

Result Preview



Coforge

Cyient

HCL Tech

Infosys

L&T Infotech

LTTS

Mindtree

Mphasis

Persistent

TCS

Tech Mahindra

Wipro

Zensar

Expect strong 4QFY21 and FY22 outlook despite cost pressures

Revenue growth to stay at multi-year highs in 4QFY21

- We expect Tier I IT companies to report growth between 2.5% and 3.4% QoQ CC (barring TECHM), their strongest 4QFY21 performance in the last five years. Tier II IT should deliver 3.3-5.2% QoQ CC growth (except MPHL and ZENT).
- Growth in 4QFY21 continues to be driven by a supportive demand environment and large deal wins. We expect our coverage universe to deliver revenue (USD)/adjusted EBIT/PAT growth of 8%/19.7%/16.2% YoY in 4QFY21.
- Early indicators like fresh high order bookings from industry peer Accenture in its Feb'21 earnings ([link to the report](#)) also point to an unprecedented demand for tech services, which we expect to reflect in the deal momentum in 4QFY21.

Expect double-digit FY22E guidance for the sector

- The strong topline growth in 2Q/3QFY21 sets up the industry for robust double-digit growth in FY22E.
- We expect INFO and HCLT to guide at early to mid-teen revenue growth in FY22E among Tier I IT. Among Tier II IT, managements should indicate mid-teen revenue growth, driven by a strong exit in FY21 and good deal pipeline.
- FY22E should continue to see large deal wins, aided by continued spends on Cloud and acceleration in decision making as COVID-19 vaccination ramps up. We also expect more captive deals to be available to Tier I IT companies.
- We expect managements to highlight plans to add to their workforce as higher demand and elevated utilization should lead to the strongest employee addition in recent past (our estimates suggest Tier I IT is adding ~2x of FY21 net additions).

TCS to lead sequential revenue growth across Tier I, COFORGE in Tier II

- In Tier I IT, we expect strong sequential growth trends across all companies barring TECHM, which will have a soft quarter on account of lower deal wins. Growth in TCS/INFO will be driven by a ramp up in large deal wins such as Postbank, Prudential, Daimler, etc. We expect Tier I IT to grow at 3.6% QoQ in USD terms, helped by cross currency tailwinds.
- Upbeat traction in Tier II IT will continue. We expect COFORGE and LTTS to lead the growth trends in the Midcap IT space. Most companies should report upward of 4% QoQ USD growth during 4QFY21. Exceptions will be MPHL – led by the expectation of double-digit sequential decline in the DXC business, and ZENT – led by weakness in a top account and project closures in the DFS business.
- We expect Tier I IT companies to be a key beneficiary of rising Cloud spend and Digital transformation initiatives by corporates. Rising deal sizes and central level transformations should provide a thrust to larger IT Services companies.

Wage hike and attrition to take a toll on margins

- We expect a dip in margins for most IT Services companies led by partial wage hikes and increase in attrition levels. We expect wage hikes to be in the 100-200bp/200-300bp range for Tier I/II companies.
- We also expect gradual normalization in utilization levels as we expect a pick-up in fresher hiring by IT Services companies.

Research Analyst: Mukul Garg (Mukul.Garg@MotilalOswal.com)

Research analyst: Anmol Garg (Anmol.Garg@MotilalOswal.com) / Heenal Gada (Heenal.Gada@motilalosal.com)

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- Increasing attrition levels in the industry can be verified by: 1) announcement of a second wage hike by TCS, 2) 300bp sequential increase in Accenture attrition levels, and 3) a staggering 33% increase in hiring activity (driven by IT Services companies) on Naukri.com for Feb'21.
- Sequential EBIT margins of Tier I players should decline by 80bp, largely driven by expectations of a 400bp decline in HCLT's margin on a wage hike and one-time bonus payment. Tier II companies should see an aggregate decline in margins by 60bp QoQ.
- Normalization of utilization and increase in attrition levels poses a near to medium term risks to our margin estimates.

Valuation and view: Prefer INFO/HCLT/LTTS/CYL

- While the sector trades at a 39% premium to its 10-year average multiple, we remain positive as we expect the sector to sustain double-digit topline growth in the medium term, led by: 1) larger deals on a full-scale Digital transformation, 2) tail of projects steered by increased focus on workplace management, and 3) higher spend on Cloud migration by large corporates.
- Strong QoQ growth (4% on an average) and expectation of lucrative guidance for FY22 should help sustain the rally in IT stocks despite their premium valuations.
- We continue with our bottom-up stance for sectorial picks. Among Tier I players, we like **INFO and HCLT**. We expect INFO to deliver a top quartile growth backed by strong deal wins (USD12b in 9MFY21, up 63% YoY), justifying its premium valuation. HCLT will receive the dual benefit from massive Cloud adoption, given its resilient expertise in IMS and strong pickup in P&P, led by its ability to transform and renovate legacy products. From the Tier II pack, we prefer **LTTS and CYL**. We expect LTTS to deliver strong growth (on lower base) for FY22E, led by a recovery in the ER&D industry. We expect a recovery in CYL on stabilization in the Aerospace vertical and increasing ER&D spends.

Exhibit 1: Expect Tier I revenue (USD) to grow by ~4% QoQ

Company	Revenue (USD m)					Revenue (INR b)				
	4QFY21E	3QFY21	QoQ (%)	4QFY20	YoY (%)	4QFY21E	3QFY21	QoQ (%)	4QFY20	YoY (%)
TCS	5,927	5,702	4.0	5,444	8.9	432	420	2.8	399	8.2
INFO	3,647	3,516	3.7	3,197	14.1	266	259	2.6	233	14.3
WPRO	2,150	2,071	3.8	2,074	3.7	158	157	1.1	157	0.8
HCLT	2,696	2,617	3.0	2,543	6.0	197	193	1.8	186	5.7
TECHM	1,343	1,309	2.6	1,295	3.7	98	96	1.5	95	3.2
Aggregate	15,764	15,214	3.6	14,553	8.3	1,151	1,126	2.2	1,070	7.6
Company	EBIT margin (%)					Adjusted PAT (INR b)				
	4QFY21E	3QFY21	QoQ (bp)	4QFY20	YoY (bp)	4QFY21E	3QFY21	QoQ (%)	4QFY20	YoY (%)
TCS	27.2	26.6	60	25.1	210	96	87	9.6	81	18.2
INFO	24.9	25.4	-60	21.2	370	53	52	2.1	43	22.8
WPRO	20.3	21.6	-120	16.8	350	28	30	-6.3	23	19.7
HCLT	18.9	22.9	-400	20.9	-200	30	34	-11.6	32	-3.6
TECHM	15.7	15.9	-30	10.0	570	13	13	-1.6	9	34.5
Aggregate	23.3	24.1	-80	21.0	240	220	217	1.6	189	16.6

