

## Result Preview



## A slow but certain revival

### Expect decent revenue growth against elevated expectations

- **2QFY25 revenue growth likely to be decent but could disappoint elevated expectations:** As we noted in our recent thematic report ([Technology: Bounce-back! Charting the path to revival for IT services](#)), we are enthusiastic about a change in client spend behavior but believe that the recovery will be gradual and could be initially restricted to some pockets, e.g. US banking. In that context, while we expect decent revenue growth in 2Q, expectations are elevated and could lead to short-term disappointment. Healthcare and manufacturing segments would continue to shoulder the growth burden for the industry, in our view. **That said, we are not too concerned about variance in revenue growth in 2Q** and believe it should not lead to a meaningful change in estimates, sentiments, or valuations (short-term gyrations aside). **The most important catalyst for the sector now would emerge after 3Q**, when client budgets for CY25 would be finalized and the magnitude of changes in client behavior would become clearer. We expect aggregate revenue/EBIT/PAT to grow by 5.1/5.0/5.3% YoY (all in INR terms) for our coverage universe.
- **We expect YoY revenue growth** of ~5.5%/5.9%/4.9% for INFO/TCS/HCLT in FY25. Mid-tier companies should continue to do well though, especially companies with strong offerings in data engineering and ERP modernization and we expect their growth outperformance to be sustained over the medium term.
- **Cross-currency impact in 2Q:** On an average, we expect 30-60bp cross-currency tailwinds for our coverage companies on a sequential basis.
- **Guidance:** We expect INFO to upgrade its guidance in 2Q, in line with consensus estimates. We expect minimal risk of guidance downgrade for the sector overall.
- We expect revenue growth of Tier-I companies to be in the range of flat to +3.0% QoQ CC. Revenue growth for Tier-II players is expected to be in the range of flat to +4.5% QoQ CC.
- **Margins for the sector are likely to be largely range-bound in 2Q as wage hikes have been deferred to 2HFY25:** We expect margin declines for INFO (reversal of one-offs) and TCS (continued large deal ramp-up), which should be partly offset by the absence of visa costs and cost optimization benefits. Most companies, however, have deferred wage hikes to 3Q and beyond, which means 2HFY25 margins would see headwinds from wage hikes as well as furloughs. We believe FY25 will be a year of restrained wage hikes across the industry. Further, considering the demand recovery curve will be gradual, companies can be more measured about their hiring plans. This should lead to better margin defense in the short to medium term.
- Among Tier-I players, we prefer HCLT and LTIM for their strong capabilities in data engineering, ER&D offerings (HCLT) and ERP modernization, making them well-suited for pre-GenAI spending.
- For Tier-II players, our top picks are PSYS and COFORGE, both poised for strong performance. PSYS stands out for its focus on high-growth sectors like healthcare and BFS. Meanwhile, despite uncertainties related to the Cigniti integration, COFORGE is likely to realize cost synergies sooner than expected, which could lead to upside risk to our estimates.

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**Growth expectations across our coverage**

- We expect INFO and TCS to report relatively robust 3.0% and 1.0% CC QoQ growth, respectively, whereas HCLT is anticipated to report flat growth in 2Q (~1% QoQ organic). TECHM and WIPRO could be flat QoQ as well. LTIM could report a relatively healthy 3% growth.
- Among mid-tier companies, we expect PSYS to lead the pack with 4.5% QoQ revenue growth, driven by continued momentum in the healthcare vertical. COFORGE is also likely to have a strong quarter with 4.0% QoQ growth, while Mphasis is expected to grow 2% QoQ.
- We expect Cyient DET to report a soft quarter as well, potentially putting its FY25 guidance under risk. We are factoring in a modest cross-currency impact for most companies (~30-60bp positive impact).

**Margins are expected to show varied performance**

- We expect EBIT margins for TCS to slightly decline by 20bp QoQ, largely due to the BSNL deal ramp-up and investments made in talent development and training. For HCLT, margins might see a slight uptick, but could face headwinds in 2H as wage hikes come into the picture. For INFO, we expect margins to decline by 80bp as the reversal of one-offs and large deal investments will weigh on profitability. TECHM's margins are expected to inch up by 50bp, whereas WIPRO should see a minor decline.
- Among mid-caps, we expect a mixed margin performance sequentially. COFORGE's margins should be down ~100bp, primarily due to wage hike impact, whereas large deal ramp-ups and wage hikes will pressure margins, though optimization measures will help to offset this pressure for PSYS. MPHL's margins are expected to remain range-bound, while LTTS should see a 90bp QoQ gain, driven by offshoring and a favorable pyramid structure.

**We see uptick in demand, but in pockets; HCLT and LTIM our top picks**

- Client spending behavior is showing positive trends, indicating a potential return of modernization and discretionary spending, albeit in some pockets.
- Among Tier-I players, we prefer HCLT and LTIM for their strong capabilities in data engineering, ER&D offerings (HCLT) and ERP modernization, making them well-suited for pre-GenAI spending. Their portfolio mix of discretionary and non-discretionary businesses should also support growth in the current business environment.
- For Tier-II players, our top picks are PSYS and COFORGE, both poised for strong performance. PSYS benefits from its focus on high-growth sectors like BFS and healthcare. For COFORGE, despite uncertainties surrounding the Cigniti integration, we believe it can achieve cost synergies sooner than anticipated, presenting upside risk to our estimates.

**Exhibit 1: Expect Tier-I companies' revenue (USD) to see robust growth of 1.7% QoQ**

Company	Revenue (USD m)					Revenue (INR b)				
	2QFY25	1QFY25	QoQ (%)	2QFY24	YoY (%)	2QFY25	1QFY25	QoQ (%)	2QFY24	YoY (%)
TCS	7,629	7,505	1.6%	7,210	5.8%	639	626	2.1%	597	7.1%
INFO	4,882	4,714	3.6%	4,718	3.5%	409	393	4.0%	390	4.9%
HCLT	3,379	3,364	0.5%	3,225	4.8%	283	281	0.9%	267	6.2%
WPRO	2,625	2,626	0.0%	2,713	-3.2%	221	220	0.4%	225	-2.1%
TECHM	1,564	1,559	0.3%	1,555	0.5%	131	130	0.7%	129	1.8%
LTIM	1,129	1,096	3.0%	1,076	5.0%	95	91	3.5%	89	6.3%
<b>Tier I aggregate</b>	<b>21,208</b>	<b>20,864</b>	<b>1.7%</b>	<b>20,497</b>	<b>3.5%</b>	<b>1,778</b>	<b>1,741</b>	<b>2.1%</b>	<b>1,696</b>	<b>4.8%</b>

