

IT Services

Oct-Dec'21 Earnings Preview

Beat & Raise cycle will continue...

January 4, 2022

Exhibit 1: PL Universe

| Companies | Rating | CMP (Rs) | TP (Rs) |
|----------------------|--------|----------|---------|
| Affle (India) | BUY | 1,194 | 1,530 |
| Coforge * | BUY | 5,973 | 5,708 |
| Cyient | BUY | 1,065 | 1,301 |
| HCL Technologies | BUY | 1,326 | 1,400 |
| Infosys | BUY | 1,898 | 2,063 |
| L&T Infotech * | BUY | 7,533 | 7,239 |
| L&T Tech. Serv.* | BUY | 5,729 | 5,705 |
| Mphasis | BUY | 3,423 | 3,772 |
| Mindtree | BUY | 4,842 | 5,141 |
| Persistent Systems * | BUY | 4,872 | 4,808 |
| Redington (India) | BUY | 147 | 215 |
| Sonata Software | BUY | 869 | 994 |
| Tata Const. Serv. | BUY | 3,818 | 4,210 |
| TeamLease Serv. | Reduce | 4,187 | 4,366 |
| Tech Mahindra | BUY | 1,785 | 1,908 |
| Wipro | BUY | 719 | 753 |
| Zensar Technologies* | BUY | 533 | 528 |

Source: PL

Note: Target prices may not be consistent with ratings as LTI, Persistent, Coforge, LTTS and Zensar have rallied by 15-30% in last three months (Exhibit 4). We maintain our positive view on these stocks and we will come up with revised TP post Q3FY22 results.

Aniket Pande

aniketpande@plindia.com | 91-22-66322300

Aditi Patil

aditipatil@plindia.com | 91-22-66322381

Quick Pointers:

- Strong sequential revenue growth in Q3 despite seasonal weakness once again reinforces strength in demand
- Margin headwinds of backfilling of attrition and decline in utilization levels due to aggressive fresher hiring will be partially offset by pyramid optimization, cost control measures and revenue growth leverage.
- We expect strong headcount addition with higher fresher intake to continue, while attrition to remain at elevated levels.

We expect strong sequential revenue growth in Q3FY22 despite seasonally weak quarter (due to furloughs and lower working days). We estimate 3.4%-4.7% QoQ CC (avg:4.1%) for Tier-1 and 4.4%-9.1% QoQ CC (avg: 6%) for Tier-2. There is cross-currency headwind of 50-90 bps due to appreciation of USD against GBP, EUR and AUD. Growth is driven by high discretionary spends and digital transformation across all sectors and markets. We anticipate flattish or slight decline in margins on QoQ basis. Margin headwinds of backfilling of attrition with lateral recruits at higher costs and decline in utilization levels due to aggressive fresher hiring will be partially offset by pyramid optimization, cost control measures and revenue growth leverage.

We expect Wipro, TCS & HCLT to lead the growth in Tier 1 and LTI & Persistent in Tier-2. Infy will narrow down revenue growth guidance to 17-17.5% YoY CC from 16.5-17.5% earlier; Infosys started the year with revenue growth guidance of 12-14% in CC. We expect EBIT margin guidance of Infy & HCLT to remain unchanged. We expect Wipro to guide for 2-4% QoQ CC revenue growth for Q4FY22.

Even after five quarters of outperformance (Exhibit 4), we believe beat and raise cycle will continue led by 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 like all stocks in Tier-1 pack, INFY & HCLT & Wipro are our top picks. Among Tier-2, we prefer Mphasis given attractive valuations, predictable stable margin performance and strong growth in direct channel with overall growth increasingly reflected by direct business. In Tier 2, our preference order is Mphasis, Mindtree, Coforge, LTI, Persistent. Affle remains our high conviction buy idea in internet space.

- Strong revenue growth in seasonally weak quarter:** We expect strong sequential revenue growth despite Q3 being seasonally weak quarter because of furloughs and lower working days. Growth is driven by high discretionary spends and compressed transformation initiatives across all sectors and markets. We estimate 3.4%-4.7% QoQ CC (avg: 4.1%) for Tier-1 and 4.4%-9.1% QoQ CC (avg: 6.0%) for Tier-2. Wipro, TCS and HCLT are expected to lead the growth in Tier 1 and LTI and Persistent among Tier-2. Both LTI and Persistent will deliver above 9% QoQ CC growth.

TCS (11 deals) and INFY (10 deals) have announced good number of significant deal wins in Q3FY22 so far.

- **Strong revenue growth for Affle as well:** We expect strong revenue growth of 104% YoY led by broad-based growth across CPCU, Non CPCU, India and International markets. We expect strong organic as well as inorganic revenue growth. We expect margins to improve by 35bps QoQ in Q2FY22 led by revenue growth leverage and improving profitability of Jampp.
- **Margins to remain muted:** We anticipate flattish or slight decline in margins on QoQ basis. Margins will decline YoY as IT companies have rolled out wage hikes twice in last one year. Margin headwinds of backfilling of attrition with lateral recruits at higher costs and decline in utilization levels due to aggressive fresher hiring will be partially offset by pyramid optimization, cost control measures and revenue growth leverage.
- Among Tier 1, HCLT will have headwinds from wage revision which are likely to be offset by strong recovery in high margin product business and operating efficiencies. Wipro will face full quarter impact of wage hike which was rolled out in Sept for mid and junior level employees. Infy will also face pressure from skill-based wage revisions but we expect margins to remain flattish QoQ basis.
- Among Tier 2, we believe Coforge is likely to post sequential increase in margins led by ramp up of large deals and discount reversal. We expect sharp margin decline of ~200-250bps QoQ for Zensar resulting in ~14% EPS cut in FY22. However, we remain positive on Zensar's turnaround story given strong recovery in revenue momentum post change in management and adoption of new strategy.
- **Headcount addition maintained:** We expect strong hiring by all companies to continue due to the need to maintain sufficient bench to meet strong demand and mitigate impact of high attrition. We expect higher proportion of fresher hiring further leading to pyramid optimization.
- **Guidance remains largely unchanged:** We expect Infy to narrow down revenue guidance band to 17-17.5% YoY CC from 16.5-17.5% earlier. Infosys started the year with revenue growth guidance of 12-14% in CC. HCLT has maintained its double digit revenue growth guidance and we believe it will deliver 12% YoY growth. We expect Wipro to guide for 2-4% QoQ CC revenue growth for Q4FY22 quarter. LTTS had done strong upgrade in revenue guidance last quarter from 15-17% to 19-20% YoY USD for FY22. We believe that there will be further upgrade in guidance to 20-21%. We expect EBIT margin guidance of Infy & HCLT to remain unchanged.
- **Strong deal pipeline across pack:** Demand for compressed technology transformation with focus on faster execution is resulting in high velocity of small and mid-sized transformation deals. Many of the transformation deals are broken down in to smaller packets so as to reduce execution time. Therefore, absence of large deals or lower TCV number does not necessarily mean weak revenue growth. Deal pipeline continues to be at record high levels led by broad-based demand for digital, cloud, data analytics, 5G, IoT, cybersecurity and AI.

Exhibit 2: Q3FY22 Estimates...

| Q3FY22 | 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 | 2.5% | 13.8% | 3.4% | 26.0% | 40 bps | -62 bps | 2.9% | 15.5% |
| Infosys | 3.3% | 17.4% | 3.9% | 23.5% | -8 bps | -194 bps | 5.2% | 10.5% |
| Wipro | 3.6% | 28.3% | 4.2% | 16.7% | -57 bps | -455 bps | 4.4% | 7.3% |
| HCL Tech | 3.7% | 10.6% | 4.5% | 19.3% | 34 bps | -357 bps | 5.1% | -13.8% |
| TechM | 4.1% | 17.2% | 4.7% | 15.0% | -18 bps | -93 bps | 7.9% | 9.7% |
| Average Tier-I | 3.4% | 17.5% | 4.1% | 20.1% | -2 bps | -232 bps | 5.1% | 5.8% |
| LTI | 8.0% | 28.5% | 8.6% | 17.5% | 29 bps | -312 bps | 12.4% | 18.5% |
| Mphasis | 5.4% | 21.6% | 5.9% | 15.5% | 44 bps | -86 bps | 8.3% | 13.9% |
| Mindtree | 5.1% | 34.2% | 5.6% | 18.0% | -18 bps | -160 bps | 92.8% | 21.8% |
| Coforge | 3.5% | 37.0% | 4.4% | 15.1% | 144 bps | 208 bps | 25.1% | 50.6% |
| LTTS | 4.5% | 19.5% | 5.0% | 17.5% | -94 bps | 228 bps | 1.6% | 25.3% |
| CYIENT | 4.2% | 10.6% | 4.8% | 12.7% | -132 bps | 154 bps | 4.9% | 33.3% |
| Persistent | 8.5% | 35.4% | 9.1% | 13.0% | -86 bps | 32 bps | 11.6% | 49.3% |
| Zensar | 3.6% | 16.9% | 4.5% | 8.6% | -229 bps | -630 bps | -29.7% | -24.9% |
| Average Tier-II | 5.3% | 25.4% | 6.0% | 14.7% | -43 bps | -71 bps | 15.9% | 23.5% |
| Overall Average | 4.6% | 22.4% | 5.3% | 16.8% | -27 bps | -133 bps | 11.7% | 16.7% |

Source: Company, PL

Exhibit 3: Cross Currency headwinds of 50-90 bps

| Company | USD | CC | Currency Impact (-) |
|------------|------|------|---------------------|
| TCS | 2.5% | 3.4% | 90bps |
| Infosys | 3.3% | 3.9% | 60bps |
| Wipro | 3.6% | 4.2% | 60bps |
| HCL Tech | 3.7% | 4.5% | 80bps |
| TechM | 4.1% | 4.7% | 60bps |
| LTI | 8.0% | 8.6% | 60bps |
| Mphasis | 5.4% | 5.9% | 50bps |
| Mindtree | 5.1% | 5.6% | 50bps |
| Coforge | 3.5% | 4.4% | 90bps |
| LTTS | 4.5% | 5.0% | 50bps |
| CYIENT | 4.2% | 4.8% | 60bps |
| Persistent | 8.5% | 9.1% | 60bps |
| Zensar | 3.6% | 4.5% | 90bps |