Source: Company, MOFSL

Exhibit 2: Expect Tier II revenue (USD) to grow by ~4% QoQ

Company	Revenue (USD m)					Revenue (INR b)				
	4QFY21E	3QFY21	QoQ (%)	4QFY20	YoY (%)	4QFY21E	3QFY21	QoQ (%)	4QFY20	YoY (%)
LTI	446	428	4.3	410	8.9	33	32	3.2	30	8.0
LTTS	201	190	5.6	195	2.7	15	14	4.4	14	1.1
MTCL	286	274	4.3	278	2.7	21	20	3.0	21	1.6
MPHL	339	334	1.5	320	6.0	25	25	0.5	23	5.3
COFORGE	169	160	5.6	155	9.5	12	12	3.8	11	11.4
PSYS	151	146	3.6	127	19.2	11	11	2.7	9	19.2
ZENT	122	123	-0.6	135	-9.5	9	9	-1.8	10	-8.8
CYL	149	141	5.3	149	-0.2	11	10	3.9	11	1.1
Aggregate	1,864	1,797	3.7	1,769	5.3	136	133	2.5	129	5.0
Company	EBIT margin (%)					Adjusted PAT (INR b)				
	4QFY21E	3QFY21	QoQ (bp)	4QFY20	YoY (bp)	4QFY21E	3QFY21	QoQ (%)	4QFY20	YoY (%)
LTI	18.7	20.6	-190	16.7	200	4.9	5.2	-5.8	4.3	14.4
LTTS	16.6	15.2	140	15.2	140	2.0	1.9	9.7	2.0	-0.4
MTCL	17.7	19.6	-180	13.8	390	2.8	3.3	-13.6	2.1	36.9
MPHL	16.2	16.5	-20	16.3	-10	3.2	3.3	-2.5	3.5	-9.9
COFORGE	13.1	13.0	10	13.9	-80	1.3	1.2	6.1	1.4	-4.4
PSYS	12.3	12.7	-30	9.2	310	1.2	1.2	-3.6	0.8	39.0
ZENT	15.0	15.9	-90	10.5	450	1.0	1.0	-3.1	0.7	31.9
CYL	12.2	11.2	100	8.4	380	1.1	1.0	10.5	0.8	37.3
Aggregate	16.1	16.7	-60	14.1	200	17.4	18.0	-3.0	15.6	11.6

Source: Company, MOFSL

Exhibit 3: Cross-currency growth and impact on expectations for 4QFY21 (%)

Company	CC USD growth QoQ	USD growth QoQ	Cross currency impact (bp)
TCS	3.4	4.0	60
INFO	3.1	3.7	60
WPRO	2.8	3.8	100
HCLT	2.5	3.0	50
TECHM	1.6	2.6	100
LTI	3.9	4.3	40
LTTS	5.3	5.6	30
MTCL	3.7	4.3	60
MPHL	1.1	1.5	40
COFORGE	4.4	5.6	120
PSYS	3.3	3.6	30
ZENT	-1.8	-0.6	120
CYL	4.6	5.3	70

Source: MOSL, Company

Exhibit 4: 4QFY21 currency highlights (INR)

	Rates (INR)				Change (QoQ)			
	USD	EUR	GBP	AUD	USD	EUR	GBP	AUD
Average	72.9	87.9	100.6	56.3	-1.9%	1.0%	4.9%	5.3%
Closing	73.1	85.8	100.6	55.7	-0.3%	-4.9%	1.6%	-1.5%

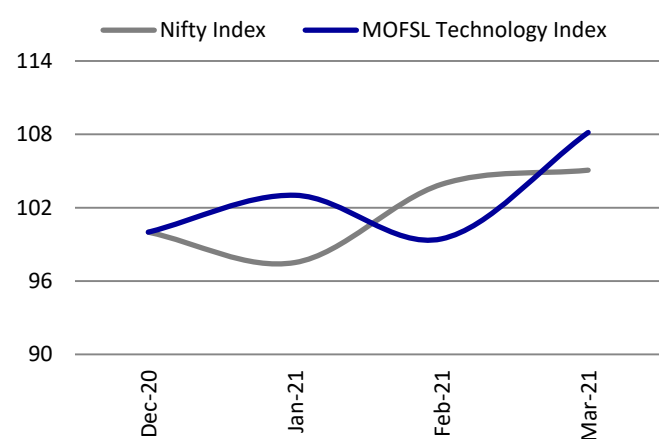
Source: Bloomberg, MOFSL

Exhibit 5: 4QFY21 currency highlights (USD)

	Rates (USD)			Change (QoQ)		
	EUR	GBP	AUD	EUR	GBP	AUD
Average	1.21	1.38	0.77	3.0%	6.9%	7.3%
Closing	1.17	1.38	0.76	-4.6%	2.0%	-1.1%

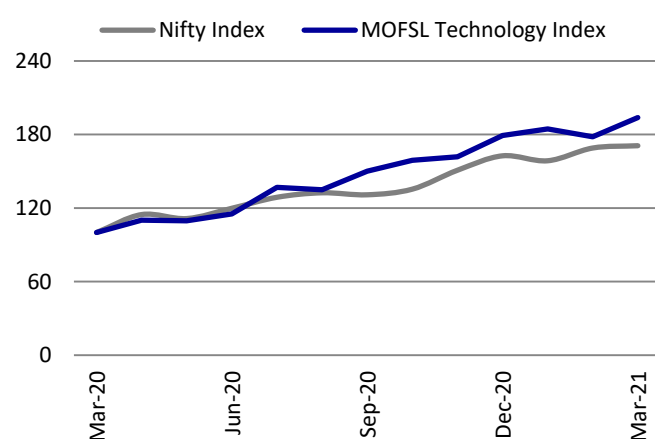
Source: Bloomberg, MOFSL

Exhibit 6: Three months relative performance (%)



