

Q4FY25E IT Earnings Preview



Information Technology

Discretionary spending wavers amid US Tariff Uncertainty

COVERAGE STOCKS

Coverage	Rating	CMP*	Target (INR)	Upside
Infosys (INFY)	BUY	1,599	2,154	34.7%
Infibeam Avenues (INFIBEAM)	BUY	17	28	63.1%
Sonata Software (SSOF)	ACCUMULATE	360	517	43.6%
TCS	ACCUMULATE	3,636	4,631	27.4%
Tech Mahindra (TECHM)	ACCUMULATE	1,416	1,801	27.2%
Happiest Minds (HAPPSTMNDS)	ACCUMULATE	623	765	22.7%
HCL Tech (HCLTECH)	HOLD	1,633	1,894	16.0%
Persistent Systems (PSYS)	REDUCE	5,517	5,989	8.6%
Wipro (WPRO)	REDUCE	267	289	8.1%
Tata Elxsi (TELX)	REDUCE	5,567	5,853	5.1%

MARKET DATA

	Close	1M (%)	YTD (%)
Nifty	23,487	4.2	(0.7)
Sensex	77,289	3.6	(1.1)
Nifty IT	37,337	(4.1)	(13.8)
USD / INR	85.7	1.7	(0.1)

Note: TP and recommendation have been retained from previous update reports; we will review it post detailed Q4FY25E results analysis and conference call of the said companies. Source: Bloomberg, NSE; Data as of 26th March 2025

SECTOR OVERVIEW

- The demand environment in Q3FY25 reflected early signs of stabilization, with slightly improved Total Contract Value (TCV) momentum, supported by small and mid-sized deal conversions. However, large deal closures remained muted, indicating that enterprises continue to maintain a cautious stance, particularly for discretionary-led digital transformation initiatives. The improvement was not broad-based, and clients showed a preference for short-tenure, cost-justified projects over long-term strategic spending.
- The macroeconomic environment has become increasingly uncertain over the past few months, particularly for Indian IT companies heavily reliant on the U.S — their largest revenue-generating market.
- The renewed risk of global tariff escalation, especially under the prospect of a Trump-led administration, has heightened concerns over cross-border service continuity and outsourcing viability. This has led to a notable shift in client sentiment, with U.S enterprises becoming more risk-averse in their IT spending decisions.
- As a result, discretionary tech investments and large-scale transformation projects are being delayed, with client budgets increasingly being reallocated toward non-discretionary priorities such as core operations, automation, and cost optimization.
- The overall sentiment reflects a pause in strategic IT spending amid fears of policy instability, trade disruptions, and potential recessionary pressure.
- This sentiment was echoed in Accenture's Q2FY25 commentary, which pointed to continued softness in discretionary spending, deal delays, and cancellations, particularly in the U.S. market. Accenture's revenue guidance revision was primarily driven by headwinds in its federal government vertical, which is undergoing budget tightening.

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Sector Overview

- However, Indian IT firms are less exposed to U.S. federal contracts and enjoy structural advantages, such as lean offshore delivery models and agility in pivoting toward GenAI and platform-driven solutions.
- Adding to the uncertainty, the U.S. Federal Reserve's decision to delay interest rate cuts, citing sticky inflation, has extended the cautious tone across IT buyers. That said, the Fed's continued projection of two 25bps rate cuts by the end of 2025 offers a potential catalyst for improved demand visibility in the H2FY26E.
- While risks persist, particularly around macro shocks, deal conversion cycles, and potential currency volatility, the Indian IT sector is tactically positioning itself through AI monetization, cost-takeout partnerships, and strong managed services execution.
- Companies with diversified exposure are expected to outperform peers as the cycle gradually turns. In summary, the near-term outlook remains tepid, but the H2FY26E setup appears structurally more favorable, given expected macro stabilization and incremental demand tailwinds from AI and platform transformation initiatives.