Source: Company, PL

Exhibit 4: Price performance

| Index / Stock | CMP (Rs) | Return (%) | | | | | % Outperformance w.r.t Nifty | | | | |
|-----------------|--------------|------------|------------|------------|------------|-------------|------------------------------|------------|------------|------------|-------------|
| | | 1M | 3M | 6M | 1Y | 3Y | 1M | 3M | 6M | 1Y | 3Y |
| TCS | 3818 | 5% | 2% | 15% | 30% | 189% | 2% | 3% | 3% | 6% | 121% |
| Infosys | 1898 | 9% | 14% | 21% | 51% | 272% | 7% | 14% | 9% | 26% | 203% |
| Wipro | 719 | 12% | 13% | 33% | 85% | 209% | 10% | 13% | 21% | 60% | 140% |
| HCL Tech | 1326 | 13% | 4% | 35% | 41% | 196% | 11% | 4% | 23% | 16% | 127% |
| TechM | 1785 | 12% | 31% | 68% | 87% | 244% | 10% | 32% | 56% | 62% | 175% |
| LTI | 7533 | 10% | 31% | 87% | 104% | 570% | 7% | 31% | 75% | 79% | 501% |
| Mphasis | 3423 | 11% | 13% | 60% | 126% | 375% | 8% | 13% | 48% | 101% | 307% |
| Mindtree | 4842 | 8% | 16% | 87% | 192% | 708% | 6% | 16% | 75% | 167% | 639% |
| Coforge | 5973 | 12% | 13% | 42% | 119% | 825% | 9% | 14% | 30% | 95% | 756% |
| LTTS | 5729 | 6% | 24% | 100% | 138% | 403% | 3% | 24% | 87% | 114% | 335% |
| CYIENT | 1065 | 6% | 0% | 22% | 108% | 85% | 4% | 1% | 10% | 83% | 16% |
| Persistent | 4872 | 12% | 34% | 66% | 225% | 600% | 10% | 34% | 54% | 201% | 531% |
| Zensar | 533 | 21% | 11% | 59% | 119% | 208% | 19% | 12% | 47% | 95% | 139% |
| Sonata | 869 | 4% | -2% | 15% | 121% | 224% | 1% | -1% | 3% | 96% | 155% |
| Teamlease | 4187 | 2% | -8% | 16% | 57% | 80% | -1% | -8% | 4% | 32% | 12% |
| Redington | 147 | -4% | 2% | 1% | 123% | 59% | -6% | 2% | -11% | 98% | -9% |
| Affle | 1194 | 9% | 10% | 35% | 54% | NA | 6% | 11% | 23% | 30% | NA |
| NIFTY IT | 39124 | 9% | 11% | 35% | 56% | 238% | 7% | 12% | 23% | 31% | 169% |
| NIFTY 50 | 17626 | 2% | 0% | 12% | 25% | 69% | | | | | |

Source: Company, PL

Major global currencies have depreciated vs USD (EUR: -3%, GBP: -2.18%, AUD: -0.84%, JPY: -3.3%), implying cross-currency headwind of 50-90 bps for Q3FY22.

We have assumed USD-INR rate of 74.8 (+0.1% QoQ) for Q3FY22

QoQ currency movement in Q3FY22
Exhibit 5: Depreciation of currencies against the US Dollar

| | INR/USD | USD/GBP | USD/EUR | USD/AUD | JPY/USD |
|------------------|---------|---------|---------|---------|---------|
| Sep-21 | 74.09 | 1.38 | 1.18 | 0.73 | 110.08 |
| Dec-21 | 74.80 | 1.35 | 1.14 | 0.73 | 113.73 |
| Appr/ (Depr) (%) | 0.01 | -2.18 | -3.00 | -0.84 | -3.32 |

Source: PL

Exhibit 6: Appreciation of the Rupee against other currencies

| | INR/USD | INR/GBP | INR/EUR | INR/AUD | JPY/INR |
|------------------|---------|---------|---------|---------|---------|
| Sep-21 | 74.09 | 102.13 | 87.35 | 54.47 | 1.49 |
| Dec-21 | 74.80 | 101.05 | 85.66 | 54.55 | 1.52 |
| Appr/ (Depr) (%) | 0.01 | 1.06 | 1.94 | -0.14 | -2.12 |

Source: PL

YoY currency movement in Q3FY22
Exhibit 7: Depreciation of currencies against the US Dollar

| | INR/USD | USD/GBP | USD/EUR | USD/AUD | JPY/USD |
|------------------|---------|---------|---------|---------|---------|
| Dec-20 | 73.77 | 1.32 | 1.19 | 0.73 | 104.45 |
| Dec-21 | 74.80 | 1.35 | 1.14 | 0.73 | 113.73 |
| Appr/ (Depr) (%) | 0.01 | 1.98 | -4.17 | -0.44 | -8.88 |

Source: PL

Exhibit 8: Appreciation of the Rupee against other currencies

| | INR/USD | INR/GBP | INR/EUR | INR/AUD | JPY/INR |
|------------------|---------|---------|---------|---------|---------|
| Dec-20 | 73.77 | 97.5 | 88.0 | 54.0 | 1.4 |
| Dec-21 | 74.80 | 101.0 | 85.7 | 54.6 | 1.5 |
| Appr/ (Depr) (%) | 0.01 | -3.68 | 2.69 | -1.10 | -7.17 |

Source: PL

Exhibit 9: Q3FY22 Preview

| Company | Q3FY22 | Q2FY22 | QoQ gr. | Q3FY21 | YoY gr. | Comments |
|--------------------------------------|----------|----------|---------|----------|----------|--|
| TCS (12th Jan) | | | | | | |
| Revenues (US\$ mn) | 6,490 | 6,333 | 2.5% | 5,702 | 13.8% | We expect growth of 2.5% QoQ USD growth led by broad-based growth across verticals. Growth is modest given seasonal weak quarter impacted by furloughs. |
| Revenues | 485,437 | 468,670 | 3.6% | 420,150 | 15.5% | TCS continued to have strong deal momentum and we expect US\$7.5 bn of TCV this quarter. Deal TCV is expected to be comprised of mid-sized and small deals |
| EBITDA | 134,855 | 131,150 | 2.8% | 121,720 | 10.8% | |
| EBITDA margin (%) | 27.8% | 28.0% | -20 bps | 29.0% | -119 bps | We expect slight increase in margins +40bps QoQ led by pyramid optimization benefits and cost optimization measures |
| EBIT margin (%) | 26.0% | 25.6% | 40 bps | 26.6% | -62 bps | 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) IT spending budgets of clients for CY22E |
| Adjusted net profit | 99,031 | 96,240 | 2.9% | 87,010 | 13.8% | |
| EPS | 20.4% | 21% | -13 bps | 21% | -31 bps | |
| Infosys (12th Jan) | | | | | | |
| Revenues (US\$ mn) | 4,129 | 3,998 | 3.3% | 3,516 | 17.4% | We expect healthy revenue growth rate of 3.3%QoQ USD despite impact of furloughs. Growth will be led by Daimler mega-deal and continued broad-based strength in demand. |
| Revenues | 3,08,850 | 2,96,020 | 4.3% | 2,59,270 | 19.1% | We expect margins to remain flattish despite pressures from higher sub-contracting costs, skill-based wage hikes, backfilling of attrition etc led by benefits from pyramid optimization and revenue growth leverage. |
| EBITDA | 80,301 | 78,310 | 2.5% | 74,150 | 8.3% | |
| EBITDA margin (%) | 26.0% | 26.5% | -45 bps | 28.6% | -260 bps | We expect Infy to upgrade narrow down revenue guidance band to 17-17.5% YoY CC from 16.5-17.5% given earlier. We anticipate EBIT margin guidance of 22-24% to remain unchanged. |
| EBIT margin (%) | 23.5% | 23.6% | -8 bps | 25.4% | -194 bps | We expect deal momentum to continue with higher share of mid-sized and small deals, with deal TCV of around ~USD2-2.5 mn |
| Adjusted net profit | 57,005 | 54,210 | 5.2% | 51,970 | 9.7% | |
| EPS | 13.5 | 12.9 | 5.2% | 12.2 | 10.5% | We expect investor to focus on 1) pipeline of large deals, 2) attrition trend, 3) impact on margins due to higher attrition, 4) Update on pricing , 5) Guidance, 6) IT budgets for CY22E |

| Company | Q3FY22 | Q2FY22 | QoQ gr. | Q3FY21 | YoY gr. | Comments |
|--|----------|----------|---------|----------|----------|---|
| HCLT (14th Jan) | | | | | | |
| Revenues (US\$ mn) | 2,894 | 2,791 | 3.7% | 2,617 | 10.6% | We expect strong revenue growth of 3.7% QoQ USD post subdued growth in last few quarters. Growth will be driven by IT services, ERD and recovery in products business aided by seasonal strength. |
| Revenues | 2,16,495 | 2,06,550 | 4.8% | 1,93,020 | 12.2% | |
| EBITDA | 50,443 | 48,380 | 4.3% | 45,660 | 10.5% | We expect EBIT margin to increase by ~34bps to 19.3% in 3QFY22 despite headwinds from wage revision because of tailwinds from strong recovery in high margin product business and operating efficiencies. |
| EBITDA margin (%) | 23% | 23% | -12 bps | 28% | -489 bps | HCLT has given double digit growth guidance; we expect HCLT to deliver 12% growth in FY22 |
| EBIT margin (%) | 19.3% | 19.0% | 34 bps | 22.9% | -357 bps | We expect strong deal win momentum to continue |
| Adjusted net profit | 34,309 | 32,640 | 5.1% | 44,150 | -22.3% | 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 and 5) Attrition trend |
| EPS | 12.6 | 12.0 | 5.1% | 14.7 | -13.8% | |
| Wipro (12th Jan) | | | | | | |
| IT Revenue (US\$ m) | 2,673 | 2,580 | 3.6% | 2,071 | 29.1% | We expect a strong IT services revenue growth of 3.6% QoQ USD, 4.2% QoQ CC above guided range of 2-4% QoQ CC driven by i) strength in broad-based demand for discretionary spends and ii) strong client mining efforts. |
| Consolidated Revenue (US\$ m) | 2,726 | 2,652 | 2.8% | 2,125 | 28.3% | |
| Revenues | 2,03,886 | 1,96,674 | 3.7% | 1,56,700 | 30.1% | |
| EBITDA | 42,239 | 41,689 | 1.3% | 41,226 | 2.5% | We expect margin to decline by ~50bps QoQ due to full quarter impact of wage hike which was rolled out in Sept 1 for mid and junior levels, impact of attrition and lower utilization. |
| EBITDA margin (%) | 20.7% | 21.2% | -48 bps | 26.3% | -559 bps | |
| EBIT | 34,049 | 33,972 | 0.2% | 33,300 | 2.2% | We expect Wipro to guide for 2-4% QoQ CC revenue growth for Q4FY22. |
| EBIT margin (%) | 16.7% | 17.3% | -57 bps | 21.3% | -455 bps | We expect investor to focus on 1) Commentary on revenue growth accelerating to levels of larger peers 2) large/mega-deal pipeline, 2) growth in large accounts , 3) Commentary of large deal pipeline, 5) measures to tackle supply side challenges and defend margins, 6) IT spend budgets for CY22E |
| Adjusted net profit | 30,601 | 29,306 | 4.4% | 30,010 | 2.0% | |
| EPS | 5.6 | 5.4 | 4.4% | 5.2 | 7.3% | |
| Tech M (4th week of Jan) | | | | | | |
| Revenues (US\$ mn) | 1,533 | 1,473 | 4.1% | 1,309 | 17.2% | We expect revenue growth of 4.1% QoQ USD led by broad-based revenue growth across verticals and multiple small acquisitions (Beris consulting, Lodestone and WMV) to contribute from this quarter. |
| Revenues | 1,14,688 | 1,08,813 | 5.4% | 96,471 | 18.9% | |
| EBITDA | 21,791 | 19,952 | 9.2% | 18,955 | 15.0% | Margins are expected to decline by 15-20bps QoQ led by increased cost pressures due to higher attrition |
| EBITDA margin (%) | 19.0% | 18.3% | 66 bps | 19.6% | -65 bps | We expect net-new TCV to be above USD ~700 mn. Deal pipeline is expected to be robust and deal win momentum will continue. |
| EBIT margin (%) | 15.0% | 15.2% | -18 bps | 15.9% | -93 bps | |
| Adjusted net profit | 14,440 | 13,387 | 7.9% | 13,098 | 10.2% | We expect investor to focus on 1) Deal pipeline especially in Communication segment (5G and allied services), 3) Measures to sustain margins above 15% guidance range 4) Attrition trend, 5) Conversion of TCV, 6) acquisition strategy - focus areas of capability building |
| EPS | 16.3 | 15.2 | 7.9% | 14.9 | 9.7% | |



