

## Jan-Mar'22 Earnings Preview

### Strong demand environment; margins under pressure

#### Quick Pointers:

- ~150bps moderation in revenue growth QoQ in Q4 on a high base
- Margins to decline ~40-80bps QoQ in Q4 led by higher manpower cost.
- Key things to monitor for Q4FY22E – 1) impact of current macro/ geopolitical uncertainties on tech spending and 2) commentary on attrition

***We expect revenue growth to moderate by 150bps QoQ in Q4 given strong sequential growth in last two quarters and currency headwinds of ~30-60bps. Management commentary suggests continued healthy deal momentum with no impact of ongoing macro uncertainties on decision making as yet. We anticipate margins to decline by 40-80bps QoQ in Q4 led by supply side pressures and decline in utilization due to ramp up in fresher hiring since last few quarters. We believe margins will remain under pressure in FY23 as well given persisting supply side constraints and gradual return of travel and facility costs. We expect strong demand commentary from IT majors led by Infy with revenue growth guidance of 11-13% YoY CC for FY23.***

***We prefer INFY & TCS among Tier 1 given strong growth momentum on a high base and best in class operating metrics. Among Tier-2, we prefer Mindtree and Coforge. Affle remains our high conviction buy idea in internet space.***

- Revenue growth to moderate, cross currency headwinds of 30-60bps:** We estimate 1.4%-5.5% QoQ CC (avg: 3.2%) for Tier-1 and 3.9%-8.5% QoQ CC (avg: 4.3%) for Tier-2. TechM (5.5% QoQ CC) is expected to lead the growth in Tier 1 due to seasonal strength in communication and contribution from acquisitions. We anticipate Persistent to lead the growth, 8.5% QoQ CC (6.5% QoQ CC organic) in Tier-2. We estimate cross-currency headwinds of 30-60bps in Q4 given appreciation of USD against EUR, GBP and AUD.
- Margins to decline by 40-80bps QoQ:** We anticipate margins to decline by ~40-80bps QoQ due to headwinds from aggressive hiring led drop in utilization and backfilling of attrition with lateral recruits at higher costs, partially offset by INR depreciation and operating leverage. Margins are expected to decline by ~150bps YoY due to increased supply side pressures and roll out of wage hikes twice in last one year. In our coverage universe only Coforge (~120 bps QoQ) is expected to post QoQ increase in margins.
- Healthy headcount addition and stabilization of quarterly attrition:** We expect healthy growth in headcount in Q4 as well as in FY23 given demand is chasing supply. We believe quarterly attrition will stabilize this quarter but is still at elevated levels. LTM attrition is expected to inch up. Russia Ukraine crisis is likely to add pressure on ER&D talent supply.

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#### Exhibit 1: PL Universe

Companies	Rating	CMP (Rs)	TP (Rs)
Affle (India)	BUY	1,270	1,535
Coforge	BUY	4,512	5,559
Cyient	BUY	944	1,258
HCL Technologies	BUY	1,187	1,295
Infosys	BUY	1,883	2,204
L&T Infotech	BUY	6,300	7,166
L&T Tech. Serv.	BUY	5,190	5,428
Mphasis	BUY	3,312	3,755
Mindtree	BUY	4,316	5,157
Persistent Systems	BUY	4,792	5,160
Redington (India)	BUY	150	200
Sonata Software	BUY	765	1,065
Tata Const. Serv.	BUY	3,770	4,360
TeamLease Serv.	Acc	4,034	4,647
Tech Mahindra	BUY	1,499	1,837
Wipro	BUY	606	735
Zensar Technologies	BUY	384	453

Source: PL      Acc = Accumulate

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*TCS (6 deals), INFY (5 deals), Wipro (4 deals), HCLT (3 deals) have announced good number of deal wins in last three months.*

- **Healthy deal momentum to continue:** Corporate interactions suggest deal momentum to be stable on QoQ basis in Q4. Lack of mega deals is expected to reduce TTM TCV on YoY basis but we expect deal ACV to remain strong. Management commentary indicates healthy deal pipeline with no impact yet seen on decision making due to ongoing Russia Ukraine crisis, high inflationary environment and supply chain issues.
- **ACN's upgrade in full-year revenue growth guidance to 24-26% YoY** in local currency from earlier 19-22% YoY in recent Q2FY22 earnings call highlights strength in demand. ACN management also mentioned in recent earnings call that they are not witnessing any slowdown in spending as clients are not over-reacting to the crisis and are very focused on priorities they had before these macro uncertainties came in to the picture.
- **FY23 growth outlook:** We expect healthy growth momentum in FY23 given continued demand for compressed technology transformation led by cloud, data analytics and customer experience. We expect Infy to guide 11-13% YoY CC growth in FY23 lower than 12-14% YoY CC guidance given at start of FY22 due to lower contribution from large/mega deals to TCV. We expect HCLT to provide double digit revenue growth guidance. We estimate revenue growth of 12%-15% YoY USD for Tier 1 and 17%-21% YoY USD for Tier 2 in FY23.
- **Margins to remain under pressure in FY23:** We expect Infy's margin guidance to remain at 22-24% for FY23. Since HCLT's margins are near lower end of their FY22 guidance band of 19-22%, we expect HCLT to lower margin guidance band to 18-20% for FY23. We anticipate margins to remain under pressure in FY23 led by continued supply side pressures and partial return of travel and facility expenses. These headwinds are expected to be partially offset by pyramid optimization, higher offshoring, price improvements and revenue growth leverage. We note that benefit of price improvements in new deals will flow through P&L with a lag.
- **Key things to monitor for in Q4FY22:** 1) impact of current macro / geo-political uncertainties on tech spending, 2) scope for gaining market share from vendors who have considerable supply side presence in Ukraine and war affected regions in Eastern Europe, especially for ER&D companies, 3) Growth and margin outlook for FY23, 4) Durability of demand, 5) commentary on attrition, sub-con costs and resumption of travel.
- **Cut in margin estimates for Zensar:** We have decreased our EPS estimate for Zensar by 8.7%/11.6% for FY23/24E led by 1) cut in revenue estimates by ~2.7/1.3% for FY23/FY24 and 2) cut in margin estimates by 90bps/150bps in FY23/24 due to cost pressures because of high attrition levels (26.7% in Q3FY22) and investments in sales team and tech capabilities. In Q4FY22 it also faced supply challenges in fulfilling existing orders. We now value Zensar on 19x (earlier 21x) given 1) margins to remain subdued in the medium term and 2) talent supply shortage to limit growth. We value Zensar on 19x FY24 EPS (roll-over) of INR 24 to arrive at a changed TP of INR 453 (earlier: 517). Stock is trading at attractive valuations of 19x/16x on FY23/24 EPS of Rs.20/24 with Revenue and EPS CAGR of 17% and 22% respectively over FY22- 24E. Maintain Buy.

## Exhibit 2: Q4FY22 Estimates...

Q4FY22	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	2.6%	11.7%	3.1%	24.9%	-12 bps	-193 bps	3.6%	9.6%
Infosys	2.6%	20.7%	3.0%	22.9%	-62 bps	-161 bps	0.4%	16.3%
Wipro	2.5%	24.0%	3.1%	16.9%	0 bps	-359 bps	7.5%	8.3%
HCL Tech	0.9%	11.4%	1.4%	18.2%	-85 bps	163 bps	-4.0%	38.4%
TechM	5.0%	21.1%	5.5%	14.2%	-63 bps	-228 bps	5.9%	35.8%
<b>Average Tier-I</b>	<b>2.7%</b>	<b>17.8%</b>	<b>3.2%</b>	<b>19.4%</b>	<b>-44 bps</b>	<b>-156 bps</b>	<b>2.7%</b>	<b>21.7%</b>
LTI	4.7%	29.4%	5.1%	17.4%	-55 bps	-196 bps	3.8%	15.5%
Mphasis	4.9%	26.9%	5.2%	14.7%	-36 bps	-136 bps	4.6%	18.3%
Mindtree	5.0%	33.4%	5.3%	18.4%	-83 bps	-15 bps	-0.6%	36.9%
Coforge	3.8%	33.7%	4.2%	16.1%	126 bps	280 bps	12.2%	54.9%
LTTS	4.0%	18.5%	4.4%	18.3%	-33 bps	170 bps	1.3%	29.3%
CYIENT	-1.6%	3.6%	-1.2%	12.9%	-98 bps	25 bps	-4.2%	22.2%
Persistent	8.0%	40.7%	8.5%	13.5%	-46 bps	35 bps	9.1%	39.7%
Zensar	2.0%	22.2%	2.5%	10.2%	13 bps	-605 bps	-10.7%	-17.8%
<b>Average Tier-II</b>	<b>3.8%</b>	<b>26.1%</b>	<b>4.3%</b>	<b>15.2%</b>	<b>-26 bps</b>	<b>-55 bps</b>	<b>1.9%</b>	<b>24.9%</b>
<b>Overall Average</b>	<b>3.4%</b>	<b>22.9%</b>	<b>3.9%</b>	<b>16.8%</b>	<b>-33 bps</b>	<b>-94 bps</b>	<b>2.2%</b>	<b>23.6%</b>

