

IT Services

Q3FY21 Earnings Preview

Ready for strong FY22!

Quick Pointers:

- Overall deal win to remain strong while TCV to be robust for some, fueled by mega and large deal wins. Strong growth momentum to begin in Europe
- Things to monitor for Q3FY21E 1) Conversion of large deal pipeline, 2) Margin tailwinds and 3) Annual budgeting exercise.

We estimate revenue growth between 1.7%-3.4% QoQ CC (avg: 2.8%) for Tier-1 and 1.5%-5% QoQ CC (avg: 3.3%) for Tier-2. We believe IT services companies will post robust quarter led by 1) Strong recovery in key verticals, 2) Added revenue tailwinds from sustained deal wins, 3) Strong momentum in digital spends and 4) Lower than expected furloughs. We expect consensus to revise their revenue growth estimates, as deal wins across the pack are very strong and European geography will outperform in coming quarters.

We expect HCLT, Infosys, Wipro to lead the growth in Tier-1 & LTI, MTCL, PSYS in Tier-2. We expect Infy & HCLT to revise their revenue & margin guidance upwards. We expect Wipro to give strong revenue guidance for Q4FY21E. We expect TCV number to be strong across pack with Infy, Wipro, MTCL leading the pack.

We expect IT sector to maintain its strong performance in FY22 as 1) Sector has entered into Technology Upcycle, 2) Digital becoming mainstream and 3) Strong order book & deal pipeline, 4) Accelerated demand for cloud adoption, 5) Broad based demand across all industry verticals. We roll forward our coverage universe valuations on March-23 EPS (earlier- Sep-22). We expect Infy to post sector leading growth in FY22 & remains our top pick. For Wipro, we believe that the gap in growth rate will reduce when compared to peers. For HCLT, tailwind of strong cloud adoption & increasing discretionary spends will help its ERD segment to perform better. Among Midcaps, we continue to like LTI, MTCL, LTTS, Coforge, Mphasis.

- Strong Revenue growth across pack:** We estimate revenue growth between 1.7%-3.4% QoQ CC (avg: 2.8%) for Tier-1 and 1.5%-5% QoQ CC (avg: 3.3%) for Tier-2. We expect HCLT to post highest growth among tier-1 & LTI, MTCL among tier-2. We expect broad-based recovery among our coverage universe (except Cyient, Zensar). Mindtree had strong deal wins in Q3FY21 & we expect revenue momentum to get more strong for next quarter also. We would like to highlight Infy, TCS, HCLT, Wipro, MTCL revenue momentum will be stronger in next quarter as many signed deals will ramp up.

January 4, 2021

Exhibit 1: PL Universe

Companies	Rating	CMP (Rs)	TP (Rs)
Coforge	BUY	2,722	2,966
Cyient	BUY	514	606
HCL Technologies	BUY	951	1,152
Infosys	BUY	1,260	1,538
L&T Infotech	BUY	3,694	3,714
L&T Tech. Serv.	BUY	2,410	2,509
Mphasis	BUY	1,530	1,802
Mindtree	BUY	1,659	1,792
Persistent Systems	BUY	1,498	1,526
Redington (India)	BUY	133	138
Sonata Software	BUY	393	437
Tata Const. Serv.	BUY	2,928	3,358
TeamLease Serv.	BUY	2,666	2,931
Tech Mahindra	BUY	978	1,099
Wipro	BUY	388	434
Zensar Technologies	BUY	243	257

Source: Company, PL

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Aggression in deal wins has continued even in third quarter, which is seasonal weak quarter, with Wipro winning 5 deals Olympus, Thoughtspot, Fortum & Verifone apart from the Metro deal in 3Q.

Infosys, new deal wins hit a new high of US\$2.7 bn. Net new deals at US\$2.7 bn was 2.2X of the previous high achieved in Sep-18. The value of new deals won in the quarter is equal to net new deals of the previous five quarters.

We expect Infy revenue guidance to increase 3-4% YoY CC (from 2-3%) & EBIT margin guidance at 24-25%(from 23-24%). HCLT current annual guidance stands at 0.5-1.3% for revenue growth and 20-21% for EBIT margin band. We expect revenue guidance to increase to 1-2% & slight revision in margin guidance. Wipro has given growth guidance of 1.5-3.5% for Q3FY21, we expect guidance for Q4FY21E to be strong 2-4%.

