

Q2FY25 revenue growth is likely to reflect the steady demand environment and usual seasonal strength, although discretionary spending is yet to recover. We expect YoY growth trajectory to improve further on the back of a stable demand environment, benefits of large deal ramp ups, and no further deterioration in discretionary spending. Delay in decision-making due to macro uncertainties continue to restrict meaningful pick-up in the growth momentum. Margin performance is likely to remain stable to sequential improvement, except for companies where wage hike is implemented. Commentary on recovery in demand will be keenly watched to gain confidence on sustainable improvement in YoY revenue growth trajectory. The number of deal announcements have increased on sequential basis which indicates some improvement in the pace of deal closures. We believe uptick in technology spending in CY25 hinges on confidence on macro stability and resilience of the economy after start of the interest rate-cut cycle; some clarity on it is expected earliest in early-CY25. Nifty IT index has outperformed the broader markets by ~9% in the last 3M on the back of anticipated recovery in demand; however, it underperformed in the last 1M by ~4% as its premium to broader market leaves limited scope for outperformance in the absence of a real uptick in demand, in our view. Our pecking order is INFO, HCLT, TECHM, TCS, WPRO, and LTIM in large caps. Among mid-caps, we prefer ECLX, CYL, BSOF, FSOL, and Zomato.

YoY revenue growth to improve as demand environment remains fairly stable

We expect revenue growth on YoY basis to improve for the companies under our coverage on the back of a steady demand environment, benefits from large deal ramp ups, and some recovery in the BFSI vertical. We expect select mid-cap companies to outgrow large caps. For Tier-1 companies, we estimate revenue growth of 0.9-3% QoQ, whereas mid-caps are expected to grow 2.1-4.5% (Coforge reported numbers would be higher due to integration of Cigniti). Among verticals, the companies highlighted green shoots in BFSI (particularly in North America) in Q1FY25, and the trend continued in Q2 as well. Retail and Hi-tech are seeing some softness, while healthcare and manufacturing are expected to remain relatively resilient. The underlying demand in Communications remains weak. Deal wins are expected to remain steady this quarter. We expect INFO to raise its revenue growth guidance to 3.5-4.5% CC YoY (current 3-4%) for FY25, while retaining EBITM guidance of 20-22%. We expect HCLT to retain its revenue growth guidance of 3-5% and EBITM guidance of 18-19%. We expect WPRO to guide for -1% to +1% growth in Q3FY25.

Margin trajectory to improve sequentially

Margin performance is likely to improve sequentially, except for a few companies implementing wage hike in Q2. Absence of visa costs and cost-optimization measures would support margin, whereas ramp up of large deals should partly negate it. For Tier-1 companies, we expect margins to remain flattish to 110bps expansion on sequential basis, while the same for Tier-2 companies should be in the wider range of -180 to 260bps QoQ, due to wage hike and M&As. Attrition should remain steady. Hiring is likely to see some uptick due to fresher intake, while lateral hiring trends should remain muted.

Key monitorables

i) FY25 revenue/margin guidance changes, ii) Management commentary on – demand trends across geographies, confidence on H2 growth uptick, furlough requests by clients, recovery in discretionary spending, and signs of optimism in client conversation after recent interest rate-cut in the US, iii) pace of decision-making, iv) demand trend in key verticals of BFSI, Retail, Manufacturing, Communications, and Hi-Tech, v) deal intake and pipeline, vi) attrition and hiring trends, vii) progress on Gen AI, and viii) pricing environment.

Indian IT - Rating and Target Price

| Company | CMP (Rs/sh) | Mkt Cap (USD bn) | Target (Rs/sh) | Rating | P/E (x) | | EV/EBITDA | |
|---------|-------------|------------------|----------------|--------|---------|-------|-----------|-------|
| | | | | | FY25E | FY26E | FY25E | FY26E |
| TCS | 4,269 | 184.2 | 4,500 | REDUCE | 30.4 | 27.7 | 21.2 | 19.2 |
| INFO | 1,876 | 92.9 | 2,150 | BUY | 29.8 | 26.3 | 18.8 | 16.5 |
| HCLT | 1,796 | 58.1 | 1,850 | ADD | 28.1 | 25.9 | 18.0 | 16.2 |
| WPRO | 541 | 33.8 | 550 | REDUCE | 23.4 | 20.7 | 14.0 | 12.5 |
| TECHM | 1,577 | 18.4 | 1,700 | ADD | 30.5 | 22.4 | 18.1 | 13.2 |
| LTIM | 6,244 | 22.1 | 6,100 | REDUCE | 37.7 | 31.2 | 26.4 | 22.1 |
| MPHL | 3,010 | 6.8 | 3,050 | REDUCE | 34.5 | 29.8 | 21.0 | 18.4 |
| COFORGE | 7,016 | 5.6 | 6,400 | REDUCE | 46.9 | 36.7 | 24.3 | 19.7 |
| PSYS | 5,450 | 10.1 | 4,800 | REDUCE | 63.3 | 50.1 | 41.5 | 33.2 |
| LTTS | 5,344 | 6.7 | 5,000 | REDUCE | 41.8 | 34.9 | 27.0 | 22.4 |
| CYL | 1,902 | 2.5 | 2,300 | BUY | 30.2 | 23.0 | 16.0 | 13.1 |
| BSOFT | 602 | 2.0 | 750 | ADD | 27.2 | 22.5 | 17.4 | 14.1 |
| FSOL | 311 | 2.6 | 330 | ADD | 34.8 | 27.5 | 19.3 | 15.9 |
| ECLX | 3,008 | 1.7 | 3,200 | ADD | 28.0 | 23.5 | 17.2 | 14.2 |
| ROUTE | 1,565 | 1.2 | 1,800 | ADD | 26.6 | 20.9 | 15.9 | 13.0 |
| ZOMATO | 273 | 28.8 | 310 | BUY | 167.1 | 85.5 | 190.0 | 74.4 |

Source: Company, Emkay Research. This report is intended for research analysts only. For more information, please contact emkay@whitemarquesolutions.com use and downloaded at 10/04/2024 03:21 PM

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Deal announcements improved on a sequential basis

Number of deal announcements have increased on sequential basis, which indicates some improvement in pace of deal closures, but absence of mega deals and continued weak discretionary spending to weigh on overall deal intake in Q2. Overall, deal intake is expected to remain stable sequentially. The construct of the deal wins should remain similar to prior quarters, with cost takeout and vendor consolidation deals maintaining dominance. The deal pipeline remains healthy across companies and improvement in decision-making and revival in discretionary spending may drive acceleration in deal wins.

Earnings revision and valuation

Demand environment remains largely stable with no material improvement/deterioration seen in Q2. IT companies' performance should reflect seasonal strength and benefits from ramp up of large deals in growth performance to be partly negated by softness in Europe in the September quarter. Among verticals, the companies have highlighted green shoots in BFSI (particularly in North America) over last couple of quarters and the trend continued in Q2 as well. There is some softness observed in Retail (weak consumer spending) and Hi-tech (lay-offs at Intel, Cisco, etc). Discretionary spending remains muted, which would restrict any material acceleration in growth momentum.

ACN management commentary on demand environment was largely unchanged, with clients continuing to limit discretionary spending. ACN's Q1 guidance of 2-6% growth in LC indicates a steady start to FY25, and the revenue growth guidance of 3-6% for FY25 points to a broadly stable demand environment and conservative approach by the management, considering the prevailing macro uncertainties. Management highlighted that organic revenue saw an improvement in Q4FY24 with slightly positive growth, and the trend is expected to continue in FY25. Management indicated that the top end of the guidance assumes more of the same discretionary spending environment, while the lower end assumes further deterioration in discretionary spending over what was observed in FY24.

Global IT companies' guidance are not factoring improvement in CY25 demand environment currently, due to prevailing macro uncertainties. We believe uptick in technology spending in CY25 hinges on confidence on macro stability and resilience of the US economy after the start of the interest rate-cut cycle. Consensus estimates for FY26 growth build-in improvement in discretionary spending, and thus carry risks if macro uncertainties persist.

We expect INFO to raise its revenue growth guidance upwards to 3.5-4.5% (current 3-4%) for FY25, while retaining its EBITM guidance of 20-22%. We expect HCLT to retain its revenue growth guidance of 3-5% and EBITM guidance of 18-19%. For WPRO, we expect the company to guide for -1% to +1% growth in Q3FY25E.

Nifty IT Index has outperformed the broader markets by ~9% in the last 3M on the back of anticipated recovery in demand; however, it underperformed in the last 1M by ~4% as its premium to broader market leaves limited scope for outperformance in the absence of a real uptick in demand, in our view.

We have revised the earnings estimates (Exhibit 4) for our coverage companies factoring in expected Q2 performance, divestments/M&As (Cyient's stake sale in Cyient DLM and Zomato's acquisition of Paytm's ticketing business), FY24 annual reports in select cases, and exchange rates. We also roll forward the valuation to Sep-25E across our IT universe. IT companies have seen earnings downgrade over the last few quarters due to challenging demand environment. Q2 performance is unlikely to drive any material earnings downgrade/upgrade, particularly for FY26, in our view. We raise our TP for coverage companies by up to 20% on the back of target multiple increase of 5-15% in select companies to align with the anticipated relative growth prospects across our IT universe and roll over to Sep-25E.