Source: Company, PL

## Exhibit 3: Cross Currency headwinds of 30-60 bps

Company	USD	CC	Currency Impact (-)
TCS	2.6%	3.1%	50bps
Infosys	2.6%	3.0%	40bps
Wipro	2.5%	3.1%	60bps
HCL Tech	0.9%	1.4%	50bps
TechM	5.0%	5.5%	50bps
LTI	4.7%	5.1%	40bps
Mphasis	4.9%	5.2%	30bps
Mindtree	5.0%	5.3%	30bps
Coforge	3.8%	4.2%	40bps
LTTS	4.0%	4.4%	40bps
CYIENT	-1.6%	-1.2%	40bps
Persistent	8.0%	8.5%	50bps
Zensar	2.0%	2.5%	50bps

Source: Company, PL

## QoQ currency movement in Q4FY22

## Exhibit 4: Depreciation of currencies against the US Dollar

	INR/USD	USD/GBP	USD/EUR	USD/AUD	JPY/USD
Dec-21	74.96	1.35	1.14	0.73	113.73
Mar-22	75.24	1.34	1.12	0.72	116.35
Appr/ (Depr) (%)	-0.36	-0.53	-1.88	-0.62	-2.25

Source: PL

## Exhibit 5: Appreciation of the Rupee against other currencies

	INR/USD	INR/GBP	INR/EUR	INR/AUD	JPY/INR
Dec-21	74.96	101.05	85.66	53.63	1.52
Mar-22	75.24	100.92	84.42	54.49	1.55
Appr/ (Depr) (%)	-0.36	0.13	1.47	-1.58	1.86

Source: PL

Major global currencies have depreciated vs USD (EUR: -1.9%, GBP: -0.53%, AUD: -0.62%, JPY: -2.25%), implying cross-currency headwind of 30-60 bps for Q4FY22.

We have assumed USD-INR rate of 75.2 (-0.36% QoQ) for Q4FY22

## YoY currency movement in Q4FY22

## Exhibit 6: Depreciation of currencies against the US Dollar

	INR/USD	USD/GBP	USD/EUR	USD/AUD	JPY/USD
Mar-21	72.90	1.38	1.21	0.77	106.04
Mar-22	75.24	1.34	1.12	0.72	116.35
Appr/ (Depr) (%)	-3.10	-2.77	-6.91	-6.28	-8.86

Source: PL

## Exhibit 7: Appreciation of the Rupee against other currencies

	INR/USD	INR/GBP	INR/EUR	INR/AUD	JPY/INR
Mar-21	72.9	100.5	87.9	56.3	1.5
Mar-22	75.2	100.9	84.4	54.5	1.5
Appr/ (Depr) (%)	-3.10	-0.39	4.09	3.38	6.24

Source: PL

## Exhibit 8: Q4FY22 Preview

Company (Rs mn)	Q4FY22	Q3FY22	QoQ gr.	Q4FY21	YoY gr.	Comments
<b>TCS (11th April)</b>						
Revenues (US\$mn)	6,692	6,524	2.6%	5,989	11.7%	We expect modest revenue growth of 2.6% QoQ USD (3.1% QoQ CC) growth as high base effect in BFSI will kick in because of large deals (Postbank/Prudential) won in FY21
Revenues	5,03,218	4,88,850	2.9%	4,37,050	15.1%	
EBITDA	1,35,517	1,34,330	0.9%	1,28,010	5.9%	Healthy deal momentum is expected to continue with Deal TCV comprised of mid-sized and small deals
EBITDA margin (%)	26.9%	27.5%	-55 bps	29.3%	-236 bps	We expect EBIT margins to decline by 10bps QoQ led by supply side cost pressures
EBIT margin (%)	24.9%	25.0%	-12 bps	26.8%	-193 bps	We expect investor to focus on 1) Demand outlook for FY23, 2) impact of high inflation and supply chain issues globally on tech spending, 3) Update on pricing given high inflation faced by clients, 4) presence of large and mega in deal pipeline, 5) Supply side issues, hiring trends, wage hikes & its impact on margins ahead, 6) implications of change in organization structure
Adjusted net profit	1,01,191	97,690	3.6%	92,460	9.4%	
PAT margin (%)	20.1%	20%	13 bps	21%	-105 bps	
EPS	27.4	26.4	3.6%	25.0	9.6%	
<b>Infosys (13th April)</b>						
Revenues (US\$mn)	4,359	4,250	2.6%	3,613	20.7%	We expect modest revenue growth rate of 2.6%QoQ USD (3% QoQ CC) post strong growth in last two quarters, driven by seasonal weakness in Q4. Growth is expected to be broad-based across verticals
Revenues	3,22,595	3,18,670	1.2%	2,63,110	22.6%	We expect margins to decline by 60bps QoQ led by supply side pressures, higher visa costs, lower utilization due to aggressive fresher hiring in last 2 quarters
EBITDA	82,584	83,830	-1.5%	72,710	13.6%	We expect Infy to provide FY23 revenue growth guidance of 11-13% YoY CC and EBIT margin guidance of 22-24%
EBITDA margin (%)	25.6%	26.3%	-71 bps	27.6%	-203 bps	We expect healthy deal momentum to continue with higher share of mid-sized and small deals
EBIT margin (%)	22.9%	23.5%	-62 bps	24.5%	-161 bps	We expect investor to focus on 1) pipeline of large deals, 2) Guidance for FY23, 3) impact of high inflation and supply chain issues globally on tech spending, 3) attrition trend and its impact on margins, 4) Update on pricing given high inflationary environment, 5) Potential opportunities for market share gains due to supply side impact in Ukraine for Eastern European IT services companies
Adjusted net profit	58,329	58,090	0.4%	50,760	14.9%	
EPS	13.9	13.8	0.4%	11.9	16.3%	

Company (Rs mn)	Q4FY22	Q3FY22	QoQ gr.	Q4FY21	YoY gr.	Comments
<b>HCLT (21st April)</b>						
Revenues (US\$ mn)	3,003	2,978	0.9%	2,696	11.4%	We expect softness in growth, 0.9% QoQ USD, 1.4% QoQ CC as healthy growth in IT services and ER&D is expected to be offset by sharp decline in P&P owing to seasonal weakness
Revenues	2,25,849	2,23,310	1.1%	1,96,420	15.0%	We expect EBIT margin to decline by ~85bps led by supply side pressures and lower share of high margin P&P business
EBITDA	50,342	52,420	-4.0%	45,660	10.3%	We expect double digit growth guidance and EBIT margin guidance of 18-20%
EBITDA margin (%)	22.3%	23.5%	-118 bps	22.2%	5 bps	We expect healthy deal win momentum to continue.
EBIT margin (%)	18.2%	19.0%	-85 bps	16.6%	163 bps	We expect investor to focus on 1) large deal wins 2) FY23 revenue and margin outlook, 3) timeline of revival of growth in Products Business, 4) Attrition trend, 5) margin headwinds in terms of supply side pressures and investments in different geographies
Adjusted net profit	33,044	34,430	-4.0%	32,520	1.6%	
EPS	12.2	12.7	-4.0%	8.8	38.4%	
<b>Wipro (29th April)</b>						
IT Services revenue (US\$ mn)	2,707	2,640	2.5%	2,152	25.8%	We expect IT services revenue growth of 2.5% QoQ USD, 3.1% QoQ CC within guidance range of 2-4% QoQ CC. We also expect inorganic contribution from LeanSwift and Edgile this quarter.
Consolidated Revenue (US\$ m)	2,754	2,685	2.6%	2,221	24.0%	
Revenues	2,07,095	2,03,136	1.9%	1,62,454	27.5%	We expect margin to remain flattish QoQ as impact of wage hike is played out in Q3
EBITDA	42,662	41,793	2.1%	41,258	3.4%	
EBITDA margin (%)	20.6%	20.6%	3 bps	25.4%	-480 bps	
EBIT	34,999	34,334	1.9%	33,281	5.2%	We expect investor to focus on 1) Commentary on revenue growth accelerating to levels of larger peers 2) large/mega-deal pipeline, 3) progress in scaling up Capco, 4) measures to tackle supply side challenges and defend margins, 6) FY23 growth and margin outlook
EBIT margin (%)	16.9%	16.9%	0 bps	20.5%	-359 bps	
Adjusted net profit	31,946	29,723	7.5%	29,741	7.4%	
EPS	5.8	5.4	7.5%	5.4	8.3%	
<b>Tech M (13th May)</b>						
Revenues (US\$mn)	1,610	1,534	5.0%	1,330	21.1%	We expect revenue growth of 5% QoQ USD, 5.5% QoQ CC aided by seasonal strength in communication business and inorganic contribution from CTC and other small acquisitions.
Revenues	1,21,051	1,14,508	5.7%	97,299	24.4%	EBIT margin is expected to decline by ~60bps QoQ led by increased supply side cost pressures, acquisition related charges and lack of one-time SG&A benefit experienced in Q3
EBITDA	21,184	20,601	2.8%	19,481	8.7%	Deal pipeline is expected to be robust and deal win momentum will continue.
EBITDA margin (%)	17.5%	18.0%	-49 bps	20.0%	-252 bps	
EBIT margin (%)	14.2%	14.8%	-63 bps	16.5%	-228 bps	
Adjusted net profit	14,702	13,880	5.9%	10,814	36.0%	We expect investor to focus on 1) Deal pipeline especially in Communication segment (5G and allied services), 2) Revenue growth and margin outlook in FY23, 4) Attrition trend, 5) commentary on capital allocation
EPS	16.6	15.7	5.9%	12.3	35.8%	

