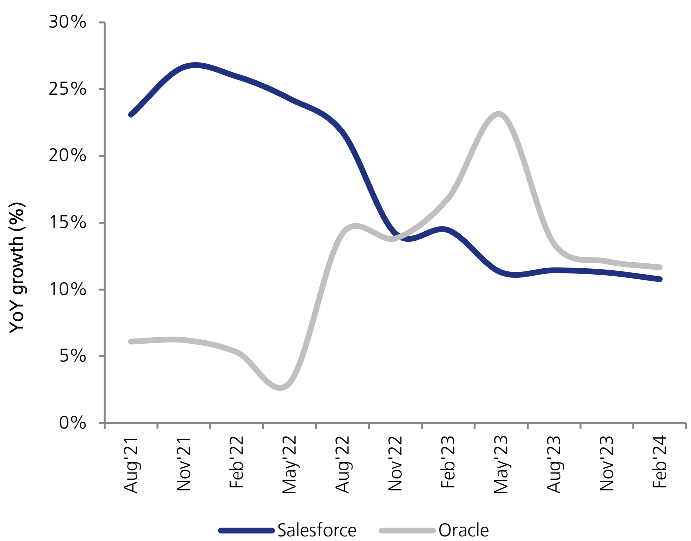
Source: SEC Filings, JM Financial

Exhibit 11. …though their RPO growth continue to trend down
Remaining Performance Obligation (RPO) growth, YoY



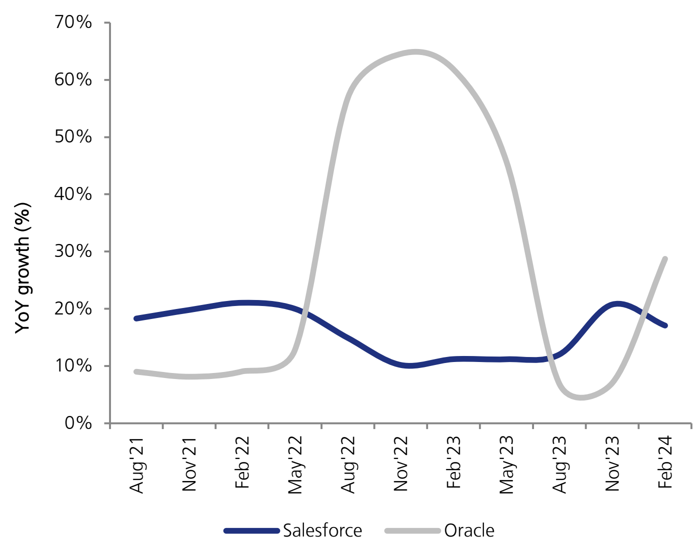
Source: SEC Filings, JM Financial

Exhibit 12. Cloud revenue growth of SaaS players still healthy…
Cloud revenue growth, YoY – SaaS Players



Note: Salesforce's quarter ending Jan/Apr/Jul and Oct matched with Oracle's quarter ending Feb/May/Aug/Nov respectively. Source: SEC Filings, JM Financial

Exhibit 13. …with some uptick seen in RPOs
Remaining Performance Obligation (RPO) growth, YoY



Note: Salesforce's quarter ending Jan/Apr/Jul and Oct matched with Oracle's quarter ending Feb/May/Aug/Nov respectively. Source: SEC Filings, JM Financial

Key takeaways from latest earnings call

Exhibit 14. Hyperscalers - Cloud/AI demand - Putting money where mouth is

Microsoft (MSFT US EQUITY; NR)	
AI-led Cloud growth	Overall, server products and cloud services revenue grew 24%. Azure and other cloud services revenue grew 31%, ahead of expectations, while our **AI services contributed 7 points of growth as expected**
Investment towards AI	To scale to meet the growing demand signal for our cloud and AI products, we expect FY25 capital expenditures to be higher than FY24. **These expenditures over the course of the next year are dependent on demand signals and adoption of our services**, so we will manage that signal through the year.
AI Adoption	And so, yes, it'll take time for it to percolate through the economy, but this is faster diffusion, **faster rate of adoption than anything we have seen in the past**, as evidenced even by Copilot. It's faster than any suite we have sold in the past, but it is going to require workflow and process change
Azure - Demand vs Supply	And so, that is partially why you see the capital investment in the shape that it is, is because right this minute, **we do have demand that exceeds our supply by a bit.**
Reprioritisation vs Net new	Are we seeing project starts transition from maybe something that was core consumption to an AI project, in our results, that's not what we saw. **We saw more maybe growth in migrations again**. You're seeing work in the data space again, and you're seeing AI project starts
	And within that, the activity we saw on the consumption side was really this balance that we were quite used to - **We saw new workloads starts, and we saw optimizations.** And then those optimizations create new budget, and you apply it. And that cycle, which is actually quite normal
Outlook	In Azure, we expect Q4 revenue growth to be 30% to 31% in constant currency, or similar to our stronger-than-expected Q3 result. **Growth will be driven by our Azure consumption business and continued contribution from AI with some impact from the AI capacity availability noted earlier**. Our per-user business should see benefit from Microsoft 365 suite momentum, though we expect continued moderation in seat growth rates given the size of the installed base.
SIs in AI deployment	The sophistication of how people can deploy these models across various business processes, where there is data and where there is tuning of these models, is also getting more widespread, **even at system integrators and other developers are there to help enterprises.**
Amazon (AMZN US EQUITY; NR)	
Workload optimization	We're seeing a few trends right now. First, **companies have largely completed the lion's share of their cost optimization** and turned their attention to newer initiatives. Before the pandemic, companies were marching to modernize their infrastructure, moving from on-premises infrastructure to the cloud to save money, innovate at a more rapid rate and to drive more developer productivity. The pandemic and uncertain economy that followed distracted from that momentum, **but it's picking up again**
	Additionally, **we continue to see the impact of cost optimizations diminish**. While there will always be a level of ongoing optimization, we think the majority of the recent cycle is behind us and **we're likely closer to a steady state of these optimization efforts**
Capex rationale	And **we don't spend the capital without very clear signals that we can monetize it this way**. We remain very bullish in AWS. We're at $100 billion plus annualized revenue run rate, **yet 85% or more of the global IT spend remains on-premises.**
Alphabet (GOOG USEQUITY; NR)	
Opex	We remain very focused on the ongoing efforts to slow the pace of expense growth, what we have been calling durably reengineering our cost base.
Cost of switching to cloud	And the challenges here, always, there are switching costs to Cloud and the challenges we see is how do we make it easier for people. There's a lot of interest, but there's definitely barriers in terms of people switching.