- **Margins will remain stable:** We expect minimum impact on margins on account of wage hike. TCS has rolled out wage increase effective October 1, impacting margins by -70bps QoQ. Wipro has rolled out promotions effective December 1, while HCLT has given wage hike only for select bands. We would like to highlight that only wage hike is headwinds for margins in Q3FY21E, if companies are able to do cost control more efficiently there might be a positive surprise to our margin estimates. We do not expect travel, marketing events to meaningfully resume before Q2FY22.
- **Infy, HCLT may increase guidance, Wipro to give strong guidance for Q4FY21:** We expect Infy revenue guidance to increase 3-4% YoY CC (from 2-3%) & EBIT margin guidance at 24-25%(from 23-24%). HCLT current annual guidance stands at 0.5-1.3% for revenue growth and 20-21% for EBIT margin band. We expect revenue guidance to increase to 1-2% & slight revision in margin guidance. Wipro has given growth guidance of 1.5-3.5% for Q3FY21, we expect guidance for Q4FY21E to be strong 2-4%. This guidance does not include recent sign large deal of Metro.
- **Strong deal pipeline across pack:** We have seen strong deal wins across pack in last 2 months. We were quite positively surprised by Wipro. Large deal wins like Marelli, EON, John Lewis signed in 1HFY21 will ramp up and lead to revenue acceleration in 2HFY21. Aggression in deal wins has continued even in third quarter, which is seasonal weak quarter, with Wipro winning 5 deals Olympus, Thoughtspot, Fortum & Verifone apart from the Metro deal in 3Q. This gives us confidence about superior execution of new Management at Wipro. Strong deal momentum will drive strong revenue growth in FY21 & FY22.
- Similarly, for Infosys, new deal wins hit a new high of US\$2.7 bn. Net new deals at US\$2.7 bn was 2.2X of the previous high achieved in Sep-18. The value of new deals won in the quarter is equal to net new deals of the previous five quarters. Even adjusting for US\$1.5 bn Vanguard deal, value of net new deals was remarkably strong at US\$1.2 bn. Infosys won 16 large deals, highest ever, in 2QFY21. TCS also will post a strong deal win number due to Deutsche and Prudential Financial deal wins. Among midcap space also, LTI, LTTS, Mindtree have posted strong deal wins in Q3FY21.

Exhibit 2: Changes in Rating & TP

Company	Old rating	New rating	Old TP	New TP
TCS	BUY	BUY	3200	3358
Infosys	BUY	BUY	1436	1538
Wipro	BUY	BUY	415	434
HCL Tech	BUY	BUY	1101	1152
TechM	BUY	BUY	1042	1099
LTI	BUY	BUY	3465	3714
Mphasis	BUY	BUY	1711	1802
Mindtree	BUY	BUY	1625	1792
Coforge	BUY	BUY	2784	2966
LTTS	BUY	BUY	2509	2509
CYIENT	BUY	BUY	584	606
Zensar	BUY	BUY	216	257
Persistent	BUY	BUY	1368	1526

Source: PL

Exhibit 3: Q3FY21 Estimates...

Q3FY21	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	3.6%	0.6%	3.0%	25.5%	-67 bps	50 bps	3.0%	7.0%
Infosys	3.7%	5.9%	3.2%	24.9%	-42 bps	300 bps	5.6%	14.7%
Wipro	3.0%	-2.0%	2.5%	19.0%	22 bps	135 bps	9.8%	10.1%
HCL Tech	4.0%	2.5%	3.4%	21.1%	-50 bps	86 bps	-0.3%	3.2%
TechM	2.0%	-4.6%	1.7%	14.2%	2 bps	202 bps	5.7%	-1.8%
Average Tier-I	3.3%	0.5%	2.8%	20.9%	-27 bps	155 bps	4.8%	6.6%
LTI	5.5%	8.2%	5.0%	19.9%	3 bps	366 bps	2.0%	22.4%
Mphasis	2.7%	5.8%	2.4%	16.4%	29 bps	17 bps	7.0%	9.7%
Mindtree	4.5%	-0.8%	4.0%	17.5%	23 bps	551 bps	1.4%	30.6%
Coforge	2.7%	5.2%	2.3%	13.1%	-66 bps	-131 bps	5.6%	1.1%
LTTS	5.0%	-6.2%	4.5%	14.7%	99 bps	-211 bps	5.0%	-14.8%
CYIENT	3.4%	-10.1%	3.0%	10.7%	-31 bps	109 bps	12.3%	-11.3%
Zensar	-1.0%	-9.1%	NA	14.2%	-20 bps	1161 bps	1.9%	124.7%
Persistent	4.5%	9.8%	4.0%	12.8%	71 bps	406 bps	21.7%	47.7%
Average Tier-II	3.8%	0.7%	3.3%	14.9%	11 bps	279 bps	7.3%	26.7%
Overall Average	3.6%	0.6%	3.1%	17.2%	-4 bps	231 bps	6.3%	19.0%