Source: Bloomberg, MOFSL

Exhibit 7: One-year relative performance (%)



Source: Bloomberg, MOFSL

Exhibit 8: Change in estimates

	Revised EPS (INR)			Earlier EPS (INR)			Change (%)		
	FY21E	FY22E	FY23E	FY21E	FY22E	FY23E	FY21E	FY22E	FY23E
TCS	87	110	126	88	112	127	-1	-2	-1
INFO	46	56	66	46	57	67	-1	-2	-2
WPRO	18	21	24	18	22	24	-1	-2	-1
HCLT	46	55	64	48	56	65	-4	-3	-1
TECHM	53	60	68	53	60	69	0	-1	-1
LTI	107	121	143	107	128	151	0	-6	-6
LTTS	64	89	109	64	91	109	-1	-2	0
MTCL	65	75	87	66	75	84	-1	0	3
MPHL	64	76	91	65	80	92	-1	-5	0
COFORGE	77	99	114	79	102	117	-2	-3	-3
PSYS	56	74	86	56	70	82	-1	5	5
ZENT	16	18	21	16	18	20	0	0	2
CYL	33	43	49	33	44	47	0	-1	3

Source: Company, MOFSL

Exhibit 9: Expected quarterly performance summary

Sector	CMP		Sales (INR b)			EBIT (INR b)			Adjusted net profit (INR b)		
	(INR)	Rating	Mar'21	Variance YoY (%)	Variance QoQ (%)	Mar'21	Variance YoY (%)	Variance QoQ (%)	Mar'21	Variance YoY (%)	Variance QoQ (%)
TCS	3,163	Neutral	432.1	8.2	2.8	117.5	17.2	5.1	95.6	18.2	9.6
INFO	1,374	Buy	265.9	14.3	2.6	66.1	34.2	0.3	53.2	22.8	2.1
WPRO	416	Neutral	158.4	0.8	1.1	32.2	22.1	-4.7	28.1	19.7	-6.3
HCLT	999	Buy	196.5	5.7	1.8	37.1	-4.4	-15.9	30.5	-3.6	-11.6
TECHM	993	Neutral	97.9	3.2	1.5	15.3	61.6	-0.2	12.7	34.5	-1.6
LTI	4,098	Neutral	32.5	8.0	3.2	6.1	21.1	-6.2	4.9	14.4	-5.8
LTTS	2,694	Buy	14.6	1.1	4.4	2.4	10.6	14.0	2.0	-0.4	9.7
MTCL	2,066	Neutral	20.8	1.6	3.0	3.7	30.4	-6.8	2.8	36.9	-13.6
MPHL	1,777	Buy	24.7	5.3	0.5	4.0	5.0	-0.8	3.2	-9.9	-2.5
COFORGE	2,940	Neutral	12.4	11.4	3.8	1.6	5.3	4.7	1.3	-4.4	6.1
PSYS	1,952	Buy	11.0	19.2	2.7	1.4	59.0	-0.1	1.2	39.0	-3.6
ZENT	275	Neutral	8.9	-8.8	-1.8	1.3	30.8	-7.4	1.0	31.9	-3.1
CYL	669	Buy	10.9	1.1	3.9	1.3	46.5	13.7	1.1	37.3	10.5
Sector aggregate			1,287	7.3	2.3	290	19.7	-1.0	238	16.2	1.2

Source: Company, MOFSL

Exhibit 10: Comparative valuation

Company	CMP (INR)	M-cap (INR b)	EPS (INR)			EPS CAGR (%)	Div. yield (%)	P/E (x)			RoE (%)		
			FY21E	FY22E	FY23E	FY20-23E	FY21E	FY21E	FY22E	FY23E	FY21E	FY22E	FY23E
CYL	669	70	33.3	43.2	48.5	12.9	1.4	20.1	15.5	13.8	13.6	15.9	16.0
HCLT	999	2600	46.2	55.0	64.2	16.4	1.8	21.6	18.2	15.6	22.8	24.2	25.9
INFO	1,374	5500	46.1	55.5	65.8	19.6	2.5	29.8	24.7	20.9	29.4	34.0	38.5
LTI	4,098	699	107.0	121.1	142.8	18.1	0.9	38.3	33.8	28.7	31.3	29.1	28.4
LTTS	2,694	275	63.7	88.8	108.6	11.9	0.7	42.3	30.3	24.8	22.5	26.7	27.5
MTCL	2,066	285	65.3	75.4	86.9	31.4	1.2	31.7	27.4	23.8	30.8	29.4	28.1
MPHL	1,777	305	64.4	75.7	91.4	13.1	1.8	27.6	23.5	19.4	19.8	21.0	22.8
COFORGE	2,940	159	77.2	98.7	113.9	14.7	0.7	38.1	29.8	25.8	18.2	20.3	20.3
PSYS	1,952	132	56.2	73.7	85.8	24.4	0.8	34.8	26.5	22.7	17.3	20.4	20.5
TCS	3,163	11870	87.2	109.8	126.2	13.6	1.1	36.3	28.8	25.1	38.6	46.8	50.7
TECHM	993	944	52.6	59.8	67.9	12.0	1.9	18.9	16.6	14.6	19.9	19.9	19.9
WPRO	416	2400	18.3	21.2	23.8	13.2	4.4	22.7	19.6	17.5	19.4	22.7	25.7
ZENT	275	52	15.5	17.9	20.7	21.1	1.1	17.7	15.3	13.3	15.7	16.3	16.6

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 INR2940 | TP: INR2735 (-7%)

EPS CHANGE (%): FY21 | 22: -2.2 | -3.3

- Revenue growth to be driven by BFSI and large deal wins in Healthcare.
- Margin to remain flattish, company to offer a one-time bonus to employees.
- Expect full-year growth to be in the top quartile, ~6% YoY in CC terms.
- Wage hikes to be dispersed in Apr'21. Despite that, the company aims to increase margin in FY22.

