

Result Preview



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Coforge
Cyient
HCL Tech.
Infosys
L&T Infotech
L&T Technology
Mindtree
Mphasis
Persistent Systems
TCS
Tech Mahindra
Wipro
Zensar Tech.

1Q dragged by margin and cross currency headwinds

Management commentary on demand remains under focus

- Our IT Services coverage universe should witness modest median revenue growth in 1QFY23E (up 3.3% QoQ in CC terms and 14.3% YoY). Growth in EBIT/PAT (-1%/-2.8% QoQ) should be impacted by wage hikes and supply-side pressure, despite a depreciation in the INR against the USD.
- We will be watchful of any moderation in the demand commentary across both Tier I and Tier II companies in the IT Services space. While our recent discussions with managements indicate continued momentum in spends on technology services, we expect initial signs of an impact in sectors like Retail and Manufacturing in 1QFY23. The growth deficit in Tier I players v/s Tier II peers will further narrow in 1QFY23. We see a limited change in the FY23 revenue growth guidance of INFO, HCLT, COFORGE, and LTTS in 1Q, given the unchanged demand commentary and this being the first quarter.
- Tier I companies should deliver revenue growth in a narrow range (2.3-3.9% QoQ CC). Tier II players will grow in the 1.9-5.3% range, excluding PSYS, which will grow by 9.5% QoQ due to a meaningful contribution from recent acquisitions. Reported USD growth will be hit by 1-2% due to significant appreciation in the EUR/GPB against the USD in 1QFY23.
- While the long-term demand environment remains unaltered, we anticipate an impact in 2HFY23 and FY24 due to elevated inflation and an economic slowdown in both the US and Europe. We are trimming our FY23/FY24 INR EPS by 2-5%, despite a positive 300-400bp impact from a lower INR (79/USD). The impact on earnings will accrue from weaker revenue growth as we continue to see support to margins from a large fresher intake and a partial price increase.
- The commentary on demand, the impact of an upward price revision, and a weakening macro-economic outlook on deal conversion will be key monitorables to look for.

INFO/PSYS to lead revenue growth within the Tier I/midcap space

- We expect Tier I IT organic revenue growth to be in a narrow band, with INFO leading with a revenue growth of 3.9% QoQ CC, followed by TCS/HCLT at 3.4%/3.3%. TECHM/WPRO is expected to deliver 2.8%/2.3% QoQ CC growth.
- Among Tier II players, we expect good revenue traction at PSYS (up 9.5% QoQ CC), buoyed by gains of ~470bp from recent acquisitions. We expect COFORGE/MTCL to grow by ~5.3%/4.6% QoQ CC in 1QFY23.

Elevated supply-side pressure and seasonality to impact margins

- We see muted margins in 1QFY23 due to of wage hikes and continued supply-side pressure as attrition is still elevated. The same for Tier I companies will be in the -80bp to -190bp range (with the exception of HCLT). The Tier II pack will operate in a wider range (-30bp to -290bp).
- Among Tier I players, TECHM will see the highest impact (-190bp) due to higher employee costs and seasonality, while the wage hike impact for TCS, INFO, and WPRO will be in a narrow range. HCLT should see some support due to seasonality in Products and Platforms.

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- In the Tier II pack, CYL/ZENT will see a significant margin dip (-290bp/-250bp) on elevated employee costs and weaker growth, followed by LTI/COFORGE with a 220bp/210bp hit. LTTS, MTCL, and PSYS should see a more modest margin impact as their wage hike cycle in 2QFY23.
- Attrition should remain at elevated levels and supply will continue to stay constrained, leading to elevated replacement costs. Moreover, a higher intake of freshers will result in lower employee utilization, which will further constrain profitability.
- We see pricing flow through as a key monitorable over the next two quarters as the commentary from across the universe is indicating partial price comfort on deals/renewals. This should start reflecting in 2HFY23 and will help companies to offset some of the margin headwinds.

PAT growth to stay muted, led by TECHM/ZENT in the Tier I/midcap space

- We expect our Tier I IT coverage universe to see a 2.5% QoQ decline in PAT growth, while it will grow by 5.6% YoY. TCS/INFO/HCLT should deliver a PAT growth of 11.2%/9.8%/4.6% YoY, while WPRO/TECHM will see a 9.2%/10.4% YoY decline in PAT due to a compression in margins.
- Tier II players are expected to report a PAT growth of ~21% YoY, but a decline of ~6.3% QoQ, driven by strong revenue growth (and margin expansion for a few names). The same will be partially offset by lower EBIT margins. COFORGE/MTCL/LTTS is expected to lead the Tier II pack in terms of YoY PAT growth, while CYL/ZENT will see a dip of 12.5%/29.5% YoY.

Prefer TCS/INFO/HCLT/MPHL

- With valuations correcting meaningfully over the last six months, we maintain our positive stance on the IT Services sector due to a favorable medium to long term demand outlook.
- We expect near-term pressure on valuations to continue as the worsening macro commentary is expected to flow down to industry deal flow and revenue over the next few quarters, leading to a moderation in corporate commentary. Any consequent correction should be utilized to raise allocation to sector, in our view.
- We continue to prefer Tier I players over their Tier II counterparts, given their relative valuation attractiveness and diversified client portfolio. Among Tier I players, we prefer INFO, HCLT, and TCS. We expect INFO to deliver a top quartile growth, backed by strong deal wins and price revision. HCLT is one of the key beneficiaries of Cloud adoption at scale, given its expertise in IMS. TCS remains best positioned to benefit from the long-term structural tailwinds in Tech Services and should see a relative pickup in growth as the base effect and increased aggression aid it.
- Among Tier II IT, we prefer MPHL and LTTS. We expect LTTS to deliver strong growth over the medium term (despite near term hiccups), led by robust demand for ER&D services. MPHL continues to gain market share in a relatively stable BFSI space. Spends by its top client continue to rise, while weakness in its Digital Risk business will be compensated by the bottoming out in the DXC business.