| Company | Q3FY22 | Q2FY22 | QoQ gr. | Q3FY21 | YoY gr. | Comments |
|---------------------------------------|--------|--------|----------|--------|----------|---|
| Mindtree (13th Jan) | | | | | | |
| Revenues (US\$ mn) | 368 | 350 | 5.1% | 274 | 34.2% | We expect strong 5.1% QoQ USD growth led by strong account-mining initiatives, ramp-up of deals and increased discretionary spends. Growth will be broad-based led by CMT vertical. |
| Revenues | 27,222 | 25,862 | 5.3% | 20,237 | 34.5% | |
| EBITDA | 5,444 | 5,307 | 2.6% | 4,679 | 16.4% | "We expect stable EBIT margin to decline slightly by ~20bps QoQ led by impact of higher cost of lateral hiring for backfilling of attrition |
| EBITDA margin (%) | 20% | 21% | -52 bps | 23% | -312 bps | Deal wins are likely to be muted QoQ post strong wins in last two quarters" |
| EBIT margin (%) | 18.0% | 18.2% | -18 bps | 19.6% | -160 bps | |
| Adjusted net profit | 3,984 | 3,989 | -0.1% | 3,265 | 22.0% | We expect investor to focus on 1) Growth outlook of top client , 2) measures to sustain EBITDA margin above 20%, 3) Outlook on T10 accounts and pricing & renewal of contracts, 4) attrition trend, 5) Deal pipeline |
| EPS | 24.2 | 12.5 | 92.8% | 19.8 | 21.8% | |
| Mphasis (20th Jan) | | | | | | |
| Revenues (US\$ mn) | 406 | 385 | 5.4% | 334 | 21.6% | We expect robust revenue growth of 5.4% USD QoQ led by 5% USD QoQ growth in direct core & 20% QoQ USD decline in DXC. 2% is expected to be contributed by Blink acquisition. |
| Revenues | 30,529 | 28,693 | 6.4% | 24,743 | 23.4% | |
| EBITDA | 5,494 | 4,978 | 10.4% | 4,653 | 18.1% | We expect EBIT margins to increase by ~44bps QoQ. In Q2FY22 EBIT margin had a one-time impact of 50 bps related to Blink acquisition transaction cost. |
| EBITDA margin (%) | 18% | 17% | 65 bps | 19% | -81 bps | |
| EBIT margin (%) | 15.5% | 15.1% | 44 bps | 16.4% | -86 bps | DXC revenues will continue to decline and direct core business will continue to improve. |
| Adjusted net profit | 3,750 | 3,416 | 9.8% | 3,254 | 15.2% | We expect investor to focus on 1) Growth outlook of top 10 clients, 2) Attrition trend and impact of attrition on margins, 3) large consolidation deal pipeline, 4) progress in performance of acquired companies |
| EPS | 19.8 | 18.3 | 8.3% | 17.4 | 13.9% | |
| Zensar (Not Announced) | | | | | | |
| Revenues (US\$ mn) | 147 | 142 | 3.6% | 126 | 16.9% | Revenue growth is expected to be between 3-4% QoQ CC. Consumer and BFSI segment will continue to outperform. Drag in manufacturing and Hi-tech will continue. Revenue from M3Bi acquisition is expected to be healthy on QoQ basis. |
| Revenues | 10,999 | 10,506 | 4.7% | 9,364 | 17.5% | |
| EBITDA | 1,441 | 1,612 | -10.6% | 1,817 | -20.7% | "We expect steep impact of ~200-250bps QoQ on margins because of 1) backfilling of attrition by laterals which come at higher cost, 2) aggressive hiring of freshers has led to decline in utilization, 3) hiring of sales teams in Eastern Europe and investments in SG&Os and 4) Impact of furloughs. |
| EBITDA margin (%) | 13% | 15% | -224 bps | 19% | -630 bps | |
| EBIT margin (%) | 8.6% | 10.9% | -229 bps | 14.8% | -624 bps | Attrition is expected to be at similar levels. " Long term margin trajectory is mid-high teens |
| Adjusted net profit | 663.17 | 944.00 | -29.7% | 878.00 | -24.5% | |
| EPS | 3.00 | 4.26 | -29.7% | 3.99 | -24.9% | |
| Coforge (Not Announced) | | | | | | |
| Revenues (US\$ mn) | 220 | 213 | 3.5% | 161 | 37.0% | Revenue growth is expected to be healthy at 3.5% QoQ USD despite high base last quarter and seasonal weakness. |
| Revenues | 16,473 | 15,694 | 5.0% | 11,906 | 38.4% | |
| EBITDA | 3,142 | 2,737 | 14.8% | 2,009 | 56.4% | Deal win momentum is also expected to continue. |
| EBITDA margin (%) | 19.1% | 17.4% | 163 bps | 16.9% | 220 bps | |
| EBIT margin (%) | 15.1% | 13.6% | 144 bps | 13.0% | 208 bps | We expect margins to improve by ~140bps led by ramp up of large deals and discount reversal |
| Adjusted net profit | 1,837 | 1,468 | 25.1% | 1,220 | 50.6% | |
| EPS | 30 | 24 | 25.1% | 20 | 50.6% | |

| Company | Q3FY22 | Q2FY22 | QoQ gr. | Q3FY21 | YoY gr. | Comments |
|-------------------------------------|--------|--------|----------|--------|---------|--|
| LTTS (18th Jan) | | | | | | |
| Revenues (US\$ mn) | 227 | 217 | 4.5% | 190 | 19.5% | We anticipate revenue growth of 5% QoQ CC which will be led by ramp up of large deals won in earlier quarters and increased ER&D spending across all verticals |
| Revenues | 16,993 | 16,077 | 5.7% | 14,007 | 21.3% | We expect EBIT margin to decline from high on 18.4% in Q2FY22 to 17.5% in Q3FY22 led by headwinds from higher cost of backfilling of attrition, decline in utilization rates and investment in next-gen growth areas |
| EBITDA | 3,518 | 3,493 | 0.7% | 2,756 | 27.6% | |
| EBITDA margin (%) | 20.7% | 21.7% | -103 bps | 19.7% | 102 bps | LTTS had done strong upgrade in revenue guidance last quarter from 15-17% to 19-20% YoY USD for FY22. We believe that there will be further upgrade in guidance. Given robust broad-based deal pipeline and improved focus on winning large deals, we expect guidance to be at 20-21%. |
| EBIT margin (%) | 17.5% | 18.4% | -94 bps | 15.2% | 228 bps | |
| Adjusted net profit | 2,341 | 2,308 | 1.4% | 2,308 | 1.4% | We expect investor focus on - (1) large deal pipeline visibility and composition of deal pipeline, (2) impact of recent COVID surge in deal pipeline the US and Europe, (3) demand visibility in 6 key strategic investments, (4) offshoring trend, and (5) attrition outlook |
| EPS | 22.1 | 21.7 | 1.6% | 17.6 | 25.3% | |
| Cyient (20th Jan) | | | | | | |
| Revenues (US\$ mn) | 156 | 150 | 4.2% | 141 | 10.6% | Overall revenue is expected to grow by 4.2% QoQ USD led by growth of 3% QoQ USD in Services business and strong recovery DLM business of ~10% QoQ USD post weakness in last two quarters. |
| Revenues | 11,694 | 11,116 | 5.2% | 10,443 | 12.0% | |
| EBITDA | 2,070 | 2,075 | -0.2% | 1,650 | 25.4% | In Services business growth will be led by communication and utilities and portfolio. Transportation will be muted due to decline in Rail transportation and weakness in communication |
| EBITDA margin (%) | 17.7% | 19% | -97 bps | 16% | 190 bps | |
| EBIT margin (%) | 12.7% | 14.0% | -132 bps | 11.2% | 154 bps | We expect EBIT margin to drop by ~130bps led by lower billing days in Q3, selective wage hikes and bonuses to retain talent, and back filling of attrition at higher costs, investments in sales and impact of higher growth in lower margin DLM business. |
| Adjusted net profit | 1,272 | 1,213 | 4.9% | 954 | 33.3% | |
| EPS | 11.6 | 11.1 | 4.9% | 8.7 | 33.3% | Attrition is expected to inch upwards and remain at elevated levels in near term. |
| Persistent (Not Announced) | | | | | | |
| Revenues (US\$ mn) | 198 | 182 | 8.5% | 146 | 35.4% | We anticipate very strong sequential growth of 8.5% QoQ USD led by strong broad-based growth in services and revenue from acquisitions (SCI Fusion 360 and Shree Partners) will start flowing in this quarter. |
| Revenues | 14,800 | 13,512 | 9.5% | 10,754 | 37.6% | |
| EBITDA | 2,368 | 2,244 | 5.5% | 1,825 | 29.8% | We expect decline of ~90 bps QoQ in margins due to higher cost of lateral hires, ESOP cost provision (1st tranche in Oct 21) and higher amortization of acquisitions |
| EBITDA margin (%) | 16.0% | 16.6% | -61 bps | 17.0% | -97 bps | |
| EBIT margin (%) | 13.0% | 13.9% | -86 bps | 12.7% | 32 bps | We expect strong deal wins this quarter with healthy TCV (similar to last year levels of USD 302 mn). Renewals and net new deal wins both are healthy. Pipeline is also healthy |
| Adjusted net profit | 1,806 | 1,618 | 11.6% | 1,209 | 49.3% | |
| EPS | 22.6 | 20.2 | 11.6% | 15.1 | 49.3% | We expect investors to focus on medium term growth and margin outlook |