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

Exhibit 1: Sep-24 quarterly estimates for IT services companies

| Co Name | Revenues | | | Revenue growth (%) | | EBIT | | EBITM | EBITM change (bps) | | Net profits | | Net profit growth (%) | | Cross currency impact (bps) | Constant currency growth QoQ (%) |
|---------|----------|------|------|--------------------|------|---------|------|----------|--------------------|------|-------------|------|-----------------------|-----|-----------------------------|----------------------------------|
| | (USD mn) | | | QoQ | YoY | (Rs mn) | | (%) | QoQ | YoY | (Rs mn) | | QoQ | YoY | | |
| TCS | 7,670 | 2.2 | 6.4 | 1,59,403 | 24.8 | 10 | 50 | 1,25,029 | 3.3 | 9.9 | 100 | 1.2 | | | | |
| INFO | 4,855 | 3.0 | 2.9 | 87,623 | 21.5 | 50 | 30 | 66,972 | 5.1 | 7.8 | 50 | 2.5 | | | | |
| WPRO | 2,650 | 0.9 | -2.4 | 36,622 | 16.4 | 0 | 160 | 30,272 | 0.8 | 14.4 | 60 | 0.3 | | | | |
| HCLT | 3,410 | 1.4 | 5.7 | 51,471 | 18.0 | 90 | -40 | 41,170 | -3.3 | 7.4 | 70 | 0.7 | | | | |
| TECHM | 1,582 | 1.5 | 1.7 | 12,639 | 9.5 | 110 | 480 | 9,855 | 15.7 | 53.2 | 60 | 0.9 | | | | |
| LTIM | 1,127 | 2.8 | 4.8 | 14,652 | 15.5 | 50 | -50 | 12,210 | 7.6 | 5.1 | 30 | 2.5 | | | | |
| MPHL | 420 | 2.3 | 5.9 | 5,349 | 15.2 | 20 | -30 | 4,039 | -0.1 | 3.1 | 20 | 2.1 | | | | |
| PSYS | 343 | 4.5 | 17.6 | 3,973 | 13.8 | -20 | 10 | 3,146 | 2.7 | 19.5 | 10 | 4.4 | | | | |
| COFORGE | 361 | 23.8 | 29.7 | 3,576 | 11.8 | -180 | 0 | 2,328 | 74.8 | 28.7 | 70 | 23.1 | | | | |
| LTTS | 308 | 4.2 | 6.8 | 4,135 | 16.0 | 50 | -100 | 3,310 | 5.6 | 5.0 | 20 | 4.0 | | | | |
| CYL | 174 | 2.3 | -2.7 | 2,297 | 12.7 | 80 | -190 | 1,674 | 16.3 | -8.6 | 80 | 1.5 | | | | |
| BSOFT | 162 | 2.1 | 2.6 | 1,787 | 13.1 | 0 | -100 | 1,481 | -1.4 | 2.1 | 10 | 2.0 | | | | |
| FSOL | 222 | 3.4 | 19.5 | 2,018 | 10.8 | -20 | 20 | 1,447 | 7.0 | 14.3 | 80 | 2.6 | | | | |
| ECLX | 97 | 4.2 | 10.9 | 1,617 | 19.8 | 260 | -440 | 1,250 | 12.0 | -8.1 | 20 | 4.0 | | | | |

Source: Company, Emkay Research

Exhibit 2: Foreign exchange movement during the quarter

| Particulars | INR/USD | INR/GBP | INR/EUR | USD/GBP | USD/EUR | JPY/USD | USD/AUD | USD/CAD |
|-------------------|---------|---------|---------|---------|---------|---------|---------|---------|
| High | 83.98 | 112.24 | 93.77 | 1.34 | 1.12 | 161.69 | 0.69 | 1.39 |
| Low | 83.45 | 105.49 | 89.44 | 1.27 | 1.07 | 140.62 | 0.65 | 1.34 |
| Avg Rate | 83.77 | 108.93 | 92.04 | 1.30 | 1.10 | 148.99 | 0.67 | 1.36 |
| QoQ chg. | 0.4% | 3.5% | 2.5% | 3.1% | 2.1% | -4.5% | 1.7% | -0.3% |
| YoY chg. | 1.3% | 4.1% | 2.3% | 2.8% | 1.0% | 3.0% | 2.4% | 1.7% |
| Last date closing | 83.80 | 112.24 | 93.77 | 1.34 | 1.12 | 142.66 | 0.69 | 1.35 |
| QoQ chg. | 0.5% | 6.4% | 5.0% | 5.9% | 4.4% | -11.3% | 3.7% | -1.1% |
| YoY chg. | 0.9% | 10.2% | 6.4% | 9.8% | 5.8% | -4.5% | 7.5% | -0.4% |

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 | 2,583 | 2,780 | 3,008 | 2,588 | 2,782 | 3,011 | -0.2% | -0.1% | -0.1% | 25.3 | 25.5 | 25.5 | 25.3 | 25.5 | 25.5 | -2 | -0 | 0 |
| Infosys | 1,624 | 1,798 | 1,964 | 1,619 | 1,789 | 1,955 | 0.3% | 0.5% | 0.5% | 21.0 | 21.4 | 21.6 | 21.0 | 21.4 | 21.6 | 1 | 1 | 1 |
| HCL Tech | 212 | 236 | 261 | 211 | 235 | 259 | 0.9% | 0.7% | 0.7% | 18.3 | 18.5 | 18.7 | 18.2 | 18.5 | 18.7 | 9 | 2 | 2 |
| Wipro | 897 | 954 | 1,033 | 897 | 963 | 1,043 | -0.1% | -1.0% | -1.0% | 16.3 | 16.9 | 17.0 | 16.3 | 16.8 | 16.9 | 0 | 10 | 10 |
| TechM | 534 | 590 | 654 | 534 | 590 | 654 | -0.1% | 0.0% | 0.0% | 10.1 | 13.5 | 14.5 | 10.4 | 13.5 | 14.6 | -23 | - | -13 |
| LTIM | 382 | 430 | 487 | 381 | 429 | 486 | 0.2% | 0.3% | 0.3% | 15.5 | 16.7 | 17.2 | 15.5 | 16.7 | 17.2 | 0 | 1 | 1 |
| Mphasis | 141 | 157 | 175 | 141 | 157 | 174 | 0.1% | 0.2% | 0.2% | 15.3 | 15.6 | 16.0 | 15.3 | 15.6 | 16.0 | -2 | 1 | 1 |
| Coforge | 118 | 142 | 163 | 118 | 143 | 164 | -0.3% | -0.3% | -0.3% | 12.7 | 13.0 | 13.4 | 12.6 | 13.0 | 13.5 | 12 | -2 | -4 |
| Persistent | 116 | 137 | 161 | 116 | 137 | 161 | 0.1% | 0.1% | 0.1% | 14.4 | 15.5 | 16.1 | 14.4 | 15.5 | 16.1 | 0 | 0 | 0 |
| LTTS | 105 | 120 | 135 | 106 | 120 | 136 | -0.3% | -0.3% | -0.3% | 16.0 | 16.9 | 17.6 | 16.0 | 16.9 | 17.6 | -1 | -1 | -1 |
| Cyient | 74 | 86 | 100 | 74 | 86 | 101 | -0.6% | -0.7% | -0.6% | 13.1 | 14.3 | 14.9 | 13.1 | 14.3 | 14.9 | -3 | -4 | -4 |
| Birlasoft | 55 | 62 | 71 | 55 | 63 | 72 | -0.6% | -1.4% | -1.4% | 13.7 | 14.5 | 14.5 | 13.8 | 14.6 | 15.0 | -9 | -10 | -42 |
| Firstsource | 75 | 86 | 97 | 74 | 85 | 96 | 0.6% | 0.8% | 0.7% | 11.5 | 12.3 | 13.0 | 11.5 | 12.2 | 13.0 | 2.9 | 3.3 | 2.9 |
| Eclerx | 33 | 37 | 42 | 33 | 37 | 41 | 1.2% | 1.6% | 2.2% | 19.8 | 20.5 | 20.7 | 19.6 | 20.4 | 20.6 | 16.1 | 7.9 | 9.7 |
| Route Mobile | 48 | 54 | 62 | 48 | 55 | 62 | -1.5% | -1.4% | -1.4% | 10.2 | 11.0 | 11.4 | 10.3 | 11.0 | 11.4 | -12.2 | -1.1 | -3.5 |
| Zomato | 194 | 268 | 356 | 193 | 264 | 346 | 0.4% | 1.5% | 2.8% | 2.7 | 8.2 | 11.8 | 3.1 | 8.7 | 12.2 | -38.3 | -55.3 | -39.2 |

