Technology

Result Preview

Coforge
Cyient
HCL Tech.
Infosys
L&T Infotech
L&T Technology
Mindtree
Mphasis
Persistent Systems
TCS
Tech Mahindra
Wipro
Zensar Tech.

Continued margin pressure and FX to drag Q2 earnings

Commentary on weakening macro and adverse FX to be monitored

- Our IT Services coverage universe should deliver median revenue growth of 4.2% QoQ and 15.4% YoY in CC terms in 2QFY23E. Growth in EBIT/PAT (5.9%/9.1% QoQ) should be aided by seasonal margin improvement, although the impact is muted due to continued supply side pressure.
- With a weakening macro environment and looming fears of recession, we will be watchful of any moderation in the demand commentary across both Tier I and Tier II companies in the IT Services space. While our recent discussions with various managements indicate continued spends on technology services, we expect some impact across sectors (led by Retail and Manufacturing) for the remaining part of the year. The growth deficit in Tier I players v/s Tier II peers will further narrow in 2QFY23. We see a limited change in the FY23 revenue growth guidance of INFO, HCLT, COFORGE, and LTTS in 2Q, given the unchanged demand commentary.
- Despite 2Q being a seasonally strong quarter, revenue growth of Tier I companies should be ranging from 2.0% to 4.3% QoQ CC. While Tier II players are expected to grow in the (0.2) -5.1% range, CYL is expected to grow by 11.1% QoQ CC due to a meaningful contribution from recent acquisitions. Reported USD growth will be hit by 1.0-2.5% due to FX headwinds.
- Though slow-down in the US and Europe and a highly inflationary environment will impact 2HFY23 and FY24, on the longer term, demand would remain intact. We are trimming our FY23/FY24 INR EPS despite a positive impact due to the 300bp+ depreciation in INR (to 81.5/USD).
- The commentary on demand and impact of the weakening macro-economic outlook on deal conversion will be key monitorables.

INFO/CLY to lead revenue growth within the Tier I/midcap space

- We expect narrow revenue growth in the Tier I IT space, with INFO leading with a revenue growth of 4.3% QoQ CC, followed by WPRO/TCS at 4.2%/ 3.5%. HCLT/TECHM is expected to deliver 2.8%/2.0% QoQ CC growth.
- Among Tier II players, we expect CYL to grow 11.1% QoQ CC, buoyed by gains of ~900bp from recent acquisitions. We expect MTCL/PSYS/COFORGE to grow by ~5% CC.

Margin to remain mixed bag; Tier I players to see some margin recovery

- Operating leverage should result in some margin improvement in 2QFY23, although the gain will be modest due to continued supply-side pressure with elevated attrition and individual impact from wage hikes. While margins for Tier I companies will expand in the 10bp to 40bp range QoQ, Tier II pack will operate in a wider range (-90bp to 160bp). However, Zensar should see large 240bp sequential contraction on salary hikes along with revenue decline.
- Among Tier I players, margin recovery to remain muted for INFO and TECHM due to elevated supply pressures. In the Tier II pack, ZENT/PSYS/LTTS/CLY/MTCL to see a margin dip of -240/-90/-80/-80/-70bp QoQ, respectively, on account of wage hikes.

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- Attrition levels are expected to remain at elevated and supply will continue to stay constrained, leading to increased replacement costs. Freshers becoming billable should provide near term respite in terms of margin.
- We see pricing flow through as a key monitorable over the next few quarters as the commentary from across the universe is indicating partial price comfort on deals/renewals. The pricing should start reflecting in profits with some lag.
- INR has meaningfully appreciated against EUR and GBP as these currencies have depreciated against USD. This will have a meaningful impact on FY23 and FY24 earnings for our coverage companies.

Strong PAT growth despite FX headwinds on account of non-operational factors

- We expect our Tier I IT coverage universe to see a 9.6% QoQ PAT growth, and a 5.9% YoY growth. INFO/WPRO to see double digit QoQ PAT growth (10.8%/16.2%), driven by lower tax rate/interest income. While TCS/ TECHM/ HCLT should see 9.4%/8.2%/3.4% QoQ PAT growth.
- Tier II players are expected to report a relatively slower PAT growth than Tier I players at 4.6% QoQ, but YoY growth is expected to remain strong at 18.3%, driven by strong revenue growth (and margin expansion for a few names). COFORGE to see exceptional PAT growth (~29% QoQ), driven by strong margin recovery while ZENT will continue to struggle (33.5% QoQ decline in profits) due to declining revenues and the adverse impact of wage hike on margin (-240bps).

Prefer TCS/INFO/HCLT/MPHL

- NIFTY IT has underperformed NIFTY by 21% in last 6-months. With valuations correcting meaningfully over last one year (IT services sector P/E at 21.6x, down 35% from the peak and 30% YoY), we maintain our positive stance on the IT Services sector due to a favorable medium to long term demand outlook despite near term pain.
- We continue to prefer Tier I players over their Tier II counterparts, given their relative valuation attractiveness and diversified client portfolio. Among Tier I players, we prefer TCS, HCLT, and INFO. We expect INFO to deliver a top quartile growth, backed by strong deal wins and price revisions. HCLT is one of the key beneficiaries of Cloud adoption at scale, given its expertise in IMS. TCS remains best positioned to benefit from the long-term structural tailwinds in Tech Services and should see a relative pickup in growth, aided by the base effect and increased aggression.
- Among Tier II IT, we prefer MPHL and LTTS. We expect LTTS to deliver strong growth over the medium term (despite near-term hiccups), led by robust demand for ER&D services. MPHL continues to gain market share in a relatively stable BFSI space. Spends by its top clients continue to rise, while weakness in its Digital Risk business will be compensated by the bottoming out in the DXC business.