Source: Company, PL

Exhibit 4: Cross Currency Impact between 30bps-60bps

Company	USD	CC	Currency Impact (+)
TCS	3.6%	3.0%	60bps
Infosys	3.7%	3.3%	50bps
Wipro	3.0%	2.5%	60bps
HCL Tech	4.0%	3.4%	60bps
TechM	2.0%	1.7%	30bps
LTI	5.5%	5.0%	50bps
Mphasis	2.7%	2.4%	30bps
Mindtree	4.5%	4.0%	50bps
Coforge	2.7%	2.3%	40bps
LTTS	5.0%	4.5%	60bps
CYIENT	3.4%	3.0%	40bps
Zensar	-1.0%	NA	NA
Persistent	4.5%	4.0%	50bps

Source: Company, PL

QoQ currency movement in Q3FY21

Exhibit 5: Depreciation of currencies against the US Dollar

	INR/USD	USD/GBP	USD/EUR	USD/AUD	JPY/USD
Oct-2020	73.17	1.29	1.18	0.72	105.52
Dec-2020	73.48	1.35	1.22	0.76	103.69
Appr/ (Depr) (%)	-0.42	4.63	4.16	5.70	1.73

Source: PL

Exhibit 6: Appreciation of the Rupee against other currencies

	INR/USD	INR/GBP	INR/EUR	INR/AUD	JPY/INR
Oct-2020	73.17	94.36	86.00	52.56	1.44
Dec-2020	73.48	99.05	89.87	55.76	1.41
Appr/ (Depr) (%)	-0.42	-4.97	-4.50	-6.08	1.98

Source: PL

Major global currencies have appreciated vs USD (EUR: +4.16%, GBP: +4.63%, and AUD: +5.7%), implying cross-currency tailwind of 30-60 bps for Q2FY21. We have assumed USD-INR rate of Rs 73.8 (-0.8% QoQ) for Q3FY21 implying hedge gain and translation losses

YoY currency movement in Q3FY21

Exhibit 7: Depreciation of currencies against the US Dollar

	INR/USD	USD/GBP	USD/EUR	USD/AUD	JPY/USD
Dec-2019	71.81	1.31	1.12	0.70	109.4
Dec-2020	73.48	1.35	1.22	0.76	103.7
Appr/ (Depr) (%)	-2.33	3.04	9.57	9.04	5.25

Source: PL

Exhibit 8: Appreciation of the Rupee against other currencies

	INR/USD	INR/GBP	INR/EUR	INR/AUD	JPY/INR
Dec-19	71.81	93.88	80.19	49.88	1.53
Dec-20	73.48	99.05	89.87	55.76	1.41
Appr/ (Depr) (%)	-2.33	-5.51	-12.06	-11.79	7.48

Source: PL

Exhibit 9: Uptick in outsourcing/rebadging deals in 3QFY21

Date	Company	Client	Deal size (USD mn)	Duration	People takeover
15-07-2020	INFO	Vanguard	~USD1.6bn	n/a	~1.3k employees
12-02-2020	INFO	Rolls-Royce	NA	5	engineering capabilities for civil aerospace in Bengaluru
22-12-2020	INFO	Daimler	~USD1.4bn	5	~600 employees
11-09-2020	TCS	Postbank Systems AG	~USD550mn	5	~1.5k employees
11-12-2020	TCS	Prudential Financial	~USD300mn	5	~1.5k employees
31-07-2020	HCLT	Ericsson	~USD600mn	5	NA
22-12-2020	WPRO	Metro AG	USD700-1000mn	5-9 years	~1.3k employees

Source: Company, PL

Exhibit 10: Strong deal wins for Tier 1

Date	Company	Client	Vertical
16-Dec-20	HCLT	Welbilt	BFSI
13-Oct-20	TCS	Bahrain Development bank	BFSI
15-Oct-20	TCS	Legal & General	BFSI
21-Oct-20	TCS	KBZ	BFSI
26-Oct-20	TCS	Volt	BFSI
27-Oct-20	TCS	Equinor	Energy
28-Oct-20	TCS	AG	BFSI
05-Nov-20	TCS	AGL	Energy
09-Nov-20	TCS	Postbank Systems AG	BFSI
12-Nov-20	TCS	Prudential Financial	BFSI
07-Dec-20	TCS	Extreme Networks	Technology
14-Dec-20	TCS	Star Alliance	Travel
17-Dec-20	TCS	London Marathon	Communication & Media
20-Oct-20	WPRO	Fortum	Utilities
10-Nov-20	WPRO	ThoughtSpot	Technology
02-Dec-20	WPRO	Verifone	Technology - BFSI
10-Dec-20	WPRO	LogiNext	Technology
22-Dec-20	WPRO	Metro AG	Hospitality
07-Oct-20	INFO	Mobile Health AG	Healthcare
09-Nov-20	INFO	Resimac	BFSI
24-Nov-20	INFO	XacBank Mongolia	BFSI
02-Dec-20	INFO	Rolls-Royce	Auto
14-Dec-20	INFO	EIPaso Water	Services, Utilities, Resources, Energy
16-Dec-20	INFO	RBL Bank	BFSI
22-Dec-20	INFO	Daimler	Auto
29-Oct-20	TECHM	HAL	Aerospace