Company	EBIT margin (%)					Adjusted PAT (INR b)				
	2QFY25	1QFY25	QoQ (%)	2QFY24	YoY (%)	2QFY25	1QFY25	QoQ (%)	2QFY24	YoY (%)
TCS	24.5	24.7	-20.0	24.3	20.0	124.8	121.1	3.1%	113.8	9.6%
INFO	20.3	21.1	-80.0	21.2	-100.0	65.8	63.7	3.3%	62.2	5.9%
HCLT	17.4	17.1	30.0	18.5	-110.0	39.0	42.6	-8.4%	38.3	1.8%
WPRO	16.0	16.4	-40.0	14.8	120.0	29.1	30.4	-4.3%	26.7	8.9%
TECHM	9.0	8.5	50.0	7.3	170.0	9.6	8.6	11.8%	10.0	-3.4%
LTIM	15.8	15.0	80.0	16.0	-20.0	12.4	11.4	9.0%	11.6	6.4%
<b>Tier I aggregate</b>	<b>19.7</b>	<b>19.9</b>	<b>-10.0</b>	<b>19.7</b>	<b>10.0</b>	<b>278</b>	<b>278</b>	<b>0.0%</b>	<b>263</b>	<b>5.8%</b>

**Exhibit 2: Expect Tier-II companies' revenue (USD) to grow 3.2% QoQ**

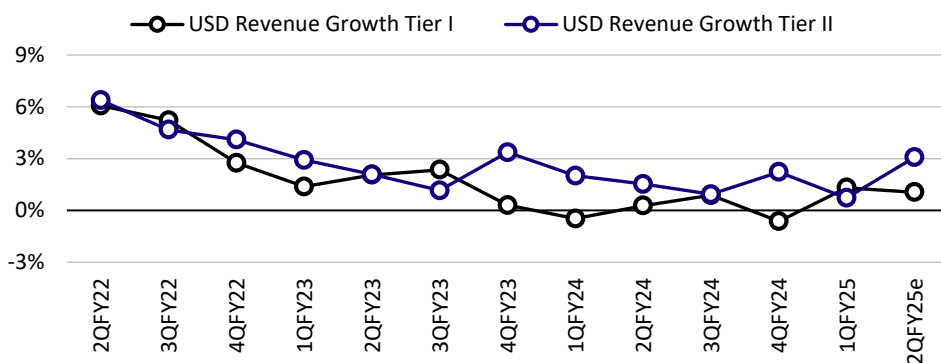
Company	Revenue (USD m)					Revenue (INR b)				
	2QFY25	1QFY25	QoQ (%)	2QFY24	YoY (%)	2QFY25	1QFY25	QoQ (%)	2QFY24	YoY (%)
LTTS	307	295	4.1%	288	6.6%	25.7	24.6	4.5%	23.9	7.8%
MPHL	419	410	2.1%	398	5.1%	35.1	34.2	2.5%	33.0	6.4%
COFORGE	304	291	4.3%	278	9.3%	25.5	24.0	6.1%	22.8	11.9%
PSYS	343	328	4.6%	292	17.7%	28.8	27.4	5.1%	24.1	19.3%
ZENT	155	154	0.4%	150	3.2%	13.0	12.9	1.3%	12.4	5.2%
CYL	173	170	1.8%	178	-3.3%	14.5	14.1	2.2%	14.8	-2.0%
<b>Tier II aggregate</b>	<b>1,701</b>	<b>1,649</b>	<b>3.2%</b>	<b>1,585</b>	<b>7.3%</b>	<b>142.6</b>	<b>137.2</b>	<b>3.9%</b>	<b>130.9</b>	<b>8.9%</b>

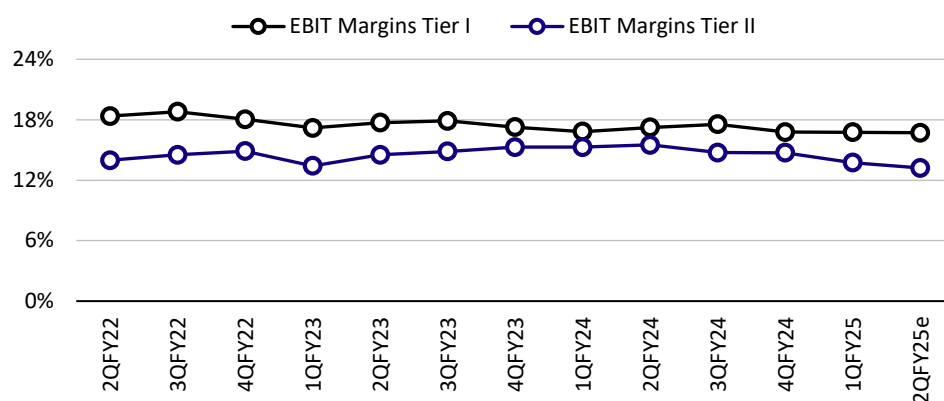
Company	EBIT margin (%)					Adjusted PAT (INR b)				
	2QFY25	1QFY25	QoQ (%)	2QFY24	YoY (%)	2QFY25	1QFY25	QoQ (%)	2QFY24	YoY (%)
LTTS	16.5	15.6	90.0	17.1	-60.0	3.5	3.1	10.4%	3.2	9.8%
MPHL	15.3	15.0	30.0	15.4	-10.0	4.3	4.0	6.4%	3.9	9.8%
COFORGE	12.5	9.7*	280.0	11.9	60.0	2.3	1.3	69.5%	1.8	24.8%
PSYS	13.6	14.0	-40.0	13.7	-10.0	3.2	3.1	5.5%	2.6	22.8%
ZENT	12.8	13.3	-50.0	15.7	-280.0	1.4	1.6	-11.2%	1.7	-19.4%
CYL	12.7	13.5	-80.0	16.5	-380.0	1.9	1.4	35.3%	1.8	6.4%
<b>Tier II aggregate</b>	<b>14.2</b>	<b>13.7</b>	<b>50.0</b>	<b>14.9</b>	<b>-70.0</b>	<b>14.6</b>	<b>14.6</b>	<b>0.0%</b>	<b>15.1</b>	<b>-3.2%</b>

Source: Company, MOFSL; Note: \*Coforge's 1QFY25 adjusted EBIT is 13.6%.