Exhibit 1: Expect Tier I revenue (USD) to grow by 1.8% QoQ

Company	Revenue (USD m)					Revenue (INR b)				
	1QFY23E	4QFY22	QoQ (%)	1QFY22	YoY (%)	1QFY23E	4QFY22	QoQ (%)	1QFY22	YoY (%)
TCS	6,795	6,696	1.5	6,154	10.4	523	506	3.4	454	15.2
INFO	4,396	4,280	2.7	3,782	16.2	338	323	4.9	279	21.3
WPRO	2,751	2,722	1.1	2,415	13.9	213	209	2.2	183	16.8
HCLT	3,060	2,993	2.2	2,720	12.5	236	226	4.3	201	17.4
TECHM	1,627	1,608	1.1	1,384	17.6	125	121	3.4	102	22.8
Tier I aggregate	18,629	18,299	1.8	16,454	13.2	1,436	1,384	3.7	1,218	17.9

Company	EBIT margin (%)					Adjusted PAT (INR b)				
	1QFY23E	4QFY22	QoQ	1QFY22	YoY	1QFY23E	4QFY22	QoQ (%)	1QFY22	YoY %
TCS	23.9	25.0	-110.0	25.5	-160.0	100	100	0.9	90	11.2
INFO	20.8	21.6	-80.0	23.7	-290.0	57	57	0.3	52	9.8
WPRO	15.8	16.8	-100.0	17.8	-200.0	29	31	-4.9	32	-9.2
HCLT	17.9	18.0	-10.0	19.6	-170.0	34	36	-6.1	32	4.6
TECHM	11.3	13.2	-190.0	15.2	-390.0	12	15	-20.8	14	-10.4
Tier I aggregate	19.9	20.8	-90.0	22.1	-220.0	233	239	-2.5	221	5.6

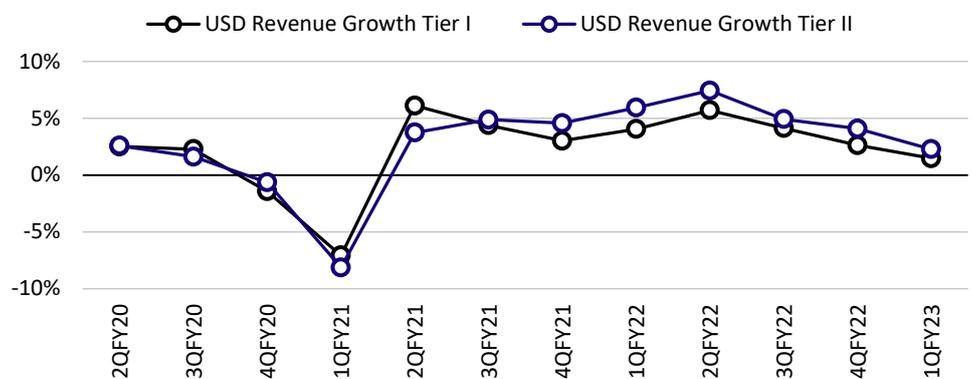
Exhibit 2: Expect Tier II revenue (USD) to grow by ~3% QoQ

Company	Revenue (USD m)					Revenue (INR b)				
	1QFY23E	4QFY22	QoQ %	1QFY22	YoY %	1QFY23E	4QFY22	QoQ (%)	1QFY22	YoY (%)
LTI	579	570	1.5	470	23.1	45	43	3.6	35	28.7
LTTS	236	232	1.9	206	14.9	18	18	3.6	15	19.9
MTCL	397	384	3.5	311	28.0	31	29	5.6	23	33.5
MPHL	441	431	2.4	363	21.5	34	32	4.7	27	27.0
COFORGE	240	232	3.1	200	20.1	18	17	5.9	15	26.2
PSYS	237	217	8.9	167	41.9	18	16	11.3	12	48.2
ZENT	154	153	0.6	127	21.1	12	12	2.8	9	26.6
CYL	160	157	2.2	144	11.6	12	12	4.4	11	16.5
Tier II aggregate	2,444	2,377	2.9	1,986	23.1	188	179	5.1	146	28.6

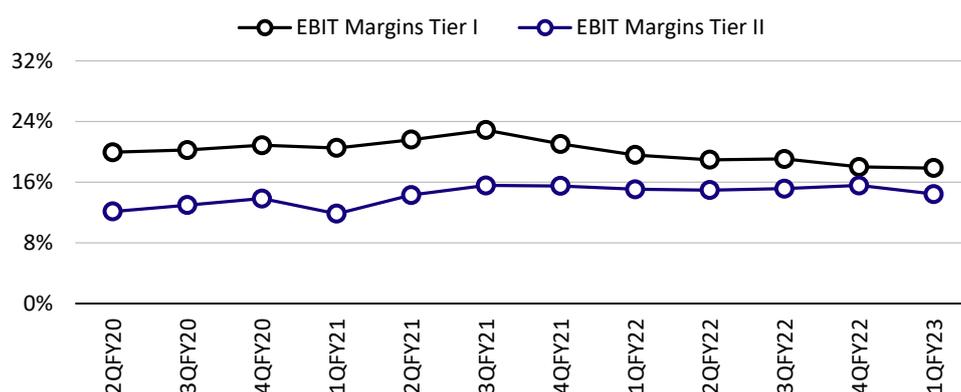
Company	EBIT margin (%)					Adjusted PAT (INR b)				
	1QFY23E	4QFY22	QoQ	1QFY22	YoY	1QFY23E	4QFY22	QoQ (%)	1QFY22	YoY (%)
LTI	15.1	17.3	-220.0	16.4	-130.0	5.9	6.4	-8.2	5.0	17.8
LTTS	18.3	18.6	-30.0	17.3	100.0	2.7	2.6	3.3	2.2	25.1
MTCL	18.6	18.9	-30.0	17.7	90.0	4.7	4.7	-1.4	3.4	35.8
MPHL	15.5	15.3	20.0	16.0	-50.0	4.2	3.9	5.9	3.4	22.2
COFORGE	13.7	15.8	-210.0	11.7	210.0	2.0	2.3	-11.2	1.4	41.7
PSYS	13.5	14.0	-50.0	14.1	-60.0	2.1	2.0	4.7	1.6	32.6
ZENT	7.6	10.1	-250.0	13.9	-630.0	0.7	1.3	-44.6	1.0	-29.5
CYL	11.6	14.5	-290.0	13.1	-150.0	1.0	1.5	-34.7	1.2	-12.5
Tier II aggregate	15.1	16.2	-120.0	15.6	-50.0	23.2	24.8	-6.3	19.2	21.3

Source: Company, MOFSL

Exhibit 3: Growth is cooling off due to the base effect



Source: MOSL, Company

Exhibit 4: Margin of Tier II IT companies will see a larger dip

Source: MOSL, Company

Exhibit 5: Cross-currency growth and impact on our expectations for 1QFY23

	CC USD growth QoQ (%)	USD growth QoQ (%)	Cross-currency impact (bp)
TCS	3.4	1.5	-190
INFO	3.9	2.7	-120
WPRO	2.3	1.1	-130
HCLT	3.3	2.2	-100
TECHM	2.8	1.1	-160
LTI	2.1	1.5	-60
LTTS	2.7	1.9	-80
MTCL	4.6	3.5	-110
MPHL	3.2	2.4	-80
COFORGE	5.3	3.1	-220
PSYS	9.5	8.9	-50
ZENT	1.9	0.6	-140
CYL	3.5	2.2	-130