Company (Rs mn)	Q4FY22	Q3FY22	QoQ gr.	Q4FY21	YoY gr.	Comments
<b>Mindtree (18th Apr)</b>						
Revenues (US\$mn)	385	366	5.0%	288	33.4%	We expect 5% QoQ USD growth led by strong broad-based growth. Growth will be broad-based led by BFSI and TTH vertical. Growth in BFSI is driven by ramp up of deals won with Tier 1 financial institutes previously. Hi-tech vertical is also expected to grow at healthy rate supported by growth in top client. RCM is expected to show slight moderation but overall growth trajectory in FY23 is strong.
Revenues	28,918	27,500	5.2%	21,093	37.1%	
EBITDA	5,899	5,921	-0.4%	4,626	27.5%	TCV Deal wins are expected to be healthy in-line with last six quarter average TCV
EBITDA margin (%)	20.4%	21.5%	-113 bps	21.9%	-153 bps	We expect EBIT margin decline by ~80bps QoQ led by supply side cost pressures from promotions, retention and salary corrections
EBIT margin (%)	18.4%	19.2%	-83 bps	18.6%	-15 bps	We expect investor to focus on 1) Potential opportunities for market share gains due to supply side impact in Ukraine for Eastern European IT services companies, 2) demand outlook amidst rising inflation in US, 3) measures to sustain EBITDA margin above 20%, 3) Outlook on T10 accounts and pricing & renewal of contracts, 4) commentary on attrition trend, 5) Deal pipeline
Adjusted net profit	4,347	4,375	-0.6%	3,173	37.0%	
EPS	26.4	26.5	-0.6%	19.3	36.9%	
<b>Mphasis (28th Apr)</b>						
Revenues (US\$ mn)	434	414	4.9%	342	26.9%	We expect healthy revenue growth of 4.9% QoQ USD on top of strong growth in last two quarters led by strong growth in direct core business. DXC is expected to continue to decline
Revenues	32,883	31,237	5.3%	25,243	30.3%	
EBITDA	5,589	5,531	1.0%	4,671	19.6%	We expect EBIT margin to decline by ~40bps QoQ due to supply side pressures.
EBITDA margin (%)	17%	18%	-71 bps	19%	-151 bps	
EBIT margin (%)	14.7%	15.1%	-36 bps	16.1%	-136 bps	We expect investor to focus on 1) Growth outlook of top 10 clients, 2) Attrition trend and impact of attrition on margins, 3) large deal pipeline, 4) progress in performance of acquired companies, 5) outlook on revenue growth and margins in FY23
Adjusted net profit	3,793	3,576	6.1%	3,169	19.7%	
EPS	20.0	19.1	4.6%	16.9	18.3%	
<b>Coforge (Not announced)</b>						
Revenues (US\$mn)	230	222	3.8%	172	33.7%	Revenue growth is expected to be 3.8% QoQ USD, 4.2% QoQ CC led by broad-based demand momentum
Revenues	17,301	16,581	4.3%	12,615	37.1%	
EBITDA	3,384	3,020	12.0%	2,122	59.5%	Adjusted EBITDA margin pre-RSU costs is expected to be 20.8%. We expect EBIT margins to expand by ~130bps QoQ led by margin levers – 1) increase in offshore mix, 2) come back of growth in Advantage Go, 3) no impact of furloughs and lower billing days in Q4, 4) Utilization expected to increase QoQ, 5) operating leverage and 6) pyramid optimization.
EBITDA margin (%)	19.6%	18.2%	134 bps	16.8%	274 bps	
EBIT margin (%)	16.1%	14.8%	126 bps	13.3%	280 bps	
Adjusted net profit	2,060	1,837	12.2%	1,330	54.9%	
EPS	34	30	12.2%	22	54.9%	
<b>LTTS (21st April)</b>						
Revenues (US\$mn)	234	225	4.0%	198	18.5%	We anticipate revenue growth of 4% QoQ USD led by transportation vertical partially offset by ramp down of licensing business in Media vertical
Revenues	17,605	16,875	4.3%	14,405	22.2%	We expect EBIT margin to decline by 40bps QoQ led by supply side cost pressures and investment in next-gen growth areas
EBITDA	3,767	3,674	2.5%	2,931	28.5%	
EBITDA margin (%)	21.4%	21.8%	-37 bps	20.3%	105 bps	We expect investor focus on - 1) large deal pipeline visibility and composition of deal pipeline, 2) impact of high inflation and supply chain issues globally on ER&D spending, 3) Potential opportunities for market share gains due to supply side impact in Ukraine for Eastern European IT services companies, 4) demand visibility in 6 key strategic investments, 5) offshoring trend, and 6) attrition outlook
EBIT margin (%)	18.3%	18.6%	-33 bps	16.6%	170 bps	
Adjusted net profit	2,525	2,496	1.1%	2,496	1.1%	
EPS	23.8	23.5	1.3%	18.4	29.3%	



