

In Q3FY25, we expect the usual seasonal factors to impact sequential revenue growth for our IT Services coverage. However, improvement in growth momentum on YoY basis is likely to continue in Q3, on the back of recovery in BFSI, lower project cancellations, beginning of interest rate cut cycle, and end of uncertainties around US elections, albeit gradually. Furloughs in Q3 remain in line with the past. EBITM performance remains mixed, on sequential basis, depending on salary hike cycle, large deals ramp up, etc. HCLT would lead organic revenue growth in tier-1 companies, while Coforge and PSYS are likely to lead in tier-2. Large deal ramp-ups and strong execution should benefit select companies, even as the demand environment has largely remained unchanged. Recent upgrade in revenue guidance by Accenture lends some credence to the revenue uptick that consensus/we have built-in for FY26. NIFTY IT Index rallied 3%/20% in the last 3M/6M, and outperformed broader markets by 12%/21% over the same period, on anticipation of demand uptick. Clients' budgets, which will be finalized in early CY25, should provide more clarity as regards the growth trajectory. We upgrade TCS and MPHL to ADD from Reduce, and downgrade PSYS to SELL, while retaining our rating on other coverage stocks. Our pecking order is INFO, TCS, HCLT, TECHM, WPRO, and LTIM in large-caps. Among mid-caps, we prefer SSOF, CYL, MPHL, BSOF, QUESS, and Zomato.

### Seasonal weakness to weigh on sequential growth; YoY growth to improve on stable demand and recovery in BFSI

Most IT Services companies are likely to report improvement in revenue growth rates on YoY basis in Q3. Recovery in BFSI will aid growth, while weakness in Manufacturing, particularly Auto, is likely to weigh on growth. BFSI is showing signs of healthy recovery, but uncertainties remain on pace of recovery in other verticals. Seasonal furloughs and lower working days should keep revenue growth muted on QoQ basis. Large caps (excluding HCLT) should report muted growth, while HCLT should benefit from software business seasonality and one month of consolidation of CTG. PSYS and Coforge would lead growth in mid-caps, while BSOF and MPHL to post relatively weak growth. We expect INFO to narrow its guidance to 4-4.5% (from 3.75-4.5%), and HCLT would increase its guidance to 4.5-5.5% (from 3.5-5%), factoring in the CTG acquisition. We expect WPRO to guide to -0.5 to +1.5% growth for Q4FY25. ER&D companies should be impacted by the slowdown in the Auto space.

### Mixed margin performance

Companies under our coverage are likely to report mixed performance on margins, depending on salary hike, large deals ramp-ups, M&As, and business mix changes. Select companies with wage hikes (WPRO, LTIM, BSOF) should report a decline in margins. For Tier-1 companies, we expect margins to see a fluctuation, of -140bps to +100bps, while we expect margins to vary by -160bps to 60bps QoQ for mid-caps.

### Key monitorables

i) FY25 revenue/margin guidance changes, ii) CY25 IT budget and discretionary spending uptick, iii) deal intake/pipeline, iv) demand trends in key verticals like BFSI, Retail, Manufacturing, Hi-Tech, Telecom, v) hiring plan, as most players have maxed out on the utilization lever, vi) progress on Gen AI, and vii) pricing environment.

### Indian IT - Rating and Target Price

Company	CMP (Rs)	Mkt Cap (USD bn)	Target (Rs)	Rating	P/E (x)		EV/EBITDA	
					FY25E	FY26E	FY25E	FY26E
TCS	4,095	173.0	4,500	ADD	29.8	27.0	20.7	18.7
INFO	1,880	91.1	2,150	BUY	29.9	26.6	18.9	16.7
HCLT	1,917	60.7	2,000	ADD	29.7	27.5	19.2	17.3
WPRO	302	36.9	290	REDUCE	25.1	23.3	15.6	14.2
TECHM	1,706	19.5	1,800	ADD	34.1	24.3	19.8	14.4
LTIM	5,586	19.3	6,000	REDUCE	34.9	29.5	24.4	20.6
MPHL	2,847	6.3	3,150	ADD	32.2	28.4	19.7	17.2
COFORGE	9,663	7.5	8,600	REDUCE	63.7	47.7	32.6	26.1
PSYS	6,458	11.7	5,300	SELL	74.5	58.9	49.0	39.2
LTTS	4,737	5.9	5,150	REDUCE	37.3	31.2	24.0	19.9
CYL	1,837	2.4	2,300	BUY	29.1	22.6	15.6	12.8
SSOF	599	2.0	780	BUY	37.8	28.1	23.5	18.7
BSOF	560	1.8	670	ADD	30.0	25.3	19.3	15.7
FSOL	376	3.1	350	REDUCE	42.4	32.1	22.7	18.1
ECLX	3,483	1.9	3,600	ADD	31.1	26.7	19.2	16.2
ROUTE	1,393	1.0	1,700	ADD	24.8	20.5	14.8	12.2
QUESS	662	1.1	850	BUY	25.4	18.3	11.9	9.2
TEAM	2,939	0.6	3,100	ADD	40.6	25.4	31.0	20.5
ZOMATO	278	31.3	310	BUY	242.3	122.7	243.2	91.8

Source: Company, Emkay Research

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## Deal wins stable, lack of mega deals

In Q3FY25, deal wins should remain similar to previous quarter's. However, absence of mega deals and continued weak discretionary spending should continue to weigh on overall deal intake in Q3 as well. The overall construct of deal wins should remain similar, with cost takeout and vendor consolidation deals remaining the mainstay. Deal pipeline remains healthy across most companies, while pace of decision making is varying across sectors and clients.

## Earnings revision and valuation

The demand environment is largely unchanged since the last quarter. With the interest rate cut cycle already under way and the US Presidential elections behind, clarity should emerge in the next couple of months, regarding tech budgets. Green shoots observed in BFSI, particularly in North America, should sustain in Q3. Weakness observed in Europe is expected to continue in Q3. The auto vertical has seen pressure in Q2 which is expected to continue in Q3 as well. We do not expect any improvement in discretionary spending in Q3.

The recent guidance upgrade from ACN (to 4-7% from 3-6% earlier) lends some credence to consensus/our assumptions of a revenue uptick in FY26. According to the management, the demand environment has seen no material change yet, with clients continuing to prioritize large reinvention deals and critical programs, while flow of smaller deals remains weak. Further, the pricing environment remains competitive amid a constrained budget, and continues to experience lower pricing across the business.

We revise earnings estimates of our coverage universe, factoring in the Q3 performance; we also revise USD/INR assumptions (Rs85.5/85.5/87 for Q4FY25E/FY26E/FY27E, respectively). We roll forward our TP to Dec-25E across our coverage universe. We upgrade TCS and MPHL to ADD from Reduce, while downgrading PSYS to SELL. We increase our target multiple for COFORGE to 36x (10% discount to PSYS). TPs for our coverage companies have seen a change of -2% to +27%, factoring in the aforementioned estimate changes.

The BSNL deal ramp-down is likely to weigh on near-term growth rate for TCS, but we expect TCS to participate effectively on the anticipated recovery in demand, on the back of its diversified offerings across cost optimization and transformation. TCS has underperformed the NIFTY IT index by ~15%/14% over 6M/12M, respectively. Although the stock lacks a near-term trigger due to muted short-term revenue growth expectations, we upgrade TCS to ADD with TP of Rs4,500, on reasonable valuations.

MPHL lacks near-term triggers; however, considering its reasonable valuation, recovery in BFSI and the anticipated uptick in overall growth, we upgrade the stock to ADD with TP of Rs3,150.

We downgrade PSYS to SELL with TP of Rs5,300, considering its rich valuations. The stock has delivered ~52% return in the last 6M; bulk of the returns came from re-rating. We expect the relative growth outperformance to narrow down in FY26E, with anticipated improvement in the demand environment.

The NIFTY IT Index has increased 3%/24% in the last 3M/FY25YTD. This rally in the IT index can be majorly attributed to multiple re-rating on the back of increasing hopes of revenue recovery in CY25/FY26 and rupee depreciation. The pace of earnings cut has reduced over the last few quarters, as project deferments/cancellations have reduced, and due to end of uncertainties around US presidential elections as well as elections in other major developed markets.