Source: Respective Company Transcripts, JM Financial

Exhibit 15. SaaS - measured buying demand amid structural uptrend in cloud demand

Salesforce (CRM US EQUITY; NR)	
Demand	We **continue to see the measured buying behaviour similar to what we experienced over the past two years** and with the exception of Q4 where we saw stronger bookings. The momentum we saw in Q4 moderated in Q1 and we saw elongated deal cycles, deal compression, and high levels of budget scrutiny
	The result was at the lower end of our guided range due to **continuing pressures on professional services,** some licensed revenue volatility, and the continued measured buying environment
	First, on the buying environment, we are assuming that **the conditions we saw in Q1 continue throughout our fiscal year**. We also continue to **expect our professional services business to be a headwind to revenue**, with deal compression and customers delaying or slowing projects
	Yet we continue to see good demand on multi-cloud adoption. We're **seeing benefits from pricing** and packaging changes that we have rolled out over the past year.
	EMEA was weaker in the quarter. Frankly, feeling some of the measured buying environment most pronouncedly. I actually felt it also in the Americas. In the Americas, more exposure to technology, which I think we all know has been a tough industry over the last several quarters, SMB and other areas, the transactional business
	And, over that period of time (post-pandemic), we saw an incredible surge in the demand and buying environment and in the sales environment, especially during the pandemic. As we entered the post-pandemic reality, **we saw companies who had acquired so much software in that time, look to actually rationalize it**, ingest it, integrate it, install it, update it.
	Economy question, I think, is one that **we feel like it's similar to what we felt in the first half of last year**. The same measured buying environments that we experienced in the first half is sort of what felt like the same in Q1.
	And where traditionally we might have to start our pipelines at 2x, **now** our message to our distribution leaders is, hey, if you're **going to start out your pipeline in the quarter, you better start out at 3x**
AI	it turns out is you got to do a lot of the hard work to make this AI happen. And that starts with building highly normalized, large scale, federated, highly available data sources
SAP (SAP GR EQUITY; NR)	
Demand	And to give you one additional data point, our Cloud pipeline growth. So **the pipeline that we generate in first quarter was the best on record**. We continue to see strong demand, not only in what we booked and what we're generating in the Cloud backlog, but also the interest from the market
	When you look at the Current Cloud Backlog, we release ACV numbers at the year-end, we are going to talk about TCV, but customers are also trending more-and-more to also now sign longer-term commitments with ramps, which are also then going over five years. And of course, there is enough in the books also when it comes to CCB **TCV, and there the growth is even higher than in the ACV**.
Migration to Cloud	And then when you look at the RISE journey, I mean, the customers are now at 20% to 30% of the migration done
End of life of on-prem potential demand cliff of IT Services players?	A little bit more than half of our EUR11 billion maintenance base we have today is in products which go out of regular maintenance by end of 2027. And I think it's safe to assume that the lion's share of all that by 2030 will in some fashion disappear, because we will not, as we say so many times, prolong maintenance on these products...
	So as you see the Cloud revenue growth, you will also see the corresponding takedown of the support revenues
	On the services business, I mean, first of all, we are delivering 90% of our projects via ecosystem. And the remainder, the 10% share, of course, what we are doing there
AI	Second, we are embedding GenAI directly in our cloud products. Since Q4, we have released over 30 new AI scenarios across our cloud portfolio. Additional ones come out almost every week with more than 100 in the pipeline for the remainder of the year.
Snowflake (SNOW US EQUITY; NR)	
Demand	We continue to see signs of a stable optimization environment.

