# Information Technology Sector

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Sector Update, Stock Initiations

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## Sell into 'delayed landing' outperformance; Customer health deteriorating.

**We continue to reiterate our bearish stance on the Indian IT Services sector, which we had initiated in early April 2022 (Downgrade). Through this report, we also initiate coverage on LTIMindtree, Mphasis and Coforge. We believe that the Nifty IT's outperformance vs the Nifty by ~7ppts since 30th September 2022 till date has largely been driven by the 'delayed landing' narrative that has developed around resilience of the US economy along with better growth prospects for both Europe as well as China in 2023 compared to earlier expectations. However, the narrative has turned very fluid post the problems that have surfaced in the banking sector in both US as well as Europe in the last fortnight. Early signs of economic stress are beginning to emerge from the fastest increase in Fed funds rate in recent history. This in our view will lead to at least our base case of a shallow recession in the US, if not something worse playing out by 2H2023. The potential impact of the recent banking stress in the developed markets has not been incorporated in our estimates, which broadly remain unchanged since 3QFY23 results season. Our USD revenue growth estimates for Tier-1 IT companies for FY24 are still in low to mid-single digits with downside risks while consensus is anticipating high single-digit growth, implying a belief in the 'soft/no landing' narrative. Our EPS estimates are lower than consensus for FY24/FY25 by 5-10% due to lower revenue as well as margin estimates. We are also working with lower target PE multiples vis-à-vis consensus as we believe that the structural IT industry growth is not going to be materially higher than where it was pre-pandemic. Our target PE multiples are not pessimistic as they are 2-3x higher than what the IT industry had witnessed during the last major downcycle in 2008-2009 and are at the higher end of the pre-pandemic range. While many verticals/sub-verticals have come under pressure over the last nine months, including Mortgage, Hi-tech, Capital Markets, Healthcare, Retail, P&C Insurance, Telecom, etc, the banking space in 2022 was generally resilient because of improved NIMs and low credit costs. However, with deposit costs likely to rise following the SVB episode, most US banks will see NIMs compress from current expectations (see Exhibit 12). With likely higher credit costs, profits will be under pressure, leading to constrained spending on IT. Investment banks could suffer because of lower capital market and M&A activity in 2023 as was the case in 2022. We expect somewhat similar pressure for the large European BFSI institutions. We think that the top 25 western BFSI firms will form an outsized chunk of the BFSI revenue base of Indian IT companies. Regional US banks (the hardest hit lately) are likely not big clients for the Indian IT industry, but their dislocation will likely not bode well for the US economy and could have an outsized negative indirect impact on IT spend. The S&P 500 Index earnings (including those of components, see Exhibit 5,6) deteriorated throughout CY22 and are set to worsen further in CY23. The banking problems in both US as well as Europe may accentuate the weakness. We think that all these problems could mean at best a flat tech spending scenario in 2023 (our base case), if not worse. The Russell 2000 index (US small cap index) internals and the spike in bankruptcy filings are indicating signs of stress in the broader US economy (even before the SVB/CS collapse). In FY23, the Indian IT/ITES industry's exports are 4x of what they were at the time of GFC and believe the adverse DM macros will have a larger impact than it did in FY2010 when industry grew by just mid-single digit rate. We especially are concerned about Tier-2 IT players where exposure beyond non-Global-500 set is likely larger. PE premium of Tier-2 vs Tier-1 seems unsustainable. We have rolled forward basis of our valuation by six months to FY25. The target multiple for TCS (our valuation benchmark) is now based on past 10-year PE analysis instead of past 5 year one as the latter exaggerates the high valuation phase of FY20-FY23. We have a 'SELL' rating on all our IT coverage stocks (including re-initiations) with downside of 7%-37% for individual ones.**

**What could the guidance be for FY24?:** Recent guidance given by the non-Indian IT services companies (Exhibit 22) points to a weak 2023 with a very weak March 2023 quarter. Indian industry narrative post 3QFY23 has been that the next few quarters are going to be soft and that revenue growth will pick up in 2HFY24. We think the next few quarters may be weak but 2HFY24 is unlikely to the deliver the rebound indicated. Very likely 1HFY24 will be the better half in FY24. But having said that we expect both Infosys as well as HCL Technologies, who have been the only IT companies giving out a specific guidance in our coverage universe on both revenue as well as EBIT margins, to continue to do so. However, given the very uncertain macros, we believe that both the companies are likely to give revenue growth guidance with a bigger range of 400bps (was applied in FY14 by Infosys), unlike the 200bps normally used in the past. Specifically, we are looking at a 4-8% CC revenue growth range to begin with for both the companies (and may tighten the same as the year rolls by), with an EBIT margin of 21-23% and 18-20% for Infosys and HCLT, respectively. While Infosys carries the reputation of being conservative in giving guidance, it has missed guidance twice in the last seven years for instance, although not under the current tenure of Salil Parekh.

**Silicon Valley Bank (SVB)/Credit Suisse collapse impact:** We are not sure how things will finally play out. Going by the actions of the DM central banks, it looks like the damage has been contained for now. Our estimates have not changed since 3QFY23, and we are not incorporating any incremental damage due to the US regional banks/European banks crisis. We think the Indian IT industry is not materially exposed to US regional banks directly. However, the indirect impact could be material. We understand the non-SIBs contribute ~40% to loans in the US. So, if US regional bank problems are not sorted out quickly there is going to be a spillover effect on the US economy that would then have a direct impact on the IT spend by large US corporations. In our sector report of October 2022, we had discussed potential problems that could arise in the BFSI space due to the Fed tightening (Expectations too high, page 3), including from losses in the bond investment books. The BFSI sector, which contributes ~40% to the revenue of the Indian IT industry (Source: Nasscom strategic review 2023), will likely be an area of stress in FY24.

**Structural growth is being overestimated both on revenue as well as on earnings front:** While marketing our first-on-the-street ''SELL' view on the Indian IT Services sector since early April 2022, the key questions that we have encountered have been around structural revenue and earnings growth of the Indian IT industry beyond a potential 'V-shaped' recovery in FY25. These questions also bring to the fore potential returns one can make over five years if stocks are bought at current expensive multiples. Post FY25, we see INR earnings growth trending towards high single digits for the Tier-1 pack at best. The number was ~7% CAGR during FY15-FY20. This will be the result of the following: (1) Moderate revenue growth – from the turbo-charged one seen during FY21-FY23, albeit higher by 100-200bps vs the FY15-FY20 period, 2-3% INR depreciation vs USD and margins being under modest pressure. With earnings growth broadly similar or modestly better than the FY15-FY20 period, we do not think the sector deserves materially higher multiples than what it commanded during the FY15-FY20 period, especially if we are going to be in a non-zero interest rate environment - unlike what we had seen post GFC (which was supplemented by multiple rounds of QE). We see structural revenue growth slowing due to the following: (1) IT intensity will cool off and settle down at a modestly higher level than what one saw during the pre-pandemic timeframe and not at the hyper-intensive level of FY20-FY23. (2) We believe that greater competitive intensity will come from the consulting arms of the 'Big-Four', some of which may be spun-off & listed and will be pressured by the market to grow faster. We also see some of the IT industry laggards in terms of growth like Capgemini, Cognizant, and Tech Mahindra, who have lost market share during the last 5-10 years, put up a bigger fight under a new leadership (3) We see the cyclical return of insourcing – something we believe slowed down due to the tight market for Digital resources. (4) We also think that the usage of automation (including the use of generative AI) could mean lower labor intensity with much of the benefits being passed on to customers (as has been the case in the past) due to high competitive intensity. This could be revenue compressive.

**Will a Fed pivot help?:** As we have indicated in our earlier notes, a Fed pivot when inflation is running above the desired 2% number can only mean one thing – to handle a crisis impacting US financial stability. That could induce a short-term run-up in risk assets, which may not endure unless inflation decelerates to 2% and more importantly sustainably stays there. Past Fed pivots have heralded recessions in the US economy and significant deterioration in earnings of US corporates – which is not good news for the Indian IT industry.