Our pecking order is INFO, TCS, HCLT, TECHM, WPRO, and LTIM in large-caps. Among mid-caps, we prefer SSOF, CYL, MPHL, BSOFT, QUESS, and Zomato.

## Exhibit 1: Dec-24 quarterly estimates for IT services companies

Company	Revenue		Revenue growth (%)		EBIT	EBITM	EBITM change (bps)		Net profit		Net profit growth (%)		Cross currency impact (bps)	Constant currency growth QoQ (%)
	(USD mn)	QoQ	YoY	(Rs mn)	(%)	QoQ	YoY	(Rs mn)	QoQ	YoY				
TCS	7,632	-0.5	4.8	162,055	25.1	100	170	126,955	6.2	14.4	-100	0.5		
INFO	4,870	-0.5	4.4	87,591	21.3	20	80	66,687	2.5	9.2	-80	0.3		
WPRO	2,628	-1.3	-1.1	36,594	16.4	(20)	160	31,568	-1.6	17.2	-80	(0.5)		
HCLT	3,560	3.3	4.2	58,261	19.3	80	(50)	46,367	9.5	6.6	-90	4.2		
TECHM	1,590	0.1	1.1	14,210	10.6	90	520	10,991	-12.1	115.3	-80	0.9		
LTIM	1,142	1.4	5.4	13,575	14.0	(140)	(130)	11,248	-10.1	-3.8	-40	1.8		
MPHL	425	0.8	6.1	5,450	15.1	(20)	30	4,107	-3.0	9.9	-30	1.1		
PSYS	360	4.2	19.8	4,436	14.6	50	0	3,484	7.2	21.8	-30	4.5		
COFORGE	384	3.9	36.2	3,936	12.1	40	(170)	2,583	11.7	8.5	-80	4.7		
LTTS	314	2.3	8.0	4,148	15.6	60	(160)	3,320	3.9	-1.3	-80	3.1		
CYL (DET)	176	1.5	-2.0	2,135	14.4	20	(160)	1,618	-8.4	-6.3	-110	2.6		
SSOF	87	2.6	3.7	1,519	5.6	(100)	(140)	1,125	5.6	-12.5	-40	3.0		
BSOFT	165	0.8	2.0	1,356	9.7	(70)	(470)	1,154	-9.5	-28.4	-20	1.0		
FSOL	244	6.2	27.2	2,323	11.2	40	50	1,676	21.3	30.2	-70	6.9		
ECLX	102	2.8	12.3	1,758	20.4	(160)	(260)	1,356	-3.3	-2.2	-30	3.1		

Source: Company, Emkay Research

## Exhibit 2: Foreign exchange movement during the quarter

	INR/USD	INR/GBP	INR/EUR	USD/GBP	USD/EUR	JPY/USD	USD/AUD	USD/CAD
High	85.61	111.69	93.03	1.33	1.11	157.99	0.69	1.44
Low	83.82	105.67	87.86	1.25	1.04	143.57	0.62	1.35
Avg Rate	84.46	108.22	90.11	1.28	1.07	152.46	0.65	1.40
QoQ chg.	0.8%	-0.6%	-2.1%	-1.5%	-3.0%	2.3%	-2.7%	2.6%
YoY chg.	1.4%	4.7%	0.6%	3.1%	-0.9%	3.2%	0.0%	2.9%
Last date closing	85.61	107.49	89.20	1.25	1.04	156.78	0.62	1.44
QoQ chg.	2.2%	-4.2%	-4.9%	-6.2%	-6.5%	9.2%	-10.1%	6.2%
YoY chg.	2.9%	1.7%	-3.0%	-1.5%	-5.7%	11.2%	-8.8%	8.5%

Source: Bloomberg, Emkay Research

## Exhibit 3: Change in estimates (Revenue and Margin)

Change in Estimates	Revenues, Rs bn (New)			Revenues, Rs bn (Old)			Change			EBIT Margins, % (New)			EBIT Margins, % (Old)			% change (bps)		
	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E
TCS	2,565	2,735	2,977	2,563	2,749	2,975	0.1%	-0.5%	0.1%	24.9	25.5	25.5	24.9	25.5	25.5	0	-	-0
Infosys	1,632	1,796	1,973	1,628	1,800	1,966	0.2%	-0.2%	0.4%	21.0	21.4	21.6	21.0	21.4	21.6	3	-1	-7
HCL Tech	1,176	1,293	1,428	1,171	1,286	1,412	0.4%	0.6%	1.1%	18.3	18.4	18.6	18.4	18.5	18.7	-9	-15	-13
Wipro	895	946	1,030	893	948	1,026	0.2%	-0.2%	0.3%	16.5	16.9	17.0	16.5	16.9	17.0	0	-0	0
TechM	536	590	657	535	591	655	0.2%	-0.3%	0.3%	10.1	13.5	14.5	10.1	13.5	14.5	-4	-1	1
LTIM	382	428	486	381	430	487	0.2%	-0.5%	-0.3%	14.9	16.0	16.5	15.2	16.6	17.2	-33	-64	-68
Mphasis	143	157	176	142	158	176	0.2%	-0.4%	0.1%	15.3	15.6	16.0	15.3	15.6	16.0	1	-1	0
Coforge	121	148	173	121	148	173	0.2%	-0.1%	0.5%	12.5	13.0	13.4	12.5	13.0	13.4	-1	-1	2
Persistent	119	143	171	118	140	164	1.0%	2.6%	4.1%	14.4	15.2	15.9	14.3	15.2	15.9	19	-4	-2
LTTS	106	120	136	105	120	135	0.3%	0.0%	0.5%	15.8	16.8	17.4	15.8	16.8	17.5	1	-0	-11
Cyient	77	89	103	77	90	104	0.0%	-0.7%	-0.1%	12.7	13.8	14.2	12.8	13.9	14.6	-9	-16	-34
Sonata	98	112	129	98	113	129	0.0%	-0.2%	-0.1%	6.1	7.2	7.9	6.2	7.2	7.9	-12	-3	-1
Birlasoft	55	62	71	55	62	70	0.3%	-0.2%	0.4%	11.1	12.1	13.5	11.2	12.4	14.0	-10	-38	-49
Firstsource	79	93	106	79	93	105	0.4%	-0.1%	0.5%	11.1	11.9	12.6	11.3	12.0	12.7	-14	-11	-14
Eclerx	34	38	43	34	38	43	-0.1%	-0.3%	0.6%	20.3	20.6	20.9	20.2	20.6	20.9	5	-1	2
Route Mobile	46	52	58	47	53	60	-2.1%	-2.9%	-2.9%	10.1	10.8	11.3	10.1	10.9	11.3	-5	-5	-5
Qess Corp	213	246	285	213	246	285	-0.1%	-0.2%	-0.2%	2.5	3.0	3.2	2.6	3.0	3.2	-13	0	-0
Teamlease	112	133	156	112	133	156	0.0%	0.0%	0.0%	0.8	1.2	1.3	0.9	1.2	1.3	-4	-	-
Zomato	201	280	374	201	280	373	-0.1%	0.1%	0.1%	1.3	5.7	8.7	1.6	6.1	9.1	-33	-36	-41

