

Result Preview



Coforge

Cyient

HCL Tech

Infosys

L&T Infotech

Mindtree

Mphasis

Persistent

TCS

Tech Mahindra

Wipro

Zensar

Robust growth expected despite adverse seasonality

Expect CY21 demand commentary to remain strong

- Recent commentary from both large- and mid-cap IT Services companies during their annual investor meets ([Infosys](#), [Wipro](#), [LTI](#), etc.) point to continued optimism on their CY21 growth outlook, even after adjusting for a low base YoY. We expect this optimism to be echoed by other managements during the 3QFY21 earnings season.
- Healthy order pipeline, large deal signings, strong earnings from Accenture, and absence of headwinds like a repeat of the COVID-19 led lockdown in 1QFY21 or uncertainty with regard to the outcome of the US Presidential election should drive the outperformance in 3Q v/s management guidance in 2QFY21.
- Multiple mega deal wins in Cloud and Captive (TCS – Postbank and Pramerica, Infosys – Rolls Royce and Daimler, and Wipro – METRO AG) should add incremental growth to an already buoyant organic growth momentum.
- We expect our coverage universe to deliver adjusted sales (USD)/adjusted EBIT/PAT growth of 1%/12%/7% YoY in 3QFY21.

INFO to lead sequential revenue growth across Tier I, PSYS in Tier II

- In Tier I, we expect INFO/TCS/HCLT to drive organic growth (4%/3%/3% QoQ, including cross-currency tailwind) despite a high base and season weakness.
- Accenture's recent earnings showed a strong increase in its Outsourcing vertical, indicating demand normalization/recovery. Coupled with strong deal wins across the IT sector, we expect an increase in guidance/positive commentary.
- Among Tier II IT, we expect upbeat revenue traction, with the exception of ZENT. PSYS should lead the pack with mid-single digit sequential growth, led by a recovery in the Alliance business. Some of the positive movements in Tier II growth/guidance may not be surprising given the strong deal momentum.

Margin resilience to continue

- Despite the high base in 2Q and resumption of wage hikes, we expect limited impact on margins in 3QFY21 due to higher returns from utilization and positive operating leverage.
- Sequential EBIT margins of Tier I players should be stable in the (60)-40bp range, but the Tier II universe should see a 0-160bp contraction due to wage hikes.
- A higher negative impact is expected in the next quarter when more companies would see an impact from a wage hike.
- For FY21E, we currently build-in a (5)-7% change in our EPS estimates for our coverage universe. Subject to companies' commentaries, there may be an upside risk to our estimates.

Introducing FY23 estimates and rolling forward P/E based valuation

- We are introducing our FY23 estimates for companies under coverage. On an average, we expect USD revenue growth of ~11% YoY and INR PAT growth of ~12% in FY23E, as Digital-led demand continues to aid the IT Services industry.
- We also roll forward our P/E based valuation to FY23 EPS, as we enter 4QFY21. Our stock preferences remain unchanged after this shift.
- We have also tweaked our FY21E/FY22E EPS estimates as we build in recent deal wins and management commentaries.

- We have raised our FY21E/FY22E EPS estimates for TECHM to INR47.3/56.5 from INR43.8/46.4 on account of a 1-2% increase in EBIT margin estimates, due to expectations of better cost control by the management. We have maintained our Neutral rating on the stock.

Long-term outlook remains attractive, prefer INFO/HCLT/PSYS

- While the sector trades at 40% premium to its 10-year average multiple, we remain positive as we expect the sector to sustain double-digit topline growth in the medium term, led by: 1) larger deals on a full-scale Digital transformation, 2) tail of projects steered by increased focus on workplace management, and 3) higher spend on Cloud migration by large corporates.
- A strong QoQ growth (3% on an average) in a seasonally weak quarter should help sustain the rally in IT stocks despite their premium valuations.
- We continue with our bottom-up stance for sectorial picks. Among Tier I players, we like INFO and HCLT on expectations of industry leading growth. From the Tier II pack, we prefer PSYS and MPHL given their attractive and industry relevant portfolio.

Exhibit 1: Expect Tier I revenue (USD) to grow by ~3% QoQ

Revenue (USD m)						Revenue (INR b)				
Company	3QFY21E	2QFY21	QoQ (%)	3QFY20	YoY (%)	3QFY21E	2QFY21	QoQ (%)	3QFY20	YoY (%)
TCS	5,583	5,424	2.9	5,586	0.0	412	401	2.7	399	3.4
INFO	3,433	3,312	3.7	3,243	5.9	253	246	3.1	231	9.7
WPRO	2,057	1,992	3.3	2,095	-1.8	154	151	1.8	155	-0.6
HCLT	2,575	2,507	2.7	2,543	1.2	190	186	2.2	181	4.8
TECHM	1,294	1,265	2.3	1,353	-4.4	95	94	1.9	97	-1.1
Aggregate	14,943	14,500	3.0	14,820	0.8	1,105	1,078	2.5	1,062	4.0
EBIT margin (%)						Adjusted PAT (INR b)				
Company	3QFY21E	2QFY21	QoQ (bp)	3QFY20	YoY (bp)	3QFY21E	2QFY21	QoQ (%)	3QFY20	YoY (%)
TCS	25.6	26.2	-60	25.0	60	86	85	1.8	81	5.7
INFO	25.7	25.3	40	21.9	380	52	49	6.6	45	15.9
WPRO	18.0	18.6	-60	17.6	40	24	25	-1.9	25	-1.1
HCLT	21.0	21.6	-60	20.2	70	32	32	0.5	30	4.1
TECHM	14.0	14.2	-20	12.2	180	11	11	2.4	11	-2.0
Aggregate	23.3	23.1	20	21.3	200	205	200	2.3	192	6.5