**We initiate coverage on a LTIMindtree, Mphasis and Coforge with a 'SELL' rating:** While most of them have successfully implemented the 'value creation framework' and have seen much better financial performance in the last 3-6 years compared to the time before that, we believe that their current valuations do not reflect the likely downside risks to estimates that these companies will likely see in FY24/FY25 and the multiple compression that they will undergo as growth slows. We fear that the Indian Tier-2 set would suffer because of vendor consolidation under the pressured profit picture for customers, easing talent supply pressure (which will help Tier-1 players more and would aid insourcing), a more concentrated revenue mix (client, service line, vertical etc), which could throw up negative growth surprises, and a larger exposure to non-Global 1000 clientele, whose profits/cashflows (and therefore spends) are more vulnerable in the current macro environment. On the last point, we are already beginning to see stress (even before the current banking problems) based on the number of bankruptcy filings in the US on the enterprise side and the number of zombie companies (EBITDA<interest cost) in the Russell 2000 index (US small cap index). The Indian Tier-2 IT set is now at a PE premium of ~21% vs Tier-1. This premium reflects expectations of the expanded earnings growth gap between Tier-2 and Tier-1 IT companies over FY21-FY23 sustaining over the longer term. We don't think that is likely. The high PE multiples are also a reflection of market's view that some Tier-2 IT companies will become US$5-10bn enterprises in the next 10-20 years. Once the 'Digital' high tide recedes, it remains to be seen which ones continue to show promise. In the initial phase of any new tech cycle, customers tend to be open to new vendors, but as the cycle matures (post FY23 in our view), vendors that have scale – Tier-1 - tend to do better. We think that customers are looking for a revolutionary transformation, which Tier-1 IT services companies with multi-vertical exposure and deeper domain/technology skills are best placed to deliver.

We believe that talent is becoming less of a constraint with demand coming off and supply having ramped up. This used to be the USP of Tier-2 companies (especially in niche areas). Client mining tends to be a problem due to a limited capability menu. Shift to small, short-cycle orders during the pandemic had helped the Tier-2 companies a lot, but based on the recent commentary from some of the players, the trend seems to be reversing now. Also, we believe that most Tier-2 IT companies have limited cost optimization credentials.

LTIMindtree (LTIM) within the Tier-2 set (will have to move it to Tier-1 soon considering its size post-merger) looks promising going by the execution that it has demonstrated during the pandemic as well as in the pre-pandemic phases (more so by LTI) and the potential we see post the merger(LTI-Mindtree). However, we would advise entry into LTIM at much lower PE multiple levels for generating mid-teen long-term returns. Tier-2 set saw margin expansion during the pandemic phase as demand was strong. In a more demand constrained environment (like the one pre-pandemic or the one likely post FY23), we believe that margins could be under pressure for Tier-2 IT companies - something the street is underestimating at the moment.

**Buying now will give one sub-optimal returns:** Buying Tier-1 It stocks at current valuations (22x on a 12-month forward basis, ~26% premium to the pre-pandemic 5-year mean) will possibly generate at best mid-to-high single digit CAGR total return over the FY25-FY30 timeframe. In fact, on a 12-month forward basis, TCS is trading at 25.4x and is at +1 SD over the mean on a 15-year basis. If one is aiming for low teen returns from the Tier-1 pack (and very specifically TCS and Infosys), we believe that the entry point must be much lower. While we agree with consensus that the IT sector is likely to throw up good cashflows, healthy return ratios, strong return of capital to shareholders and robust corporate governance, what might be missing would be teen level earnings growth over a sustained timeframe beyond FY25. We also believe that the potential rise in the competitive intensity due to rise of the ‘Big-Four’ consulting arms over the next 5-10 years (either in their listed or consolidated avatars) will create problems for all the other incumbent western as well as Indian IT players, crimping their market share, revenue as well as earnings growth and investor appetite. Hitherto ‘Big Four’ have been flying under the radar. Even in their current bundled form (along with their audit parts), they have eaten into the Digital services market very significantly due to their unprecedented access to CXO suite among the Global-2000 customers and their better understanding of their enterprise customer context. And, just like Accenture has successfully built a formidable offshore delivery engine over the last couple of decades (despite significant skepticism 20 years back), we believe that the ‘Big Four’ players can replicate that. This is good news for India’s economy but may not be good news for the incumbent players in the IT industry. This would mean greater fight for customer relevance, share of the market, talent, etc. Over a 5–10 year period, this could also mean players who do not execute well will fall off the investor radar. We therefore see significant valuation divergence among the IT players in the times to come, depending on investors’ view on relevance and mortality risks. We also believe that a potential non-zero interest rate environment may make customers more cost conscious and lead to pressure on pricing. They may also wish to transfer opex/capex costs to vendors as we have witnessed in some mega deals in the not-too-distant past.

**V-shaped vs a U-shaped recovery:** In our conversations with investors, we sense complacency in the belief of a ‘V shaped’ recovery even if there is a recession in the US, which would come to the rescue from both a fundamental and valuation multiple perspective. That is entirely dependent on the inflation rate in the US post the downturn; and whether it will at 2% on a sustainable basis. But our sense is that a hint of reversal in the Fed’s stance will deliver a massive PE multiple expansion (across equities, including the IT sector). Whether that will sustain and complete the full ‘V’ shape (a la post GFC phase) will depend on whether there is another massive round of QE (which is subject to the inflation rate coming off to 2% and staying). Conventional monetary easing might just bring about a ‘U’ shaped recovery that one saw during the 2000-2003 timeframe with wide gyrations in stock prices.

Also, many who think that there would be a ‘V shaped’ recovery in IT stocks like the one in 2009 forget the fact that starting valuation was very low at that time (sub 10x). It remains to be seen post a correction how low the multiples would go. The current valuation is extremely expensive in that context and only an irrational PE multiple expansion (unsustainable one) could take the stocks up materially.

**How have customers been behaving and what we expect them to do over the next 12 months:** Management commentary over the last two quarters indicates weakness across more sectors/sub-sectors. Decision making has slowed, focus on protecting cashflows without compromising their competitive position in their respective industry seems to be a priority, non-essential work has been postponed, focus on cost optimization, vendor consolidation to get more for less. But thus far the behaviour has not been uniform across customers in the same sector. The definition of what is discretionary changes from customer to customer depending on circumstances and where each one is on its digital journey. While deal TCV was particularly strong in 3QFY23, the companies indicate that customers are not very keen to ramp up the deals immediately.

**Our view on the Indian IT services sector:** We had downgraded our view on the Indian IT Services sector to UW through a report on 10th April, 2022 (Positive surprises likely low in FY23; Tier-2 risky) and cut target prices further through our notes on 19th May, 2022 (Customer stress shows up), 8th July, 2022 (Negatives not in price) and 10 October, 2022 (Growth expectations too high). We advocate that investors use the 'delayed/no landing' rally seen since October 2022 to pare positions if overweight, especially in the Tier-2 set. Nifty IT index advanced by ~83% from 31st Dec, 2019 till 15th March, 2023 while Nifty is up ~39% (Nifty Bank up by ~21%) during the same period. This massive outperformance of Nifty IT was on the back of pandemic-driven Digital Transformation (DT) services-based earnings acceleration and significant multiple expansion on unprecedented monetary stimulus in the US/Europe. DT high tide over the last 36 months has lifted all boats (including weak ones). However, accelerated normalization of monetary policy in the US raises probabilities of a hard landing there and consequently high probability of negative surprises on the fundamental side over the next 12 months. We believe consensus is underestimating growth and margin risks in FY24/FY25. While DT services will continue to remain a key theme for the next several years, we believe that 'willingness-to-spend' will be constrained by 'ability-to-spend' as enterprise customers battle earnings pressure from commodity and wage inflation, supply chain challenges, reduced customer spending power, higher interest rates and likely below-trend growth in western developed economies. This, in our view, will mean that the corporate profits of S&P 500 for CY23 are likely be weaker than currently estimated. We also believe that the broader enterprise customer profit picture might look worse. Beyond FY23, we see customers shifting from the current democratic 'skills/capability' focused vendor model to a more discriminating one based on 'ability-to-deliver' (1) cost take outs and (2) business model changes - in that order. It is here that one will see divergence in growth and valuation. Incrementally, risks are to the downside from both valuation as well as fundamental perspective. We favour Tier-1 IT companies vs Tier-2.