| Company | Q3FY22 | Q2FY22 | QoQ gr. | Q3FY21 | YoY gr. | Comments |
|--|----------|----------|----------|----------|----------|--|
| LTI (19th Jan) | | | | | | |
| Revenues (US\$ mn) | 550 | 509 | 8.0% | 428 | 28.5% | We expect strong growth momentum to continue with growth of 8% QoQ USD growth led by discretionary spending and cloud transformation demand. |
| Revenues | 41,119 | 37,670 | 9.2% | 31,528 | 30.4% | |
| EBITDA | 8,142 | 7,332 | 11.0% | 7,320 | 11.2% | EBIT margin is expected to increase by ~30 bps QoQ led by revenue growth leverage. |
| EBITDA margin (%) | 19.8 | 19.5 | 34 bps | 23.2 | -342 bps | Demand momentum is strong and broad-based across verticals, strong revenue momentum to continue irrespective of large deal wins |
| EBIT margin (%) | 17.5 | 17.2 | 29 bps | 20.6 | -312 bps | |
| Adjusted net profit | 6,203 | 5,517 | 12.4% | 5,192 | 19.5% | We expect investor focus on sustainability of growth, progress in products business, attrition trend and new client wins attrition which is surprisingly high despite aggressive wage revisions in the past two quarters. |
| EPS | 35.0 | 31.1 | 12.4% | 29.5 | 18.5% | |
| Sonata Software (17th Jan) | | | | | | |
| IT services Revenues (USD mn) | 52 | 49 | 4.9% | 41 | 26.4% | We expect International IT Services to grow at 4.9% QoQ USD led by strong organic growth of 5% QoQ USD and inorganic growth from Encore acquisition to contribute 6% to revenue. It is seasonally strong quarter for Products business and is expected to grow 10% YoY |
| Domestic Products (USD mn) | 164 | 83 | 97.4% | 150 | 9.2% | |
| Consolidated Revenues (USD mn) | 215 | 132 | 62.9% | 191 | 12.9% | |
| Consolidated Revenues (INR mn) | 15,945 | 9,632 | 65.5% | 13,962 | 14.2% | |
| EBITDA | 1,231 | 1,231 | 0.1% | 1,110 | 11.0% | |
| EBITDA margin (%) | 7.7% | 12.8% | -505 bps | 7.9% | -22 bps | |
| Adjusted net profit | 923 | 912 | 1.2% | 538 | 71.5% | Consolidated EBITDA margin is expect to be ~7% flattish on YoY basis |
| EPS | 8.9 | 8.8 | 1.2% | 5.2 | 71.3% | |
| TeamLease (Not Announced) | | | | | | |
| Revenues (Rs mn) | 16,911 | 15,236 | 11.0% | 12,754 | 32.6% | Teamlease had strong headcount addition of ~25K (associates +NETAPP trainees). We expect similar associate addition in this quarter. Overall strong revenue momentum is expected to continue with 11% QoQ growth |
| EBITDA | 381 | 342 | 11.4% | 248 | 53.4% | |
| EBITDA margin (%) | 2.3% | 2.0% | 0 bps | 1.9% | 0 bps | EBIT margin is expected to remain flattish +10bps QoQ. Margins will be maintained in general staffing. Specialised staffing margins are expected to be under pressure. HR staffing business is expected to turn PBT positive in this quarter. |
| EBIT margin (%) | 1.6% | 1.5% | 7 bps | 1.3% | 30 bps | |
| Adjusted net profit | 311 | (495) | -162.8% | 231 | 0 bps | |
| EPS | 18.2 | (28.9) | -162.8% | 13.5 | 34.3% | |
| Redington (Not Announced) | | | | | | |
| Revenues (US\$ mn) | 2,496 | 2,066 | 20.8% | 2,279 | 9.5% | We expect overall revenue growth of 9.9% YoY. India revenue growth on YoY basis is expected to be muted because of high base of Q3FY21 (+44% YoY in Q3FY21) |
| Revenues | 1,86,672 | 1,52,875 | 22.1% | 1,69,808 | 9.9% | |
| EBITDA | 5,040 | 4316.1 | 16.8% | 4241.1 | 18.8% | In International business, there are some supply side constraints due to semiconductor shortage. But demand continues to strong. |
| EBITDA margin (%) | 2.7% | 2.8% | -12 bps | 2.5% | 20 bps | |
| EBIT margin (%) | 2.5% | 2.6% | -9 bps | 2.3% | 22 bps | In India business, IT business is doing well, Mobility is weak due to higher base YoY |
| Adjusted net profit | 3,466 | 3,072 | 12.8% | 1,956 | 77.2% | |
| EPS | 4.4 | 3.9 | 12.8% | 3.3 | 33.3% | We expect overall EBIT margin to be flattish on QoQ basis at 2.5%. Higher share of IT business is driving better margins on YoY basis |
| Affle (Not Announced) | | | | | | |
| Revenues (INR mn) | 3,068 | 2,747 | 11.7% | 1,505 | 103.9% | We expect strong revenue growth of 104% YoY led by broad-based growth across CPCU, Non CPCU, India and International markets. Share of inorganic revenue (Jampp) is expected to be ~42%. 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) | 583 | 521 | 11.9% | 384 | 51.8% | |
| EBITDA margin (%) | 19% | 19% | 4 bps | 26% | -651 bps | We expect margins to slightly improve by 35bps in Q2FY22 led by revenue growth leverage and improving profitability of Jampp. |
| EBIT margin (%) | 16.4% | 16.0% | 35 bps | 22.1% | -579 bps | |
| Adjusted net profit | 500 | 475 | 5.4% | 307 | 63.2% | |
| EPS | 18.8 | 17.8 | 5.4% | 12.0 | 55.9% | |

Source: Company, PL

Exhibit 10: TechM & Wipro among Tier-1 and Mindtree & Persistent among Tier-2 had very high sequential growth

| QoQ Growth (USD) | Q3FY20 | Q4FY20 | Q1FY21 | Q2FY21 | Q3FY21 | Q4FY21 | Q1FY22 | Q2FY22 |
|---------------------------|-------------|--------------|--------------|-------------|-------------|-------------|-------------|-------------|
| Infosys | 1.0% | -1.4% | -2.4% | 6.1% | 6.2% | 2.8% | 4.7% | 5.7% |
| TCS | 1.3% | -2.5% | -7.1% | 7.2% | 5.1% | 5.0% | 2.8% | 2.9% |
| Wipro | 2.2% | -1.0% | -7.3% | 3.7% | 3.9% | 3.9% | 12.2% | 6.9% |
| HCL Tech | 2.3% | 0.0% | -7.4% | 6.4% | 4.4% | 3.0% | 0.9% | 2.6% |
| Tech M | 5.1% | -4.3% | -6.8% | 4.8% | 3.4% | 1.6% | 4.1% | 6.4% |
| Tier 1 IT (Top-5) | 1.9% | -1.8% | -6.1% | 6.1% | 4.9% | 3.7% | 4.3% | 4.4% |
| LTI | 8.4% | 3.9% | -4.8% | 3.6% | 5.8% | 4.6% | 5.1% | 8.3% |
| Mindtree | 1.5% | 1.2% | -9.1% | 3.2% | 4.9% | 5.1% | 7.7% | 12.8% |
| Mphasis | 4.3% | 0.6% | -4.5% | 7.2% | 2.0% | 2.5% | 6.0% | 6.1% |
| Coforge | 1.7% | 2.3% | -9.4% | 10.5% | 3.8% | 7.0% | 16.0% | 6.6% |
| Persistent | 3.1% | -1.8% | 3.1% | 3.9% | 7.4% | 4.6% | 9.2% | 9.3% |
| Tier 2 IT services | 3.8% | 1.2% | -4.9% | 5.7% | 4.8% | 4.8% | 8.8% | 8.6% |
| LTTS | -5.5% | -3.9% | -12.5% | 3.4% | 4.7% | 6.0% | -4.3% | 4.6% |
| Cyient | 0.7% | -2.0% | -12.5% | 4.1% | 6.8% | 3.9% | 4.2% | 5.7% |

Source: Company, PL, Note: Wipro / Coforge posted organic growth of 3.7% / 2.9% QoQ USD in Q2FY22

Exhibit 11: Strong YoY USD revenue growth across IT services companies

| YoY Growth (USD) | Q3FY20 | Q4FY20 | Q1FY21 | Q2FY21 | Q3FY21 | Q4FY21 | Q1FY22 | Q2FY22 |
|----------------------|-------------|-------------|---------------|---------------|--------------|--------------|---------------|---------------|
| Infosys | 8.6% | 4.5% | -0.32% | 3.18% | 8.42% | 13.01% | 21.18% | 20.71% |
| TCS | 6.4% | 0.9% | -7.77% | -1.69% | 2.08% | 10.01% | 21.64% | 16.76% |
| Wipro | 2.4% | -0.1% | -5.73% | -2.76% | -1.14% | 3.80% | 25.65% | 29.49% |
| HCL Tech | 15.6% | 11.6% | -0.34% | 0.84% | 2.89% | 6.01% | 15.46% | 11.35% |
| Tech M | 7.3% | 2.1% | -3.22% | -1.69% | -3.27% | 2.70% | 14.63% | 16.37% |
| Total (Top-5) | 7.8% | 3.4% | -4.21% | -0.33% | 2.66% | 8.44% | 20.42% | 18.44% |
| LTI | 13.7% | 15.9% | 9.5% | 11.2% | 8.5% | 9.1% | 20.5% | 25.8% |
| Mindtree | 9.4% | 6.3% | -4.2% | -3.6% | -0.4% | 3.5% | 22.6% | 34.0% |
| Mphasis | 12.4% | 9.7% | 2.9% | 7.4% | 5.1% | 7.0% | 18.8% | 17.7% |
| LTTS | 7.3% | 2.1% | -11.8% | -10.1% | -4.6% | 1.1% | 20.3% | 22.1% |
| Coforge | 12.2% | 12.2% | -5.7% | 2.4% | 3.9% | 11.2% | 42.4% | 37.4% |
| Persistent | 7.1% | 7.4% | 9.5% | 8.4% | 12.9% | 20.3% | 27.3% | 34.0% |
| Cyient | -6.0% | -9.7% | -16.6% | -17.8% | -8.9% | 0.5% | 9.9% | 11.2% |

Source: Company, PL, Note: Wipro / Coforge posted organic growth of 17.6% / 23% YoY USD in Q2FY22