Accenture result and outlook:

- Accenture (ACN) reported Q2FY25 revenue of USD 16.7 Bn, marking an increase of 5.0% YoY growth in US dollars and 8.5% growth in local currency. The revenue exceeded CAN's guided range of USD 16.2 – 16.8 Bn. Growth was broad-based across geographies, verticals, and service lines, although macro uncertainties persisted.
- New Bookings for the quarter stood at USD 20.91 Bn, a 3.0% YoY decrease in both US dollars and local currency. Among which, Consulting bookings stood at USD 10.47 Bn, and managed services new bookings were at USD 10.44 Bn. Gen-AI new bookings stood at USD 1.4 Bn.
- ACN has narrowed its full-year revenue growth to 5.0 - 7.0% in local currency from 4.0 - 7.0% while factoring in a negative foreign exchange impact of approximately 0.5%. The company has also lowered the upper end of its operating margin guidance, now expecting margins in the range of 15.6-15.7%, compared to the earlier 15.6 - 15.8%.
- For Q3FY25E, revenue is projected to be in the range of USD 16.9–17.5 Bn, implying local currency growth of 3.0 – 7.0% YoY. The company also expects a negative foreign exchange impact of approximately 0.5% on reported results. Management commentary indicates that clients remain focused on large-scale transformation and cost optimization initiatives, with a continued slowdown in discretionary IT spending.
- This guidance reflects management's cautious outlook, incorporating continued macroeconomic uncertainties and limited recovery in discretionary IT spending. The top end of the guidance assumes no material improvement in discretionary budgets, while growth will continue to be led by cost optimization deals, platform transformation, and GenAI-led initiatives.
- Regional Performance – Americas remained the strongest geography with 11.0% YoY growth in local currency and 9.0% in USD, led by banking, capital markets, health, and retail verticals. EMEA delivered 8.0% YoY local currency growth (+4.0% YoY USD), supported by public services, life sciences, and consumer goods. Asia Pacific was soft, with 1.0% YoY local currency growth (-3.0% YoY USD).