Source: Company, PL

Exhibit 11: Q3FY21 Preview

Company	Q3FY21	Q2FY21	QoQ gr.	Q3FY20	YoY gr.	Comments
TCS (8 th Jan)						
Revenues (US\$ mn)	5,620	5,424	3.6%	5,586	0.6%	We are expecting robust growth of 3% CC because 1) strong ramp up of large deals signed before, 2) Strong demand in cloud adoption, 3) Strong tailwinds of large transformational digital deals.
Revenues	4,14,778	4,01,350	3.3%	3,98,540	4.1%	
EBITDA	1,12,322	1,15,130	-2.4%	1,10,810	1.4%	We would like to highlight investors that TCS has announced Deutsche Bank (EUR450 mn) and Prudential (US\$300 mn) which we reflected in next quarter. TCV in Q2FY21 was US\$8.6bn
EBITDA margin (%)	27.1%	28.7%	-161 bps	27.8%	-72 bps	
EBIT margin (%)	25.5%	26.2%	-67 bps	25.0%	50 bps	We expect modest 77 bps decline in margins to 25.4% on account of wage hike from Oct 1,2020 as there is no other increasing cost item, we may expect positive surprise in margins.
Adjusted net profit	86,863	84,330	3.0%	81,180	7.0%	We expect investor to focus on 1) Demand trend across verticals 2) Execution time of large deals, 3) Update on pricing , 4) Revenue conversion of past deals, 5) Changes in delivery model & how clients are responding to it, 6) Client budget decisions for CY21.
EPS	23.2	22.5	3.0%	21.6	7.0%	
Infosys (13 th Jan)						
Revenues (US\$ mn)	3,434	3,312	3.7%	3,243	5.9%	We expect 3.2% QoQ CC growth which will be led by 1) Ramp up from Vanguard deal, 2) Strong come back from all verticals (BFSI, Retail, Communication), 3) Ramp up of last sign deals, 4) Contribution from 3 acqn Kaleidoscope, Guidevision and BlueAcorn.
Revenues	2,53,398	2,45,700	3.1%	2,30,920	9.7%	
EBITDA	71,205	70,830	0.5%	58,000	22.8%	We expect margins to decline by ~40bps led by 1) Ramp up by large deals, 2) Cost reversal of earlier quarter.
EBITDA margin (%)	28.1%	28.8%	-73 bps	25.1%	298 bps	Infosys current revenue growth guidance stands at 2-3% and EBIT margin band at 23-24%. We expect revenue guidance to increase to 3-4% YoY CC & EBIT margin guidance at 24-25%.
EBIT margin (%)	24.9%	25.3%	-42 bps	21.9%	300 bps	
Adjusted net profit	51,155	48,450	5.6%	44,570	14.8%	We expect strong pick up in TCV & strong commentary for deal pipeline.
EPS	12.0	11.4	5.6%	10.5	14.7%	We expect investor to focus on 1) Execution time of large deals 2) Details about Daimler deal, 3) Update on pricing , 4) Revenue conversion of past deals, 5) View on IT spending/budgets for CY21, 6) Demand pick up across verticals
HCLT (15 th Jan)						
Revenues (US\$ mn)	2,606	2,507	4.0%	2,543	2.5%	We expect strong revenue strong of 3.4% CC led by strong demand in cloud adoption which will lead growth in IT services business (IMS, Cloud adoption), we believe ER&D segment will show strong performance and revenue growth will be broad-based.
Revenues	1,92,346	1,85,940	3.4%	1,81,350	6.1%	
EBITDA	48,279	49,510	-2.5%	44,700	8.0%	We expect margins to remain flat at 21.1% on account of partial wage hike.
EBITDA margin (%)	25.1%	26.6%	-153 bps	24.6%	45 bps	
EBIT margin (%)	21.1%	21.6%	-50 bps	20.2%	86 bps	The current annual guidance stands at 0.5-1.3% for revenue growth and 20-21% for EBIT margin band. We expect revenue guidance to increase to 1-2% & slight revision in margin guidance.
Adjusted net profit	31,341	31,420	-0.3%	30,380	3.2%	We expect investor to focus on 1) Longer term implications from COVID19 on ERD 2) Revenue & Margin outlook of product business, 3) Update on pricing , 4) Revenue conversion of past deals, 5) Capital allocation
EPS	11.5	11.6	-0.3%	11.2	3.2%	