**Exhibit 3: Revenue growth should see an uptick for Tier -2 companies post subdued 1Q**



Source: MOFSL, Company

**Exhibit 4: Margins to remain a mixed bag for both Tier- I and Tier-II companies**

Source: MOSL, Company

**Exhibit 5: Cross-currency will have positive impact on 2Q USD revenue growth**

	CC USD growth QoQ (%)	USD growth QoQ (%)	Cross-currency impact (bp)
TCS	1.0%	1.6%	60
INFO	3.0%	3.6%	60
HCLT	0.1%	0.5%	40
WPRO	0.0%	0.0%	-
TECHM	0.2%	0.3%	10
LTIM	3.0%	3.0%	-
LTTS	4.0%	4.1%	10
MPHL	2.0%	2.1%	10
COFORGE	4.0%	4.3%	30
PSYS	4.5%	4.6%	10
ZENT	0.0%	0.4%	40
CYL (DET)	1.0%	1.8%	80

Source: Company, MOFSL

**Exhibit 10: Expected quarterly performance summary**

Companies	CMP		Sales (INR b)			EBIT (INR b)			Adjusted net profit (INR b)		
	(INR)	Rating	Sept'24E	Variance YoY (%)	Variance QoQ (%)	Sept'24E	Variance YoY (%)	Variance QoQ (%)	Sept'24E	Variance YoY (%)	Variance QoQ (%)
TCS	4,309	Buy	639.2	7.1%	2.1%	156.6	8.1%	1.4%	124.8	9.6%	3.1%
INFO	1,907	Buy	409.0	4.9%	4.0%	82.9	0.2%	0.0%	65.8	5.9%	3.3%
HCLT	1,808	Buy	283.1	6.2%	0.9%	49.3	0.0%	2.8%	39.0	1.8%	-8.4%
WPRO	542	Neutral	220.5	-2.1%	0.4%	35.3	5.9%	-2.1%	29.1	8.9%	-4.3%
TECHM	1,610	Neutral	131.0	1.8%	0.7%	11.8	25.3%	7.0%	9.6	-3.4%	11.8%
LTIM	6,140	Buy	94.6	6.3%	3.5%	15.0	5.1%	9.1%	12.4	6.4%	9.0%
MPHL	3,081	Neutral	25.7	7.8%	4.5%	4.2	4.2%	10.7%	3.5	9.8%	10.4%
LTTS	5,358	Buy	35.1	6.4%	2.5%	5.4	6.0%	4.5%	4.3	9.8%	6.4%
PSYS	5,437	Buy	25.5	11.9%	6.1%	3.2	17.9%	37.3%	2.3	24.8%	69.5%
COFORGE	6,934	Buy	28.8	19.3%	5.1%	3.9	18.3%	1.9%	3.2	22.8%	5.5%
CYL	1,901	Buy	14.5	-2.0%	2.2%	1.8	-24.7%	-3.5%	1.9	6.4%	35.3%
ZENT	678	Neutral	13.0	5.2%	1.3%	1.7	-13.8%	-2.3%	1.4	-19.4%	-11.2%
<b>Sector aggregate (INR b)</b>			<b>1,920</b>	<b>5.1%</b>	<b>2.2%</b>	<b>371</b>	<b>5.0%</b>	<b>1.7%</b>	<b>297</b>	<b>5.3%</b>	<b>0.0%</b>

Source: Company, MOFSL

**Exhibit 6: Comparative valuations**

Company	CMP (INR)	M-cap (INR b)	Target Price	Upside/Downside	EPS (INR)			EPS CAGR (%)	P/E (x)		
					FY25E	FY26E	FY27E	FY24-27E	FY25E	FY26E	FY27E
TCS	4,309	15,586	5,400	25%	142.5	156.7	171.8	10.8	30.2	27.5	25.1
INFO	1,907	7,897	2,200	15%	64.0	72.2	80.5	11.3	29.8	26.4	23.7
HCLT	1,808	4,895	2,200	22%	62.2	70.0	77.6	10.3	29.1	25.8	23.3
WPRO	542	2,830	500	-8%	22.1	24.4	25.7	8.0	24.5	22.2	21.1
TECHM	1,610	1,572	1,600	-1%	44.0	63.2	70.3	19.6	36.6	25.5	22.9
LTIM	6,140	1,807	7,400	21%	166.0	194.2	232.8	14.6	37.0	31.6	26.4
MPHL	3,081	581	3,000	-3%	92.1	103.8	114.5	11.9	33.5	29.7	26.9
LTTS	5,358	567	6,600	26%	129.3	152.5	175.0	12.5	41.4	35.1	30.6
PSYS	5,437	834	6,300	16%	89.7	115.4	134.3	21.4	60.6	47.1	40.5
COFORGE	6,934	464	8,100	17%	150.0	193.9	229.5	19.9	46.2	35.8	30.2
CYL	1,901	210	2,300	21%	69.2	85.8	97.0	16.0	27.5	22.1	19.6
ZENT	678	154	770	14%	27.3	31.3	35.8	7.1	24.9	21.7	18.9

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****Buy****CMP INR6,934 | TP: INR8,100 (17%)****EPS CHANGE (%): FY25 | 26 | 27: -0.5 | 0.6 | 0.6**

- Revenue growth is expected to be ~4.0% QoQ CC; expect acceleration in growth from 2Q onward as deal ramp-ups accelerate.
- Key thing to watch out for: further clarity on integration of Cigniti and its performance, as well as demand environment in BFS and Insurance (~53.2% of revenue)
- EBIT margin is expected to decline ~100bp QoQ due to wage hike impact and decline in utilization.
- We expect ~10% CC growth for FY25E.