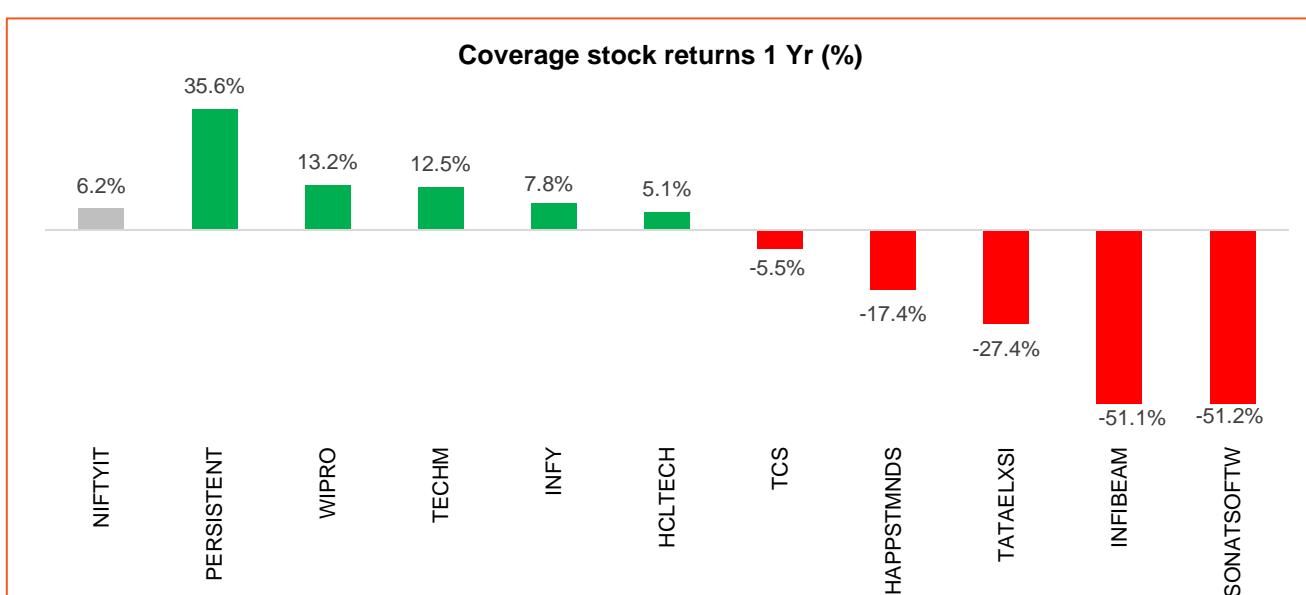
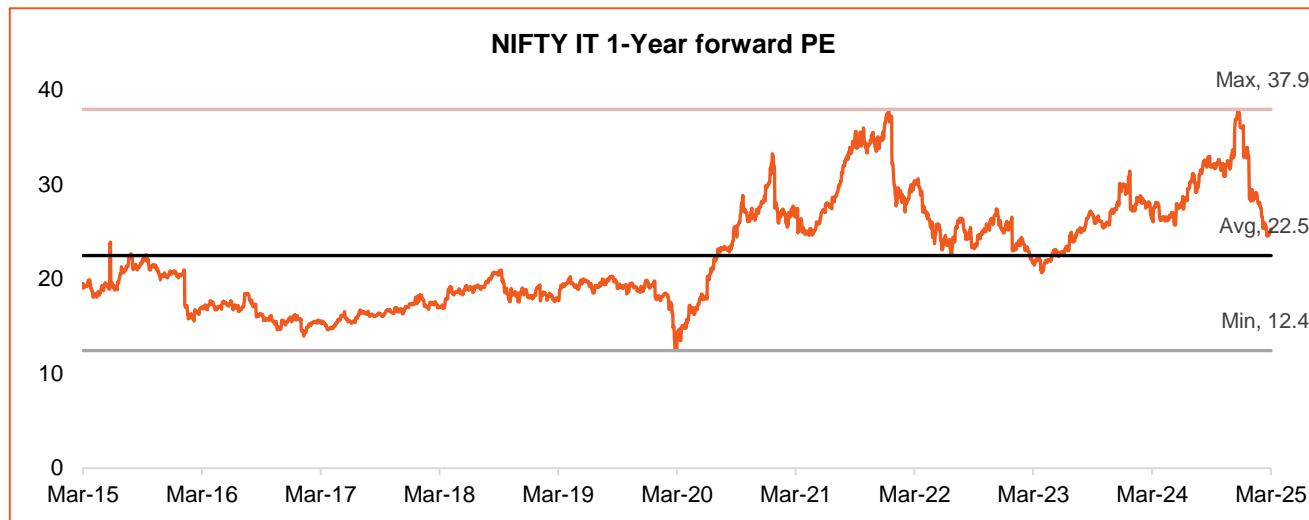
Revenue growth and margin outlook:

- Among Tier-1 companies, we expect sequential revenue growth of 1.9%/ 1.4%/ 3.5%/ 3.1%/ 0.1% from TCS/ INFOSYS/ HCLT/ TECHM/ WIPRO. Among Tier-2 companies, we expect strong revenue growth (QoQ) of 4.6%/ 4.2%/ 3.1% from PSYS/ TATAELXSI/ HAPSTMNDS.
- Margins are expected to improve YoY, driven by higher utilization and cost-optimization efforts, though partially offset by wage hikes and seasonal furloughs.

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Sector Overview

- **Key monitorable to focus on** i) management's insights into the recovery of discretionary spending, ii) sign that deal closing cycles are normalizing, iii) client budget allocations and any shifting priorities, iv) forward-looking commentary on hiring trends for FY26E, and v) progress and momentum in AI-driven initiatives, particularly about potential new deal inflows.
- **We have identified TCS and Infosys in the Tier-1 segment and Happiest Minds in the Tier-2 segment as our top stock picks for potential outperformance relative to the sector**



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Exhibit 1: Quarterly result expectation for companies under coverage

