IT Services

Jul-Sep'21 Earnings Preview

October 5, 2021

Exceptionally strong quarter…

Quick Pointers:

- Ramp-up of previously signed large deals, broad-based growth and tailwinds of cloud transformation to help IT Sector post another stellar quarter.
- We expect margin performance to be mixed bag across pack without any degrades in margin guidance.
- Expect strong deal wins across pack, unlikely to be led by mega-deals but by high volume of smaller deals (USD100-300m range) leading to more profitable and predictable growth.

We estimate Q2FY22 revenue growth between 5.0%-7.4% QoQ CC (avg:5.8%) for Tier-1 and 5.5%-9.0% QoQ CC (avg: 7.1%) for Tier-2. There is cross-currency headwind of 20-90 bps due to appreciation of USD against GBP, EUR and AUD. We believe IT services companies will post a robust quarter led by 1) ramp up of large deals, 2) strong growth momentum from core verticals (BFSI, Retail) 3) broad-based growth momentum and 4) tailwinds from cloud transformation journey. We also anticipate pressure on operating margins given 1) increased level of sub-contracting caused by strong demand, 2) wage hikes, 3) high attrition and 4) investment in large deals. We believe margins will likely recover from 3Q, aided by revenue growth leverage.

We expect HCLT, INFY to lead growth in Tier-1 and MTCL in Tier-2. Infy will upgrade revenue growth guidance to 17-18% YoY CC from 14-16% earlier; Infosys started the year with revenue growth guidance of 12-14% in CC. Similarly, HCLT may give revenue growth guidance of 12-14% YoY CC from earlier commentary of double digit growth. We expect EBIT margin guidance of Infy & HCLT to remain unchanged. We expect Wipro to guide for 2-4% revenue growth for December 2021 quarter.

We believe IT sector will maintain its strong performance in FY23 given 1) sector's entry in Technology Upcycle, 2) digital becoming mainstream 3) strong order book & deal pipeline ,4) accelerated demand for cloud adoption and 5) broad based demand across all industry verticals. We expect HCLT, INFY to outperform in Tier-1 pack and hence remain as our preferred picks. TECHM continues to be attractive given relative valuation discount and higher presence in telecom capex deals which are picking up now. TCS was most aggressive in deal wins in Q2, we expect TCS also to perform better and report strong numbers. We like Mindtree, Mpahsis, Coforge in Tier-II & LTTS, Cyient in ER&D space.

- **Strong revenue growth for most of IT services companies:** 5.0%-7.4% QoQ CC (avg:5.8%) for Tier-1 and 5.5%-9.0% QoQ CC (avg: 7.1%) for Tier-2. INFY, HCLT is expected to post highest organic growth among Tier-1 and MTCL, among Tier-2. INFY will lead the growth with kicker of Daimler deal, followed by HCLT & TCS. MTCL will lead the growth in entire pack with revenue growth of 9% CC QoQ. Mpahsis direct core will post a strong growth of 7.5% QoQ USD. LTI & PSYS will also post strong revenue growth of 6%, 8.5% QoQ CC.

Exhibit 1: PL Universe

Companies	Rating	CMP (Rs)	TP (Rs)
Affle (India)	BUY	5,613	7,047
Coforge	BUY	5,338	5,496
Cyient	BUY	1,055	1,145
HCL Technologies	BUY	1,279	1,429
Infosys	BUY	1,679	1,908
L&T Infotech	BUY	5,738	5,902
L&T Tech. Serv.	BUY	4,624	4,880
Mphasis	BUY	3,089	3,690
Mindtree	BUY	4,253	4,593
Persistent Systems	BUY	3,714	3,994
Redington (India)	BUY	146	202
Sonata Software	BUY	883	936
Tata Const. Serv.	BUY	3,773	3,968
TeamLease Serv.	BUY	4,645	4,892
Tech Mahindra	BUY	1,399	1,551
Wipro	BUY	641	678
Zensar Technologies	BUY	479	496

Source: Company, PL

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TCS (9 deals), INFY (8 deals), HCLT (7 deals) have announced good number of large deals in Q2FY22 so far.

- **Strong revenue growth for Affle as well:** We expect strong revenue growth of 47.5% QoQ led by broad-based growth across CPCU, Non CPCU, India and International markets. Share of inorganic revenue (Jampp) is expected to be ~42%, even on organic basis growth will remain strong. Affle will benefit from deeper verticalization across segments, focus on vernacular and being early mover in connected TV in India. Market momentum remains with digital advertising gaining higher share of total advertising. We expect EBIT margins to decline to 17.4% in Q2FY22 (vs 19.6% in Q1FY22) due to low margin Jampp business. (contributing ~42% to revenue) Margins are expected to improve in coming quarters as profitability of Jampp improves.

- **Margins to remain muted:** We anticipate pressure on operating margins resulting in 50-250bps QoQ decline due to 1) increased level of sub-contracting resulting from strong demand, 2) wage hikes, 3) higher attrition, 4) utilization trending downwards and 4) investment in large deals. Attrition to increase for all companies. We do not expect travel, marketing events to meaningfully resume before Q3FY22. Margins to recover from 3Q aided by revenue growth leverage and easing of supply side pressures, due to aggressive hiring in previous quarters. Hiring for all companies to continue to remain strong. We believe TCS might surprise in tier-1 for margins & COFO, CYIENT, MTCL can surprise in tier-2.

- **Strong guidance for FY22E:** We expect HCLT, INFY to lead growth in Tier-1 and MTCL in Tier-2. Infy will upgrade revenue growth guidance to 17-18% YoY CC from 14-16% earlier; Infosys started the year with revenue growth guidance of 12-14% in CC. Similarly, HCLT may give revenue growth guidance of 12-14% YoY CC from earlier commentary of double digit growth. We expect EBIT margin guidance of Infy & HCLT to remain unchanged. We expect Wipro to guide for 2-4% QoQ CC revenue growth for December 2021 quarter. Mid-cap companies - Mindtree, LTI, PSYS have also guided for industry leading growth.

- **Strong deal pipeline across pack**: We anticipate higher number of mid-sized deals with faster implementation cycle. TCS (9 deals), INFY (8 deals), HCLT (7 deals) have announced good number of large deals in Q2FY22 so far. Most of these deals are in cloud led digital transformation, customer experience and workplace transformation. We note that though mega deals have not been closed this year, volume of digital mid-sized deals has increased resulting in stable deal TCV. We expect TCS, INFY and HCLT to report strong deal TCV led by continued momentum in deal wins. Demand for short duration, mid-sized digital deals has led to improvement in participation from mid-tier IT companies as well.

- **Upgrade in HCLT, Mindtree, Zensar, LTI target price**:

- We have upgraded **HCLT** TP to 1429 (earlier: 1239), led by increase in revenue growth estimates by 4.5%/5.9% for FY23/24E and upgrade in long-term growth estimates. We believe that sustained strong deal momentum, exposure to fast growing ER&D space and ability to cater to apps+infra large deals will enable HCLT to drive strong growth in the current cloud led Tech Upcycle. HCLT is currently trading at 21.3x/18.9x on FY23/34 EPS of 60/67.8 with Revenue/EPS CAGR of 13.3%/14% over FY21-24E.

- **Mindtree** is expected to have highest organic growth rate (26.4% in FY22) among peers plus slight expansion in margins YoY despite supply side pressures. Given Mindtree's strong deal win momentum, cloud capabilities and cloud revenue multiplier strategy and focus on next gen growth areas, we have upgraded its long-term growth rates leading to upgrade in stock price TP 4593 (earlier: 3450). MTCL trades at 38.4x/32.4x on FY23/24 EPS of 110.7/131.3 with Revenue/EPS CAGR of 19%/25% over FY21-24E.

- We believe **LTI** will maintain its growth leadership in the long term given its strong F-500 client base, growth in top accounts to bounce back aggressively & the right hard steps taken for handling the talent war. We have raised LTI's TP to 5902 (earlier: 5416) led by increase revenue estimates by ~3% each in FY23/24 and upgrade in long term revenue growth estimates. LTI is currently trading at 38.5x/34.2x on FY23/24 EPS of 148.9/167.8 with Revenue/EPS CAGR of 16.9%/14.3% over FY21-24E.