Company (Rs mn)	Q4FY22	Q3FY22	QoQ gr.	Q4FY21	YoY gr.	Comments
Cyient (21st April)						
Revenues (US\$mn)	155	158	-1.6%	150	3.6%	Overall revenue is expected to decline by -1.6% QoQ USD led by sharp QoQ decline in DLM business because of order fulfillment challenges due to unavailability or long lead times for semiconductor components.
Revenues	11,681	11,834	-1.3%	10,932	6.8%	
EBITDA	2,009	2,129	-5.6%	1,874	7.2%	Services business is expected to grow by 4.7% QoQ USD. We expect growth in transportation vertical continued to be muted.
EBITDA margin (%)	17.2%	18.0%	-79 bps	17%	6 bps	
EBIT margin (%)	12.9%	13.9%	-98 bps	12.7%	25 bps	We expect EBIT margin to decline by 100bps QoQ led by supply side pressures and increased investments in digital ER&D
Adjusted net profit	1,261	1,317	-4.2%	1,033	22.2%	We expect investor to focus on - 1) outlook on DLM vertical amidst continued shortages in semiconductor components globally, 2) recovery in transportation vertical, 3) Revenue and margin outlook in Services business in FY23
EPS	11.5	12.0	-4.2%	9.4	22.2%	
Persistent (27th April)						
Revenues (US\$mn)	215	199	8.0%	153	40.7%	We expect overall revenue growth of 8% QoQ USD with 6% QoQ USD organic growth and 2% QoQ USD inorganic growth.
Revenues	16,167	14,917	8.4%	11,134	45.2%	Deal TCV is expected to remain healthy despite seasonally strong TCV in Q3FY22
EBITDA	2,684	2,511	6.9%	1,883	42.5%	We expect EBIT margins to decline by ~50bps QoQ led by headwinds from 1) lower utilization due to fresher onboarding, 2) one time acquisition related costs, 3) amortization charges of Data Glove acquisition (integrated for 1 month) and 4) Provision for performance bonus payout and ESOP costs for some portion of employees covered from Jan. These headwinds are expected to be partially offset by revenue growth leverage, rupee depreciation, improved billing rate and transition of IP contract to T&M billing.
EBITDA margin (%)	16.6%	16.8%	-23 bps	16.9%	-32 bps	
EBIT margin (%)	13.5%	14.0%	-46 bps	13.2%	35 bps	
Adjusted net profit	1,924	1,764	9.1%	1,378	39.7%	
EPS	24.1	22.1	9.1%	17.2	39.7%	We expect investors to focus on medium term growth and margin outlook
LTI (Not announced)						
Revenues (US\$mn)	579	553	4.7%	447	29.4%	We expect revenue growth to be 4.7% QoQ USD post strong growth of 8%+ in last two quarters driven by continued momentum in BFS
Revenues	43,540	41,376	5.2%	32,694	33.2%	
EBITDA	8,490	8,311	2.2%	7,155	18.7%	EBIT margin is expected to decline by ~50bps QoQ led by supply side cost pressures
EBITDA margin (%)	19.5	20.1	-59 bps	21.9	-238 bps	Demand momentum is strong and broad-based across verticals, strong revenue momentum to continue irrespective of large deal wins
EBIT margin (%)	17.4	17.9	-55 bps	19.4	-196 bps	
Adjusted net profit	6,357	6,125	3.8%	5,457	16.5%	PAT margin is expected to be within the guidance range of 14-15% aided by higher other income We expect investor focus on sustainability of growth, commentary on FY23 growth and margin outlook, large deal wins
EPS	35.9	34.5	3.8%	31.0	15.5%	
Sonata (Not announced)						
IT services Revenues (USD mn)	56	53	4.6%	44	27.5%	We expect International IT Services to grow at 4.6% QoQ USD on top of strong growth in last two quarters led by strong demand momentum in Microsoft and open source platform services. There is no impact on revenue due to Russia Ukraine crisis.
Domestic Products (USD mn)	125	198	-37.0%	105	19.2%	
Consolidated Revenues (US\$mn)	180	251	-28.2%	148	21.6%	
Consolidated Revenues (INR mn)	13,571	18,580	-27.0%	10,757	26.2%	
EBITDA	1,337	1,317	1.6%	1,031	29.7%	We expect growth momentum in domestic revenue to continue and model growth of 25% YoY
EBITDA margin (%)	9.9%	7.1%	277 bps	9.6%	27 bps	
Adjusted net profit	995	977	1.9%	831	19.8%	We expect Consolidated EBITDA margin to be flattish on YoY basis at 9.5%
EPS	9.6	9.4	1.9%	8.0	19.7%	

Company (Rs mn)	Q4FY22	Q3FY22	QoQ gr.	Q4FY21	YoY gr.	Comments
<b>Zensar (Not announced)</b>						Revenue growth is expected to be moderate (2-3% QoQ CC) because of headwinds from 1) supply side constraints leading to demand fulfilment issues, 2) continuation of furloughs from Q3FY22 in to Jan 2022.
Revenues (US\$mn)	150	147	2.0%	123	22.2%	
Revenues	11,283	11,025	2.3%	9,065	24.5%	Vertical wise outlook: 1) BSI growth impacted due to one project completion and is expected to decline slightly. 2) Insurance is expected to grow in-line with company average. 3) HiTech is expected to grow above company average led by growth in Europe. 4) Manufacturing and Consumer services are expected to report flattish growth QoQ
EBITDA	1,636	1,584	3.3%	1,863	-12.2%	
EBITDA margin (%)	15%	14%	13 bps	21%	-605 bps	Deal TCV is expected to remain healthy and grow on QoQ basis
EBIT margin (%)	10.2%	10.1%	13 bps	15.9%	-571 bps	Margins are expected to remain flattish QoQ as supply side impact continues and cost to replace employees is high.
Adjusted net profit	813.85	909.00	-10.5%	987.00	-17.5%	
EPS	3.65	4.08	-10.7%	4.43	-17.8%	Quarterly attrition is expected to remain flat in Q4FY22 but LTM attrition number is likely to inch up.
<b>Teamlease Services (Not announced)</b>						We expect overall staffing headcount addition to be between ~8-10K driven by NETAPP, followed by general staffing and specialized staffing.
Revenues (Rs)	19,030	17,621	8.0%	13,405	42.0%	
EBITDA	419	377	11.1%	261	60.3%	In general staffing hiring demand continues to be strong from E-commerce, Fintech. Demand from FMCG and Manufacturing is slowly recovering and is still not back to pre-covid levels.
EBITDA margin (%)	2.2%	2.5%	-25 bps	1.9%	25 bps	Overall margins are expected to decline by 5bps due to investments in sales team and technology.
EBIT margin (%)	1.5%	1.6%	-5 bps	1.3%	23 bps	Margins are expected to remain flattish in the near term.
Adjusted net profit	333	300	11.2%	190	1 bps	Growth in HR business is expected to be driven by Ed-tech and as the business scales up margins are expected to improve to 6-7% vs 3% last quarter
EPS	19.5	17.5	11.2%	11.1	75.0%	There is possibility of right back of certain portion of the original PF provision (Rs. 75 Cr) depending on the liquidation value of the PF assets
<b>Redington (Not announced)</b>						
Revenues (US\$mn)	2,318	2,219	4.4%	2,124	9.1%	
Revenues	1,71,509	1,66,007	3.3%	1,55,039	10.6%	We expect overall revenue growth of 10.6% YoY.
EBITDA	4,974	5,252.5	-5.3%	4,251	17.0%	
EBITDA margin (%)	2.9%	3.2%	-26 bps	2.7%	16 bps	We expect EBIT margin to decline by 30bs QoQ basis. Higher share of IT business is expected to drive better margins on YoY basis
EBIT margin (%)	2.7%	3.0%	-26 bps	2.5%	19 bps	
Adjusted net profit	3,413	3,881	-12.1%	3,025	12.8%	
EPS	4.4	5.0	-12.1%	3.9	12.4%	
<b>Affle India (Not Announced)</b>						We expect strong revenue growth of 102.8% YoY led by broad-based growth across CPCU, Non CPCU, India and International markets. Organic business is expected to show strong 33% YoY growth
Revenues	2,872	3,394	-15.4%	1,416	102.8%	
EBITDA	546	677	-19.4%	345	58.2%	
EBITDA margin (%)	19%	20%	-94 bps	24%	-536 bps	
EBIT margin (%)	15.7%	17.0%	-134 bps	20.7%	-500 bps	We expect margins to decline by ~130bps QoQ in Q4 led by lower volume of converted users (Q3 reported very strong number of converted users helped by seasonality) and higher employee costs as % of revenue (bonuses and wage increments rolled out in Q3)
PAT (excl. OI from gain on fair valuation of financial instruments)	444	596	-25.5%	245	81.2%	
Adjusted EPS (excl. OI from gain on fair valuation of financial instruments)	3.3	4.5	-25.5%	1.9	73.1%	

Source: Company, PL



## Exhibit 9: Infy &amp; HCLT among Tier-1 and LTI &amp; Persistent among Tier-2 reported very high sequential growth in Q3

QoQ Growth (USD)	Q4FY20	Q1FY21	Q2FY21	Q3FY21	Q4FY21	Q1FY22	Q2FY22	Q3FY22
Infosys	-1.4%	-2.4%	6.1%	6.2%	2.8%	4.7%	5.7%	6.3%
TCS	-2.5%	-7.1%	7.2%	5.1%	5.0%	2.8%	2.9%	3.0%
Wipro	-1.0%	-7.3%	3.7%	3.9%	3.9%	12.2%	6.9%	2.3%
HCL Tech	0.0%	-7.4%	6.4%	4.4%	3.0%	0.9%	2.6%	6.7%
Tech M	-4.3%	-6.8%	4.8%	3.4%	1.6%	4.1%	6.4%	4.1%
<b>Tier 1 IT (Top-5)</b>	<b>-1.8%</b>	<b>-6.1%</b>	<b>6.1%</b>	<b>4.9%</b>	<b>3.7%</b>	<b>4.3%</b>	<b>4.4%</b>	<b>4.4%</b>
LTI	3.9%	-4.8%	3.6%	5.8%	4.6%	5.1%	8.3%	8.6%
Mindtree	1.2%	-9.1%	3.2%	4.9%	5.1%	7.7%	12.8%	4.7%
Mphasis	0.6%	-4.5%	7.2%	2.0%	2.5%	6.0%	6.1%	7.5%
Coforge	2.3%	-9.4%	10.5%	3.8%	7.0%	16.0%	6.6%	4.1%
Persistent	-1.8%	3.1%	3.9%	7.4%	4.6%	9.2%	9.3%	9.2%
<b>Tier 2 IT services</b>	<b>1.2%</b>	<b>-4.9%</b>	<b>5.7%</b>	<b>4.8%</b>	<b>4.8%</b>	<b>8.8%</b>	<b>8.6%</b>	<b>6.8%</b>
LTTS	-3.9%	-12.5%	3.4%	4.7%	6.0%	-4.3%	4.6%	5.2%
Cyient	-2.0%	-12.5%	4.1%	6.8%	3.9%	4.2%	5.7%	3.5%