Source: Company, MOFSL

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

Revenue (USD m)						Revenue (INR b)				
Company	3QFY21E	2QFY21	QoQ (%)	3QFY20	YoY (%)	3QFY21E	2QFY21	QoQ (%)	3QFY20	YoY (%)
LTI	423	405	4.5	394	7.2	31	30	4.0	28	11.0
MTCL	270	261	3.6	275	-1.7	20	19	3.6	20	1.6
MPHL	333	327	1.9	318	4.8	25	24	1.5	23	8.4
COFORGE	161	155	4.1	151	6.3	12	12	2.9	11	10.6
PSYS	143	136	5.4	129	10.8	11	10	5.0	9	14.7
ZENT*	126	126	0.5	138	-8.3	9	9	-0.3	10	-5.0
CYL	139	135	3.0	155	-10.4	10	10	2.3	11	-7.2
Aggregate	1,602	1,550	3.4	1,567	2.3	118	115	2.9	112	5.9
EBIT margin (%)						Adjusted PAT (INR b)				
Company	3QFY21E	2QFY21	QoQ (bp)	3QFY20	YoY (bp)	3QFY21E	2QFY21	QoQ (%)	3QFY20	YoY (%)
LTI	19.7	19.9	-20	16.2	350	4.8	4.6	6.0	3.8	28.6
MTCL	16.5	16.7	-20	12.0	450	2.5	2.5	-0.7	2.0	27.9
MPHL	16.2	16.2	0	16.3	-10	3.2	3.0	6.3	2.9	8.3
COFORGE	13.0	13.8	-80	13.9	-90	1.3	1.2	3.1	1.3	-1.9
PSYS	11.4	12.1	-70	8.7	270	1.1	1.0	3.3	0.9	19.8
ZENT*	14.7	15.0	-30	NA	NA	NA	NA	NA	NA	NA
CYL	9.4	11.0	-160	9.6	-20	0.9	0.8	6.3	1.1	-18.9
Aggregate	15.7	16.0	-30	12.8	290	14.7	14.1	4.4	12.4	19.1

Note: ZENT's estimates exclude MVS business divested in Q3 FY21. Source: Company, MOFSL

Exhibit 3: 3QFY21 currency highlights (INR)

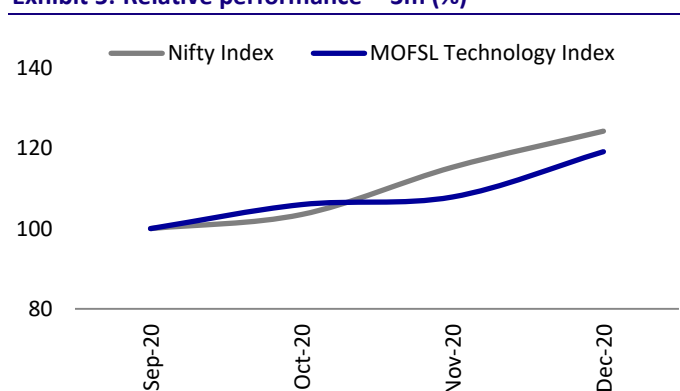
	Rates (INR)				Change (QoQ)			
	USD	EUR	GBP	AUD	USD	EUR	GBP	AUD
Average	74.37	87.0	95.9	53.5	0.0%	0.1%	-0.1%	0.7%
Closing	73.33	90.2	99.0	56.5	-0.6%	4.3%	4.6%	7.6%

Source: Bloomberg, Exchangerates.org.UK, MOFSL

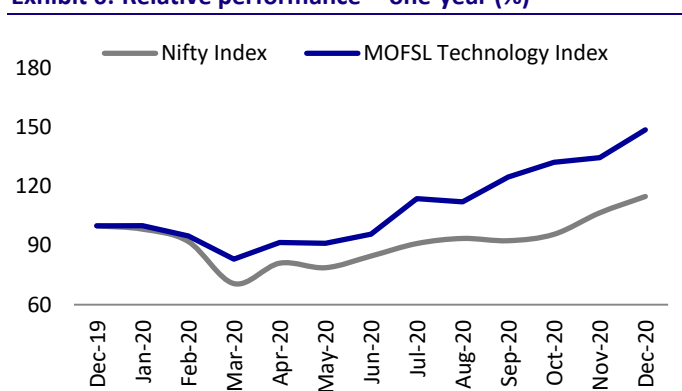
Exhibit 4: 3QFY21 currency highlights (USD)

	Rates (USD)			Change (QoQ)		
	EUR	GBP	AUD	EUR	GBP	AUD
Average	1.17	1.29	0.72	0.0%	0.0%	0.0%
Closing	1.23	1.35	0.77	5.1%	4.7%	6.9%

Source: Bloomberg, MOFSL

Exhibit 5: Relative performance – 3m (%)

Source: Bloomberg, MOFSL

Exhibit 6: Relative performance – one-year (%)