- We have increased **Zensar's** EPS estimates by 5.9%/4.8% led by increase in revenue estimates by 5%/4.7% for FY23/24 to account for early integration of Encore acquisition and comeback of revenue growth momentum in the company. We have raised target multiple to 20x (earlier: 18x) as we believe that refresh in GTM strategy and investments in leadership hires (from Tier 1 and Global peers) are steps in right direction for sustainable and profitable growth. We arrive at TP of 496 (earlier: 424) and stock is currently trading at 21x/18x on FY23/24 EPS of 22.9/26.7 with Revenue/EPS CAGR of 15.5%/14.6% over FY21-24E

Exhibit 2: Q2FY22 Estimates…

Q2FY22	USD Revenue growth QoQ	USD Revenue growth YoY	CC revenue growth QoQ	EBIT Margins	QoQ Bps	YoY Bps	EPS Growth QoQ	EPS Growth YoY
TCS	4.7%	18.8%	5.5%	25.8%	*24 bps*	*-44 bps*	7.0%	15.7%
Infosys	4.8%	19.7%	5.6%	22.5%	*-116 bps*	*-284 bps*	5.0%	12.6%
Wipro*	6.6%	28.1%	7.4%	17.4%	*-99 bps*	*-111 bps*	-5.4%	29.3%
HCL Tech	4.5%	13.3%	5.5%	19.5%	*-9 bps*	*-210 bps*	3.6%	6.0%
TechM	4.2%	13.9%	5.0%	15.0%	*-15 bps*	*79 bps*	-1.3%	24.8%
Average Tier-I	**4.9%**	**18.8%**	**5.8%**	**20.0%**	***-43 bps***	***-114 bps***	**1.8%**	**17.7%**
LTI	5.5%	22.6%	6.0%	17.3%	*89 bps*	*-257 bps*	4.1%	13.4%
Mphasis	5.8%	17.3%	6.5%	16.5%	*63 bps*	*39 bps*	5.8%	20.4%
Mindtree	8.3%	28.7%	9.0%	15.7%	*-198 bps*	*-156 bps*	56.5%	32.6%
Coforge*	7.8%	38.9%	8.5%	13.4%	*256 bps*	*-39 bps*	35.9%	39.2%
LTTS	5.0%	21.3%	5.5%	17.3%	*3 bps*	*359 bps*	7.5%	40.0%
CYIENT	5.2%	11.8%	5.7%	13.7%	*57 bps*	*269 bps*	14.9%	58.7%
Persistent	8.0%	32.4%	8.5%	12.5%	*-104 bps*	*41 bps*	6.7%	51.2%
Average Tier-II	**6.5%**	**24.7%**	**7.1%**	**15.2%**	***24 bps***	***37 bps***	**18.8%**	**36.5%**
Overall Average	**5.9%**	**22.2%**	**6.6%**	**17.2%**	***-4 bps***	***-26 bps***	**11.7%**	**28.7%**

Source: Company, PL, Note: Wipro & Coforge's organic revenue growth is 4.3%/4.4% QoQ USD respectively

Major global currencies have depreciated vs USD (EUR: -1.1%, GBP: -0.69%, AUD: -2.3%), implying cross-currency headwind of 20-90 bps for Q2FY22.

We have assumed USD-INR rate of 74.1 (-0.2% QoQ) for Q2FY22

Exhibit 3: Cross Currency headwinds of 20-90 bps

Company	USD	CC	Currency Impact (-)
TCS	4.7%	5.5%	80bps
Infosys	4.8%	5.6%	80bps
Wipro	6.6%	7.4%	80bps
HCL Tech	4.5%	5.5%	100bps
TechM	4.2%	5.0%	80bps
LTI	5.5%	6.0%	50bps
Mphasis	5.8%	6.5%	70bps
Mindtree	8.3%	9.0%	70bps
Coforge	7.8%	8.5%	70bps
LTTS	5.0%	5.5%	50bps
CYIENT	5.2%	5.7%	50bps
Persistent	8.0%	8.0%	50bps

Source: Company, PL

QoQ currency movement in Q2FY22

Exhibit 4: Depreciation of currencies against the US Dollar

	INR/USD	USD/GBP	USD/EUR	USD/AUD	JPY/USD
Jun-21	73.93	1.39	1.19	0.75	109.73
Sep-21	74.08	1.38	1.18	0.74	110.01
Appr/ (Depr) (%)	-0.20	-0.69	-1.10	-2.30	-0.26

Source: PL

Exhibit 5: Appreciation of the Rupee against other currencies

	INR/USD	INR/GBP	INR/EUR	INR/AUD	JPY/INR
Jun-21	73.93	102.68	88.18	55.71	1.48
Sep-21	74.08	102.20	87.41	54.52	1.49
Appr/ (Depr) (%)	-0.20	0.47	0.88	2.15	-0.03

Source: PL

YoY currency movement in Q2FY22

Exhibit 6: Depreciation of currencies against the US Dollar

	INR/USD	USD/GBP	USD/EUR	USD/AUD	JPY/USD
Sep-20	74.37	1.29	1.17	0.72	106.14
Sep-21	74.08	1.38	1.18	0.74	110.01
Appr/ (Depr) (%)	0.39	6.76	0.86	2.85	-3.65

Source: PL

Exhibit 7: Appreciation of the Rupee against other currencies

	INR/USD	INR/GBP	INR/EUR	INR/AUD	JPY/INR
Sep-20	74.4	96.0	86.9	53.2	1.4
Sep-21	74.1	102.2	87.4	54.5	1.5
Appr/ (Depr) (%)	0.39	-6.43	-0.56	-2.53	-4.06

Source: PL

Exhibit 8: Q2FY22 Preview

Company	Q2FY22	Q1FY22	QoQ gr.	Q2FY21	YoY gr.	Comments
TCS (8th Oct)						
Revenues (US$ mn)	6,443	6,154	*4.7%*	5,424	*18.8%*	We expect robust growth of 5.5% CC, 4.7% QoQ USD growth driven by 1) ramp up of strong order book of previous quarters, 2) rebound in India business post sharp decline in Q1FY22, 3) market share gains, 4) aggressive client spends in digital smaller duration deals.
Revenues	4,77,453	4,54,110	*5.1%*	4,01,350	*19.0%*	
EBITDA	1,30,249	1,21,580	*7.1%*	1,15,130	*13.1%*	TCS continued to have strong deal momentum with TCV of 8.1$ Bn in 1QFY22, +17.3% YoY. We expect similar deal TCV in Q2FY22 as well.
EBITDA margin (%)	27.3%	26.8%	*51 bps*	28.7%	*-141 bps*	TCS rolled out wage hike in 1QFY22 starting 1st April 2021. We expect margin to increase slightly by 50bps QoQ as headwinds of higher wages, higher retention and higher hiring costs to backfill attrition will be offset by revenue growth leverage and pyramid optimization.
EBIT margin (%)	25.8%	25.5%	*24 bps*	26.2%	*-44 bps*	
Adjusted net profit	96,385	90,080	*7.0%*	84,330	*14.3%*	We expect investor to focus on 1) Demand trend across verticals 2) ramp up timeline of large deals, 3) Update on pricing , 4) large deal pipeline and reasons for lack of mega deals, 5) Supply side issues, hiring trends, wage hikes & its impact on margins ahead 6) recovery in India business
EPS	26.0	24.3	*7.0%*	22.5	*15.7%*	
Infosys (13th Oct)						
Revenues (US$ mn)	3,963	3,782	*4.8%*	3,312	*19.7%*	We expect strong growth of 5.6% QoQ CC growth which will be led by 1) ramp up of Daimler deal, 2) Strong broad-based growth across verticals, and 3) seasonal strength
Revenues	2,93,679	2,78,960	*5.3%*	2,45,700	*19.5%*	We expect margins to decline by 116bps QoQ driven by 1) impact of transition costs of Daimler deal, 2) wage hike for most junior and mid-level employees in Q2FY22, 3) decline in employee utilization rate and 4) higher subcontracting costs
EBITDA	74,007	74,320	*-0.4%*	70,830	*4.5%*	
EBITDA margin (%)	25.2%	26.6%	*-144 bps*	28.8%	*-363 bps*	We expect Infy to upgrade FY22 revenue guidance 17-18% YoY CC from 14-16% given earlier. We anticipate EBIT margin guidance of 22-24% to remain unchanged.
EBIT margin (%)	22.5%	23.7%	*-116 bps*	25.3%	*-284 bps*	We expect deal momentum to continue with deal TCV of around ~USD 2.5 bn.
Adjusted net profit	54,561	51,950	*5.0%*	48,450	*12.6%*	We expect investor to focus on 1) Execution time of large deals 2) impact on margins due to ramp up of Daimler deal, 3) Update on pricing , 4) Guidance, 5) duration of supply side pressures and impact on margins
EPS	12.8	12.2	*5.0%*	11.4	*12.6%*	
HCLT (14th Oct)						
Revenues (US$ mn)	2,841	2,720	*4.5%*	2,507	*13.3%*	We expect robust revenue growth of 5.5% CC QoQ driven by ramp up of large deals won in Q4FY21. We expect growth to pick up post subdued growth in last two quarters.
Revenues	2,10,498	2,00,680	*4.9%*	1,85,940	*13.2%*	
EBITDA	50,520	49,080	*2.9%*	45,660	*10.6%*	We expect EBIT margin to stay stable 19.5% in 2QFY22.
EBITDA margin (%)	24%	24%	*-46 bps*	27%	*-263 bps*	We expect HCLT to give revenue guidance number of 12-14% YoY CC compared to double digit guidance commentary earlier
EBIT margin (%)	19.5%	19.6%	*-9 bps*	21.6%	*-210 bps*	We expect investor to focus on 1) large deal wins 2) Revenue & Margin outlook of product business, 3) Update on pricing , 4) timeline of investments in geographical presence and their impact on revenue growth, 5) Capital allocation, 6) Attrition rates
Adjusted net profit	33,304	32,150	*3.6%*	40,160	*-17.1%*	
EPS	12.3	11.8	*3.6%*	11.6	*6.0%*	