Source: Company, Emkay Research

## Exhibit 4: Change in estimates (EPS, target multiple, and target price)

Change in Estimates	EPS, Rs (New)			EPS, Rs (Old)			Change in EPS			Rating		Target Multiple (Rs)		Target Price (Rs)	
	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	Old	New	Old	New	Old	New
TCS	137.2	151.6	166.6	137.1	152.4	166.5	0.1%	-0.5%	0.0%	REDUCE	ADD	28	28	4,500	4,500
Infosys	62.9	70.8	78.8	62.7	70.9	78.8	0.4%	-0.2%	0.0%	BUY	BUY	28	28	2,150	2,150
HCL Tech	64.6	69.9	78.1	64.6	70.1	77.8	0.0%	-0.3%	0.3%	ADD	ADD	26	26	1,950	2,000
Wipro	12.0	13.0	14.4	11.8	13.0	14.2	1.7%	-0.1%	1.9%	REDUCE	REDUCE	20	20	275	290
TechM	50.1	70.1	84.6	50.2	70.4	84.3	-0.2%	-0.4%	0.3%	ADD	ADD	22	22	1,700	1,800
LTIM	160.1	189.2	223.1	164.0	199.5	235.1	-2.4%	-5.1%	-5.1%	REDUCE	REDUCE	28	28	6,100	6,000
Mphasis	88.3	100.3	116.9	88.2	101.3	116.7	0.2%	-1.0%	0.2%	REDUCE	ADD	28	28	3,050	3,150
Coforge	133.2	202.4	248.9	132.9	202.1	245.6	0.2%	0.1%	1.3%	REDUCE	REDUCE	30	36	6,750	8,600
Persistent	86.7	109.6	138.5	85.4	107.7	133.5	1.6%	1.8%	3.8%	REDUCE	SELL	40	40	4,800	5,300
LTTS	127.1	151.7	179.3	126.6	151.8	179.4	0.4%	0.0%	-0.1%	REDUCE	REDUCE	30	30	5,000	5,150
Cyient	63.2	81.2	97.6	63.7	82.7	100.2	-0.8%	-1.8%	-2.6%	BUY	BUY	25	25	2,300	2,300
Sonata	15.9	21.3	27.3	16.2	21.5	27.4	-1.9%	-0.9%	-0.4%	BUY	BUY	30	30	780	780
Birlasoft	18.7	22.2	28.3	18.8	22.9	29.2	-0.5%	-3.0%	-3.0%	ADD	ADD	25	25	670	670
Firstsource	8.9	11.7	14.8	8.9	11.8	14.9	-1.0%	-1.1%	-0.6%	REDUCE	REDUCE	25	25	350	350
Eclerx	111.8	130.3	156.1	111.7	130.8	155.1	0.1%	-0.3%	0.7%	ADD	ADD	25	25	3,500	3,600
Route Mobile	57.3	68.1	83.0	58.8	70.5	85.8	-2.6%	-3.4%	-3.3%	ADD	ADD	22	22	1,700	1,700
Qess Corp	26.3	36.6	46.2	27.9	36.6	46.2	-5.8%	-0.2%	-0.2%	BUY	BUY	NA	NA	850	850
Teamlease	72	116	146	75	116	146	-3.8%	-0.3%	-0.2%	ADD	ADD	NA	NA	3,100	3,100
Zomato	1.1	2.3	3.7	1.2	2.4	3.9	-5.5%	-3.9%	-3.4%	BUY	BUY	NA	NA	310	310

Source: Company, Emkay Research

## Exhibit 5: Valuation Summary

Company	CMP (Rs)	Mkt Cap (USD bn)	Promoter Holding (%)	ADTV 6M (USD mn)	Target price (Rs)	Rating	P/E (x)				EV/EBITDA (x)				ROE (%)			
							FY24	FY25E	FY26E	FY27E	FY24	FY25E	FY26E	FY27E	FY24	FY25E	FY26E	FY27E
TCS	4,095	173.0	71	120.4	4,500	ADD	32.3	29.8	27.0	24.6	22.8	20.7	18.7	17.0	49.6	49.1	46.0	43.2
INFO	1,880	91.1	14	138.8	2,150	BUY	29.7	29.9	26.6	23.8	20.3	18.9	16.7	14.9	31.9	28.2	28.8	28.9
HCLT	1,917	60.7	60	57.9	2,000	ADD	33.1	29.7	27.5	24.6	20.7	19.2	17.3	15.4	23.5	25.1	26.1	27.8
WPRO	302	36.9	72	50.7	290	REDUCE	28.6	25.1	23.3	20.9	16.8	15.6	14.2	12.7	14.4	16.2	16.2	16.6
TECHM	1,706	19.5	35	41.1	1,800	ADD	63.9	34.1	24.3	20.2	29.0	19.8	14.4	12.1	10.3	16.3	21.8	24.6
LTIM	5,586	19.3	68	33.9	6,000	REDUCE	36.1	34.9	29.5	25.0	25.6	24.4	20.6	17.7	25.0	22.2	23.0	23.8
MPHL	2,847	6.3	40	27.6	3,150	ADD	34.6	32.2	28.4	24.4	21.4	19.7	17.2	15.0	18.6	18.4	19.5	21.2
COFORGE	9,663	7.5	-	42.1	8,600	REDUCE	73.9	63.7	47.7	38.8	41.8	32.6	26.1	21.9	24.1	20.5	20.2	21.8
PSYS	6,458	11.7	30	31.7	5,300	SELL	91.0	74.5	58.9	46.6	58.4	49.0	39.2	31.6	24.5	25.1	26.9	28.4
LTTS	4,737	5.9	73	9.4	5,150	REDUCE	38.4	37.3	31.2	26.4	25.1	24.0	19.9	16.7	26.6	23.4	24.3	24.9
CYL	1,837	2.4	23	10.0	2,300	BUY	27.7	29.1	22.6	18.8	15.5	15.6	12.8	10.8	19.0	14.8	16.5	18.1
SSOF	599	2.0	28	7.4	780	BUY	34.8	37.8	28.1	21.9	23.3	23.5	18.7	14.9	35.7	29.3	32.8	34.2
BSOFT	560	1.8	40	23.8	670	ADD	25.3	30.0	25.3	19.8	16.5	19.3	15.7	12.1	22.7	16.4	17.5	19.8
FSOL	376	3.1	54	27.2	350	REDUCE	50.5	42.4	32.1	25.5	27.9	22.7	18.1	15.0	14.7	15.9	18.7	20.5
ECLX	3,483	1.9	54	5.2	3,600	ADD	33.4	31.1	26.7	22.3	21.1	19.2	16.2	13.6	25.9	23.4	25.1	26.5
ROUTE	1,393	1.0	74	3.2	1,700	ADD	23.3	24.8	20.5	16.8	16.3	14.8	12.2	10.1	18.0	15.5	16.5	17.5
QUESS	662	1.1	56	5.3	850	BUY	36.1	25.4	18.3	14.5	14.2	11.9	9.2	7.6	11.4	13.7	17.6	20.0
TEAM	2,939	0.6	31	1.7	3,100	ADD	44.1	40.6	25.4	20.2	35.4	31.0	20.5	15.8	13.5	14.1	19.1	19.8
ZOMATO	278	31.3	NA	187.1	310	BUY	723.4	242.3	122.7	74.2	5,554.6	243.2	91.8	52.6	1.8	5.0	9.2	13.8

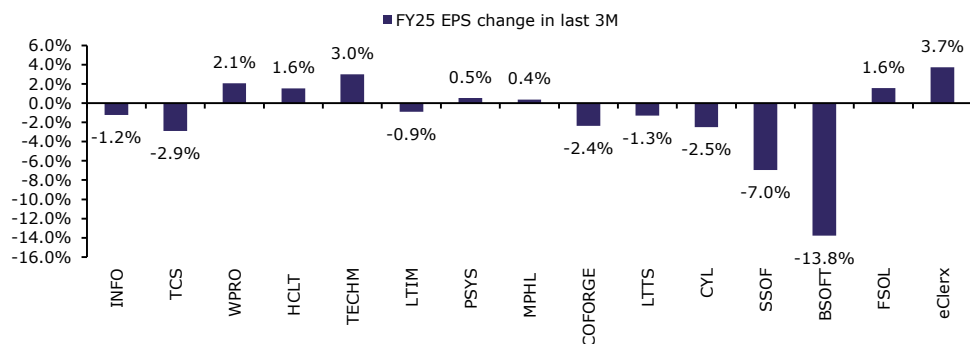
Source: Company, Bloomberg, Emkay Research