Exhibit 12: Sequential CC revenue growth led by Wipro & TechM (among Tier 1) and Mindtree & LTI (among Tier 2)

| QoQ constant currency revenue growth (%) | Q3FY20 | Q4FY20 | Q1FY21 | Q2FY21 | Q3FY21 | Q4FY21 | Q1FY22 | Q2FY22 |
|--|--------|--------|--------|--------|--------|--------|--------|--------|
| TCS | 1.0% | -1.2% | -6.3% | 4.8% | 4.1% | 4.2% | 2.4% | 4.0% |
| Infosys | 0.3% | -0.8% | -2.0% | 4.0% | 5.3% | 2.0% | 4.8% | 6.3% |
| Wipro | 1.8% | 0.4% | -7.5% | 2.0% | 3.4% | 3.0% | 12.0% | 8.1% |
| HCL Tech | 2.1% | 0.8% | -7.2% | 4.5% | 4.4% | 2.5% | 0.7% | 3.5% |
| Tech Mahindra | 4.1% | -3.3% | -6.3% | 2.9% | 2.8% | 0.7% | 3.9% | 7.2% |
| LTI | 8.3% | 4.7% | -4.7% | 2.3% | 5.3% | 4.4% | 4.8% | 8.9% |
| Mphasis | 4.0% | 1.5% | 3.8% | 6.7% | 4.3% | 2.0% | 5.9% | 6.6% |
| Mindtree | 1.0% | 1.9% | -9.1% | 2.2% | 4.6% | 5.0% | 7.6% | 13.4% |
| Coforge* | 2.0% | 3.0% | -6.8% | 8.1% | 3.3% | 5.1% | 7.0% | ~7.5% |
| LTTS | 28.2% | -1.0% | -12.7% | 2.9% | 6.6% | 3.8% | 4.3% | 6.0% |

Source: Company, PL, Note: Wipro / Coforge posted organic growth of 4.6% / 3.9% QoQ CC in Q2FY22, Coforge overall 7.5% QoQ CC growth is our estimate

Exhibit 13: Strong YoY CC revenue performance across the pack

| YoY constant currency revenue growth (%) | Q2FY20 | Q3FY20 | Q4FY20 | Q1FY21 | Q2FY21 | Q3FY21 | Q4FY21 | Q1FY22 | Q2FY22 |
|--|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| TCS | 8.4% | 6.8% | 6.8% | 3.0% | -3.2% | 0.4% | 5.9% | 16.4% | 15.5% |
| Infosys | 11.4% | 9.5% | 6.4% | 1.5% | 2.2% | 6.6% | 9.6% | 16.9% | 19.4% |
| Wipro | 3.8% | 3.2% | 2.6% | -4.4% | -3.4% | -2.0% | 0.5% | 21.7% | 28.8% |
| HCL Tech | 20.5% | 16.4% | 13.5% | 1.0% | -0.4% | 1.1% | 2.6% | 11.7% | 10.5% |
| LTI | 11.9% | 14.2% | 17.4% | 10.6% | 10.5% | 7.4% | 7.1% | 17.8% | 25.5% |
| Mphasis | 11.6% | 12.6% | 11.1% | 3.8% | 6.7% | 4.3% | 4.9% | 16.3% | 17.2% |
| LTTS | 11.9% | 7.5% | 3.4% | -10.9% | -10.6% | -5.2% | -0.6% | 18.6% | 22.3% |

Source: Company, PL

Exhibit 14: Strong growth in BFSI for Wipro (led by Capco) and TechM

| QoQ USD BFSI Growth | Q3FY20 | Q4FY20 | Q1FY21 | Q2FY21 | Q3FY21 | Q4FY21 | Q1FY22 | Q2FY22 |
|----------------------|--------------|--------------|--------------|-------------|-------------|-------------|-------------|-------------|
| Infosys | -0.2% | -2.0% | -1.8% | 7.8% | 9.8% | 2.4% | 4.7% | 3.5% |
| TCS | -0.7% | -4.8% | -2.1% | 9.3% | 3.1% | 8.1% | 3.7% | 2.6% |
| Wipro | 0.9% | -2.6% | -6.4% | 5.4% | 1.6% | 3.9% | 22.8% | 11.3% |
| HCLT | -1.3% | -2.3% | -1.7% | 5.0% | 1.1% | 4.0% | 3.2% | -1.1% |
| Tech M | 6.7% | 10.9% | -4.2% | 9.4% | 0.9% | 4.1% | 4.1% | 5.8% |
| Total (Top-5) | -0.1% | -2.7% | -2.7% | 7.7% | 4.2% | 5.2% | 6.7% | 4.0% |

Source: Company, PL

Exhibit 15: Strong growth in Retail for Wipro and TechM

| QoQ USD Retail Growth | Q3FY20 | Q4FY20 | Q1FY21 | Q2FY21 | Q3FY21 | Q4FY21 | Q1FY22 | Q2FY22 |
|-----------------------|-------------|--------------|---------------|--------------|-------------|-------------|-------------|-------------|
| Infosys | 1.7% | -0.1% | -9.9% | 10.6% | 4.7% | 3.5% | 6.1% | 2.9% |
| TCS | 4.0% | -1.3% | -15.5% | 11.8% | 4.4% | 5.0% | 4.9% | 4.3% |
| Wipro | 8.0% | -1.6% | -12.3% | 5.6% | 5.2% | 7.7% | 14.2% | 6.9% |
| HCLT | 5.4% | -1.0% | -9.2% | 10.7% | 5.4% | -0.9% | -0.1% | 0.6% |
| Tech M | 8.1% | -3.0% | -6.5% | 7.4% | 8.9% | -1.0% | 4.1% | 7.8% |
| Total (Top-5) | 4.5% | -1.1% | -12.4% | 10.1% | 5.0% | 4.0% | 6.1% | 4.1% |

Source: Company, PL

Exhibit 16: Strong growth in Manufacturing for Infy (led by ramp up of Daimler deal) and HCLT

| QoQ Growth | Q3FY20 | Q4FY20 | Q1FY21 | Q2FY21 | Q3FY21 | Q4FY21 | Q1FY22 | Q2FY22 |
|----------------------|-------------|--------------|---------------|-------------|-------------|-------------|-------------|-------------|
| Infosys | 3.0% | -3.3% | -8.2% | 1.7% | 8.5% | 6.1% | 5.8% | 18.8% |
| TCS | 3.3% | -1.6% | -10.8% | 3.9% | 7.4% | 5.0% | 4.9% | 4.0% |
| Wipro | -0.7% | 1.4% | -4.7% | -0.6% | 4.9% | -1.1% | -0.6% | 2.3% |
| HCLT | 8.0% | -1.0% | -19.0% | 4.1% | 6.8% | 0.7% | -2.0% | 6.8% |
| Tech M | 1.0% | -2.1% | -11.3% | 0.3% | 4.7% | 2.2% | 4.7% | 3.2% |
| Total (Top-5) | 3.3% | -1.1% | -11.2% | 2.1% | 6.6% | 3.1% | 2.7% | 7.4% |

Source: Company, PL

Exhibit 17: Growth in Communications vertical led by Infy & TechM

| QoQ Growth | Q3FY20 | Q4FY20 | Q1FY21 | Q2FY21 | Q3FY21 | Q4FY21 | Q1FY22 | Q2FY22 |
|----------------------|--------------|--------------|--------------|-------------|-------------|-------------|-------------|-------------|
| Infosys | -1.3% | -0.6% | -3.1% | 4.5% | 4.5% | -0.6% | 6.4% | 7.4% |
| TCS | 1.3% | 0.2% | -8.4% | -1.8% | 6.7% | 3.4% | 1.2% | 4.5% |
| Wipro | 2.2% | -1.0% | -17.1% | 7.8% | 2.0% | -0.1% | 14.4% | 4.8% |
| HCLT | -28.6% | -7.8% | -15.2% | 7.8% | 12.5% | 0.5% | -1.6% | 2.6% |
| Tech M | 8.9% | -8.4% | -8.7% | 3.1% | 4.5% | 3.4% | 3.0% | 6.7% |
| Total (Top-5) | -2.4% | -4.0% | -8.7% | 3.1% | 5.8% | 1.8% | 3.6% | 5.8% |

Source: Company, PL

Exhibit 18: Growth led by US, moderate growth in Europe due to seasonal weakness

| QoQ USD growth for Tier 1 | Q3FY19 | Q4FY19 | Q1FY20 | Q2FY20 | Q3FY20 | Q4FY20 | Q1FY21 | Q2FY21 | Q3FY21 | Q4FY21 | Q1FY22 | Q2FY22 |
|-----------------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| US Revenue (QoQ Growth) | 2.2% | 2.1% | 3.1% | 1.5% | 0.9% | -1.5% | -5.2% | 4.2% | 4.1% | 2.9% | 5.4% | 5.2% |
| Europe Revenue (QoQ Growth) | 2.7% | 3.2% | -1.4% | 3.1% | 3.8% | -1.6% | -7.5% | 7.7% | 6.6% | 5.4% | 4.7% | 3.3% |

Source: Company, PL

Exhibit 19: Resilient margins despite supply side cost pressures

| Ebit Margin | Q1FY21 | Q2FY21 | Q3FY21 | Q4FY21 | Q1FY22 | Q2FY22 | QoQ Chng. | YoY Chng. |
|----------------------|--------|--------|--------|--------|--------|--------|-----------|-----------|
| Infosys | 22.7% | 25.3% | 25.4% | 24.5% | 23.7% | 23.6% | -12 bps | -180 bps |
| TCS | 23.6% | 26.2% | 26.6% | 26.8% | 25.5% | 25.6% | 9 bps | -59 bps |
| Wipro | 17.2% | 18.7% | 21.6% | 20.5% | 18.4% | 17.3% | -111 bps | -146 bps |
| HCL Tech | 20.5% | 21.6% | 22.9% | 16.6% | 19.6% | 19.0% | -63 bps | -264 bps |
| Tech M | 10.1% | 14.2% | 15.9% | 16.5% | 15.2% | 15.2% | 3 bps | 98 bps |
| Total (Top-5) | 20.9% | 23.1% | 24.1% | 22.8% | 22.2% | 21.9% | -30 bps | -124 bps |

Source: Company, PL

Exhibit 20: Consistent improvement in margins for LTTS, Cyient & Persistent for last several quarters

| EBIT Margin | Q1FY21 | Q2FY21 | Q3FY21 | Q4FY21 | Q1FY22 | Q2FY22 | QoQ chng. | YoY chng. |
|-------------|--------|--------|--------|--------|--------|--------|-----------|-----------|
| LTI | 17.4% | 19.9% | 20.6% | 19.4% | 16.4% | 17.2% | 79 bps | -266 bps |
| Mindtree | 13.7% | 17.3% | 19.6% | 18.6% | 17.7% | 18.2% | 43 bps | 85 bps |
| Mphasis | 15.7% | 16.1% | 16.4% | 16.1% | 15.9% | 15.1% | -81 bps | -105 bps |
| Coforge | 11.6% | 13.8% | 13.0% | 13.3% | 10.8% | 13.6% | 282 bps | -13 bps |
| LTTS | 12.1% | 13.7% | 15.2% | 16.6% | 17.3% | 18.4% | 116 bps | 473 bps |
| Cyient | 4.7% | 11.0% | 11.2% | 12.7% | 13.1% | 14.0% | 89 bps | 300 bps |
| Persistent | 10.4% | 12.1% | 12.7% | 13.2% | 13.5% | 13.9% | 32 bps | 178 bps |