Source: Company, MOFSL

Exhibit 6: Currency highlights (INR) in 1QFY23

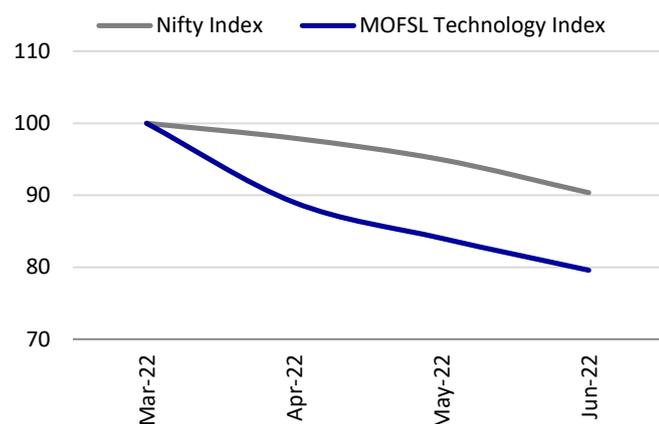
	Rates (INR)				Change (QoQ)			
	USD	EUR	GBP	AUD	USD	EUR	GBP	AUD
Average	77.13	82.22	97.07	55.20	2.57%	-3.24%	-3.67%	0.55%
Closing	78.98	82.14	95.57	54.50	4.02%	-2.85%	-4.07%	-4.10%

Source: Bloomberg, MOFSL

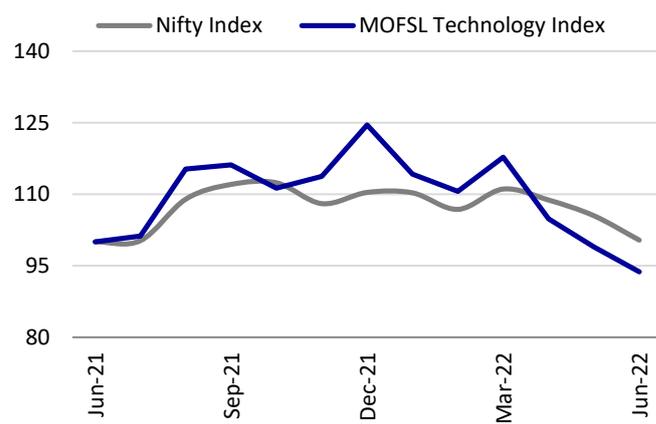
Exhibit 7: Currency highlights (USD) in 1QFY23

	Rates (USD)			Change (QoQ)		
	EUR	GBP	AUD	EUR	GBP	AUD
Average	1.07	1.26	0.72	-5.67%	-6.09%	-1.97%
Closing	1.04	1.21	0.69	-6.83%	-7.91%	-8.04%

Source: Bloomberg, MOFSL

Exhibit 8: Relative performance – three-months (%)

Source: Bloomberg, MOFSL

Exhibit 9: Relative performance – one-year (%)

Source: Bloomberg, MOFSL

Exhibit 10: Changes in our estimates

	Revised EPS (INR)		Earlier EPS (INR)		Change (%)	
	FY23E	FY24E	FY23E	FY24E	FY23E	FY24E
TCS	122	138	123	141	-1	-2
INFO	59	69	61	71	-3	-3
WPRO	23	26	24	27	-2	-5
HCLT	52	60	53	62	-1	-3
TECHM	63	75	70	83	-9	-10
LTI	155	184	158	190	-2	-3
LTTS	108	127	111	132	-3	-4
MTCL	117	140	117	144	-1	-2
MPHL	93	109	95	114	-2	-4
COFORGE	140	168	149	185	-6	-9
PSYS	119	143	121	147	-1	-3
ZENT	15	20	18	23	-17	-16
CYL	48	60	51	59	-4	2

Source: Company, MOFSL

Exhibit 11: Expected quarterly performance summary

Companies	CMP		Sales (INR b)			EBIT (INR b)			Adjusted net profit (INR b)		
	(INR)	Rating	Jun'22E	Variance YoY (%)	Variance QoQ (%)	Jun'22E	Variance YoY (%)	Variance QoQ (%)	Jun'22E	Variance YoY (%)	Variance QoQ (%)
TCS	3316	Buy	523.2	15.2	3.4	125.1	7.9	-1.0	100.5	11.2	0.9
INFO	1478	Buy	338.5	21.3	4.9	70.4	6.6	1.2	57.1	9.8	0.3
WPRO	422	Neutral	213.2	16.8	2.2	33.7	3.5	-4.0	29.4	-9.2	-4.9
HCLT	980	Buy	235.6	17.4	4.3	42.1	7.1	3.5	33.8	4.6	-6.1
TECHM	1012	Neutral	125.3	22.8	3.4	14.2	-8.4	-11.8	12.2	-10.4	-20.8
LTI	4000	Neutral	44.6	28.7	3.6	6.7	18.5	-9.6	5.9	17.8	-8.2
LTTS	2987	Buy	18.2	19.9	3.6	3.3	27.0	1.7	2.7	25.1	3.3
MTCL	2880	Neutral	30.6	33.5	5.6	5.7	40.1	3.7	4.7	35.8	-1.4
MPHL	2242	Buy	34.0	27.0	4.7	5.3	23.3	5.9	4.2	22.2	5.9
COFORGE	3486	Neutral	18.5	26.2	5.9	2.5	48.7	-7.9	2.0	41.7	-11.2
PSYS	3335	Neutral	18.2	48.2	11.3	2.5	41.5	7.0	2.1	32.6	4.7
ZENT	271	Buy	11.9	26.6	2.8	0.9	-30.6	-22.3	0.7	-29.5	-44.6
CYL	758	Buy	12.3	16.5	4.4	1.4	3.0	-16.2	1.0	-12.5	-34.7
Sector aggregate (INR b)			1,624	19.0	3.9	314	7.4	-1.0	256	6.8	-2.8