Exhibit 1: Expect Tier I revenue (USD) to grow by 2.1% QoQ

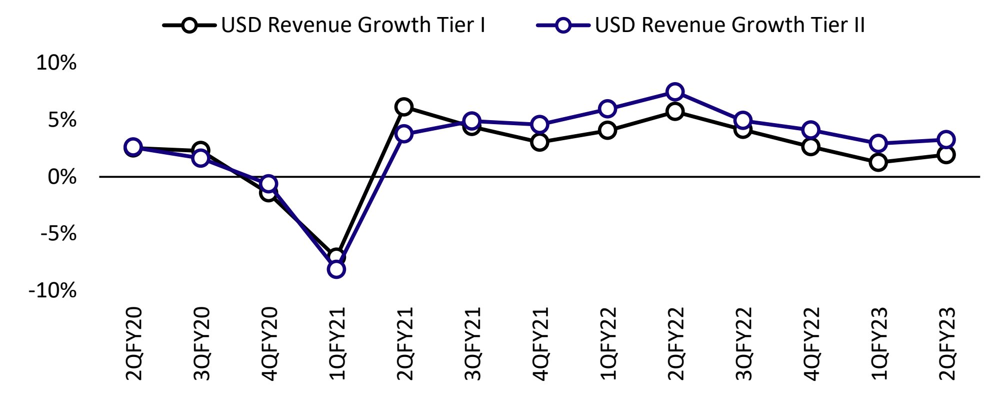
	Revenue (USD m)					Revenue (INR b)				
Company	**2QFY23E**	**1QFY23**	**QoQ (%)**	**2QFY22**	**YoY (%)**	**2QFY23E**	**1QFY23**	**QoQ (%)**	**2QFY22**	**YoY (%)**
TCS	6,912	6,780	1.9	6,333	9.1	551	528	4.4	469	17.5
INFO	4,580	4,444	3.1	3,998	14.6	365	345	5.9	296	23.3
WPRO	2,809	2,736	2.7	2,580	8.9	225	215	4.7	197	14.6
HCLT	3,065	3,025	1.3	2,791	9.8	244	235	4.1	207	18.3
TECHM	1,643	1,633	0.6	1,473	11.6	131	127	3.0	109	20.3
Tier I aggregate	**19,009**	**18,617**	**2.1%**	**17,174**	**10.7**	**1,516**	**1,449**	**4.6%**	**1,277**	**18.8**
	EBIT margin (%)					**Adjusted PAT (INR b)**				
Company	**2QFY23E**	**1QFY23**	**QoQ**	**2QFY22**	**YoY**	**2QFY23E**	**1QFY23**	**QoQ (%)**	**2QFY22**	**YoY (%)**
TCS	23.5	23.1	40.0	25.6	-210.0	104	95	9.4	97	7.9
INFO	20.2	20.1	10.0	23.6	-340.0	59	54	10.8	54	9.4
WPRO	15.1	14.8	30.0	17.8	-270.0	30	26	16.2	29	1.5
HCLT	17.3	17.0	30.0	19.0	-170.0	34	33	3.4	33	3.5
TECHM	11.1	11.0	10.0	15.2	-410.0	12	11	8.2	13	-7.4
Tier I aggregate	**19.4**	**19.1**	**30.0**	**22.0**	**-260.0**	**240**	**219**	**9.6**	**226**	**5.9**

Exhibit 2: Expect Tier II revenue (USD) to grow by ~3% QoQ

	Revenue (USD m)					Revenue (INR b)				
Company	**2QFY23E**	**1QFY23**	**QoQ (%)**	**2QFY22**	**YoY (%)**	**2QFY23E**	**1QFY23**	**QoQ (%)**	**2QFY22**	**YoY (%)**
LTI	594	580	2.5	509	16.8	47	45	4.8	38	25.8
LTTS	249	240	4.0	217	14.6	20	19	5.9	16	23.5
MTCL	416	399	4.1	350	18.7	33	31	6.1	26	28.1
MPHL	441	436	1.1	385	14.4	35	34	3.6	28	23.4
COFORGE	245	239	2.5	213	15.0	20	18	6.6	16	24.3
PSYS	252	242	4.5	182	38.5	20	19	7.1	14	48.9
ZENT	152	156	-2.4	142	7.3	12	12	0.8	11	15.5
CYL	177	162	9.3	150	17.7	14	13	12.6	11	26.7
Tier II aggregate	**2,526**	**2,453**	**3.0**	**2,149**	**17.5**	**201**	**191**	**5.6**	**159**	**26.7**
	EBIT margin (%)					**Adjusted PAT (INR b)**				
Company	**2QFY23E**	**1QFY23**	**QoQ**	**2QFY22**	**YoY**	**2QFY23E**	**1QFY23**	**QoQ (%)**	**2QFY22**	**YoY (%)**
LTI	16.2	16.0	20.0	17.2	-100.0	6.6	6.3	4.7	5.5	20.4
LTTS	17.5	18.3	-80.0	18.4	-90.0	2.8	2.7	3.3	2.3	23.2
MTCL	18.5	19.2	-70.0	18.2	30.0	5.0	4.7	5.4	4.0	24.6
MPHL	15.4	15.3	10.0	15.9	-50.0	4.3	4.0	6.1	3.6	19.4
COFORGE	14.2	12.5	160.0	14.0	20.0	2.2	1.7	28.6	1.7	32.9
PSYS	13.4	14.3	-90.0	13.9	-50.0	2.1	2.1	-1.5	1.6	28.8
ZENT	4.8	7.2	-240.0	10.9	-610.0	0.5	0.8	-33.5	1.0	-47.9
CYL	10.7	11.5	-80.0	14.0	-330.0	1.1	1.2	-1.7	1.2	-5.9
Tier II aggregate	**15.0**	**15.3**	**-30.0**	**16.0**	**-100.0**	**24.7**	**23.6**	**4.6**	**20.8**	**18.3**

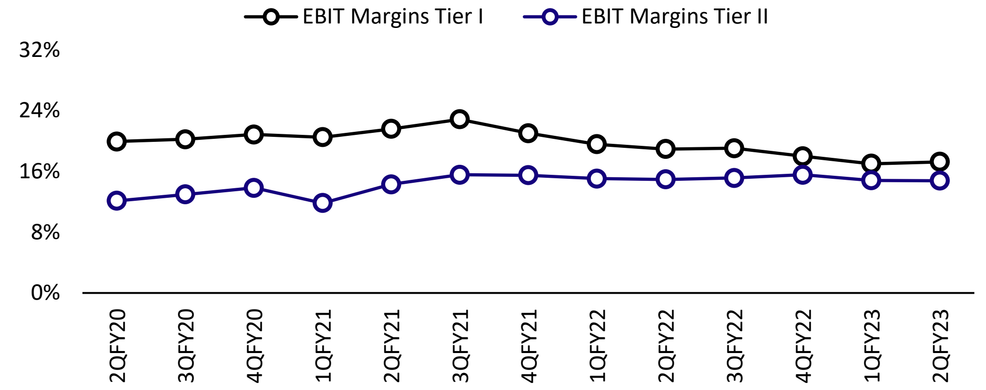
Source: Company, MOFSL

Exhibit 3: Growth to remain resilient



Source: MOSL, Company

Exhibit 4: Tier 1 companies should see higher margin recovery



Source: MOSL, Company

Exhibit 5: Cross-currency growth and impact on our expectations for 2QFY23

	CC USD growth QoQ (%)	USD growth QoQ (%)	Cross-currency impact (bp)
TCS	3.5	1.9	-150
INFO	4.3	3.1	-120
WPRO	4.2	2.7	-150
HCLT	2.8	1.3	-140
TECHM	2.0	0.6	-130
LTI	3.5	2.5	-100
LTTS	4.7	4.0	-70
MTCL	5.1	4.1	-100
MPHL	1.9	1.1	-80
COFORGE	5.0	2.5	-250
PSYS	5.1	4.5	-50
ZENT	-0.2	-2.4	-220
CYL	11.1	9.3	-180

Source: Company, MOFSL

Exhibit 6: Currency highlights (INR) in 2QFY23

	Rates (INR)				Change (QoQ %)			
	USD	EUR	GBP	AUD	USD	EUR	GBP	AUD
Average	79.81	85.39	93.38	54.43	3.47	3.86	-3.80	-1.39
Closing	81.35	78.91	93.55	52.55	3.00	-3.93	-2.11	-3.57