Source: Company, PL

Exhibit 21: Improvement in Offshore mix across the pack

| Offshore Effort mix | Q4FY20 | Q1FY21 | Q2FY21 | Q3FY21 | Q4FY21 | Q1FY22 | Q2FY22 | QoQ chng. | YoY chng. |
|-----------------------------|--------|--------|--------|--------|--------|--------|--------|-----------|-----------|
| Infosys | 72.4% | 72.0% | 73.9% | 74.8% | 75.7% | 75.9% | 76.4% | 50 bps | 250 bps |
| LTI | 78.5% | 78.9% | 80.6% | 81.6% | 82.1% | 82.7% | 83.6% | 90 bps | 300 bps |
| MTCL | 78.9% | 80.2% | 82.1% | 82.8% | 82.9% | 83.5% | 85.0% | 150 bps | 290 bps |
| Coforge | 76.1% | 76.8% | 75.4% | 76.2% | 77.9% | 82.1% | 82.3% | 27 bps | 689 bps |
| Persistent | 85.7% | 85.1% | 85.8% | 87.1% | 87.7% | 87.5% | 87.8% | 29 bps | 198 bps |
| Offshore revenue mix | | | | | | | | | |
| Wipro | 48.2% | 50.0% | 51.9% | 53.9% | 54.5% | 54.0% | 55.6% | 160 bps | 370 bps |
| TechM | 48.2% | 50.0% | 51.9% | 53.9% | 54.5% | 54.0% | 55.6% | 160 bps | 370 bps |
| LTI | 34.8% | 34.8% | 37.0% | 37.0% | 37.0% | 38.0% | 39.0% | 100 bps | 200 bps |
| LTTS | 49.1% | 50.8% | 53.5% | 55.7% | 55.9% | 57.3% | 59.2% | 190 bps | 570 bps |
| Coforge | 52.9% | 51.7% | 54.9% | 57.1% | 57.9% | 58.1% | 59.2% | 110 bps | 430 bps |

Source: Company, PL

Exhibit 22: Sustained high utilization in Wipro and Infosys

| Utilization | Q4FY20 | Q1FY21 | Q2FY21 | Q3FY21 | Q4FY21 | Q1FY22 | Q2FY22 | QoQ chng. | YoY chng. |
|-------------|--------|--------|--------|--------|--------|--------|--------|-----------|-----------|
| Infosys | 83.5% | 81.2% | 83.6% | 86.3% | 87.7% | 88.5% | 89.2% | 70 bps | 560 bps |
| Wipro | 82.4% | 84.5% | 86.9% | 86.3% | 86.0% | 86.8% | 89.2% | 240 bps | 230 bps |
| TechM | 84.0% | 81.8% | 85.0% | 87.0% | 87.0% | 89.0% | 89.0% | 0 bps | 400 bps |
| LTI | 80.6% | 79.6% | 82.0% | 84.1% | 82.2% | 84.1% | 83.7% | -40 bps | 170 bps |
| MTCL | 76.5% | 75.5% | 78.8% | 83.1% | 84.3% | 83.2% | 82.9% | -30 bps | 410 bps |
| LTTS | 78.1% | 70.9% | 75.4% | 77.5% | 78.9% | 79.2% | 78.1% | -110 bps | 270 bps |
| Coforge | 78.1% | 77.0% | 81.0% | 78.9% | 81.0% | 77.0% | 78.5% | 150 bps | -250 bps |
| Persistent | 78.7% | 78.5% | 81.2% | 81.0% | 79.1% | 80.1% | 82.8% | 270 bps | 160 bps |

Source: Company, PL

Exhibit 23: Sub-contracting costs increased substantially for Infy in Q2FY22

| Subcontractor costs as % of revenue | 4Q20 | 1Q21 | 2Q21 | 3Q21 | 4Q21 | 1Q22 | 2Q22 | QoQ chng. | YoY chng. |
|-------------------------------------|-------|-------|-------|-------|-------|-------|-------|-----------|-----------|
| Infosys | 7.3% | 6.9% | 6.7% | 7.1% | 7.5% | 8.8% | 10.3% | 152 bps | 362 bps |
| TCS | 8.0% | 8.0% | 7.6% | 7.8% | 8.5% | 8.3% | 8.6% | 37 bps | 102 bps |
| Wipro | 14.4% | 14.1% | 13.4% | 13.1% | 13.2% | 13.2% | 10.3% | -291 bps | -311 bps |
| HCLT | 13.4% | 13.6% | 13.3% | 13.6% | 13.5% | 14.4% | 14.9% | 52 bps | 162 bps |
| TechM | 13.4% | 14.5% | 13.0% | 12.4% | 12.7% | 14.8% | 15.3% | 52 bps | 232 bps |
| Mindtree | 7.9% | 6.8% | 6.9% | 7.1% | 7.9% | 11.3% | 10.6% | -68 bps | 372 bps |

Source: Company, PL

Exhibit 24: Strong growth in TCV on TTM basis for Infy, TechM, Mindtree and Coforge

| | Q3FY20 | Q4FY20 | Q1FY21 | Q2FY21 | Q3FY21 | Q4FY21 | Q1FY22 | Q2FY22 | |
|--|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| TCV Quarterly (USD Mn) | | | | | | | | | |
| TCS | | 6,000 | 8,900 | 6,900 | 8,600 | 6,800 | 9200 | 8100 | 7600 |
| Infosys | | 1,813 | 1,650 | 1,740 | 3,150 | 7,129 | 2100 | 2600 | 2150 |
| Wipro | | | | | | 1,200 | 1400 | 715 | 580 |
| HCLT (Net New TCV) | | | | | | | 3100 | 1,664 | 2,245 |
| TechM (Net New TCV) | | 1,231 | 513 | 290 | 421 | 455 | 1043 | 815 | 750 |
| Mphasis (Net New TCV) | | 189 | 201 | 259 | 360 | 247 | 245 | 505 | 241 |
| Mindtree | | 207 | 393 | 391 | 303 | 312 | 375 | 504 | 360 |
| Coforge | | 218 | 180 | 186 | 201 | 192 | 201 | 318 | 285 |
| TCV on TTM basis (USD mn) | | | | | | | | | |
| TCS | | 24,300 | 27,000 | 28,200 | 30,400 | 31,200 | 31,500 | 32,700 | 31,700 |
| Infosys | | 8,895 | 8,977 | 8,003 | 8,353 | 13,669 | 14,119 | 14,979 | 13,979 |
| Wipro | | | | | | | 7100 | NA | 3,895 |
| HCLT (Net New TCV) | | | | | | | 7300 | NA | NA |
| TechM (Net New TCV) | | 3,607 | 3,712 | 3,527 | 2,455 | 1,679 | 2,209 | 2,734 | 3,063 |
| Mphasis (Net New TCV) | | 660 | 715 | 823 | 1,009 | 1,067 | 1,111 | 1,357 | 1,238 |
| Mindtree | | 1,080 | 1,231 | 1,298 | 1,294 | 1,399 | 1,381 | 1,494 | 1,551 |
| Coforge | | 739 | 749 | 760 | 785 | 759 | 780 | 912 | 996 |
| Growth in TCV on TTM Basis (YoY, %) | | | | | | | | | |
| TCS | | | 23.3% | 24.2% | 25.6% | 28.4% | 16.7% | 16.0% | 4.3% |
| Infosys | | | 42.9% | 1.5% | -3.5% | 53.7% | 57.3% | 87.2% | 67.4% |
| TechM (Net New TCV) | | | 122.7% | 87.9% | -12.8% | -53.5% | -40.5% | -22.5% | 24.8% |
| Mphasis (Net New TCV) | | | 13.3% | 30.8% | 70.2% | 61.7% | 55.4% | 64.9% | 22.7% |
| Mindtree | | | 14.5% | 18.8% | 14.6% | 29.5% | 12.2% | 15.1% | 19.9% |
| Coforge | | | 15.9% | 13.4% | 14.4% | 2.7% | 4.1% | 20.0% | 26.9% |

Source: Company, PL

Exhibit 25: Key Financials

| | USD Revenues growth YoY | | | EBIT Margin | | | EPS | | |
|-----------------|-------------------------|-------|-------|-------------|-------|-------|-------|-------|-------|
| | FY22E | FY23E | FY24E | FY22E | FY23E | FY24E | FY22E | FY23E | FY24E |
| TCS | 16.0% | 13.7% | 11.4% | 25.8% | 26.0% | 25.7% | 103.0 | 122.7 | 136.7 |
| Infosys | 19.2% | 13.3% | 11.4% | 23.7% | 23.3% | 23.5% | 52.9 | 62.9 | 72.5 |
| Wipro | 27.1% | 13.3% | 10.6% | 17.3% | 17.7% | 18.0% | 21.9 | 25.6 | 29.6 |
| HCL Tech | 11.8% | 13.0% | 11.6% | 19.4% | 19.8% | 19.8% | 49.8 | 58.4 | 65.9 |
| Tech M | 17.3% | 14.3% | 11.8% | 15.3% | 15.5% | 15.0% | 65.3 | 76.3 | 83.1 |
| L&T Infotech | 26.1% | 21.6% | 15.2% | 17.3% | 18.8% | 18.3% | 130.8 | 161.7 | 185.5 |
| Mindtree | 31.7% | 21.0% | 13.8% | 17.9% | 17.5% | 17.7% | 94.6 | 114.4 | 133.3 |
| Mphasis | 20.6% | 17.7% | 15.4% | 15.6% | 16.0% | 16.1% | 77.7 | 92.4 | 109.2 |
| L&T Tech. | 20.4% | 20.0% | 18.4% | 17.6% | 17.4% | 17.6% | 86.1 | 111.2 | 129.1 |
| COFORGE | 37.0% | 17.0% | 15.7% | 14.0% | 15.0% | 15.0% | 108.3 | 142.1 | 169.0 |
| Persistent | 33.3% | 20.7% | 13.8% | 13.5% | 14.0% | 14.0% | 85.7 | 107.8 | 115.4 |
| Cyient | 10.4% | 16.5% | 13.8% | 13.3% | 13.7% | 13.7% | 44.6 | 56.1 | 62.4 |
| Zensar | 15.2% | 19.8% | 14.9% | 10.8% | 13.7% | 14.5% | 15.2 | 22.8 | 27.5 |
| Redington India | 14.3% | 15.5% | 9.5% | 2.5% | 2.4% | 2.3% | 15.5 | 17.2 | 18.7 |
| Sonata Software | 22.9% | 17.6% | 18.4% | 8.4% | 8.9% | 8.8% | 35.5 | 43.5 | 51.2 |
| Teamlease | 31.1% | 28.5% | 18.7% | 1.5% | 1.8% | 1.8% | 66.9 | 97.9 | 120.3 |
| Affle* | 100.4% | 42.8% | 35.8% | 16.9% | 18.2% | 19.3% | 13.3 | 16.5 | 24.1 |