Source: Company, PL, Note: Coforge posted organic growth of 4.6% QoQ USD in Q3FY22

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

YoY Growth (USD)	Q4FY20	Q1FY21	Q2FY21	Q3FY21	Q4FY21	Q1FY22	Q2FY22	Q3FY22
Infosys	0.9%	-7.8%	-1.7%	2.1%	10.0%	21.6%	16.8%	14.4%
TCS	4.5%	-0.3%	3.2%	8.4%	13.0%	21.2%	20.7%	20.9%
Wipro	-0.1%	-5.7%	-2.8%	-1.1%	3.8%	25.7%	29.5%	27.5%
HCL Tech	11.6%	-0.3%	0.8%	2.9%	6.0%	15.5%	11.3%	13.8%
Tech M	2.1%	-3.2%	-1.7%	-3.3%	2.7%	14.6%	16.4%	17.2%
<b>Total (Top-5)</b>	<b>3.4%</b>	<b>-4.21%</b>	<b>-0.33%</b>	<b>2.66%</b>	<b>8.44%</b>	<b>20.42%</b>	<b>18.44%</b>	<b>17.81%</b>
LTI	15.9%	9.5%	11.2%	8.5%	9.1%	20.5%	25.8%	29.3%
Mindtree	6.3%	-4.2%	-3.6%	-0.4%	3.5%	22.6%	34.0%	33.7%
Mphasis	9.7%	2.9%	7.4%	5.1%	7.0%	18.8%	17.7%	24.0%
LTTS	2.1%	-11.8%	-10.1%	-4.6%	1.1%	20.3%	22.1%	18.4%
Coforge	12.2%	-5.7%	2.4%	3.9%	11.2%	42.4%	37.4%	37.8%
Persistent	7.4%	9.5%	8.4%	12.9%	20.3%	27.3%	34.0%	36.2%
Cyient	-9.7%	-16.6%	-17.8%	-8.9%	0.5%	9.9%	11.2%	11.7%

Source: Company, PL

## Exhibit 11: Sequential CC revenue growth led by Infy &amp; HCLT (among Tier 1) and Mphasis &amp; LTI (among Tier 2)

QoQ constant currency revenue growth (%)	Q4FY20	Q1FY21	Q2FY21	Q3FY21	Q4FY21	Q1FY22	Q2FY22	Q3FY22
TCS*	-1.2%	-6.3%	4.8%	4.1%	4.2%	2.4%	4.0%	3.8%
Infosys	-0.8%	-2.0%	4.0%	5.3%	2.0%	4.8%	6.3%	7.0%
Wipro	0.4%	-7.5%	2.0%	3.4%	3.0%	12.0%	8.1%	3.0%
HCL Tech	0.8%	-7.2%	4.5%	4.4%	2.5%	0.7%	3.5%	7.6%
Tech Mahindra	-3.3%	-6.3%	2.9%	2.8%	0.7%	3.9%	7.2%	4.7%
LTI	4.7%	-4.7%	2.3%	5.3%	4.4%	4.8%	8.9%	9.2%
Mphasis	1.5%	3.8%	6.7%	4.3%	2.0%	5.9%	6.6%	7.8%
Mindtree	1.9%	-9.1%	2.2%	4.6%	5.0%	7.6%	13.4%	5.2%
Coforge*	3.0%	-6.8%	8.1%	3.3%	5.1%	7.0%	3.9%	5.7%
LTTS	-1.0%	-12.7%	2.9%	6.6%	3.8%	4.3%	6.0%	4.2%

Source: Company, PL, Note: Organic CC growth is mentioned for Coforge, TCS CC growth in Q3 is our estimate

**Exhibit 12: Strong YoY CC revenue performance across the pack in Q3**

YoY constant currency revenue growth (%)	Q3FY20	Q4FY20	Q1FY21	Q2FY21	Q3FY21	Q4FY21	Q1FY22	Q2FY22	Q3FY22
TCS	6.8%	6.8%	3.0%	-3.2%	0.4%	5.9%	16.4%	15.5%	15.4%
Infosys	9.5%	6.4%	1.5%	2.2%	6.6%	9.6%	16.9%	19.4%	21.5%
Wipro	3.2%	2.6%	-4.4%	-3.4%	-2.0%	0.5%	21.7%	28.8%	28.5%
HCL Tech	16.4%	13.5%	1.0%	-0.4%	1.1%	2.6%	11.7%	10.5%	15.0%
LTI	14.2%	17.4%	10.6%	10.5%	7.4%	7.1%	17.8%	25.5%	30.1%
Mphasis	12.6%	11.1%	3.8%	6.7%	4.3%	4.9%	16.3%	17.2%	24.2%
LTTS	7.5%	3.4%	-10.9%	-10.6%	-5.2%	-0.6%	18.6%	22.3%	19.5%

Source: Company, PL

**Exhibit 13: Strong growth in BFSI for HCLT in Q3**

QoQ USD BFSI Growth	Q4FY20	Q1FY21	Q2FY21	Q3FY21	Q4FY21	Q1FY22	Q2FY22	Q3FY22
Infosys	-2.0%	-1.8%	7.8%	9.8%	2.4%	4.7%	3.5%	3.7%
TCS	-4.8%	-2.1%	9.3%	3.1%	8.1%	3.7%	2.6%	2.1%
Wipro	-2.6%	-6.4%	5.4%	1.6%	3.9%	22.8%	11.3%	3.5%
HCLT	-2.3%	-1.7%	5.0%	1.1%	4.0%	3.2%	-1.1%	5.7%
Tech M	10.9%	-4.2%	9.4%	0.9%	4.1%	4.1%	5.8%	-1.6%
<b>Total (Top-5)</b>	<b>-2.7%</b>	<b>-2.7%</b>	<b>7.7%</b>	<b>4.2%</b>	<b>5.2%</b>	<b>6.7%</b>	<b>4.0%</b>	<b>3.0%</b>

Source: Company, PL

**Exhibit 14: Strong growth in Retail for TechM, HCLT and Infosys in Q3**

QoQ USD Retail Growth	Q4FY20	Q1FY21	Q2FY21	Q3FY21	Q4FY21	Q1FY22	Q2FY22	Q3FY22
Infosys	-0.1%	-9.9%	10.6%	4.7%	3.5%	6.1%	2.9%	5.6%
TCS	-1.3%	-15.5%	11.8%	4.4%	5.0%	4.9%	4.3%	3.7%
Wipro	-1.6%	-12.3%	5.6%	5.2%	7.7%	14.2%	6.9%	4.7%
HCLT	-1.0%	-9.2%	10.7%	5.4%	-0.9%	-0.1%	0.6%	9.9%
Tech M	-3.0%	-6.5%	7.4%	8.9%	-3.4%	4.1%	7.8%	14.3%
<b>Total (Top-5)</b>	<b>-1.1%</b>	<b>-12.4%</b>	<b>10.1%</b>	<b>5.0%</b>	<b>3.9%</b>	<b>6.1%</b>	<b>4.1%</b>	<b>5.6%</b>

Source: Company, PL

**Exhibit 15: Strong growth in Manufacturing for Infy (led by ramp up of Daimler deal) in Q3**

QoQ Growth	Q4FY20	Q1FY21	Q2FY21	Q3FY21	Q4FY21	Q1FY22	Q2FY22	Q3FY22
Infosys	-3.3%	-8.2%	1.7%	8.5%	6.1%	5.8%	18.8%	10.2%
TCS	-1.6%	-10.8%	3.9%	7.4%	5.0%	4.9%	4.0%	3.0%
Wipro	1.4%	-4.7%	-0.6%	4.9%	-1.1%	-0.6%	2.3%	2.3%
HCLT	-1.0%	-19.0%	4.1%	6.8%	0.7%	-2.0%	6.8%	4.3%
Tech M	-2.1%	-11.3%	0.3%	4.7%	1.6%	4.7%	3.2%	3.0%
<b>Total (Top-5)</b>	<b>-1.1%</b>	<b>-11.2%</b>	<b>2.1%</b>	<b>6.6%</b>	<b>3.0%</b>	<b>2.7%</b>	<b>7.4%</b>	<b>4.9%</b>