Company	Q2FY22	Q1FY22	QoQ gr.	Q2FY21	YoY gr.	Comments
Wipro (13th Oct)						
IT Revenue (US$ m)	2,573	2,415	*6.6%*	1,992	*29.2%*	We expect a strong IT services revenue growth of 7.4% CC QoQ above guided range of 5-7% CC QoQ driven by i) inorganic revenue contribution from Capco for the full quarter and ii) ramp up of deals won in previous quarters. We expect IT services organic revenue growth of 4.3% in USD terms and Capo to contribute ~US$216 mn.
Consolidated Revenue (US$ m)	2,618	2,456	*6.6%*	2,044	*28.1%*	
Revenues	1,93,998	1,82,524	*6.3%*	1,51,145	*28.4%*	
EBITDA	41,630	41,817	*-0.4%*	34,555	*20.5%*	We expect margin to decline by ~100bps QoQ due to 1) amortization charge because of Capco acquisition, 2) wage hike given for junior employees from 1st Sep 2021, 3) full quarter impact of wage hike of senior leaders, 4) decline in utilization rate.
EBITDA margin (%)	21.5%	22.9%	*-145 bps*	22.9%	*-140 bps*	
EBIT	33,756	33,560	*0.6%*	27,975	*20.7%*	We expect Wipro to guide for 2-4% QoQ CC revenue growth for Q3FY22 aided by scaling up Capco business and addition of revenue from Ampion acquisition.
EBIT margin (%)	17.4%	18.4%	*-99 bps*	18.5%	*-111 bps*	
Adjusted net profit	30,642	32,375	*-5.4%*	24,843	*23.3%*	We expect investor to focus on 1) Commentary on revenue growth accelerating to levels of larger peers 2) Execution of past large deal, 2) growth in large accounts , 3) Commentary of large deal pipeline, 5) measures to tackle supply side challenges and defend margins
EPS	5.6	5.9	*-5.4%*	4.3	*29.3%*	
Tech M (25th Oct)						
Revenues (US$ mn)	1,442	1,384	*4.2%*	1,265	*13.9%*	We forecast strong sequential revenue growth of 5% CC QoQ. Multiple acquisitions including DigitalOnUs and Eventus Solutions will aid revenue growth in this quarter.
Revenues	1,06,831	1,01,976	*4.8%*	93,718	*14.0%*	
EBITDA	20,298	18,764	*8.2%*	17,030	*19.2%*	We expect margin to slightly decline by 15 bps QoQ driven by lower utilization due to increased hiring and retention costs.
EBITDA margin (%)	19.0%	18.4%	*60 bps*	18.2%	*83 bps*	We expect net-new TCV to be above USD ~600 mn. Deal pipeline is expected to be robust and deal win momentum will continue.
EBIT margin (%)	15.0%	15.2%	*-15 bps*	14.2%	*79 bps*	
Adjusted net profit	13,350	13,532	*-1.3%*	10,646	*25.4%*	We expect investor to focus on 1) Commentary on communication and 5G demand, 3) Measures to sustain margins above 15% guidance range 4) Attrition rates, 5) Conversion of TCV, 6) Capital Allocation
EPS	15.1	15.3	*-1.3%*	12.1	*24.8%*	
Mindtree (13th Oct)						
Revenues (US$ mn)	336	311	*8.3%*	261	*28.7%*	We expect very strong sequential revenue growth of 9% QoQ CC led by broad-based recovery across verticals & service lines, ramp up of large deals, success in mining large clients and market share gains
Revenues	24,916	22,917	*8.7%*	19,260	*29.4%*	
EBITDA	4,305	4,652	*-7.5%*	3,447	*24.9%*	We expect margins to decline by 198bps QoQ due to supply side pressures - higher cost of hiring lateral talent to backfill attrition and higher retention costs.
EBITDA margin (%)	17.8%	20.3%	*-247 bps*	20.3%	*-246 bps*	
EBIT margin (%)	15.7%	17.7%	*-198 bps*	17.3%	*-156 bps*	TCV to remain strong YoY basis and stable as compared to previous quarter
Adjusted net profit	3,229	3,434	*-6.0%*	2,433	*32.7%*	We expect investor to focus on 1) Growth outlook of top client , 2) measures to sustain EBITDA margin above 20%, 3) management strategy for next 2 years , 4) Outlook on T10 accounts and pricing & renewal of contracts 5) Recovery of travel vertical, 6) attrition rates
EPS	19.6	12.5	*56.5%*	15	*32.6%*	

Company	Q2FY22	Q1FY22	*QoQ gr.*	Q2FY21	*YoY gr.*	Comments
Mphasis (21st Oct)						
Revenues (US$ mn)	384	363	*5.8%*	327	*17.3%*	We expect robust revenue growth of 6.5% CC, 5.8% USD QoQ led by 7.5% USD QoQ growth in direct core & 10% QoQ USD decline in DXC.
Revenues	28,606	26,909	*6.3%*	24,354	*17.5%*	We expect EBIT margins to increase by ~63bps QoQ aided by revenue growth leverage.
EBITDA	5,341	4,895	*9.1%*	4,524	*18.0%*	DXC revenues will continue to decline and direct core business will continue to improve.
EBITDA margin (%)	19%	18%	*48 bps*	19%	*9 bps*	Last quarter TCV was all-time high aided by 10-year USD 250 mn deal from UK BFSI client. This quarter we expect deal TCV to normalize.
EBIT margin (%)	16.5%	15.9%	*63 bps*	16.1%	*39 bps*	
Adjusted net profit	3,645	3,397	*7.3%*	2,992	*21.8%*	We expect investor to focus on 1) Conversion of large deal pipeline, 2) Revenue outlook from DXC, 3) Growth outlook of top 10 clients, 4) Margin levers and supply side pressure given ongoing talent war
EPS	19.2	18.2	*5.8%*	16.0	*20.4%*	
Zensar (26th Oct)						
Revenues (US$ mn)	139	127	*9.1%*	126	*10.3%*	Revenue growth is expected to be broad-based across verticals, geos and service lines. Organic growth is expected to be lesser around ~3% QoQ on top of high growth of 5.8% in last quarter. Inorganic revenues from M3bi will get added this quarter for 2.5 months. Revenue run-rate of M3bi has been higher than that of CY20 revenues of USD 26.75 mn.
Revenues	10,411	9,368	*11.1%*	9,364	*11.2%*	
EBITDA	1,562	1,726	*-9.5%*	1,817	*-14.1%*	
EBITDA margin (%)	15.0%	18.4%	*-342 bps*	19.4%	*-440 bps*	Significant impact on margins in Q2FY22 due to 1) very high attrition, 2) replacement at higher cost, 3) higher than normal wage hike rollout in Q2FY22, 4) investments for growth, 5) subcontracting cost has gone up as new visa issuance is closed in US
EBIT margin (%)	11%	14%	*-338 bps*	15%	*-434 bps*	
Adjusted net profit	757	1,010	*-25.1%*	878	*-13.8%*	Margins is expected to recover by FY23 due to pyramid optimization, reduction of sub-contracting costs (as visa issuance opens up), and revenue growth leverage
EPS	3.4	4.6	*-25.3%*	4.0	*-14.4%*	New leadership hires have helped in opening up good amount of new logos. Couple of logos have given revenue in this current quarter.
Coforge (Date not declared)						
Revenues (US$ mn)	215	200	*7.8%*	155	*38.9%*	We expect strong revenue growth of 8.5% QoQ CC, 7.8% QoQ USD led by 4.4% QoQ USD growth in organic business and full quarter contribution of USD 22 mn contribution from SLK acquisitions.
Revenues	15,945	14,616	*9.1%*	11,537	*38.2%*	
EBITDA	2,770	2,104	*31.7%*	2,048	*35.3%*	Deal win momentum to sustain and we expect TCV to be above 200mn. Coforge is poised to show strong deal momentum in FY22.
EBITDA margin (%)	17.4%	14.4%	*298 bps*	17.8%	*-38 bps*	
EBIT margin (%)	13.4%	10.8%	*256 bps*	*13.8%*	*-39 bps*	
Adjusted net profit	1,680	1,236	*35.9%*	1,207	*39.2%*	We expect EBIT margin to increase by 256bps QoQ as headwinds from supply side pressures will be partially offset by i) reversal of discounts given to Travel clients, ii) potential improvement in offshoring, iii) revenue growth leverage and iv) better IP margins
EPS	27.7	20.4	*35.9%*	19.9	*39.2%*	