**Quarterly Performance (Ind-AS)**

Y/E March (Consolidated)	FY24				FY25E				FY24	FY25E
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE		
Rev. (USD m)	272	278	282	287	291	304	319	330	1,119	1,244
QoQ (%)	2.8	2.3	1.4	1.7	1.6	4.3	4.8	3.5	11.7	11.2
Revenue (INR m)	22,210	22,762	23,233	23,585	24,008	25,475	26,627	27,559	91,790	1,03,669
YoY (%)	21.4	16.2	13.0	8.7	8.1	11.9	14.6	16.8	14.5	12.9
GPM (%)	30.7	32.5	33.1	34.1	33.0	31.8	34.5	34.5	32.6	33.5
SGA (%)	14.7	14.9	15.1	15.5	19.1	15.0	15.0	14.8	15.1	15.9
EBITDA (INRm)	3,329	3,473	4,012	4,163	3,134	4,153	5,059	5,291	14,977	17,637
EBITDA Margin (%)	15.0	15.3	17.3	17.7	13.1	16.3	19.0	19.2	16.3	17.0
EBIT (INRm)	2,572	2,701	3,201	3,317	2,319	3,184	4,047	4,244	11,791	13,795
EBIT Margin (%)	11.6	11.9	13.8	14.1	9.7	12.5	15.2	15.4	12.8	13.3
Other income	-152	-295	-257	-452	-272	-285	-298	-308	-1,156	-1,163
ETR (%)	20.0	21.9	17.5	19.7	31.9	20.0	20.0	20.0	19.7	21.9
Minority Interest	-104.0	-69.0	-48.0	-55.0	-61.0	-61.3	-61.1	-61.1	-276.0	-244.5
Adj. PAT	1,831	1,809	2,380	2,246	1,332	2,258	2,938	3,087	8,266	9,616
QoQ (%)	-21.3	-1.2	31.6	-5.6	-40.7	69.5	30.1	5.1		
YoY (%)	22.0	-10.3	4.3	-3.5	-27.3	24.8	23.5	37.5	1.7	16.3
Adj. EPS (INR)	29.2	29.0	38.1	36.2	20.8	35.2	45.8	48.2	133.2	150.0

**Cyient****Buy****CMP INR1,901 | TP: INR2,300 (+21%)****EPS CHANGE (%): FY25 | 26 | 27: -3.7 | -1.0 | -0.7**

- Expect 1.0% QoQ CC growth for DET, led by Transportation and Communication verticals, which may be offset by seasonality in Sustainability vertical.
- DET margins are likely to improve ~50bp QoQ, in line with company guidance band.
- Sustainability is expected to maintain its growth momentum; however, seasonality/planned ramp-downs could lead to a decline.
- We expect risks to its FY25E guidance in light of short-term headwinds for key verticals.

**Quarterly Performance (Consol)**

Y/E March	FY24				FY25				FY24	FY25E
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE		
Revenue (USD m)	205	214	219	224	205	204	211	223	862	843
QoQ (%)	-3.6	4.4	2.1	2.4	-8.3	-0.8	3.6	5.6	15.5	-2.3
Revenue (INR m)	16,865	17,785	18,215	18,607	16,757	17,061	17,623	18,615	71,472	70,056
YoY (%)	34.9	27.4	12.6	6.2	-0.6	-4.1	-3.2	0.0	18.8	-2.0
GPM (%)	36.6	35.7	35.4	35.2	35.7	37.0	37.5	38.0	35.7	37.1
SGA (%)	17.9	17.4	17.5	17.2	19.9	18.4	18.4	18.4	17.5	18.8
EBITDA	3,156	3,258	3,261	3,353	2,651	3,173	3,366	3,649	13,028	12,839
EBITDA Margin (%)	18.7	18.3	17.9	18.0	15.8	18.6	19.1	19.6	18.2	18.3
EBIT	2,480	2,600	2,600	2,682	1,993	2,491	2,661	2,904	10,362	10,049
EBIT Margin (%)	14.7	14.6	14.3	14.4	11.9	14.6	15.1	15.6	14.5	14.3
Other income	-176	-134	-100	-89	-46	34	35	37	-499	61
ETR (%)	22.9	23.6	23.3	24.0	24.2	22.9	22.9	22.9	23.4	23.2
Adj. PAT	1,777	1,884	1,918	1,970	1,476	1,948	2,080	2,269	7,549	7,772
QoQ (%)	0.9	6.0	1.8	2.7	-25.1	32.0	6.8	9.1		
YoY (%)	53.1	54.7	17.8	11.8	-16.9	3.4	8.4	15.2	30.9	3.0
EPS (INR)	16.0	16.6	16.9	17.2	13.0	17.6	18.8	20.5	66.7	69.9

**HCL Technologies****Buy****CMP INR1,808 | TP: INR2,200 (+22%)****EPS CHANGE (%): FY25|26|27: -0.4|0.9|0.9**

- We expect HCL to report a flat revenue on QoQ basis and stable trend in TCv.
- We expect broad-based growth across geos and verticals, except BFSI, owing to State Street divestment.
- Margins to increase 30bp QoQ due to pyramid gains and the release of some productivity commitments.
- We expect the company to retain its FY25 revenue growth guidance of 3-5%.

**Quarterly Performance**

Y/E March	FY24				FY25E				FY24	FY25E
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE		
Revenue (USD m)	3,200	3,225	3,415	3,430	3,364	3,379	3,571	3,602	13,270	13,916
QoQ (%)	-1.1	0.8	5.9	0.4	-1.9	0.5	5.7	0.9	5.4	4.9
Revenue (INR b)	263	267	284	285	281	283	299	302	1,099	1,165
YoY (%)	12.1	8.0	6.5	7.1	6.7	6.2	5.2	5.9	8.3	6.0
GPM (%)	35.6	36.2	36.7	35.0	34.5	35.0	37.5	35.5	35.9	35.7
SGA (%)	13.6	12.4	11.5	12.0	12.4	12.5	12.5	12.5	12.4	12.5
EBITDA	55	59	67	61	58	59	71	65	242	253
EBITDA Margin (%)	20.8	22.3	23.5	21.4	20.7	21.0	23.6	21.6	22.0	21.7
EBIT	45	49	56	50	48	49	60	54	200	211
EBIT Margin (%)	17.0	18.5	19.7	17.6	17.1	17.4	20.0	18.0	18.2	18.2
Other income	2	2	3	3	9	3	4	4	9	20
ETR (%)	24.8	25.3	25.9	24.2	25.4	26.0	26.0	26.0	25.1	25.8
Adjusted PAT	35	38	44	40	43	39	47	43	157	171
QoQ (%)	-11.2	8.4	13.5	-8.4	6.8	-8.4	20.3	-8.6		
YoY (%)	7.6	9.8	6.2	0.1	20.5	1.8	7.9	7.6	5.7	9.1
EPS	13.0	14.1	16.0	14.7	15.7	14.2	17.0	15.6	57.9	62.2

**Infosys****Buy****CMP INR1,907 | TP: INR2,200 (+15%)****EPS CHANGE (%): FY25|26|27: 0.1|0.2|0.2**

- Revenue growth is expected to be 3.0% QoQ CC, on account of ramp-up of large deals won last year.
- Operating margin is expected to inch down by 80bp owing to reversal of one-offs, large deal investments and decline in utilization. We expect the operating margin of 20.3%.
- We expect robust deal TCv in this quarter. The company is seeing some recovery in US financial in areas like mortgage, capital market and card payment.
- Expect Infosys to upgrade its guidance for the full year by atleast 50bps.