Source: Bloomberg, MOFSL

Exhibit 7: Change in estimates

	Revised EPS (INR)			Earlier EPS (INR)			Change (%)		
	FY21E	FY22E	FY23E	FY21E	FY22E	FY23E	FY21E	FY22E	FY23E
TCS	86	107	120	87	107	NA	-1	1	NA
Infosys	46	55	63	46	54	NA	0	2	NA
Wipro	17	19	21	18	19	NA	-5	-1	NA
HCLT	46	55	61	46	54	NA	0	2	NA
TechM	47	56	62	44	46	NA	7	22	NA
LTI	104	127	148	103	128	NA	1	-1	NA
Mindtree	59	68	76	60	70	NA	-2	-2	NA
Mphasis	64	79	92	66	78	NA	-3	1	NA
NIIT Tech	78	96	109	73	98	NA	7	-2	NA
Persistent	53	64	76	53	66	NA	0	-3	NA
Zensar	15	18	20	15	17	NA	3	8	NA
Cyient	32	38	44	33	39	NA	-2	-1	NA

Source: Company, MOFSL

Exhibit 8: Expected quarterly performance summary

Sector	CMP		Sales (INR b)			EBIT (INR b)			Adjusted net profit (INR b)		
	(INR)	Rating	Dec'20	Var % YoY	Var % QoQ	Dec'20	Var % YoY	Var % QoQ	Dec'20	Var % YoY	Var % QoQ
TCS	2,928	Neutral	412.0	3.4	2.7	105.5	5.7	0.3	86.1	5.7	1.8
INFO	1,260	Buy	253.4	9.7	3.1	65.2	28.7	4.6	51.8	15.9	6.6
WPRO	388	Neutral	153.8	-0.6	1.8	27.8	1.9	-1.4	24.4	-1.1	-1.9
HCLT	950	Buy	190.0	4.8	2.2	39.8	8.5	-0.8	31.7	4.1	0.5
TECHM	978	Neutral	95.5	-1.1	1.9	13.4	13.4	0.4	10.9	-2.0	2.4
ITI	3,699	Buy	31.2	11.0	4.0	6.1	34.6	3.2	4.8	28.6	6.0
MTCL	1,660	Neutral	20.0	1.6	3.6	3.3	39.3	2.4	2.5	27.9	-0.7
MPHL	1,532	Buy	24.6	8.4	1.5	4.0	8.2	1.8	3.2	8.3	6.3
COFORGE	2,723	Neutral	11.9	10.6	2.9	1.5	3.5	-2.8	1.3	-1.9	3.1
PSYS	1,499	Buy	10.6	14.7	5.0	1.2	49.7	-0.9	1.1	19.8	3.3
ZENT*	243	Neutral	9.3	-5.0	-0.3	1.4	NA	-2.3	NA	NA	NA
CYL	513	Neutral	10.3	-7.2	2.3	1.0	-9.3	-12.7	0.9	-18.9	6.3
Sector Aggregate (INR b)			1,223	4.2	2.5	270	12.4	1.0	220	7.3	2.5

Note: ZENT's estimates exclude MVS business divested in Q3 FY21. Source: Company, MOFSL

Exhibit 9: Comparative valuation

Company	CMP (INR)	M-cap (INR b)	EPS (INR)			EPS CAGR (%)	Div. yield (%)	P/E (x)			RoE (%)		
			FY21E	FY22E	FY23E			FY21E	FY22E	FY23E	FY21E	FY22E	FY23E
CYL	513	57	31.8	38.3	44.5	9.6	1.7	16.1	13.4	11.5	13.1	14.3	15.0
HCLT	950	2570	46.3	54.5	60.9	14.4	1.5	20.5	17.4	15.6	22.6	23.0	22.4
INFO	1,260	5330	45.8	55.2	63.0	17.8	1.7	27.5	22.8	20.0	27.8	29.3	29.1
ITI	3,699	639	104.1	127.0	147.5	19.4	1.0	35.6	29.1	25.1	30.5	30.5	29.2
MTCL	1,660	273	58.9	68.2	75.8	25.5	1.3	28.2	24.4	21.9	28.0	27.2	25.5
MPHL	1,532	288	64.3	79.1	91.9	13.3	2.1	23.8	19.4	16.7	19.7	21.8	22.7
COFORGE	2,723	164	77.7	96.1	108.5	12.8	0.8	35.1	28.3	25.1	18.4	19.8	19.5
PSYS	1,499	112	53.3	64.3	75.8	19.4	1.0	28.1	23.3	19.8	16.5	18.0	18.7
TCS	2,928	10770	85.7	107.5	120.3	11.7	1.2	34.2	27.2	24.3	34.7	39.3	42.9
TECHM	978	942	47.3	56.5	62.5	8.9	1.7	20.7	17.3	15.6	17.9	19.0	18.6
WPRO	388	2200	16.8	18.8	20.6	8.0	2.2	23.2	20.6	18.8	16.8	17.5	18.0
ZENT	243	54	15.2	18.3	20.0	19.7	1.3	16.0	13.3	12.1	15.4	16.5	16.0

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 INR2723 | TP: INR2715 (0%)****EPS CHANGE (%): FY21 | 22: 6.7 | -2.3**

- Expected revenue growth to be in line with the guidance.
- Outlook on the Travel vertical; top client stability would be key.
- Expect sequential drop in margin led by higher opex.
- New deal wins a key monitorable.