Quarterly performance (Ind AS)

Y/E March (Consolidated)	FY20				FY21				(INR m)	
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE	FY20	FY21E
Rev. (USD m)	138	149	151	155	140	155	160	169	593	625
QoQ (%)	4.4	7.7	1.7	2.3	-9.4	10.2	3.8	5.6	14.3	5.4
Revenue (INR m)	9,597	10,385	10,734	11,093	10,570	11,537	11,906	12,362	41,809	46,375
YoY (%)	19.9	14.4	10.5	19.0	10.1	11.1	10.9	11.4	15.8	10.9
GPM (%)	33.9	34.6	34.1	34.3	31.5	32.6	32.0	33.1	34.2	32.3
SGA (%)	16.8	16.3	16.1	16.4	14.4	13.8	14.0	15.0	16.4	14.3
EBITDA (INR m)	1,641	1,898	1,940	1,971	1,686	2,048	2,009	2,114	7,450	7,857
EBITDA Margin (%)	17.1	18.3	18.1	17.8	16.0	17.8	16.9	17.1	17.8	16.9
EBIT (INR m)	1,240	1,451	1,491	1,538	1,221	1,588	1,547	1,619	5,720	5,975
EBIT Margin (%)	12.9	14.0	13.9	13.9	11.6	13.8	13.0	13.1	13.7	12.9
Other income	75	76	130	180	48	-63	19	49	461	53
ETR (%)	20.5	18.1	20.7	20.3	20.5	19.9	21.1	21.5	19.9	20.8
Minority Interest	-24.0	-56.0	-52.0	-106.0	-30.0	-15.0	-15.0	-36.5	-238.0	-96.5
PAT	1,022	1,195	1,233	1,264	979	1,207	1,220	1,274	4,714	4,680
QoQ (%)	-8.0	16.9	3.2	2.5	-22.5	23.3	1.1	4.4		
YoY (%)	21.5	6.9	23.1	13.8	-4.2	1.0	-1.1	0.8	55.3	-0.7
EPS (INR)	16.6	19.2	19.7	20.3	15.7	19.9	20.1	21.0	75.5	77.2

Cyient Buy

CMP INR669 | TP: INR780 (+17%)

EPS CHANGE (%): FY21 | 22: 0.1 | -1.3

- Expect relatively strong growth led by 2-3% growth in Services and 15% QoQ growth in DLM.
- Expect increase in hiring over the next couple of quarters. Utilizations to taper down.
- Expect sequential recovery in margin, next wage hike to take place in 2QFY22.
- New deal wins and A&D recovery would be a key monitorable.

Quarterly performance

Y/E March	FY20				FY21				(INR m)	
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE	FY20	FY21E
Revenue (USD m)	157	164	155	149	131	135	141	149	625	556
QoQ (%)	-5.2	4.9	-5.5	-3.9	-12.5	3.4	4.7	5.3	-5.3	-11.1
Revenue (INR m)	10,890	11,589	11,060	10,736	9,917	10,033	10,443	10,854	44,275	41,247
YoY (%)	0.8	-2.4	-6.9	-7.7	-8.9	-13.4	-5.6	1.1	-4.1	-6.8
GPM (%)	34.4	34.4	36.0	33.5	30.5	35.7	34.6	35.5	34.6	34.1
SGA (%)	21.2	20.6	22.1	20.6	20.5	19.9	18.8	18.7	21.1	19.5
EBITDA	1,445	1,599	1,533	1,382	995	1,589	1,650	1,823	5,959	6,057
EBITDA Margin (%)	13.3	13.8	13.9	12.9	10.0	15.8	15.8	16.8	13.5	14.7
EBIT	1,003	1,111	1,063	904	511	1,105	1,165	1,324	4,081	4,105
EBIT Margin (%)	9.2	9.6	9.6	8.4	5.2	11.0	11.2	12.2	9.2	10.0
Other income	149	144	369	72	575	-14	83	54	734	698
ETR (%)	22.0	22.4	23.3	21.3	25.0	23.1	23.6	23.5	22.3	23.8
PAT	904	986	1,083	753	814	839	954	1,055	3,726	3,662
QoQ (%)	-52.0	9.1	9.8	-30.5	8.1	3.1	13.7	10.5		
YoY (%)	9.6	-22.5	17.6	-60.0	-9.9	-14.9	-11.9	40.1	12.7	-1.7
EPS (INR)	8.2	8.9	9.8	6.8	7.4	7.6	8.7	9.6	33.8	33.3

HCL Technologies

Buy
CMP INR999 | TP: INR1285 (+29%)
EPS CHANGE (%): FY21 | 22: -3.9 | -2.6

- Expect HCLT to report growth at the midpoint of its guidance (2.5% QoQ CC).
- Revenue momentum on deal wins to continue.
- Margin to be significantly below 3QFY21 on one-time bonus, wage hike, and investment in S&M.
- Renewals in Mode-3 a key monitorable.

Quarterly performance
(INR b)

Y/E March	FY20				FY21				FY20	FY21E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
Revenue (USD m)	2,364	2,486	2,543	2,543	2,356	2,507	2,617	2,696	9,936	10,175
QoQ (%)	3.8	5.2	2.3	0.0	-7.4	6.4	4.4	3.0	15.1	2.4
Revenue (INR b)	164	175	181	186	178	186	193	197	707	754
YoY (%)	18.4	17.9	15.5	16.3	8.6	6.1	6.4	5.7	17.0	6.7
GPM (%)	35.3	36.9	38.4	40.0	39.9	41.2	42.0	37.8	37.7	40.2
SGA (%)	12.8	11.6	11.9	12.9	12.4	12.7	12.0	11.9	12.3	12.2
EBITDA	34	41	45	47	46	50	54	47	167	197
EBITDA Margin (%)	20.7	23.4	24.6	25.4	25.6	26.6	28.2	24.1	23.6	26.1
EBIT	28	35	37	39	37	40	44	37	139	158
EBIT Margin (%)	17.1	20.0	20.2	20.9	20.5	21.6	22.9	18.9	19.6	21.0
Other income	1	0	1	0	2	1	1	2	2	7
ETR (%)	24.0	23.9	18.5	18.3	24.0	24.1	24.1	22.0	20.9	23.6
Adjusted PAT	22	27	30	32	29	31	34	30	111	125
QoQ (%)	-13.6	19.4	14.6	3.8	-7.3	7.5	9.2	-11.4		
YoY (%)	-7.7	4.4	16.4	22.8	31.7	18.5	13.0	-3.5	9.3	13.3
EPS	8.2	9.8	11.2	11.6	10.7	11.6	12.6	11.2	40.7	46.2