Source: Respective Company Transcripts, JM Financial

Exhibit 16. GSIs - status quo in discretionary environment

Cognizant (CTSH US EQUITY; NR)	
Discreionary environment	How do we see discretionary today? We **don't see discretionary changed** since we spoke to all of you last quarter. So it remains the same.
	If you've noticed – I mean, the **biggest drop in discretionary has been in Financial Services** in the past, and that has been for us as well as for the sector and the industry. If you've noticed, the sequential drop from quarter four to quarter one for us is only $10 million in banking, financial services and insurance. And we are **seeing green shoots in BFS, which is 60% of BFSI.**
Path to upper end of Guide	1. **some improvement in discretionary spend in the later part of the year** 2. when we win a large deal, they is a committed business and there is a right to go after sort of business, which is not committed. But if you fulfill well, if your delivery is good, you can naturally go after that upside to the committed business 3. Inorganic component of our guidance. We have maybe 30 basis points to 40 basis points potential to execute on 4. **Rebadge kind of deal, which comes with a large volume of revenue getting ramped up at a relatively faster pace**
Discretionary leakage	When I started the year in 2023, **we had leakages because when there was a consolidation, somebody else was winning it and not us, that isn't happening anymore**. So there is no structural leakage, if I may.
	I mean most of the managed services deals we are winning both with existing clients, new business, as well some which are proactively bid. We are on the winning side. We are mostly on the winning side in the last, I would say, 15 months or so.
Pricing	the current environment is that of consolidation of spend, cost management, improvement in the productivity and so on and so forth. So yes, **there is a downward pressure on pricing**, but it is nothing out of ordinary that one would expect in the current demand environment. We are not seeing out of ordinary behavior in the market as we compete. And **I think it's a fair play** from that expectation standpoint.
Deal revenue conversion	The challenge in 2023 was we did not have that backlog as we got into 2023 because we were not playing on large deals. Right now, I don't have the challenge, because I had a good, healthy pipeline in 2023 that's contributing to 2024. And then, we keep doing this in the same sustained manner **we will exit into 2025 with tail velocity**
BFSI	We have worked on reorganizing our BFSI vertical, we have energized the teams with some new hires. We have now an exceptionally good list of offerings. We have opened doors on fintech. We have taken AI and created small discretionary spend opportunities for ourselves. **The regional banks are going through massive cost takeout.** We have an offering out there.
Capgemini (CAP FP EQUITY; NR)	
Outlook	**I would like to confirm the growth trough is now behind us**. We expect the market to gradually pick up toward an attractive exit rate in Q4, ranging from mid single digit to high single digit at custom currency, setting up for a more tangible acceleration in 2025.
Demand	Clients are still **prioritizing operational agility and cost efficiency program with fast payback, as well as digital and sustainable transformational deals at the expense of non-strategic and discretionary spend.**
Stress areas	Regarding sectors, as in recent months, **TMT and financial services are still suffering** from constraint spend. In North America, we continue to be penalized by the less favorable mix, but we have stabilized and the signs of recovery are there as we look at Q2.
	So FS, I think, it's a **banking sector that still -- that's still basically really putting a lot of pressure on financial services**. There is no bad news. It's just the continuous impact of the year-on-year that we see in financial service. Although I don't expect a big reacceleration this year, **I expect it (FS) to not impact the growth anymore** as we go quarter after quarter
Slope of recovery	**if Q1 is a trough, Q2 will improve, but Q2 will remain soft**. So, it's an improvement, which is a trajectory. We see also trajectory to Q3 and we're still confident about our exit rate at the end of the year. But, basically we are careful about the slope of recovery .
	Good sign of improvement, for example in the US market, we really see an improvement in terms of Q1 and Q2. It's really visible, for example, in the US. And the pipeline is higher. We see more large deal, **but we don't see,** for example**, yet the resumption of discretionary spending**, so.
Discretionary spend assumptions	on the low end and high end, I think on the low end I don't expect an awful lot of discretionary spend. So, maybe a little bit, but not a full recovery. **On the high end, yes, we expect that a lot of discretionary spend** is back.
	I mean, whatever happened in the last three months, is it really in line with what we expected, actually the -- probably, **I would say the pickup in terms of the pipeline was probably better than what I would have expected**. Of course, clients will have to decide