Quarterly performance (Ind AS)**(INR m)**

Y/E March	FY20				FY21E				FY20	FY21E
(Consolidated)	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE		
Revenue (USD m)	138	149	151	155	140	155	161	170	593	626
QoQ (%)	4.4	7.7	1.7	2.3	-9.4	10.2	4.1	5.9	14.3	5.6
Revenue (INR m)	9,597	10,385	10,734	11,093	10,570	11,537	11,870	12,775	41,809	46,752
YoY (%)	19.9	14.4	10.5	19.0	10.1	11.1	10.6	15.2	15.8	11.8
GPM (%)	33.9	34.6	34.1	34.3	31.5	32.6	32.5	32.7	34.2	32.4
SGA (%)	16.8	16.3	16.1	16.4	14.4	13.8	14.5	14.5	16.4	14.3
EBITDA (INR m)	1,641	1,898	1,940	1,971	1,686	2,048	2,018	2,198	7,450	7,950
EBITDA margin (%)	17.1	18.3	18.1	17.8	16.0	17.8	17.0	17.2	17.8	17.0
EBIT (INR m)	1,240	1,451	1,491	1,538	1,221	1,588	1,543	1,687	5,720	6,039
EBIT margin (%)	12.9	14.0	13.9	13.9	11.6	13.8	13.0	13.2	13.7	12.9
Other income	75	76	130	180	48	-63	83	73	461	141
ETR (%)	20.5	18.1	20.7	20.3	20.5	19.9	22.5	22.5	19.9	21.4
Minority Interest	-24.0	-56.0	-52.0	-106.0	-30.0	-15.0	-49.6	-50.1	-238.0	-144.7
PAT	1,022	1,195	1,233	1,264	979	1,207	1,211	1,314	4,714	4,711
QoQ (%)	-8.0	16.9	3.2	2.5	-22.5	23.3	0.3	8.5		
YoY (%)	21.5	6.9	23.1	13.8	-4.2	1.0	-1.8	3.9	55.3	-0.1
EPS (INR)	16.6	19.2	19.7	20.3	15.7	19.9	20.0	21.7	75.5	77.7

Cyient**Neutral****CMP INR513 | TP: INR555 (8%)****EPS CHANGE (%): FY21 | 22: -2.4 | -0.6**

- DLM should rebound, while services would see some de-growth.
- Impact on margin led by 100bp of wage hike and furlough.
- Recovery in A&D expected to take longer.
- New deal wins under the new management would be a key monitorable.

Quarterly Performance**(INR m)**

Y/E March	FY20				FY21E				FY20	FY21E
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE		
Revenue (USD m)	157	164	155	149	131	135	139	146	625	551
QoQ (%)	-5.2	4.9	-5.5	-3.9	-12.5	3.4	3.0	5.0	-5.3	-11.9
Revenue (INR m)	10,890	11,589	11,060	10,736	9,917	10,033	10,262	10,954	44,275	41,166
YoY (%)	0.8	-2.4	-6.9	-7.7	-8.9	-13.4	-7.2	2.0	-4.1	-7.0
GPM (%)	34.4	34.4	36.0	33.5	30.5	35.7	34.5	35.7	34.6	34.2
SGA (%)	21.2	20.6	22.1	20.6	20.5	19.9	21.1	20.8	21.1	20.6
EBITDA	1,445	1,599	1,533	1,382	995	1,589	1,375	1,632	5,959	5,591
EBITDA margin (%)	13.3	13.8	13.9	12.9	10.0	15.8	13.4	14.9	13.5	13.6
EBIT	1,003	1,111	1,063	904	511	1,105	965	1,205	4,081	3,786
EBIT margin (%)	9.2	9.6	9.6	8.4	5.2	11.0	9.4	11.0	9.2	9.2
Other income	149	144	369	72	575	-14	195	55	734	811
ETR (%)	22.0	22.4	23.3	21.3	25.0	23.1	23.1	23.1	22.3	23.6
PAT	904	986	1,083	753	814	839	892	969	3,726	3,514
QoQ (%)	-52.0	9.1	9.8	-30.5	8.1	3.1	6.3	8.6		
YoY (%)	9.6	-22.5	17.6	-60.0	-9.9	-14.9	-17.6	28.7	12.7	-5.7
EPS (INR)	8.2	8.9	9.8	6.8	7.4	7.6	8.1	8.8	33.8	31.8

HCL Technologies

Buy

CMP INR950 | TP: INR1140 (+20%)

EPS CHANGE (%): FY21|22: 0.5|1.7

- The deal pipeline continues to be robust.
- Revenue momentum well within its stated guidance.
- Margin to be marginally below the previous quarter.
- Large deal wins and renewals in Mode-3 key monitorable.

Quarterly Performance

(INR m)

Y/E March	FY20				FY21E				FY20		FY21E
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE	FY20	FY21E	
Revenue (USD m)	2,364	2,486	2,543	2,543	2,356	2,507	2,575	2,675	9,936	10,112	
QoQ (%)	3.8	5.2	2.3	0.0	-7.4	6.4	2.7	3.9	15.1	1.8	
Revenue (INR b)	164	175	181	186	178	186	190	201	707	755	
YoY (%)	18.4	17.9	15.5	16.3	8.6	6.1	4.8	7.9	17.0	6.8	
GPM (%)	35.3	36.9	38.4	40.0	39.9	41.2	40.4	40.3	37.7	40.4	
SGA (%)	12.8	11.6	11.9	12.9	12.4	12.7	12.5	12.6	12.3	12.5	
EBITDA	34	41	45	47	46	50	49	52	167	197	
EBITDA Margin (%)	20.7	23.4	24.6	25.4	25.6	26.6	26.0	26.0	23.6	26.0	
EBIT	28	35	37	39	37	40	40	42	139	159	
EBIT Margin (%)	17.1	20.0	20.2	20.9	20.5	21.6	21.0	21.0	19.6	21.0	
Other income	1	0	1	0	2	1	2	2	2	8	
ETR (%)	24.0	23.9	18.5	18.3	24.0	24.1	24.0	24.0	20.9	24.0	
Adjusted PAT	22	27	30	32	29	31	32	34	111	126	
QoQ (%)	-13.6	19.4	14.6	3.8	-7.3	7.5	0.5	6.1			
YoY (%)	-7.7	4.4	16.4	22.8	31.7	18.5	4.0	6.3	9.3	13.7	
EPS	8.2	9.8	11.2	11.6	10.7	11.6	11.6	12.4	40.7	46.3	

Infosys

Buy

CMP INR1260 | TP: INR1500 (+19%)

EPS CHANGE (%): FY21|22: 0.3|2.1

- Expect the company to report healthy deal wins during the quarter.
- Revenue growth to be in the top quartile among peer companies.
- Expect margin to be resilient, operating leverage would be partially offset of lower margins of large deal ramp up.
- We expect FY21 revenue growth guidance to be revised upwards, demand commentary to be closely watched.