Source: Company, PL

**Exhibit 16: Growth in Communications vertical led by Infy, HCLT and TechM in Q3**

QoQ Growth	Q4FY20	Q1FY21	Q2FY21	Q3FY21	Q4FY21	Q1FY22	Q2FY22	Q3FY22
Infosys	-0.6%	-3.1%	4.5%	4.5%	-0.6%	6.4%	7.4%	7.2%
TCS	0.2%	-8.4%	-1.8%	6.7%	3.4%	1.2%	4.5%	3.0%
Wipro	-1.0%	-17.1%	7.8%	2.0%	-0.1%	14.4%	4.8%	2.3%
HCLT	-7.8%	-15.2%	7.8%	12.5%	0.5%	-1.6%	2.6%	9.4%
Tech M	-8.4%	-8.7%	3.1%	4.5%	1.1%	3.0%	6.7%	6.2%
<b>Total (Top-5)</b>	<b>-4.0%</b>	<b>-8.7%</b>	<b>3.1%</b>	<b>5.8%</b>	<b>1.0%</b>	<b>3.6%</b>	<b>5.8%</b>	<b>5.9%</b>

Source: Company, PL

## Exhibit 17: Growth led by US in Q3

QoQ USD growth for Tier 1	Q4FY19	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21	Q2FY21	Q3FY21	Q4FY21	Q1FY22	Q2FY22	Q3FY22
US Revenue (QoQ Growth)	2.1%	3.1%	1.5%	0.9%	-1.5%	-5.2%	4.2%	4.1%	2.9%	5.4%	5.2%	5.2%
Europe Revenue (QoQ Growth)	3.2%	-1.4%	3.1%	3.8%	-1.6%	-7.5%	7.7%	6.6%	5.4%	4.7%	3.3%	3.4%

Source: Company, PL

## Exhibit 18: Margins declined on QoQ basis in Q3 due to supply side cost pressures

Ebit Margin	Q2FY21	Q3FY21	Q4FY21	Q1FY22	Q2FY22	Q3FY22	QoQ chng.	YoY chng.
Infosys	26.2%	26.6%	26.8%	25.5%	25.6%	25.0%	-57 bps	-159 bps
TCS	25.3%	25.4%	24.5%	23.7%	23.6%	23.5%	-7 bps	-193 bps
Wipro	18.5%	21.3%	20.5%	18.4%	17.3%	16.9%	-37 bps	-435 bps
HCL Tech	21.6%	22.9%	16.6%	19.6%	19.0%	19.0%	8 bps	-384 bps
Tech M	14.2%	15.9%	16.5%	15.2%	15.2%	14.8%	-36 bps	-110 bps
<b>Total (Top-5)</b>	23.1%	24.0%	22.8%	22.2%	21.9%	21.6%	-30 bps	-245 bps

Source: Company, PL

## Exhibit 19: Consistent improvement in margins for Mindtree, LTTTS, Cyient for last three quarters

EBIT Margin	Q2FY21	Q3FY21	Q4FY21	Q1FY22	Q2FY22	Q3FY22	QoQ chng.	YoY chng.
LTI	19.9%	20.6%	19.4%	16.4%	17.2%	17.9%	74 bps	-267 bps
Mindtree	17.3%	19.6%	18.6%	17.7%	18.2%	19.2%	107 bps	-35 bps
Mphasis	16.1%	16.4%	16.1%	15.9%	15.1%	15.1%	0 bps	-129 bps
Coforge	13.7%	15.2%	16.6%	17.3%	18.4%	18.6%	19 bps	341 bps
LTTTS	13.8%	13.0%	13.3%	11.6%	13.6%	14.8%	117 bps	181 bps
Cyient	12.1%	12.7%	13.2%	13.5%	13.9%	14.0%	10 bps	128 bps
Persistent	11.0%	11.2%	12.7%	13.1%	14.0%	13.9%	-14 bps	272 bps
Cyient	14.8%	15.9%	14.8%	13.9%	10.9%	10.1%	-82 bps	-584 bps
Zensar	19.9%	20.6%	19.4%	16.4%	17.2%	17.9%	74 bps	-267 bps

Source: Company, PL

## Exhibit 20: Improvement in Offshore mix for most of the IT companies in Q3

Offshore Effort mix	Q1FY21	Q2FY21	Q3FY21	Q4FY21	Q1FY22	Q2FY22	3QFY22	QoQ chng.	YoY chng.
Infosys	72.0%	73.9%	74.8%	75.7%	75.9%	76.4%	76.2%	-20 bps	140 bps
LTI	78.9%	80.6%	81.6%	82.1%	82.7%	83.6%	84.0%	40 bps	240 bps
MTCL	80.2%	82.1%	82.8%	82.9%	83.5%	85.0%	86.0%	100 bps	320 bps
Coforge	76.8%	75.4%	76.2%	77.9%	82.1%	82.3%	84.0%	161 bps	773 bps
Persistent	85.1%	85.8%	87.1%	87.7%	87.5%	87.8%	87.0%	-85 bps	-14 bps
<b>Offshore revenue mix</b>									
Wipro	50.0%	51.9%	53.9%	54.5%	54.0%	55.6%	56.3%	70 bps	240 bps
TechM	34.8%	37.0%	37.0%	37.0%	38.0%	39.0%	39.0%	0 bps	200 bps
LTI	50.8%	53.5%	55.7%	55.9%	57.3%	59.2%	59.9%	70 bps	420 bps
LTTTS	51.7%	54.9%	57.1%	57.9%	58.1%	59.2%	58.7%	-50 bps	160 bps
Coforge	38.0%	36.0%	38.0%	39.0%	40.0%	44.0%	46.0%	200 bps	800 bps

Source: Company, PL

Exhibit 21: Utilization decreased by 200-300bps QoQ in Q3

Utilization	Q1FY21	Q2FY21	Q3FY21	Q4FY21	Q1FY22	Q2FY22	Q3FY22	QoQ chng.	YoY chng.
Infosys	81.2%	83.6%	86.3%	87.7%	88.5%	89.2%	88.5%	-70 bps	220 bps
Wipro	84.5%	86.9%	86.3%	86.0%	86.8%	89.2%	85.8%	-340 bps	-50 bps
TechM	81.8%	85.0%	87.0%	87.0%	89.0%	89.0%	86.0%	-300 bps	-100 bps
LTI	79.6%	82.0%	84.1%	82.2%	84.1%	83.7%	81.4%	-230 bps	-270 bps
MTCL	75.5%	78.8%	83.1%	84.3%	83.2%	82.9%	81.5%	-140 bps	-160 bps
LTTS	70.9%	75.4%	77.5%	78.9%	79.2%	78.1%	75.9%	-220 bps	-160 bps
Coforge	77.0%	81.0%	78.9%	81.0%	77.0%	78.5%	77.1%	-140 bps	-180 bps
Persistent	78.5%	81.2%	81.0%	79.1%	80.1%	82.8%	83.0%	20 bps	200 bps

Source: Company, PL

Exhibit 22: Sub-contracting costs increased substantially in Q3

Subcontractor costs as % of revenue	1Q21	2Q21	3Q21	4Q21	1Q22	2Q22	3Q22	QoQ bps	YoY bps
Infosys	6.9%	6.7%	7.1%	7.5%	8.8%	10.3%	11.0%	70 bps	392 bps
TCS	8.0%	7.6%	7.8%	8.5%	8.3%	8.6%	9.0%	34 bps	115 bps
Wipro	14.1%	13.4%	13.1%	13.2%	13.2%	10.3%	13.9%	359 bps	78 bps
HCLT	13.6%	13.3%	13.6%	13.5%	14.4%	14.9%	14.9%	3 bps	135 bps
TechM	14.5%	13.0%	12.4%	12.7%	14.8%	15.3%	16.4%	105 bps	397 bps
Mindtree	6.8%	6.9%	7.1%	7.9%	11.3%	7.9%	7.2%	-74 bps	9 bps

Source: Company, PL

Exhibit 23: Strong growth in TCV on TTM basis for TechM, Coforge and Mindtree in Q3