Q4FY25E (INR Mn)	Outperform	Base	Underperform	View
TCS				
Sales	6,63,764	6,51,709	6,39,654	<ul style="list-style-type: none"> Revenue growth is anticipated at 6.4% YoY driven by BFSI vertical and consumer business. Despite no mega deals, the deal pipeline remains robust, with increased focus on application modernization and data driven projects.
EBIT	1,67,429	1,61,813	1,56,292	<ul style="list-style-type: none"> EBIT margins are expected to improve on a sequential basis, driven by higher utilization and wind-down of the BSNL contract, acting as a margin tailwind.
PAT	1,35,730	1,27,355	1,19,199	<ul style="list-style-type: none"> Key areas to monitor include 1) BFSI demand outlook, 2) commentary on client-specific challenges, 3) Deal wins, and 4) deal closure cycle
EBIT(%)	25.2%	24.8%	24.4%	
NPM (%)	20.4%	19.5%	18.6%	
Attrition Rate (%)	12.0%	12.5%	13.0%	
INFY				
Sales	4,34,782	4,23,606	4,12,430	<ul style="list-style-type: none"> We expect QoQ revenue growth of 1.4%, supported by momentum in the financial services and retail segments. However, a decline in third-party revenues and the impact of furloughs are likely to weigh on overall performance in Q4FY25E.
EBIT	90,873	86,201	81,652	<ul style="list-style-type: none"> EBIT margins are projected to diminish by 80-100bps QoQ, due to wage hike announced partially offset by favorable pricing and operational efficiencies from Project Maximus.
PAT	79,929	67,507	55,632	<ul style="list-style-type: none"> Key areas to monitor include 1) Total Contract Value (TCV) trends, 2) retail demand outlook, and 3) guidance for FY26E, and 4) progress on GenAI related investments.
EBIT(%)	20.9%	20.3%	19.8%	
NPM (%)	18.4%	15.9%	13.5%	
Attrition Rate (%)	13.0%	13.5%	14.0%	
HCLTECH				
Sales	3,17,330	3,09,600	3,01,871	<ul style="list-style-type: none"> In the base case, we expect a sequential growth of 3.6% QoQ revenue growth.
EBIT	62,532	57,294	52,241	<ul style="list-style-type: none"> In the base case, margins are likely to decrease by 80-100 bps QoQ due to wage hike announced partially offset by improved utilization and better operating leverage partially offset by senior management wage hike.
PAT	50,350	46,709	43,189	<ul style="list-style-type: none"> Key areas to monitor include 1) new deal wins, 2) organic growth guidance, 3) commentary on discretionary spendings, and 4) hiring trends for FY26E.
EBIT (%)	19.7%	18.5%	17.3%	
NPM (%)	15.9%	15.1%	14.3%	
Attrition Rate (%)	11.3%	13.1%	14.9%	