Exhibit 6: Price performance

Index/Stock	CMP (Rs)	Return (%)					% Outperformance/Underperformance wrt Nifty				
		1M	3M	6M	1Y	3Y	1M	3M	6M	1Y	3Y
Nifty 50	23,645	-2%	-8%	-2%	9%	36%					
Nifty IT	43,338	0%	3%	20%	22%	12%	2%	12%	21%	13%	-24%
TCS	4,095	-4%	-4%	5%	8%	10%	-2%	4%	6%	0%	-27%
INFO	1,880	1%	0%	20%	23%	0%	3%	9%	22%	14%	-37%
WPRO	302	4%	11%	17%	28%	-16%	6%	20%	19%	19%	-52%
HCLT	1,917	4%	7%	31%	31%	45%	6%	15%	33%	22%	9%
TECHM	1,706	0%	8%	19%	34%	-5%	2%	17%	21%	25%	-41%
LTIM	5,586	-10%	-11%	4%	-11%	-24%	-7%	-2%	5%	-20%	-60%
MPHL	2,847	-4%	-5%	16%	4%	-16%	-2%	3%	18%	-5%	-52%
PSYS	6,458	9%	18%	52%	75%	163%	11%	27%	54%	66%	127%
COFORGE	9,663	11%	38%	77%	54%	64%	13%	46%	79%	45%	28%
LTTS	4,737	-10%	-11%	-3%	-10%	-15%	-8%	-3%	-2%	-19%	-52%
CYL	1,837	-1%	-2%	0%	-20%	80%	1%	6%	2%	-29%	43%
SSOF	599	-4%	-5%	1%	-19%	83%	-2%	4%	3%	-28%	47%
BSOFT	560	-5%	-7%	-19%	-22%	3%	-3%	1%	-17%	-31%	-33%
FSOL	376	3%	21%	79%	103%	105%	5%	29%	81%	95%	69%
ECLX	3,483	0%	16%	44%	34%	100%	2%	24%	46%	26%	64%
ROUTE	1,393	-3%	-11%	-24%	-13%	-22%	-1%	-3%	-22%	-22%	-58%
QUESS	662	-6%	-15%	10%	27%	-23%	-4%	-6%	11%	18%	-59%
TEAM	2,939	1%	-6%	-1%	-8%	-29%	3%	2%	1%	-17%	-66%
Zomato	278	-1%	2%	39%	125%	102%	1%	10%	40%	116%	66%