Source: Company, MOFSL

Exhibit 12: Comparative valuation

Company	CMP (INR)	M-cap (INR b)	EPS (INR)			EPS CAGR (%)	Dividend yield (%)	P/E (x)			RoE (%)		
			FY22	FY23E	FY24E			FY22-24E	FY22	FY23E	FY24E	FY22	FY23E
CYL	758	84	47.8	48.5	59.8	11.9	3.8	15.9	15.6	12.7	17.2	16.9	19.8
HCLT	980	2,659	49.8	52.3	60.4	10.1	3.8	19.7	18.7	16.2	21.9	22.5	25.3
INFO	1,478	6,219	52.2	59.4	69.4	15.3	2.6	28.3	24.9	21.3	29.2	32.6	36.4
LTI	4,000	701	130.8	154.6	184.0	18.6	1.3	30.6	25.9	21.7	28.5	28.2	28.3
LTTS	2,987	315	90.5	108.2	126.5	18.2	1.1	33.0	27.6	23.6	25.0	25.4	25.6
MTCL	2,880	475	100.1	116.6	140.5	18.4	1.6	28.8	24.7	20.5	33.8	32.1	32.3
MPHL	2,242	422	75.1	93.0	109.4	20.7	2.0	29.9	24.1	20.5	21.5	24.5	26.1
COFORGE	3,486	212	110.9	140.4	167.9	23.0	1.5	31.4	24.8	20.8	26.0	28.6	29.2
PSYS	3,335	255	91.3	118.7	142.7	25.0	0.8	36.5	28.1	23.4	22.6	24.6	24.9
TCS	3,316	12,134	104.0	121.8	138.1	15.2	3.0	31.9	27.2	24.0	43.7	49.1	53.8
TECHM	1,012	984	62.6	63.2	74.9	9.4	4.4	16.2	16.0	13.5	21.5	20.3	22.8
WPRO	422	2,312	21.9	23.4	25.8	8.6	1.4	19.2	18.0	16.3	20.2	19.2	20.6
ZENT	271	61	18.3	14.8	19.6	3.4	2.7	14.8	18.4	13.8	16.3	11.9	14.7

Source: Company, MOFSL

The tables below provide a snapshot of actual and estimated numbers for IT companies under the MOFSL coverage universe. Highlighted columns indicate the quarter/financial year under review.

Coforge**Neutral****CMP INR3486 | TP: INR3700 (6%)****EPS CHANGE (%): FY23|24: -5.6|-9.1**

- Growth should continue to remain strong in 1QFY23 on the back of sustained demand.
- The BFS vertical will continue to do well for the company.
- Expect a soft margin on account of wage hikes and travel costs.
- The management's FY23 guidance will be a key monitorable.

Quarterly performance (Ind AS)

Y/E March (Consolidated)	FY22				FY23E				FY22	FY23E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
Rev. (USD m)	200	213	222	232	240	248	257	268	866	1,012
QoQ (%)	15.8	6.6	4.1	4.9	3.1	3.4	3.8	4.0	38.0	16.8
Revenue (INR m)	14,616	15,694	16,581	17,429	18,452	19,575	20,323	21,137	64,320	79,488
YoY (%)	38.3	36.0	39.3	38.2	26.2	24.7	22.6	21.3	37.9	23.6
GPM (%)	29.9	32.1	32.4	33.3	31.0	32.0	32.5	33.0	32.0	32.2
SGA (%)	13.7	13.5	12.9	13.0	13.2	13.5	13.5	13.5	13.3	13.4
EBITDA (INR m)	2,229	2,788	3,068	3,339	3,155	3,484	3,719	3,974	11,424	14,333
EBITDA margin (%)	15.3	17.8	18.5	19.2	17.1	17.8	18.3	18.8	17.8	18.0
EBIT (INR m)	1,705	2,190	2,502	2,755	2,536	2,827	3,037	3,264	9,152	11,665
EBIT margin (%)	11.7	14.0	15.1	15.8	13.7	14.4	14.9	15.4	14.2	14.7
Other income	52	-77	-122	-119	92	98	102	106	-266	397
ETR (%)	18.2	21.1	15.1	13.0	22.5	22.5	22.5	22.5	16.5	22.5
Minority Interest	-76.0	-148.0	-135.0	-171.0	-154.0	-158.0	-158.0	-158.0	-530.0	-628.0
Adj. PAT	1,361	1,519	1,885	2,123	1,883	2,109	2,274	2,454	6,888	8,720
QoQ (%)	-1.1	11.6	24.1	12.6	-11.3	12.0	7.8	7.9		
YoY (%)	39.0	25.8	54.5	54.3	38.3	38.8	20.7	15.6	44.0	26.6
Adj. EPS (INR)	21.9	24.5	30.4	34.2	30.3	34.0	36.6	39.5	110.9	140.4

Cyient**Buy****CMP INR758 | TP: INR900 (+19%)****EPS CHANGE (%): FY23|24: -4.2|2.0**

- Expect a muted 1QFY23. Revenue will be flat on a reported basis.
- Expect a 7% QoQ decline in DLM in 1QFY23, which will act as a drag on revenue.
- Expect a further dip in margin on account of the wage hike and higher SG&A costs from acquisitions.
- The impact of the semiconductor shortage on CLM growth in FY23 and normalization of the Rail vertical will be key monitorables.

Quarterly performance

Y/E March	FY22				FY23E				FY22	FY23E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
Revenue (USD m)	144	150	158	157	160	170	196	203	608	730
QoQ (%)	-4.3	4.6	5.2	-0.8	2.2	6.0	15.7	3.5	9.2	20.0
Revenue (INR m)	10,582	11,116	11,834	11,812	12,328	13,409	15,519	16,064	45,344	57,320
YoY (%)	6.7	10.8	13.3	8.0	16.5	20.6	31.1	36.0	9.7	26.4
GPM (%)	35.9	38.4	36.3	38.3	36.5	36.0	37.0	37.6	37.3	36.8
SGA (%)	18.2	19.8	18.4	20.2	21.0	20.0	19.4	19.3	19.1	19.9
EBITDA	1,878	2,074	2,128	2,136	1,911	2,145	2,731	2,940	8,216	9,727
EBITDA margin (%)	17.7	18.7	18.0	18.1	15.5	16.0	17.6	18.3	18.1	17.0
EBIT	1,388	1,557	1,641	1,707	1,430	1,623	2,126	2,313	6,293	7,492
EBIT margin (%)	13.1	14.0	13.9	14.5	11.6	12.1	13.7	14.4	13.9	13.1
Other income	147	58	105	377	-62	-67	-78	-80	687	-287
ETR (%)	25.1	25.0	24.6	26.1	26.5	26.5	26.5	26.5	25.2	26.5
Adj. PAT	1,150	1,212	1,316	1,541	1,006	1,143	1,506	1,641	5,219	5,296
QoQ (%)	3.9	5.4	8.6	17.1	-34.7	13.7	31.7	9.0		
YoY (%)	41.3	44.4	37.9	39.3	-12.6	-5.7	14.4	6.5	40.5	1.5
EPS (INR)	10.5	11.1	12.1	14.1	9.2	10.5	13.8	15.0	47.8	48.5

HCL Technologies**Buy****CMP INR980 | TP: INR1210 (+23%)****EPS CHANGE (%): FY23 | 24: -1.1 | -3.0**

- 1QFY23E CC growth will be good due to deal conversion in IT services and P&P seasonality.
- Core Services business will see some growth moderation, but should deliver 2.5% QoQ CC growth.
- Margin in Services to remain stable vs 4QFY22 levels, but overall profitability will stay below guidance.
- Outlook on Services and the P&P business in FY23 will be key monitorables.