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Q4FY25E (INR Mn)	Outperform	Base	Underperform	View
WIPRO				
Sales	2,28,203	2,23,423	2,18,642	<ul style="list-style-type: none"> We anticipate flat revenue growth QoQ driven by BFSI and healthcare vertical partially offset by weakness in technology and communications business.
EBIT	40,298	38,392	36,530	<ul style="list-style-type: none"> EBIT margins are likely to remain stable QoQ (-10bps).
PAT	32,797	34,358	28,922	<ul style="list-style-type: none"> Key areas to monitor include 1) commentary on recovery in Europe, and 2) strategy to enhance margins and accelerate margin levers, 3) Q1FY26E revenue guidance
EBIT (%)	17.7%	17.2%	16.7%	
NPM (%)	14.4%	13.8%	13.2%	
Attrition Rate (%)	14.5%	15.0%	15.5%	
TECHM				
Sales	1,42,734	1,37,020	1,31,307	<ul style="list-style-type: none"> We expect a revenue growth of 6.5% YoY driven by BFSI, healthcare and TME (Technology, Media & Entertainment). Recovery in the communications vertical may take some.
EBIT	16,937	14,547	12,299	<ul style="list-style-type: none"> EBIT margins are expected to expand 570bps YoY, driven by reduced subcontractor cost and improved operational efficiency under Project Fortius partially offset by wage hike.
PAT	15,146	12,102	9,261	<ul style="list-style-type: none"> Key areas to monitor include 1) management commentary on achieving the aspirational margin target of 15.0%, 2) the outlook for the CME and BFSI vertical, and 3) new deal wins
EBIT(%)	11.9%	10.6%	9.4%	
NPM (%)	10.6%	8.8%	7.1%	
Attrition Rate (%)	10.6%	11.2%	11.8%	
PERSISTENT				
Sales	35,232	32,029	28,826	<ul style="list-style-type: none"> We expect YoY revenue growth of 23.6% driven by sustained momentum in healthcare and in financial services.
EBIT	5,735	4,740	3,839	<ul style="list-style-type: none"> EBIT margins are anticipated to improve by 30bps YoY, supported by steady utilization rates, pricing growth, and cost optimization reduction.
PAT	4,648	3,841	3,111	<ul style="list-style-type: none"> Key areas to monitor include 1) Outlook on hi-tech vertical, 2) margin trajectory, 3) developments in deal pipeline, and 4) plans and strategy to achieve USD 5 Bn revenue by FY31E.
EBIT(%)	16.3%	14.8%	13.3%	
NPM (%)	13.2%	12.0%	10.8%	
Attrition Rate (%)	12.1%	12.6%	13.1%	