Company	Q2FY22	Q1FY22	QoQ gr.	Q2FY21	YoY gr.	Comments
LTTS (19th Oct)						
Revenues (US$ mn)	216	206	*5.0%*	178	*21.3%*	We anticipate strong revenue growth of 5.5% QoQ CC which will be led by ramp up of large deals, increased ER&D spending and continued recovery in transportation & telecom & hi-tech vertical.
Revenues	15,983	15,184	*5.3%*	13,138	*21.7%*	
EBITDA	3,276	3,177	*3.1%*	2,328	*40.7%*	
EBITDA margin (%)	20.5%	20.9%	*-42 bps*	17.7%	*278 bps*	We expect EBIT margin to be stable at 17.3% as supply side headwinds will be offset from revenue growth leverage
EBIT margin (%)	17.3%	17.3%	*3 bps*	13.7%	*359 bps*	
Adjusted net profit	2,329	2,170	*7.3%*	2,170	*7.3%*	We believe that there will be upgrade to FY22 revenue growth guidance of 16-18% from earlier 15-17% given robust broad-based deal pipeline and improved focus on winning large deals.
EPS	22.0	20.4	*7.5%*	15.7	*40.0%*	
Cyient (14th Oct)						
Revenues (US$ mn)	151	144	*5.2%*	135	*11.8%*	Overall revenue is expected to grow by 5.7% QoQ CC led by growth of 5-6% in Services business and soft growth in DLM business of ~1-2% QoQ USD. DLM is expected to show strong performance in 2HFY22.
Revenues	11,171	10,582	*5.6%*	10,033	*11.3%*	
EBITDA	2,033	1,879	*8.2%*	1,589	*27.9%*	
EBITDA margin (%)	18.2%	17.8%	*44 bps*	15.8%	*236 bps*	
EBIT margin (%)	13.7%	13.1%	*57 bps*	11.0%	*269 bps*	We expect EBIT margin to slightly improve by 57bps QoQ led by better business mix
Adjusted net profit	1,323	1,151	*14.9%*	867	*52.6%*	
EPS	12.1	10.5	*14.9%*	7.6	*58.7%*	Tax rate is expected to be 25-26%
Persistent (26th Oct)						
Revenues (US$ mn)	180	167	*8.0%*	136	*32.4%*	We anticipate very strong growth of 8.5% QoQ CC led by strong broad-based growth in services.
Revenues	13,331	12,299	*8.4%*	10,077	*32.3%*	
EBITDA	2,066	2,015	*2.5%*	1,658	*24.6%*	
EBITDA margin (%)	15.5%	16.4%	*-88 bps*	16.4%	*-95 bps*	We expect margins to decline by 104 bps QoQ due to headwinds from supply side constraints such as hiring, wage hike, higher attrition.
EBIT margin (%)	12.5%	13.5%	*-104 bps*	12.1%	*41 bps*	
Adjusted net profit	1,614	1,512	*6.7%*	1,020	*58.2%*	We expect investors to focus on medium term growth and margin outlook
EPS	20.2	18.9	*6.7%*	13.3	*51.2%*	
LTI (18th Oct)						
Revenues (US$ mn)	496	470	*5.5%*	405	*22.6%*	We expect robust growth of 6% QoQ CC growth led by full ramp up of large deals, strong demand from existing top accounts and market share gains
Revenues	36,758	34,625	*6.2%*	29,984	*22.6%*	
EBITDA	7,278	6,478	*12.4%*	6,856	*6.2%*	
EBITDA margin (%)	19.8	18.7	*109 bps*	22.9	*-307 bps*	
EBIT margin (%)	17.3	16.4	*89 bps*	19.9	*-257 bps*	EBIT margin is expected to increase by ~89 bps QoQ led by revenue growth leverage. Margins declined last quarter due to advancement of wage hike from Sept quarter to June quarter.
Adjusted net profit	5,219	4,969	*5.0%*	4,568	*14.3%*	
EPS	29.4	28.3	*4.1%*	26.0	*13.4%*	
Sonata Software (19th Oct)						
IT services Revenues (USD mn)	48	45	*8.0%*	39	*23.2%*	We expect International IT Services to grow at 8% QoQ USD led by strong organic growth of 3.5% QoQ USD and inorganic growth from Encore acquisition to contribute 4% to revenue. Domestic products business is expected to decline 12.5% QoQ USD in Q2FY22 due to weak seasonal nature of business.
Domestic Products (USD mn)	102	130	*-21.3%*	71	*44.3%*	
Consolidated Revenues (US$mn)	150	174	*-13.8%*	110	*36.8%*	
Consolidated Revenues (INR mn)	11,126	12,685	*-12.3%*	8,038	*38.4%*	
EBITDA	1,117	1,010	*10.7%*	873	*28.0%*	
EBITDA margin (%)	10.0%	8.0%	*208 bps*	10.9%	*-82 bps*	
Adjusted net profit	798	867	*-8.0%*	572	*39.6%*	Consolidated EBITDA margin is expect to be 10% due to favorable business mix (increase in share of IITS revenue)
EPS	7.7	8.3	*-8.0%*	5.5	*39.4%*	
TeamLease (Date not declared)						
Revenues (Rs mn)	14,663	13,768	*6.5%*	11,291	*29.9%*	We expect Teamlease to post a strong quarter with +6.5% QoQ INR growth in revenue, led by strong growth in core staffing. The growth is led by a gradual opening up of the economy and a strong recovery in NETAP additions (Manufacturing).
EBITDA	367	295	*24.2%*	230	*59.4%*	
EBITDA margin (%)	2.5	2.1	*36 bps*	2.0	*46 bps*	
Adjusted net profit	315	271	*16.4%*	216	*0 bps*	The EBITDA margin is expected to improve by 36bps QoQ to 2.5%, led by higher productivity, improving business mix (high-margin specialized staffing) and cost control initiatives.
EPS	18.4	15.8	*16.4%*	10.9	*69.2%*	

Company	Q2FY22	Q1FY22	QoQ gr.	Q2FY21	YoY gr.	Comments
Redington (Date not declared)						
Revenues (US$ mn)	2,146	1,824	*17.6%*	1,850	*16.0%*	We expect Redington's INR revenue growth of 15.4% YoY. We expect strong growth in IT consumer followed by IT Enterprise and Mobility business. We expect EBIT margin to be stable at 2.3%
Revenues	1,58,780	1,34,541	*18.0%*	1,37,639	*15.4%*	
EBITDA	3,970	3442.8	*15.3%*	2888.4	*37.4%*	
EBITDA margin (%)	2.5%	2.6%	*-6 bps*	2.1%	*40 bps*	
EBIT margin (%)	2.3%	2.3%	*-5 bps*	1.8%	*41 bps*	
Adjusted net profit	2,634	2,367	*11.3%*	1,758	*49.8%*	
EPS	3.4	3.0	*11.3%*	2.3	*49.3%*	
Affle (Date not declared)						
Revenues (INR mn)	2249	1525	*47.5%*	1350	*66.6%*	We expect strong INR revenue growth of 47.5% QoQ led by broad-based growth across CPCU, Non CPCU, India and International markets. Share of inorganic revenue (Jampp) is expected to be ~42%, organic revenue growth will also remain strong. Affle will benefit from deeper verticalization across segments, followed by focus on vernacular, early mover in connected TV in India. Market momentum remains towards digital advertising.
EBITDA (INR mn)	450	351	*28.3%*	345	*30.4%*	
EBITDA margin (%)	20%	23%	*-299 bps*	25.2%	*-517 bps*	
EBIT margin (%)	17.4%	19.6%	*-223 bps*	21.8%	*-441 bps*	
Adjusted net profit	337	357	*-5.8%*	*269*	*25.2%*	We expect margins to decline in Q2FY22 due to low margin Jampp business. (contributing ~42% to revenue) Margins are expected to improve in coming quarters as profitability of Jampp improves.
EPS	12.64	13.68	*-7.6%*	10.58	*19.5%*	

Source: Company, PL

Exhibit 9: Infy & Wipro among Tier 1 and Coforge, Mindtree & Persistent among Tier 2 led sequential growth

QoQ Growth (USD)	Q2FY20	Q3FY20	Q4FY20	Q1FY21	Q2FY21	Q3FY21	Q4FY21	Q1FY22
Infosys	2.5%	1.0%	-1.4%	-2.4%	6.1%	6.2%	2.8%	4.7%
TCS	0.6%	1.3%	-2.5%	-7.1%	7.2%	5.1%	5.0%	2.8%
Wipro	0.5%	2.2%	-1.0%	-7.3%	3.7%	3.9%	3.9%	12.2%
HCL Tech	5.2%	2.3%	0.0%	-7.4%	6.4%	4.4%	3.0%	0.9%
Tech M	3.2%	5.1%	-4.3%	-6.8%	4.8%	3.4%	1.6%	4.1%
Tier 1 IT (Top-5)	***2.0%***	***1.9%***	***-1.8%***	***-6.1%***	***6.1%***	***4.9%***	***3.7%***	***4.3%***
LTI	2.0%	8.4%	3.9%	-4.8%	3.6%	5.8%	4.6%	5.1%
Mindtree	2.6%	1.5%	1.2%	-9.1%	3.2%	4.9%	5.1%	7.7%
Mphasis	2.6%	4.3%	0.6%	-4.5%	7.2%	2.0%	2.5%	6.0%
Coforge	7.3%	1.7%	2.3%	-9.4%	10.5%	3.8%	7.0%	16.0%
Persistent	4.9%	3.1%	-1.8%	3.1%	3.9%	7.4%	4.6%	9.2%
Tier 2 IT services	***3.9%***	***3.8%***	***1.2%***	***-4.9%***	***5.7%***	***4.8%***	***4.8%***	***8.8%***
LTTS	2.1%	0.7%	-2.0%	-12.5%	4.1%	6.8%	3.9%	4.2%
Cyient	4.9%	-5.5%	-3.9%	-12.5%	3.4%	4.7%	6.0%	-4.3%