	Q4FY20	Q1FY21	Q2FY21	Q3FY21	Q4FY21	Q1FY22	Q2FY22	Q3FY22
<b>TCV Quarterly (USD Mn)</b>								
TCS	8,900	6,900	8,600	6,800	9200	8100	7600	7600
Infosys	1,650	1,740	3,150	7,129	2100	2600	2150	2530
Wipro				1400	1400	715	580	600
HCLT (Net New TCV)		1,215	1,493	1,493	3100	1664	2245	2135
TechM (Net New TCV)	513	290	421	455	1043	815	750	704
Mphasis (Net New TCV)	201	259	360	247	245	505	241	335
Mindtree	393	391	303	312	375	504	360	358
Coforge	180	186	201	192	201	318	285	247
<b>TCV on TTM basis (USD mn)</b>								
TCS	27,000	28,200	30,400	31,200	31,500	32,700	31,700	32,500
Infosys	8,977	8,003	8,353	13,669	14,119	14,979	13,979	9,380
Wipro					7100	NA	4,095	3,295
HCLT (Net New TCV)					7300	7,750	8,502	9,144
TechM (Net New TCV)	3,712	3,527	2,455	1,679	2,209	2,734	3,063	3,312
Mphasis (Net New TCV)	715	823	1,009	1,067	1,111	1,357	1,238	1,326
Mindtree	1,231	1,298	1,294	1,399	1,381	1,494	1,551	1,597
Coforge	749	760	785	759	780	912	996	1,051
<b>Growth in TCV on TTM Basis (YoY, %)</b>								
TCS	23.3%	24.2%	25.6%	28.4%	16.7%	16.0%	4.3%	4.2%
Infosys	42.9%	1.5%	-3.5%	53.7%	57.3%	87.2%	67.4%	-31.4%
TechM (Net New TCV)	122.7%	87.9%	-12.8%	-53.5%	-40.5%	-22.5%	24.8%	97.3%
Mphasis (Net New TCV)	13.3%	30.8%	70.2%	61.7%	55.4%	64.9%	22.7%	24.3%
Mindtree	14.5%	18.8%	14.6%	29.5%	12.2%	15.1%	19.9%	14.2%
Coforge	15.9%	13.4%	14.4%	2.7%	4.1%	20.0%	26.9%	38.5%

Source: Company, PL

## Exhibit 24: Key Financials

	USD Revenues growth YoY			EBIT Margin			EPS		
	FY22E	FY23E	FY24E	FY22E	FY23E	FY24E	FY22E	FY23E	FY24E
TCS	15.9%	12.9%	11.4%	25.3%	25.7%	25.9%	101.6	121.5	137.7
Infosys	20.8%	14.9%	11.4%	23.4%	23.4%	23.5%	52.9	64.7	74.5
Wipro	26.0%	12.2%	10.6%	17.3%	17.7%	18.0%	21.8	25.7	29.6
HCL Tech	12.9%	13.2%	11.6%	18.9%	19.0%	19.5%	48.7	56.9	65.8
Tech M	17.7%	15.5%	11.8%	14.8%	14.8%	15.0%	63.3	73.9	84.0
L&T Infotech	26.4%	22.6%	16.9%	17.2%	18.8%	18.3%	129.0	163.4	190.4
Mindtree	31.1%	19.9%	14.0%	18.4%	17.7%	18.0%	98.0	116.0	134.9
Mphasis	22.0%	18.8%	15.2%	15.1%	16.0%	16.1%	75.8	95.3	112.1
L&T Tech.	19.8%	19.5%	18.4%	18.2%	18.1%	18.1%	89.9	114.7	131.4
COFORGE	37.6%	17.7%	14.7%	14.4%	15.2%	15.2%	113.5	145.2	171.8
Persistent	34.8%	33.9%	15.4%	13.7%	13.8%	14.2%	85.3	115.9	130.1
Cyient	9.0%	13.3%	14.8%	13.5%	13.7%	13.7%	44.1	54.1	60.5
Zensar	14.6%	17.1%	14.8%	11.2%	11.0%	11.6%	16.0	18.2	21.4
Redington India	8.4%	11.7%	8.8%	2.7%	2.4%	2.3%	16.3	16.2	17.1
Sonata Software	28.3%	16.5%	14.7%	8.1%	8.5%	8.6%	36.1	43.6	50.7
Teamlease	33.8%	30.1%	15.7%	1.5%	1.6%	1.8%	66.6	92.6	116.2
Affle*	103.9%	39.5%	35.2%	16.8%	18.1%	18.9%	14.3	17.0	24.4

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

## Exhibit 25: Deal wins in Q4FY22

Date	Company	Client	Vertical	Geography	Nature of work
23-Mar-22	TCS	Sodexo	E&U (Quality of life services)	France	Transform and consolidate its legacy ERP estate on the TCS ERP on Cloud platform, with SAP SoH on Microsoft Azure
21-Mar-22	TCS	Fletcher Building	Conglomerate	New Zealand, Australia and the South Pacific	Build a new future-ready digital core using Google Cloud
16-Mar-22	TCS	Singapore Exchange (SGX)	BFSI	Singapore	Power the NSE IFSC-SGX Connect (Gift Connect), its program to connect to NSE IFSC, a fully owned subsidiary of the NSE, for trade execution and clearing of Nifty products on behalf of its members in Singapore and globally
03-Mar-22	TCS	Western Power	E&U	Australia	Digitally transforming client's software systems
02-Mar-22	TCS	CEMEX	E&U (Building Materials)	Mexico	Accelerate its digital transformation and improve employee experience for its more than 40,000 people worldwide
07-Jan-22	TCS	Govt of India	Services	India	Implement second phase of Passport Seva Kendra
10-Mar-22	Infosys	International Tennis Hall of Fame	Sports	US	Digital Innovation Partner
08-Mar-22	Infosys	Dow Jones	BFSI	US	Develop human centered digital experiences
07-Mar-22	Infosys	Telenor Norway	Communication	Norway	Transform Finance and Supply chain operations using Oracle Cloud and ERP solution
03-Mar-22	Infosys	Roland-Garros (RG)	Sports	France	Digital Innovation Partner
03-Feb-22	Infosys	Union Bank of India	BFSI	India	WhatsApp banking powered by Infosys Finacle
14-Mar-22	Wipro	Speira	E&U (Metals)	Norway	Strengthen the technology infrastructure and cybersecurity requirements
10-Mar-22	Wipro	Pandorum Technologies	Healthcare & LifeSciences	US	Utilization of Wipro Holmes AI capabilities will lead to faster development of advanced therapeutics, improving patient outcomes
16-Feb-22	Wipro	ABB	E&U (Electrical systems)	Switzerland	5-year strategic engagement to drive transformation for Information Systems digital workplace services
11-Feb-22	Wipro	Sanepar	E&U (Water Waste Management)	Brazil	Wipro will lead migration of Sanepar's Back Office operations to Oracle ERP
31-Jan-22	HCLT	Husqvarna Group	Manufacturing	Sweden	Multi-year digital transformation contract
20-Jan-22	HCLT	ams Osram	HiTech (Electronics)	Austria	Digitize ERP, CRM systems and lead IT infra operations integration
28-Mar-22	HCLT	Novo Nordisk	Healthcare	Denmark	Global service desk and on-site support