Quarterly performance

Y/E March	FY22				FY23E				FY22	FY23E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
Revenue (USD m)	2,720	2,791	2,978	2,993	3,060	3,104	3,247	3,264	11,481	12,674
QoQ (%)	0.9	2.6	6.7	0.5	2.2	1.4	4.6	0.5	12.8	10.4
Revenue (INR b)	201	207	223	226	236	245	256	258	857	995
YoY (%)	12.5	11.1	15.7	15.0	17.4	18.7	14.9	14.1	13.6	16.2
GPM (%)	39.2	38.2	38.2	36.8	36.3	36.1	36.2	36.8	38.1	36.4
SGA (%)	12.8	13.0	12.4	12.7	12.5	12.8	12.8	12.7	12.7	12.7
EBITDA	49	50	54	52	52	53	56	58	202	220
EBITDA margin (%)	24.5	24.0	24.1	23.1	22.2	21.7	21.9	22.6	23.6	22.1
EBIT	39	39	43	41	42	43	45	47	162	177
EBIT margin (%)	19.6	19.0	19.1	18.0	17.9	17.4	17.6	18.3	18.9	17.8
Other income	2	2	2	3	2	2	3	3	8	10
ETR (%)	21.7	20.5	22.2	16.7	24.0	24.0	24.0	24.0	20.3	24.0
Adjusted PAT	32	33	34	36	34	34	36	38	135	142
QoQ (%)	34.7	1.5	5.5	4.4	-6.2	1.4	5.6	4.5		
YoY (%)	10.0	3.9	0.3	50.6	4.9	4.7	4.9	5.0	13.7	4.9
EPS	11.8	12.0	12.7	13.3	12.4	12.6	13.3	13.9	49.8	52.3

Infosys**Buy****CMP INR1478 | TP: INR1670 (+13%)****EPS CHANGE (%): FY23 | 24: -3.0 | -2.9**

- Expect INFO to reiterate its FY23 revenue growth guidance of 13-15% YoY in CC terms and maintain a positive commentary.
- In CC terms, INFO should deliver a USD revenue growth of 3.9% QoQ, aided by a low base in 4QFY22, although adverse cross-currency movements will drag reported growth.
- Expect an incremental impact on margin on account of a wage hike and continued supply-side challenges.
- Commentary on deal wins and any elongation in deal conversion will be a key monitorable.

Quarterly performance (IFRS)

Y/E March	FY22				FY23E				FY22	FY23E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
Revenue (USD m)	3,782	3,998	4,250	4,280	4,396	4,521	4,575	4,708	16,310	18,199
QoQ (%)	4.7	5.7	6.3	0.7	2.7	2.8	1.2	2.9	20.3	11.6
Revenue (INR m)	279	296	319	323	338	357	361	372	1,216	1,429
YoY (%)	17.9	20.5	22.9	22.7	21.3	20.6	13.4	15.2	21.1	17.5
GPM (%)	33.7	33.1	32.8	31.0	30.7	31.4	32.0	32.6	32.6	31.7
SGA (%)	10.0	9.5	9.3	9.4	9.9	9.9	10.0	10.1	9.6	10.0
EBITDA	74	78	84	79	80	86	89	94	315	320
EBITDA margin (%)	26.6	26.4	26.3	24.4	23.5	24.2	24.7	25.3	25.9	22.4
EBIT	66	70	75	70	70	77	79	84	280	311
EBIT margin (%)	23.7	23.6	23.5	21.6	20.8	21.5	22.0	22.6	23.0	21.7
Other income	6	5	5	6	7	7	7	7	21	29
ETR (%)	27.5	27.1	26.7	24.5	26.0	26.0	26.0	26.0	26.4	26.0
PAT	52	54	58	57	57	62	64	67	221	251
QoQ (%)	2.3	4.4	7.2	-2.1	0.2	8.8	3.4	5.4		
YoY (%)	22.3	11.9	11.8	12.0	9.7	14.3	10.3	18.7	14.2	13.3
EPS (INR)	12.2	12.9	13.8	13.5	13.5	14.7	15.2	16.0	52.2	59.4

LTI **Neutral****CMP INR4000 | TP: INR4050 (1%)****EPS CHANGE (%): FY23 | 24: -2.2 | -3.4**

- Expect sequential revenue growth to be in low single-digits.
- Expect margin to be impacted by wage hikes, attrition may spike.
- The Manufacturing vertical may see some drag in 1QFY23.
- Commentary around the deal pipeline and wins remain a key monitorable.

Quarterly performance

Y/E March	FY22				FY23E				FY22	FY23E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
Revenue (USD m)	470	509	553	570	579	603	631	652	2,103	2,464
QoQ (%)	5.1	8.3	8.6	3.1	1.5	4.1	4.7	3.4	25.9	17.2
Revenue (INR m)	34,625	37,670	41,376	43,016	44,577	47,604	49,818	51,508	1,56,687	1,93,507
YoY (%)	17.4	25.6	31.2	31.6	28.7	26.4	20.4	19.7	26.7	23.5
GPM (%)	31.0	31.0	31.0	30.0	28.7	29.8	30.2	30.5	30.7	29.8
SGA (%)	12.3	11.5	10.9	10.3	11.2	11.1	11.3	11.5	11.2	11.3
EBITDA	6,478	7,332	8,311	8,464	7,801	8,902	9,416	9,811	30,585	35,929
EBITDA margin (%)	18.7	19.5	20.1	19.7	17.5	18.7	18.9	19.0	19.5	18.6
EBIT	5,682	6,482	7,426	7,445	6,731	7,807	8,270	8,626	27,036	31,434
EBIT margin (%)	16.4	17.2	17.9	17.3	15.1	16.4	16.6	16.7	17.3	16.2
Other income	1,039	938	811	1,151	1,070	1,190	1,245	1,288	3,939	4,793
ETR (%)	26.1	25.6	25.6	25.8	25.0	25.0	25.0	25.0	25.8	25.0
Adj. PAT	4,968	5,517	6,125	6,375	5,851	6,748	7,136	7,435	22,985	27,170
QoQ (%)	1.7	11.1	11.0	4.1	-8.2	15.3	5.8	4.2		
YoY (%)	19.3	20.8	18.0	30.5	17.8	22.3	16.5	16.6	22.2	18.2
EPS (INR)	28.3	31.4	34.9	36.3	33.3	38.4	40.6	42.3	130.8	154.6