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

Exhibit 26: Tier 1 IT experienced deal win spree in Q3FY22

| Date | Company | Client | Vertical | Geography | Nature of work |
|-----------|---------|--|-----------------------------|-------------|--|
| 06-Oct-21 | TCS | Scotland's local government Improvement Service (IS) | E&U | Scotland | Accelerate client's digital transformation programs |
| 06-Oct-21 | TCS | SBI | BFSI | India | Partnership extended for another five years. TCS will continue to maintain and enhance SBI's application estate around core banking, trade finance, financial reporting, and financial inclusion with new features and functionality |
| 18-Oct-21 | TCS | Cainz Corporation | Retail / Consumer | Japan | Accelerate client's digital transformation, improve customer experience, and drive growth. |
| 19-Oct-21 | TCS | Heritage Life Insurance Company | BFSI (Insurance) | US | TCS will transform the customer experience for policy holders in the closed book of business client recently acquired. |
| 01-Nov-21 | TCS | Celcom Axiata Berhad | Telecommunications Provider | Malaysia | Transform the client's core business support systems (BSS) using TCS HOBS™ and TCS TwinX™ hosted on Microsoft Azure |
| 11-Nov-21 | TCS | Woolworths Group Limited | Retail | Australia | IT and digital services including establishing DevOps teams, to enable faster time-to-market and respond to the dynamic needs of the business. TCS has been Woolworths' strategic partner for over 20 years and has been involved in several transformation initiatives across the retail value chain. |
| 15-Nov-21 | TCS | Juniper Networks | Communication | US | TCS rolled out a new service platform to deliver superior customer experiences |
| 16-Nov-21 | TCS | Zebra Technologies | HiTech & Manufacturing | US | IT Agile transformation and provide DevSecOps services |
| 23-Nov-21 | TCS | Swiss Re | BFSI (Insurance) | Switzerland | Digital workplace transformation |
| 25-Nov-21 | TCS | South32 | E&U (Mining and Metals) | Australia | Multi-year managed services partnership. Enhance client's IT operating model and provide application and infrastructure services |
| 23-Dec-21 | TCS | La Mobilière | BFSI (Insurance) | Switzerland | Long-term strategic partner to drive its digital transformation agenda |
| 26-Oct-21 | Infosys | Posten Norge | Postal Services | Norway | Strategic partner to digitally transform its IT Service Management function |
| 01-Nov-21 | Infosys | East Sussex County Council | E&U (Govt.) | UK | Modernize critical business systems and accelerate its transition to the cloud with Oracle Cloud Fusion Applications Suite |

| Date | Company | Client | Vertical | Geography | Nature of work |
|-----------|---------|---|-----------------------|-----------|--|
| 17-Nov-21 | Infosys | Bloomberg Media | Media | US | Strategic collaboration to create the Bloomberg Digital Economy Index |
| 17-Nov-21 | Infosys | MSG Sports and MSG Entertainment | Media & Entertainment | US | Multi-year Signature Marketing Partnership - making Infosys the Official Digital Innovation Partner of key MSG properties |
| 18-Nov-21 | Infosys | South Florida Water Management District | E&U | US | Infosys successfully upgraded client's ERP system to the SAP S/4HANA platform. |
| 01-Dec-21 | Infosys | Proximus | Communication | Belgium | Extended strategic collaboration with Proximus to digitally transform, develop, and maintain their IT applications with leading AI and automation solutions. |
| 07-Dec-21 | Infosys | Financial Times | Media | UK | As the Digital Innovation Partner for the FT, Infosys will leverage digital innovation to support the latest creative and engaging data-led storytelling experiences for FT's readers, which include some of the world's most influential decision makers. |
| 09-Dec-21 | Infosys | Packable | E-commerce | US | Infosys will integrate its flagship human-centric digital commerce platform, Infosys Equinox, with Packable IQ (Packable's proprietary e-commerce platform) |
| 14-Dec-21 | Infosys | Orion Corporation | Pharma | Finland | Holistically transform client's ERP and Planning platforms, enhance employee experience, and drive business value realization |
| 16-Dec-21 | Infosys | Australian Open | Sports | Australia | Extended digital innovation partnership until end of 2026 |
| 16-Nov-21 | HCLT | Euroclear | BFSI | Belgium | Multi-year application deal to accelerate client's agile transformation journey with technologies and working practices to improve its digital capabilities. |
| 21-Dec-21 | HCLT | CEMEX | E&U | Mexico | 5 year agreement to deliver the next generation of employee services enabled by digital transformation, increased automation and near real-time analytics as part of the CEMEX "Working Smarter Program." |

Source: Company, PL

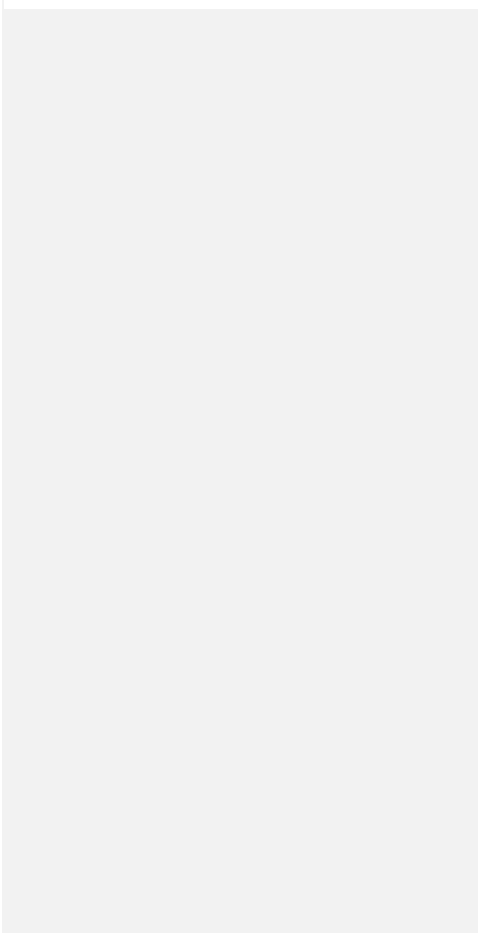




Exhibit 27: Valuation Summary

| 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 | 1,194 | 1,530 | 159.1 | 5.2 | 10.4 | 14.8 | 20.1 | 1.3 | 2.0 | 3.1 | 4.5 | 1.4 | 1.8 | 2.2 | 3.2 | 10.6 | 13.2 | 16.5 | 24.1 | 45.9 | 39.4 | 34.0 | 35.0 | 112.7 | 90.3 | 72.3 | 49.5 |
| Coforge | S BUY | 5,973 | 5,708 | 362.0 | 46.6 | 63.7 | 76.6 | 89.8 | 8.4 | 11.4 | 14.7 | 17.2 | 5.3 | 6.6 | 8.6 | 10.2 | 86.8 | 108.3 | 142.1 | 169.0 | 21.6 | 24.6 | 27.6 | 27.8 | 68.8 | 55.2 | 42.0 | 35.3 |
| Cyient | C BUY | 1,065 | 1,301 | 117.2 | 41.3 | 45.6 | 54.4 | 62.8 | 6.1 | 8.2 | 9.6 | 11.1 | 3.7 | 5.0 | 6.3 | 7.0 | 33.4 | 44.6 | 56.1 | 62.4 | 13.6 | 16.1 | 18.4 | 18.4 | 31.9 | 23.9 | 19.0 | 17.1 |
| HCL Technologies | C BUY | 1,326 | 1,400 | 3,598.7 | 753.8 | 846.1 | 977.1 | 1,104.3 | 193.3 | 200.6 | 234.5 | 265.0 | 124.3 | 135.2 | 158.6 | 178.7 | 45.8 | 49.8 | 58.4 | 65.9 | 22.0 | 21.0 | 21.7 | 20.8 | 28.9 | 26.6 | 22.7 | 20.1 |
| Infosys | S BUY | 1,898 | 2,063 | 8,007.1 | 1,004.7 | 1,199.1 | 1,392.1 | 1,571.7 | 278.9 | 316.5 | 353.1 | 398.7 | 194.6 | 223.2 | 264.9 | 305.3 | 45.9 | 52.9 | 62.9 | 72.5 | 27.3 | 29.0 | 33.5 | 31.3 | 41.4 | 35.9 | 30.2 | 26.2 |
| L&T Infotech | C BUY | 7,533 | 7,239 | 1,318.2 | 124.1 | 156.1 | 192.1 | 222.2 | 27.6 | 30.5 | 40.8 | 46.3 | 19.8 | 23.2 | 28.7 | 32.9 | 112.4 | 130.8 | 161.7 | 185.5 | 31.1 | 29.0 | 30.1 | 29.0 | 67.0 | 57.6 | 46.6 | 40.6 |
| L&T Tech. Serv. | C BUY | 5,729 | 5,705 | 601.5 | 54.5 | 65.7 | 80.9 | 97.0 | 10.1 | 13.8 | 16.8 | 20.4 | 6.6 | 9.0 | 11.7 | 13.6 | 63.8 | 86.1 | 111.2 | 129.1 | 21.3 | 23.9 | 26.7 | 26.4 | 89.8 | 66.5 | 51.5 | 44.4 |
| Mphasis | S BUY | 3,423 | 3,772 | 640.2 | 97.2 | 117.8 | 142.1 | 165.4 | 18.0 | 21.1 | 25.7 | 29.8 | 12.2 | 14.5 | 17.3 | 20.4 | 65.3 | 77.7 | 92.4 | 109.2 | 19.7 | 22.5 | 24.5 | 23.9 | 52.4 | 44.1 | 37.0 | 31.3 |
| Mindtree | C BUY | 4,842 | 5,141 | 797.5 | 79.7 | 104.9 | 130.4 | 150.4 | 16.4 | 21.1 | 26.1 | 30.5 | 11.1 | 15.6 | 18.8 | 22.0 | 67.3 | 94.6 | 114.4 | 133.3 | 29.7 | 33.0 | 32.4 | 30.0 | 71.9 | 51.2 | 42.3 | 36.3 |
| Persistent Systems | S BUY | 4,872 | 4,808 | 372.4 | 41.9 | 56.0 | 69.2 | 79.8 | 6.8 | 9.2 | 12.4 | 14.4 | 4.5 | 6.9 | 8.6 | 9.2 | 56.4 | 85.7 | 107.8 | 115.4 | 17.4 | 22.6 | 24.1 | 22.0 | 86.5 | 56.9 | 45.2 | 42.2 |
| Redington (India) | S BUY | 147 | 215 | 114.7 | 569.5 | 658.7 | 779.5 | 864.5 | 13.4 | 17.6 | 20.4 | 22.5 | 7.6 | 12.1 | 13.4 | 14.6 | 9.8 | 15.5 | 17.2 | 18.7 | 16.5 | 22.6 | 21.3 | 19.8 | 15.0 | 9.4 | 8.5 | 7.9 |
| Sonata Software | S BUY | 869 | 994 | 90.3 | 42.3 | 52.0 | 63.2 | 75.8 | 3.8 | 4.8 | 6.0 | 7.1 | 2.4 | 3.7 | 4.5 | 5.3 | 23.5 | 35.5 | 43.5 | 51.2 | 31.0 | 37.6 | 39.5 | 39.7 | 37.0 | 24.5 | 20.0 | 17.0 |
| Tata Const. Serv. | S BUY | 3,818 | 4,210 | 14,468.3 | 1,641.8 | 1,908.8 | 2,223.6 | 2,509.0 | 465.1 | 525.6 | 612.2 | 682.8 | 333.9 | 390.4 | 465.1 | 518.0 | 88.1 | 103.0 | 122.7 | 136.7 | 38.7 | 40.7 | 39.3 | 35.2 | 43.3 | 37.1 | 31.1 | 27.9 |
| TeamLease Serv. | S Reduce | 4,187 | 4,366 | 71.6 | 48.8 | 64.0 | 84.3 | 103.4 | 1.0 | 1.4 | 2.0 | 2.6 | 0.8 | 1.1 | 1.7 | 2.1 | 48.3 | 66.9 | 97.9 | 120.3 | 13.4 | 16.0 | 19.6 | 19.8 | 86.7 | 62.6 | 42.7 | 34.8 |
| Tech Mahindra | S BUY | 1,785 | 1,908 | 1,565.3 | 378.6 | 443.1 | 519.4 | 588.3 | 68.5 | 84.0 | 101.4 | 111.9 | 44.3 | 57.2 | 66.9 | 72.9 | 50.7 | 65.3 | 76.3 | 83.1 | 18.5 | 21.7 | 21.7 | 19.8 | 35.2 | 27.3 | 23.4 | 21.5 |
| Wipro | C BUY | 719 | 753 | 4,060.1 | 619.4 | 790.6 | 916.1 | 1,026.6 | 148.8 | 169.5 | 197.6 | 224.5 | 108.0 | 124.0 | 144.8 | 167.0 | 19.1 | 21.9 | 25.6 | 29.6 | 19.4 | 20.1 | 19.4 | 18.6 | 37.6 | 32.8 | 28.0 | 24.3 |
| Zensar Technologies | S BUY | 533 | 528 | 120.2 | 36.7 | 42.3 | 51.8 | 60.3 | 6.8 | 6.4 | 9.2 | 11.2 | 4.0 | 3.5 | 5.2 | 6.3 | 17.8 | 15.2 | 22.8 | 27.5 | 18.1 | 14.0 | 18.5 | 19.3 | 30.0 | 35.0 | 23.4 | 19.4 |