While the chances of a near term Fed pivot (due to likely financial/economic stress event rather than lower inflation) and the consequent risk-assets run-up are fair, we persist with our 'UW' stance. This is because: (1) we believe that a conclusive Fed pivot is likely only when US inflation falls to ~2%, which we think is unlikely in the next six months. Financial stress/accident related stopping/easing of current hawkish monetary policy could induce a short-term rally that may not be sustainable (2) consensus earnings estimates for FY24/FY25 continue to be too high and seem to implicitly assume a soft/no landing of the US economy while probability of a recession (shallow/deep) has risen significantly. The latter could lead to pressure on business volume and pricing. We are explicitly pricing in a shallow recession. (3) even if one were to ignore the next 12–18-month risks around recession and take a 5-year view, we believe that starting valuations are expensive and can at best deliver mid to high single-digit total stock returns (including dividends) for TCS/Infosys, as we believe that structural revenue/earnings growth are being overestimated by the street. We believe that revenue/earnings growth over a 5-year period (FY23-FY28) will be 100-200bps higher than the FY15-FY20 period (~7%), whereas peers believe it will be 300-500bps higher. *Ceteris Paribus,* this has valuation/return implications. In our base case of a shallow recession in the US in CY23, we are expecting low-to-mid single-digit USD revenue growth for Tier-1 IT companies in FY24. In our estimates for FY24, we are assuming modest pricing compression while we believe the street is not considering the same. We continue to have a 'SELL' rating on all IT stocks under our coverage. Despite having EPS estimates lower than the street, we suspect it could still see downsides if there is a deep recession in the US.

**We continue to maintain TCS as our industry valuation benchmark:** We are valuing TCS at target 12-month forward PE of 19.3x on FY25E EPS, which represents 0.5SD below the last 10-year mean. We have changed the valuation multiple from the previous Target PE multiple of 19.9x that we were using, which was -1SD below the 5-year mean. We move away from looking at the 5-year mean because there was a pre-ponderance of high valuations during FY20-FY23. Target multiples for others are at a discount to TCS. If one were to look back in history, our Target PE multiples are not overly pessimistic as PE multiples of many Tier-1 IT stocks, including that of TCS and Infosys, had reached single-digit levels during GFC. Our target multiples are in fact at the higher end of the pre-pandemic PE range.

**Tier-2 could face significant risks in the new environment:** We fear that the Indian Tier-2 set would suffer more because of vendor consolidation under the pressured profit picture for customers, a less diversified revenue mix (client, service line, vertical), which could throw up negative growth surprises, and a larger exposure to non-Global 1000 clientele, whose profits are more vulnerable in the current macro environment. Indian Tier-2 IT is now at a PE premium of ~21% to Tier-1 (from peak of ~60% in November 2021) from a discount of 14% on 1st Jan, 2020, that too on elevated earnings. This premium reflects expectations of big positive earnings growth gap between Tier-2 and Tier-1 IT companies over FY21-FY24 and improving return ratios. We don't think this level of growth gap will sustain much beyond FY23. The high PE multiples are also reflection of market's view that some Tier-2 IT companies will become US$5-10bn enterprises in the next 10-20 years. Once the 'Digital' high tide recedes, it remains to be seen which of the current Tier-2 set will continue to show promise. In the initial phase of any new tech cycle, customers tend to be open to new vendors, but as the cycle matures (post FY23 in our view), vendors that have scale – Tier-1 - tend to do better. We think customers are looking for revolutionary transformation, which Tier-1 companies with multi-vertical exposure and deeper domain/technology skills are best placed to deliver.

### Exhibit 1: Assumptions on macro and companies

| | FY19 | FY20 | FY21 | FY22 | FY23E | FY24E | FY25E | FY26E |
|---|---|---|---|---|---|---|---|---|
| INR/USD | 70.1 | 71.0 | 74.1 | 74.6 | 80.7 | 82.6 | 83.7 | 86.3 |
| **USD revenue growth (%)** | | | | | | | | |
| TCS | 9.6 | 5.4 | 0.6 | 15.9 | 9.1 | 3.7 | 10.1 | 8.6 |
| Infosys | 7.9 | 8.3 | 6.1 | 20.3 | 13.0 | 4.2 | 11.0 | 9.4 |
| Wipro | 1.6 | 0.8 | -1.4 | 27.3 | 8.0 | 3.8 | 9.1 | 7.5 |
| HCL Technologies | 10.1 | 15.1 | 2.4 | 12.8 | 10.4 | 4.3 | 10.5 | 10.2 |
| Tech Mahindra | 4.2 | 4.3 | -1.4 | 17.3 | 10.9 | 2.8 | 8.3 | 9.4 |
| Persistent Systems | 2.2 | 4.3 | 12.9 | 35.2 | 35.3 | 12.9 | 9.6 | 16.7 |
| LTIMindtree* | 19.1 | 13.0 | 9.5 | 109.7 | 17.9 | 5.5 | 8.2 | 12.7 |
| Coforge | 12.8 | 13.4 | 5.8 | 38.0 | 15.8 | 7.9 | 11.0 | 14.1 |
| Mphasis | 13.1 | 10.8 | 5.6 | 21.7 | 9.7 | 3.9 | 7.4 | 9.7 |
| **EBIT margin (INR) (%)** | | | | | | | | |
| TCS | 25.6 | 24.6 | 25.9 | 25.3 | 24.2 | 24.4 | 24.5 | 24.4 |
| Infosys | 22.8 | 21.3 | 24.5 | 23.0 | 21.4 | 21.5 | 21.5 | 21.5 |
| Wipro | 17.1 | 17.3 | 19.9 | 17.7 | 15.5 | 15.9 | 16.0 | 16.2 |
| HCL Technologies | 19.6 | 19.6 | 21.4 | 18.9 | 18.3 | 18.5 | 18.5 | 18.7 |
| Tech Mahindra | 15.0 | 11.6 | 14.2 | 14.6 | 11.8 | 12.4 | 13.6 | 13.9 |
| Persistent Systems | 12.6 | 9.2 | 12.1 | 13.9 | 15.1 | 15.3 | 15.3 | 15.4 |
| LTI Mindtree* | 18.4 | 16.1 | 19.3 | 17.6 | 15.9 | 16.8 | 17.7 | 17.9 |
| Coforge | 14.2 | 13.1 | 12.9 | 13.8 | 14.3 | 15.0 | 15.4 | 15.6 |
| Mphasis | 16.1 | 16.0 | 16.1 | 15.3 | 15.3 | 15.6 | 15.8 | 16.3 |
| **EPS (Rs)** | | | | | | | | |
| TCS | 83.1 | 86.2 | 89.3 | 103.6 | 116.1 | 125.9 | 140.4 | 155.2 |
| Infosys | 36.0 | 38.9 | 45.5 | 52.4 | 59.3 | 61.5 | 70.1 | 79.5 |
| Wipro | 18.6 | 16.6 | 19.1 | 22.3 | 21.0 | 23.1 | 26.0 | 29.4 |
| HCL Technologies | 36.8 | 40.8 | 47.7 | 49.8 | 54.9 | 58.5 | 65.2 | 74.7 |
| Tech Mahindra | 48.7 | 45.2 | 49.9 | 62.7 | 57.8 | 60.3 | 73.4 | 84.5 |
| Persistent Systems | 44.1 | 44.4 | 58.8 | 90.2 | 125.0 | 150.6 | 167.6 | 203.0 |
| LTI Mindtree* | 86.5 | 87.1 | 111.2 | 133.3 | 152.4 | 172.3 | 199.1 | 233.8 |
| Coforge | 65.6 | 71.5 | 74.7 | 109.0 | 133.9 | 154.8 | 182.5 | 224.0 |
| Mphasis | 56.1 | 63.6 | 64.7 | 76.4 | 88.5 | 95.5 | 105.9 | 124.0 |
| **EPS growth (%)** | | | | | | | | |
| TCS | 24.0 | 3.8 | 3.6 | 16.0 | 12.0 | 8.5 | 11.5 | 10.6 |
| Infosys | 10.8 | 8.1 | 17.0 | 15.2 | 13.1 | 3.6 | 14.1 | 13.4 |
| Wipro | 10.5 | -10.4 | 14.9 | 16.6 | -5.6 | 9.6 | 12.8 | 13.1 |
| HCL Technologies | 16.9 | 10.9 | 17.0 | 4.5 | 10.1 | 6.6 | 11.6 | 14.5 |
| Tech Mahindra | 13.7 | -7.0 | 10.2 | 25.7 | -7.9 | 4.4 | 21.8 | 15.1 |
| Persistent Systems | 9.2 | 0.7 | 32.4 | 53.5 | 38.6 | 20.5 | 11.3 | 21.1 |
| LTI Mindtree* | 36.0 | 0.7 | 27.7 | 19.9 | 14.4 | 13.0 | 15.5 | 17.5 |
| Coforge | 47.7 | 9.0 | 4.5 | 45.9 | 22.8 | 15.6 | 18.0 | 22.7 |
| Mphasis | 31.2 | 13.3 | 1.8 | 18.0 | 15.9 | 7.9 | 11.0 | 17.0 |