**Quarterly Performance (IFRS)**

Y/E March	FY24				FY25E				FY24	FY25E
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE		
Revenue (USD m)	4,617	4,718	4,663	4,564	4,714	4,882	4,954	5,028	18,562	19,579
QoQ (%)	1.4	2.2	-1.2	-2.1	3.3	3.6	1.5	1.5	1.9	5.5
Revenue (INR b)	379	390	388	379	393	409	415	421	1,537	1,639
YoY (%)	10.0	6.7	1.3	1.3	3.6	4.9	6.9	11.1	4.7	6.6
GPM (%)	30.5	30.7	29.8	29.5	30.9	29.5	29.3	30.1	30.1	30.0
SGA (%)	9.6	9.5	9.3	9.4	9.8	9.3	9.3	9.3	9.4	9.4
EBITDA	90	95	91	88	93	94	95	99	364	381
EBITDA Margin (%)	23.8	24.3	23.6	23.1	23.8	23.0	22.8	23.6	23.7	23.3
EBIT	79	83	80	76	83	83	83	88	317	337
EBIT Margin (%)	20.8	21.2	20.5	20.1	21.1	20.3	20.1	20.9	20.7	20.6
Other income	5	5	7	7	7	7	7	7	23	29
ETR (%)	28.9	29.1	29.1	26.8	29.3	27.0	27.0	27.0	28.5	27.6
PAT	59	62	61	61	64	66	66	70	243	265
QoQ (%)	-3.0	4.5	-1.7	-0.5	4.8	3.4	0.6	5.2		
YoY (%)	10.9	3.2	-7.3	-0.9	7.1	6.0	8.4	14.7	1.0	9.0
EPS (INR)	14.4	15.0	14.7	14.7	15.4	15.9	16.0	16.8	58.4	64.0

**LTIMindtree****Buy****CMP INR6,140 | TP: INR7,400(+21%)****EPS CHANGE (%): FY25|26| 27: -0.8|0.0|2.4**

- LTIM should report 3.0% CC growth in 2Q, driven by BFSI and Manufacturing. Manufacturing is expected to perform along similar lines, whereas BFSI should see tailwind from US Banking.
- Margins are expected to see a sequential pickup of 80bp QoQ due to absence of wage hikes and better operating leverage.
- BFS customers starting to scale up high-priority programs, with momentum across sub segments. Regulatory compliance continues to be a key spend area.
- In 2QFY25, demand commentary, along with the performance of the BFSI vertical and margins, will be closely monitored.

**Quarterly Performance**

Y/E March	FY24				FY25E				FY24	FY25E
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE		
Revenue (USD m)	1,059	1,076	1,084	1,069	1,096	1,129	1,167	1,167	4,287	4,559
QoQ (%)	0.1	1.6	0.8	-1.3	2.5	3.0	3.3	0.0	4.4	6.3
Revenue (INR m)	87,021	89,054	90,166	88,929	91,426	94,630	97,763	97,752	3,55,170	3,81,570
YoY (%)	13.8	8.2	4.6	2.3	5.1	6.3	8.4	9.9	7.0	7.4
GPM (%)	31.6	31.4	29.9	29.8	30.3	30.8	29.5	31.5	30.7	30.5
SGA (%)	12.8	13.1	12.3	12.5	12.7	12.5	12.5	12.5	12.7	12.6
EBITDA	16,355	16,313	15,849	15,357	16,061	17,317	16,620	18,573	63,874	68,571
EBITDA Margin (%)	18.8	18.3	17.6	17.3	17.6	18.3	17.0	19.0	18.0	18.0
EBIT	14,508	14,231	13,859	13,087	13,709	14,952	14,273	16,422	55,685	59,356
EBIT Margin (%)	16.7	16.0	15.4	14.7	15.0	15.8	14.6	16.8	15.7	15.6
Other income	856	962	1,588	1,396	1,547	1,325	1,369	1,466	4,802	5,707
ETR (%)	25.0	23.5	24.3	24.0	25.6	24.0	24.0	24.0	24.2	24.4
Adj PAT	11,523	11,623	11,693	11,007	11,351	12,370	11,888	13,595	45,846	49,204
QoQ (%)	3.4	0.9	0.6	-5.9	3.1	9.0	-3.9	14.4		
YoY (%)	4.1	-2.2	8.2	-1.2	-1.5	6.4	1.7	23.5	2.1	7.3
EPS (INR)	38.9	39.2	39.4	37.1	38.2	41.7	40.1	45.9	154.5	165.9

**LTTS****Buy****CMP INR5,358 | TP: INR6,600 (+23%)****EPS CHANGE (%): FY25|26| 27: -0.3|-0.1|0.1**

- We expect revenues to grow 4% CC QoQ
- EBIT margins to improve 90bp QoQ. Quality of revenue, offshoring and pyramid are likely to serve as margin levers
- We expect the deal momentum to continue in 2Q.
- Expect to retain its FY25 USD CC revenue growth guidance of 8-10%. 2H likely to be better than 1H.

**Quarterly Performance**

Y/E March	FY24				FY25E				FY24	FY25E
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE		
Revenue (USD m)	280	288	291	305	295	307	323	336	1,164	1,262
QoQ (%)	9.8	2.9	0.9	5.0	-3.2	4.1	5.2	4.0	17.6	8.4
Revenue (INR m)	23,014	23,865	24,218	25,375	24,619	25,738	27,014	28,095	96,472	1,05,466
YoY (%)	22.8	19.6	18.2	21.1	7.0	7.8	11.5	10.7	20.4	9.3
GPM (%)	30.0	28.0	29.2	28.9	29.3	29.0	27.5	30.0	29.0	29.0
SGA (%)	10.4	8.1	9.1	9.1	10.8	9.7	10.2	10.2	9.1	10.2
EBITDA	4,528	4,756	4,877	5,028	4,562	4,967	4,673	5,563	19,189	19,766
EBITDA Margin (%)	19.7	19.9	20.1	19.8	18.5	19.3	17.3	19.8	19.9	18.7
EBIT	3,954	4,075	4,162	4,282	3,836	4,247	3,917	4,776	16,473	16,776
EBIT Margin (%)	17.2	17.1	17.2	16.9	15.6	16.5	14.5	17.0	17.1	15.9
Other income	357	286	493	428	491	463	486	506	1,564	1,946
ETR (%)	27.6	27.6	27.6	27.5	27.5	26.5	26.5	26.5	27.6	26.7
PAT	3,111	3,154	3,362	3,409	3,136	3,462	3,236	3,882	13,036	13,716
QoQ (%)	0.5	1.4	6.6	1.4	-8.0	10.4	-6.5	20.0		
YoY (%)	13.5	11.7	10.7	10.1	0.8	9.8	-3.7	13.9	11.4	5.2
EPS (INR)	29.4	29.8	31.7	32.2	29.6	32.6	30.5	36.6	123.0	129.3