Source: Company, Emkay Research

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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 Price (Rs/sh) | | Target Multiple | |
|---------------------|---------------|-------|-------|---------------|-------|-------|---------------|-------|-------|--------|--------|----------------------|-----|-----------------|-------|
| | FY25E | FY26E | FY27E | FY25E | FY26E | FY27E | FY25E | FY26E | FY27E | Old | New | Old | New | Old | New |
| TCS | 140.6 | 154.2 | 168.5 | 140.9 | 154.2 | 169 | -0.2% | 0.0% | 0.0% | REDUCE | REDUCE | 25 | 28 | 3,950 | 4,500 |
| Infosys | 62.9 | 71.3 | 79.2 | 62.7 | 70.9 | 79 | 0.3% | 0.5% | 0.5% | BUY | BUY | 28 | 28 | 2,050 | 2,150 |
| HCL Tech | 64.0 | 69.5 | 76.8 | 63.5 | 69.0 | 76 | 0.8% | 0.7% | 0.7% | ADD | ADD | 25 | 25 | 1,850 | 1,850 |
| Wipro | 23.2 | 26.2 | 28.5 | 23.2 | 26.2 | 29 | 0.0% | -0.3% | -0.3% | REDUCE | REDUCE | 19 | 20 | 525 | 550 |
| TechM | 47.4 | 70.4 | 84.3 | 48.4 | 70.2 | 85 | -2.0% | 0.3% | -0.6% | ADD | ADD | 22 | 22 | 1,650 | 1,700 |
| LTIM | 165.8 | 200.2 | 235.0 | 165.5 | 199.6 | 234 | 0.2% | 0.3% | 0.3% | REDUCE | REDUCE | 25 | 28 | 5,250 | 6,100 |
| Mphasis | 87.2 | 100.9 | 116.1 | 87.2 | 100.7 | 116 | 0.0% | 0.2% | 0.2% | REDUCE | REDUCE | 28 | 28 | 2,900 | 3,050 |
| Coforge | 149.6 | 191.3 | 230.8 | 148.8 | 193.1 | 233 | 0.5% | -1.0% | -1.0% | REDUCE | REDUCE | 30 | 30 | 6,200 | 6,400 |
| Persistent | 86.2 | 108.8 | 134.0 | 86.1 | 108.7 | 134 | 0.1% | 0.1% | 0.1% | REDUCE | REDUCE | 36 | 40 | 4,150 | 4,800 |
| LTTS | 127.8 | 153.1 | 181.1 | 128.2 | 153.5 | 182 | -0.3% | -0.3% | -0.3% | REDUCE | REDUCE | 30 | 30 | 5,000 | 5,000 |
| Cyient | 63.1 | 82.6 | 100.3 | 63.2 | 82.2 | 100 | -0.2% | 0.5% | -0.2% | BUY | BUY | 25 | 25 | 2,300 | 2,300 |
| Birlasoft | 22.2 | 26.7 | 30.9 | 22.4 | 27.2 | 32 | -1.1% | -1.8% | -3.8% | ADD | ADD | 26 | 26 | 750 | 750 |
| Firstsource | 8.9 | 11.3 | 14.2 | 8.8 | 11.2 | 14 | 1.0% | 1.2% | 1.0% | ADD | ADD | 25 | 25 | 330 | 330 |
| Eclerx | 107.5 | 127.8 | 150.1 | 105.4 | 125.3 | 146 | 1.9% | 2.0% | 2.7% | ADD | ADD | 20 | 23 | 2,700 | 3,200 |
| Route Mobile | 58.9 | 75.0 | 90.5 | 60.4 | 76.7 | 92 | -2.4% | -2.2% | -1.9% | ADD | ADD | 22 | 22 | 1,800 | 1,800 |
| Zomato | 1.6 | 3.2 | 4.7 | 1.7 | 3.5 | 5 | -1.3% | -7.8% | -3.1% | BUY | BUY | NA | NA | 270 | 310 |

Source: Company, Emkay Research

Exhibit 5: Valuation Summary

| Company | CMP (Rs/sh) | Mkt Cap (USD bn) | Promoter Holding (%) | ADTV 6M (USD mn) | Target (Rs/sh) | Rating | P/E (x) | | | | EV/EBITDA (x) | | | | ROE (%) | | | |
|---------|-------------|------------------|----------------------|------------------|----------------|--------|---------|-------|-------|-------|---------------|-------|-------|-------|---------|-------|-------|-------|
| | | | | | | | FY24 | FY25E | FY26E | FY27E | FY24 | FY25E | FY26E | FY27E | FY24 | FY25E | FY26E | FY27E |
| TCS | 4,269 | 184.2 | 71.0 | 120.5 | 4,500 | REDUCE | 33.6 | 30.4 | 27.7 | 25.3 | 23.8 | 21.2 | 19.2 | 17.5 | 49.6 | 50.0 | 46.1 | 42.9 |
| INFO | 1,876 | 92.9 | 14.0 | 153.7 | 2,150 | BUY | 29.7 | 29.8 | 26.3 | 23.7 | 20.3 | 18.8 | 16.5 | 14.7 | 31.9 | 28.0 | 28.6 | 28.6 |
| HCLT | 1,796 | 58.1 | 60.0 | 62.3 | 1,850 | ADD | 31.0 | 28.1 | 25.9 | 23.4 | 19.3 | 18.0 | 16.2 | 14.6 | 23.5 | 24.9 | 26.0 | 27.5 |
| WPRO | 541 | 33.8 | 72.0 | 49.2 | 550 | REDUCE | 25.6 | 23.4 | 20.7 | 19.0 | 14.9 | 14.0 | 12.5 | 11.2 | 14.4 | 15.6 | 16.4 | 16.5 |
| TECHM | 1,577 | 18.4 | 35.0 | 38.5 | 1,700 | ADD | 59.0 | 30.5 | 22.4 | 18.7 | 26.7 | 18.1 | 13.2 | 11.1 | 10.3 | 15.4 | 21.7 | 24.4 |
| LTIM | 6,244 | 22.1 | 68.0 | 35.9 | 6,100 | REDUCE | 40.3 | 37.7 | 31.2 | 26.6 | 28.6 | 26.4 | 22.1 | 19.0 | 25.0 | 22.9 | 24.1 | 24.6 |
| MPHL | 3,010 | 6.8 | 40.0 | 31.2 | 3,050 | REDUCE | 36.6 | 34.5 | 29.8 | 25.9 | 22.7 | 21.0 | 18.4 | 16.2 | 18.6 | 18.1 | 19.6 | 21.0 |
| COFORGE | 7,016 | 5.6 | - | 38.0 | 6,400 | REDUCE | 53.7 | 46.9 | 36.7 | 30.4 | 30.4 | 24.3 | 19.7 | 16.8 | 24.1 | 20.2 | 19.4 | 21.3 |
| PSYS | 5,450 | 10.1 | 31.0 | 29.0 | 4,800 | REDUCE | 76.8 | 63.3 | 50.1 | 40.7 | 49.1 | 41.5 | 33.2 | 27.3 | 24.5 | 24.7 | 26.5 | 27.5 |
| LTTS | 5,344 | 6.7 | 73.0 | 11.7 | 5,000 | REDUCE | 43.3 | 41.8 | 34.9 | 29.5 | 28.4 | 27.0 | 22.4 | 18.9 | 26.6 | 23.5 | 24.5 | 25.1 |
| CYL | 1,902 | 2.5 | 23.0 | 11.2 | 2,300 | BUY | 53.7 | 30.2 | 23.0 | 19.0 | 16.0 | 16.0 | 13.1 | 10.9 | 19.0 | 14.6 | 16.5 | 18.3 |
| BSOFT | 602 | 2.0 | 40.0 | 27.1 | 750 | ADD | 27.2 | 27.2 | 22.5 | 19.5 | 17.9 | 17.4 | 14.1 | 12.0 | 22.7 | 19.2 | 20.2 | 20.3 |
| FSOL | 311 | 2.6 | 53.0 | 18.9 | 330 | ADD | 41.8 | 34.8 | 27.5 | 22.0 | 23.1 | 19.3 | 15.9 | 13.2 | 14.7 | 16.1 | 18.5 | 20.7 |
| ECLX | 3,008 | 1.7 | 53.0 | 3.4 | 3,200 | ADD | 28.8 | 28.0 | 23.5 | 20.0 | 18.1 | 17.2 | 14.2 | 12.1 | 25.9 | 22.6 | 24.8 | 25.9 |
| ROUTE | 1,565 | 1.2 | 75.0* | 5.5 | 1,800 | ADD | 26.2 | 26.6 | 20.9 | 17.3 | 18.5 | 15.9 | 13.0 | 10.8 | 18.0 | 16.1 | 17.8 | 18.5 |
| ZOMATO | 273 | 28.8 | NA | 143.3 | 310 | BUY | 711.0 | 167.1 | 85.5 | 58.7 | 5454.7 | 190.0 | 74.4 | 42.6 | 1.8 | 7.1 | 12.5 | 16.0 |