*Source: Companies, Bloomberg, Nirmal Bang Institutional Equities Research. * LTI Mindtree is in the merged form from FY22*

### Exhibit 2: Changes made to our earnings estimates, target prices and ratings

| Company | CMP (Rs) | Market- cap (US$bn) | New FY23E EPS (Rs) | New FY24E EPS (Rs) | New FY25E EPS (Rs) | New FY26E EPS (Rs) | Old FY23E EPS (Rs) | Old FY24E EPS (Rs) | New target PE (x) | Old target PE (x) | New rating | Old rating | New TP (Rs) | Upside to CMP (%) | Old TP | Change in TP (%) |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| TCS | 3,179 | 140.90 | 116.1 | 125.9 | 140.4 | 155.2 | 115.8 | 124.4 | 19.3 | 19.9 | Sell | Sell | 2,709 | -14.8 | 2,635 | 2.8 |
| Infosys | 1,421 | 71.37 | 59.3 | 61.5 | 70.1 | 79.5 | 58.8 | 60.0 | 17.4 | 17.9 | Sell | Sell | 1,218 | -14.3 | 1,161 | 4.9 |
| Wipro | 377 | 25.02 | 21.0 | 23.1 | 26.0 | 29.4 | 20.8 | 23.6 | 13.5 | 13.9 | Sell | Sell | 351 | -6.8 | 347 | 1.2 |
| HCL Technologies | 1,108 | 36.43 | 54.9 | 58.5 | 65.2 | 74.7 | 54.7 | 57.1 | 14.5 | 13.9 | Sell | Sell | 944 | -14.8 | 847 | 11.5 |
| Tech Mahindra | 1,127 | 13.30 | 57.8 | 60.3 | 73.4 | 84.5 | 57.8 | 62.1 | 13.5 | 12.9 | Sell | Sell | 992 | -12.0 | 945 | 5.0 |
| Persistent Systems | 4,652 | 4.31 | 125.0 | 150.6 | 167.6 | 203.0 | 124.4 | 155.0 | 17.4 | 17.9 | Sell | Sell | 2,912 | -37.4 | 3,041 | -4.2 |
| LTI Mindtree | 4,674 | 16.75 | 152.4 | 172.3 | 199.1 | 233.8 | - | - | 19.3 | - | Sell | - | 3,842 | -17.8 | - | - |
| Coforge | 3,901 | 2.89 | 133.9 | 154.8 | 182.5 | 224.0 | - | - | 17.4 | - | Sell | - | 3,171 | -18.7 | - | - |
| Mphasis | 1,886 | 4.30 | 88.5 | 95.5 | 105.9 | 124.0 | - | - | 15.4 | - | Sell | -x | 1,636 | -13.3 | - | - |

*Source: Nirmal Bang Institutional Equities Research, All Prices as of close 17 March, 2023.*