**Mphasis****Neutral****CMP INR3,081 | TP: INR3,000 (-3%)****EPS CHANGE (%): FY25|26| 27: 0.3|-0.5|2.2**

- We expect revenue growth of 2.0% QoQ CC, led by growth in BFSI and TMT vertical.
- Broad-based TCV wins across verticals and client pyramid as well as conversion from TCV to revenue continued to improve.
- We expect margins to improve by 30bp QoQ due to continued cost optimization efforts. There is an upward bias for margins as the company progresses through the year, with acquisition costs expected to decrease.
- Commentary on demand environment and pricing, the volume recovery for its mortgage business and deal TCVs, would be watched out for.

**Quarterly Performance**

Y/E March	FY24				FY25E				FY24	FY25E
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE		
Revenue (USD m)	398	398	402	411	410	419	430	443	1,609	1,702
QoQ (%)	-3.4	0.1	1.0	2.1	-0.2	2.1	2.8	3.0	-6.3	5.7
Revenue (INR m)	32,520	32,765	33,380	34,120	34,225	35,089	36,063	37,144	1,32,785	1,42,520
YoY (%)	-4.7	-6.9	-4.8	1.5	5.2	7.1	8.0	8.9	-3.8	7.3
GPM (%)	29.1	28.9	31.3	31.2	30.8	30.0	29.8	29.5	30.1	30.0
SGA (%)	11.1	10.7	13.3	12.5	12.7	12.5	12.0	11.6	11.9	12.2
EBITDA	5,869	5,956	6,007	6,388	6,185	6,141	6,419	6,649	24,220	25,393
EBITDA Margin (%)	18.0	18.2	18.0	18.7	18.1	17.5	17.8	17.9	18.2	17.8
EBIT	4,995	5,067	4,972	5,080	5,135	5,369	5,590	5,869	20,114	21,962
EBIT Margin (%)	15.4	15.5	14.9	14.9	15.0	15.3	15.5	15.8	15.1	15.4
Other income	263	150	14	143	238	351	361	371	570	1,321
ETR (%)	24.7	24.9	25.1	24.7	24.7	24.7	24.7	24.7	24.8	24.7
PAT	3,961	3,920	3,736	3,932	4,045	4,306	4,480	4,698	15,549	17,528
QoQ (%)	-2.3	-1.0	-4.7	5.2	2.9	6.4	4.0	4.9		
YoY (%)	-1.5	-6.3	-9.4	-3.0	2.1	9.8	19.9	19.5	-5.1	12.7
EPS (INR)	20.9	20.6	19.6	20.7	21.3	22.6	23.5	24.7	81.8	92.1

**Persistent Systems****Buy****CMP INR5,437 | TP: INR6,300 (+16%)****EPS CHANGE (%): FY25|26| 27: 0.5|0.6|0.6**

- Expect revenue growth of 4.5% QoQ CC, aided by continued momentum in Healthcare and ramp-up of large deals in the vertical.
- Margins to decline by 40bp QoQ. Pressure from wage hikes to be partially offset by cost optimization measures such as utilization and continued SG&A discipline.
- Expect healthy deal momentum to continue, with continued strength in healthcare followed by BFS vertical.
- Commentaries on recovery in hi-tech vertical are the key things to monitor.

**Quarterly Performance (IFRS)**

Y/E March (Consolidated)	FY24				FY25E				FY24	FY25E
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE		
Revenue (USD m)	282.9	291.7	300.6	310.9	328.2	343.5	355.6	368.1	1,186	1,395
QoQ (%)	3.0	3.1	3.0	3.4	5.6	4.6	3.5	3.5	14.5	17.6
Revenue (INR m)	23,212	24,117	24,982	25,905	27,372	28,776	29,723	30,763	98,216	1,16,634
QoQ (%)	3.0	3.9	3.6	3.7	5.7	5.1	3.3	3.5		
YoY (%)	23.6	17.7	15.2	14.9	17.9	19.3	19.0	18.8	17.6	18.8
GPM (%)	34.2	33.1	33.8	33.3	33.0	32.2	33.5	34.0	33.6	33.2
SGA (%)	16.0	16.3	16.1	15.7	16.4	16.0	16.0	16.0	16.0	16.1
EBITDA	4,229	4,052	4,418	4,544	4,552	4,662	5,202	5,537	17,243	19,953
EBITDA Margin (%)	18.2	16.8	17.7	17.5	16.6	16.2	17.5	18.0	17.6	17.1
EBIT	3,466	3,308	3,631	3,744	3,840	3,914	4,429	4,738	14,149	16,920
EBIT Margin (%)	14.9	13.7	14.5	14.5	14.0	13.6	14.9	15.4	14.4	14.5
Other income	90	250	262	210	165	230	238	246	813	879
ETR (%)	22.0	26.0	26.5	20.3	23.5	22.0	22.0	22.0	23.7	22.3
Adj. PAT	2,774	2,633	2,861	3,153	3,064	3,232	3,640	3,887	11,421	13,823
QoQ (%)	10.3	-5.1	8.7	10.2	-2.8	5.5	12.6	6.8		
YoY (%)	31.1	19.7	6.9	25.4	10.5	22.8	27.2	23.3	20.1	21.0
Reported EPS (INR)	15.0	17.3	18.8	20.7	19.9	21.0	23.6	25.2	71.9	89.7

**TCS****Buy****CMP INR4,309 | TP: INR5400 (+25%)****EPS CHANGE (%): FY25|26| 27: -0.7|0.7|0.7**

- The growth is expected to be 1.0% QoQ CC, led by deal scale-up, including the BSNL deal and incremental pick-up in North America BFSI.
- The deal pipeline should remain healthy. There is some positive movement in BFSI, but weakness in UK needs to be monitored
- EBIT margin is expected to decline by 20bp owing to BSNL deal ramp-up and investment in talent development and training.
- Outlook on near-term demand & pricing environment, BFSI, and deal wins are key monitorables.