Source: Company, PL



## Exhibit 26: 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	1,270	1,535	169.2	5.2	10.5	14.7	19.9	1.3	2.1	3.1	4.4	1.4	1.9	2.3	3.3	10.6	14.2	17.0	24.4	45.9	41.7	34.2	34.6	119.9	89.2	74.7	52.0
Coforge	S BUY	4,512	5,559	273.4	46.6	64.2	77.3	89.8	8.4	11.5	14.8	17.4	5.3	6.9	8.8	10.4	86.8	113.5	145.2	171.8	21.6	25.7	28.0	28.0	52.0	39.8	31.1	26.3
Cyient	C BUY	944	1,258	103.8	41.3	45.2	52.2	60.7	6.1	8.1	9.2	10.8	3.7	4.9	6.1	6.8	33.4	44.1	54.1	60.5	13.6	16.0	17.8	17.9	28.3	21.4	17.5	15.6
HCL Technologies	C BUY	1,187	1,295	3,221.0	753.8	856.4	988.2	1,117.4	193.3	200.2	229.7	265.5	124.3	132.3	154.4	178.6	45.8	48.7	56.9	65.8	22.0	21.0	21.9	21.5	25.9	24.4	20.9	18.0
Infosys	C BUY	1,883	2,204	7,925.1	1,004.7	1,216.2	1,430.8	1,614.4	278.9	319.0	363.0	409.5	194.6	222.6	271.6	312.7	45.9	52.9	64.7	74.5	27.3	29.7	36.2	33.2	41.1	35.6	29.1	25.3
L&T Infotech	C BUY	6,300	7,166	1,102.5	124.1	157.1	192.7	223.4	27.6	30.5	40.5	46.3	19.8	22.9	28.4	32.9	112.4	129.0	160.1	185.7	31.1	28.6	29.7	28.8	56.1	48.8	39.3	33.9
L&T Tech. Serv.	C BUY	5,190	5,428	545.0	54.5	65.7	80.1	96.1	10.1	14.1	17.2	20.7	6.6	9.4	12.0	13.8	63.8	89.9	114.7	131.4	21.3	24.9	27.4	26.6	81.4	57.7	45.3	39.5
Mphasis	C BUY	3,312	3,755	619.6	97.2	119.7	145.1	168.7	18.0	21.0	26.2	30.4	12.2	14.2	17.8	21.0	65.3	75.8	95.3	112.1	19.7	21.9	25.0	24.2	50.7	43.7	34.7	29.5
Mindtree	C BUY	4,316	5,157	710.8	79.7	105.2	128.6	148.6	16.4	21.8	26.1	30.5	11.1	16.1	19.1	22.2	67.3	98.0	116.0	134.9	29.7	34.1	32.5	29.6	64.1	44.0	37.2	32.0
Persistent Systems	C BUY	4,792	5,160	366.2	41.9	56.9	77.7	90.9	6.8	9.5	13.4	16.0	4.5	6.8	9.3	10.4	56.4	85.3	115.9	130.1	17.4	22.5	25.8	24.3	85.0	56.2	41.3	36.8
Redington (India)	C BUY	150	200	117.1	569.5	624.9	715.3	788.4	13.4	18.0	19.1	20.5	7.6	12.7	12.6	13.4	9.8	16.3	16.2	17.1	16.5	23.6	19.9	18.3	15.3	9.2	9.3	8.8
Sonata Software	C BUY	765	1,065	79.5	42.3	54.5	65.4	75.9	3.8	4.9	6.0	6.9	2.4	3.8	4.5	5.3	23.5	36.1	43.6	50.7	31.0	38.3	39.5	39.3	32.6	21.2	17.6	15.1
Tata Const. Serv.	C BUY	3,770	4,360	14,288.7	1,641.8	1,914.8	2,205.4	2,488.1	465.1	523.1	601.7	683.1	333.9	385.2	460.3	521.9	88.1	101.6	121.5	137.7	38.7	40.2	39.1	35.6	42.8	37.1	31.0	27.4
TeamLease Serv.	C Acc	4,034	4,647	68.9	48.8	65.7	87.1	102.1	1.0	1.4	1.9	2.5	0.8	1.1	1.6	2.0	48.3	66.6	92.6	116.2	13.4	16.0	18.6	19.3	83.5	60.6	43.6	34.7
Tech Mahindra	C BUY	1,499	1,837	1,314.3	378.6	446.3	526.7	596.5	68.5	80.5	98.8	113.3	44.3	55.5	64.8	73.6	50.7	63.3	73.9	84.0	18.5	21.1	21.2	20.2	29.5	23.7	20.3	17.9
Wipro	C BUY	606	735	3,421.2	619.4	789.4	899.5	1,008.1	148.8	168.0	194.1	220.4	108.0	123.3	145.1	167.1	19.1	21.8	25.7	29.6	19.4	19.9	19.2	18.4	31.7	27.7	23.6	20.5
Zensar Technologies	C BUY	384	453	86.7	36.7	42.2	50.4	59.5	6.8	6.6	8.2	9.9	4.0	3.6	4.6	5.4	17.8	16.0	20.3	23.9	18.1	14.5	16.3	16.8	21.5	24.1	18.9	16.1

Source: Company, PL

Acc=Accumulate / S=Standalone / C=Consolidated,

**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

## Exhibit 27: Change in Estimates

	Rating		Target Price			Sales						PAT						EPS					
						FY23			FY24			FY23			FY24			FY23			FY24		
	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	1,535	1,672	-8.2%	14,697	16,089	-8.7%	19,873	21,788	-8.8%	2,267	2,438	-7.0%	3,254	3,532	-7.9%	17.0	18.3	-7.0%	24.4	26.5	-7.9%
Coforge	BUY	BUY	5,559	5,778	-3.8%	77,269	77,269	0.0%	89,788	89,788	0.0%	8,799	8,799	0.0%	10,413	10,413	0.0%	145.2	145.2	0.0%	171.8	171.8	0.0%
Cyient	BUY	BUY	1,258	1,293	-2.7%	52,244	53,250	-1.9%	60,741	63,183	-3.9%	6,068	6,171	-1.7%	6,791	7,042	-3.6%	54.1	55.0	-1.7%	60.5	62.8	-3.6%
HCL Technologies	BUY	BUY	1,295	1,398	-7.4%	9,88,232	9,94,394	-0.6%	11,17,447	11,24,138	-0.6%	1,54,414	1,55,351	-0.6%	1,78,648	1,79,693	-0.6%	56.9	57.3	-0.6%	65.8	66.2	-0.6%
Infosys	BUY	BUY	2,204	2,234	-1.3%	14,30,767	14,34,445	-0.3%	16,14,398	16,18,539	-0.3%	2,71,574	2,75,181	-1.3%	3,12,679	3,13,672	-0.3%	64.7	65.7	-1.5%	74.5	74.8	-0.4%
L&T Infotech	BUY	BUY	7,166	7,503	-4.5%	1,92,734	1,95,674	-1.5%	2,23,423	2,29,460	-2.6%	28,392	29,176	-2.7%	32,929	33,996	-3.1%	160.1	164.6	-2.7%	185.7	191.7	-3.1%
L&T Tech. Serv.	BUY	BUY	5,428	5,714	-5.0%	80,118	80,503	-0.5%	96,123	96,585	-0.5%	12,039	12,092	-0.4%	13,795	13,858	-0.5%	114.7	115.2	-0.4%	131.4	132.0	-0.5%
Mphasis	BUY	BUY	3,755	3,868	-2.9%	1,45,116	1,44,471	0.4%	1,68,666	1,67,906	0.5%	17,832	17,764	0.4%	20,970	20,882	0.4%	95.3	95.0	0.4%	112.1	111.6	0.4%
Mindtree	BUY	BUY	5,157	5,249	-1.7%	1,28,603	1,29,932	-1.0%	1,48,585	1,49,851	-0.8%	19,100	19,120	-0.1%	22,225	22,041	0.8%	116.0	116.1	-0.1%	134.9	133.8	0.8%
Persistent Systems	BUY	BUY	5,160	5,081	1.6%	77,691	74,731	4.0%	90,862	86,473	5.1%	9,272	9,022	2.8%	10,408	9,945	4.7%	115.9	112.8	2.8%	130.1	124.4	4.7%
Redington (India)	BUY	BUY	200	215	-7.3%	7,15,299	7,79,538	-8.2%	7,88,364	8,64,495	-8.8%	12,635	13,440	-6.0%	13,355	14,588	-8.5%	16.2	17.2	-6.0%	17.1	18.7	-8.5%
Sonata Software	BUY	BUY	1,065	1,011	5.3%	65,371	66,743	-2.1%	75,950	79,574	-4.6%	4,526	4,583	-1.2%	5,269	5,422	-2.8%	43.6	44.1	-1.2%	50.7	52.2	-2.8%
Tata Const. Serv.	BUY	BUY	4,360	4,468	-2.4%	22,05,382	22,35,005	-1.3%	24,88,131	25,21,728	-1.3%	4,60,281	4,72,636	-2.6%	5,21,877	5,28,526	-1.3%	121.5	124.7	-2.6%	137.7	139.5	-1.3%
TeamLease Serv.	Acc	Acc	4,647	4,429	4.9%	87,105	88,718	-1.8%	1,02,129	1,04,020	-1.8%	1,582	1,716	-7.8%	1,985	2,068	-4.0%	92.6	100.4	-7.8%	116.2	121.0	-4.0%
Tech Mahindra	BUY	BUY	1,837	1,942	-5.4%	5,26,705	5,28,739	-0.4%	5,96,505	5,98,785	-0.4%	64,828	67,058	-3.3%	73,625	74,024	-0.5%	73.9	76.5	-3.3%	84.0	84.4	-0.5%
Wipro	BUY	BUY	735	737	-0.3%	8,99,523	9,02,521	-0.3%	10,08,064	10,11,467	-0.3%	1,45,135	1,45,550	-0.3%	1,67,074	1,67,523	-0.3%	25.7	25.8	-0.3%	29.6	29.7	-0.3%
Zensar Technologies	BUY	BUY	453	517	-12.3%	50,386	51,810	-2.7%	59,524	60,289	-1.3%	4,584	5,055	-9.3%	5,393	6,156	-12.4%	20.3	22.2	-8.7%	23.9	27.0	-11.6%

Source: Company, PL

Acc = Accumulate / C=Current / P=Previous

**PL's Recommendation Nomenclature**

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

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