## Exhibit 3: Indian IT Services sector valuations

| | TCS | Infosys | Wipro | HCL Tech | Tech Mahindra | Persistent | LTIM | Mphasis | Coforge |
|---|---|---|---|---|---|---|---|---|---|
| **Year ending** | **March** | **March** | **March** | **March** | **March** | **March** | **March** | **March** | **March** |
| **Prices as on 17-Mar-2023** | **3,179** | **1,421** | **377** | **1,108** | **1,127** | **4,652** | **4,674** | **1,886** | **3,901** |
| **Currency** | **INR** | **INR** | **INR** | **INR** | **INR** | **INR** | **INR** | **INR** | **INR** |
| Market Value (Rs Bn) | 11,553.4 | 5,852.1 | 2,051.9 | 2,987.3 | 1,090.3 | 353.1 | 1,373.2 | 352.9 | 236.6 |
| **(US$mn)** | **1,40,895** | **71,368** | **25,023** | **36,431** | **13,297** | **4,306** | **16,746** | **4,304** | **2,886** |
| March 2024 Target Price | 2,709 | 1218 | 351 | 944 | 992 | 2912 | 3842 | 1636 | 3171 |
| Upside/(downside) | -14.8% | -14.3% | -6.8% | -14.8% | -12.0% | -37.4% | -17.8% | -13.3% | -18.7% |
| Recommendation | Sell | Sell | Sell | Sell | Sell | Sell | Sell | Sell | Sell |
| **FDEPS (Rs)** | | | | | | | | | |
| FY20 | 86.2 | 38.9 | 16.6 | 40.8 | 45.2 | 44.4 | 87.1 | 63.6 | 71.5 |
| FY21 | 89.3 | 45.5 | 19.1 | 47.7 | 49.9 | 58.8 | 111.2 | 64.7 | 74.7 |
| FY22 | 103.6 | 52.4 | 22.3 | 49.8 | 62.7 | 90.2 | 133.3 | 76.4 | 109.0 |
| FY23E | 116.1 | 59.3 | 21.0 | 54.9 | 57.8 | 125.0 | 152.4 | 88.5 | 133.9 |
| FY24E | 125.9 | 61.5 | 23.1 | 58.5 | 60.3 | 150.6 | 172.3 | 95.5 | 154.8 |
| FY25E | 140.4 | 70.1 | 26.0 | 65.2 | 73.4 | 167.6 | 199.1 | 105.9 | 182.5 |
| FY26E | 155.2 | 79.5 | 29.4 | 74.7 | 84.5 | 203.0 | 233.8 | 124.0 | 224.0 |
| **PE (x)** | | | | | | | | | |
| FY20 | 36.9 | 36.5 | 22.6 | 27.2 | 24.9 | 104.8 | 53.7 | 29.7 | 54.6 |
| FY21 | 35.6 | 31.2 | 19.7 | 23.2 | 22.6 | 79.2 | 42.0 | 29.2 | 52.2 |
| FY22 | 30.7 | 27.1 | 16.9 | 22.2 | 18.0 | 51.6 | 35.1 | 24.7 | 35.8 |
| FY23E | 27.4 | 24.0 | 17.9 | 20.2 | 19.5 | 37.2 | 30.7 | 21.3 | 29.1 |
| FY24E | 25.3 | 23.1 | 16.3 | 19.0 | 18.7 | 30.9 | 27.1 | 19.8 | 25.2 |
| FY25E | 22.7 | 20.3 | 14.5 | 17.0 | 15.4 | 27.7 | 23.5 | 17.8 | 21.4 |
| FY26E | 20.5 | 17.9 | 12.8 | 14.8 | 13.3 | 22.9 | 20.0 | 15.2 | 17.4 |
| **EV/EBITDA (x)** | | | | | | | | | |
| FY20 | 27.4 | 26.9 | 14.4 | 17.5 | 15.9 | 71.2 | 40.1 | 22.8 | 31.8 |
| FY21 | 24.8 | 21.3 | 11.4 | 13.8 | 12.7 | 50.6 | 29.7 | 20.6 | 29.0 |
| FY22 | 21.7 | 19.1 | 10.4 | 13.9 | 11.5 | 36.4 | 22.0 | 17.6 | 20.4 |
| FY23E | 19.5 | 17.1 | 10.6 | 12.5 | 11.8 | 23.2 | 25.0 | 15.2 | 16.6 |
| FY24E | 18.3 | 16.0 | 8.6 | 11.4 | 10.8 | 19.8 | 19.5 | 13.8 | 14.4 |
| FY25E | 16.4 | 14.2 | 7.4 | 10.5 | 9.2 | 17.7 | 16.7 | 12.0 | 12.7 |
| FY26E | 14.8 | 12.5 | 6.3 | 9.2 | 8.0 | 14.6 | 14.0 | 9.9 | 10.5 |
| **EV/Sales (x)** | | | | | | | | | |
| FY20 | 7.4 | 6.6 | 3.0 | 4.1 | 2.5 | 9.8 | 7.5 | 4.3 | 5.5 |
| FY21 | 7.0 | 5.9 | 2.9 | 3.8 | 2.3 | 8.3 | 6.5 | 3.8 | 4.9 |
| FY22 | 6.0 | 4.9 | 2.4 | 3.3 | 2.1 | 6.1 | 4.4 | 3.1 | 3.6 |
| FY23E | 5.1 | 4.1 | 2.1 | 2.8 | 1.8 | 4.3 | 4.5 | 2.7 | 2.9 |
| FY24E | 4.8 | 3.9 | 1.9 | 2.6 | 1.7 | 3.7 | 3.7 | 2.5 | 2.6 |
| FY25E | 4.3 | 3.4 | 1.7 | 2.3 | 1.6 | 3.3 | 3.4 | 2.3 | 2.3 |
| FY26E | 3.9 | 3.0 | 1.4 | 2.1 | 1.4 | 2.7 | 2.8 | 2.0 | 2.0 |
| **Pre-Tax ROIC (%)** | | | | | | | | | |
| FY20 | 55.5 | 43.0 | 32.2 | 33.3 | 28.6 | 35.1 | 56.3 | 33.5 | 31.8 |
| FY21 | 54.9 | 45.7 | 35.9 | 33.7 | 32.8 | 57.2 | 67.6 | 33.1 | 33.7 |
| FY22 | 59.7 | 47.0 | 32.3 | 33.0 | 33.3 | 58.0 | 55.3 | 35.6 | 35.3 |
| FY23E | 62.1 | 49.1 | 24.6 | 37.1 | 26.0 | 47.7 | 53.0 | 37.4 | 31.8 |
| FY24E | 61.7 | 49.3 | 25.4 | 38.6 | 27.5 | 42.4 | 60.9 | 37.6 | 33.1 |
| FY25E | 64.6 | 52.9 | 29.1 | 41.0 | 33.1 | 43.9 | 64.7 | 39.3 | 34.3 |
| FY26E | 64.6 | 56.1 | 33.9 | 44.3 | 37.6 | 49.1 | 67.4 | 44.2 | 37.6 |