Quarterly performance (IFRS)

(INR m)

Y/E March	FY20				FY21E				FY20		FY21E
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE	FY20	FY21E	
Revenue (USD m)	3,131	3,210	3,243	3,197	3,121	3,312	3,433	3,561	12,781	13,427	
QoQ (%)	2.3	2.5	1.0	-1.4	-2.4	6.1	3.7	3.7	8.3	5.1	
Revenue (INR m)	218	226	231	233	237	246	253	267	908	1,003	
YoY (%)	14.0	9.8	7.9	8.0	8.5	8.6	9.7	14.8	9.8	10.5	
GPM (%)	32.2	33.4	33.4	33.4	33.6	35.8	36.4	35.0	33.1	35.2	
SGA (%)	11.7	11.7	11.5	12.2	10.9	10.5	10.7	10.7	11.8	10.7	
EBITDA	52	56	58	57	61	71	74	74	223	280	
EBITDA margin (%)	23.6	24.9	25.1	24.4	25.9	28.8	29.0	27.6	24.5	27.9	
EBIT	45	49	51	49	54	62	65	65	194	246	
EBIT margin (%)	20.5	21.7	21.9	21.2	22.7	25.3	25.7	24.3	21.3	24.6	
Other income	7	6	8	6	4	5	5	6	26	20	
ETR (%)	26.4	26.5	23.6	21.1	26.2	28.0	26.0	26.0	24.4	26.6	
PAT	38	40	45	43	42	48	52	52	166	195	
QoQ (%)	-6.8	5.8	10.9	-3.1	-1.7	14.0	6.7	1.3			
YoY (%)	-2.2	-2.2	9.8	6.1	11.9	20.6	16.0	21.2	2.9	17.5	
EPS (INR)	8.8	9.4	10.5	10.2	10.0	11.4	12.2	12.3	38.5	45.8	

LTI**Buy****CMP INR3699 | TP: INR3690 (0%)****EPS CHANGE (%): FY21 | 22: 1.2 | -1.1**

- Expect higher growth momentum in a seasonally weak quarter, driven by robust growth in BFSI.
- Expect lower other income despite higher forex gains.
- Expect margin to remain largely stable.
- Commentary around deal pipeline and wins remain key monitorable.

Quarterly performance**(INR m)**

Y/E March	FY20				FY21E				FY20	FY21E
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE		
Revenue (USD m)	357	364	394	410	390	405	423	441	1,525	1,658
QoQ (%)	0.8	2.0	8.4	3.9	-4.8	3.6	4.5	4.2	13.1	8.8
Revenue (INR m)	24,849	25,707	28,111	30,119	29,492	29,984	31,194	33,047	1,08,786	1,23,717
YoY (%)	15.3	10.3	13.7	21.2	18.7	16.6	11.0	9.7	15.2	13.7
GPM (%)	33.1	31.8	31.7	32.8	32.5	34.8	35.0	32.9	32.4	33.8
SGA (%)	14.7	13.7	13.0	13.6	12.4	12.0	12.4	12.4	13.7	12.3
EBITDA	4,579	4,658	5,274	5,781	5,920	6,856	7,050	6,763	20,292	26,589
EBITDA margin (%)	18.4	18.1	18.8	19.2	20.1	22.9	22.6	20.5	18.7	21.5
EBIT	3,968	3,994	4,565	5,034	5,139	5,957	6,145	5,805	17,561	23,046
EBIT margin (%)	16.0	15.5	16.2	16.7	17.4	19.9	19.7	17.6	16.1	18.6
Other income	812	739	433	479	450	174	312	496	2,463	1,432
ETR (%)	25.6	23.9	24.6	22.5	25.5	25.5	25.0	25.0	24.1	25.2
Adjusted PAT	3,557	3,603	3,767	4,274	4,164	4,568	4,843	4,725	15,201	18,300
QoQ (%)	-6.1	1.3	4.6	13.5	-2.6	9.7	6.0	-2.4		
YoY (%)	-1.5	-10.0	0.3	12.9	17.1	26.8	28.6	10.6	0.3	20.4
EPS (INR)	20.3	20.5	21.5	24.3	23.7	26.0	27.5	26.8	86.6	104.1

Mindtree**Neutral****CMP INR1660 | TP: INR1610 (-3%)****EPS CHANGE (%): FY21 | 22: -2.0 | -2.1**

- Pick-up in demand traction. Expect faster pickup in deals signed in 2Q.
- Overall growth expected to be broad based.
- Expect top clients to continue to grow.
- Outlook on margin expansion a key monitorable, wage hike in the next quarter.