Infosys

Buy
CMP INR1374 | TP: INR1580 (+15%)
EPS CHANGE (%): FY21 | 22: -0.5 | -2.4

- Expect INFO to report 3.1% QoQ CC growth led by ramp up in deals in 3QFY21.
- Revenue growth to be in the top quartile among peer companies.
- Expect a dip in margin due to wage hike and an increase in attrition.
- We expect FY22 revenue growth guidance to be in mid-teens.

Quarterly performance (IFRS)
(INR b)

Y/E March	FY20				FY21				FY20	FY21E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
Revenue (USD m)	3,131	3,210	3,243	3,197	3,121	3,312	3,516	3,647	12,781	13,596
QoQ (%)	2.3	2.5	1.0	-1.4	-2.4	6.1	6.2	3.7	8.3	6.4
Revenue (INR b)	218	226	231	233	237	246	259	266	908	1,008
YoY (%)	14.0	9.8	7.9	8.0	8.5	8.6	12.3	14.3	9.8	11.0
GPM (%)	32.2	33.4	33.4	33.4	33.6	35.8	35.3	35.5	33.1	35.1
SGA (%)	11.7	11.7	11.5	12.2	10.9	10.5	9.9	10.7	11.8	10.5
EBITDA	52	56	58	57	61	71	74	74	223	280
EBITDA Margin (%)	23.6	24.9	25.1	24.4	25.9	28.8	28.6	27.8	24.5	27.8
EBIT	45	49	51	49	54	62	66	66	194	248
EBIT Margin (%)	20.5	21.7	21.9	21.2	22.7	25.3	25.4	24.9	21.3	24.6
Other income	7	6	8	6	4	5	6	6	26	21
ETR (%)	26.4	26.5	23.6	21.1	26.2	28.0	27.1	26.0	24.4	26.8
PAT	38	40	45	43	42	48	52	53	166	196
QoQ (%)	-6.8	5.8	10.9	-3.1	-1.7	14.0	7.3	2.3		
YoY (%)	-2.2	-2.2	9.8	6.1	11.9	20.6	16.6	23.1	2.9	18.2
EPS (INR)	8.8	9.4	10.5	10.2	10.0	11.4	12.2	12.5	38.5	46.1

LTI **Neutral****CMP INR4098 | TP: INR3715 (-9%)****EPS CHANGE (%): FY21 | 22: -0.2 | -5.6**

- Expect 4% QoQ CC growth led by broad based performance in BFS and some recovery in Insurance.
- Expect an increase in attrition. Next wage hike to be given in Jul'21.
- Expect margin to fall by 210bp led by 150-160bp/40-50bp impact from wage hike/utilization.
- Commentary around deal pipeline and wins remains a key monitorable.

Quarterly performance**(INR m)**

Y/E March	FY20				FY21				FY20	FY21E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
Revenue (USD m)	357	364	394	410	390	405	428	446	1,525	1,669
QoQ (%)	0.8	2.0	8.4	3.9	-4.8	3.6	5.8	4.3	13.1	9.5
Revenue (INR m)	24,849	25,707	28,111	30,119	29,492	29,984	31,528	32,535	1,08,786	1,23,539
YoY (%)	15.3	10.3	13.7	21.2	18.7	16.6	12.2	8.0	15.2	13.6
GPM (%)	33.1	31.8	31.7	32.8	32.5	34.8	35.0	33.0	32.4	33.8
SGA (%)	14.7	13.7	13.0	13.6	12.4	12.0	11.7	11.7	13.7	11.9
EBITDA	4,579	4,658	5,274	5,781	5,920	6,856	7,320	6,944	20,292	27,040
EBITDA Margin (%)	18.4	18.1	18.8	19.2	20.1	22.9	23.2	21.3	18.7	21.9
EBIT	3,968	3,994	4,565	5,034	5,139	5,957	6,501	6,098	17,561	23,695
EBIT Margin (%)	16.0	15.5	16.2	16.7	17.4	19.9	20.6	18.7	16.1	19.2
Other income	812	739	433	479	450	174	492	488	2,463	1,604
ETR (%)	25.6	23.9	24.6	22.5	25.5	25.5	25.8	25.8	24.1	25.6
Adj. PAT	3,557	3,603	3,767	4,274	4,164	4,568	5,192	4,890	15,201	18,814
QoQ (%)	-6.1	1.3	4.6	13.5	-2.6	9.7	13.7	-5.8		
YoY (%)	-1.5	-10.0	0.3	12.9	17.1	26.8	37.8	14.4	0.3	23.8
EPS (INR)	20.3	20.5	21.5	24.3	23.7	26.0	29.5	27.8	86.6	107.0

LTTS **Buy****CMP INR2694 | TP: INR3040 (+13%)****EPS CHANGE (%): FY21 | 22: -0.9 | -2.4**

- Expect strong sequential growth led by traction in Digital Engineering.
- Commentary around a recovery in ER&D across stressed sectors will be keenly observed.
- Expect margin to increase on account of strong revenue growth.
- Commentary around deal pipeline and wins remains a key monitorable.