LTTS **Buy****CMP INR2987 | TP: INR3450 (+19%)****EPS CHANGE (%): FY23 | 24: -2.8 | -4.1**

- Expect good growth, although any deterioration in the demand environment will remain in focus.
- Expect EBIT margin to remain broadly stable QoQ.
- Vertical commentary should start seeing some moderation in Industrial Products and Plant Engineering.
- Commentary around the impact of the macro environment on deal wins and any changes to its FY23 guidance remain key monitorables.

Quarterly performance

Y/E March	FY22				FY23E				FY22	FY23E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
Revenue (USD m)	206	217	225	232	236	244	251	261	880	992
QoQ (%)	4.2	5.7	3.5	3.1	1.9	3.0	3.0	4.2	19.5	12.7
Revenue (INR m)	15,184	16,077	16,875	17,561	18,202	19,241	19,826	20,653	65,697	77,921
YoY (%)	17.3	22.4	20.5	21.9	19.9	19.7	17.5	17.6	20.6	18.6
GPM (%)	33.4	33.3	33.7	33.0	33.3	32.5	33.1	33.3	33.3	33.1
SGA (%)	12.4	11.6	12.0	11.3	12.0	12.0	12.0	12.0	11.8	12.0
EBITDA	3,177	3,493	3,675	3,804	3,877	3,944	4,183	4,399	14,149	16,404
EBITDA margin (%)	20.9	21.7	21.8	21.7	21.3	20.5	21.1	21.3	21.5	21.1
EBIT	2,623	2,964	3,144	3,274	3,331	3,367	3,589	3,780	12,005	14,066
EBIT margin (%)	17.3	18.4	18.6	18.6	18.3	17.5	18.1	18.3	18.3	18.1
Other income	334	180	259	314	328	346	357	372	1,087	1,403
ETR (%)	26.6	26.6	26.7	26.6	26.0	26.0	26.0	26.0	26.6	26.0
PAT	2,162	2,300	2,488	2,620	2,705	2,746	2,918	3,070	9,570	11,439
QoQ (%)	11.2	6.4	8.2	5.3	3.3	1.5	6.3	5.2		
YoY (%)	84.3	39.0	33.7	34.7	25.1	19.4	17.3	17.2	44.3	19.5
EPS (INR)	20.4	21.8	23.6	24.8	25.6	26.0	27.6	29.0	90.5	108.2

Mindtree**Neutral****CMP INR2880 | TP: INR2950 (2%)****EPS CHANGE (%): FY23 | 24: -0.6 | -2.3**

- Expect a strong growth across all verticals, led by BFS, CMT, and Healthcare. RCM will see a ramp down. Expect a growth in its top client.
- Expect a strong order book and demand patterns.
- Expect some margin pressures due to salary hikes and retention costs. Attrition to remain elevated.
- Outlook on deal wins, top client, and margin are key monitorables.

Quarterly performance

Y/E March	FY22				FY23E				FY22	FY23E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
Revenue (USD m)	311	350	366	384	397	409	420	434	1,411	1,659
QoQ (%)	7.7	12.8	4.7	4.7	3.5	2.8	2.7	3.3	31.1	17.6
Revenue (INR m)	22,917	25,862	27,500	28,974	30,601	32,284	33,160	34,251	1,05,253	1,30,296
YoY (%)	20.1	34.3	35.9	37.4	33.5	24.8	20.6	18.2	32.1	23.8
GPM (%)	29.0	28.9	30.4	30.1	30.2	28.0	29.0	29.9	29.6	29.3
SGA (%)	8.8	8.4	8.8	9.1	9.5	9.0	9.2	9.2	8.8	9.2
EBITDA (INR m)	4,645	5,307	5,921	6,083	6,334	6,134	6,566	7,107	21,956	26,141
EBITDA margin (%)	20.3	20.5	21.5	21.0	20.7	19.0	19.8	20.7	20.9	20.1
EBIT (INR m)	4,063	4,697	5,289	5,487	5,692	5,456	5,869	6,388	19,536	23,405
EBIT margin (%)	17.7	18.2	19.2	18.9	18.6	16.9	17.7	18.6	18.6	18.0
Other income	589	623	581	778	612	646	663	685	2,571	2,606
ETR (%)	26.2	25.0	25.5	24.5	26.0	26.0	26.0	26.0	25.2	26.0
PAT	3,434	3,989	4,375	4,731	4,665	4,515	4,834	5,234	16,529	19,248
QoQ (%)	8.2	16.2	9.7	8.1	-1.4	-3.2	7.1	8.3		
YoY (%)	61.2	57.2	34.0	49.1	35.8	13.2	10.5	10.6	48.8	16.4
EPS (INR)	20.8	24.2	26.5	28.7	28.3	27.3	29.3	31.7	100.1	116.6

Mphasis**Buy****CMP INR2242 | TP: INR2620 (+17%)****EPS CHANGE (%): FY23 | 24: -1.9 | -4.4**

- Expect continued strength in the Direct business, although Digital Risk should see a dip in 1QFY23.
- Expect the decline to continue in the DXC business, although the pace of decline should start moderating.
- Expect margin to remain flat QoQ.
- Outlook with regard to growth in FY23 remains a key monitorable.