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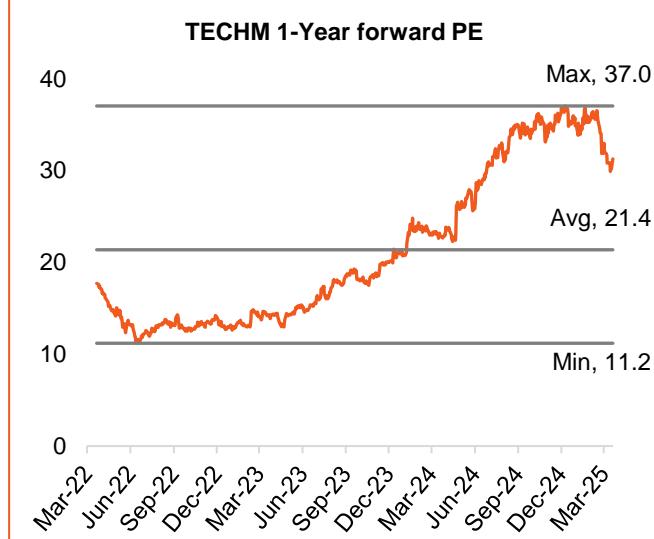
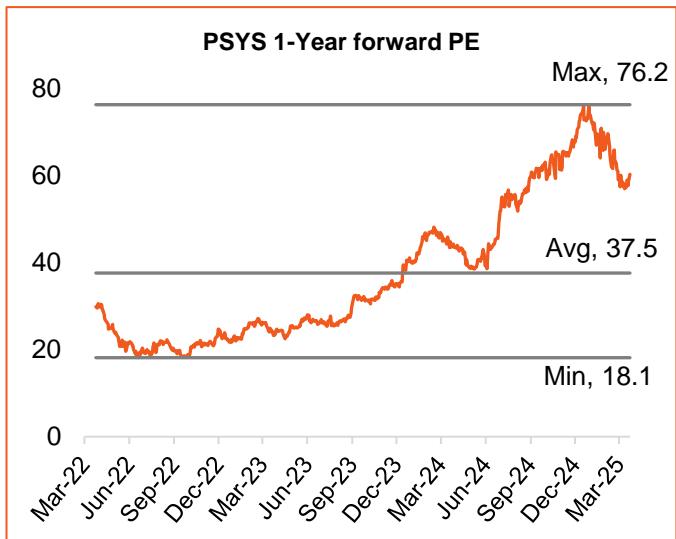
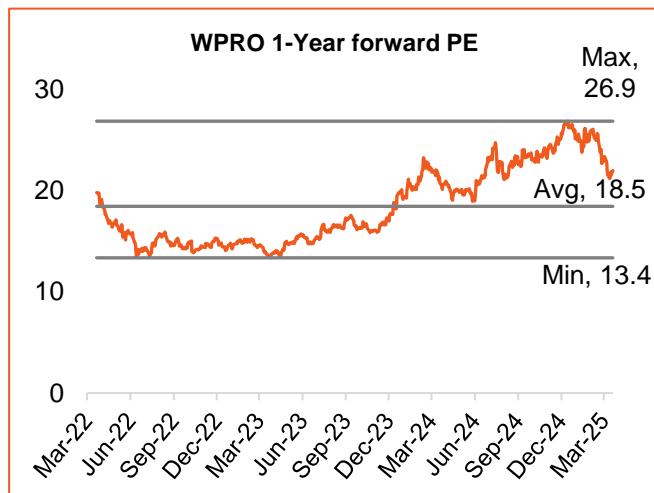
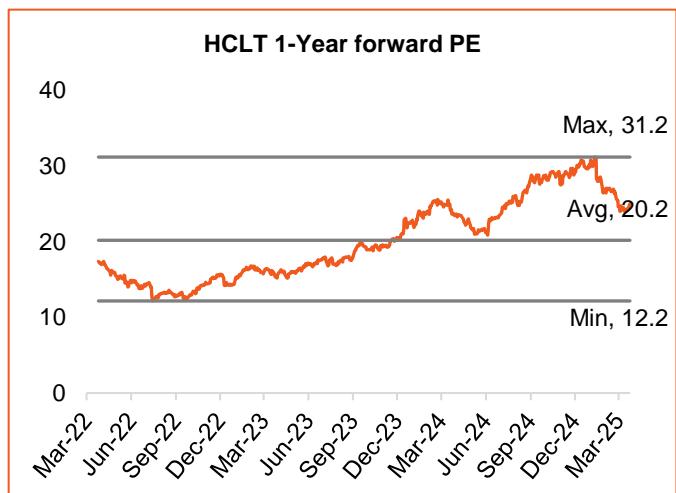
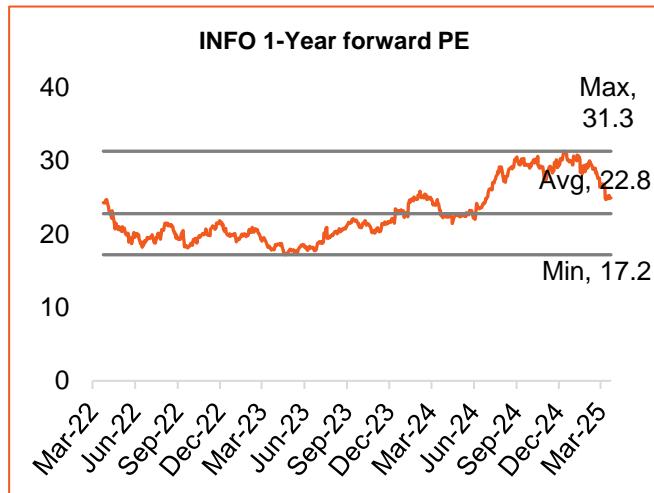
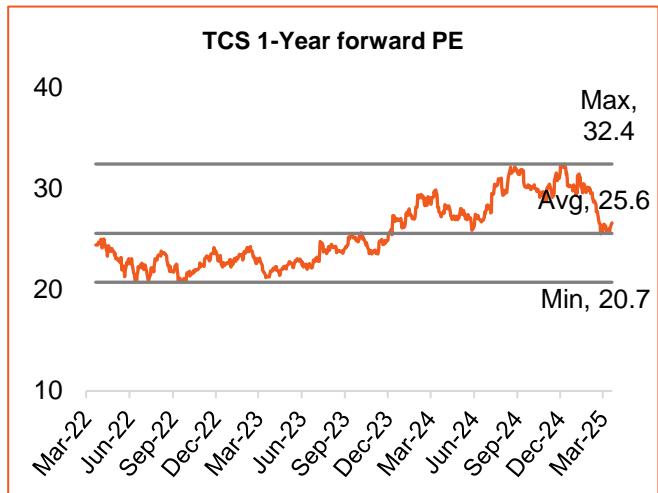
Q4FY25E (INR Mn)	Outperform	Base	Underperform	View
TATAELXSI				
Sales	10,075	9,782	9,488	<ul style="list-style-type: none"> We anticipate an 8.0% YoY revenue growth driven by the transportation vertical and healthcare verticals, and early signs of recovery in the media and communication segment
EBIT	2,943	2,755	2,572	<ul style="list-style-type: none"> EBIT margins are likely to improve driven by positive operating leverage, better utilization, and reductions in on-site salary costs.
PAT	2,411	2,171	1,941	<ul style="list-style-type: none"> Key areas to monitor include 1) Outlook on transportation vertical excl. JLR, 2) green shoots in Media & communications outlook, and 3) pivoting towards annuity-based and service-oriented revenue models.
EBIT (%)	29.2%	28.2%	27.1%	
NPM (%)	23.9%	22.2%	20.5%	
Attrition Rate (%)	12.1%	12.4%	12.7%	
SONATSOFTW				
Sales	25,921	24,687	23,453	<ul style="list-style-type: none"> We anticipate revenue growth of 12.6% YoY, driven by the successful execution of deals in the healthcare, manufacturing, and BFSI. However, TMT vertical is expected to see a slowdown due to the full-impact of the ramp-down.
EBIT	1,395	1,205	1,027	<ul style="list-style-type: none"> Additionally, Quants Systems, a subsidiary of SSOF, is expected to experience its typical seasonality weakness in Q4FY25E.
PAT	1,071	896	734	<ul style="list-style-type: none"> EBIT margins are expected to contract by 10-20 bps YoY, reflecting margin pressure from the ramp-down and Quant's system.
EBIT (%)	5.4%	4.9%	4.4%	<ul style="list-style-type: none"> Key areas to monitor include 1) commentary on margin improvement for the ITTS segment, 2) Outlook for FY26E, and 3) impact of potential tariff threats and a slowdown in the US economy on revenue, given that North America accounts for 75.0% - 78.0% of the business.
NPM (%)	4.1%	3.6%	3.1%	
Attrition Rate (%)	13.0%	14.0%	15.0%	