Source: Company, PL, Note: Wipro / Coforge posted organic growth of 5.0% / 7.6% QoQ USD in Q1FY22

Exhibit 10: Strong YoY USD revenue growth across IT services companies

YoY Growth (USD)	Q2FY20	Q3FY20	Q4FY20	Q1FY21	Q2FY21	Q3FY21	Q4FY21	Q1FY22
Infosys	9.9%	8.6%	4.5%	-0.32%	3.18%	8.42%	13.01%	21.18%
TCS	5.8%	6.4%	0.9%	-7.77%	-1.69%	2.08%	10.01%	21.64%
Wipro	2.0%	2.4%	-0.1%	-5.73%	-2.76%	-1.14%	3.80%	25.65%
HCL Tech	18.4%	15.6%	11.6%	-0.34%	0.84%	2.89%	6.01%	15.46%
Tech M	5.7%	7.3%	2.1%	-3.22%	-1.69%	-3.27%	2.70%	14.63%
Total (Top-5)	***8.1%***	***7.8%***	***3.4%***	***-4.21%***	***-0.33%***	***2.66%***	***8.44%***	***20.42%***
LTI	10.7%	13.7%	15.9%	9.5%	11.2%	8.5%	9.1%	20.5%
Mindtree	10.0%	9.4%	6.3%	-4.2%	-3.6%	-0.4%	3.5%	22.6%
Mphasis	10.6%	12.4%	9.7%	2.9%	7.4%	5.1%	7.0%	18.8%
LTTS	11.7%	7.3%	2.1%	-11.8%	-10.1%	-4.6%	1.1%	20.3%
Coforge	12.5%	12.2%	12.2%	-5.7%	2.4%	3.9%	11.2%	42.4%
Persistent	6.2%	7.1%	7.4%	9.5%	8.4%	12.9%	20.3%	27.3%
Cyient	-2.8%	-6.0%	-9.7%	-16.6%	-17.8%	-8.9%	0.5%	9.9%

Source: Company, PL, Note: Wipro / Coforge posted organic growth of 17.6% / 32.3% YoY USD in Q1FY22

Exhibit 11: Sequential CC revenue growth led by Wipro & Infy (among Tier 1) and Mindtree & Coforge (among Tier 2)

QoQ constant currency revenue growth (%)	Q2FY20	Q3FY20	Q4FY20	Q1FY21	Q2FY21	Q3FY21	Q4FY21	Q1FY22
TCS	3.3%	1.0%	-1.2%	-6.3%	4.8%	4.1%	4.2%	2.4%
Infosys	1.5%	0.3%	-0.8%	-2.0%	4.0%	5.3%	2.0%	4.8%
Wipro	1.1%	1.8%	0.4%	-7.5%	2.0%	3.4%	3.0%	12.0%
HCL Tech	6.0%	2.1%	0.8%	-7.2%	4.5%	4.4%	2.5%	0.7%
Tech Mahindra	4.1%	4.1%	-3.3%	-6.3%	2.9%	2.8%	0.7%	3.9%
LTI	2.4%	8.3%	4.7%	-4.7%	2.3%	5.3%	4.4%	4.8%
Mphasis	3.1%	4.0%	1.5%	0.0%	0.0%	0.0%	2.0%	6.0%
Mindtree	3.2%	1.0%	1.9%	3.8%	6.7%	4.3%	5.0%	7.6%
Coforge	4.1%	2.0%	3.0%	-6.8%	8.1%	3.3%	5.1%	7.0%
LTTS	27.5%	28.2%	4.3%	4.3%	4.3%	4.3%	4.3%	4.3%

Source: Company, PL, Note: Wipro / Coforge posted organic growth of 4.9% / 7% QoQ CC in Q1FY22

Exhibit 12: Strong YoY CC revenue performance across the pack

YoY constant currency revenue growth (%)	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21	Q2FY21	Q3FY21	Q4FY21	Q1FY22
TCS	10.6%	8.4%	6.8%	6.8%	3.0%	-3.2%	0.4%	5.9%	16.4%
Infosys	12.4%	11.4%	9.5%	6.4%	1.5%	2.2%	6.6%	9.6%	16.9%
Wipro	5.6%	3.8%	3.2%	2.6%	-4.4%	-3.4%	-2.0%	0.5%	21.7%
HCL Tech	17.1%	20.5%	16.4%	13.5%	1.0%	-0.4%	1.1%	2.6%	11.7%
LTI	12.9%	11.9%	14.2%	17.4%	10.6%	10.5%	7.4%	7.1%	17.8%
Mphasis	11.5%	11.6%	12.6%	11.1%	3.8%	6.7%	4.3%	4.9%	16.3%
LTTS	15.2%	11.9%	7.5%	3.4%	-10.9%	-10.6%	-5.2%	-0.6%	18.6%

Source: Company, PL

Exhibit 13: Strong growth in BFSI for Wipro (led by Capco acquisition) and Infy

QoQ USD BFSI Growth	Q2FY20	Q3FY20	Q4FY20	Q1FY21	Q2FY21	Q3FY21	Q4FY21	Q1FY22
Infosys	4.2%	-0.2%	-2.0%	-1.8%	7.8%	9.8%	2.4%	4.7%
TCS	1.2%	-0.7%	-4.8%	-2.1%	9.3%	3.1%	8.1%	3.7%
Wipro	-0.4%	0.9%	-2.6%	-6.4%	5.4%	1.6%	3.9%	22.8%
HCLT	16.0%	-1.3%	-2.3%	-1.7%	5.0%	1.1%	4.0%	3.2%
Tech M	4.8%	6.7%	10.9%	-4.2%	9.4%	0.9%	4.1%	4.1%
Total (Top-5)	**3.6%**	**-0.1%**	**-2.7%**	**-2.7%**	**7.7%**	**4.2%**	**5.2%**	**6.7%**

Source: Company, PL

Exhibit 14: Strong growth in Retail for Wipro and Infy

QoQ USD Retail Growth	Q2FY20	Q3FY20	Q4FY20	Q1FY21	Q2FY21	Q3FY21	Q4FY21	Q1FY22
Infosys	-1.4%	1.7%	-0.1%	-9.9%	10.6%	4.7%	3.5%	6.1%
TCS	-0.8%	4.0%	-1.3%	-15.5%	11.8%	4.4%	5.0%	4.9%
Wipro	3.1%	8.0%	-1.6%	-12.3%	5.6%	5.2%	7.7%	14.2%
HCLT	10.7%	5.4%	-1.0%	-9.2%	10.7%	5.4%	-0.9%	-0.1%
Tech M	16.5%	8.1%	-3.0%	-6.5%	7.4%	8.9%	-1.0%	4.1%
Total (Top-5)	**1.7%**	**4.5%**	**-1.1%**	**-12.4%**	**10.1%**	**5.0%**	**4.0%**	**6.1%**

Source: Company, PL

Exhibit 15: Sustained strong recovery in Manufacturing for TCS, Infy and TechM

QoQ Growth	Q2FY20	Q3FY20	Q4FY20	Q1FY21	Q2FY21	Q3FY21	Q4FY21	Q1FY22
Infosys	7.9%	3.0%	-3.3%	-8.2%	1.7%	8.5%	6.1%	5.8%
TCS	0.6%	3.3%	-1.6%	-10.8%	3.9%	7.4%	5.0%	4.9%
Wipro	1.5%	-0.7%	1.4%	-4.7%	-0.6%	4.9%	-1.1%	-0.6%
HCLT	4.6%	8.0%	-1.0%	-19.0%	4.1%	6.8%	0.7%	-2.0%
Tech M	-4.2%	1.0%	-2.1%	-11.3%	0.3%	4.7%	2.2%	4.7%
Total (Top-5)	**2.3%**	**3.3%**	**-1.1%**	**-11.2%**	**2.1%**	**6.6%**	**3.1%**	**2.7%**

Source: Company, PL

Exhibit 16: Growth in Communications vertical led by Wipro & Infy

QoQ Growth	Q2FY20	Q3FY20	Q4FY20	Q1FY21	Q2FY21	Q3FY21	Q4FY21	Q1FY22
Infosys	-2.7%	-1.3%	-0.6%	-3.1%	4.5%	4.5%	-0.6%	6.4%
TCS	2.0%	1.3%	0.2%	-8.4%	-1.8%	6.7%	3.4%	1.2%
Wipro	-2.9%	2.2%	-1.0%	-17.1%	7.8%	2.0%	-0.1%	14.4%
HCLT	69.6%	-28.6%	-7.8%	-15.2%	7.8%	12.5%	0.5%	-1.6%
Tech M	1.0%	8.9%	-8.4%	-8.7%	3.1%	4.5%	3.4%	3.0%
Total (Top-5)	**7.9%**	**-2.4%**	**-4.0%**	**-8.7%**	**3.1%**	**5.8%**	**1.8%**	**3.6%**