Company	Q2FY21	Q1FY21	QoQ gr.	Q2FY20	YoY gr.	Comments
Wipro (13 th Jan)						
IT Revenue (US\$ m)	2,052	1,992	3.0%	2,095	-2.0%	We expect a strong revenue growth of 2.5% CC led by ramp up of large deals like John Lewis, Marelli, E.ON. We expect strong growth from Cloud & infra business. Vertical wise we expect a broad-based recovery with retail & BFSI outperforming.
Revenues	1,53,680	1,51,145	1.7%	1,54,705	-0.7%	
EBITDA	35,408	34,555	2.5%	31,801	11.3%	
EBITDA margin (%)	23.0%	22.9%	18 bps	20.6%	248 bps	We expect Wipro margins to remain stable, Wipro announced promotions covering 80% of employees w.e.f. December 1 but excluded senior level resources. But as no other costs are increasing we are not building margin reduction.
EBIT	29,128	28,313	2.9%	27,233	7.0%	Wipro has given growth guidance of 1.5-3.5% for Q3FY21, we expect guidance for Q4FY21 to be strong 2-4%. This guidance does not include recent sign large deal of Metro.
EBIT margin (%)	19.0%	18.7%	22 bps	17.6%	135 bps	
Adjusted net profit	25,843	24,656	4.8%	24,558	5.2%	
EPS	4.7	4.3	9.8%	4.3	10.1%	We expect investor to focus on 1) Execution of past large deal, 2) demand commentaries of key verticals, 3) Commentary of large deals, 5) Pricing & budgets of CY21.
Tech M (29 th Jan)						
Revenues (US\$ mn)	1,291	1,265	2.0%	1,353	-4.6%	We expect 1.7% CC revenue growth which will be led by BPO, BFSI & manufacturing verticals. Growth will be balanced in communication & enterprise vertical.
Revenues	96,069	93,718	2.5%	96,546	-0.5%	
EBITDA	17,509	17,030	2.8%	15,633	12.0%	We expect margins to remain stable at 14.2%.
EBITDA margin (%)	18.2%	18.2%	5 bps	16.2%	203 bps	We expect net-new TCV to range from US\$450-500 mn
EBIT margin (%)	14.2%	14.2%	2 bps	12%	202 bps	We expect investor to focus on 1) Sustainability of growth, 2) Commentary on communication, 5G theme., 3) Margin Expansion Plans, 4) Conversion of TCV, 5) Capital Allocation
Adjusted net profit	11,254	10,646	5.7%	11,459.0	-1.8%	
EPS	12.8	12.1	5.7%	13.0	-1.8%	
Mindtree (18 th Jan)						
Revenues (US\$ mn)	273	261	4.5%	275	-0.8%	We expect strong 4% QoQ CC growth which will be led by broad-based recovery across verticals & service lines. We expect growth pick up from travel vertical also. From earlier strong deal wins, revenue will flow in next quarters also.
Revenues	19,127	19,260	-0.7%	19,653	-2.7%	
EBITDA	3,987	3,903	2.2%	3,063	30.2%	We expect margins to remain stable at 17.5%. "We expect investor to focus on 1) Growth outlook of top client, 2) margin outlook, 3) management strategy for next 2 years, 4) Outlook on T10 accounts and pricing & renewal commercials/DSO situation with large accounts, 5) Recovery of travel vertical"
EBITDA margin (%)	20.8%	20.3%	58 bps	15.6%	526 bps	
EBIT margin (%)	17.5%	17.3%	23 bps	12.0%	551 bps	We expect TCV of deal wins to be robust at over US\$250 mn in the quarter
Adjusted net profit	2,572	2,433	5.7%	1,970	30.6%	
EPS	15.6	15.4	1.4%	12	30.6%	
Mphasis (21 st Jan)						
Revenues (US\$ mn)	336	327	2.7%	318	5.8%	We expect 2.4% CC revenue growth which will be led by strong pick up in US mortgage, US Home refinancing business which will bring strong tailwinds for digital risk business. Revenue growth will also have led by ramp up \$100mn deal happened in June Quarter. We expect margins to remain stable at 16.4%.
Revenues	24,941	24,354	2.4%	22,767	9.5%	
EBITDA	4,679	4,524	3.4%	4,269	9.6%	DXC revenues will continue to decline and direct core business will continue to improve.
EBITDA margin (%)	18.8%	18.6%	19 bps	18.8%	1 bps	
EBIT margin (%)	16.4%	16.1%	29 bps	16.2%	17 bps	We expect investor to focus on 1) Execution Large deal pipeline, 2) Revenue outlook from DXC, 3) Margin levers
Adjusted net profit	3,217	2,992	7.5%	2,937	9.5%	
EPS	17.2	16.0	7.0%	15.6	9.7%	