Source: Bloomberg, MOFSL

Exhibit 7: Currency highlights (USD) in 2QFY23

	Rates (USD)			Change (QoQ %)		
	EUR	GBP	AUD	EUR	GBP	AUD
Average	1.07	1.17	0.68	0.38	-7.03	-4.70
Closing	0.97	1.15	0.65	-6.73	-4.96	-6.38

Source: Bloomberg, MOFSL

Exhibit 8: Changes in our estimates

	Revised EPS (INR)		Earlier EPS (INR)		Change (%)	
	FY23E	FY24E	FY23E	FY24E	FY23E	FY24E
TCS	117	131	117	133	-0.6	-1.9
INFO	57	66	57	68	-0.4	-2.8
WPRO	22	24	22	24	-1.3	-1.5
HCLT	52	58	52	58	1.1	-0.1
TECHM	60	70	61	74	-2.7	-5.7
LTI	158	184	161	187	-1.7	-2.0
LTTS	112	133	111	128	1.3	3.7
MTCL	125	143	124	144	0.9	-0.2
MPHL	93	107	93	108	0.3	-0.8
COFORGE	136	160	138	165	-1.1	-3.2
PSYS	120	141	119	143	0.8	-0.9
ZENT	12	17	14	19	-12.0	-9.9
CYL	50	62	52	64	-3.4	-3.9

Source: Company, MOFSL

Exhibit 9: Expected quarterly performance summary

Companies	CMP		Sales (INR b)			EBIT (INR b)			Adjusted net profit (INR b)		
	(INR)	Rating	Sep'22E	Variance YoY (%)	Variance QoQ (%)	Sep'22E	Variance YoY (%)	Variance QoQ (%)	Sep'22E	Variance YoY (%)	Variance QoQ (%)
TCS	3005	Buy	550.9	17.5	4.4	129.4	7.9	6.2	104.1	7.9%	9.4%
INFO	1413	Buy	365.0	23.3	5.9	73.7	5.7	6.6	59.4	9.4%	10.8%
WPRO	394	Neutral	225.3	14.6	4.7	34.0	-2.6	6.7	29.8	1.5%	16.2%
HCLT	933	Buy	244.3	18.3	4.1	42.2	7.7	5.7	33.9	3.5%	3.4%
TECHM	1008	Neutral	130.9	20.3	3.0	14.5	-12.0	3.6	12.4	-7.4%	8.2%
LTI	4460	Neutral	47.4	25.8	4.8	7.7	18.4	6.0	6.6	20.4%	4.7%
LTTS	3602	Buy	19.9	23.5	5.9	3.5	17.2	1.2	2.8	23.2%	3.3%
MTCL	3160	Neutral	33.1	28.1	6.1	6.1	30.5	2.4	5.0	24.6%	5.4%
MPHL	2087	Buy	35.1	23.4	3.6	5.4	19.4	3.9	4.3	19.4%	6.1%
COFORGE	3361	Neutral	19.5	24.3	6.6	2.8	26.1	20.5	2.2	32.9%	28.6%
PSYS	3239	Neutral	20.1	48.9	7.1	2.7	44.0	0.3	2.1	28.8%	-1.5%
ZENT	212	Buy	12.1	15.5	0.8	0.6	-49.1	-33.2	0.5	-47.9%	-33.5%
CYL	792	Buy	14.1	26.7	12.6	1.5	-3.3	5.0	1.1	-5.9%	-1.7%
Sector aggregate (INR b)			1,718	19.7	4.7	324	6.0	5.9	264	6.9%	9.1%

Source: Company, MOFSL

Exhibit 10: Comparative valuation

Company	CMP (INR)	M-cap (INR b)	Target Price	Upside/ Downside	EPS (INR)			EPS CAGR (%)	Dividend yield (%)	P/E (x)			RoE (%)		
					FY22	FY23E	FY24E	FY22-24E	FY22	FY22	FY23E	FY24E	FY22	FY23E	FY24E
TCS	3,005	10,994	3,530	17%	104.0	116.5	130.5	12.0	3.4	28.9	25.8	23.0	43.7	47.0	51.0
INFO	1,413	5,946	1,640	16%	52.2	57.1	65.7	12.2	2.2	27.1	24.7	21.5	29.2	31.3	34.5
HCLT	933	2,531	1,170	25%	49.8	52.3	58.3	8.2	4.7	18.7	17.8	16.0	21.9	23.0	25.9
WPRO	394	2,163	410	4%	21.9	21.5	24.0	4.7	1.5	18.0	18.3	16.4	20.2	17.7	19.3
TECHM	1,008	981	980	-3%	62.6	59.7	69.7	5.5	4.5	16.1	16.9	14.5	21.5	19.2	21.2
LTI	4,460	782	4,400	-1%	130.8	158.1	183.5	18.4	1.2	34.1	28.2	24.3	28.5	28.8	28.2
MTCL	3,160	521	3,150	0%	100.1	124.8	143.3	19.7	1.2	31.6	25.3	22.0	33.8	34.1	32.6
MPHL	2,087	393	2,470	18%	75.1	92.9	107.3	19.6	2.2	27.8	22.5	19.4	21.5	24.2	25.3
LTTS	3,602	380	4,130	15%	90.5	112.4	133.1	21.2	1.0	39.8	32.1	27.1	25.0	26.3	26.7
PSYS	3,239	248	3,400	5%	91.3	119.7	141.5	24.5	1.0	35.5	27.1	22.9	22.6	25.0	25.1
COFORGE	3,361	205	3,510	4%	110.9	136.5	159.6	20.0	1.5	30.3	24.6	21.1	26.0	27.9	28.0
CYL	792	88	990	25%	47.8	50.2	61.9	13.8	3.6	16.6	15.8	12.8	17.2	17.5	20.4
ZENT	212	48	260	23%	18.3	12.0	17.0	-3.5	3.5	11.5	17.6	12.4	16.3	9.8	13.0

Source: Company, MOFSL

The tables below provide a snapshot of actual and estimated numbers for IT companies under the MOFSL coverage universe. Highlighted columns indicate the quarter/financial year under review.

Coforge Neutral

CMP INR3361| TP: INR3510 (4%) **EPS CHANGE (%): FY23|24: -1.1|-3.2**

- Growth should continue to remain strong in 2QFY23E. Expect around 150-200bp cross-currency impact on revenue due to high exposure to Europe.
- The BFS vertical is expected to do well for the company. Insurance will bounce back.
- Expect good margin recovery from 1QFY23 wage hikes.
- The management's FY23 guidance will be a key monitorable.