**Quarterly Performance (IFRS)**

Y/E March	FY24				FY25E				FY24	FY25E
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE		
<b>IT Services Revenue (USD m)</b>	<b>7,226</b>	<b>7,210</b>	<b>7,281</b>	<b>7,363</b>	<b>7,505</b>	<b>7,629</b>	<b>7,760</b>	<b>7,915</b>	<b>29,080</b>	<b>30,808</b>
QoQ (%)	0.4	-0.2	1.0	1.1	1.9	1.6	1.7	2.0	4.1	5.9
<b>Overall Revenue (INR b)</b>	<b>594</b>	<b>597</b>	<b>606</b>	<b>612</b>	<b>626</b>	<b>639</b>	<b>650</b>	<b>663</b>	<b>2,409</b>	<b>2,579</b>
QoQ (%)	0.4	0.5	1.5	1.1	2.2	2.1	1.7	2.0		
YoY (%)	12.6	7.9	4.0	3.5	5.4	7.1	7.3	8.3	6.8	7.0
<b>GPM (%)</b>	<b>39.5</b>	<b>40.1</b>	<b>40.8</b>	<b>41.1</b>	<b>42.6</b>	<b>41.0</b>	<b>41.5</b>	<b>41.7</b>	<b>40.4</b>	<b>41.5</b>
SGA (%)	16.4	15.8	15.8	15.1	18.0	16.5	16.3	15.9	15.7	16.4
<b>EBITDA</b>	<b>150</b>	<b>157</b>	<b>164</b>	<b>172</b>	<b>167</b>	<b>170</b>	<b>177</b>	<b>185</b>	<b>643</b>	<b>699</b>
EBITDA Margin (%)	25.2	26.3	27.1	28.1	26.7	26.5	27.2	27.8	26.7	27.1
<b>EBIT</b>	<b>138</b>	<b>145</b>	<b>152</b>	<b>159</b>	<b>154</b>	<b>157</b>	<b>164</b>	<b>171</b>	<b>594</b>	<b>646</b>
EBIT Margin (%)	23.2	24.3	25.0	26.0	24.7	24.5	25.2	25.8	24.7	25.1
Other income	12	8	7	9	8	11	12	12	37	33
<b>PBT</b>	<b>150</b>	<b>153</b>	<b>159</b>	<b>168</b>	<b>162</b>	<b>167</b>	<b>176</b>	<b>183</b>	<b>632</b>	<b>688</b>
ETR (%)	25.8	25.8	25.8	25.8	25.4	25.5	25.5	25.5	25.7	25.5
<b>Adj. PAT</b>	<b>111</b>	<b>114</b>	<b>118</b>	<b>125</b>	<b>121</b>	<b>125</b>	<b>131</b>	<b>136</b>	<b>469</b>	<b>513</b>
Exceptional items	0	0	-7	0	0	0	0	0	-7	0
<b>Reported PAT</b>	<b>111</b>	<b>114</b>	<b>111</b>	<b>125</b>	<b>121</b>	<b>125</b>	<b>131</b>	<b>136</b>	<b>462</b>	<b>513</b>
QoQ (%)	-2.8	2.3	-2.5	12.7	-3.2	3.1	4.8	4.3		
YoY (%)	16.8	8.7	2.0	9.3	8.9	9.6	17.8	9.1	9.3	10.9
EPS (INR)	30.3	31.0	30.3	34.4	33.3	34.7	36.3	37.9	126.3	142.5

**Tech Mahindra****Neutral****CMP INR1,610 | TP: INR1600 (-1%)****EPS CHANGE (%): FY25|26| 27: -1.1|-0.6|-0.6**

- Revenue growth is expected to be muted at 0.2% QoQ CC, while communications vertical has stabilized and recovery could take longer.
- Margins are likely to improve marginally by 50bp QoQ, as the impact of cost-control efforts under project Fortius should start becoming visible.
- Deal wins are likely to be muted due to macro uncertainty. We expect deal TCV to the tune of USD400-600m in 2Q.
- The outlook on margin and growth in the CME and BFS verticals will be the key monitorable.

**Quarterly Performance**

Y/E March	FY24				FY25E				FY24	FY25E
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE		
<b>Revenue (USD m)</b>	<b>1,601</b>	<b>1,555</b>	<b>1,573</b>	<b>1,548</b>	<b>1,559</b>	<b>1,564</b>	<b>1,597</b>	<b>1,637</b>	<b>6,277</b>	<b>6,357</b>
QoQ (%)	-4.0	-2.8	1.1	-1.6	0.7	0.3	2.2	2.5	-5.0	1.3
<b>Revenue (INR b)</b>	<b>132</b>	<b>129</b>	<b>131</b>	<b>129</b>	<b>130</b>	<b>131</b>	<b>134</b>	<b>137</b>	<b>520</b>	<b>532</b>
YoY (%)	3.5	-2.0	-4.6	-6.2	-1.2	1.8	2.1	6.6	-2.4	2.3
<b>GPM (%)</b>	<b>25.7</b>	<b>22.5</b>	<b>23.9</b>	<b>27.0</b>	<b>26.5</b>	<b>26.5</b>	<b>26.0</b>	<b>26.3</b>	<b>24.8</b>	<b>26.3</b>
SGA (%)	13.5	11.5	13.6	16.1	14.5	14.0	13.5	13.0	13.7	13.7
<b>EBITDA</b>	<b>16</b>	<b>14</b>	<b>14</b>	<b>14</b>	<b>16</b>	<b>16</b>	<b>17</b>	<b>18</b>	<b>58</b>	<b>67</b>
EBITDA Margin (%)	12.2	10.9	10.3	10.9	12.0	12.5	12.5	13.3	11.1	12.6
<b>EBIT</b>	<b>12</b>	<b>9</b>	<b>9</b>	<b>9</b>	<b>11</b>	<b>12</b>	<b>12</b>	<b>14</b>	<b>40</b>	<b>49</b>
EBIT Margin (%)	8.8	7.3	7.0	7.4	8.5	9.0	9.2	10.0	7.6	9.2
Other income	1	2	0	3	1	1	1	1	5	3
ETR (%)	21.8	9.9	17.6	23.4	26.7	23.0	23.0	23.0	18.5	23.8
<b>Adj. PAT</b>	<b>10</b>	<b>10</b>	<b>7</b>	<b>10</b>	<b>9</b>	<b>10</b>	<b>10</b>	<b>11</b>	<b>36</b>	<b>39</b>
QoQ (%)	-28.2	2.3	-26.5	34.9	-12.2	11.9	4.3	11.0		
YoY (%)	-15.5	-25.3	-44.6	-27.1	-10.9	-2.5	38.4	13.9	-28.5	7.8
<b>Extra Ordinary Item</b>	<b>-2.6</b>	<b>-4.8</b>	<b>-2.1</b>	<b>-3.1</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>-12.6</b>	<b>0.0</b>
<b>Reported PAT</b>	<b>7</b>	<b>5</b>	<b>5</b>	<b>7</b>	<b>9</b>	<b>10</b>	<b>10</b>	<b>11</b>	<b>24</b>	<b>39</b>
EPS (INR)	10.8	11.0	8.1	11.0	9.6	10.7	11.2	12.5	41.1	44.0