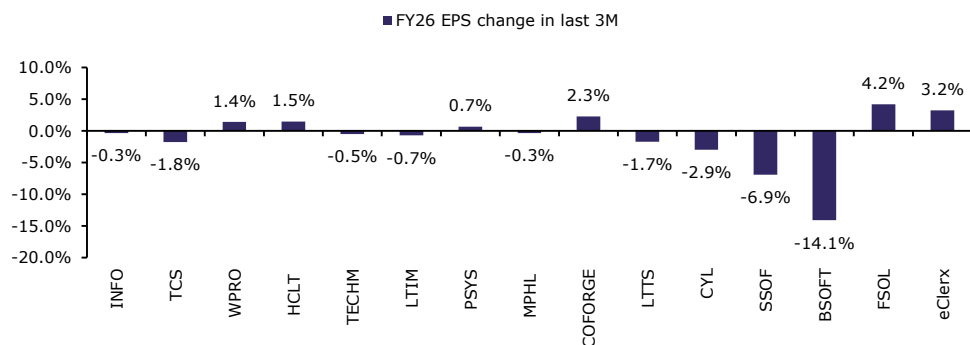
Source: Bloomberg, Emkay Research

Exhibit 7: Consensus estimates (FY25 EPS) – Changes in the past 3 months



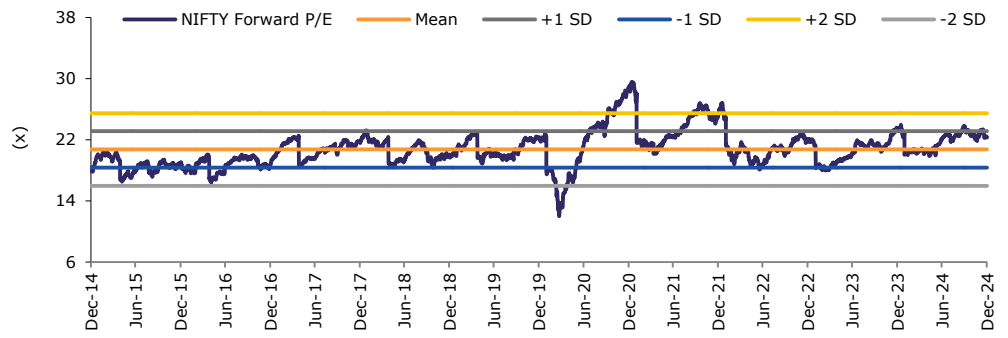
Source: Bloomberg, Emkay Research

Exhibit 8: Consensus estimates (FY26 EPS) – Changes in the past 3 months



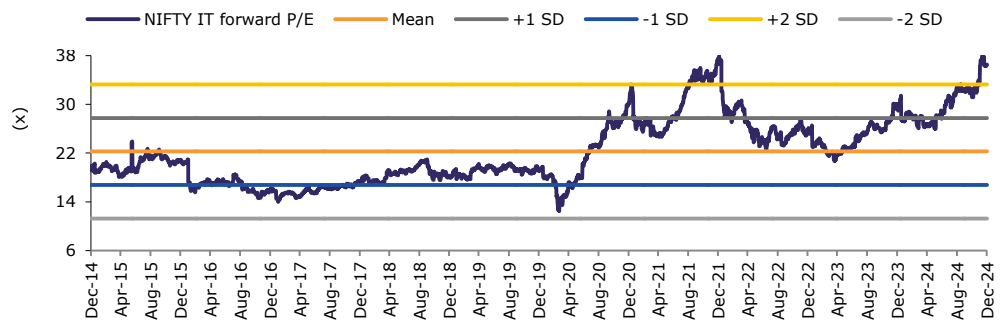
Source: Bloomberg, Emkay Research

**Exhibit 9: NIFTY – One-year forward P/E is currently trading a tad below mean +1SD**



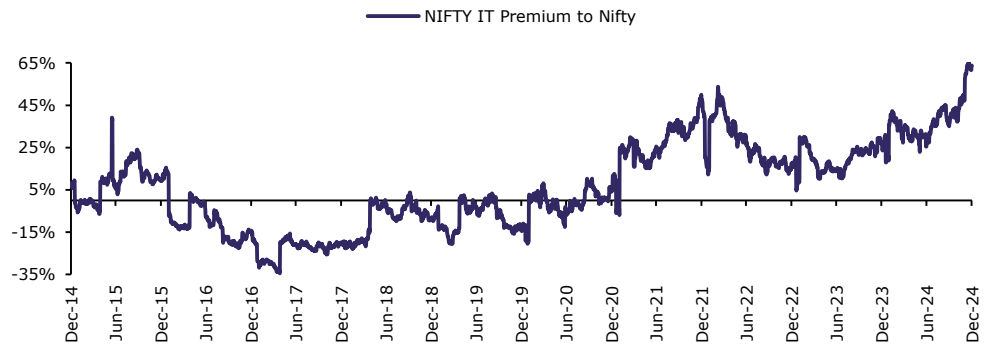
Source: Bloomberg, Emkay Research

**Exhibit 10: NIFTY IT – One-year forward P/E is currently trading above the mean+2SD**



Source: Bloomberg, Emkay Research

**Exhibit 11: NIFTY IT's valuation premium reached closer to its peak**



Source: Bloomberg, Emkay Research

## Exhibit 12: Deals signed during Q3FY25

Customer	Company	Deal Duration	Deal details
Old National Bank	Infosys	4 years	Infosys and Old National Bank entered a strategic expansion of their four-year collaboration. This deepening of a highly successful relationship enables Old National to leverage Infosys services, solutions and platforms for operations transformation and process digitization, powered by automation and GenAI, and transformation of key business areas. Since 2020, Infosys has helped Old National modernize its digital landscape using a highly efficient, self-funding model. The resulting uplift in stability, resiliency, and improved client experience has served to accelerate and sustain Old National's growth.
Zooplus	Infosys	Not disclosed	Infosys announced a strategic collaboration with Zooplus, a European e-commerce company, to enhance its service capability and scalability. The collaboration will establish a state-of-the-art Global Capability Center (GCC) in Hyderabad, India. Zooplus will leverage Infosys Topaz, an AI-first offering using generative AI technologies, and aims to help the company drive AI innovation and transform growth in e-commerce capabilities, as well as enhance operational efficiency. The collaboration will also help improve its marketing, e-commerce, and supply chain capabilities. It will support Zooplus by enhancing its expertise in product management, technology, quality, design, and engineering; and set up a new order management system.
Business Finland	Cyient	Not disclosed	Business Finland and Cyient have entered a memorandum of understanding (MoU) to collaborate in advancing technology innovation. This strategic partnership aims to foster joint initiatives focused on cutting-edge technologies, including 5G, AI, sustainability solutions, space technology, and robotics. The collaboration will leverage Cyient's strong presence in Europe, especially in Finland, and a robust platform to work with the Finnish ecosystem, including startups. Business Finland will enable a joint go-to-market, for enhancing market access and visibility. Through this alliance, Business Finland aims to bolster Finland's status as a leader in innovation and to foster the development of new digital industries.
Department of Social Protection	TCS	15 years	TCS has secured a 15-year contract with Ireland's Department of Social Protection (DSP) to implement and support the country's new Auto Enrolment Retirement Savings Scheme, known as the 'My Future Fund'. This initiative will provide a comprehensive, end-to-end digital solution for automatic enrolment of nearly 800,000 workers in Ireland. Leveraging its TCS BaNCS platform and ecosystem, TCS will oversee the administration of the scheme, enabling seamless enrolment, record management, and benefit disbursement. This project follows the passing of the Automatic Enrolment Retirement Savings System Bill in Ireland earlier this year, and the conclusion of a rigorous tender process by the Department of Social Protection.
Inspere	TCS	10 years	TCS has signed a 10-year strategic partnership (Rs50mn investment) with Inspere to advance industry innovation for TCS customers in South America by leveraging technologies like AI, GenAI, IoT, and spatial computing. The collaboration between TCS and Inspere will include academic research work, development of technology prototypes, and organization of seminars, hackathons and technology talks using the TCS Pace™ methodology for innovation at scale. Proposed research initiatives include satellite-based geo-sensing to enhance crop yields, reduce the down time in offshore oil rigs, and using AI to accelerate new drug development. TCS will offer its customers across the region exclusive access to its cutting-edge research and innovation capabilities, combined with Inspere's academic expertise, ecosystem, labs, and expert resources.
Southwark Council	Infosys	Not disclosed	Infosys announced a collaboration with Southwark Council to launch its digital learning platform - Springboard in the borough. This initiative aims to provide Southwark residents, colleges, and schools with free access to Infosys' flagship digital learning platform, Springboard. Southwark Council has created a three-year strategy to support digital inclusion across all its communities, delivered alongside the council's wider strategic framework. Infosys Springboard will help Southwark residents acquire new skills and enhance employability, supporting individuals, communities, and businesses alike. The platform will also support digitally engaged communities by making devices and digital assets available to those who need them.
Air France-KLM	TCS	30 years	TCS has partnered with Air France-KLM for 30 years, to enhance reliability, social media, customer service, and e-commerce. The deal intends to help Air France-KLM become the most data-centric airline group in the world. Over the next three years, TCS will modernize the airline group's data by moving it to cloud, promoting the next generation of data-driven aviation. This shift will help Air France-KLM exit data centers and harness the strength of the cloud, supporting a sustainable and adaptive aviation industry. The new data architecture will enable the use of data to enhance operations, drive decisions, improve functionality, and gain efficiency.
Tasman District Council	HCL Tech	Not disclosed	HCLT has been selected by the Tasman District Council in New Zealand to provide contemporary digital user experiences to employees and residents of the Tasman district. HCLT will leverage Microsoft Dynamics 365 to move the Tasman District Council to an advanced digital system that will drive more meaningful interactions between the Council's 58,000 residents and staff. The new digital systems will leverage GenAI and automation technologies to ensure that customer processes such as service requests and application lodgements will be faster and streamlined.
Lineaje	Wipro	Not disclosed	Wipro and Lineaje announced a collaboration to help enterprises secure the open-source components within their software applications. Recently, Wipro's corporate investment arm - Wipro Ventures - invested in Lineaje, a US based software supply chain security company. Wipro will leverage Lineaje's Open-Source Manager and SBOM360 Hub to empower enterprises with a comprehensive service to continuously identify and neutralize critical open-source vulnerabilities within software they source, build, and use. This offering is built on Lineaje's advanced capabilities to meticulously analyze each software component, expose each component's known and hidden dependencies, and assess the vulnerabilities and risks within each component.

Source: Company, Emkay Research

Customer	Company	Deal Duration	Deal details
SPARSH	TCS	3 years	TCS has signed a three-year extension of its contract for SPARSH (System for Pension Administration – Raksha), a government of India initiative, to streamline pension distribution for over 3mn defence pensioners. TCS will not only maintain the hardware and software of the programme for three years but also deliver key updates to the system. TCS started the rollout of pension processing on SPARSH in October 2020, implementing an integrated, secure, and efficient pension disbursement solution for India's defence personnel. The digital transformation has resulted in significantly reduced pension processing timelines from 12-18 months, to only 14 days. As part of the expanded deal, TCS will continue to deliver transparency and efficiency to the pensioners, continuing to support application and development efforts. Moreover, TCS is also in discussions with the department, to potentially develop a digital solution that would allow pensioners to make reverse payments in the event of overpayments.
Access Solutions	Sonata Software	Not disclosed	Sonata software has secured a multi-million-dollar Modernization deal with a global leader in access solutions. This transformation deal will integrate and standardize clients' APAC business processes across 13 countries, ensuring seamless operations and real-time engagement with customers, suppliers, distributors, and partners. As part of this digital transformation journey, Sonata Software will partner with the client to modernize their Dynamics AX 2012 R3 to state-of-the-art D365 Finance and Supply Chain Management. This modernization will encompass migrating data from legacy systems, implementing a data platform that includes over 260 Power BI reports, optimizing advanced warehousing and planning processes, and conducting pilot programs in Australia, New Zealand, and China.
Bank of Bhutan	TCS	Not disclosed	TCS has announced a strategic partnership with the Bank of Bhutan to modernize the bank's digital core for enhanced customer service. TCS will implement its TCS BaNCS Global Banking Platform to help the bank optimize operations and seamlessly integrate with the various public services within the digital ecosystem of the country. TCS has been a technology partner for the bank since 2016, enabling its business growth. Building on this longstanding partnership, TCS will now deploy TCS BaNCS Global Banking Platform. The platform will give the bank access to an extensive set of components across the banking and payments sector such as customer deposits, loan management, retail services, trade finance, pricing, and other functions.
Global Network Provider	LTTs	Not disclosed	LTTs is selected by a leading global network solutions firm to provide Product Integration Services in North America, ensuring seamless deployment and support for customers across the region. The multi-year agreement, estimated at USD50mn, will enable the company to provide comprehensive support for the client's advanced networking solutions, ensuring seamless integration and success for customers across the region. LTTs will leverage its capabilities in AI and automation frameworks for project deployment and execution. The partnership combines LTTs's deep expertise in engineering and R&D services, with clients' cutting-edge wireless networking solutions. Additionally, companies aim to offer secure LTE and 5G private networks across industries, unlocking new opportunities and enabling future-ready operations. The partnership will address current market demands, while positioning itself for upcoming 5G advancements under 3GPP standards.
Kardex	Infosys	Not disclosed	Infosys announced a strategic collaboration with Kardex, a leading global provider of intralogistics solutions, including automated storage solutions and material handling systems, to transform its business operations using SAP S/4HANA. Leveraging Infosys Cobalt, a set of services, solutions and platforms for enterprises to accelerate their cloud journey, Infosys will help Kardex unify its ERP system in over 30 countries, boost operational efficiency, and scalability. As a part of the engagement, Infosys aims to create a unified system for Kardex, to equip them with real-time insights, enhanced customer experience, and a strong foundation for growth.
ACORD Solutions Group	Coforge	Not disclosed	Coforge announced a partnership with ACORD Solutions Group and is part of the Licensed Integrator Partner (LIP) program. This partnership will drive automated submissions placing, accounting, and claims data exchange across its global broker, insurer, and reinsurer clients. As part of the partnership, Coforge will leverage ACORD Transcriber- Intelligent Document Processing solutions and ADEPT (a real-time, cloud-based digital data exchange platform) to enable easier integration between brokers and carriers as well as support carrier integration with the London Market's 'Blueprint Two' market modernization initiative. Through this strategic partnership, Coforge will empower its clients with access to advanced AI-powered extraction models. Additionally, Coforge's clients will benefit from the ability to effortlessly send and receive digital data for placement, accounting, and claims with their global trading partners.
StarHub	Infosys	Not disclosed	Infosys Compaz (joint venture between Infosys and Temasek) announced that it has strengthened its collaboration with Singapore-based info-communications provider, StarHub to accelerate their operations and drive technology-led innovations. Infosys Compaz will focus on transforming the company into a cloud-centric enterprise, prioritizing AI and cloud technologies, cybersecurity, and digital transformation. Infosys Compaz was chosen by StarHub for its extensive experience in digital transformation, cybersecurity, and generative AI capabilities. Infosys Compaz will also deliver generative AI solutions and workplace transformation technologies that will enable StarHub to actively pursue new market opportunities. The collaboration aims to deliver value to StarHub's clients across a wide range of services, including legacy modernisation and product implementation, AI & automation, data & analytics as well as industrialised operations. Infosys Compaz and StarHub will also co-create AI models by using telecommunications data to create offerings that address specific industry use cases and implement effective, tailored solutions.
Landis+Gyr	TCS	Not disclosed	TCS has partnered with Landis+Gyr (leading energy management solutions company) to deliver innovative, flexible energyefficiency solutions for utilities. These solutions will empower utilities to help their commercial and industrial customers achieve sustainability goals, improve operational efficiency, and reduce carbon emissions. Over the next three years, TCS will integrate its award-winning enterprise-level energy and emission management system TCS Clever Energy with Landis+Gyr's advanced smart metering and grid management technologies, creating a comprehensive energy management solution for utilities. The partnership will enable utilities to meet the complex energy demands of their commercial and industrial clients while offering them advanced tools to optimize energy usage and achieve sustainability targets.
Bank of Baroda	TCS	5 years	TCS expanded its partnership with Bank of Baroda to continue implementing an end-to-end financial inclusion solution over the next five years. The application can process around 1.2mn transactions a day and will help the bank's 55,000-plus agents better service over 60mn customers in unbanked areas. As part of the expanded deal, TCS will deploy its TCS Financial Inclusion Gateway Solution for Bank of Baroda, provide central infrastructure including hardware and software to be deployed in bank data centres, and help with application support and maintenance. TCS will also manage services in change management of application to implement regulatory requirement and bank business requirements for any new services, as and when required.