Quarterly performance (Ind AS)

Y/E March	FY22				FY23E				FY22	FY23E
(Consolidated)	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
Rev. (USD m)	**200**	**213**	**222**	**232**	**239**	**245**	**249**	**260**	**866**	**993**
QoQ (%)	15.8	6.6	4.1	4.9	2.7	2.5	1.9	4.3	38.0	14.6
Revenue (INR m)	**14,616**	**15,694**	**16,581**	**17,429**	**18,294**	**19,503**	**20,396**	**21,276**	**64,320**	**79,469**
YoY (%)	38.3	36.0	39.3	38.2	25.2	24.3	23.0	22.1	37.9	23.6
GPM (%)	**29.9**	**32.1**	**32.4**	**33.3**	**30.4**	**31.7**	**33.0**	**33.3**	**32.0**	**32.2**
SGA (%)	**13.7**	**13.5**	**12.9**	**13.0**	**13.9**	**13.6**	**13.5**	**13.5**	13.3	13.6
EBITDA (INR m)	**2,229**	**2,788**	**3,068**	**3,339**	**2,922**	**3,434**	**3,877**	**4,108**	**11,424**	**14,340**
EBITDA margin (%)	15.3	17.8	18.5	19.2	16.0	17.6	19.0	19.3	17.8	18.0
EBIT (INR m)	**1,705**	**2,190**	**2,502**	**2,755**	**2,292**	**2,761**	**3,173**	**3,373**	**9,152**	**11,599**
EBIT margin (%)	11.7	14.0	15.1	15.8	12.5	14.2	15.6	15.9	14.2	14.6
Other income	52	-77	-122	-119	-76	98	102	106	-266	230
ETR (%)	18.2	21.1	15.1	13.0	22.2	22.5	22.5	22.5	16.5	22.5
Minority Interest	-76.0	-148.0	-135.0	-171.0	-222.0	-159.4	-163.6	-163.6	-530.0	-708.6
Adj. PAT	**1,361**	**1,519**	**1,885**	**2,123**	**1,501**	**2,056**	**2,374**	**2,533**	**6,888**	**8,464**
QoQ (%)	-1.1	11.6	24.1	12.6	-29.3	37.0	15.5	6.7		
YoY (%)	39.0	25.8	54.5	54.3	10.3	35.3	26.0	19.3	44.0	22.9
Adj. EPS (INR)	**21.9**	**24.5**	**30.4**	**34.2**	**24.2**	**33.2**	**38.3**	**40.9**	**110.9**	**136.5**

Cyient Buy

CMP INR792 | TP: INR990 (+25%) **EPS CHANGE (%): FY23|24: -3.4|-3.9**

- Expect ~11% CC growth on a QoQ basis, led by acquisitions. Organic growth should be ~2%.
- Services growth to remain impacted on account of weakness in railways. DLM to continue to decline.
- Margins to remain muted due to wage hikes. Expect one-time transaction costs due to acquisitions.
- The impact of the semiconductor shortage on CLM growth in FY23 and normalization of the Rail vertical will be key monitorables.

Quarterly performance

Y/E March	FY22				FY23E				FY22	FY23E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
Revenue (USD m)	**144**	**150**	**158**	**157**	**162**	**177**	**192**	**197**	**608**	**727**
QoQ (%)	-4.3	4.6	5.2	-0.8	3.1	9.3	8.7	2.6	9.2	19.6
Revenue (INR m)	**10,582**	**11,116**	**11,834**	**11,812**	**12,501**	**14,078**	**15,707**	**16,113**	**45,344**	**58,400**
YoY (%)	6.7	10.8	13.3	8.0	18.1	26.7	32.7	36.4	9.7	28.8
GPM (%)	**35.9**	**38.4**	**36.3**	**38.3**	**36.8**	**36.0**	**37.0**	**37.6**	**37.3**	**36.9**
SGA (%)	18.2	19.8	18.4	20.2	21.2	21.0	20.0	19.7	19.1	20.4
EBITDA	**1,878**	**2,074**	**2,128**	**2,136**	**1,946**	**2,112**	**2,670**	**2,884**	**8,216**	**9,612**
EBITDA margin (%)	**17.7**	**18.7**	**18.0**	**18.1**	**15.6**	**15.0**	**17.0**	**17.9**	**18.1**	**16.5**
EBIT	**1,388**	**1,557**	**1,641**	**1,707**	**1,435**	**1,506**	**2,010**	**2,208**	**6,293**	**7,159**
EBIT margin (%)	**13.1**	**14.0**	**13.9**	**14.5**	**11.5**	**10.7**	**12.8**	**13.7**	**13.9**	**12.3**
Other income	147	58	105	377	160	56	79	81	687	375
ETR (%)	25.1	25.0	24.6	26.1	27.2	27.0	27.0	27.0	25.2	27.0
Adj. PAT	**1,150**	**1,212**	**1,316**	**1,541**	**1,161**	**1,141**	**1,525**	**1,670**	**5,219**	**5,497**
QoQ (%)	3.9	5.4	8.6	17.1	-24.7	-1.7	33.7	9.5		
YoY (%)	41.3	44.4	37.9	39.3	0.9	-5.9	15.9	8.4	40.5	5.3
EPS (INR)	**10.5**	**11.1**	**12.1**	**14.1**	**10.6**	**10.4**	**13.9**	**15.2**	**47.8**	**50.2**

HCL Technologies — Buy

CMP INR933| TP: INR1170 (+25%) **EPS CHANGE (%): FY23|24: 1.1|-0.1**

- 2QFY23E CC growth will be good and the management commentary should remain positive.
- Services business should see good growth.
- Margins should improve in 2QFY23E despite wage hikes.
- Any revision in outlook on margin and the P&P business in FY23 will be key monitorables.

Quarterly performance

Y/E March	FY22				FY23E				FY22	FY23E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
Revenue (USD m)	**2,720**	**2,791**	**2,978**	**2,993**	**3,025**	**3,065**	**3,164**	**3,171**	**11,481**	**12,425**
QoQ (%)	0.9	2.6	6.7	0.5	1.1	1.3	3.2	0.2	12.8	8.2
Revenue (INR b)	**201**	**207**	**223**	**226**	**235**	**244**	**259**	**259**	**857**	**997**
YoY (%)	12.5	11.1	15.7	15.0	16.9	18.3	15.9	14.8	13.6	16.4
GPM (%)	**39.2**	**38.2**	**38.2**	**36.8**	**35.8**	**35.6**	**37.0**	**36.2**	**38.1**	**36.2**
SGA (%)	12.8	13.0	12.4	12.7	12.9	12.5	12.7	12.7	12.7	12.7
EBITDA	**49**	**50**	**54**	**52**	**50**	**53**	**59**	**57**	**202**	**218**
EBITDA margin (%)	24.5	24.0	24.1	23.1	21.3	21.5	22.7	21.9	23.6	21.9
EBIT	**39**	**39**	**43**	**41**	**40**	**42**	**48**	**46**	**162**	**176**
EBIT margin (%)	19.6	19.0	19.1	18.0	17.0	17.3	18.4	17.6	18.9	17.6
Other income	2	2	2	3	3	2	3	3	8	11
ETR (%)	21.7	20.5	22.2	16.7	24.3	24.0	24.0	24.0	20.3	24.1
Adjusted PAT	**32**	**33**	**34**	**36**	**33**	**34**	**38**	**37**	**135**	**142**
QoQ (%)	34.7	1.5	5.5	4.4	-8.7	3.4	12.6	-3.8		
YoY (%)	10.0	3.9	0.3	50.6	2.1	4.0	11.1	2.3	13.7	4.9
EPS	**11.8**	**12.0**	**12.7**	**13.3**	**12.1**	**12.5**	**14.1**	**13.6**	**49.8**	**52.3**

Infosys — Buy

CMP INR1413| TP: INR1640 (+16%) **EPS CHANGE (%): FY23|24: -0.4|-2.8**

- Expect good demand commentary from INFO with good deal conversions.
- In CC terms, INFO should deliver a USD revenue growth of 4.3% QoQ, although adverse cross-currency movements will drag reported growth.
- Expect weaker-than-expected margins as supply side challenges continue to remain elevated.
- Commentary on deal wins and margins will be a key monitorables.