Source: Company, PL

Exhibit 17: Growth was strong across US & Europe for Tier 1 IT

QoQ USD growth for Tier 1	Q2FY19	Q3FY19	Q4FY19	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21	Q2FY21	Q3FY21	Q4FY21	Q1FY22
US Revenue (QoQ Growth)	2.9%	2.2%	2.1%	3.1%	1.5%	0.9%	-1.5%	-5.2%	4.2%	4.1%	2.9%	5.4%
Europe Revenue (QoQ Growth)	1.2%	2.7%	3.2%	-1.4%	3.1%	3.8%	-1.6%	-7.5%	7.7%	6.6%	5.4%	4.7%

Source: Company, PL

Exhibit 18: Sequential dip in margin due to wage hikes, higher hiring and talent retention costs

Ebit Margin	Q4FY20	Q1FY21	Q2FY21	Q3FY21	Q4FY21	Q1FY22	*Change QoQ*	*Change YoY*
Infosys	21.2%	22.7%	25.3%	25.4%	24.5%	23.7%	*-81 bps*	*100 bps*
TCS	25.1%	23.6%	26.2%	26.6%	26.8%	25.5%	*-133 bps*	*191 bps*
Wipro	16.5%	17.2%	18.7%	21.6%	20.5%	18.4%	*-210 bps*	*120 bps*
HCL Tech	20.9%	20.5%	21.6%	22.9%	16.6%	19.6%	*303 bps*	*-93 bps*
Tech M	10.0%	10.1%	14.2%	15.9%	16.5%	15.2%	*-133 bps*	*508 bps*
Total (Top-5)	20.9%	20.9%	23.1%	24.1%	22.8%	22.2%	*-61 bps*	*131 bps*

Source: Company, PL, Note: HCLT EBIT margin of 19.6% declined by -80bps QoQ compared to 4Q21 margin of 20.4% (excluding impact of one-time bonus) and increased by 303 bps QoQ including vs 16.6% in 4Q21 (including impact of one-time bonus)

Exhibit 19: Consistent improvement in margins for LTTS, Cyient & Persistent for last 5 quarters

EBIT Margin	Q4FY20	Q1FY21	Q2FY21	Q3FY21	Q4FY21	Q1FY22	Change QoQ	Change YoY
LTI	16.7%	17.4%	19.9%	20.6%	19.4%	16.4%	-295 bps	-101 bps
Mindtree	12.5%	13.7%	17.3%	19.6%	18.6%	17.7%	-82 bps	399 bps
Mphasis	16.3%	15.7%	16.1%	16.4%	16.1%	15.9%	-19 bps	21 bps
Coforge	14.0%	11.6%	13.8%	13.0%	13.3%	10.8%	-245 bps	-74 bps
LTTS	15.2%	12.1%	13.7%	15.2%	16.6%	17.3%	68 bps	517 bps
Cyient	8.4%	4.7%	11.0%	11.2%	12.7%	13.1%	48 bps	846 bps
Persistent	9.2%	10.4%	12.1%	12.7%	13.2%	13.5%	39 bps	316 bps

Source: Company, PL

Exhibit 20: Consistent improvement in Offshore mix across the pack

Offshore Effort mix	Q3FY20	Q4FY20	Q1FY21	Q2FY21	Q3FY21	Q4FY21	Q1FY22	Change QoQ	Change YoY
Infosys	72.3%	72.4%	72.0%	73.9%	74.8%	75.7%	75.9%	20 bps	390 bps
LTI	78.1%	78.5%	78.9%	80.6%	81.6%	82.1%	82.7%	60 bps	380 bps
MTCL	78.8%	78.9%	80.2%	82.1%	82.8%	82.9%	83.5%	60 bps	326 bps
Coforge	75.4%	76.1%	76.8%	75.4%	76.2%	77.9%	82.1%	418 bps	528 bps
Persistent	85.1%	85.7%	85.1%	85.8%	87.1%	87.7%	87.5%	-17 bps	238 bps
Offshore revenue mix									
Wipro	46.8%	48.2%	50.0%	51.9%	53.9%	54.5%	54.0%	-50 bps	400 bps
TechM	34.7%	34.8%	34.8%	37.0%	37.0%	37.0%	38.0%	100 bps	320 bps
LTI	51.0%	49.1%	50.8%	53.5%	55.7%	55.9%	57.3%	140 bps	650 bps
LTTS	56.0%	52.9%	51.7%	54.9%	57.1%	57.9%	58.1%	20 bps	640 bps
Coforge	36.0%	36.0%	38.0%	36.0%	38.0%	39.0%	40.0%	100 bps	200 bps

Source: Company, PL

Exhibit 21: Sustained high utilization in Wipro, TechM, LTI

Utilization	Q3FY20	Q4FY20	Q1FY21	Q2FY21	Q3FY21	Q4FY21	Q1FY22	Change QoQ	Change YoY
Infosys	84.4%	83.5%	81.2%	83.6%	86.3%	87.7%	88.5%	80 bps	730 bps
Wipro	78.5%	82.4%	84.5%	86.9%	86.3%	86.0%	86.8%	80 bps	230 bps
TechM	85.0%	84.0%	81.8%	85.0%	87.0%	87.0%	89.0%	200 bps	720 bps
LTI	81.3%	80.6%	79.6%	82.0%	84.1%	82.2%	84.1%	190 bps	450 bps
MTCL	75.9%	76.5%	75.5%	78.8%	83.1%	84.3%	83.2%	-110 bps	770 bps
LTTS	79.2%	78.1%	70.9%	75.4%	77.5%	78.9%	79.2%	30 bps	830 bps
Coforge	79.3%	78.1%	77.0%	81.0%	78.9%	81.0%	77.0%	-400 bps	0 bps
Persistent	79.8%	78.7%	78.5%	81.2%	81.0%	79.1%	80.1%	100 bps	160 bps

Source: Company, PL

Exhibit 22: Strong growth in TCV on TTM basis for Infy, TCS, Mindtree and Coforge

	Q2FY20	Q3FY20	Q4FY20	Q1FY21	Q2FY21	Q3FY21	Q4FY21	Q1FY22
TCV Quarterly (USD Mn)								
TCS	6,400	6,000	8,900	6,900	8,600	6,800	9200	8100
Infosys	2,800	1,813	1,650	1,740	3,150	7,129	2100	2600
Wipro						1,200	1400	715
HCLT (Net New TCV)							3100	1664
TechM (Net New TCV)	1,493	1,231	513	290	421	455	1043	815
Mphasis (Net New TCV)	174	189	201	259	360	247	245	505
Mindtree	307	207	393	391	303	312	375	504
Coforge	176	218	180	186	201	192	201	318
TCV on TTM basis (USD mn)								
TCS	24,200	24,300	27,000	28,200	30,400	31,200	31600	31600
Infosys	8,652	8,895	8,977	8,003	8,353	13,669	14,119	14,979
Wipro							7100	NA
HCLT (Net New TCV)							7300	NA
TechM (Net New TCV)	2,816	3,607	3,712	3,527	2,455	1,679	2,209	2,734
Mphasis (Net New TCV)	593	660	715	823	1,009	1,067	1,111	1,357
Mindtree	1,129	1,080	1,231	1,298	1,294	1,399	1,381	1,494
Coforge	686	739	749	760	785	759	780	912
Growth in TCV on TTM Basis (YoY, %)								
TCS			23.3%	24.2%	25.6%	28.4%	17.0%	12.1%
Infosys			42.9%	1.5%	-3.5%	53.7%	57.3%	87.2%
TechM (Net New TCV)			122.7%	87.9%	-12.8%	-53.5%	-40.5%	-22.5%
Mphasis (Net New TCV)			13.3%	30.8%	70.2%	61.7%	55.4%	64.9%
Mindtree			14.5%	18.8%	14.6%	29.5%	12.2%	15.1%
Coforge			15.9%	13.4%	14.4%	2.7%	4.1%	20.0%