Company	Q3FY21	Q2FY21	QoQ gr.	Q3FY20	YoY gr.	Comments
Zensar (21 st Jan)						
Revenues (US\$ mn)	130	132	-1.0%	143	-9.1%	
Revenues	9,576	9,794	-2.2%	10,206	-6.2%	
EBITDA	1,743	1,842	-5.4%	696	150.4%	We Expect USD revenue to dip impacted by client specific challenges in Hi-tech and divestment of TPM business. We expect Margin to be steady on continued cost control and offshoring.
EBITDA margin (%)	18.2%	18.8%	-61 bps	6.8%	1138 bps	
EBIT margin (%)	14%	14%	-20 bps	3%	1142 bps	
Adjusted net profit	918	893	2.8%	397	131.2%	
EPS	4.1	4.1	1.9%	1.8	124.7%	
Coforge (Date not declared)						
Revenues (US\$ mn)	159	155	2.7%	151	5.2%	
Revenues	11,740	11,537	1.8%	10,799	8.7%	
EBITDA	2,066	2,048	0.9%	2,005	3.1%	We expect revenue growth of 2.7% QoQ USD led by BFSI vertical. Revenue growth is slight lower for Coforge as compared to peers as last quarter they posted 9% QoQ growth.
EBITDA margin (%)	17.6%	17.8%	-15 bps	18.6%	-97 bps	
EBIT margin (%)	13.1%	13.8%	-66 bps	14.4%	-131 bps	
Adjusted net profit	1,274	1,207	5.6%	1,298	-1.8%	
EPS	21.0	19.9	5.6%	20.8	1.1%	
LTTS (19th Oct)						
Revenues (US\$ mn)	177	171	3.5%	198	-10.6%	We expect growth to come from Hi-tech & medical devices equipment & expect management to guide stability in transportation segment.
Revenues	13,168	12,947	1.7%	14,021	-6.1%	
EBITDA	2,239	2,059	8.7%	2,832	-21.0%	
EBITDA margin (%)	17.0%	15.9%	110 bps	20.2%	-320 bps	Margin performance will be decent on account of stable revenue growth & tailwinds from absence of visa costs & other expenses
EBIT margin (%)	13.1%	12.1%	100 bps	17.0%	-393 bps	
Adjusted net profit	1,384	1,812	-23.6%	1,812	-23.6%	LTTS has given guidance of 9-10% YoY decline in USD revenues decline, we don't expect any change in that
EPS	8	11	-23.6%	19	-56.0%	
LTI (20 th Jan)						
Revenues (US\$ mn)	187	178	5.0%	199	-6.2%	We expect growth to come from Hi-tech & medical devices equipment & expect management to guide stability in transportation segment. LTTS has completed acquisition of Orchestra Technology- solutions provider for the telecom industry in Oct 2020.
Revenues	13,831	13,138	5.3%	14,230	-2.8%	
EBITDA	2,559	2,328	9.9%	2,864	-10.7%	
EBITDA margin (%)	18.5%	17.7%	78 bps	20.1%	-163 bps	It has announced two large deals so far in 3QFY21 – a US\$100m 5-year TCV deal from an oil & gas major and another from Schindler (size not disclosed)
EBIT margin (%)	14.7%	13.7%	99 bps	16.8%	-211 bps	
Adjusted net profit	1,742	1,663	4.8%	1,663	4.8%	Margin performance would be strong led by strong revenue tailwinds. LTTS is hopeful of 4QFY21EBIT margin to be around 4QFY20 levels"
EPS	16.5	15.7	5.0%	19.3	-14.8%	
Cyient (21 st Jan)						
Revenues (US\$ mn)	140	135	3.4%	155	-10.1%	
Revenues	10,255	10,033	2.2%	11,060	-7.3%	
EBITDA	1,590	1,589	0.0%	1,533	3.7%	We expect strong growth in DLM business & service business to decline by 1% QoQ.
EBITDA margin (%)	15.5%	15.8%	-34 bps	13.9%	164 bps	
EBIT margin (%)	10.7%	11.0%	-31 bps	9.6%	109 bps	We expect stable margin performance.
Adjusted net profit	960	867	10.8%	1,083	-11.3%	
EPS	8.5	7.6	12.3%	9.6	-11.3%	