Source: Respective Company Transcripts, JM Financial

Exhibit 17. Digital native providers – status quo discretionary environment

EPAM (EPAM US EQUITY; NR)	
Demand	We are seeing some **continuing volatility in our global demand environment**. And while there are encouraging signs of new deals and new types of very different domain-specific demands, then even in cyclical nature of 2023 follow us well in 2024, which now leads us to adjust our thinking for both Q2 and for whole full-year outlook.
	What we now understand is that the **macroeconomic and geopolitical factors** that continue to drive volatility in the overall markets and **specifically in the IT services and digital transformation sectors are still with us throughout the remainder of the year.**
	While the programs we anticipated to start by now are still in place and some are in active discussions, many of them have been postponed to future periods or decided to be implemented in much more modest scopes. And so our expectation for considerably higher level of accelerated revenue trends in second part of the year will not be materializing as we anticipated, at least as we see it now.
	Feedback that we're getting is that certain clients, **although they appear to have budget are sort of slow to begin to activate the budget**.
	Clearly **no longer have the confidence of sequential demand improvement in the second half, the way we had when we first guided.**
Outlook	We are **continuing to see a modest improvement in demand. However, client decision-making continues to be cautious** and demand is not improving to the degree expected when we set our original 2024 guidance.
	For the remainder of the year, with limited demand improvement, we now expect seasonal factors to have a more pronounced impact on sequential revenue growth, with Q2 showing a modest decline, Q3 improving followed by flat to a possible modest decline in revenues in Q4.
Discretionary headwinds	EPAM never had multi-year maintenance/BPO kind of work in its portfolio. It largely has newer bills/digital - more discretionary
	Modernization programs - which EPAM is part of - **are still intact. But these have been de-scoped**. That's impacting revenue conversion
Geographies	**North America does feel like it's stabilized** and we did see sequential growth, but what **we're beginning to see is some incremental weakness in our European portfolio**
Endava (DAVA US EQUITY; NR)	
Guidance	The guide, including GalaxE, represents sequential growth of 12% to 13% at the bottom and top of the range. GalaxE represents about sort of 12% of that uplift. So it's about GBP21 million run rate on the revenue perspective. **Excluding GalaxE (acquisition), the guide otherwise generally remains flat compared to Q3.**
Client behaviour	So **client behavior is actually picking up a little bit**, perhaps worth unpacking the dynamics.
	And so the **discretionary spend**, as I was calling it, or the new spend by clients, **needs to be larger than the amount that's dropping off each quarter** for us to drive growth. Clearly, we've had a series of quarters where that had been lower
	In fact, it's been very quiet indeed, leading to the drops quarter-on-quarter, with the **flattening of that is showing that some of that discretionary spend is coming through**
	The actual customer conversations, we **continue to build a backlog of business where we have done discovery work and where clients are still making the decisions** about whether to go ahead with the programs. And it is now a **larger backlog than it was at the end of last quarter**. And that gives us confidence that at some point it needs to break through.
	So in terms of sequential growth, **when we anticipate the uptick, it is difficult to say** at the moment.
Deal pipeline and velocity	The **pipeline has been growing**, as John said. So quite significantly in terms of the number of deals and the average sort of size of them. **What hasn't changed is the pace at which they go through from proposals to contracts** or being told you, you haven't been successful...So it is an issue basically of progression through the pipeline in terms of velocity, not one of win rate
	We're also **seeing that big backlog of work** where we've done discoveries for clients -- paid discoveries, where they're not yet making the decisions to go ahead with it. **So it's too early to call that upward trend that's coming from new discretionary spend coming through that's enabled stabilization in Q4 is going to accelerate** to the point where we anticipate an upturn.
Globant (GLOB US EQUITY; NR)	
Outlook	While **macro-related concerns and soft IT spending will continue into the short term**, we are encouraged by our short-term business indicators, which continue to support our quarterly growth outlook for the rest of 2024
	We are on track to deliver on our **mid-teen growth guidance, and the short-term visibility supports that**
	The momentum on bookings that we referred is real. **I mean, we are seeing some recovery**, and that's quite interesting to see what didn't happen in the past, right?
Demand	We have continued to experience **a positive momentum in bookings and large deals**, which keeps us optimistic about our outlook for 2024.
Visibility	So we see so **visibility stays more or less the same**. I mean, **we still rely on new bookings**. We are not living on the backlog. So it's a combination of backlog plus new bookings. It's good news that we are seeing some big deals closing, and that helps to improve visibility
	What we are seeing at Globant is that **bookings are improving as opposed to what was happening before**, but at the same time the **question mark relies on on how this will move forward**
Top-account	Revenue from our largest client, The Walt Disney Company, grew 6.7% on a year over- year basis and currently represents 8.3% of our total revenue. The rest of our accounts grew 22.4% year-over-year, reflecting the increasing diversity of our revenue sources and reduced risk exposure.
Professional Services	In terms of **professional services**, basically what we have been seeing throughout the last few quarters is a stable business. **It's not growing. It's not decreasing significantly**
Technology	The same thing with technology. Last quarter, we mentioned that the **decrease had stabilized**, and it continues to be in that same behavior, let's say. It continues to be the case.
	The other effect (soft US) that we are seeing is our professional services business, our technology business, which is primarily in the U.S.
Amdocs (DOX USEQUITY; NR)	
Outlook	To begin, we expect quarterly **revenue growth to accelerate on a sequential basis in the second fiscal half of the year, albeit more moderately than we initially expected. This change primarily reflects slower than anticipated pipeline to sales conversion, mainly due to persistent macro uncertainty and industry pressure.**
	Change in revenue **outlook is not the result of signed project cancellation, nor have we seen further deterioration in spending related to legacy system enhancements**, headwinds from which we continue to estimate at roughly 3% in fiscal 2024.
Demand	From a geographical perspective, North America declined 0.7% from a year ago, **primarily due to a slower pipeline to sales conversion.**

Source: Respective Company Transcripts, JM Financial

Exhibit 18. GenAI Commentary - SIs have seen delays in enterprise wide adoption of GenAI

Endava (DAVA US EQUITY; NR)	
Transformation needed for GenAI much deeper	Every industry needs to reinvent itself to some extent to take advantage of generative AI. But it first requires meaningful investments in technology and data stacks to be ready. **This transformation goes beyond the digital systems, which mostly sit above the core**
Complexity is daunting	AI requires access to the right data and systems to be truly effective, and therefore transformation work must go much deeper into the core of the enterprise. D**ue to the complexity, uncertainty, and risk involved in reengineering and opening up these core systems the planning work is therefore taking much longe**r before scale production-ready projects can be commenced.
Pause in GenAI adoption	All of **this has created a pause, a deceleration**, but I also think pent-up demand that may be more meaningful than what we have experienced in prior periods
Globant (GLOB US EQUITY; NR)	
Speed of genAI a speed breaker?	And there's also a factor that has to do with how big and how fast this is moving. So whenever you need to make a decision, **technology is changing so fast that many companies are sort of reluctant of engaging into a lengthy project** and see how the technology they have chosen matures and change in time
Capgemini (CAP FP EQUITY; NR)	
GenAI deal sizes still small	In terms of Gen AI, in terms of growth, pipeline continues to increase. We continue to sign more deals. Still many of them are small. We start to have larger deal. **Last week, we signed one, which was about EUR6 million**
Impact of GenAI on headcount/productivity over anticipated?	I have said from the beginning of this wave around Gen AI that the expectation, **especially around productivity gains, et cetera, and cutting heads, is over anticipated**. People expect too much and too fast, and I think we will, over the coming months, normalize a bit, the expectations
	And just to show also, the same people that were saying 12 months ago and pushing the hype, some large consulting firm, about the amount of savings, et cetera, and productivity gains in IT notably and so on, have changed fundamentally their numbers in the last 12 months. **The 50%, 60% has come down to 10% to 15%.**
Cognizant (CTSH US EQUITY; NR)	
GSIs value add in GenAI - make the technology enterprise grade	There are broadly two things we are investing on or rather three: first, follow the innovation cycles of AI; second, build the last mile infrastructure so that the raw power of AI can be made production grade, enterprise grade for our clients
genAI impact on software engineer	1. Focus less time on plumbing (repetitive task) and more on innovation 2. this will lead to reducing backlog, improving the throughput to clients, increasing the tech intensity at a lower cost.