Quarterly performance**(INR m)**

Y/E March	FY20				FY21E				FY20	FY21E
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE		
Revenue (USD m)	264	271	275	278	253	261	270	279	1,089	1,064
QoQ (%)	0.8	2.6	1.5	1.2	-9.1	3.1	3.6	3.2	8.7	-2.3
Revenue (INR m)	18,342	19,143	19,653	20,505	19,088	19,260	19,958	20,941	77,643	79,247
YoY (%)	11.9	9.1	10.0	11.5	4.1	0.6	1.6	2.1	10.6	2.1
GPM (%)	26.6	26.9	29.1	30.4	30.1	31.5	31.6	30.7	28.3	31.0
SGA (%)	14.0	13.9	13.5	13.2	11.9	11.9	12.0	12.0	13.6	11.9
EBITDA (INR M)	2,318	2,482	3,063	3,512	3,478	3,784	3,912	3,912	11,375	15,086
EBITDA margin (%)	12.6	13.0	15.6	17.1	18.2	19.6	19.6	18.7	14.7	19.0
EBIT (INR M)	1,649	1,775	2,364	2,833	2,881	3,215	3,293	3,263	8,621	12,652
EBIT margin (%)	9.0	9.3	12.0	13.8	15.1	16.7	16.5	15.6	10.5	16.4
Other income	-387	59	215	-220	17	232	111	119	-333	479
ETR (%)	26.5	26.4	23.6	21.1	26.5	26.4	26.0	26.0	23.9	26.2
PAT	927	1,350	1,970	2,062	2,130	2,537	2,519	2,503	6,309	9,689
QoQ (%)	-53.3	45.6	45.9	4.7	3.3	19.1	-0.7	-0.6		
YoY (%)	-41.4	-34.6	3.0	3.9	129.8	87.9	27.9	21.4	-16.3	53.6
EPS (INR)	5.6	8.2	12.0	12.5	12.9	15.4	15.3	15.2	38.3	58.9

Mphasis**Buy****CMP INR1532 | TP: INR1955 (+28%)****EPS CHANGE (%): FY21|22: -2.9|1.4**

- Higher impact of furloughs due to client-specific exposures.
- Growth in direct business to be driven by BFSI. Expect weakness in ICT due to higher exposure to the DXC business.
- Expect decline to continue in DXC. However, the extent may be lower than the previous quarter.
- Margin to remain in a narrow band. Outlook on DXC is a key monitorable.

Quarterly performance**(INR m)**

Y/E March	FY20				FY21E				FY20	FY21E
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE		
Revenue (USD m)	297	305	318	320	305	327	333	344	1,240	1,310
QoQ (%)	1.8	2.6	4.4	0.6	-4.5	7.2	1.9	3.2	10.8	5.7
Revenue (INR m)	20,607	21,462	22,694	23,476	23,037	24,238	24,610	25,807	88,239	97,692
YoY (%)	13.1	10.2	13.3	14.7	11.8	12.9	8.4	9.9	12.8	10.7
GPM (%)	30.2	30.4	30.4	31.3	28.9	30.3	30.9	30.0	30.6	30.1
SGA (%)	12.0	11.6	11.6	12.4	10.7	11.7	12.2	12.2	11.9	11.7
EBITDA	3,747	4,057	4,269	4,434	4,178	4,524	4,602	4,595	16,524	17,899
EBITDA margin (%)	18.2	18.8	18.8	18.9	18.3	18.6	18.7	17.8	18.7	18.3
EBIT	3,197	3,475	3,694	3,824	3,583	3,924	3,996	3,959	14,207	15,462
EBIT margin (%)	15.5	16.1	16.2	16.3	15.7	16.1	16.2	15.3	16.1	15.8
Other income	342	134	172	319	182	114	246	258	967	800
ETR (%)	25.1	24.1	24.0	14.9	27.0	25.9	25.0	25.0	21.8	25.7
PAT	2,651	2,738	2,937	3,525	2,750	2,992	3,181	3,163	11,868	12,086
QoQ (%)	-0.4	3.3	7.3	20.0	-22.0	8.8	6.3	-0.6		
YoY (%)	2.6	1.1	5.6	32.4	3.7	9.3	8.3	-10.3	10.6	1.8
EPS (INR)	14.1	14.6	15.6	18.8	14.6	15.9	16.9	16.8	63.1	64.3

Persistent Systems**Buy****CMP INR1499 | TP: INR1695 (+13%)****EPS CHANGE (%): FY21|22: 0.2|-2.8**

- Expect strong sequential growth during the quarter.
- Expect 50-75bp margin impact led by two months of wage hike and hiring cost.
- Expect initial signs of growth in the Alliance business.
- Outlook for FY21 growth/margin should be the focus.