Company	Q3FY21	Q2FY21	QoQ gr.	Q3FY20	YoY gr.	Comments
Persistent (29 th Jan)						
Revenues (US\$ mn)	142	136	4.5%	129	9.8%	"We expect revenue growth of 4% in CC terms led by both technology services and Alliance segment, we have also assumed ~50bps led by acquisition of Capiot Software"
Revenues	10,492	10,077	4.1%	9,227	13.7%	
EBITDA	1,805	1,658	8.9%	1,234	46.2%	
EBITDA margin (%)	17.2%	16.4%	75 bps	13.4%	382 bps	Expect steady margin performance inspite of salary hike from Nov 1.
EBIT margin (%)	12.8%	12.1%	71 bps	8.7%	406 bps	
Adjusted net profit	1,298	1,020	27.3%	879	47.7%	All focus will be on new CEO announcement.
EPS	16.2	13.3	21.7%	11.0	47.7%	
LTI (19 th Jan)						
Revenues (US\$ mn)	427	405	5.5%	394	8.2%	We expect strong growth of 5.5% in LTI led by BFSI vertical.
Revenues	31,494	29,984	5.0%	28,111	12.0%	
EBITDA	7,181	6,856	4.7%	5,274	36.2%	
EBITDA margin (%)	22.8	22.9	-7 bps	18.8	404 bps	EBIT margin will continue to improve on account of cost optimization measures
EBIT margin (%)	19.9	19.9	3 bps	16.2	366 bps	
Adjusted net profit	4,691	4,568	2.7%	3,767	24.5%	Deal pipeline to remain strong.
EPS	26.5	26.0	2.0%	21.6	22.4%	

Source: Company, PL

Exhibit 12: Key Financials

	USD Revenues growth			EBIT Margin			EPS		
	FY21E	FY22E	FY23E	FY21E	FY22E	FY23E	FY21E	FY22E	FY23E
Infosys	5.0%	12.5%	10.3%	24.3%	23.0%	22.5%	46.1	52.0	57.0
TCS	-0.4%	11.3%	10.9%	25.1%	26.0%	25.6%	86.1	101.3	111.9
Wipro	-2.4%	7.8%	6.3%	18.2%	18.2%	18.3%	18.1	20.6	22.6
HCL Tech	2.2%	12.2%	9.5%	21.1%	21.0%	20.2%	45.8	53.9	57.6
Tech M	-1.9%	9.0%	9.2%	13.1%	13.8%	14.1%	49.7	58.9	64.6
Mindtree	-1.9%	11.6%	10.6%	16.5%	16.8%	16.7%	62.1	74.6	81.4
Coforge	6.7%	18.7%	16.8%	13.9%	15.0%	14.7%	86.6	112.7	129.4
LTTS	-6.7%	17.7%	16.7%	14.2%	16.4%	16.1%	61.4	82.2	98.8
LTI	9.2%	17.4%	15.0%	18.8%	18.3%	17.8%	101.3	116.8	142.8
Mphasis	6.4%	12.4%	10.5%	16.0%	16.8%	16.9%	65.1	79.1	89.4
Persistent	10.6%	12.4%	12.8%	12.0%	12.1%	12.0%	57.5	65.7	72.6
Cyient	-12.3%	9.4%	10.2%	9.1%	11.2%	11.1%	33.0	31.7	39.5
Zensar	-10.8%	4.5%	8.0%	13.8%	12.5%	12.8%	18.6	16.2	18.4