Quarterly performance (IFRS)

Y/E March	FY22				FY23E				FY22	FY23E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
Revenue (USD m)	**3,782**	**3,998**	**4,250**	**4,280**	**4,444**	**4,580**	**4,559**	**4,645**	**16,310**	**18,229**
QoQ (%)	4.7	5.7	6.3	0.7	3.8	3.1	-0.5	1.9	20.3	11.8
Revenue (INR m)	**279**	**296**	**319**	**323**	**345**	**365**	**373**	**380**	**1,216**	**1,463**
YoY (%)	17.9	20.5	22.9	22.7	23.6	23.3	17.0	17.7	21.1	20.2
GPM (%)	**33.7**	**33.1**	**32.8**	**31.0**	**29.3**	**29.8**	**30.6**	**31.1**	**32.6**	**30.2**
SGA (%)	**10.0**	**9.5**	**9.3**	**9.4**	**9.2**	**9.6**	**9.7**	**9.8**	9.6	9.6
EBITDA	**74**	**78**	**84**	**79**	**78**	**84**	**88**	**91**	**315**	**341**
EBITDA margin (%)	**26.6**	**26.4**	**26.3**	**24.4**	**22.8**	**22.9**	**23.6**	**24.0**	**25.9**	**23.3**
EBIT	**66**	**70**	**75**	**70**	**69**	**74**	**78**	**81**	**280**	**302**
EBIT margin (%)	**23.7**	**23.6**	**23.5**	**21.6**	**20.1**	**20.2**	**20.9**	**21.3**	**23.0**	**20.6**
Other income	6	5	5	6	6	7	7	7	21	26
ETR (%)	27.5	27.1	26.7	24.5	28.8	26.0	26.0	26.0	26.4	26.6
PAT	**52**	**54**	**58**	**57**	**54**	**59**	**62**	**65**	**221**	**240**
QoQ (%)	2.3	4.4	7.2	-2.1	-5.7	10.6	5.4	3.9		
YoY (%)	22.3	11.9	11.8	12.0	3.2	9.3	7.6	14.2	14.2	8.7
EPS (INR)	**12.2**	**12.9**	**13.8**	**13.5**	**12.8**	**14.1**	**14.9**	**15.5**	**52.2**	**57.1**

LTI — Neutral

CMP INR4460| TP: INR4400 (-1%) **EPS CHANGE (%): FY23|24: -1.7|-2.0**

- Expect sequential revenue growth to be in low single-digits. It should see ~100bp cross-currency impact on the revenues.
- Expect margins to remain flat in 2QFY23E on a QoQ basis on account of elevated attrition.
- The BFS vertical to remain strong for the company in 2QFY23E.
- Commentary around the deal pipeline and wins remain a key monitorable.

Quarterly performance

Y/E March	FY22				FY23E				FY22	FY23E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
Revenue (USD m)	**470**	**509**	**553**	**570**	**580**	**594**	**616**	**634**	**2,103**	**2,425**
QoQ (%)	5.1	8.3	8.6	3.1	1.7	2.5	3.6	2.9	25.9	15.3
Revenue (INR m)	**34,625**	**37,670**	**41,376**	**43,016**	**45,228**	**47,379**	**50,402**	**51,850**	**1,56,687**	**1,94,859**
YoY (%)	17.4	25.6	31.2	31.6	30.6	25.8	21.8	20.5	26.7	24.4
GPM (%)	**31.0**	**31.0**	**31.0**	**30.0**	**29.1**	**29.5**	**30.0**	**30.4**	**30.7**	**29.8**
SGA (%)	12.3	11.5	10.9	10.3	10.7	11.0	11.0	11.2	11.2	11.0
EBITDA	**6,478**	**7,332**	**8,311**	**8,464**	**8,308**	**8,765**	**9,576**	**9,934**	**30,585**	**36,584**
EBITDA margin (%)	**18.7**	**19.5**	**20.1**	**19.7**	**18.4**	**18.5**	**19.0**	**19.2**	**19.5**	**18.8**
EBIT	**5,682**	**6,482**	**7,426**	**7,445**	**7,243**	**7,675**	**8,417**	**8,742**	**27,036**	**32,077**
EBIT margin (%)	**16.4**	**17.2**	**17.9**	**17.3**	**16.0**	**16.2**	**16.7**	**16.9**	**17.3**	**16.5**
Other income	1,039	938	811	1,151	1,267	1,184	1,260	1,296	3,939	5,008
ETR (%)	26.1	25.6	25.6	25.8	25.5	25.0	25.0	25.0	25.8	25.1
Adj. PAT	**4,968**	**5,517**	**6,125**	**6,375**	**6,344**	**6,645**	**7,258**	**7,528**	**22,985**	**27,775**
QoQ (%)	1.7	11.1	11.0	4.1	-0.5	4.7	9.2	3.7		
YoY (%)	19.3	20.8	18.0	30.5	27.7	20.4	18.5	18.1	22.2	20.8
EPS (INR)	**28.3**	**31.4**	**34.9**	**36.3**	**36.1**	**37.8**	**41.3**	**42.8**	**130.8**	**158.1**

LTTS — Buy

CMP INR3602| TP: INR4130 (+15%) **EPS CHANGE (%): FY23|24: 1.3|3.7**

- Expect the growth to be good at 4.7%CC in 2QFY23E
- Vertical commentary should start seeing some moderation in Industrial Products and Plant Engineering.
- Expect muted EBIT margin on wage hikes and continued supply pressures.
- Commentary around the impact of the macro environment on deal wins and any changes to its FY23 guidance remain key monitorables.