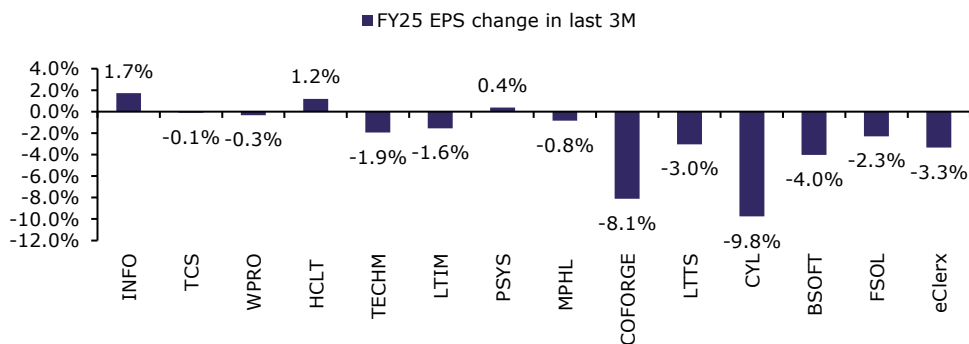
Source: Company, Bloomberg, Emkay Research; *Holding reduced to 75% as per latest exchange filing

Exhibit 6: Price performance

| Index/Stock | CMP (Rs/sh) | Return (%) | | | | | % Outperformance/Underperformance wrt Nifty | | | | |
|-------------|-------------|------------|------|------|------|------|---|------|------|------|------|
| | | 1M | 3M | 6M | 1Y | 3Y | 1M | 3M | 6M | 1Y | 3Y |
| Nifty 50 | 25,811 | 2% | 7% | 16% | 31% | 47% | | | | | |
| Nifty IT | 41,946 | -2% | 16% | 20% | 32% | 20% | -4% | 9% | 5% | 1% | -27% |
| TCS | 4,269 | -6% | 9% | 10% | 22% | 13% | -9% | 2% | -5% | -10% | -33% |
| INFO | 1,876 | -4% | 20% | 26% | 31% | 12% | -6% | 12% | 10% | 0% | -35% |
| WPRO | 541 | 1% | 5% | 13% | 33% | -15% | -2% | -2% | -3% | 2% | -61% |
| HCLT | 1,796 | 2% | 23% | 16% | 45% | 40% | 0% | 16% | 1% | 14% | -6% |
| TECHM | 1,577 | -4% | 10% | 26% | 29% | 14% | -6% | 3% | 11% | -2% | -32% |
| LTIM | 6,244 | 1% | 16% | 26% | 20% | 8% | -1% | 8% | 11% | -12% | -38% |
| MPHL | 3,010 | -3% | 23% | 26% | 27% | -3% | -5% | 15% | 10% | -5% | -50% |
| PSYS | 5,450 | 5% | 29% | 37% | 88% | 193% | 3% | 21% | 21% | 57% | 147% |
| COFORGE | 7,016 | 11% | 29% | 28% | 37% | 34% | 8% | 21% | 12% | 6% | -13% |
| LTTS | 5,344 | -7% | 9% | -3% | 17% | 14% | -9% | 1% | -18% | -15% | -33% |
| CYL | 1,881 | -5% | 2% | -6% | 11% | 77% | -7% | -5% | -21% | -20% | 30% |
| BSOFT | 602 | -10% | -13% | -19% | 25% | 47% | -13% | -20% | -34% | -7% | 0% |
| FSOL | 311 | 3% | 48% | 57% | 86% | 59% | 0% | 41% | 42% | 54% | 13% |
| ECLX | 3,008 | 4% | 24% | 27% | 67% | 109% | 1% | 17% | 11% | 36% | 62% |
| ROUTE | 1,565 | -1% | -14% | -2% | -2% | -20% | -3% | -22% | -18% | -33% | -66% |
| Zomato | 273 | 9% | 36% | 50% | 169% | 100% | 7% | 29% | 34% | 138% | 54% |

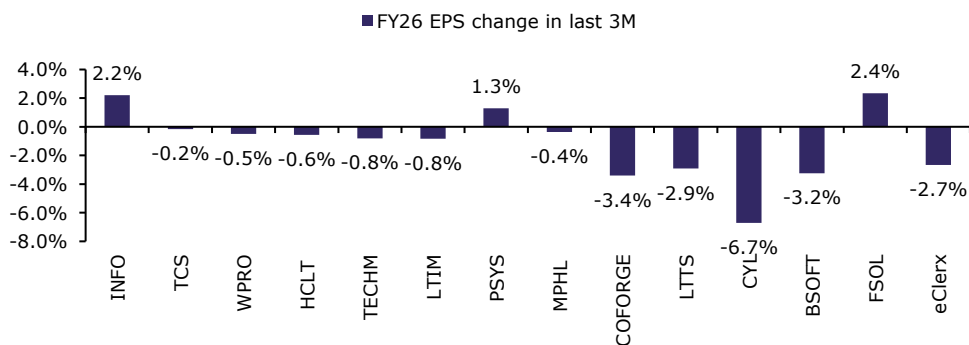
Source: Bloomberg, Emkay Research

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



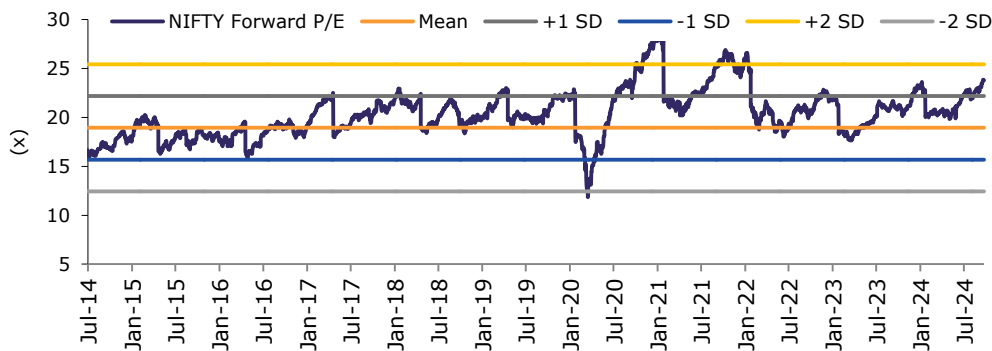
Source: Bloomberg, Emkay Research

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



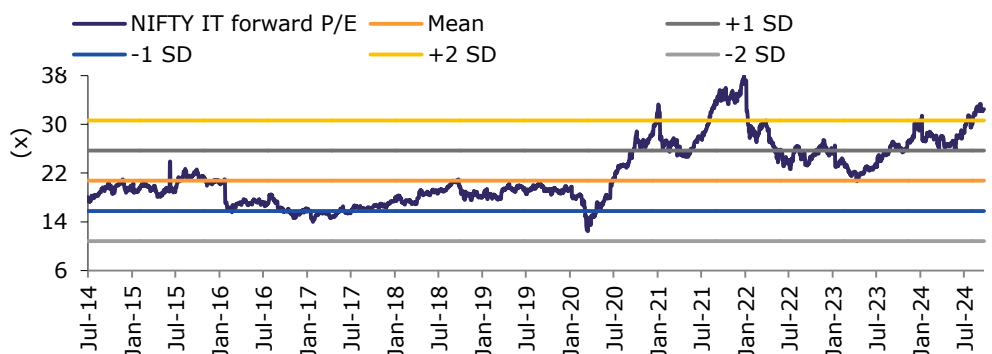
Source: Bloomberg, Emkay Research

Exhibit 9: NIFTY – One-year forward P/E is currently trading between mean +1SD and +2SD