Source: Company, PL

Exhibit 23: Key Financials

	USD Revenues growth YoY			EBIT Margin			EPS		
	FY22E	FY23E	FY24E	FY22E	FY23E	FY24E	FY22E	FY23E	FY24E
TCS	17.5%	13.8%	11.0%	26.0%	26.0%	25.7%	104.1	123.6	137.3
Infosys	18.0%	12.8%	11.5%	23.6%	23.3%	23.4%	52.6	61.8	71.2
Wipro	25.0%	11.9%	10.5%	17.3%	17.7%	18.0%	22.0	25.3	29.1
HCL Tech	13.7%	14.5%	11.8%	19.6%	19.8%	19.8%	50.3	60.0	67.8
Tech M	15.1%	13.5%	11.8%	15.3%	15.0%	15.0%	64.3	71.9	80.6
L&T Infotech	20.6%	16.5%	13.6%	17.6%	18.5%	18.1%	122.4	148.9	167.8
Mindtree	26.4%	17.6%	13.8%	17.8%	18.0%	18.6%	88.7	110.7	131.3
Mphasis	20.0%	16.8%	14.9%	16.1%	16.0%	16.1%	78.9	93.4	109.6
L&T Tech.	18.6%	18.2%	18.4%	17.3%	17.4%	17.6%	84.4	108.2	125.4
COFORGE	38.1%	15.8%	14.3%	14.1%	15.0%	15.0%	117.5	149.5	173.2
Persistent	31.2%	17.7%	13.5%	14.1%	14.0%	14.0%	89.4	105.3	111.0
Cyient	11.6%	18.1%	13.9%	13.7%	13.0%	12.5%	47.7	54.7	60.0
Zensar	13.4%	18.3%	14.9%	12.6%	14.3%	14.5%	17.0	22.9	26.7
Redington India	18.6%	15.2%	9.5%	2.2%	2.1%	2.1%	14.4	16.1	17.6
Sonata Software	31.8%	15.1%	12.9%	8.0%	8.8%	8.9%	34.9	43.5	50.1
Teamlease	25.1%	24.3%	18.1%	1.8%	2.1%	2.1%	72.6	107.3	125.6
Affle*	76.6%	47.5%	39.3%	17.4%	18.3%	19.9%	54.4	76.1	115.9

Source: Company, PL, Affle's growth is for INR revenue

Exhibit 24: Tier 1 IT experienced deal win spree in Q2FY22

Date	Company	Client	Vertical	Geography	Nature of work
01-Jul-21	TCS	John Wiley & Sons	Communication & Media	US	Improve customer experience and boost its online business.
01-Jul-21	TCS	Royal London	BFSI	UK	Transform Pensions Platform and improve Customer Experience
02-Aug-21	TCS	GE Transportation into Wabtec	Transportation	US	Enable post-merger integration
03-08-2021	TCS	Rich Products	Consumer	US	Intelligent Supply Chain Modernization to improve operations and agility
26-Aug-21	TCS	Standard Bank	BFSI	South Africa	TCS BANCS cloud for digital claims transformation
08-Sep-21	TCS	Avianca	Airline	South America	Build a New Digital Core on Microsoft Azure
09-Sep-21	TCS	Transport for London	Travel	UK	Digitally transform taxi and private hire vehicle licensing administration.
13-Sep-21	TCS	NXP Semiconductors	Semiconductor (Hi-tech)	Netherlands	Reimagine user experience, accelerate cloud adoption and innovation
28-Sep-21	TCS	NORD/LB	BFSI	Germany	Strategic partner for IT Transformation.
29-Sep-21	TCS	Apoteket	Pharma retailer	Sweden	Digital transformation
30-Sep-21	TCS	MCX (Multi Commodity Exchange India Ltd)	BFSI	India	TCS will help MCX build a new technology core, transforming its trading as well as post-trade functions.
20-Jul-21	Infosys	County of Riverside, California	Govt	US	Blockchain network to modernize public record keeping
29-Jul-21	Infosys	Select Portfolio Servicing	BFSI	US	Cobalt-powered infrastructure as a service (IaaS) solution in collaboration with Hitachi Vantara
03-Aug-21	Infosys	Union Bank of Philippines	BFSI	Philippines	Finacle Digital Banking SaaS (Software-as-a-Service)
24-Aug-21	Infosys	UCAS	Education	UK	Building on six years of successful partnership, the renewed contract will focus on driving greater automation, innovation and efficiency across the service
26-Aug-21	Infosys	Manitoba Public Insurance	BFSI	Canada	Digitize driver licensing, vehicle registration, and International Registration Plan (IRP) services for over 900,000 Manitobans
01-Sep-21	Infosys	BankDhofar	BFSI	Oman	Digital transformation with Infosys Finacle
13-Sep-21	Infosys	Ausgrid	E&U	Australia	Strategic cloud transformation to microsoft Azure
16-Sep-21	Infosys	Frostbank	BFSI	US	Infosys will help design bank's mortgage loan process landscape from origination to servicing, design end-customer experience, and select most effective technology platform to run and manage operations.
02-Jul-21	HCLT	Fiskars group	Consumer	Finland	Digital transformation initiatives for an immersive omnichannel experience for their end customers and consumers.
09-Jul-21	HCLT	Mosaic Company	Chemicals	US	Manage and transform Mosaic's global application and infrastructure environments to enhance company's agility and ability to drive growth in the marketplace.
13-Aug-21	HCLT	Rogers Communications	Communications	Canada	HCL will help scale Rogers' IT infrastructure and workloads migrating to the current private and public cloud infrastructure, support enterprise's operations and serve as the ongoing managed services provider.
17-Aug-21	HCLT	Wacker Chemie AG	Chemicals	Germany	5 Year IT transformation deal to modernize digital workplace and improve its quality-of-service delivery.
23-Aug-21	HCLT	Munich Re	Insurance	Germany	Modernize and standardize workplace services for more than 16,000 employees in 40 countries
20-Sep-21	HCLT	MKS Instruments	Hi-Tech	US	Drive digital and cloud-enabled transformation
29-Sep-21	HCLT	Proximus	Communications	Belgium	Transform client's data center business and create a resilient digital foundation.
15-Sep-21	Wipro	Maxis Broadband Sdn Bhd	Communications	Malaysia	Wipro will provide IT Managed Services for hybrid Infrastructure and application maintenance. In addition, Wipro will enable new ways of working for Application Development and Testing Services and provide state of the art cybersecurity services for Maxis.
13-Sep-21	Wipro	Virtual Bank (First Horizon Bank)	BFSI	US	Wipro has partnered with Tennessee-based First Horizon Bank (FHN) to transform core banking channels and servicing capabilities of VirtualBank

Source: Company, PL

Exhibit 25: Valuation Summary

Company Names	S/C	Rating	CMP (Rs)	TP (Rs)	MCap (Rs bn)	Sales (Rs bn)				EBITDA (Rs bn)				PAT (Rs bn)				EPS (Rs)				RoE (%)				PE (x)			
						FY21	FY22E	FY23E	FY24E	FY21	FY22E	FY23E	FY24E	FY21	FY22E	FY23E	FY24E	FY21	FY22E	FY23E	FY24E	FY21	FY22E	FY23E	FY24E	FY21	FY22E	FY23E	FY24E
Affle (India)	C	BUY	5,613	7,047	149.6	5.2	9.1	13.5	18.8	1.3	1.8	2.9	4.3	1.4	1.5	2.0	3.1	53.0	54.4	76.1	115.9	45.9	33.6	33.4	35.8	106.0	103.1	73.7	48.4
Coforge	S	BUY	5,338	5,496	323.5	46.6	64.1	76.3	88.4	8.4	11.5	14.6	17.0	5.3	7.1	9.1	10.5	86.8	117.5	149.5	173.2	21.6	26.6	28.6	28.0	61.5	45.4	35.7	30.8
Cyient	C	BUY	1,055	1,145	116.0	41.3	45.9	55.8	64.3	6.1	8.4	9.5	10.6	3.7	5.4	6.1	6.7	33.4	47.7	54.7	60.0	13.6	17.2	17.8	17.7	31.6	22.1	19.3	17.6
HCL Technologies	C	BUY	1,279	1,429	3,469.8	753.8	856.6	1,007.2	1,140.9	193.3	205.2	241.7	273.8	124.3	136.4	162.9	184.0	45.8	50.3	60.0	67.8	22.0	21.1	21.9	21.0	27.9	25.4	21.3	18.9
Infosys	S	BUY	1,679	1,908	7,122.7	1,004.7	1,183.7	1,371.3	1,549.5	278.9	311.2	347.8	393.1	194.6	223.2	262.2	302.1	45.9	52.6	61.8	71.2	27.3	28.1	31.1	29.5	36.6	31.9	27.2	23.6
L&T Infotech	C	BUY	5,738	5,902	1,004.2	124.1	148.9	178.3	203.3	27.6	29.8	37.4	41.9	19.8	21.7	26.4	29.8	112.4	122.4	148.9	167.8	31.1	27.3	28.2	27.0	51.1	46.9	38.5	34.2
L&T Tech. Serv.	C	BUY	4,624	4,880	485.5	54.5	64.6	78.4	94.1	10.1	13.3	16.3	19.8	6.6	8.8	11.4	13.2	63.8	84.4	108.2	125.4	21.3	23.5	26.1	25.9	72.5	54.8	42.8	36.9
Mphasis	S	BUY	3,089	3,690	577.8	97.2	116.8	140.1	162.8	18.0	21.3	25.0	29.0	12.2	14.8	17.5	20.5	65.3	78.9	93.4	109.6	19.7	20.9	21.1	21.0	47.3	39.1	33.1	28.2
Mindtree	C	BUY	4,253	4,593	700.5	79.7	100.7	121.6	140.3	16.4	20.1	24.9	29.7	11.1	14.6	18.2	21.6	67.3	88.7	110.7	131.3	29.7	30.4	30.5	28.9	63.2	47.9	38.4	32.4
Persistent Systems	S	BUY	3,714	3,994	283.9	41.9	54.9	66.5	76.4	6.8	9.8	12.0	13.8	4.5	7.1	8.4	8.9	56.4	89.4	105.3	111.0	17.4	23.5	23.5	21.2	65.9	41.6	35.3	33.5
Redington (India)	S	BUY	146	202	114.4	569.5	681.6	806.6	894.7	13.4	16.7	19.4	21.5	7.6	11.3	12.6	13.8	9.8	14.4	16.1	17.6	16.5	21.1	20.2	19.1	14.9	10.1	9.1	8.3
Sonata Software	S	BUY	883	936	91.8	42.3	55.9	66.4	75.9	3.8	4.8	6.2	7.2	2.4	3.6	4.5	5.2	23.5	34.9	43.5	50.1	31.0	37.1	39.6	39.0	37.6	25.3	20.3	17.6
Tata Const. Serv.	S	BUY	3,773	3,968	14,299.9	1,641.8	1,928.6	2,253.9	2,535.6	465.1	528.8	620.5	690.1	333.9	394.4	468.2	520.2	88.1	104.1	123.6	137.3	38.7	41.1	39.4	35.2	42.8	36.3	30.5	27.5
TeamLease Serv.	S	BUY	4,645	4,892	79.4	48.8	60.9	77.8	95.0	1.0	1.5	2.1	2.6	0.8	1.2	1.8	2.1	48.3	72.6	107.3	125.6	13.4	17.3	21.0	20.1	96.2	64.0	43.3	37.0
Tech Mahindra	S	BUY	1,399	1,551	1,227.0	378.6	434.4	506.5	573.6	68.5	83.1	96.4	109.1	44.3	56.4	63.0	70.7	50.7	64.3	71.9	80.6	18.5	20.8	19.6	18.7	27.6	21.8	19.5	17.4
Wipro	C	BUY	641	678	3,621.5	619.4	775.4	890.2	996.9	148.8	166.4	192.1	218.0	108.0	124.0	142.7	164.2	19.1	22.0	25.3	29.1	19.4	20.2	19.2	18.5	33.5	29.2	25.4	22.0
Zensar Technologies	S	BUY	479	496	108.2	36.7	41.8	50.3	58.6	6.8	7.1	9.2	10.9	4.0	3.9	5.2	6.1	17.8	17.0	22.9	26.7	18.1	15.5	18.4	18.6	27.0	28.1	20.9	17.9