Quarterly performance

Y/E March	FY22				FY23E				FY22	FY23E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
Revenue (USD m)	363	385	414	431	441	452	464	477	1,593	1,833
QoQ (%)	6.0	6.1	7.5	4.0	2.4	2.5	2.6	2.8	21.7	15.1
Revenue (INR m)	26,909	28,693	31,237	32,777	33,962	35,708	36,627	37,658	1,19,616	1,43,954
YoY (%)	17.6	17.8	26.2	29.8	26.2	24.4	17.3	14.9	23.0	20.3
GPM (%)	28.4	28.8	29.7	29.8	29.5	29.1	29.5	28.9	29.2	29.2
SGA (%)	10.2	10.7	12.0	12.2	11.6	11.1	11.0	10.9	11.3	11.1
EBITDA	4,895	5,185	5,530	5,772	6,079	6,427	6,776	6,786	21,382	26,068
EBITDA margin (%)	18.2	18.1	17.7	17.6	17.9	18.0	18.5	18.0	17.9	18.1
EBIT	4,271	4,528	4,704	4,973	5,264	5,606	5,934	5,920	18,476	22,723
EBIT margin (%)	15.9	15.8	15.1	15.2	15.5	15.7	16.2	15.7	15.4	15.8
Other income	310	277	90	184	272	286	293	301	861	1,152
ETR (%)	25.8	25.6	25.4	24.0	25.0	25.0	25.0	25.0	25.2	25.0
PAT	3,397	3,574	3,575	3,921	4,152	4,419	4,670	4,666	14,467	17,906
QoQ (%)	7.2	5.2	0.0	9.7	5.9	6.4	5.7	-0.1		
YoY (%)	23.5	19.5	9.8	23.7	22.2	23.6	30.6	19.0	18.9	23.8
EPS (INR)	17.9	18.8	18.9	20.4	21.6	22.9	24.2	24.2	75.1	93.0

Persistent Systems

Neutral
CMP INR3335 | TP: INR3430 (3%)
EPS CHANGE (%): FY23 | 24: -1.5 | -3.0

- Expect the strong (~9.5%) growth to continue, led by recent acquisitions.
- Expect margin to see a slight impact due to visa costs and lower utilizations.
- All three verticals will see good growth.
- Medium-term growth and margin outlook should be key monitorables.

Quarterly performance (IFRS)

Y/E March (Consolidated)	FY22				FY23E				FY22	FY23E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
Revenue (USD m)	166.8	182.3	199.1	217.3	236.7	248.8	258.0	267.2	766	1,011
QoQ (%)	9.2	9.3	9.2	9.1	8.9	5.1	3.7	3.5	35.2	32.0
Revenue (INR m)	12,299	13,512	14,917	16,379	18,229	19,658	20,385	21,108	57,107	79,380
QoQ (%)	10.5	9.9	10.4	9.8	11.3	7.8	3.7	3.5	36.4	39.0
YoY (%)	24.1	34.1	38.7	47.1	48.2	45.5	36.7	28.9	36.4	39.0
GPM (%)	33.5	33.5	33.8	33.7	33.5	32.0	33.2	34.0	33.6	33.2
SGA (%)	16.6	16.9	16.9	16.5	16.6	16.8	16.3	16.3	16.7	16.5
EBITDA	2,090	2,244	2,511	2,812	3,081	2,988	3,445	3,736	9,656	13,250
EBITDA margin (%)	17.0	16.6	16.8	17.2	16.9	15.2	16.9	17.7	16.9	16.7
EBIT	1,740	1,873	2,083	2,300	2,461	2,320	2,772	3,040	7,996	10,592
EBIT margin (%)	14.1	13.9	14.0	14.0	13.5	11.8	13.6	14.4	14.0	13.3
Other income	365	303	281	371	365	393	408	422	1,321	1,588
ETR (%)	24.6	25.7	25.4	24.8	25.5	25.5	25.5	25.5	25.1	25.5
PAT	1,587	1,618	1,764	2,010	2,105	2,021	2,369	2,579	6,978	9,074
QoQ (%)	15.2	1.9	9.1	13.9	4.7	-4.0	17.2	8.9	54.8	30.0
YoY (%)	76.3	58.6	45.9	45.9	32.6	24.9	34.3	28.3	54.8	30.0
EPS (INR)	19.8	21.2	23.1	26.3	27.5	26.4	31.0	33.7	91.3	118.7

TCS

Buy
CMP INR3316 | TP: INR3730 (+12%)
EPS CHANGE (%): FY23 | 24: -1.0 | -2.2

- In CC terms, growth should continue to remain in a narrow band, but reported growth will be impacted by cross-currency movements.
- Margin in 1QFY23 to be impacted by the wage hike and continued supply-side pressures.
- Expect a strong demand commentary.
- Deal wins and impact of macro weakness on growth will be key monitorables.

Quarterly performance (IFRS)

Y/E March	FY22				FY23E				FY22	FY23E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
IT Services Revenue (USD m)	6,154	6,333	6,524	6,696	6,795	6,965	7,105	7,323	25,707	26,348
QoQ (%)	2.8	2.9	3.0	2.6	1.5	2.5	2.0	3.1	15.9	2.5
Overall Revenue (INR b)	454	469	489	506	523	550	561	578	1,918	1,987
QoQ (%)	3.9	3.2	4.3	3.5	3.4	5.2	2.0	3.1	16.8	3.6
YoY (%)	18.5	16.8	16.4	15.8	15.2	17.4	14.8	14.3	16.8	3.6
GPM (%)	40.4	40.4	40.0	40.1	38.7	39.3	40.1	40.4	40.2	39.6
SGA (%)	14.8	14.8	15.0	15.2	14.8	14.7	14.7	14.7	15.0	14.7
EBITDA	127	131	134	138	136	147	154	160	530	540
EBITDA margin (%)	27.9	28.0	27.4	27.4	26.0	26.7	27.5	27.7	27.7	27.2
EBIT	116	120	122	126	125	135	143	149	485	552
EBIT margin (%)	25.5	25.6	25.0	25.0	23.9	24.6	25.4	25.7	25.3	24.9
Other income	6	10	10	7	9	10	10	10	32	35
PBT	122	130	132	134	134	145	153	159	517	591
ETR (%)	25.8	25.6	25.7	25.5	25.0	25.0	25.0	25.0	25.6	25.0
Adj. PAT	90	97	98	100	100	109	115	119	384	443
Exceptional items	0	0	0	0	0	0	0	0	0	0
Reported PAT	90	97	98	100	100	109	115	119	384	443
QoQ (%)	-2.7	6.9	1.6	1.6	0.9	8.4	5.1	4.1	18.1	15.2
YoY (%)	28.1	28.6	12.4	7.3	11.2	12.9	16.8	19.7	18.1	15.2
EPS (INR)	24.4	26.0	26.4	27.2	27.6	30.0	31.5	32.8	104.0	121.8

Tech Mahindra**Neutral****CMP INR1012 | TP: INR1050 (4%)****EPS CHANGE (%): FY23 | 24: -9.3 | 9.8**

- Expect weak growth in 1QFY23 due to seasonality and weakness in the Communications vertical. However, the same will be partially compensated by good enterprise growth.
- Expect operating margin to see an over 200bp impact in 1QFY23 from partial wage hike and higher operational costs.
- Expect deal wins to remain within the USD700-800m quarterly band.
- Outlook on margin and growth in the Telecom vertical in FY23 will be key monitorables.