Quarterly performance**(INR m)**

Y/E March	FY20				FY21				FY20	FY21E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
Revenue (USD m)	194	198	199	195	171	178	190	201	786	740
QoQ (%)	1.4	2.0	0.8	-2.0	-12.5	4.1	6.8	5.6	8.7	-5.9
Revenue (INR m)	13,475	14,021	14,230	14,466	12,947	13,138	14,007	14,630	56,192	54,722
YoY (%)	17.0	-28.0	-28.9	-29.3	-3.9	-6.3	-1.6	1.1	10.7	-2.6
GPM (%)	32.9	32.3	32.8	33.5	26.8	30.1	30.8	31.8	32.9	29.9
SGA (%)	12.7	12.1	12.7	15.0	10.9	12.4	11.1	11.2	13.1	11.4
EBITDA	2,727	2,832	2,863	2,683	2,059	2,328	2,756	3,016	11,105	18,181
EBITDA Margin (%)	20.2	20.2	20.1	18.5	15.9	17.7	19.7	20.6	19.8	33.2
EBIT	2,299	2,388	2,391	2,198	1,567	1,801	2,132	2,431	9,276	7,931
EBIT Margin (%)	17.1	17.0	16.8	15.2	12.1	13.7	15.2	16.6	16.5	14.5
Other income	474	378	354	521	30	457	374	293	1,727	1,154
ETR (%)	26.4	25.5	25.0	24.1	26.0	26.4	25.4	25.0	25.3	25.6
PAT	2,038	2,059	2,041	2,048	1,173	1,655	1,861	2,041	8,186	6,730
QoQ (%)	6.4	1.0	-0.9	0.3	-42.7	41.1	12.4	9.7		
YoY (%)	3.2	7.7	10.0	6.9	-42.4	-19.6	-8.8	-0.4	6.9	-17.8
EPS (INR)	19.3	19.5	19.3	19.4	11.1	15.7	17.6	19.3	77.5	63.8

Mindtree**Neutral****CMP INR2066 | TP: INR2000 (-3%)****EPS CHANGE (%): FY21|22: -1.0|0.2**

- Broad based growth across top clients, except a few clients in the Travel vertical.
- Expect 250bp impact from wage hike, EBITDA margin to be maintained ~20%.
- Expect accelerated hiring activity.
- Outlook on top client performance and deal wins a key monitorable.

Quarterly performance**(INR m)**

Y/E March	FY20				FY21				FY20	FY21E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
Revenue (USD m)	264	271	275	278	253	261	274	286	1,089	1,074
QoQ (%)	0.8	2.6	1.5	1.2	-9.1	3.1	5.0	4.3	8.7	-1.3
Revenue (INR m)	18,342	19,143	19,653	20,505	19,088	19,260	20,237	20,837	77,643	79,422
YoY (%)	11.9	9.1	10.0	11.5	4.1	0.6	3.0	1.6	10.6	2.3
GPM (%)	26.6	26.9	29.1	30.4	26.3	27.5	30.6	28.6	28.3	28.3
SGA (%)	14.0	13.9	13.5	13.2	8.1	7.9	7.5	7.4	13.6	7.7
EBITDA (INR m)	2,318	2,482	3,063	3,512	3,478	3,784	4,679	4,424	11,375	16,365
EBITDA Margin (%)	12.6	13.0	15.6	17.1	18.2	19.6	23.1	21.2	14.7	20.6
EBIT (INR m)	1,649	1,775	2,364	2,833	2,881	3,215	3,962	3,694	8,621	13,752
EBIT Margin (%)	9.0	9.3	12.0	13.8	15.1	16.7	19.6	17.7	10.5	16.4
Other income	-387	59	215	-220	17	232	489	146	-333	884
ETR (%)	26.5	26.4	23.6	21.1	26.5	26.4	26.6	26.5	23.9	26.5
PAT	927	1,350	1,970	2,062	2,130	2,537	3,265	2,823	6,309	10,755
QoQ (%)	-53.3	45.6	45.9	4.7	3.3	19.1	28.7	-13.6		
YoY (%)	-41.4	-34.6	3.0	3.9	129.8	87.9	65.7	36.9	-16.3	70.5
EPS (INR)	5.6	8.2	12.0	12.5	12.9	15.4	19.8	17.1	38.3	65.3

Mphasis**Buy****CMP INR1777 | TP: INR2020 (+14%)****EPS CHANGE (%): FY21|22: -1.1|-4.9**

- Expect 3-4% QoQ CC growth in the Direct business, with double-digit sequential decline in the DXC business.
- Margin to remain rangebound as the wage hike is spread across the year.
- Expect mid-teen growth guidance in the Direct business for next year.
- Outlook on DXC is a key monitorable.

Quarterly performance**(INR m)**

Y/E March	FY20				FY21				FY20	FY21E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
Revenue (USD m)	297	305	318	320	305	327	334	339	1,240	1,306
QoQ (%)	1.8	2.6	4.4	0.6	-4.5	7.2	2.0	1.5	10.8	5.3
Revenue (INR m)	20,607	21,462	22,694	23,476	23,037	24,238	24,601	24,713	88,239	96,589
YoY (%)	13.1	10.2	13.3	14.7	11.8	12.9	8.4	5.3	12.8	9.5
GPM (%)	30.2	30.4	30.4	31.3	28.9	30.3	31.0	30.3	30.6	30.2
SGA (%)	12.0	11.6	11.6	12.4	10.7	11.7	12.2	11.7	11.9	11.6
EBITDA	3,747	4,057	4,269	4,434	4,178	4,524	4,654	4,623	16,524	17,979
EBITDA Margin (%)	18.2	18.8	18.8	18.9	18.3	18.6	18.8	18.6	18.7	18.6
EBIT	3,197	3,475	3,694	3,824	3,583	3,924	4,048	4,014	14,207	15,569
EBIT Margin (%)	15.5	16.1	16.2	16.3	15.7	16.1	16.4	16.2	16.1	16.1
Other income	342	134	172	319	182	114	218	219	967	733
ETR (%)	25.1	24.1	24.0	14.9	27.0	25.9	23.7	25.0	21.8	25.3
PAT	2,651	2,738	2,937	3,525	2,750	2,992	3,255	3,175	11,868	12,172
QoQ (%)	-0.4	3.3	7.3	20.0	-22.0	8.8	8.8	-2.5		
YoY (%)	2.6	1.1	5.6	32.4	3.7	9.3	10.8	-9.9	10.6	2.6
EPS (INR)	14.1	14.6	15.6	18.8	14.6	15.9	17.2	16.8	63.1	64.4

Persistent Systems

Buy
CMP INR1952 | TP: INR2150 (+10%)
EPS CHANGE (%): FY21|22: -0.5|5.3

- Expect TSU to grow at 6% sequentially, while the Alliance business is expected to show a revenue decline.
- Expect some correction in margin led by one-month wage hike impact.
- Deal pipeline is healthy and order book is strong for the next couple of quarters.
- Outlook for FY21 growth/margin should be a key monitorable.