Quarterly performance

Y/E March	FY22				FY23E				FY22	FY23E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
Revenue (USD m)	**206**	**217**	**225**	**232**	**240**	**249**	**255**	**265**	**880**	**1,008**
QoQ (%)	4.2	5.7	3.5	3.1	3.2	4.0	2.3	3.8	19.5	14.5
Revenue (INR m)	**15,184**	**16,077**	**16,875**	**17,561**	**18,737**	**19,850**	**20,844**	**21,641**	**65,697**	**81,072**
YoY (%)	17.3	22.4	20.5	21.9	23.4	23.5	23.5	23.2	20.6	23.4
GPM (%)	**33.4**	**33.3**	**33.7**	**33.0**	**33.0**	**32.5**	**33.0**	**32.9**	**33.3**	**32.8**
SGA (%)	12.4	11.6	12.0	11.3	11.6	12.0	11.7	11.7	11.8	11.7
EBITDA	**3,177**	**3,493**	**3,675**	**3,804**	**4,010**	**4,069**	**4,440**	**4,586**	**14,149**	**17,105**
EBITDA margin (%)	**20.9**	**21.7**	**21.8**	**21.7**	**21.4**	**20.5**	**21.3**	**21.2**	**21.5**	**21.1**
EBIT	**2,623**	**2,964**	**3,144**	**3,274**	**3,434**	**3,474**	**3,814**	**3,937**	**12,005**	**14,659**
EBIT margin (%)	**17.3**	**18.4**	**18.6**	**18.6**	**18.3**	**17.5**	**18.3**	**18.2**	**18.3**	**18.1**
Other income	334	180	259	314	340	357	375	390	1,087	1,462
ETR (%)	26.6	26.6	26.7	26.6	27.1	26.0	26.0	26.0	26.6	26.3
PAT	**2,162**	**2,300**	**2,488**	**2,620**	**2,742**	**2,833**	**3,098**	**3,199**	**9,570**	**11,873**
QoQ (%)	11.2	6.4	8.2	5.3	4.7	3.3	9.4	3.3		
YoY (%)	84.3	39.0	33.7	34.7	26.8	23.2	24.5	22.1	44.3	24.1
EPS (INR)	20.4	21.8	23.6	24.8	26.0	26.8	29.3	30.3	90.5	112.4

Mindtree — Neutral

CMP INR3160 | TP: INR3150 (0%) — **EPS CHANGE (%): FY23|24: 0.9|-0.2**

- Growth will continue to remain strong with good growth in top client. Retail will continue to be impacted.
- Expect a strong order book and demand patterns.
- Margins to remain soft on the full impact of wage hikes. Attrition should remain stable.
- Outlook on deal wins, top client, and margins are key monitorables.

Quarterly performance

Y/E March	FY22				FY23E				FY22	FY23E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
Revenue (USD m)	**311**	**350**	**366**	**384**	**399**	**416**	**424**	**438**	**1,411**	**1,677**
QoQ (%)	7.7	12.8	4.7	4.7	4.0	4.1	2.0	3.4	31.1	18.9
Revenue (INR m)	**22,917**	**25,862**	**27,500**	**28,974**	**31,211**	**33,125**	**34,687**	**35,863**	**1,05,253**	**1,34,885**
YoY (%)	20.1	34.3	35.9	37.4	36.2	28.1	26.1	23.8	32.1	28.2
GPM (%)	**29.0**	**28.9**	**30.4**	**30.1**	**31.0**	**29.9**	**30.5**	**30.6**	**29.6**	**30.5**
SGA (%)	8.8	8.4	8.8	9.1	9.9	9.4	9.4	9.5	8.8	9.5
EBITDA (INR m)	**4,645**	**5,307**	**5,921**	**6,083**	**6,581**	**6,791**	**7,319**	**7,581**	**21,956**	**28,271**
EBITDA margin (%)	20.3	20.5	21.5	21.0	21.1	20.5	21.1	21.1	20.9	21.0
EBIT (INR m)	**4,063**	**4,697**	**5,289**	**5,487**	**5,982**	**6,128**	**6,625**	**6,864**	**19,536**	**25,599**
EBIT margin (%)	17.7	18.2	19.2	18.9	19.2	18.5	19.1	19.1	18.6	19.0
Other income	589	623	581	778	273	497	520	538	2,571	1,828
ETR (%)	26.2	25.0	25.5	24.5	24.6	25.0	25.0	25.0	25.2	24.9
PAT	**3,434**	**3,989**	**4,375**	**4,731**	**4,716**	**4,969**	**5,359**	**5,551**	**16,529**	**20,595**
QoQ (%)	8.2	16.2	9.7	8.1	-0.3	5.4	7.9	3.6		
YoY (%)	61.2	57.2	34.0	49.1	37.3	24.6	22.5	17.3	48.8	24.6
EPS (INR)	**20.8**	**24.2**	**26.5**	**28.7**	**28.6**	**30.1**	**32.5**	**33.6**	**100.1**	**124.8**

Mphasis — Buy

CMP INR2087 | TP: INR2470 (+18%) — **EPS CHANGE (%): FY23|24: -0.4|-0.2**

- Expect continued strength in the Direct business, although Digital Risk will continue to remain soft.
- Expect the decline to continue in the DXC business, although the pace of decline should start moderating.
- Expect margin to largely remain flat QoQ.
- Outlook with regard to BFSI growth in FY23 remains a key monitorable.

Quarterly performance

Y/E March	FY22				FY23E				FY22	FY23E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
Revenue (USD m)	**363**	**385**	**414**	**431**	**436**	**441**	**446**	**455**	**1,593**	**1,778**
QoQ (%)	6.0	6.1	7.5	4.0	1.2	1.1	1.3	1.9	21.7	11.6
Revenue (INR m)	**26,909**	**28,693**	**31,237**	**32,777**	**34,113**	**35,115**	**36,517**	**37,205**	**1,19,616**	**1,42,950**
YoY (%)	17.6	17.8	26.2	29.8	26.8	22.4	16.9	13.5	23.0	19.5
GPM (%)	**28.4**	**28.8**	**29.7**	**29.8**	**29.8**	**29.7**	**30.1**	**30.3**	**29.2**	**30.0**
SGA (%)	**10.2**	**10.7**	**12.0**	**12.2**	**12.2**	**12.0**	**11.8**	**11.8**	11.3	12.0
EBITDA	**4,895**	**5,185**	**5,530**	**5,772**	**6,001**	**6,215**	**6,683**	**6,899**	**21,382**	**25,798**
EBITDA margin (%)	**18.2**	**18.1**	**17.7**	**17.6**	**17.6**	**17.7**	**18.3**	**18.5**	**17.9**	**18.0**
EBIT	**4,271**	**4,528**	**4,704**	**4,973**	**5,205**	**5,408**	**5,843**	**6,043**	**18,476**	**22,499**
EBIT margin (%)	**15.9**	**15.8**	**15.1**	**15.2**	**15.3**	**15.4**	**16.0**	**16.2**	**15.4**	**15.7**
Other income	310	277	90	184	125	281	292	298	861	996
ETR (%)	25.8	25.6	25.4	24.0	24.6	25.0	25.0	25.0	25.2	24.9
PAT	**3,397**	**3,574**	**3,575**	**3,921**	**4,020**	**4,267**	**4,601**	**4,756**	**14,467**	**17,643**
QoQ (%)	7.2	5.2	0.0	9.7	2.5	6.1	7.8	3.4		
YoY (%)	23.5	19.5	9.8	23.7	18.3	19.4	28.7	21.3	18.9	22.0
EPS (INR)	17.9	18.8	18.9	20.4	21.2	22.5	24.2	25.0	75.1	92.9

Persistent Systems — Neutral

CMP INR3239 | TP: INR3400 (5%) **EPS CHANGE (%): FY23|24: 0.8|-0.9**

- Expect strong (~5%) growth to continue in 2QFY23E.
- Expect strong deal wins for 2QFY23E. Healthcare should see growth higher than the company average.
- Wage hike impact should be largely recouped with FX, Utilization, and lower Visa cost.
- Medium-term growth and margin outlook should be key monitorables.