Source: Company, PL *S=Standalone / C=Consolidated*

Exhibit 26: Change in Estimates

	Rating		Target Price			Sales						PAT						EPS					
						FY22			FY23			FY22			FY23			FY22			FY23		
	C	P	C	P	% Chng.	C	P	% Chng.	C	P	% Chng.	C	P	% Chng.	C	P	% Chng.	C	P	% Chng.	C	P	% Chng.
Affle (india)	BUY	BUY	7,047	7,023	0.4%	9,128	9,128	0.0%	13,461	13,461	0.0%	1,451	1,419	2.2%	2,029	2,023	0.3%	54.4	53.3	2.2%	76.1	75.9	0.3%
Coforge	BUY	BUY	5,496	5,393	1.9%	64,057	63,827	0.4%	76,320	76,038	0.4%	7,118	7,139	-0.3%	9,058	9,024	0.4%	117.5	117.8	-0.3%	149.5	148.9	0.4%
Cyient	BUY	BUY	1,145	1,088	5.2%	45,941	46,718	-1.7%	55,773	54,538	2.3%	5,356	5,047	6.1%	6,138	5,954	3.1%	47.7	45.0	6.1%	54.7	53.1	3.1%
HCL Technologies	BUY	BUY	1,429	1,239	15.4%	8,56,577	8,38,617	2.1%	10,07,194	9,63,957	4.5%	1,36,444	1,33,658	2.1%	1,62,900	1,56,056	4.4%	50.3	49.3	2.1%	60.0	57.5	4.4%
Infosys	BUY	BUY	1,908	1,847	3.3%	11,83,720	11,80,469	0.3%	13,71,341	13,58,419	1.0%	2,23,187	2,23,698	-0.2%	2,62,161	2,59,686	1.0%	52.6	52.7	-0.2%	61.8	61.2	1.0%
L&T Infotech	BUY	BUY	5,902	5,416	9.0%	1,48,884	1,46,471	1.6%	1,78,323	1,73,257	2.9%	21,694	21,423	1.3%	26,392	25,689	2.7%	122.4	120.8	1.3%	148.9	144.9	2.7%
L&T Tech. Serv.	BUY	BUY	4,880	4,791	1.9%	64,586	64,115	0.7%	78,418	77,671	1.0%	8,779	8,718	0.7%	11,358	11,260	0.9%	84.4	83.8	0.7%	108.2	107.2	0.9%
Mphasis	BUY	BUY	3,690	3,573	3.3%	1,16,827	1,15,666	1.0%	1,40,108	1,37,390	2.0%	14,768	14,627	1.0%	17,472	17,150	1.9%	78.9	78.2	1.0%	93.4	91.7	1.9%
Mindtree	BUY	BUY	4,593	3,450	33.1%	1,00,712	97,622	3.2%	1,21,647	1,15,714	5.1%	14,611	14,203	2.9%	18,227	17,411	4.7%	88.7	86.2	2.9%	110.7	105.7	4.7%
Persistent Systems	BUY	BUY	3,994	3,954	1.0%	54,911	54,525	0.7%	66,452	65,856	0.9%	7,146	7,105	0.6%	8,421	8,359	0.7%	89.4	88.8	0.6%	105.3	104.5	0.7%
Redington (India)	BUY	BUY	202	202	0.0%	6,81,634	6,81,634	0.0%	8,06,650	8,06,650	0.0%	11,281	11,281	0.0%	12,596	12,596	0.0%	14.4	14.4	0.0%	16.1	16.1	0.0%
Sonata Software	BUY	BUY	936	927	1.0%	55,936	55,918	0.0%	66,369	66,267	0.2%	3,624	3,618	0.2%	4,518	4,485	0.7%	34.9	34.8	0.2%	43.5	43.2	0.7%
Tata Const. Serv.	BUY	BUY	3,968	3,807	4.2%	19,28,594	19,06,810	1.1%	22,53,920	21,89,327	3.0%	3,94,400	3,91,733	0.7%	4,68,248	4,50,141	4.0%	104.1	103.4	0.7%	123.6	118.8	4.0%
TeamLease Serv.	BUY	BUY	4,892	4,716	3.7%	60,907	60,686	0.4%	77,819	77,453	0.5%	1,241	1,251	-0.8%	1,834	1,827	0.4%	72.6	73.2	-0.8%	107.3	106.9	0.4%
Tech Mahindra	BUY	BUY	1,551	1,509	2.8%	4,34,361	4,28,815	1.3%	5,06,470	4,98,697	1.6%	56,380	55,725	1.2%	63,041	62,156	1.4%	64.3	63.5	1.2%	71.9	70.9	1.4%
Wipro	BUY	BUY	678	665	1.9%	7,75,374	7,73,650	0.2%	8,90,231	8,88,074	0.2%	1,24,029	1,23,954	0.1%	1,42,704	1,42,406	0.2%	22.0	21.9	0.1%	25.3	25.2	0.2%
Zensar Technologies	BUY	BUY	496	424	17.0%	41,833	40,190	4.1%	50,348	47,969	5.0%	3,868	3,943	-1.9%	5,217	4,925	5.9%	17.0	17.4	-1.9%	22.9	21.6	5.9%

Source: Company, PL *C=Current / P=Previous*

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Affle (India)	BUY	7,023	5,174
2	Coforge	BUY	5,393	4,790
3	Cyient	BUY	1,088	967
4	HCL Technologies	BUY	1,239	1,050
5	Infosys	BUY	1,847	1,650
6	L&T Technology Services	BUY	4,791	4,339
7	Larsen & Toubro Infotech	BUY	5,416	4,763
8	Mindtree	BUY	3,450	2,842
9	Mphasis	BUY	3,573	3,251
10	Persistent Systems	BUY	3,954	3,716
11	Redington (India)	BUY	202	145
12	Sonata Software	BUY	927	842
13	Tata Consultancy Services	BUY	3,807	3,310
14	TeamLease Services	BUY	4,716	3,954
15	Tech Mahindra	BUY	1,509	1,265
16	Wipro	BUY	665	598
17	Zensar Technologies	BUY	424	429

PL's Recommendation Nomenclature

Buy	:	> 15%
Accumulate	:	5% to 15%
Hold	:	+5% to -5%
Reduce	:	-5% to -15%
Sell	:	< -15%
Not Rated (NR)	:	No specific call on the stock
Under Review (UR)	:	Rating likely to change shortly

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