Quarterly performance (IFRS)

Y/E March (Consolidated)	FY20				FY21				(INR m)	
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE	FY20	FY21E
Revenue (USD m)	119.6	125.5	129.4	127.1	131.0	136.1	146.2	151.5	502	565
QoQ (%)	1.1	4.9	3.1	-1.8	3.1	3.9	7.4	3.6	4.3	12.6
Revenue (INR m)	8,321	8,846	9,227	9,264	9,914	10,077	10,754	11,042	35,658	41,787
QoQ (%)	0.0	6.3	4.3	0.4	7.0	1.7	6.7	2.7		
YoY (%)	-0.3	5.9	6.8	11.4	19.1	13.9	16.5	19.2	5.9	17.2
GPM (%)	34.7	34.7	33.3	33.8	33.0	34.7	34.3	34.2	34.1	34.1
SGA (%)	20.3	21.0	19.9	20.0	18.2	18.3	17.3	17.5	20.3	17.8
Reported EBITDA	1,202	1,216	1,234	1,277	1,464	1,658	1,825	1,844	4,930	6,791
Reported EBITDA Margin (%)	14.4	13.8	13.4	13.8	14.8	16.4	17.0	16.7	13.8	16.3
Adj. EBITDA	1,202	1,216	1,234	1,277	1,560	1,729	1,860	1,844	4,930	6,993
Adj. EBITDA Margin (%)	14.4	13.8	13.4	13.8	15.7	17.2	17.3	16.7	13.8	16.7
Reported EBIT	816	792	806	857	1,029	1,218	1,364	1,362	3,270	4,973
Reported EBIT Margin (%)	9.8	8.9	8.7	9.2	10.4	12.1	12.7	12.3	9.2	11.9
Adj. EBIT	816	792	806	857	1,124	1,290	1,399	1,362	3,270	5,175
Adj. EBIT Margin (%)	9.8	8.9	8.7	9.2	11.3	12.8	13.0	12.3	9.2	12.4
Other income	282	364	334	274	192	157	286	212	1,254	848
ETR (%)	24.9	25.5	22.9	25.9	26.2	25.8	26.7	26.0	24.8	26.2
PAT	825	861	879	838	900	1,020	1,209	1,165	3,403	4,294
QoQ (%)	-2.4	4.4	2.2	-4.7	7.4	13.3	18.6	-3.6		
YoY (%)	-5.6	-2.3	-4.1	-0.8	9.1	18.5	37.5	39.0	28.4	26.2
EPS (INR)	10.7	11.3	11.5	11.0	11.8	13.3	15.8	15.2	44.5	56.2

TCS

Neutral
CMP INR3163 | TP: INR3280 (+4%)
EPS CHANGE (%): FY21|22: -0.8|-1.8

- Expect strong sequential revenue growth led by Postbank and Prudential deal wins.
- Expect the company to further ramp up its hiring during the quarter.
- Expect increase in margin led by revenue growth and the absence of a wage hike during 4QFY21.
- Sector demand outlook and margin impact from large captive deals would be in focus.

Quarterly performance (IFRS)

Y/E March	FY20				FY21				(INR b)	
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE	FY20	FY21E
IT Services Revenue (USD m)	5,485	5,517	5,586	5,444	5,059	5,424	5,702	5,927	22,032	22,112
QoQ (%)	1.6	0.6	1.3	-2.5	-7.1	7.2	5.1	4.0	5.4	0.4
Overall Revenue (INR b)	382	390	399	399	383	401	420	432	1,569	1,637
QoQ (%)	0.4	2.1	2.3	0.2	-4.1	4.7	4.7	2.8		
YoY (%)	11.4	5.8	6.7	5.1	0.4	3.0	5.4	8.2	7.2	4.3
GPM (%)	40.5	40.8	41.4	42.0	39.4	40.9	41.6	42.3	41.2	41.1
SGA (%)	16.3	16.8	16.3	16.9	15.8	14.7	15.0	15.1	16.6	15.1
EBITDA	100	102	109	110	100	115	122	128	421	466
EBITDA Margin (%)	26.3	26.2	27.3	27.5	26.2	28.7	29.1	29.7	26.8	28.5
EBIT	92	94	100	100	90	105	112	118	386	425
EBIT Margin (%)	24.2	24.0	25.0	25.1	23.6	26.2	26.6	27.2	24.6	26.0
Other income	14	12	6	5	5	7	5	7	37	25
PBT	106	105	106	105	95	113	117	125	422	450
ETR (%)	23.4	23.5	23.0	23.0	25.8	24.8	25.4	23.5	23.2	24.8
Adj. PAT	82	81	81	81	70	85	87	96	324	338
Exceptional items	0	0	0	0	0	-10	0	0	0	-10
Reported PAT	82	81	81	81	70	75	87	96	324	328
QoQ (%)	0.0	-1.2	1.1	-0.6	-12.9	6.5	16.3	9.6		
YoY (%)	10.7	1.7	0.3	-0.7	-13.5	-6.9	7.2	18.2	2.8	1.2
EPS (INR)	21.7	21.4	21.7	21.5	18.7	19.9	23.2	25.4	86.2	87.2

Tech Mahindra**Neutral****CMP INR993 | TP: INR1085 (+9%)****EPS CHANGE (%): FY21 | 22: 0.1 | -0.9**

- Expect growth to be modest due to the absence of large deal wins.
- Expect margin to be rangebound, wage hike in Apr'21.
- Expect deal wins to accelerate going forward.
- Outlook on Telecom vertical recovery a key monitorable.