Source: Company, PL



Exhibit 13: Valuation Summary

Company Names	Rating	CMP (Rs)	TP (Rs)	Mcap (Rs bn)	Sales (Rs bn)				EBITDA (Rs bn)				PAT (Rs bn)				EPS (Rs)				RoE (%)				PE (x)			
					FY20	FY21E	FY22E	FY23E	FY20	FY21E	FY22E	FY23E	FY20	FY21E	FY22E	FY23E	FY20	FY21E	FY22E	FY23E	FY20	FY21E	FY22E	FY23E	FY20	FY21E	FY22E	FY23E
Coforge	BUY	2,722	2,966	168.2	42.1	46.1	54.7	65.6	7.4	8.2	9.8	11.6	4.8	5.2	6.7	7.9	77.1	84.1	109.4	129.0	21.5	20.6	23.4	23.9	35.3	32.4	24.9	21.1
Cyient	BUY	514	606	56.5	44.3	40.7	45.0	50.2	6.0	5.7	7.1	7.6	3.7	3.6	4.4	4.9	33.0	31.8	39.6	43.4	14.5	13.4	15.3	15.4	15.6	16.2	13.0	11.8
HCL Technologies	BUY	951	1,152	2,579.3	706.8	755.1	854.4	948.4	167.0	193.0	215.8	232.2	110.6	124.2	146.4	156.3	40.8	45.8	53.9	57.6	23.7	21.8	21.7	19.9	23.3	20.8	17.6	16.5
Infosys	BUY	1,260	1,538	5,346.5	907.9	998.7	1,147.7	1,283.2	222.7	274.3	292.8	314.2	166.4	195.4	220.7	241.6	39.1	46.1	52.0	57.0	25.4	27.2	26.2	26.2	32.3	27.4	24.2	22.1
L&T Infotech	BUY	3,694	3,714	642.8	108.7	123.9	146.6	170.9	20.2	26.4	29.0	32.9	15.1	18.0	20.7	25.3	85.1	101.3	116.8	142.8	29.3	30.2	29.0	29.6	43.4	36.5	31.6	25.9
L&T Tech. Serv.	BUY	2,410	2,509	250.6	56.2	54.6	65.7	77.7	11.1	9.9	13.0	15.1	8.2	6.5	8.7	10.5	78.8	62.3	83.5	100.4	30.0	20.5	24.0	25.1	30.6	38.7	28.9	24.0
Mphasis	BUY	1,530	1,802	284.9	88.4	98.1	111.6	124.9	16.5	18.1	21.2	23.6	11.8	12.2	14.8	16.8	63.6	65.5	79.6	90.1	21.4	20.5	22.5	21.6	24.1	23.3	19.2	17.0
Mindtree	BUY	1,659	1,792	273.1	77.6	80.0	94.1	102.1	10.6	15.6	18.4	19.9	6.3	10.2	12.3	13.4	38.3	62.1	74.7	81.4	19.5	28.9	28.1	25.2	43.3	26.7	22.2	20.4
Persistent Systems	BUY	1,498	1,526	114.5	35.7	41.2	46.8	53.4	4.9	6.8	7.7	8.5	3.4	4.6	5.3	5.8	42.5	57.5	65.7	72.6	14.4	18.1	18.2	17.7	35.2	26.0	22.8	20.6
Redington (India)	BUY	133	138	51.9	514.7	534.7	589.6	635.5	10.2	9.8	11.7	12.6	5.4	4.9	6.4	7.0	13.9	12.5	16.5	18.0	13.2	10.9	13.1	13.0	9.6	10.6	8.1	7.4
Sonata Software	BUY	393	437	40.8	37.4	35.5	40.3	44.4	3.7	3.3	3.8	4.1	2.8	2.3	2.9	3.0	27.0	21.9	27.8	29.2	34.6	24.9	28.5	26.8	14.6	18.0	14.2	13.5
Tata Cons. Serv.	BUY	2,928	3,358	11,097.3	1,569.5	1,630.5	1,831.3	2,057.5	423.2	441.9	504.4	557.8	323.4	326.2	384.0	424.2	85.3	86.1	101.3	111.9	36.8	35.5	36.0	33.5	34.3	34.0	28.9	26.2
TeamLease Services	BUY	2,666	2,931	45.6	52.0	47.0	53.6	62.9	1.0	1.1	1.5	1.8	0.3	0.9	1.2	1.4	18.4	53.2	69.9	84.4	5.7	14.7	16.5	16.9	144.7	50.1	38.1	31.6
Tech Mahindra	BUY	978	1,099	853.6	368.7	380.0	415.8	460.2	57.3	65.3	73.9	83.2	42.6	43.4	51.5	56.5	48.8	49.7	58.9	64.6	19.7	18.2	19.2	18.1	20.1	19.7	16.6	15.1
Wipro	BUY	388	434	2,303.9	610.2	613.6	663.6	714.8	122.3	137.3	147.6	158.7	97.2	101.0	112.2	123.4	16.2	17.0	19.7	21.7	17.3	16.6	15.9	15.3	24.0	22.8	19.7	17.9
Zensar Technologies	BUY	243	257	54.8	41.8	39.8	41.2	45.1	5.1	7.1	6.8	7.6	2.7	4.2	3.7	4.1	11.8	18.6	16.1	18.2	13.3	18.7	14.3	14.5	20.5	13.1	15.1	13.3

Source: Company, PL

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Coforge	BUY	2,784	2,457
2	Cyient	BUY	584	491
3	HCL Technologies	BUY	1,108	870
4	Infosys	BUY	1,436	1,221
5	L&T Technology Services	BUY	2,509	2,157
6	Larsen & Toubro Infotech	BUY	3,465	3,259
7	Mindtree	BUY	1,625	1,441
8	Mphasis	BUY	1,711	1,382
9	Persistent Systems	BUY	1,368	1,189
10	Redington (India)	BUY	138	138
11	Sonata Software	BUY	427	339
12	Tata Consultancy Services	BUY	3,200	2,736
13	TeamLease Services	BUY	2,677	2,724
14	Tech Mahindra	BUY	1,042	848
15	Wipro	BUY	415	364
16	Zensar Technologies	BUY	215	225

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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