**Wipro****Neutral****CMP INR542 | TP: INR500 (-8%)****EPS CHANGE (%): FY25|26| 27: 1.0|0.0|0.0**

- Expect flat revenue in 2Q due to macro impact and continued softness in Communications, Manufacturing and E&U.
- Expect demand environment to improve in US, particularly in BFS, with significant regional Capco activity. Healthcare gaining momentum across payer, provider, and life sciences sectors, all showing good traction.
- IT Service margin is expected to be range-bound, and strategy to trim the low-margin businesses and low-potential accounts is progressing well.
- Commentary on recovery in the consulting business as well as strategic initiatives from the new management will be the key monitorables.

**Quarterly Performance (IFRS)**

Y/E March	FY24				FY25E				FY24	FY25E
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE		
IT Services Revenue (USD m)	2,779	2,713	2,656	2,657	2,626	2,625	2,667	2,684	10,805	10,602
QoQ (%)	-2.1	-2.3	-2.1	0.0	-1.2	0.0	1.6	0.6	-3.8	-1.9
Overall Revenue (INR b)	228	225	222	222	220	221	224	225	896	890
QoQ (%)	-1.5	-1.4	-1.4	0.0	-1.1	0.4	1.5	0.7		
YoY (%)	6.0	-0.1	-4.4	-4.2	-3.8	-2.1	0.9	1.5	-0.9	-0.8
GPM (%)	29.4	29.3	30.7	29.2	30.2	30.2	29.7	30.2	29.6	30.1
SGA (%)	14.2	14.6	16.0	13.2	13.7	14.1	14.1	14.1	14.5	14.0
EBITDA	42	42	42	44	44	44	43	45	170	176
EBITDA Margin (%)	18.4	18.8	19.0	19.7	20.2	19.8	19.3	19.8	19.0	19.8
IT Serv. EBIT (%)	16.0	16.1	16.0	16.4	16.5	16.0	15.5	16.0	16.4	16.1
EBIT Margin (%)	15.1	14.8	14.8	15.9	16.4	16.0	15.5	16.0	15.2	16.0
Other income	3	2	3	3	4	3	3	3	11	13
ETR (%)	24.0	24.0	24.0	26.0	24.5	24.0	24.0	24.0	24.5	24.1
PAT	29	26	27	28	30	29	28	29	110	117
QoQ (%)	-6.6	-7.8	1.8	5.2	5.9	-3.8	-1.5	3.6		
YoY (%)	12.0	-0.5	-11.7	-7.8	4.6	9.2	5.6	4.0	-2.9	6.0
EPS (INR)	5.1	5.0	5.2	5.4	5.7	5.5	5.4	5.6	20.4	22.1

**Zensar Technologies****Neutral****CMP INR678 | TP: INR770 (+14%)****EPS CHANGE (%): FY25|26| 27: -3.1|-0.2|0.2**

- We expect flat QoQ CC revenue growth in 2QFY25.
- Margins to moderate 50bp QoQ due to impact of wage hike/furloughs in some accounts and reversal of one-offs.
- We expect growth to be driven by healthcare and BFS verticals. The order book is likely to improve QoQ.
- Demand environment within critical sectors and progress on stimulating growth levers would be watched out for.

**Quarterly Performance**

Y/E March	FY24				FY25E				FY24	FY25E
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE		
Revenue (USD m)	149	150	145	148	154	155	158	162	592	630
QoQ (%)	1.2	0.6	-3.7	2.3	4.3	0.4	1.9	2.5	-2.0	6.3
Revenue (INR m)	12,272	12,408	12,041	12,297	12,881	13,047	13,226	13,539	49,018	52,694
YoY (%)	2.0	0.5	0.5	1.4	5.0	5.2	9.8	10.1	1.1	7.5
GPM (%)	33.6	31.8	31.1	30.6	30.4	30.3	32.6	32.5	31.8	31.5
SGA (%)	14.9	13.2	13.9	14.1	15.2	15.5	15.6	16.0	14.0	15.6
EBITDA	2,301	2,308	2,076	2,030	1,961	1,927	2,249	2,234	8,715	8,371
EBITDA Margin (%)	18.8	18.6	17.2	16.5	15.2	14.8	17.0	16.5	17.8	15.9
EBIT	1,878	1,942	1,764	1,793	1,714	1,674	1,992	1,971	7,377	7,352
EBIT Margin (%)	15.3	15.7	14.6	14.6	13.3	12.8	15.1	14.6	15.0	14.0
Other income	224	306	356	493	383	169	172	176	1,379	900
ETR (%)	25.7	22.7	23.8	24.2	24.7	24.0	24.5	24.7	24.1	24.5
Adj. PAT	1,562	1,738	1,616	1,733	1,579	1,402	1,634	1,617	6,649	6,231
QoQ (%)	30.9	11.3	-7.0	7.2	-8.9	-11.2	16.6	-1.0		
YoY (%)	108.0	206.0	111.2	45.3	1.1	-19.4	1.1	-6.7	102.9	-6.3
EPS (INR)	6.8	7.6	7.1	7.6	6.9	6.1	7.1	7.1	29.1	27.3

NOTES

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Investment Rating	Expected return (over 12-month)
BUY	>=15%
SELL	< - 10%
NEUTRAL	< - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

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