Quarterly performance**(INR b)**

Y/E March	FY20				FY21				FY20	FY21E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
Revenue (USD m)	1,247	1,287	1,353	1,295	1,208	1,265	1,309	1,343	5,182	5,125
QoQ (%)	-1.6	3.2	5.1	-4.3	-6.7	4.8	3.4	2.6	4.3	-1.1
Revenue (INR b)	87	91	97	95	91	94	96	98	369	379
YoY (%)	4.6	5.1	7.9	6.7	5.2	3.3	-0.1	3.2	6.1	2.8
GPM (%)	28.8	29.6	30.3	29.5	28.5	31.4	32.9	32.4	29.5	31.4
SGA (%)	13.6	13.0	14.1	15.3	14.2	13.3	13.3	13.0	14.0	13.4
EBITDA	13	15	16	13	13	17	19	19	57	68
EBITDA Margin (%)	15.2	16.5	16.2	14.2	14.3	18.2	19.6	19.4	15.5	17.9
EBIT	10	12	12	9	9	13	15	15	43	53
EBIT Margin (%)	11.5	12.8	12.2	10.0	10.1	14.2	15.9	15.7	11.6	14.0
Other income	3	2	3	2	4	1	2	1	10	8
ETR (%)	25.9	16.9	24.6	20.2	25.5	24.6	24.8	24.5	22.0	24.8
PAT	10	11	11	10	10	11	13	13	43	46
QoQ (%)	-15.3	17.2	2.0	-10.9	-4.8	9.5	23.0	-1.6		
YoY (%)	6.8	5.6	-4.7	-9.8	1.3	-5.3	14.3	26.2	-1.1	9.1
EPS (INR)	10.9	12.8	13.0	11.6	11.1	12.1	14.9	14.6	48.3	52.6

Wipro**Neutral****CMP INR416 | TP: INR450 (8%)****EPS CHANGE (%): FY21 | 22: -0.7 | -1.8**

- Expect WPRO's growth within the stated guidance range.
- Expect 120bp dip in margin led by a two-month impact from a wage hike.
- Expect strong deal wins during 4QFY21.
- 4QFY21 guidance and outlook on the recently acquired companies will be a key monitorable.

Quarterly performance (IFRS)**(INR b)**

Y/E March	FY20				FY21				FY20	FY21E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
IT Services Revenue (USD m)	2,039	2,048	2,095	2,074	1,922	1,992	2,071	2,150	8,255	8,135
QoQ (%)	-1.8	0.5	2.3	-1.0	-7.3	3.7	3.9	3.8	1.7	-1.5
Overall Revenue (INR b)	147	151	155	157	149	151	157	158	610	615
QoQ (%)	-1.9	2.8	2.3	1.6	-5.1	1.4	3.7	1.1		
YoY (%)	5.3	4.0	2.7	4.7	1.3	-0.1	1.3	0.8	4.2	0.8
GPM (%)	29.1	28.6	29.1	27.4	30.5	30.3	33.4	31.5	28.5	31.4
SGA (%)	13.0	11.3	12.0	11.4	13.3	11.8	12.2	11.5	11.9	12.2
EBITDA	29	32	33	32	33	35	42	40	125	149
EBITDA Margin (%)	19.6	20.9	21.0	20.5	22.1	23.0	26.6	25.3	20.5	24.3
IT Serv. EBIT (%)	18.4	18.1	18.4	17.6	19.1	19.2	21.7	20.4	18.1	20.1
EBIT Margin (%)	16.2	17.7	17.6	16.8	18.0	18.6	21.6	20.3	17.2	19.7
Other income	6	5	4	3	4	4	5	4	17	17
ETR (%)	22.4	18.3	20.0	20.9	22.1	22.5	22.1	22.5	20.2	22.3
PAT	23	26	25	23	24	25	30	28	97	106
QoQ (%)	-7.0	10.5	-3.8	-5.3	2.8	3.2	20.3	-6.4		
YoY (%)	8.9	35.1	-2.2	-6.3	3.5	-3.4	20.8	19.4	8.0	9.0
EPS (INR)	3.8	4.3	4.3	4.1	4.2	4.3	5.2	4.8	16.4	18.3

Zensar Technologies**Neutral****CMP INR275 | TP: INR290 (+5%)****EPS CHANGE (%): FY21 | 22: -0.5 | 0.2**

- Expect decline in revenue led by continued weakness in its top client.
- Margin to remain in a narrowband despite negative growth as the company has managed its cost well.
- Expect DFS business to show muted performance on project closures.
- Any change in management strategy under the new CEO would be in focus.

Quarterly performance**(INR m)**

Y/E March	FY20				FY21				FY20	FY21E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
Revenue (USD m)	147	146	138	135	125	126	123	122	566	496
QoQ (%)	-0.9	-0.9	-5.5	-2.2	-7.2	0.5	-2.4	-0.6	1.6	-12.4
Revenue (INR m)	10,244	10,277	9,819	9,763	9,485	9,364	9,065	8,902	40,102	36,816
YoY (%)	16.0	8.6	-3.9	-6.8	-7.4	-8.9	-7.7	-8.8	2.9	-8.2
GPM (%)	29.8	29.3	23.9	30.0	29.6	34.8	34.6	33.8	28.3	33.2
SGA (%)	15.2	15.4	17.1	15.4	14.6	15.4	14.1	14.2	15.7	14.6
EBITDA	1,500	1,435	672	1,429	1,418	1,818	1,863	1,745	5,037	6,843
EBITDA Margin (%)	14.6	14.0	6.8	14.6	14.9	19.4	20.6	19.6	12.6	18.6
EBIT	1,127	1,056	266	1,020	979	1,390	1,442	1,335	3,470	5,146
EBIT Margin (%)	11.0	10.3	2.7	10.5	10.3	14.8	15.9	15.0	8.7	14.0
Other income	-20	41	269	-11	28	-171	-82	-18	279	-243
ETR (%)	28.4	28.5	25.5	27.3	26.2	26.5	26.5	26.5	27.7	26.4
Adj. PAT	780	757	383	709	727	878	987	954	2,629	3,546
QoQ (%)	-10.2	-3.0	-49.4	85.4	2.6	20.7	12.3	-3.4		
YoY (%)	-6.6	-20.5	-34.8	-18.4	-6.8	16.1	157.9	34.4	-18.9	34.9
EPS (INR)	3.3	3.5	1.7	3.0	3.2	3.9	4.3	4.1	11.7	15.5

Explanation of Investment Rating	
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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