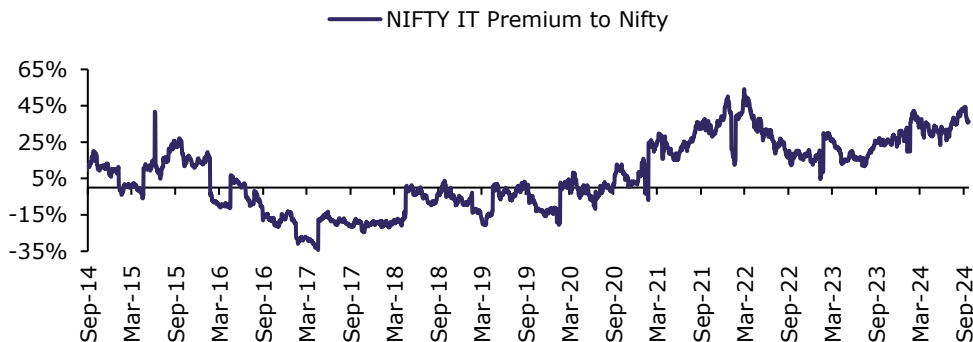
Source: Bloomberg, Emkay Research

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



Source: Bloomberg, Emkay Research

Exhibit 11: NIFTY IT’s valuation premium has averaged 37% in the past 3 months



Source: Bloomberg, Emkay Research

Exhibit 12: Deals signed during Q2FY25

| Customer | Company | Deal Duration | Deal details |
|------------------------------|-------------|---------------|---|
| Sydney Marathon | TCS | 5 years | TCS signs title partnership with Sydney Marathon, Australia's largest and most iconic race. TCS will aid the newly rebranded TCS Sydney Marathon to adopt advanced technologies, become more sustainable, and support its candidature as an Abbott World Marathon Major Partnership, which will pave the way for the next step in TCS' community engagement and presence in Australia, one of its fastest-growing markets. |
| Sector Alarm | Infosys | 5 years | Infosys collaborates with Sector Alarm to fuel growth through cloud-based Microsoft Dynamics ERP. Through this collaboration, Infosys will work closely with Sector Alarm to migrate their disparate, on-premises Enterprise Resource Planning (ERP) platform onto Microsoft Dynamics 365 Finance and Operations (F&O), helping them modernize their financial and business operating models. Capitalizing on Infosys' digital transformation capabilities, the Microsoft platform will enable Sector Alarm to streamline finances, gain business insights, and help seamlessly integrate with their existing CRM platform. |
| Delaware Department of Labor | Infosys | Not disclosed | Delaware Department of Labor selects Infosys Public Services to modernize its labor systems. Existing Delaware legacy systems face operational inefficiencies and customer service barriers impacting the delivery of critical services in a timely manner. Infosys LaborForce, a Salesforce-based enterprise labor system will enable the Department of Labor to provide best-in-class customer service and integrate unemployment insurance and paid family medical leave programs. |
| Absa Bank | LTIMindtree | Not disclosed | Absa Bank reaffirms LTIMindtree as a Strategic Technology Partner in its transformation journey with the announcement of a multi-million dollar contract extension. This reinforces LTIMindtree's position as Absa Bank's trusted strategic technology partner. The extended partnership builds upon a successful 17-year collaboration, where LTIMindtree has been instrumental in driving Absa Bank's digital transformation journey, fostering growth and efficiency. |
| Rolls-Royce | TCS | Not disclosed | TCS has expanded its partnership with Rolls-Royce (specializing in civil aerospace, defense aerospace, services, and power systems) to advance its sustainable initiatives. This collaboration involves research into hydrogen fuel system technology, continuing to prove hydrogen could be a zero-carbon aviation fuel of the future. TCS will provide engineering skills and support to Rolls-Royce as it addresses three key challenges in the journey to enabling hydrogen for use in aviation: fuel combustion, fuel delivery, and fuel systems integration with an engine. |
| PS Technology | LTTS | Not disclosed | LTTS and PS Technology entered into a strategic partnership around mobility, aimed at bringing cutting-edge simulation technology to the railways market in India and adjacent geographies. The companies have signed a Memorandum of Understanding (MoU) to focus on the design, development, and supply of advanced AI-based simulation technologies, poised to significantly enhance the operational efficiency and safety of rail infrastructure in India and overseas. The collaboration between PST and LTTS will enhance safety and provide real-time insights for modern-day transportation. |
| Follett Higher Education | TCS | 3 years | TCS has signed a contract to strengthen information technology infrastructure and cybersecurity services for Follett Higher Education. By deploying trademark platforms and solutions such as TCS CognixTM and Cloud Exponence, TCS will create an enhanced IT infrastructure that better supports Follett's innovative academic and retail experiences for colleges and universities across the US and Canada. With TCS as an extension of Follett, the joint team will leverage the industry-leading ITIL 4 standards and implement best practices for IT service management. |
| TDC Net | Infosys | Not disclosed | Infosys collaborated with TDC Net to help them transform from a traditional infrastructure company to a leading customer-centric technology company. The collaboration aims to modernize TDC Net's IT infrastructure, improve their customer experience, and help them optimize IT and operational service costs. Through this collaboration, Infosys will standardize and simplify TDC Net's IT systems by implementing AI-driven hyper automation while adhering to industry standard processes. This will help enhance business productivity by consolidating TDC Net's IT systems into fewer platforms. |
| Exyte | LTIMindtree | Not disclosed | LTIMindtree has been selected as a global digital service provider by Exyte to deliver comprehensive IT modernization services that will help Exyte to further enhance its business productivity and increase operational efficiency across its diversified portfolio globally. As part of the engagement to enable Exyte's global operations, LTIMindtree will deliver comprehensive IT modernization services which encompasses the full spectrum of cloud migration, end-user services, security, application, and comprehensive technology support through a managed services framework. |

Source: Company, Emkay Research

| Customer | Company | Deal Duration | Deal details |
|---|--------------|---------------|--|
| Altair | LTTS | Not disclosed | LTTS and Altair jointly announced the establishment of a digital twin center of excellence (CoE) to accelerate digital transformation. The CoE will deliver cutting-edge digital twin capabilities to joint customers worldwide across mobility, hi-tech, and sustainability segments, enabling premier digital twin solutions for enhanced innovation and efficiency. |
| Croma | TCS | Not disclosed | TCS has enabled 100% in-store mobile checkout for all Croma stores, a first in the retail industry in India. TCS leveraged TCS OmniStore™, its award-winning artificial intelligence AI-powered, unified composable commerce platform to deliver faster checkout and a best-in-class omnichannel shopping experience across touchpoints. This commerce transformation enables convenient mobile checkout anywhere in-store and facilitates a consistent shopping experience across the stores and online channels. It has resulted in increased sales and footfall for Croma, while reducing the checkout time for shoppers. |
| Shell | LTTS | Not disclosed | LTTS has signed a long-term framework agreement with Shell. The multi-year framework agreement will see LTTS providing Integrated Engineering and Procurement Services along with Digital Engineering Services, Data Governance for Capital Projects, and Digital Project Management Consultancy for Shell's global assets as necessary. LTTS is well-positioned to support Shell on a global scale deploying their unique global delivery model to delivering projects. |
| Thales | LTTS | Not disclosed | Thales announced a new contract with LTTS. This partnership will bring Thales's software monetization platform, Thales Sentinel, to LTTS' customer base, especially in the High-tech, Sustainability, and Mobility segments. Under the new contract, LTTS will resell the Thales Sentinel platform to its customer base and group affiliates globally across diverse sectors, including transportation, medical, high-tech, telecom, and financial services. |
| John Lewis Partnership | Wipro | 4 years | Wipro has been selected by John Lewis Partnership (JLP) to transform and modernize the firm's IT infrastructure. The transformation project will help the UK retailer advance its industry leadership and future-proof its business to drive ongoing, sustainable growth. As part of this engagement, Wipro FullStride Cloud will extend JLP's current cloud infrastructure, Network and End-user services for another four years. The Wipro FullStride Cloud team will collaborate with JLP and Google Cloud in a strategic transformation of their X86 platform to the cloud, enabling them to unlock new business value by making them more agile, optimizing operating costs, and streamlining business operations. As part of this engagement, Wipro and JLP will investigate the adoption of innovative solutions that continue to reinforce their industry leadership and put the retailer at the forefront of retail technology and store modernization. |
| Xerox | HCL Tech | Not disclosed | HCL Tech extended its strategic AI-driven Engineering services and Digital Process Operations (DPO) partnership with Xerox. HCL Tech will assist Xerox with its reinvention, which is the fundamental and structural redesign of Xerox to position the company for long-term profitable and sustainable growth. |
| Primark | TCS | 5 years | TCS has extended its partnership with Primark to transform its technology operations to support ambitious plans for global growth. As part of this expanded partnership, TCS will help transform Primark's technology operating environment to make it more resilient, reliable, and efficient. By supporting Primark's transformation journey, TCS will help reduce time-to-market for the retailer, aligning with its strategies for future growth. TCS will help Primark adopt a more agile and product-based operating model by enabling automation through intelligent automation and DevOps technologies. |
| JFK International Air Terminal (JFKIAT) | Wipro | Not disclosed | Wipro has been enlisted by JFK International Air Terminal (JFKIAT) the operator of JFK's Terminal 4 to help meet its net-zero targets. Wipro Consulting's sustainability practice was selected by JFKIAT to assess the Terminal's greenhouse gas emissions, develop a carbon reduction roadmap, and create its 2023 sustainability report aligned with JFKIAT's sustainability targets. JFKIAT's target is to reduce their Scope 1 and 2 emissions by 50% prior to 2030 and by 100% prior to 2050. Wipro's work centered across three main pillars: Measure, Reduce and Report. |
| Infosys | Route Mobile | Not disclosed | Infosys and Proximus Group announced a strategic collaboration to help unlock new business opportunities. The new strategic collaboration will focus on a joint go-to-market approach that will use best-in-class products of Proximus' International affiliates, including Route Mobile's Communications Platform as a Service (CPaaS) and Telesign's Digital Identity (DI) solutions. This combined with Infosys digital services will drive innovation in omnichannel customer engagement and AI-driven digital assistants for their customers. The collaboration will enhance digital security by providing robust DI and fraud protection solutions, ensuring trusted communication online. |