Source: Company, Emkay Research

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## Exhibit 13: Q3FY25 preview

Name		Dec-24	Sep-24	Dec-23	YoY chg	QoQ chg	Comments	
<b>TCS (Jan 9)</b>								
CMP (Rs)	4,095	Net Sales (Rs mn)	645,638	642,590	605,830	6.6%	0.5%	We build in a 0.5% QoQ USD revenue decline after factoring in 100bps cross currency headwinds. EBIT margin is likely to expand by 100bps QoQ on the back of operating efficiencies, lower revenue from BSNL, and benefits from rupee depreciation. Key things to watch: 1) CY25 IT budget and any signs of improvement in client conversations around IT spending, particularly discretionary spending; 2) demand trends in key verticals like BFSI, Retail, Hi Tech, Manufacturing, and Communications; 3) deal intake and deal pipeline (including AI/Gen AI); 4) pricing environment; 5) margin outlook; 6) management commentary on demand environment across geographies; 7) hiring plan including freshers; and 8) BSNL deal ramp down schedule, management expectations and impact on overall revenue growth and margins in the near term.
Mkt Cap (Rs bn)	14,815	EBITDA (Rs mn)	174,322	167,320	154,300	13.0%	4.2%	
Reco	Add	EBITDA Margin (%)	27.0	26.0	25.5	153 bps	96 bps	
Target Price (Rs)	4,500	PAT (Rs mn)	126,534	119,090	110,580	14.4%	6.3%	
Upside	10%	EPS (Rs)	35.0	32.9	30.6	14.4%	6.3%	
<b>Infosys (Jan 16)</b>								
CMP (Rs)	1,880	Net Sales (Rs mn)	411,962	409,860	388,210	6.1%	0.5%	We expect 0.5% QoQ USD revenue decline in Q3 after factoring in 80bps cross currency headwinds. EBIT margin is expected to expand by 20bps sequentially, on the back of operating efficiencies and rupee depreciation. Key monitorables: 1) FY25 guidance - we expect the company to narrow revenue growth guidance to 4-4.5% CC YoY, while retaining 20-22% EBITM; 2) large deals intake with share in net new deal intake; 3) update on discretionary spending and smaller deals flow; 4) demand environment across geographies; 5) management commentary on: i) CY25 technology budget and any signs of spending environment improvement in clients conversations post US elections and beginning of rate cut cycle; ii) demand environment in BFSI, Hitech, Manufacturing, Retail, and Communications, iii) pricing environment, iv) deals pipeline, pace of decision making, and deal closure momentum, v) hiring plan.
Mkt Cap (Rs bn)	7,806	EBITDA (Rs mn)	99,538	98,090	91,370	8.9%	1.5%	
Reco	Buy	EBITDA Margin (%)	24.2	23.9	23.5	63 bps	23 bps	
Target Price (Rs)	2,150	PAT (Rs mn)	66,687	65,060	61,060	9.2%	2.5%	
Upside	14%	EPS (Rs)	16.1	15.7	14.7	9.2%	2.5%	
<b>Wipro</b>								
CMP (Rs)	302	Net Sales (Rs mn)	222,972	223,016	222,051	0.4%	0.0%	We expect 1.3% sequential USD revenue decline in IT services segment after factoring in 80bps cross currency headwinds. Wipro had guided to revenue growth to range at -2% to 0% QoQ in CC terms. We expect IT Services' EBIT margins to decline by 30bps sequentially due to an incremental two-month impact of salary hike. Overall EBITM to decline almost similarly QoQ. Key things to watch: 1) Q4FY25 outlook - we expect a -0.5 to 1.5% revenue growth guidance; 2) management commentary on a) CY25 IT budget, b) demand trends in key verticals like BFSI, Consumer, Communications, Technology, Manufacturing, Healthcare, and E&U, c) Capco/consulting business growth momentum and any signs of improvement in discretionary spending, d) attrition trends and hiring plans; e) deal intake/pipeline, trends seen in leakage in base business, update on ramp-ups of the recently won large deals, f) change in deal pipeline composition in terms of cost takeouts vs discretionary/transformational spends and company's ability to participate effectively to retain/capture wallet share, g) capital allocation.
Mkt Cap (Rs bn)	3,160	EBITDA (Rs mn)	44,963	45,853	41,919	7.3%	-1.9%	
Reco	Reduce	EBITDA Margin (%)	20.2	20.6	18.9	129 bps	-40 bps	
Target Price (Rs)	290	PAT (Rs mn)	31,568	32,088	26,942	17.2%	-1.6%	
Upside	-4%	EPS (Rs)	3.0	6.1	5.2	-41.5%	-50.8%	