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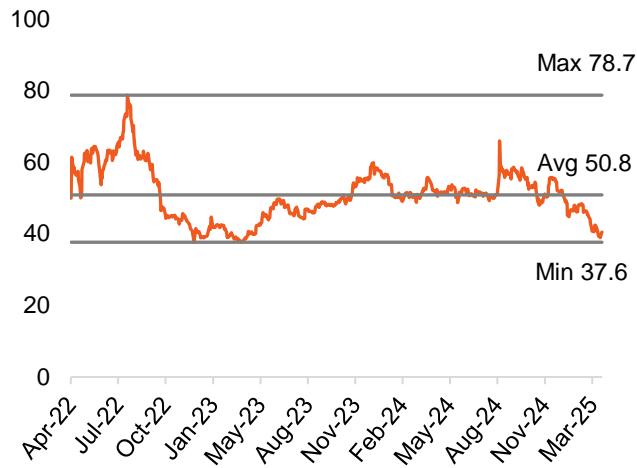
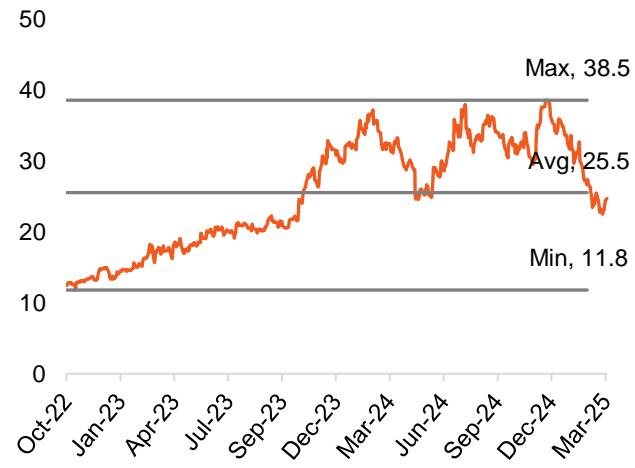
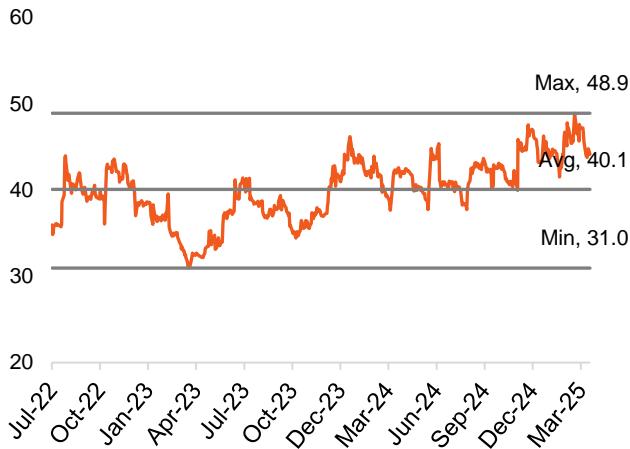
Q4FY25E (INR Mn)	Outperform	Base	Underperform	View
INFIBEAM				
Sales	13,724	11,140	8,557	<ul style="list-style-type: none"> We expect a QoQ increase of 4.1%, primarily driven by an increase in Transaction Processing Value (TPV), along with incremental contributions from international operations and cross-selling initiatives.
EBIT	780	611	471	<ul style="list-style-type: none"> EBIT margin is projected to remain stable QoQ, supported by a steady Net Take Rate (NTR).
PAT	488	378	273	<ul style="list-style-type: none"> For FY25E, we expect the company's gross revenue to fall toward the lower end of its guided range, with management projecting FY25E revenue between INR 39,000 – 42,000.
EBIT (%)	5.7%	5.5%	5.5%	<ul style="list-style-type: none"> Key areas to monitor include 1) revenue and margin guidance, 2) revenue contribution from Rediff, 3) progress on global expansion, and 4) developments in new financial product offerings.
NPM (%)	3.6%	3.4%	3.2%	
Net Take Rate (bps)	11.5	11.0	10.5	
HAPPSTMNDS				
Sales	5,964	5,473	4,983	<ul style="list-style-type: none"> We anticipate a sequential revenue growth of 3.1%, primarily driven by incremental contributions from acquisitions, deal conversions, and a favorable demand environment across BFSI, healthcare, and retail verticals.
EBIT	841	745	653	<ul style="list-style-type: none"> EBIT margin is expected to decline by 10-20bps QoQ due to company's ongoing strategic investments for expansion partially offset by higher utilization levels.
PAT	740	652	568	<ul style="list-style-type: none"> Key areas to monitor include 1) New deals wins, 2) the impact of potential tariff threats and a slowdown in the US economy on revenue, given that North America accounts for 68.0% - 70.0% of the business., and 3) management commentary on the Gen-AI pipeline and related growth opportunities.
EBIT (%)	14.1%	13.6%	13.1%	
NPM (%)	12.4%	11.9%	11.4%	
Attrition Rate (%)	14.3%	15.3%	16.3%	

Information Technology



Source: NSE/Bloomberg

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TELX 1-Year forward PE

SSOF 1-Year forward PE

HAPPSTMN 1-Year forward PE

INFIBEAM 1-Year forward PE


Source: NSE/Bloomberg

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Rating Legend (Expected over a 12-month period)

Our Rating	Upside
Buy	More than 15%
Accumulate	5% – 15%
Hold	0 – 5%
Reduce	-5% – 0
Sell	Less than – 5%

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