| Customer | Company | Deal Duration | Deal details |
|---|---------|---------------|--|
| Mansfield Building Society | TCS | Not disclosed | TCS has entered into a strategic partnership with Mansfield Building Society in the UK to digitally transform its business. TCS will deploy its state-of-the-art digital banking solution, TCS BaNCSTM for Core Banking, along with its Digital Home Lending Solution to enhance member and intermediary experiences and support Mansfield's ambitious growth plans. |
| AgentSync | Mphasis | Not disclosed | Mphasis Silverline has partnered with AgentSync to bring their producer and compliance management solution to its insurance clients. Built directly on the Salesforce Platform, AgentSync Manage gives organizations the power to use intelligent automation to simplify producer management and compliance, gaining valuable customer insights in the process. The combination of AgentSync's insurance compliance expertise with Mphasis Silverline's deep Salesforce knowledge provides a significant opportunity for clients to transform their compliance processes on the Salesforce platform. |
| Clearstream | Infosys | Not disclosed | Infosys has collaborated with Clearstream to support the successful Generation 2 launch of Clearstream's D7 platform, an innovative digital post-trade platform that allows market participants to issue securities digitally. Within the project, Infosys assisted Clearstream in driving end-to-end implementation, customization, and deployment alongside go-live and aftercare support. The platform has set a foundation of institutional grade, digital asset infrastructure to unlock the tremendous value of asset tokenization and digital assets. |
| JFK International Air Terminal (JFKIAT) | Wipro | Not disclosed | Wipro is helping JFK International Air Terminal (JFKIAT) – the operator of JFK's Terminal 4 in developing a cloud data strategy by leveraging Microsoft's Azure Data platform. The AI-enabled data analytics solution will establish a single view of terminal data across all functions, enabling JFKIAT's management to continually review and improve operations to achieve their long-term operational and efficiency goals. The three-year project, which kicked off in 2023, will centralize operational data mapping to improve passenger queuing times, implement intelligent rostering for JFKIAT's operational functions, consolidate safety and security data, and track sustainability metrics. |
| Life Insurance Corporation | Infosys | Not disclosed | Infosys collaborates with Life Insurance Corporation of India to accelerate digital transformation. As part of the collaboration, Infosys will enable the creation of a cutting-edge NextGen Digital Platform, which will focus on delivering seamless omnichannel engagement and data-driven, hyper-personalized experiences to LIC's customers, agents, and employees. |
| Metro Bank | Infosys | Not disclosed | Metro Bank has entered into a long-term collaboration with Infosys to enhance some of its IT and support functions, while digitally transforming the bank's business operations. The collaboration supports the bank's ongoing efficiency and cost-saving efforts. Collaborating with a global leader like Infosys will allow Metro Bank to enhance its digital capabilities, improve automation, refine data, and embed further AI capabilities, leveraging Infosys Topaz, an AI-first offering using generative AI technologies to deliver a simpler more consistent customer experience for its FANS. Infosys' vast experience and capability will help Metro Bank continue to build a more agile bank, poised for meaningful growth. |
| Posti | Infosys | Not disclosed | Infosys is extending its strategic collaboration with Posti, wherein Infosys will help Posti enhance customer experience and operational efficiency while continuing to innovate, scale, and grow its IT operations. Infosys will adopt an AI-driven approach powered by Infosys Topaz, an AI-first offering using generative AI technologies to empower Posti with operational efficiencies and service quality. |
| Polestar | Infosys | Not disclosed | Infosys announced a strategic collaboration with Polestar to create a base for Polestar's development of in-car infotainment, Software and Electrical/Electronics (SW&EE) engineering, user experience (UX), and cloud-powered digital services. Infosys will also leverage in-tech, its latest acquisition in the R&D space, to complement the engagement. Infosys will establish a global technology hub for Polestar at its development center in Bengaluru, India. This hub aims to deliver electric vehicle (EV) software development and validation across many domains including infotainment, Advanced Driver Assistance Systems (ADAS), and telematics. |
| Sally Beauty | Infosys | Not disclosed | Infosys announced strategic collaboration with Sally Beauty Holdings to drive enterprise-scale IT transformation. Infosys will be implementing best practices in IT operations to bring efficiencies through the optimization of IT service delivery. |

Exhibit 13: Q2FY25 preview

| | | Sep-24 | Jun-24 | Sep-23 | YoY chg | QoQ chg | Comments | |
|-------------------------|--------|-------------------|---------|---------|---------|---------|----------|---|
| TCS (Oct-10) | | | | | | | | |
| CMP (Rs/sh) | 4,269 | Net Sales (Rs mn) | 642,755 | 626,130 | 596,920 | 7.7% | 2.7% | We build in a 2.2% QoQ USD revenue growth after factoring in 100bps cross currency tailwinds. We are building incremental 0.8% QoQ contribution from the BSNL deal. EBIT margin is likely to remain flattish QoQ due to adverse revenue mix with BSNL driving bulk of incremental revenue and muted growth in international market. Key things to watch out for: i) Anticipated impact of furloughs in Q3 and possibility of growth uptick and discretionary spending recovery in H2, ii) demand trends in key verticals like BFSI, Retail, Hi Tech, Manufacturing, and Communications, iii) deal intake and deal pipeline (including AI and Gen AI), iv) pricing environment considering macro uncertainties and deal mix shift toward cost takeouts, v) margin outlook, vi) Management commentary on demand environment across geographies, vii) hiring plan including freshers. |
| Mkt Cap (Rs bn) | 15,443 | EBITDA (Rs mn) | 171,616 | 166,620 | 157,450 | 9.0% | 3.0% | |
| Reco | Reduce | EBITDA Margin (%) | 26.7 | 26.6 | 26.4 | 32 bps | 9 bps | |
| Target Price (Rs/sh) | 4,500 | PAT (Rs mn) | 124,619 | 120,400 | 113,420 | 9.9% | 3.5% | |
| Upside | 4% | EPS (Rs) | 34.4 | 33.3 | 31.0 | 11.1% | 3.5% | |
| Infosys (Oct-17) | | | | | | | | |
| CMP (Rs/sh) | 1,876 | Net Sales (Rs mn) | 406,884 | 393,150 | 389,940 | 4.3% | 3.5% | We expect 3% QoQ USD revenue growth in Q2 after factoring in 50bps cross currency tailwinds. In-tech acquisition is likely to add ~1% QoQ revenue growth. EBIT margin is expected to expand by 40bps sequentially on the back of operating efficiencies, partly negated by absence of one-off realisation benefits in the India business. Key monitorables: i) FY25 guidance – we expect the company to revise revenue growth guidance upwards to 3.5-4.5% CC YoY, while retaining 20-22% EBITM; ii) large deals intake with share in net-new deal intake and planned ramp up schedule; iii) update on discretionary spending; iv) demand environment across geographies; v) Management commentary on: 1) furlough expectations in Q3 and any signs of optimism in client conversations post the recent interest-rate cut in the US, 2) demand environment in BFSI, Hitech, Manufacturing, Retail, and Communications, 3) pricing environment, 4) deals pipeline, pace of decision-making and deal closure momentum, 5) hiring plan. |
| Mkt Cap (Rs bn) | 7,789 | EBITDA (Rs mn) | 99,735 | 94,370 | 94,400 | 5.7% | 5.7% | |
| Reco | Buy | EBITDA Margin (%) | 24.5 | 24.0 | 24.2 | 30 bps | 51 bps | |
| Target Price (Rs/sh) | 2,150 | PAT (Rs mn) | 66,902 | 63,680 | 62,120 | 7.7% | 5.1% | |
| Upside | 13% | EPS (Rs) | 16.1 | 15.3 | 15.0 | 7.7% | 5.1% | |
| Wipro (Oct-17) | | | | | | | | |
| CMP (Rs/sh) | 541 | Net Sales (Rs mn) | 223,353 | 219,638 | 225,159 | -0.8% | 1.7% | We expect 0.9% USD revenue growth in IT services segment after factoring in 60bps cross currency tailwinds. Wipro had guided revenue growth in the range of -1% to +1% QoQ in CC terms. We expect IT Services EBIT margins to remain flattish sequentially, despite one-month impact of salary hike. Overall EBITM to remain flattish QoQ. Key things to watch out for: i) Q3FY25 outlook – we expect -1 to 1% revenue growth guidance; ii) Management commentary on – 1) anticipated impact of furloughs and elections on Q3 growth, 2) demand trends in key verticals like BFSI, Consumer, Communications, Technology, Manufacturing, Healthcare, and E&U, 3) Capco/consulting business growth momentum and any signs of improvement in discretionary spending, 4) attrition trends and hiring plan, 5) deal intake/pipeline, trends seen in base business leakage, update on ramp-ups of recently won large deals, 6) change in deal pipeline composition in terms of cost takeouts vs discretionary/transformational spends and the company's ability to participate effectively to retain/capture wallet share, 7) capital allocation. |
| Mkt Cap (Rs bn) | 2,832 | EBITDA (Rs mn) | 45,000 | 43,564 | 42,047 | 7.0% | 3.3% | |
| Reco | Reduce | EBITDA Margin (%) | 20.1 | 19.8 | 18.7 | 147 bps | 31 bps | |
| Target Price (Rs/sh) | 550 | PAT (Rs mn) | 30,272 | 30,032 | 26,463 | 14.4% | 0.8% | |
| Upside | 2% | EPS (Rs) | 5.8 | 5.7 | 5.1 | 14.2% | 0.8% | |