Source: Respective Company Transcripts, JM Financial

Global peers: key financial highlights

Exhibit 19. Cognizant – Revenue growth, by vertical and Geographies

Cognizant (Y/E Dec)	2Q22	3Q22	4Q22	1Q23	2Q23	3Q23	4Q23	1Q24
Revenues (USD mn)	4,906	4,857	4,839	4,812	4,886	4,897	4,758	4,760
Growth Rate, YoY	7.0%	2.4%	1.3%	-0.3%	-0.4%	0.8%	-1.7%	-1.1%
Growth Rate, YoY (cc)	9.5%	5.6%	4.1%	1.5%	-0.1%	-0.2%	-2.4%	-1.2%
Growth Rate, QoQ	1.7%	-1.0%	-0.4%	-0.6%	1.5%	0.2%	-2.8%	0.0%
Verticals								
Financial Services	**1,542**	**1,521**	**1,481**	**1,476**	**1,463**	**1,475**	**1,395**	**1,385**
Growth, QoQ	0.9%	-1.4%	-2.6%	-0.3%	-0.9%	0.8%	-5.4%	-0.7%
Growth, YoY (CC)	2.7%	-1.5%	-4.3%	-3.4%	-5.1%	-3.0%	-6.6%	-6.5%
Health Sciences	**1,408**	**1,405**	**1,426**	**1,433**	**1,440**	**1,405**	**1,396**	**1,416**
Growth, QoQ	1.1%	-0.2%	1.5%	0.5%	0.5%	-2.4%	-0.6%	1.4%
Growth, YoY (CC)	6%	4%	4%	3%	2%	0%	-3%	-1.3%
Products and Resources	**1,140**	**1,148**	**1,148**	**1,118**	**1,177**	**1,170**	**1,163**	**1,133**
Growth, QoQ	0.9%	0.7%	0.0%	-2.6%	5.3%	-0.6%	-0.6%	-2.6%
Growth, YoY (CC)	8%	4%	3%	-1%	3%	2%	0%	0.9%
Communications, Media and Technology	**816**	**783**	**784**	**785**	**806**	**847**	**804**	**826**
Growth, QoQ	5.2%	-4.0%	0.1%	0.1%	2.7%	5.1%	-5.1%	2.7%
Growth, YoY (CC)	16%	6%	5%	1%	-1%	8%	2%	5.7%
Geographies								
North America	**3,656**	**3,621**	**3,589**	**3,545**	**3,589**	**3,599**	**3,530**	**3,521**
Growth, QoQ	2.4%	-1.0%	-0.9%	-1.2%	1.2%	0.3%	-1.9%	-0.3%
Growth, YoY		3.9%	2.7%	-0.7%	-1.8%	-0.6%	-1.6%	-0.7%
Europe - Total	**903**	**884**	**906**	**939**	**967**	**970**	**918**	**939**
Growth, QoQ	-1.0%	-2.1%	2.5%	3.6%	3.0%	0.3%	-5.4%	2.3%
Growth, YoY		-3.3%	-3.2%	3.0%	7.1%	9.7%	1.3%	0.0%
Rest of World	**347**	**352**	**344**	**328**	**330**	**328**	**310**	**300**
Growth, QoQ	0.6%	1.4%	-2.3%	-4.7%	0.6%	-0.6%	-5.5%	-3.2%
Growth, YoY		2.3%	-0.6%	-4.9%	-4.9%	-6.8%	-9.9%	-8.5%