*Source: Company, Nirmal Bang Institutional Equities Research*

## Exhibit 4: Stock and Index Performance

| Stock Performance(%) | CY19 | CY20 | CY21 | CY22 | 3QCY19 | 4QCY19 | 1QCY20 | 2QCY20 | 3QCY20 | 4QCY20 | 1QCY21 | 2QCY21 | 3QCY21 | 4QCY21 | 1QCY22 | 2QCY22 | 3QCY22 | 4QCY22 | QTD | YTD |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| TCS | 14.0 | 32.4 | 30.6 | (12.9) | (5.7) | 3.0 | (15.5) | 14.0 | 19.7 | 14.9 | 11.0 | 5.3 | 12.8 | (1.0) | 0.0 | (12.6) | (8.0) | 8.4 | (2.4) | (2.4) |
| Infosys | 11.3 | 71.8 | 50.3 | (20.1) | 10.1 | (9.2) | (12.3) | 14.7 | 37.0 | 24.6 | 8.9 | 15.6 | 6.0 | 12.7 | 1.0 | (23.3) | (3.3) | 6.7 | (5.8) | (5.8) |
| Wipro | (0.7) | 57.1 | 85.2 | (45.1) | (14.5) | 2.5 | (20.0) | 11.7 | 42.7 | 23.2 | 7.2 | 31.8 | 16.2 | 12.8 | (17.3) | (29.7) | (5.2) | (0.4) | (4.1) | (4.1) |
| HCL Tech | 18.6 | 66.5 | 39.4 | (21.2) | 1.5 | 5.1 | (23.2) | 27.6 | 45.7 | 16.6 | 3.9 | 0.1 | 30.1 | 3.1 | (11.8) | (16.4) | (4.2) | 11.5 | 6.7 | 6.7 |
| Tech Mahindra | 6.8 | 27.7 | 84.0 | (43.2) | 1.1 | 6.7 | (25.8) | (3.9) | 45.7 | 22.9 | 1.9 | 10.5 | 26.0 | 29.7 | (16.3) | (33.3) | 0.9 | 0.8 | 10.9 | 10.9 |
| Persistent | 6.9 | 125.0 | 223.3 | (21.1) | (7.7) | 18.3 | (18.3) | 15.3 | 111.2 | 13.1 | 26.7 | 52.9 | 26.5 | 32.0 | (2.8) | (28.6) | (4.7) | 19.4 | 20.2 | 20.2 |
| Mindtree | (7.4) | 107.5 | 187.9 | NA | (23.7) | 13.0 | 3.6 | 11.7 | 44.6 | 24.0 | 25.5 | 24.8 | 61.5 | 13.8 | (10.0) | (32.9) | 9.4 | NA | NA | NA |
| Coforge | 37.7 | 70.2 | 117.7 | (34.1) | 3.7 | 14.0 | (27.8) | 22.8 | 64.8 | 16.5 | 8.2 | 42.0 | 26.1 | 12.4 | (24.3) | (20.6) | (5.0) | 15.5 | 0.4 | 0.4 |
| DXC | (29.0) | (31.5) | 25.0 | (17.7) | (46.5) | 27.4 | (65.3) | 26.4 | 8.2 | 44.3 | 21.4 | 24.6 | -13.7 | (4.2) | 1.4 | (6.4) | (19.2) | 8.3 | (11.4) | (11.4) |
| Endava | 93.0 | 64.7 | 118.8 | (54.4) | (5.9) | 23.1 | (24.5) | 37.4 | 30.7 | 21.5 | 10.3 | 33.9 | 19.8 | 23.6 | (20.8) | (29.9) | (8.7) | (5.1) | (10.2) | (10.2) |
| Cognizant | (1.4) | 32.1 | 8.3 | (35.5) | (4.9) | 2.9 | (25.1) | 22.3 | 22.2 | 18.0 | (4.7) | (11.3) | 7.1 | 19.6 | 1.1 | (23.6) | (14.9) | (0.4) | 2.1 | 2.1 |
| Accenture | 50.6 | 24.0 | 58.7 | (35.6) | 4.1 | 9.5 | (22.5) | 31.5 | 5.2 | 15.6 | 5.8 | 6.7 | 8.5 | 29.6 | (18.7) | (17.0) | (7.3) | 3.7 | (5.2) | (5.2) |
| Globant SA | 86.8 | 105.2 | 44.3 | (46.5) | (9.4) | 15.8 | (17.1) | 70.5 | 19.6 | 21.4 | (4.6) | 5.6 | 28.2 | 11.8 | (16.6) | (30.5) | 7.5 | (10.1) | (9.6) | (9.6) |
| Epam Systems INC | 86.0 | 68.9 | 86.5 | (51.0) | 5.3 | 16.4 | (12.5) | 35.7 | 28.3 | 10.8 | 10.7 | 28.8 | 11.6 | 17.2 | (55.6) | 3.6 | 22.9 | (9.5) | (14.6) | (14.6) |
| Cap Gemini | 26.7 | 16.4 | 70.0 | (27.6) | (1.1) | 0.7 | (29.3) | 32.4 | 7.7 | 15.5 | 14.4 | 11.6 | 11.2 | 19.6 | (6.0) | (16.5) | 1.3 | (5.8) | 9.4 | 8.9 |
| Cyient | (33.2) | 25.0 | 99.4 | (20.7) | (14.2) | (11.8) | (44.1) | 20.3 | 39.1 | 33.8 | 26.2 | 32.8 | 23.6 | (3.7) | (9.3) | (18.4) | 4.8 | 2.3 | 18.7 | 18.7 |
| Mphasis | (8.1) | 67.0 | 120.6 | (41.9) | (4.7) | (3.6) | (28.0) | 32.3 | 57.4 | 11.3 | 15.4 | 20.1 | 45.5 | 9.4 | (0.6) | (32.1) | (9.0) | (5.5) | (4.4) | (4.4) |
| LTI | 1.1 | 109.1 | 100.4 | (40.5) | (17.4) | 15.8 | (18.4) | 37.0 | 29.9 | 43.9 | 10.8 | 0.4 | 41.6 | 27.2 | (16.0) | (35.4) | 12.1 | (2.1) | 7.1 | 7.1 |
| LTTS | (13.6) | 59.3 | 139.3 | (34.2) | (12.8) | (3.6) | (20.9) | 10.5 | 26.1 | 44.6 | 13.4 | 9.4 | 61.8 | 19.2 | (8.8) | (40.6) | 18.5 | 2.6 | (3.1) | (3.1) |
| Tata Elxsi | (19.6) | 122.2 | 219.7 | 7.1 | (23.5) | 22.0 | (23.8) | 42.6 | 43.4 | 42.6 | 46.7 | 59.8 | 30.0 | 4.9 | 50.7 | (7.6) | 4.7 | (26.5) | (2.0) | (2.0) |
| Intellect Design | (38.1) | 127.7 | 135.6 | (39.9) | (31.3) | (24.2) | (60.7) | 105.2 | 100.0 | 41.1 | 134.9 | (2.2) | -1.9 | 4.5 | 27.4 | (33.0) | (18.3) | (13.8) | (6.8) | (6.8) |
| OFSS | (25.2) | 17.3 | 23.3 | (23.7) | 0.1 | (13.7) | (26.1) | 41.5 | 7.3 | 4.6 | (0.4) | 14.1 | 24.8 | (13.1) | (9.4) | (13.3) | (3.7) | 1.4 | 7.1 | 7.1 |
| Ramco Systems | (38.8) | 254.1 | (21.2) | (46.4) | (23.1) | 4.2 | (56.7) | 50.2 | 285.4 | 41.3 | (11.7) | 14.9 | -21.1 | (1.5) | (44.1) | 6.3 | (6.3) | (3.5) | (15.2) | (15.2) |
| Just Dial | 13.7 | 10.8 | 29.1 | (26.5) | (9.3) | (17.2) | (48.6) | 36.9 | (5.4) | 66.5 | 36.3 | 11.4 | 2.9 | (17.4) | (12.9) | (20.5) | 0.7 | 5.6 | (3.7) | (3.7) |
| Infoedge | 74.0 | 88.1 | 17.2 | (29.5) | (10.1) | 25.2 | (19.6) | 35.7 | 31.6 | 30.9 | (10.0) | 14.8 | 30.8 | (13.3) | (19.1) | (16.6) | 2.7 | 1.9 | (11.2) | (11.2) |
| Makemytrip | (3.0) | 29.0 | (6.2) | (0.5) | (8.5) | 0.9 | (47.8) | 28.1 | 0.3 | 92.3 | 6.9 | (4.8) | -9.5 | 1.9 | (3.2) | (6.0) | 19.5 | (10.2) | NA | (8.3) |
| Birlsoft | (47.9) | 249.2 | 120.6 | (45.2) | (19.8) | 2.1 | (13.7) | 46.6 | 118.2 | 26.5 | 2.5 | 57.9 | 2.5 | 33.0 | (16.5) | (22.4) | (20.0) | 5.8 | (7.4) | (7.4) |
| Mastek | (8.2) | 170.7 | 166.7 | (43.4) | (26.9) | 20.1 | (54.6) | 110.3 | 116.6 | 31.0 | 7.7 | 85.8 | 37.6 | (3.2) | 10.0 | (35.4) | (18.8) | (1.8) | (3.3) | (3.3) |
| Zensar | (24.0) | 36.0 | 119.7 | (59.2) | (15.2) | (20.4) | (49.6) | 40.7 | 55.3 | 23.4 | 15.4 | 13.7 | 53.5 | 9.2 | (29.6) | (25.8) | (22.2) | 0.6 | 30.3 | 30.3 |
| Newgen Software | (34.2) | 37.7 | 119.5 | (38.9) | (13.8) | (27.0) | (45.7) | 40.9 | 45.2 | 23.8 | 5.5 | 125.3 | -8.5 | 1.0 | (21.0) | (23.2) | (0.3) | 1.0 | 23.4 | 23.4 |
| Happiest Minds | NA | NA | 276.6 | (32.0) | NA | NA | NA | NA | NA | (1.3) | 56.9 | 85.9 | 37.4 | (6.0) | (18.5) | (21.5) | 19.9 | (11.3) | (7.1) | (7.1) |
| Hinduja Global Solutions | (10.0) | 93.8 | 193.0 | (19.5) | (10.3) | 1.2 | (13.3) | 29.6 | 6.0 | 62.7 | 53.0 | 39.2 | 19.1 | 15.5 | (38.1) | 4.2 | 18.5 | 5.2 | (19.4) | (19.4) |
| Perficient Inc | 109.6 | 3.4 | 171.3 | (46.0) | 12.4 | 19.4 | (41.2) | 32.1 | 19.5 | 11.5 | 23.2 | 37.0 | 43.9 | 11.7 | (14.9) | (17.4) | (29.1) | 7.4 | (1.6) | (1.6) |
| **Index Performance (%)** | | | | | | | | | | | | | | | | | | | | |
| Nasdaq | 38.9 | 47.6 | 26.6 | (33.0) | 1.0 | 12.7 | (10.5) | 30.0 | 12.4 | 12.9 | 1.6 | 11.2 | 0.9 | 11.1 | (9.1) | (21.4) | (4.6) | (0.3) | 15.0 | 15.0 |
| S&P 500 | 30.0 | 16.3 | 26.9 | (19.4) | 1.2 | 8.5 | (20.0) | 20.0 | 8.5 | 11.7 | 5.8 | 8.2 | 0.2 | 10.6 | (4.9) | (15.7) | (5.3) | 7.1 | 3.1 | 3.1 |
| Stox 600 | 23.7 | (4.0) | 22.2 | (12.9) | 2.2 | 5.8 | (23.0) | 12.6 | 0.2 | 10.5 | 7.7 | 5.4 | 0.4 | 7.3 | (6.5) | (9.3) | (4.8) | 9.6 | 3.9 | 3.9 |
| DAX | 25.5 | 3.5 | 15.8 | (12.3) | 0.2 | 6.6 | (25.0) | 23.9 | 3.7 | 7.5 | 9.4 | 3.5 | -1.7 | 4.1 | (9.3) | (9.8) | (5.2) | 14.9 | 7.5 | 7.5 |
| Nikkei | 18.2 | 16.0 | 4.9 | (9.4) | 2.3 | 8.7 | (20.0) | 17.8 | 4.0 | 18.4 | 6.3 | (1.3) | 2.3 | (2.2) | (3.4) | (3.7) | (1.7) | 0.6 | 4.7 | 3.5 |
| MSCI EM | 15.8 | 15.8 | (4.6) | (22.4) | (5.1) | 11.4 | (23.9) | 17.3 | 8.7 | 19.3 | 1.9 | 4.4 | -8.8 | (1.7) | (7.3) | (11.3) | (12.5) | 9.2 | (1.6) | (1.6) |
| Bovespa | 31.6 | 2.9 | (11.9) | NA | 3.7 | 10.4 | (36.9) | 30.2 | (0.5) | 25.8 | (2.0) | 8.7 | -12.5 | (5.5) | 14.5 | (17.0) | 11.7 | NA | NA | NA |
| HSCEI | 11.8 | (3.8) | (23.3) | (18.6) | (6.3) | 9.5 | (14.1) | 1.7 | (3.7) | 14.3 | 2.2 | (2.8) | -18.2 | (5.6) | (8.6) | 2.2 | (22.9) | 13.4 | (3.3) | (3.3) |
| | | | | | | | | | | | | | | | | | | | | |
| NIFTY IT | 8.8 | 54.9 | 59.6 | (26.0) | (2.5) | 0.7 | (18.5) | 15.6 | 35.2 | 21.6 | 6.6 | 12.8 | 20.1 | 10.5 | (6.2) | (23.3) | (3.1) | 6.1 | 0.8 | 0.8 |
| NIFTY BANK | 18.6 | (2.8) | 13.5 | 21.2 | (6.4) | 10.5 | (40.5) | 11.6 | 0.4 | 45.7 | 6.5 | 4.4 | 7.6 | (5.2) | 2.5 | (8.1) | 15.6 | 11.3 | (7.9) | (7.9) |
| NIFTY FMCG | (1.4) | 13.5 | 10.0 | 17.5 | 5.4 | (3.3) | (9.3) | 10.0 | (0.7) | 14.5 | 2.2 | 3.3 | 12.0 | (7.0) | (3.4) | 3.8 | 17.9 | (0.5) | 1.6 | 1.6 |
| NIFTY AUTO | (10.6) | 11.5 | 19.0 | 15.3 | (5.5) | 10.1 | (42.6) | 42.0 | 17.7 | 16.3 | 7.3 | 7.5 | 0.0 | 3.2 | (3.5) | 10.9 | 8.5 | (0.7) | (2.9) | (2.9) |
| NIFTY ENERGY | 10.7 | 6.4 | 33.7 | 14.3 | (3.4) | 2.6 | (30.1) | 29.4 | 4.4 | 12.6 | 7.5 | 9.0 | 15.3 | (1.0) | 14.1 | (2.8) | 1.9 | 1.1 | (12.4) | (12.4) |
| NIFTY PHARMA | (8.8) | 60.6 | 10.1 | (11.4) | (6.4) | 6.5 | (10.7) | 39.1 | 17.9 | 9.7 | (5.0) | 16.6 | 1.1 | (1.7) | (4.5) | (10.5) | 6.7 | (2.9) | (7.3) | (7.3) |
| NIFTY METAL | (10.0) | 16.2 | 69.7 | 21.8 | (18.1) | 14.8 | (43.4) | 25.6 | 12.6 | 45.1 | 22.2 | 31.1 | 7.6 | (1.6) | 16.3 | (27.4) | 23.8 | 16.6 | (16.7) | (16.7) |
| NIFTY INFRA | 2.5 | 12.2 | 35.6 | 6.1 | (4.8) | 1.5 | (27.5) | 28.5 | 1.6 | 18.5 | 12.0 | 6.2 | 15.8 | (1.5) | 1.4 | (7.9) | 7.3 | 5.9 | (3.1) | (3.1) |
| NIFTYMIDCAP | (3.9) | 21.9 | 46.1 | 3.5 | (9.2) | 6.7 | (31.6) | 25.6 | 15.5 | 22.7 | 13.7 | 13.8 | 12.7 | 0.2 | (2.5) | (10.9) | 15.9 | 2.7 | (4.5) | (4.5) |
| NIFTY SMALLCAP | (8.8) | 21.5 | 59.3 | (13.8) | (9.8) | 4.3 | (38.4) | 28.4 | 26.2 | 21.7 | 14.5 | 20.0 | 11.9 | 3.7 | (7.6) | (19.1) | 11.8 | 3.1 | (6.5) | (6.5) |
| NIFTY | 12.0 | 14.9 | 24.1 | 4.3 | (2.7) | 6.0 | (29.3) | 19.8 | 9.2 | 24.3 | 5.1 | 7.0 | 12.1 | (1.5) | 0.6 | (9.6) | 8.3 | 5.9 | (5.6) | (5.6) |
| | | | | | | | | | | | | | | | | | | | | |
| USD/INR | 70.4 | 74.1 | 73.9 | 78.6 | 70.3 | 71.4 | 72.4 | 75.9 | 74.4 | 73.8 | 72.9 | 73.8 | 74.1 | 75.0 | 75.2 | 77.3 | 79.8 | 82.2 | 82.2 | 82.2 |