Quarterly performance (IFRS)

Y/E March	FY22				FY23E				FY22	FY23E
(Consolidated)	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
Revenue (USD m)	**166.8**	**182.3**	**199.1**	**217.3**	**241.5**	**252.5**	**261.1**	**269.7**	**766**	**1,025**
QoQ (%)	9.2	9.3	9.2	9.1	11.1	4.5	3.4	3.3	35.2	33.9
Revenue (INR m)	**12,299**	**13,512**	**14,917**	**16,379**	**18,781**	**20,123**	**21,356**	**22,065**	**57,107**	**82,324**
QoQ (%)	10.5	9.9	10.4	9.8	14.7	7.1	6.1	3.3		
YoY (%)	24.1	34.1	38.7	47.1	52.7	48.9	43.2	34.7	36.4	44.2
GPM (%)	**33.5**	**33.5**	**33.8**	**33.7**	**33.8**	**32.8**	**33.3**	**33.9**	**33.6**	**33.5**
SGA (%)	**16.6**	**16.9**	**16.9**	**16.5**	**16.1**	**16.0**	**15.9**	**15.9**	16.7	16.0
EBITDA	**2,090**	**2,244**	**2,511**	**2,812**	**3,333**	**3,381**	**3,716**	**3,972**	**9,656**	**14,401**
EBITDA margin (%)	**17.0**	**16.6**	**16.8**	**17.2**	**17.7**	**16.8**	**17.4**	**18.0**	**16.9**	**17.5**
EBIT	**1,740**	**1,873**	**2,083**	**2,300**	**2,688**	**2,696**	**2,990**	**3,221**	**7,996**	**11,596**
EBIT margin (%)	**14.1**	**13.9**	**14.0**	**14.0**	**14.3**	**13.4**	**14.0**	**14.6**	**14.0**	**14.1**
Other income	365	303	281	371	131	101	214	221	1,321	666
ETR (%)	24.6	25.7	25.4	24.8	24.9	25.5	25.5	25.5	25.1	25.4
PAT	**1,587**	**1,618**	**1,764**	**2,010**	**2,116**	**2,084**	**2,387**	**2,564**	**6,978**	**9,151**
QoQ (%)	15.2	1.9	9.1	13.9	5.3	-1.5	14.5	7.5		
YoY (%)	76.3	58.6	45.9	45.9	33.3	28.8	35.3	27.6	54.8	31.1
EPS (INR)	**19.8**	**21.2**	**23.1**	**26.3**	**27.7**	**27.3**	**31.2**	**33.6**	**91.3**	**119.7**

TCS — Buy

CMP INR3005 | TP: INR3530 (+17%) **EPS CHANGE (%): FY23|24: -0.6|-1.9**

- In CC terms, growth should remain strong, but reported growth will have some impact from cross-currency movements.
- Margin in 2QFY23 should see some recovery from wage hikes that impacted 1QFY23 margin
- Expect strong demand commentary to continue.
- Deal wins and impact of macro weakness on growth will be key monitorables.

Quarterly performance (IFRS)

Y/E March	FY22				FY23E				FY22	FY23E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
IT Services Revenue (USD m)	**6,154**	**6,333**	**6,524**	**6,696**	**6,780**	**6,912**	**6,953**	**7,132**	**25,707**	**27,777**
QoQ (%)	2.8	2.9	3.0	2.6	1.3	1.9	0.6	2.6	15.9	8.1
Overall Revenue (INR b)	**454**	**469**	**489**	**506**	**528**	**551**	**569**	**583**	**1,918**	**2,231**
QoQ (%)	3.9	3.2	4.3	3.5	4.3	4.4	3.2	2.6		
YoY (%)	18.5	16.8	16.4	15.8	16.2	17.5	16.3	15.3	16.8	16.3
GPM (%)	**40.4**	**40.4**	**40.0**	**40.1**	**38.4**	**38.5**	**39.1**	**39.7**	**40.2**	**38.9**
SGA (%)	14.8	14.8	15.0	15.2	15.3	15.0	14.8	14.8	15.0	15.0
EBITDA	**127**	**131**	**134**	**138**	**133**	**141**	**150**	**157**	**530**	**580**
EBITDA margin (%)	27.9	28.0	27.4	27.4	25.1	25.5	26.3	26.9	27.7	26.0
EBIT	**116**	**120**	**122**	**126**	**122**	**129**	**138**	**145**	**485**	**535**
EBIT margin (%)	25.5	25.6	25.0	25.0	23.1	23.5	24.3	24.9	25.3	24.0
Other income	6	10	10	7	6	9	10	10	32	35
PBT	**122**	**130**	**132**	**134**	**128**	**139**	**148**	**155**	**517**	**569**
ETR (%)	25.8	25.6	25.7	25.5	25.5	25.0	25.0	25.0	25.6	25.1
Adj. PAT	**90**	**97**	**98**	**100**	**95**	**104**	**111**	**116**	**384**	**426**
Exceptional items	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Reported PAT	**90**	**97**	**98**	**100**	**95**	**104**	**111**	**116**	**384**	**426**
QoQ (%)	-2.7	6.9	1.6	1.6	-4.4	9.4	6.5	4.8		
YoY (%)	28.1	28.6	12.4	7.3	5.4	7.9	13.1	16.7	18.1	10.9
EPS (INR)	24.4	26.0	26.4	27.2	26.0	28.5	30.3	31.8	104.0	116.5

Tech Mahindra Neutral

CMP INR1008 | TP: INR980 (-3%) **EPS CHANGE (%): FY23|24: -2.7|-5.7**

- Expect weak growth in 2QFY23 due to slow growth in enterprise. Communications should grow ~2.5-3.0%. Cross-currency impact should be ~150bp
- Expect operating margin to be largely flat QoQ despite some wage hike.
- Expect deal wins to be within the USD500-700m quarterly band.
- Outlook on margin and growth in the Telecom vertical in FY23 will be key monitorables.