Source: Company, JM Financial

Exhibit 20. Capgemini – Revenue growth, by verticals and Geographies

Capgemini (Y/E Dec)	2Q22	3Q22	4Q22	1Q23	2Q23	3Q23	4Q23	1Q24
Bookings (EUR mn)	6,134	5,427	6,685	5,867	6,101	5,725	6,643	5,655
Revenue (EUR mn)	**5,521**	**5,553**	**5,754**	**5,729**	**5,697**	**5,480**	**5,616**	**5,527**
Growth, YoY (CC)	19.3%	15.7%	14.0%	10.7%	5.2%	2.3%	-0.2%	-3.3%
Growth, QoQ	6.9%	0.6%	3.6%	-0.4%	-0.6%	-3.8%	2.5%	-1.6%
Verticals								
Financial Services	**1,215**	**1,222**	**1,266**	**1,260**	**1,253**	**1,206**	**1,236**	**1,161**
Growth, QoQ	6.9%	0.6%	3.6%	-0.4%	-0.6%	-3.8%	2.5%	-6.1%
Growth, YoY (CC)	16.6%	14.9%	9.9%	9.4%	2.9%	-3.4%	-4.3%	-7.9%
Energy & Utilities	**442**	**444**	**460**	**458**	**456**	**438**	**449**	**442**
Growth, QoQ	6.9%	0.6%	3.6%	-0.4%	-0.6%	-3.8%	2.5%	-1.6%
Growth, YoY	8.6%	7.3%	6.3%	5.9%	4.4%	3.4%	5.9%	-3.5%
Manufacturing	**1,435**	**1,444**	**1,496**	**1,547**	**1,538**	**1,480**	**1,516**	**1,492**
Growth, QoQ	11.1%	0.6%	3.6%	3.4%	-0.6%	-3.8%	2.5%	-1.6%
Growth, YoY	23.3%	21.3%	19.9%	16.8%	11.2%	4.3%	0.5%	-3.5%
Consumer Goods & Retail	**718**	**722**	**748**	**745**	**741**	**712**	**730**	**719**
Growth, QoQ	6.9%	0.6%	3.6%	-0.4%	-0.6%	-3.8%	2.5%	-1.6%
Growth, YoY	23.1%	14.5%	13.7%	6.8%	0.2%	2.5%	-1.6%	-3.5%
Public Sector	**773**	**777**	**806**	**802**	**798**	**767**	**786**	**829**
Growth, QoQ	-0.3%	0.6%	3.6%	-0.4%	-0.6%	-3.8%	2.5%	5.4%
Growth, YoY	21.9%	15.6%	15.4%	13.1%	8.7%	14.0%	7.0%	3.4%
Telco, Media & Tech	**663**	**666**	**690**	**630**	**627**	**603**	**618**	**608**
Growth, QoQ	6.9%	0.6%	3.6%	-8.7%	-0.6%	-3.8%	2.5%	-1.6%
Growth, YoY	11.5%	11.9%	9.6%	3.1%	-1.3%	-6.7%	-8.0%	-3.5%
Services	**276**	**278**	**288**	**286**	**285**	**274**	**281**	**276**
Growth, QoQ	6.9%	0.6%	3.6%	-0.4%	-0.6%	-3.8%	2.5%	-1.6%
Growth, YoY	32.5%	18.0%	20.8%	10.7%	3.9%	1.0%	0.9%	-3.5%
Geographies								
North America	**1,661**	**1,803**	**1,764**	**1,663**	**1,625**	**1,608**	**1,566**	**1,527**
Growth, QoQ		8.5%	-2.2%	-5.7%	-2.3%	-1.0%	-2.6%	-2.5%
Growth, YoY (CC)				10.2%	-2.2%	-10.8%	-11.2%	-8.2%
UK and Ireland	**652**	**646**	**628**	**686**	**700**	**676**	**647**	**684**
Growth, QoQ		-0.9%	-2.8%	9.2%	2.0%	-3.4%	-4.3%	5.7%
Growth, YoY (CC)				8.0%	7.4%	4.6%	3.0%	-0.3%
France	**1,078**	**1,008**	**1,155**	**1,163**	**1,145**	**1,045**	**1,184**	**1,131**
Growth, QoQ		-6.5%	14.6%	0.7%	-1.5%	-8.7%	13.3%	-4.5%
Growth, YoY (CC)				12.4%	6.2%	3.7%	2.5%	-2.8%
Rest of Europe	**1,615**	**1,574**	**1,702**	**1,739**	**1,733**	**1,633**	**1,732**	**1,729**
Growth, QoQ		-2.5%	8.1%	2.2%	-0.3%	-5.8%	6.1%	-0.2%
Growth, YoY (CC)				12.5%	7.3%	3.7%	1.8%	-0.6%
Asia Pacific and Latin America	**515**	**522**	**505**	**478**	**494**	**518**	**487**	**456**
Growth, QoQ		1.4%	-3.3%	-5.3%	3.3%	4.9%	-6.0%	-6.4%
Growth, YoY (CC)				8.1%	-4.1%	-0.8%	-3.6%	-4.6%

Source: Company, JM Financial

Exhibit 21. Globant – Revenue growth, by vertical and geographies

Globant (Y/E Dec)	2Q22	3Q22	4Q22	1Q23	2Q23	3Q23	4Q23	1Q24
Revenue (USD mn)	429	459	491	472	498	545	581	571
Growth, YoY (CC)	41%	34%	29%	18%	16%	19%	18%	21%
Growth, QoQ	6.9%	6.9%	6.9%	-3.7%	5.3%	9.6%	6.5%	-1.7%
Verticals								
Media and Entertainment	86	96	112	105	111	118	121	120
Growth, QoQ	3.2%	11.5%	16.9%	-5.9%	5.5%	6.2%	2.3%	-0.7%
Growth, YoY (CC)	34.0%	30.3%	43.0%	26.5%	29.4%	23.3%	23.3%	13.9%
Technology & Telecommunications	62	66	65	63	60	66	67	62
Growth, QoQ	8.3%	5.5%	-1.3%	-3.2%	-5.0%	10.9%	0.7%	-6.7%
Growth, YoY (CC)	87.6%	61.7%	26.1%	9.2%	-4.2%	0.7%	0.7%	-0.9%
Travel & Hospitality	34	32	40	38	40	48	62	63
Growth, QoQ	0.0%	-3.3%	21.6%	-4.8%	7.1%	18.8%	28.7%	1.7%
Growth, YoY (CC)	99.7%	42.8%	36.5%	12.0%	20.0%	47.3%	47.3%	66.5%
Consumer, Retail & Manufacturing	61	64	73	73	79	89	112	109
Growth, QoQ	9.1%	5.2%	13.7%	-0.2%	7.8%	12.7%	25.7%	-2.2%
Growth, YoY (CC)	22.2%	17.9%	34.4%	30.2%	28.8%	38.0%	38.0%	49.6%
Professional Services	59	64	59	63	63	68	66	63
Growth, QoQ	11.4%	9.2%	-8.3%	7.3%	-0.2%	7.5%	-2.3%	-5.0%
Growth, YoY (CC)	50.7%	38.7%	17.5%	19.7%	7.3%	5.6%	5.6%	-0.4%
Banks, Financial Services and Insurance	92	91	90	86	94	101	104	102
Growth, QoQ	7.0%	-1.6%	-0.6%	-4.3%	8.4%	8.2%	2.2%	-1.1%
Growth, YoY (CC)	20.0%	18.6%	5.4%	0.2%	1.5%	11.5%	11.5%	18.5%
Healthcare	31	32	38	36	43	45	44	43
Growth, QoQ	12.9%	5.9%	18.6%	-6.2%	18.8%	3.9%	-0.9%	-2.4%
Growth, YoY (CC)	35.9%	28.8%	40.8%	33.1%	40.0%	37.4%	37.4%	19.5%
Other Verticals	5	13	13	8	8	11	6	9
Growth, QoQ	-4.2%	183.0%	3.3%	-41.1%	2.3%	32.5%	-43.2%	40.1%
Growth, YoY (CC)	73.3%	471.0%	283.2%	64.9%	76.1%	-17.6%	-17.6%	7.9%
Geographies								
North America	277	298	303	290	302	321	333	320
Growth, QoQ	7.5%	7.7%	1.7%	-4.2%	3.9%	6.5%	3.7%	-3.9%
Growth, YoY (CC)	42.0%	33.6%	24.8%	12.7%	9.0%	7.8%	9.9%	10.3%
Latin America	102	101	111	103	110	118	133	131
Growth, QoQ	8.7%	-1.7%	10.6%	-7.6%	6.7%	7.4%	12.7%	-1.6%
Growth, YoY (CC)	62.3%	36.1%	26.8%	9.2%	7.2%	17.1%	19.4%	27.2%
EMEA	42	46	58	63	70	90	100	98
Growth, QoQ	2.3%	9.9%	27.1%	8.8%	10.2%	28.9%	10.9%	-1.9%
Growth, YoY (CC)	3.6%	20.9%	43.8%	55.5%	67.6%	96.5%	71.4%	56.1%
Asia & Oceania	8	14	18	16	16	16	15	22
Growth, QoQ	-7.0%	71.2%	25.7%	-11.6%	1.8%	-1.4%	-8.2%	50.8%
Growth, YoY (CC)	20.4%	105.7%	110.5%	76.9%	93.7%	11.6%	-18.5%	33.7%