Source: Company, Emkay Research

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Q2FY25 preview (Contd)

| Name | | Sep-24 | Jun-24 | Sep-23 | YoY chg | QoQ chg | Comments | |
|-------------------------------|--------|-------------------|---------|---------|---------|---------|----------|---|
| HCL Tech (Oct-14) | | | | | | | | |
| CMP (Rs/sh) | 1,796 | Net Sales (Rs mn) | 285,747 | 280,570 | 266,720 | 7.1% | 1.8% | We are building in 1.4% QoQ USD revenue growth after factoring in 70bps cross currency tailwinds, impacted by the State Street divestment. Expect EBIT margins to expand by 90bps sequentially. Things to watch out for: i) FY25 outlook – we expect the company to retain its 3-5% CC revenue growth with 18-19% EBITM, ii) likely impact of furlough in Q3 and possibility of demand uptick in H2, iii) deal wins, deal pipeline and pace of deal closures, iv) growth outlook for ER&D and Software businesses, v) updates on certain CTG assets acquisition deal with HPE and its financial impact, vi) demand outlook for major verticals like BFSI, Manufacturing, Technology, Communications, Retail, and Healthcare, vii) pricing environment, viii) wage hike, and ix) hiring plan and attrition trends. |
| Mkt Cap (Rs bn) | 4,870 | EBITDA (Rs mn) | 62,007 | 57,940 | 59,440 | 4.3% | 7.0% | |
| Reco | Add | EBITDA Margin (%) | 21.7 | 20.7 | 22.3 | -59 bps | 105 bps | |
| Target Price (Rs/sh) | 1,850 | PAT (Rs mn) | 41,255 | 42,580 | 38,320 | 7.7% | -3.1% | |
| Upside | 2% | EPS (Rs) | 15.2 | 15.7 | 14.1 | 7.7% | -3.1% | |
| Tech Mahindra (Oct-19) | | | | | | | | |
| CMP (Rs/sh) | 1,577 | Net Sales (Rs mn) | 132,560 | 130,055 | 128,639 | 3.0% | 1.9% | We expect USD revenue to grow 1.5% QoQ after factoring in 60bps cross currency tailwinds. Expect EBIT margins to expand by ~100bps sequentially. Key things to watch out for: i) FY25 growth and margin aspirations; ii) progress made on improving cost structure; iii) likely impact of furlough on Q3 growth and possibility of uptick in H2, iv) CME and Enterprise business outlook, v) demand trends across major verticals in Enterprise business, vi) deal intake/pipeline and deal closure momentum, vii) hiring plan and attrition trends, and viii) pricing. |
| Mkt Cap (Rs bn) | 1,542 | EBITDA (Rs mn) | 17,365 | 15,645 | 10,723 | 61.9% | 11.0% | |
| Reco | Add | EBITDA Margin (%) | 13.1 | 12.0 | 8.3 | 476 bps | 107 bps | |
| Target Price (Rs/sh) | 1,700 | PAT (Rs mn) | 9,855 | 8,515 | 6,434 | 53.2% | 15.7% | |
| Upside | 6% | EPS (Rs) | 11.2 | 9.6 | 7.3 | 52.8% | 15.7% | |
| LTIMindtree (Oct-17) | | | | | | | | |
| CMP (Rs/sh) | 6,244 | Net Sales (Rs mn) | 94,434 | 91,426 | 89,054 | 6.0% | 3.3% | We expect 2.8% QoQ USD revenue growth after factoring in 30bps cross currency tailwinds. EBIT margins are expected to expand by 50bps sequentially. Things to watch out for: i) FY25 revenue and margin outlook, ii) Management commentary on recovery in discretionary spending and likely furlough impact in Q3, iii) deal intake and pipeline, iv) growth outlook in Hi-tech – top account and non-top accounts, v) demand outlook across BFSI, Travel, RCM, and E&U, vi) progress made on driving synergy benefits from merger in terms of deal participation/win rates and costs/margin, and vii) wage hike and hiring plan. |
| Mkt Cap (Rs bn) | 1,849 | EBITDA (Rs mn) | 17,092 | 16,061 | 16,313 | 4.8% | 6.4% | |
| Reco | Reduce | EBITDA Margin (%) | 18.1 | 17.6 | 18.3 | -22 bps | 53 bps | |
| Target Price (Rs/sh) | 6,100 | PAT (Rs mn) | 12,204 | 11,338 | 11,618 | 5.0% | 7.6% | |
| Upside | -1% | EPS (Rs) | 41.2 | 38.3 | 39.3 | 5.0% | 7.6% | |

Source: Company, Emkay Research

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Q2FY25 preview (Contd)

| Name | | Sep-24 | Jun-24 | Sep-23 | YoY chg | QoQ chg | Comments | |
|------------------------------------|--------|-------------------|--------|--------|---------|---------|----------|---|
| Mphasis (Oct-16) | | | | | | | | |
| CMP (Rs/sh) | 3,010 | Net Sales (Rs mn) | 35,159 | 34,225 | 32,765 | 7.3% | 2.7% | We expect 2.3% net USD revenue growth after factoring in 20bps cross currency tailwinds. We expect EBIT margins to expand by 20bps sequentially. Things to watch out for: i) FY25 revenue growth and margin outlook, ii) Management commentary on pace of deal pipeline conversion and deal-to-revenue conversion, iii) Outlook for Digital Risk/mortgage and DXC business, iv) likely impact of furlough on Q3 growth and possibility of uptick in discretionary spending recovery, v) order booking, deal pipeline and pace of deal closure, vi) growth outlook across BFS, Insurance, High tech, and Logistics verticals, and vii) progress on growing non-Top 10 clients. |
| Mkt Cap (Rs bn) | 569 | EBITDA (Rs mn) | 6,434 | 6,185 | 5,956 | 8.0% | 4.0% | |
| Reco | Reduce | EBITDA Margin (%) | 18.3 | 18.1 | 18.2 | 12 bps | 23 bps | |
| Target Price (Rs/sh) | 3,050 | PAT (Rs mn) | 4,039 | 4,044 | 3,919 | 3.1% | -0.1% | |
| Upside | -1% | EPS (Rs) | 21.4 | 21.4 | 20.8 | 2.8% | -0.1% | |
| Coforge (Oct-22) | | | | | | | | |
| CMP (Rs/sh) | 7,016 | Net Sales (Rs mn) | 30,227 | 24,008 | 22,762 | 32.8% | 25.9% | We expect 23.8% QoQ USD revenue growth (organic 3.7%) after factoring in 70bps cross currency tailwinds. EBITM is expected to decline by 180bps QoQ due to wage hike and integration of Cigniti. Key things to watch out for: i) FY25 revenue and margin outlook, ii) Order bookings, growth in NTM executable order book and deal pipeline, iii) demand trends across BFS, Insurance, Manufacturing, and Travel verticals, iv) Management commentary on - 1) update on Cigniti transaction, 2) progress made on deriving synergies with Cigniti and profitability improvement, 3) likely impact of furlough in Q3, 4) hiring plan and attrition trends, and 5) update on revenue target of USD2bn and the 150-250bps margin expansion target timelines post-Cigniti transaction. |
| Mkt Cap (Rs bn) | 468 | EBITDA (Rs mn) | 4,698 | 4,087 | 3,473 | 35.3% | 15.0% | |
| Reco | Reduce | EBITDA Margin (%) | 15.5 | 17.0 | 15.3 | 29 bps | -148 bps | |
| Target Price (Rs/sh) | 6,400 | PAT (Rs mn) | 2,328 | 2,285 | 1,809 | 28.7% | 1.9% | |
| Upside | -8% | EPS (Rs) | 34.9 | 34.3 | 29.4 | 18.8% | 1.9% | |
| Persistent Systems (Oct-22) | | | | | | | | |
| CMP (Rs/sh) | 5,450 | Net Sales (Rs mn) | 28,809 | 27,372 | 24,117 | 19.5% | 5.3% | We expect a 4.5% QoQ USD revenue growth factoring in 40bps contribution from M&A and 10bps cross currency tailwind. Expect EBITM to decline by 20bps sequentially due to wage hike, partly negated by absence of visa costs and one-off redundancy costs. Things to watch out for: i) FY25 revenue growth and margin outlook, ii) Management commentary on furlough impact on Q3 growth and recovery in discretionary spending, iii) deal intake and pipeline, iv) demand trends across BFSI, Healthcare, and Technology verticals, v) Outlook on major clients, vi) M&A focus areas, and vii) hiring plan and attrition trends. |
| Mkt Cap (Rs bn) | 850 | EBITDA (Rs mn) | 4,716 | 4,552 | 4,052 | 16.4% | 3.6% | |
| Reco | Reduce | EBITDA Margin (%) | 16.4 | 16.6 | 16.8 | -43 bps | -26 bps | |
| Target Price (Rs/sh) | 4,800 | PAT (Rs mn) | 3,146 | 3,064 | 2,633 | 19.5% | 2.7% | |
| Upside | -12% | EPS (Rs) | 20.4 | 19.9 | 17.1 | 19.3% | 2.7% | |