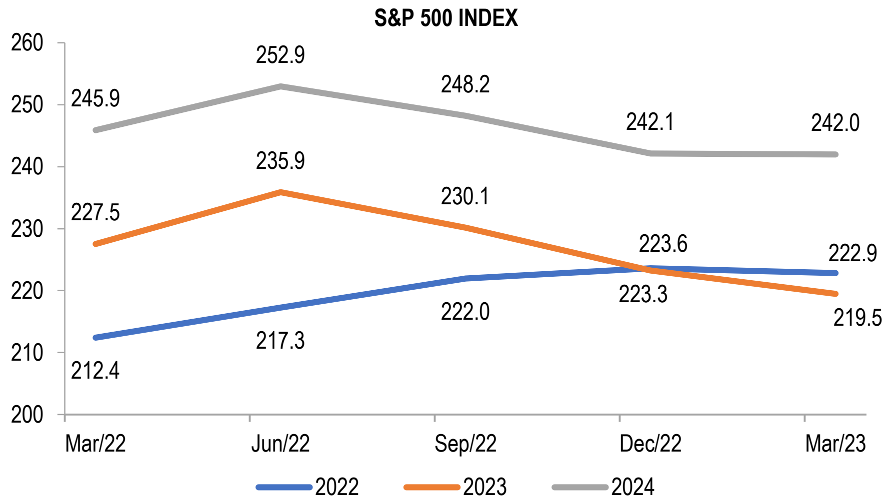
*Source: Bloomberg, Nirmal Bang Institutional Equities Research, Priced as of 17 March, 2023*

## Customer health is deteriorating.

Tracking customer health is one way to understand the trajectory of IT spends. Pressured sales, EBITDA, PAT and cashflow picture should normally mean curtailed IT spending. A look at the earnings picture of S&P500 index in its aggregate (for 2022, 2023 and 2024) over the last 12 months indicates that it has been under pressure and that the outlook for the immediate 12 months (2023) has been deteriorating quite rapidly even before the emergence of the recent problems in the US and European banking space. The performance of the sectoral indices indicates pain in sectors like Technology, Healthcare and Auto. A look at the Financial sector's earnings expectations implies continued NIM expansion as can be seen in Exhibit 12. We believe that the SVB episode could mean rise in the cost of funds for banks and potential lower-than-expected expansion of NIMs.