Source: Company, JM Financial

Exhibit 22. EPAM – Revenue growth by Vertical and Geographies

EPAM (Y/E Dec)	4Q22	1Q23	2Q23	3Q23	4Q23	1Q24
Total Revenues	1,231	1,211	1,170	1,152	1,157	1,166
Growth Rate, YoY	11.2%	3.4%	-2.1%	-6.1%	-6.0%	-3.8%
Growth Rate, QoQ	0.4%	-1.7%	-3.4%	-1.5%	0.4%	0.7%
Growth Rate, YoY (cc)	14.4%	4.9%	-2.4%	-8.0%	-7.3%	-4.3%
Growth Rate, QoQ (cc)	-0.5%	-2.5%	-3.6%	-1.4%	0.3%	0.3%
Verticals						
Travel & Consumer	270	278	274	263	258	259
Growth, QoQ	-3.6%	3.0%	-1.7%	-3.8%	-1.8%	-6.9%
Growth, YoY (CC)	16.0%	4.9%	-1.0%	-6.2%	-4.4%	-6.9%
Financial Services	261	271	259	246	242	243
Growth, QoQ	2.4%	3.8%	-4.3%	-4.9%	-1.7%	-10.3%
Growth, YoY (CC)	2.4%	4.1%	3.2%	-3.3%	-7.1%	-10.3%
Business Information & Media	209	202	190	184	178	174
Growth, QoQ	0.0%	-3.1%	-6.3%	-3.1%	-3.2%	-14.3%
Growth, YoY (CC)	10.9%	4.2%	-4.1%	-12.0%	-14.8%	-8.3%
Software & Hi-Tech	203	189	175	174	169	170
Growth, QoQ	-1.2%	-6.8%	-7.4%	-0.5%	-3.0%	-10.0%
Growth, YoY (CC)	10.3%	-0.2%	-10.3%	-15.1%	-16.8%	-15.8%
Life Sciences & Healthcare	125	111	114	124	140	140
Growth, QoQ	-3.3%	-11.3%	2.9%	8.6%	12.8%	26.1%
Growth, YoY (CC)	11.5%	-10.1%	-10.9%	-4.2%	11.6%	26.0%
Emerging Verticals	163	159	158	160	170	180
Growth, QoQ	10.2%	-2.3%	-0.4%	1.2%	5.9%	12.9%
Growth, YoY (CC)	20.8%	14.7%	8.6%	8.5%	4.2%	12.9%
Geographies						
Americas	732	710	679	677	676	693
Growth, QoQ	-2.1%	-3.0%	-4.3%	-0.3%	-0.1%	-2.4%
Growth, YoY (CC)	14.7%	3.4%	-5.9%	-9.3%	-7.6%	-2.4%
EMEA	455	464	459	446	454	449
Growth, QoQ	3.8%	2.0%	-1.0%	-2.8%	1.7%	-3.1%
Growth, YoY (CC)	18.0%	10.0%	8.5%	1.8%	-0.3%	-3.2%
APAC	29	27	24	25	26	23
Growth, QoQ	-7.0%	-8.2%	-9.7%	3.7%	3.6%	-13.1%
Growth, YoY (CC)	0.0%	-9.4%	-19.7%	-20.2%	-10.9%	-13.1%
CEE	16	10	8	3	1.3	-
Growth, QoQ	52.9%	-33.3%	-25.0%	-56.4%	-61.8%	-
Growth, YoY (CC)	-71.8%	-68.8%	-61.1%	-66.4%	-91.6%	-