Quarterly performance

Y/E March	FY22				FY23E				FY22	FY23E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
Revenue (USD m)	1,384	1,473	1,534	1,608	1,627	1,671	1,708	1,763	5,998	6,768
QoQ (%)	4.1	6.4	4.1	4.9	1.1	2.7	2.2	3.2	17.4	12.8
Revenue (INR b)	102	109	115	121	125	132	135	139	446	531
YoY (%)	12.0	16.1	18.7	24.5	22.8	21.3	17.8	14.9	17.9	19.0
GPM (%)	31.7	31.7	30.1	29.3	27.8	28.1	29.7	30.5	30.6	29.1
SGA (%)	13.3	13.3	12.1	12.1	12.5	12.6	12.5	12.5	12.7	12.5
EBITDA	19	20	21	21	19	20	23	25	80	88
EBITDA margin (%)	18.4	18.3	18.0	17.2	15.3	15.5	17.2	18.0	18.0	16.5
EBIT	15	17	17	16	14	15	18	19	65	66
EBIT margin (%)	15.2	15.2	14.8	13.2	11.3	11.4	13.1	13.9	14.6	12.5
Other income	2	2	2	3	2	3	3	3	10	10
ETR (%)	23.9	29.4	26.9	17.5	26.0	26.0	26.0	26.0	24.4	26.0
Adj. PAT	14	13	14	15	12	13	15	16	56	56
QoQ (%)	11.7	-1.1	2.2	10.0	-19.2	6.2	15.3	9.0		
YoY (%)	39.2	25.7	4.5	24.3	-10.2	-3.5	8.8	7.9	22.1	1.0
Extra-Ordinary Item	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Reported PAT	14	13	14	15	12	13	15	16	56	56
EPS (INR)	15.3	15.1	15.5	16.9	13.7	14.5	16.8	18.3	62.6	63.2

Wipro**Neutral****CMP INR422 | TP: INR410 (-3%)****EPS CHANGE (%): FY23 | 24: -1.8 | -5.0**

- Growth in 1QFY23 should remain within the management's guidance band provided in 4QFY22.
- Margin will be impacted by wage hikes and continued investments in 1QFY23.
- Expect demand commentary to remain strong.
- The management's guidance for 2QFY23 and deal wins will be a key monitorable.

Quarterly performance (IFRS)

Y/E March	FY22				FY23E				FY22	FY23E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
IT Services Revenue (USD m)	2,415	2,580	2,640	2,722	2,751	2,827	2,888	2,966	10,356	11,433
QoQ (%)	12.2	6.9	2.3	3.1	1.1	2.8	2.2	2.7	27.3	10.4
Overall Revenue (INR b)	183	197	203	209	213	225	230	236	791	903
QoQ (%)	12.4	7.8	3.3	2.7	2.2	5.4	2.2	2.6		
YoY (%)	22.4	30.1	29.6	28.4	16.8	14.2	13.0	13.0	27.7	14.2
GPM (%)	30.1	30.1	29.7	29.1	27.8	28.3	28.7	29.2	29.7	28.5
SGA (%)	12.9	12.8	12.8	12.8	12.5	12.5	12.5	12.5	12.8	12.5
EBITDA	41	43	43	43	43	47	49	51	170	172
EBITDA margin (%)	22.4	21.6	21.4	20.7	20.3	20.8	21.1	21.6	21.5	19.1
IT Services EBIT (%)	17.8	17.8	17.6	17.0	15.8	16.2	16.6	17.1	17.5	16.5
EBIT margin (%)	17.8	17.8	17.5	16.8	15.8	16.3	16.7	17.2	17.5	16.5
Other income	6	3	2	2	4	4	4	4	13	17
ETR (%)	16.1	22.0	21.3	17.1	22.5	22.5	22.5	22.5	19.1	22.5
PAT	32	29	30	31	29	32	33	35	122	128
QoQ (%)	8.7	-9.3	1.3	4.0	-5.3	8.0	4.2	5.1		
YoY (%)	35.2	18.9	0.0	3.9	-9.5	7.7	10.8	12.0	13.2	5.0
EPS (INR)	5.9	5.3	5.4	5.6	5.3	5.8	6.0	6.3	21.9	23.4

Zensar Technologies

Buy

CMP INR271 | TP: INR310 (+14%)

EPS CHANGE (%): FY23|24: -17.1|-15.7

- Growth will remain weak, given the initial signs of flattening demand. Among geographies, Europe should grow above the company's average.
- Supply-side issues, hiring costs, and lower growth will impact margin.
- There will be a ramp down on deals in 1QFY23E. Order book will remain soft.
- The management's outlook on medium-term growth and margin will be key monitorables.

Quarterly performance

Y/E March	FY22				FY23E				FY22	FY23E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
Revenue (USD m)	127	142	147	153	154	158	163	168	569	644
QoQ (%)	5.8	11.6	3.7	4.1	0.6	2.9	2.8	3.4	15.3	13.1
Revenue (INR m)	9,368	10,506	11,025	11,538	11,864	12,520	12,873	13,309	42,437	50,566
YoY (%)	-1.2	12.2	21.6	31.6	26.6	19.2	16.8	15.4	15.7	19.2
GPM (%)	34.8	30.6	29.6	30.2	27.9	27.7	28.7	29.8	31.2	28.6
SGA (%)	16.4	15.2	15.3	16.0	16.3	16.1	16.1	16.1	15.7	16.1
EBITDA	1,726	1,612	1,584	1,642	1,376	1,452	1,622	1,830	6,564	6,280
EBITDA margin (%)	18.4	15.3	14.4	14.2	11.6	11.6	12.6	13.7	15.5	12.4
EBIT	1,300	1,144	1,110	1,161	902	952	1,107	1,297	4,715	4,258
EBIT margin (%)	13.9	10.9	10.1	10.1	7.6	7.6	8.6	9.7	11.1	8.4
Other income	95	142	152	634	83	88	90	93	1,023	354
ETR (%)	26.5	25.5	26.9	27.2	26.5	26.5	26.5	26.5	26.6	26.5
Adj. PAT	1,010	944	909	1,297	716	756	872	1,014	4,160	3,358
QoQ (%)	11.6	-6.5	-3.7	42.7	-44.8	5.6	15.4	16.3		
YoY (%)	38.9	7.5	-7.9	43.3	-29.1	-19.9	-4.1	-21.8	19.0	-19.3
EPS (INR)	4.4	4.2	4.0	5.7	3.1	3.3	3.8	4.5	18.3	14.8

NOTES

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

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