Source: Company, Emkay Research

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Q2FY25 preview (Contd)

| Name | | Sep-24 | Jun-24 | Sep-23 | YoY chg | QoQ chg | Comments |
|---|--------|-------------------|--------|--------|---------|----------|----------|
| L&T Technology Services (Oct-16) | | | | | | | |
| CMP (Rs/sh) | 5,344 | Net Sales (Rs mn) | 25,785 | 24,619 | 23,865 | 8.0% | 4.7% |
| Mkt Cap (Rs bn) | 566 | EBITDA (Rs mn) | 4,899 | 4,562 | 4,756 | 3.0% | 7.4% |
| Reco | Reduce | EBITDA Margin (%) | 19.0 | 18.5 | 19.9 | -93 bps | 47 bps |
| Target Price (Rs/sh) | 5,000 | PAT (Rs mn) | 3,310 | 3,136 | 3,154 | 5.0% | 5.6% |
| Upside | -7% | EPS (Rs) | 31.3 | 29.6 | 29.8 | 4.8% | 5.6% |
| Cyient (Oct-24) | | | | | | | |
| CMP (Rs/sh) | 1,902 | Net Sales (Rs mn) | 18,072 | 16,757 | 17,785 | 1.6% | 7.8% |
| Mkt Cap (Rs bn) | 211 | EBITDA (Rs mn) | 2,989 | 2,651 | 3,258 | -8.3% | 12.7% |
| Reco | Buy | EBITDA Margin (%) | 16.5 | 15.8 | 18.3 | -178 bps | 72 bps |
| Target Price (Rs/sh) | 2,300 | PAT (Rs mn) | 1,674 | 1,439 | 1,831 | -8.6% | 16.3% |
| Upside | 21% | EPS (Rs) | 15.1 | 13.0 | 16.5 | -8.7% | 16.3% |
| BirlaSoft | | | | | | | |
| CMP (Rs/sh) | 602 | Net Sales (Rs mn) | 13,613 | 13,274 | 13,099 | 3.9% | 2.5% |
| Mkt Cap (Rs bn) | 166 | EBITDA (Rs mn) | 2,001 | 1,951 | 2,071 | -3.4% | 2.6% |
| Reco | Add | EBITDA Margin (%) | 14.7 | 14.7 | 15.8 | -111 bps | 0 bps |
| Target Price (Rs/sh) | 750 | PAT (Rs mn) | 1,481 | 1,502 | 1,451 | 2.1% | -1.4% |
| Upside | 24% | EPS (Rs) | 5.2 | 5.3 | 5.2 | 1.3% | -1.4% |

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Q2FY25 preview (Contd)

| Name | | Sep-24 | Jun-24 | Sep-23 | YoY chg | QoQ chg | Comments | |
|------------------------------|-------|-------------------|--------|--------|---------|----------|----------|--|
| Firstsource Solutions | | | | | | | | |
| CMP (Rs/sh) | 311 | Net Sales (Rs mn) | 18,628 | 17,911 | 15,400 | 21.0% | 4.0% | We are building in 3.4% USD revenue growth factoring in 80bps cross currency tailwinds. We have not factored in Ascensos acquisition in estimates pending clarity on period of integration. EBIT margins expected to decline by 20bps sequentially due to wage hike. Key things to look out for: i) FY25 revenue and margin outlook – expect the company to upgrade revenue growth guidance (ex-Ascensos) to 13.5-15.5% (current 11.5-13.5%), while retaining EBITM guidance (ex-Ascensos) of 11-12%, ii) details on Ascensos – revenue growth, EBITM, synergies benefits, client concentration, potential dilutive impact on margin/earnings, etc, iii) Gen-AI impact on growth prospects and severity of impact across segments, iv) outlook on Mortgage, Provider, Payer, and Collections business, v) demand trends and outlook in BFS, CMT and Healthcare verticals, and v) deal intake momentum. |
| Mkt Cap (Rs bn) | 217 | EBITDA (Rs mn) | 2,771 | 2,699 | 2,288 | 21.1% | 2.7% | |
| Reco | Add | EBITDA Margin (%) | 14.9 | 15.1 | 14.9 | 2 bps | -19 bps | |
| Target Price (Rs/sh) | 330 | PAT (Rs mn) | 1,447 | 1,352 | 1,265 | 14.3% | 7.0% | |
| Upside | 3% | EPS (Rs) | 2.1 | 1.9 | 1.8 | 14.3% | 7.0% | |
| Eclerx Services | | | | | | | | |
| CMP (Rs/sh) | 3,008 | Net Sales (Rs mn) | 8,172 | 7,819 | 7,218 | 13.2% | 4.5% | We expect a 4.2% QoQ USD revenue growth after factoring in 20bps cross currency tailwinds. EBIT margins expected to expand by 260bps sequentially. Management commentary on: i) FY25 revenue growth and margin outlook, ii) medium term revenue growth/margins aspirations and focus areas of investments, iii) deal intake, deal pipeline, and roll-offs trends, iv) growth outlook across three segments – Digital, Financial Markets, and Customer Operations, v) update on Gen-AI PoCs and their conversion to billable projects. |
| Mkt Cap (Rs bn) | 143 | EBITDA (Rs mn) | 1,953 | 1,661 | 2,047 | -4.6% | 17.6% | |
| Reco | Add | EBITDA Margin (%) | 23.9 | 21.2 | 28.4 | -446 bps | 266 bps | |
| Target Price (Rs/sh) | 3,200 | PAT (Rs mn) | 1,250 | 1,116 | 1,360 | -8.1% | 12.0% | |
| Upside | 7% | EPS (Rs) | 26.2 | 22.7 | 27.7 | -5.6% | 15.2% | |
| Route Mobile (Oct-21) | | | | | | | | |
| CMP (Rs/sh) | 1,565 | Net Sales (Rs mn) | 11,570 | 11,034 | 10,146 | 14.0% | 4.9% | We expect revenue to grow 4.9% sequentially. EBITM is likely to expand by 110bps sequentially. Key monitorables: i) FY25 revenue growth and margin outlook – Company is likely to retain 18-22% revenue growth guidance and non-GAAP EBITDAM guidance of 13%, ii) progress on deriving synergies benefits with Proximus, iii) expected benefits from partnership with Microsoft, Infosys, etc, iv) cash conversion, v) traction in demand for non-SMS products, vi) M&A focus areas. |
| Mkt Cap (Rs bn) | 99 | EBITDA (Rs mn) | 1,423 | 1,238 | 1,281 | 11.1% | 15.0% | |
| Reco | Add | EBITDA Margin (%) | 12.3 | 11.2 | 12.6 | -33 bps | 108 bps | |
| Target Price (Rs/sh) | 1,800 | PAT (Rs mn) | 900 | 785 | 888 | 1.3% | 14.6% | |
| Upside | 17% | EPS (Rs) | 14.3 | 12.5 | 14.2 | 1.1% | 14.6% | |

Source: Company, Emkay Research

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Q2FY25 preview (Contd)

| Name | | Sep-24 | Jun-24 | Sep-23 | YoY chg | QoQ chg | Comments | |
|----------------------|-------|-------------------|--------|--------|---------|---------|----------|---|
| Zomato | | | | | | | | |
| CMP (Rs/sh) | 273 | Net Sales (Rs mn) | 46,312 | 42,060 | 28,480 | 62.6% | 10.1% | Food delivery business should maintain momentum with GOV growing at 5.9% sequentially (22.9% YoY). Blinkit is expected to sustain double-digit growth in GOV sequentially. Going out business will get boost from acquisition of Paytm ticketing business. Overall, we expect revenue growth of 10.1%/62.6% QoQ/YoY. EBITDA is expected to improve as food delivery is expected to sustain operational improvement and losses will be contained in Hyperpure and Blinkit with continued momentum and improving efficiencies. Key things to watch out for: i) growth trends across MTU, GOV, AOV, transaction frequency, contribution margin in the food delivery business and Management expectations on consumer discretionary spending, ii) Blinkit business' key operating parameters and Management commentary on dark store addition plan and competitive intensity. iii) Management guidance on adjusted EBITDA/profit breakeven in overall Zomato (incl. Blinkit) business iv) scaling up of 'going-out' segment after acquisition of ticketing business of Paytm – investment plan and expected growth trajectory, and v) progress on growing advertisement revenue across platforms. |
| Mkt Cap (Rs bn) | 2,414 | EBITDA (Rs mn) | 2,483 | 1,770 | -470 | | 40.3% | |
| Reco | Buy | EBITDA Margin (%) | 5.4 | 4.2 | -1.7 | 701 bps | 115 bps | |
| Target Price (Rs/sh) | 310 | PAT (Rs mn) | 3,215 | 2,530 | 360 | 793.1% | 27.1% | |
| Upside | 11% | EPS (Rs) | 0.4 | 0.3 | 0.0 | 789.6% | 27.1% | |

Source: Company, Emkay Research

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