Source: Company, JM Financial

Exhibit 23. ENDAVA – Revenue growth by Vertical and Geographies

Endava (Y/E June)	2Q23	3Q23	4Q23	1Q24	2Q24	3Q24
Total Revenues (£ mn)	**205.2**	**203.5**	**189.8**	**188.4**	**183.6**	**174.4**
Growth Rate, YoY	30%	20%	5%	-3.9%	-10.6%	-14.3%
Growth Rate, YoY (cc)	23%	15%	5%	-0.6%	-8.1%	-11.8%
Growth Rate, QoQ	4.6%	-0.8%	-6.7%	-0.7%	-2.5%	-5.0%
Verticals						
Payments	**60**	**58.4**	**53.9**	**51.2**	**47.5**	**42.6**
Growth, QoQ	0.0%	-2.7%	-7.7%	-5.0%	-7.2%	-10.3%
Growth, YoY (CC)	30.0%	12.2%	1.5%	-14.7%	-20.8%	-27.0%
Banking & Capital Markets	**34.3**	**33.3**	**30.1**	**26.5**	**25.7**	**25.3**
Growth, QoQ	10.6%	-2.9%	-9.6%	-12.0%	-3.0%	-1.6%
Growth, YoY (CC)	36.9%	39.1%	7.2%	-14.4%	-25.2%	-24.2%
Insurance	**14.1**	**15.2**	**14.6**	**14.9**	**15.5**	**15.4**
Growth, QoQ	24.8%	7.8%	-3.9%	2.1%	4.0%	-0.6%
Growth, YoY (CC)	58.6%	52.1%	35.7%	32.3%	10.4%	1.7%
TMT	**44.5**	**43.6**	**41.4**	**43.6**	**42.2**	**41.9**
Growth, QoQ	0.2%	-2.0%	-5.0%	5.3%	-3.2%	-0.7%
Growth, YoY (CC)	13.3%	1.2%	-7.2%	-1.9%	-5.2%	-4.0%
Mobility	**20.1**	**21.7**	**19.4**	**20.5**	**19.3**	**16.8**
Growth, QoQ	4.7%	8.0%	-10.6%	5.7%	-5.9%	-13.0%
Growth, YoY (CC)	18.5%	32.1%	11.3%	6.7%	-4.1%	-22.4%
Other	**32.3**	**31.3**	**30.5**	**31.6**	**33.4**	**32.4**
Growth, QoQ	7.0%	-3.1%	-2.6%	3.6%	5.7%	-3.0%
Growth, YoY (CC)	51.0%	32.3%	14.9%	4.7%	3.3%	3.2%
Geographies						
North America	**67.5**	**65.5**	**57.6**	**57**	**57.7**	**52.8**
Growth, QoQ	-0.1%	-3.0%	-12.1%	-1.0%	1.2%	-8.5%
Growth, YoY (CC)	22.6%	15.4%	-8.2%	-15.6%	-14.5%	-19.4%
Europe	**46.6**	**48**	**45.2**	**46.5**	**47.3**	**48.4**
Growth, QoQ	8.9%	3.0%	-5.8%	2.9%	1.7%	2.3%
Growth, YoY (CC)	42.9%	35.6%	13.4%	8.8%	1.3%	0.9%
UK	**79.4**	**77.8**	**72.8**	**66.6**	**61.7**	**60.5**
Growth, QoQ	0.1%	-2.0%	-6.4%	-8.5%	-7.4%	-1.9%
Growth, YoY (CC)	21.2%	7.2%	0.1%	-16.0%	-22.3%	-22.3%
ROW	**11.7**	**12.3**	**14.3**	**18.3**	**16.9**	**12.7**
Growth, QoQ	80.0%	5.1%	16.3%	28.0%	-7.7%	-24.9%
Growth, YoY (CC)	163.6%	173.4%	177.0%	180.2%	44.8%	3.8%

Source: Company, JM Financial

Exhibit 24. JM Financial IT Services Coverage Universe – Price Target and Valuation comparable

Co Name	CMP (INR)	Reco.	Target Multiple (x)	Target Price (INR)	USD revenue growth (%)			EPS			P/E			EV/EBIT			ROE		
					FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E
TCS	3,715	HOLD	26.0x	4,130	5.9%	9.0%	10.5%	140	158	182	26.6x	23.5x	20.4x	16.4x	14.9x	13.4x	29%	30%	31%
Infosys	1,394	BUY	23.0x	1,570	2.6%	7.2%	10.3%	64	69	77	22.2x	20.5x	18.3x	20.3x	18.0x	16.2x	52%	50%	47%
HCL Tech	1,304	HOLD	22.0x	1,480	4.2%	6.8%	9.5%	62	67	72	21.0x	19.6x	18.0x	15.4x	14.2x	13.1x	26%	28%	30%
Wipro*	438	BUY	20.0x	550	0.4%	7.1%	9.7%	23	27	31	18.9x	16.1x	14.1x	14.6x	12.6x	11.2x	15%	17%	17%
Tech Mahindra	1,239	BUY	20.0x	1,430	1.6%	7.8%	8.8%	44	58	80	28.1x	21.5x	15.5x	25.0x	18.2x	12.9x	15%	19%	25%
LTIMindtree	4,631	SELL	22.0x	4,230	4.2%	7.8%	9.8%	161	190	218	28.7x	24.3x	21.3x	22.5x	19.4x	17.2x	23%	24%	23%
Coforge	4,967	BUY	28.0x	5,570	9.2%	11.8%	13.5%	157	196	231	30.6x	24.5x	20.8x	25.6x	20.7x	17.8x	26%	28%	28%
Persistent Systems	3,352	HOLD	33.0x	3,400	14.0%	13.8%	14.8%	88	102	124	38.3x	33.0x	27.0x	30.7x	25.8x	21.3x	25%	24%	25%
KPIT Tech	1,382	BUY	60.0x	2,030	21.0%	17.3%	16.8%	28	33	39	49.8x	41.9x	35.6x	37.8x	32.4x	27.4x	32%	31%	30%
Tata Tech	1,013	BUY	60.0x	1,410	11.2%	14.6%	14.6%	20	23	27	51.2x	43.7x	38.2x	42.7x	36.0x	30.4x	24%	25%	25%

Source: JM Financial estimates; Note: Price as on 4th June 2024

APPENDIX I

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