Quarterly performance (IFRS)**(INR m)**

Y/E March	FY20				FY21E				FY20	FY21E
(Consolidated)	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE		
Revenue (USD m)	119.6	125.5	129.4	127.1	131.0	136.1	143.4	145.3	502	556
QoQ (%)	1.1	4.9	3.1	-1.8	3.1	3.9	5.4	1.3	4.3	10.8
Revenue (INR m)	8,321	8,846	9,227	9,264	9,914	10,077	10,585	10,898	35,658	41,474
QoQ (%)	0.0	6.3	4.3	0.4	7.0	1.7	5.0	3.0		
YoY (%)	-0.3	5.9	6.8	11.4	19.1	13.9	14.7	17.6	5.9	16.3
GPM (%)	34.7	34.7	33.3	33.8	33.0	34.7	33.2	34.0	34.1	33.7
SGA (%)	20.3	21.0	19.9	20.0	18.2	18.3	17.4	18.0	20.3	18.0
Reported EBITDA	1,202	1,216	1,234	1,277	1,464	1,658	1,669	1,744	4,930	6,534
Reported EBITDA margin (%)	14.4	13.8	13.4	13.8	14.8	16.4	15.8	16.0	13.8	15.8
Adjusted EBITDA	1,202	1,216	1,234	1,277	1,560	1,729	1,669	1,744	4,930	6,701
Adjusted EBITDA margin (%)	14.4	13.8	13.4	13.8	15.7	17.2	15.8	16.0	13.8	16.2
Reported EBIT	816	792	806	857	1,029	1,218	1,207	1,268	3,270	4,721
Reported EBIT margin (%)	9.8	8.9	8.7	9.2	10.4	12.1	11.4	11.6	9.2	11.4
Adjusted EBIT	816	792	806	857	1,124	1,290	1,207	1,268	3,270	4,888
Adjusted EBIT margin (%)	9.8	8.9	8.7	9.2	11.3	12.8	11.4	11.6	9.2	11.8
Other income	282	364	334	274	192	157	207	210	1,254	766
ETR (%)	24.9	25.5	22.9	25.9	26.2	25.8	25.5	25.5	24.8	25.8
PAT	825	861	879	838	900	1,020	1,053	1,101	3,403	4,074
QoQ (%)	-2.4	4.4	2.2	-4.7	7.4	13.3	3.3	4.5		
YoY (%)	-5.6	-2.3	-4.1	-0.8	9.1	18.5	19.8	31.3	28.4	19.7
EPS (INR)	10.7	11.3	11.5	11.0	11.8	13.3	13.8	14.4	44.5	53.3

TCS**Neutral****CMP INR2928 | TP: INR3005 (3%)****EPS CHANGE (%): FY21|22: -0.9|0.5**

- Expect strong growth led by ramp of large deal wins in the previous quarter.
- Expect reporting of robust TCV led by large deal wins of Deutsche and Prudential.
- Expect decline in sequential margins on account of wage hike during the quarter
- Sector demand outlook and margin impact from large captive deals would be in focus.

Quarterly performance (IFRS)**(INR m)**

Y/E March	FY20				FY21E				FY20	FY21E
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE		
IT Services revenue (USD m)	5,485	5,517	5,586	5,444	5,059	5,424	5,583	5,787	22,032	21,854
QoQ (%)	1.6	0.6	1.3	-2.5	-7.1	7.2	2.9	3.7	5.4	-0.8
Overall revenue (INR b)	382	390	399	399	383	401	412	434	1,569	1,631
QoQ (%)	0.4	2.1	2.3	0.2	-4.1	4.7	2.7	5.4		
YoY (%)	11.4	5.8	6.7	5.1	0.4	3.0	3.4	8.7	7.2	3.9
GPM (%)	40.5	40.8	41.4	42.0	39.4	40.9	40.4	40.8	41.2	40.4
SGA (%)	16.3	16.8	16.3	16.9	15.8	14.7	14.8	15.0	16.6	15.1
EBITDA	100	102	109	110	100	115	116	123	421	454
EBITDA margin (%)	26.3	26.2	27.3	27.5	26.2	28.7	28.1	28.3	26.8	27.8
EBIT	92	94	100	100	90	105	105	112	386	413
EBIT margin (%)	24.2	24.0	25.0	25.1	23.6	26.2	25.6	25.8	24.6	25.3
Other income	14	12	6	5	5	7	7	8	37	27
PBT	106	105	106	105	95	113	113	119	422	439
ETR (%)	23.4	23.5	23.0	23.0	25.8	24.8	23.5	23.5	23.2	24.3
Adjusted PAT	82	81	81	81	70	85	86	91	324	332
Exceptional items	0	0	0	0	0	-10	0	0	0	-10
Reported PAT	82	81	81	81	70	75	86	91	324	323
QoQ (%)	0.0	-1.2	1.1	-0.6	-12.9	6.5	14.7	6.0		
YoY (%)	10.7	1.7	0.3	-0.7	-13.5	-6.9	5.7	12.8	2.8	-0.5
EPS (INR)	21.7	21.4	21.7	21.5	18.7	19.9	22.9	24.2	86.2	85.7

Tech Mahindra**Neutral****CMP INR978 | TP: INR1090 (+12%)****EPS CHANGE (%): FY21|22: 7.4|22.0**

- Expect growth to moderate due to furloughs.
- Margin to remain in a narrow band. Expect a wage hike in the next quarter.
- Deal momentum remains encouraging at USD400-500m.
- Outlook on Telecom vertical recovery a key monitorable.

Quarterly performance**(INR m)**

Y/E March	FY20				FY21E				FY20	FY21E
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE		
Revenue (USD m)	1,247	1,287	1,353	1,295	1,208	1,265	1,294	1,342	5,182	5,109
QoQ (%)	-1.6	3.2	5.1	-4.3	-6.7	4.8	2.3	3.8	4.3	-1.4
Revenue (INR b)	87	91	97	95	91	94	95	101	369	381
YoY (%)	4.6	5.1	7.9	6.7	5.2	3.3	-1.1	6.1	6.1	3.3
GPM (%)	28.8	29.6	30.3	29.5	28.5	31.4	31.4	29.4	29.5	30.2
SGA (%)	13.6	13.0	14.1	15.3	14.2	13.3	13.3	13.5	14.0	13.6
EBITDA	13	15	16	13	13	17	17	16	57	63
EBITDA margin (%)	15.2	16.5	16.2	14.2	14.3	18.2	18.1	15.9	15.5	16.6
EBIT	10	12	12	9	9	13	13	12	43	48
EBIT margin (%)	11.5	12.8	12.2	10.0	10.1	14.2	14.0	11.9	11.6	12.6
Other income	3	2	3	2	4	1	1	2	10	7
ETR (%)	25.9	16.9	24.6	20.2	25.5	24.6	24.0	24.0	22.0	24.5
PAT	10	11	11	10	10	11	11	10	43	42
QoQ (%)	-15.3	17.2	2.0	-10.9	-4.8	9.5	2.4	-5.6		
YoY (%)	6.8	5.6	-4.7	-9.8	1.3	-5.3	-4.9	0.8	-1.1	-2.2
EPS (INR)	10.9	12.8	13.0	11.6	11.1	12.1	12.4	11.7	48.3	47.3