Source: Company, Emkay Research

## Q3FY25 preview (Contd)

Name			Dec'24	Sep'24	Dec'23	YoY chg	QoQ chg	Comments
<b>HCL Tech (Jan 13)</b>								
CMP (Rs)	1,917	Net Sales (Rs mn)	301,156	288,620	284,460	5.9%	4.3%	We build in 3.3% QoQ USD revenue growth after factoring in 90bps cross currency headwinds. Software business seasonality and contribution from the CTG acquisition for a month to aid growth. We expect EBIT margins to expand by 80bps sequentially on the back of software business seasonality. Things to watch: 1) FY25 outlook - we expect the company to guide to 4.5-5.5% CC revenue growth with 18-19% EBITM; 2) CY25 IT budget; 3) update on CTG assets acquisition deal with HPE and its financial impact; 4) deal wins, deal pipeline, and pace of deal closures; 5) growth outlook for ER&D and Software businesses; 6) demand outlook for major verticals like BFSI, Manufacturing, Technology, Communications, Retail, and Healthcare; 7) pricing environment; and 8) hiring plan and attrition trends.
Mkt Cap (Rs bn)	5,203	EBITDA (Rs mn)	69,266	63,690	67,580	2.5%	8.8%	
Reco	Add	EBITDA Margin (%)	23.0	22.1	23.8	-76 bps	93 bps	
Target Price (Rs)	2,000	PAT (Rs mn)	46,616	42,350	43,500	7.2%	10.1%	
Upside	4%	EPS (Rs)	17.2	15.6	16.0	7.2%	10.1%	
<b>Tech Mahindra (Jan 17)</b>								
CMP (Rs)	1,706	Net Sales (Rs mn)	134,530	133,132	131,013	2.7%	1.1%	We expect USD revenue to grow 0.1% QoQ after factoring in 80bps cross currency headwinds. We expect EBIT margins to expand by 90bps sequentially. Key things to watch: 1) FY25 growth and margin aspirations; 2) progress made on improving cost structure; 3) CY25 IT budget and any optimism in clients conversations lending confidence on uptick in discretionary spending, 4) CME and Enterprise business outlook, 5) demand trends across major verticals in the Enterprise business, 6) deal intake/pipeline and deal closure momentum, 7) hiring plan and attrition trends, and 8) pricing.
Mkt Cap (Rs bn)	1,670	EBITDA (Rs mn)	18,969	17,502	11,464	65.5%	8.4%	
Reco	Add	EBITDA Margin (%)	14.1	13.1	8.8	535 bps	95 bps	
Target Price (Rs)	1,800	PAT (Rs mn)	10,991	12,501	5,104	115.3%	-12.1%	
% Upside	5%	EPS (Rs)	12.4	14.1	5.8	114.8%	-12.1%	
<b>LTIMindtree</b>								
CMP (Rs)	5,586	Net Sales (Rs mn)	96,645	94,329	90,166	7.2%	2.5%	We expect 1.4% QoQ USD revenue growth after factoring in 40bps cross currency headwinds. EBIT margins are expected to decline by 140bps sequentially due to wage hike. Things to watch: 1) FY25 revenue and margin outlook, 2) management commentary on CY25 IT budget and client conversations on potential recovery in discretionary spending, 3) deal intake and pipeline, 4) growth outlook in Hi-tech - top account and non-top accounts, 5) demand outlook across BFSI, Travel, RCM, E&U, 6) progress made on driving synergy benefits from merger in terms of deal participation/win rates and costs/margin, and 7) hiring plan and attrition trends.
Mkt Cap (Rs bn)	1,655	EBITDA (Rs mn)	16,043	16,993	15,849	1.2%	-5.6%	
Reco	Reduce	EBITDA Margin (%)	16.6	18.0	17.6	-98 bps	-141 bps	
Target Price (Rs)	6,000	PAT (Rs mn)	11,242	12,510	11,689	-3.8%	-10.1%	
Upside	7%	EPS (Rs)	38.0	42.2	39.5	-3.9%	-10.1%	

Source: Company, Emkay Research

## Q3FY25 preview (Contd)

Name		Dec'24	Sep'24	Dec'23	YoY chg	QoQ chg	Comments
<b>Mphasis (Jan 23)</b>							
CMP (Rs)	2,847	Net Sales (Rs mn)	35,977	35,362	33,380	7.8%	1.7%
Mkt Cap (Rs bn)	540	EBITDA (Rs mn)	6,656	6,480	6,007	10.8%	2.7%
Reco	Add	EBITDA Margin (%)	18.5	18.3	18.0	50 bps	18 bps
Target Price (Rs)	3,150	PAT (Rs mn)	4,107	4,233	3,736	9.9%	-3.0%
Upside	11%	EPS (Rs)	21.7	22.4	19.8	9.7%	-3.0%
<b>Coforge (Jan 22)</b>							
CMP (Rs)	9,663	Net Sales (Rs mn)	32,484	30,623	23,233	39.8%	6.1%
Mkt Cap (Rs bn)	646	EBITDA (Rs mn)	5,197	4,841	4,012	29.5%	7.4%
Reco	Reduce	EBITDA Margin (%)	16.0	15.8	17.3	-127 bps	19 bps
Target Price (Rs)	8,600	PAT (Rs mn)	2,583	2,312	2,380	8.5%	11.7%
% Upside	-11%	EPS (Rs)	38.7	34.7	38.5	0.5%	11.7%
<b>Persistent Systems</b>							
CMP (Rs)	6,458	Net Sales (Rs mn)	30,457	28,972	24,982	21.9%	5.1%
Mkt Cap (Rs bn)	1,006	EBITDA (Rs mn)	5,184	4,807	4,418	17.3%	7.8%
Reco	Sell	EBITDA Margin (%)	17.0	16.6	17.7	-67 bps	43 bps
Target Price (Rs)	5,300	PAT (Rs mn)	3,484	3,250	2,861	21.8%	7.2%
Upside	-18%	EPS (Rs)	22.4	20.9	18.6	20.2%	7.2%

Source: Company, Emkay Research

## Q3FY25 preview (Contd)

Name			Dec'24	Sep'24	Dec'23	YoY chg	QoQ chg	Comments
<b>L&amp;T Technology Services (Jan 15)</b>								
CMP (Rs)	4,737	Net Sales (Rs mn)	26,549	25,729	24,218	9.6%	3.2%	We expect 2.3% QoQ growth in USD revenue after factoring in 80bps cross currency headwind. We expect margins to expand by 50bps sequentially. Key things to watch: 1) FY25 revenue growth and margin guidance - We expect the company to retain its guidance of 8-10% CC YoY revenue growth and ~16% EBITM for FY25, 2) growth outlook across verticals, 3) CY25 IT budget and possibility of uptick in discretionary spending, 4) deal intake and pipeline trends, 5) planned ramp up in Maharashtra cyber security project and revenue recognition schedule, and 6) hiring plan.
Mkt Cap (Rs bn)	502	EBITDA (Rs mn)	4,938	4,660	4,877	1.3%	6.0%	
Reco	Reduce	EBITDA Margin (%)	18.6	18.1	20.1	-154 bps	49 bps	
Target Price (Rs)	5,150	PAT (Rs mn)	3,320	3,196	3,362	-1.3%	3.9%	
Upside	9%	EPS (Rs)	31.4	30.2	31.8	-1.4%	3.9%	
<b>Cyient (Jan 23)</b>								
CMP (Rs)	1,837	Net Sales (Rs mn)	20,046	18,491	18,214	10.1%	8.4%	We expect 1.5% QoQ USD revenue growth in the DET business after factoring in 110bps cross currency headwinds. Overall revenue is expected to grow 7.4% QoQ in USD terms. DET's EBITM is expected to improve by 20bps QoQ. Overall EBITM is expected to be flattish sequentially. Things to watch: 1) FY25 revenue and margin outlook for the DET business - we expect the company to guide to 1-2% decline in revenue with EBITM reaching ~16% by year-end, 2) steps taken to deliver sustained operating performance as weak performance is partly reflecting in the slippage in execution, c) management commentary on CY25 ER&D budget across major clients and overall ER&D spending, 4) deal intake and pipeline, 5) demand outlook across Connectivity, Transportation, Sustainability and new growth areas, 6) investment plan in semiconductor business, and 7) hiring plan and attrition trends.
Mkt Cap (Rs bn)	204	EBITDA (Rs mn)	3,241	2,965	3,260	-0.6%	9.3%	
Reco	Buy	EBITDA Margin (%)	16.2	16.0	17.9	-173 bps	13 bps	
Target Price (Rs)	2,300	PAT (Rs mn)	1,765	1,791	1,857	-5.0%	-1.5%	
Upside	25%	EPS (Rs)	15.9	16.1	16.8	-5.1%	-1.5%	
<b>Sonata Software</b>								
CMP (Rs)	599	Net Sales (Rs mn)	27,092	21,698	24,934	8.7%	24.9%	We expect 2.6% QoQ USD revenue growth in IITS business after factoring in 40bps cross currency headwinds. IITS's EBITDAM is expected to decline by 70bps QoQ. Overall EBITM is expected to decline by 100bps sequentially. Things to watch: 1) management commentary on CY25 IT budget, recovery in discretionary spending, Q4FY25 growth outlook and medium term aspiration of reaching USD500mn revenue run rate in IITS by FY27-end, 2) growth outlook across BFSI, RMD, TMT and HLS verticals, 3) Quant business performance and possibility of earnout reversal / term extension, 4) deal intake and pipeline, 5) M&A focus areas, 6) outlook on major clients, and 7) signs of uptick in domestic business contribution profit growth.
Mkt Cap (Rs bn)	168	EBITDA (Rs mn)	1,859	1,773	2,077	-10.5%	4.9%	
Reco	Buy	EBITDA Margin (%)	6.9	8.2	8.3	-147 bps	-131 bps	
Target Price (Rs)	780	PAT (Rs mn)	1,125	1,065	1,285	-12.5%	5.6%	
Upside	30%	EPS (Rs)	4.0	3.8	4.6	-12.4%	5.6%	