Source: Company, PL

S=Standalone / C=Consolidated,

Note: Target prices may not be consistent with ratings as LTI, Persistent, Coforge, LTTTS and Zensar have rallied by 15-30% in last three months (Exhibit 4). We maintain our positive view on these stocks and we will come up with revised TP post Q3FY22 results



Exhibit 28: 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 | 1,530 | 1,496 | 2.3% | 10,360 | 10,284 | 0.7% | 14,797 | 14,603 | 1.3% | 1,763 | 1,677 | 5.2% | 2,202 | 2,155 | 2.1% | 13.2 | 12.6 | 5.2% | 16.5 | 16.2 | 2.1% |
| Coforge | BUY | BUY | 5,708 | 5,596 | 2.0% | 63,653 | 63,477 | 0.3% | 76,566 | 76,566 | 0.0% | 6,561 | 6,591 | -0.4% | 8,611 | 8,611 | 0.0% | 108.3 | 108.8 | -0.4% | 142.1 | 142.1 | 0.0% |
| Cyient | BUY | BUY | 1,301 | 1,315 | -1.1% | 45,610 | 45,740 | -0.3% | 54,438 | 55,092 | -1.2% | 5,003 | 5,059 | -1.1% | 6,293 | 6,361 | -1.1% | 44.6 | 45.1 | -1.1% | 56.1 | 56.7 | -1.1% |
| HCL Technologies | BUY | BUY | 1,400 | 1,402 | -0.1% | 8,46,103 | 8,45,703 | 0.0% | 9,77,085 | 9,82,910 | -0.6% | 1,35,157 | 1,35,094 | 0.0% | 1,58,595 | 1,59,515 | -0.6% | 49.8 | 49.8 | 0.0% | 58.4 | 58.8 | -0.6% |
| Infosys | BUY | BUY | 2,063 | 2,004 | 2.9% | 11,99,060 | 11,89,095 | 0.8% | 13,92,136 | 13,80,480 | 0.8% | 2,23,246 | 2,23,114 | 0.1% | 2,64,936 | 2,62,839 | 0.8% | 52.9 | 52.9 | 0.1% | 62.9 | 62.4 | 0.8% |
| L&T Infotech | BUY | BUY | 7,239 | 6,710 | 7.9% | 1,56,096 | 1,52,965 | 2.0% | 1,92,140 | 1,87,490 | 2.5% | 23,198 | 22,650 | 2.4% | 28,678 | 27,664 | 3.7% | 130.8 | 127.8 | 2.4% | 161.7 | 156.0 | 3.7% |
| L&T Tech. Serv. | BUY | BUY | 5,705 | 5,621 | 1.5% | 65,738 | 65,393 | 0.5% | 80,859 | 80,472 | 0.5% | 8,957 | 8,888 | 0.8% | 11,675 | 11,625 | 0.4% | 86.1 | 85.4 | 0.8% | 111.2 | 110.7 | 0.4% |
| Mphasis | BUY | BUY | 3,772 | 3,674 | 2.7% | 1,17,793 | 1,17,111 | 0.6% | 1,42,120 | 1,41,191 | 0.7% | 14,530 | 14,563 | -0.2% | 17,291 | 17,187 | 0.6% | 77.7 | 77.9 | -0.2% | 92.4 | 91.9 | 0.6% |
| Mindtree | BUY | BUY | 5,141 | 4,804 | 7.0% | 1,04,864 | 1,03,830 | 1.0% | 1,30,444 | 1,27,091 | 2.6% | 15,587 | 15,348 | 1.6% | 18,840 | 18,390 | 2.4% | 94.6 | 93.2 | 1.6% | 114.4 | 111.7 | 2.4% |
| Persistent Systems | BUY | BUY | 4,808 | 4,641 | 3.6% | 55,973 | 55,520 | 0.8% | 69,236 | 68,552 | 1.0% | 6,853 | 7,198 | -4.8% | 8,622 | 8,550 | 0.8% | 85.7 | 90.0 | -4.8% | 107.8 | 106.9 | 0.8% |
| Redington (India) | BUY | BUY | 215 | 213 | 1.3% | 6,58,694 | 6,71,124 | -1.9% | 7,79,538 | 7,96,344 | -2.1% | 12,141 | 12,377 | -1.9% | 13,440 | 13,415 | 0.2% | 15.5 | 15.8 | -1.9% | 17.2 | 17.2 | 0.2% |
| Sonata Software | BUY | BUY | 994 | 994 | 0.0% | 51,967 | 51,967 | 0.0% | 63,241 | 63,241 | 0.0% | 3,685 | 3,581 | 2.9% | 4,518 | 4,518 | 0.0% | 35.5 | 34.5 | 2.9% | 43.5 | 43.5 | 0.0% |
| Tata Const. Serv. | BUY | BUY | 4,210 | 4,113 | 2.4% | 19,08,765 | 19,01,426 | 0.4% | 22,23,559 | 22,21,833 | 0.1% | 3,90,375 | 3,88,710 | 0.4% | 4,65,053 | 4,64,756 | 0.1% | 103.0 | 102.6 | 0.4% | 122.7 | 122.6 | 0.1% |
| TeamLease Serv. | REDUCE | REDUCE | 4,366 | 4,259 | 2.5% | 64,010 | 63,064 | 1.5% | 84,303 | 82,024 | 2.8% | 1,143 | 1,128 | 1.3% | 1,674 | 1,634 | 2.5% | 66.9 | 66.0 | 1.3% | 97.9 | 95.6 | 2.5% |
| Tech Mahindra | BUY | BUY | 1,908 | 1,862 | 2.5% | 4,43,138 | 4,40,042 | 0.7% | 5,19,446 | 5,15,349 | 0.8% | 57,231 | 56,865 | 0.6% | 66,928 | 66,446 | 0.7% | 65.3 | 64.8 | 0.6% | 76.3 | 75.8 | 0.7% |
| Wipro | BUY | BUY | 753 | 736 | 2.3% | 7,90,636 | 7,89,924 | 0.1% | 9,16,123 | 9,19,426 | -0.4% | 1,23,973 | 1,23,563 | 0.3% | 1,44,803 | 1,45,244 | -0.3% | 21.9 | 21.9 | 0.3% | 25.6 | 25.7 | -0.3% |
| Zensar Technologies | BUY | BUY | 528 | 539 | -2.1% | 42,336 | 42,447 | -0.3% | 51,808 | 51,998 | -0.4% | 3,457 | 4,037 | -14.4% | 5,186 | 5,405 | -4.0% | 15.2 | 17.8 | -14.4% | 22.8 | 23.8 | -4.0% |

Source: Company, PL

C=Current / P=Previous

Analyst Coverage Universe

| Sr. No. | Company Name | Rating | TP (Rs) | Share Price (Rs) |
|---------|---------------------------|--------|---------|------------------|
| 1 | Affle (India) | BUY | 1,496 | 1,078 |
| 2 | Coforge | BUY | 5,596 | 5,069 |
| 3 | Cyient | BUY | 1,315 | 1,160 |
| 4 | HCL Technologies | BUY | 1,402 | 1,160 |
| 5 | Infosys | BUY | 2,004 | 1,709 |
| 6 | L&T Technology Services | BUY | 5,621 | 5,132 |
| 7 | Larsen & Toubro Infotech | BUY | 6,710 | 6,606 |
| 8 | Mindtree | BUY | 4,804 | 4,364 |
| 9 | Mphasis | BUY | 3,674 | 3,396 |
| 10 | Persistent Systems | BUY | 4,641 | 4,060 |
| 11 | Redington (India) | BUY | 213 | 145 |
| 12 | Sonata Software | BUY | 994 | 918 |
| 13 | Tata Consultancy Services | BUY | 4,113 | 3,936 |
| 14 | TeamLease Services | Reduce | 4,259 | 4,668 |
| 15 | Tech Mahindra | BUY | 1,862 | 1,522 |
| 16 | Wipro | BUY | 736 | 651 |
| 17 | Zensar Technologies | BUY | 539 | 453 |

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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3rd Floor, Sadhana House, 570, P. B. Marg, Worli, Mumbai-400 018, India | Tel: (91 22) 6632 2222 Fax: (91 22) 6632 2209

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