Quarterly performance

Y/E March	FY22				FY23E				FY22	FY23E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
Revenue (USD m)	**1,384**	**1,473**	**1,534**	**1,608**	**1,633**	**1,643**	**1,651**	**1,697**	**5,998**	**6,623**
QoQ (%)	4.1	6.4	4.1	4.9	1.5	0.6	0.5	2.8	17.4	10.4
Revenue (INR b)	**102**	**109**	**115**	**121**	**127**	**131**	**135**	**139**	**446**	**532**
YoY (%)	12.0	16.1	18.7	24.5	24.6	20.3	17.9	14.6	17.9	19.1
GPM (%)	**31.7**	**31.7**	**30.1**	**29.3**	**28.3**	**28.3**	**29.1**	**30.1**	**30.6**	**29.0**
SGA (%)	**13.3**	**13.3**	**12.1**	**12.1**	**13.5**	**13.4**	**13.0**	**13.0**	12.7	13.2
EBITDA	**19**	**20**	**21**	**21**	**19**	**20**	**22**	**24**	**80**	**84**
EBITDA margin (%)	**18.4**	**18.3**	**18.0**	**17.2**	**14.8**	**14.9**	**16.1**	**17.1**	**18.0**	**15.8**
EBIT	**15**	**17**	**17**	**16**	**14**	**15**	**17**	**19**	**65**	**64**
EBIT margin (%)	**15.2**	**15.2**	**14.8**	**13.2**	**11.0**	**11.1**	**12.4**	**13.4**	**14.6**	**12.0**
Other income	2	2	2	3	1	2	2	2	10	8
ETR (%)	23.9	29.4	26.9	17.5	22.8	26.5	26.5	26.5	24.4	25.7
Adj. PAT	**14**	**13**	**14**	**15**	**11**	**12**	**14**	**15**	**56**	**53**
QoQ (%)	11.7	-1.1	2.2	10.0	-24.8	8.3	13.7	10.4		
YoY (%)	39.2	25.7	4.5	24.3	-16.4	-8.5	1.8	2.1	22.1	-5.0
Extra-Ordinary Item	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Reported PAT	**14**	**13**	**14**	**15**	**11**	**12**	**14**	**15**	**56**	**53**
EPS (INR)	**15.3**	**15.1**	**15.5**	**16.9**	**12.8**	**13.8**	**15.7**	**17.4**	**62.6**	**59.7**

Wipro Neutral

CMP INR394 | TP: INR385 (4%) **EPS CHANGE (%): FY23|24: -1.3|-1.5**

- Growth in 2QFY23E should remain within the management's guidance band provided in 1QFY23.
- Margin should see some improvement despite continued supply pressures.
- Expect Q3 demand commentary to stay positive.
- The management's guidance for 3QFY23 and deal wins will be a key monitorable.

Quarterly performance (IFRS)

Y/E March	FY22				FY23E				FY22	FY23E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
IT Services Revenue (USD m)	**2,415**	**2,580**	**2,640**	**2,722**	**2,736**	**2,809**	**2,816**	**2,873**	**10,356**	**11,233**
QoQ (%)	12.2	6.9	2.3	3.1	0.5	2.7	0.2	2.0	27.3	8.5
Overall Revenue (INR b)	**183**	**197**	**203**	**209**	**215**	**225**	**232**	**236**	**791**	**909**
QoQ (%)	12.4	7.8	3.3	2.7	3.2	4.7	2.9	1.9		
YoY (%)	22.4	30.1	29.6	28.4	17.9	14.6	14.2	13.4	27.7	14.9
GPM (%)	**30.1**	**30.1**	**29.7**	**29.1**	**27.7**	**27.9**	**27.5**	**28.2**	**29.7**	**27.8**
SGA (%)	12.9	12.8	12.8	12.8	13.4	13.3	12.9	12.8	12.8	13.1
EBITDA	**41**	**43**	**43**	**43**	**42**	**44**	**45**	**48**	**170**	**179**
EBITDA margin (%)	**22.4**	**21.6**	**21.4**	**20.7**	**19.3**	**19.6**	**19.6**	**20.3**	**21.5**	**19.7**
IT Services EBIT (%)	**17.8**	**17.8**	**17.6**	**17.0**	**15.0**	**15.3**	**15.3**	**16.1**	**17.5**	**15.4**
EBIT margin (%)	**17.8**	**17.8**	**17.5**	**16.8**	**14.8**	**15.1**	**15.1**	**15.8**	**17.5**	**15.2**
Other income	6	3	2	2	2	4	4	4	13	15
ETR (%)	16.1	22.0	21.3	17.1	23.6	22.5	22.5	22.5	19.1	22.8
PAT	**32**	**29**	**30**	**31**	**26**	**30**	**30**	**32**	**122**	**118**
QoQ (%)	8.7	-9.3	1.3	4.0	-17.0	15.5	2.9	6.2		
YoY (%)	35.2	18.9	0.0	3.9	-20.7	1.0	2.6	4.8	13.2	-3.4
EPS (INR)	5.9	5.3	5.4	5.6	4.7	5.4	5.6	5.9	21.9	21.5

Zensar Technologies **Buy**

CMP INR212| TP: INR260 (+23%) **EPS CHANGE (%): FY23|24: -12.0|-9.9**

- Revenues will be impacted by softness in HTM and adverse FX headwinds.
- Supply-side issues, wage hikes, hiring costs, and lower growth will impact margins.
- Europe and BFSI to remain strong for the company.
- The management's outlook on medium-term growth and margins will be key monitorables.

Quarterly performance

Y/E March	FY22				FY23E				FY22	FY23E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
Revenue (USD m)	**127**	**142**	**147**	**153**	**156**	**152**	**151**	**154**	**569**	**613**
QoQ (%)	5.8	11.6	3.7	4.1	1.8	-2.4	-0.9	2.4	15.3	7.7
Revenue (INR m)	**9,368**	**10,506**	**11,025**	**11,538**	**12,034**	**12,130**	**12,343**	**12,637**	**42,437**	**49,143**
YoY (%)	-1.2	12.2	21.6	31.6	28.5	15.5	12.0	9.5	15.7	15.8
GPM (%)	**34.8**	**30.6**	**29.6**	**30.2**	**26.6**	**24.6**	**26.5**	**27.2**	**31.2**	**26.2**
SGA (%)	16.4	15.2	15.3	16.0	15.3	15.8	15.8	15.6	15.7	15.6
EBITDA	**1,726**	**1,612**	**1,584**	**1,642**	**1,361**	**1,067**	**1,321**	**1,468**	**6,564**	**5,217**
EBITDA margin (%)	**18.4**	**15.3**	**14.4**	**14.2**	**11.3**	**8.8**	**10.7**	**11.6**	**15.5**	**10.6**
EBIT	**1,300**	**1,144**	**1,110**	**1,161**	**871**	**582**	**839**	**988**	**4,715**	**3,280**
EBIT margin (%)	**13.9**	**10.9**	**10.1**	**10.1**	**7.2**	**4.8**	**6.8**	**7.8**	**11.1**	**6.7**
Other income	95	142	152	634	149	97	99	101	1,023	446
ETR (%)	26.5	25.5	26.9	27.2	26.4	26.5	26.5	26.5	26.6	26.5
Adj. PAT	**1,010**	**944**	**909**	**1,297**	**751**	**499**	**689**	**800**	**4,160**	**2,740**
QoQ (%)	11.6	-6.5	-3.7	42.7	-42.1	-33.5	38.1	16.1		
YoY (%)	38.9	7.5	-7.9	43.3	-25.6	-47.1	-24.2	-38.3	19.0	-34.1
EPS (INR)	**4.4**	**4.2**	**4.0**	**5.7**	**3.3**	**2.2**	**3.0**	**3.5**	**18.3**	**12.0**

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