Wipro**Neutral****CMP INR388 | TP: INR360 (-7%)****EPS CHANGE (%): FY21|22: -4.8|-1.5**

- Expect the company to comfortably achieve growth within its stated guidance.
- Expect one-month of wage hike impact. Margin to remain in a narrow band.
- Pipeline looks healthy. The new management's refreshed strategy would be key.
- Q4 guidance and management restructuring would be in focus after the CEO change.

Quarterly performance (IFRS)**(INR m)**

Y/E March	FY20				FY21E				FY20	FY21E
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE		
IT Services revenue (USD m)	2,039	2,048	2,095	2,074	1,922	1,992	2,057	2,119	8,255	8,090
QoQ (%)	-1.8	0.5	2.3	-1.0	-7.3	3.7	3.3	3.0	1.7	-2.0
Overall revenue (INR b)	147	151	155	157	149	151	154	161	610	615
QoQ (%)	-1.9	2.8	2.3	1.6	-5.1	1.4	1.8	4.7		
YoY (%)	5.3	4.0	2.7	4.7	1.3	-0.1	-0.6	2.6	4.2	0.8
GPM (%)	29.1	28.6	29.1	27.4	30.5	30.3	29.6	28.4	28.5	29.7
SGA (%)	13.0	11.3	12.0	11.4	13.3	11.8	11.8	11.9	11.9	12.2
EBITDA	29	32	33	32	33	35	34	34	125	136
EBITDA margin (%)	19.6	20.9	21.0	20.5	22.1	23.0	22.3	21.1	20.5	22.1
IT Services EBIT (%)	18.4	18.1	18.4	17.6	19.1	19.2	18.5	18.7	18.1	18.9
EBIT margin (%)	16.2	17.7	17.6	16.8	18.0	18.6	18.0	16.8	17.2	17.8
Other income	6	5	4	3	4	4	4	4	17	16
ETR (%)	22.4	18.3	20.0	20.9	22.1	22.5	22.5	22.5	20.2	22.4
PAT	23	26	25	23	24	25	24	24	97	97
QoQ (%)	-7.0	10.5	-3.8	-5.3	2.8	3.2	-1.9	-1.0		
YoY (%)	8.9	35.1	-2.2	-6.3	3.5	-3.4	-1.5	3.0	8.0	-0.5
EPS (INR)	3.8	4.3	4.3	4.1	4.2	4.3	4.2	4.2	16.4	16.8

Zensar Technologies**Neutral****CMP INR243 | TP: INR250 (+3%)****EPS CHANGE (%): FY21|22: 3.4|7.5**

- Expect marginal decline in revenue led by continued weakness in its top client.
- Margin to remain in a narrow band.
- Expect lower furloughs than usual.
- Any change in management strategy under new CEO would be in focus.

Quarterly performance**(INR m)**

Y/E March	FY20				FY21E				FY20	FY21E
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE		
Revenue (USD m)	153	152	143	141	131	132	132	137	590	532
QoQ (%)	3.1	-0.7	-5.9	-1.9	-7.0	0.6	0.5	3.9	5.8	-9.8
Revenue (INR m)	10,661	10,723	10,206	10,178	9,912	9,794	9,760	10,303	41,768	39,769
YoY (%)	20.8	13.3	-0.1	-2.8	-7.0	-8.7	-4.4	1.2	7.1	-4.8
GPM (%)	29.4	29.1	23.6	28.9	28.8	34.1	33.8	32.5	27.8	32.3
SGA (%)	15.2	15.1	16.8	15.0	14.4	15.3	15.2	15.2	15.5	15.0
EBITDA	1,515	1,500	696	1,416	1,430	1,842	1,815	1,784	5,127	6,872
EBITDA margin (%)	14.2	14.0	6.8	13.9	14.4	18.8	18.6	17.3	12.3	17.3
EBIT	1,136	1,115	284	1,001	986	1,410	1,386	1,331	3,536	5,113
EBIT margin (%)	10.7	10.4	2.8	9.8	9.9	14.4	14.2	12.9	8.5	12.9
Other income	-20	42	270	-11	27	-171	-68	-72	281	-284
ETR (%)	28.3	28.4	25.5	27.3	26.2	26.5	27.0	27.0	27.7	26.7
Adjusted PAT	788	800	397	695	732	893	947	904	2,680	3,476
QoQ (%)	-9.4	1.5	-50.4	75.1	5.3	22.0	6.1	-4.6		
YoY (%)	-5.7	-15.9	-32.3	-20.1	-7.1	11.6	138.6	30.1	-17.4	29.7
EPS (INR)	3.3	3.5	1.7	3.0	3.2	3.9	4.1	3.9	11.7	15.2

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

*In case the recommendation given by the Research Analyst is inconsistent with the investment rating legend for a continuous period of 30 days, the Research Analyst shall within following 30 days take appropriate measures to make the recommendation consistent with the investment rating legend.

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