Source: Company, Emkay Research

## Q3FY25 preview (Contd)

Name			Dec'24	Sep'24	Dec'23	YoY chg	QoQ chg	Comments
<b>BirlaSoft</b>								
CMP (Rs)	560	Net Sales (Rs mn)	13,926	13,682	13,430	3.7%	1.8%	We expect 0.8% USD revenue growth on sequential basis after factoring in 20bps cross currency headwinds. EBIT margins expected to decline by 80bps sequentially. Key things to watch: 1) FY25 growth and margin outlook, 2) CY25 IT budget and demand trends across top clients, 3) order wins during the quarter and deal pipeline, 4) demand trends in enterprise solutions business and steps taken to capitalize on ERP modernization opportunities over the next 3-5 years, 5) outlook for key industries like Manufacturing, Life Sciences, BFSI, and E&U, 6) growth outlook in Infra business and its margin implications, if any, and 7) hiring plan and attrition trends.
Mkt Cap (Rs bn)	155	EBITDA (Rs mn)	1,574	1,653	2,143	-26.6%	-4.8%	
Reco	Add	EBITDA Margin (%)	11.3	12.1	16.0	-466 bps	-78 bps	
Target Price (Rs)	670	PAT (Rs mn)	1,154	1,275	1,611	-28.4%	-9.5%	
Upside	20%	EPS (Rs)	4.1	4.5	5.7	-28.6%	-9.5%	
<b>Firstsource Solutions</b>								
CMP (Rs)	376	Net Sales (Rs mn)	20,723	19,254	15,966	29.8%	7.6%	We build in 6.2% USD revenue growth, factoring in 70bps cross currency headwinds. Revenue growth will be aided by an incremental 2-month contribution from Ascensos acquisition. EBIT margins expected to improve by 40bps sequentially. Adjusted for one-time charges related to the Ascensos acquisition in Q2, EBITM expansion on sequential basis would be marginal. Key things to watch: 1) FY25 revenue and margin outlook – we expect the company to upgrade revenue growth guidance to 20.5-21.5% (currently 19.5-20.5%), while retaining EBITM guidance of 11-11.5%, 2) progress on driving synergy benefits with Ascensos, 3) Gen AI impact on growth prospects and severity of impact across segments, 3) outlook on Mortgage, Provider, Payer, and Collections business, 4) demand trends and outlook in BFS, CMT and Healthcare verticals, 5) any impact on the pace of decision making in healthcare clients post US elections, and 6) deal intake momentum.
Mkt Cap (Rs bn)	262	EBITDA (Rs mn)	3,186	2,873	2,371	34.4%	10.9%	
Reco	Reduce	EBITDA Margin (%)	15.4	14.9	14.9	52 bps	45 bps	
Target Price (Rs)	350	PAT (Rs mn)	1,676	1,382	1,287	30.2%	21.3%	
Upside	-7%	EPS (Rs)	2.4	2.0	1.8	30.2%	21.3%	
<b>Eclerx Services</b>								
CMP(Rs)	3,483	Net Sales (Rs mn)	8,598	8,318	7,528	14.2%	3.4%	We expect a 2.8% QoQ USD revenue growth after factoring in 30bps cross currency headwinds. EBIT margins expected to decline by 160bps sequentially. Management commentary on a) FY25 revenue growth and margin outlook, b) medium-term revenue growth/margin aspirations and focus areas of investments, c) deal intake, deal pipeline, and roll offs trends, d) growth outlook across three segments - Digital, Financial markets and Customer operations, e) update on Gen AI PoCs and their conversion to billable projects, and f) M&A focus areas.
Mkt Cap (Rs bn)	166	EBITDA (Rs mn)	2,149	2,159	2,072	3.7%	-0.5%	
Reco	Add	EBITDA Margin (%)	25.0	26.0	27.5	-253 bps	-96 bps	
Target Price (Rs)	3,600	PAT (Rs mn)	1,356	1,402	1,405	-3.5%	-3.3%	
Upside	3%	EPS (Rs)	28.2	29.2	28.6	-1.4%	-3.3%	

Source: Company, Emkay Research

## Q3FY25 preview (Contd)

Name		Dec'24	Sep'24	Dec'23	YoY chg	QoQ chg	Comments
<b>Route Mobile</b>							
CMP (Rs)	1,393	Net Sales (Rs mn)	11,871	11,134	10,243	15.9%	6.6%
Mkt Cap (Rs bn)	88	EBITDA (Rs mn)	1,472	1,352	1,252	17.6%	8.9%
Reco	Add	EBITDA Margin (%)	12.4	12.1	12.2	18 bps	25 bps
Target Price (Rs)	1,700	PAT (Rs mn)	914	950	907	0.8%	-3.7%
Upside	22%	EPS (Rs)	14.5	15.1	14.5	0.3%	-3.7%
<b>Quess Corp</b>							
CMP (Rs)	662	Net Sales (Rs mn)	54,380	51,794	48,418	12.3%	5.0%
Mkt Cap (Rs bn)	98	EBITDA (Rs mn)	1,988	1,956	1,810	9.8%	1.7%
Reco	Buy	EBITDA Margin (%)	3.7	3.8	3.7	-8 bps	-12 bps
Target Price (Rs)	850	PAT (Rs mn)	940	921	838	12.2%	2.1%
Upside	28%	EPS (Rs)	6.3	6.2	5.6	12.2%	2.1%
<b>Teamlease</b>							
CMP (Rs)	2,939	Net Sales (Rs mn)	29,022	27,968	24,454	18.7%	3.8%
Mkt Cap (Rs bn)	49	EBITDA (Rs mn)	413	335	361	14.6%	23.6%
Reco	Add	EBITDA Margin (%)	1.4	1.2	1.5	-5 bps	23 bps
Target Price (Rs)	3,100	PAT (Rs mn)	341	246	275	24.1%	38.7%
Upside	5%	EPS (Rs)	20.3	14.7	16.4	24.1%	38.7%

Source: Company, Emkay Research

## Q3FY25 preview (Contd)

Name			Dec'24	Sep'24	Dec'23	YoY chg	QoQ chg	Comments
<b>Zomato</b>								
CMP (Rs)	278	Net Sales (Rs mn)	53,888	47,990	32,880	63.9%	12.3%	Food delivery business should maintain momentum, with GOV growing 6.5% sequentially (22% YoY). Blinkit is expected to sustain strong double-digit growth in GOV sequentially. Overall, we expect revenue growth of 12.3%/63.9% QoQ/YoY. EBITDA is expected to remain flattish as food delivery is expected to sustain operational improvement while competition intensity will weigh on Blinkit profitability. Key things to watch: a) Growth trends across MTU, GOV, AOV, transaction frequency, contribution margin in the food delivery business and management expectations on consumer discretionary spending, b) Blinkit business's key operating parameters and management commentary on dark store addition plan and competitive intensity. c) Scaling up of Going out/District - investment plan and expected growth trajectory, and d) progress on growing advertisement revenue across platforms.
Mkt Cap (Rs bn)	2,683	EBITDA (Rs mn)	2,525	2,260	510	395.0%	11.7%	
Reco	Buy	EBITDA Margin (%)	4.7	4.7	1.6	313 bps	-2 bps	
Target Price (Rs)	310	PAT (Rs mn)	2,855	1,760	1,380	106.9%	62.2%	
Upside	11%	EPS (Rs)	0.3	0.2	0.2	102.8%	62.2%	

Source: Company, Emkay Research

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