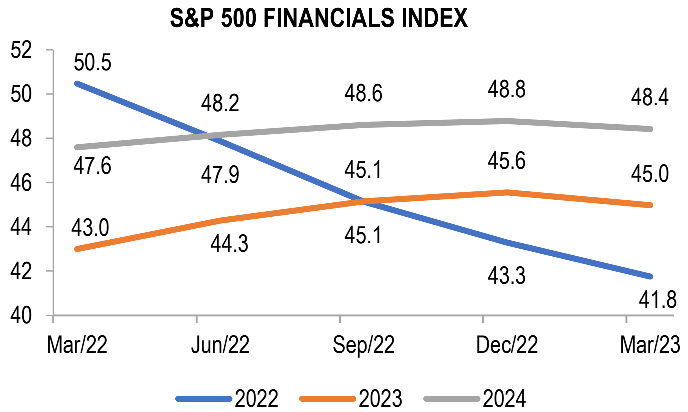
We have also looked at the sales, EBITDA, and profit growth trends for the top 25 market cap S&P500 companies (as of today). As can be seen in Exhibit 7, many have been showing signs of deterioration over the last 12 months. The deterioration seems much more pronounced in the case of Hitech (Software and Semiconductor), Retail, Digital Media, certain parts of Consumer sector and Pharma/Healthcare companies. Interestingly, the segments of demand that have been called out for weakness by the Indian IT Services industry broadly coincide with these areas. In some cases, the companies seem to be experiencing significant margin pressure; possibly, this is the reason for significant layoffs that one has seen in the Technology sector in the US.

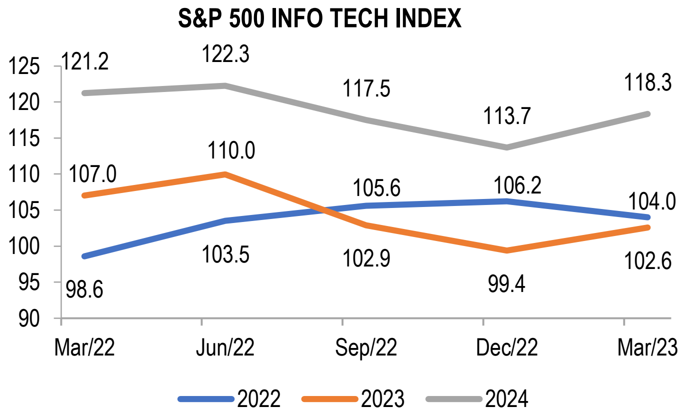
**Exhibit 5: EPS movement of various years of S&P 500 index over the last 12 months**

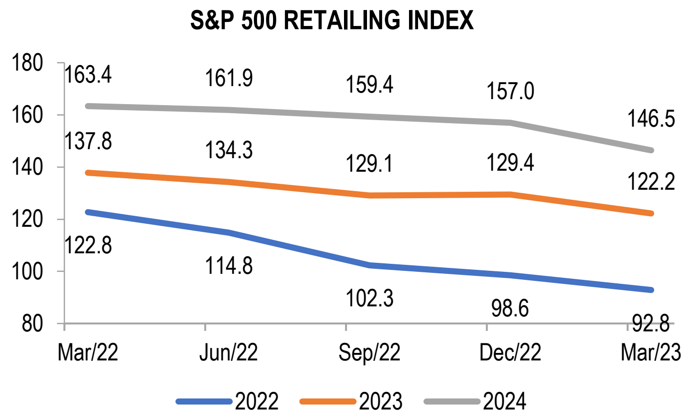


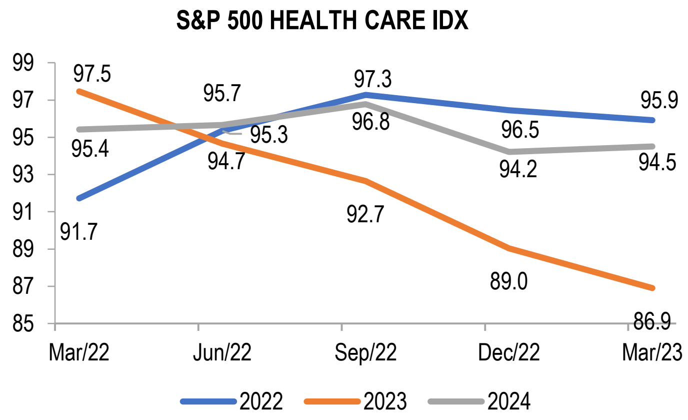

*Source: Bloomberg, Nirmal Bang Institutional Equities Research*

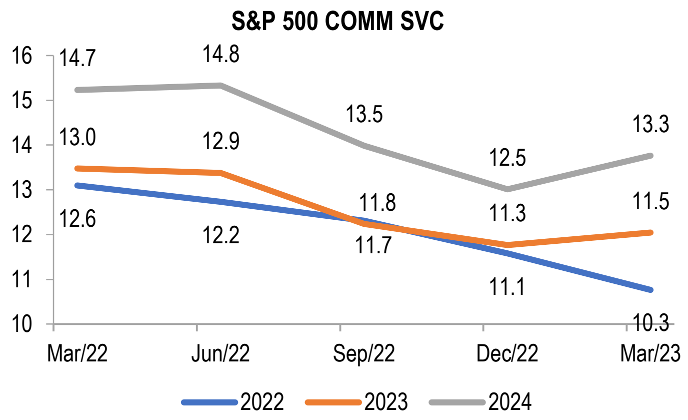
**Exhibit 6: EPS movement of various S&P 500 sectoral indices over the last 12 months**

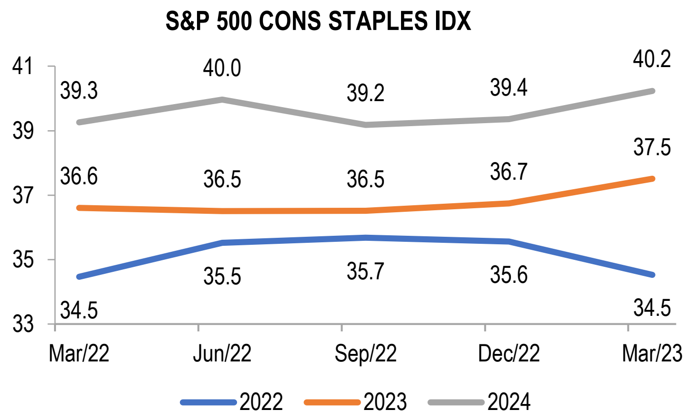


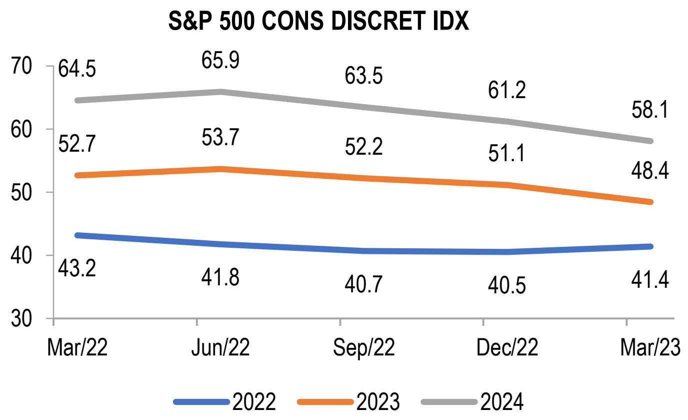



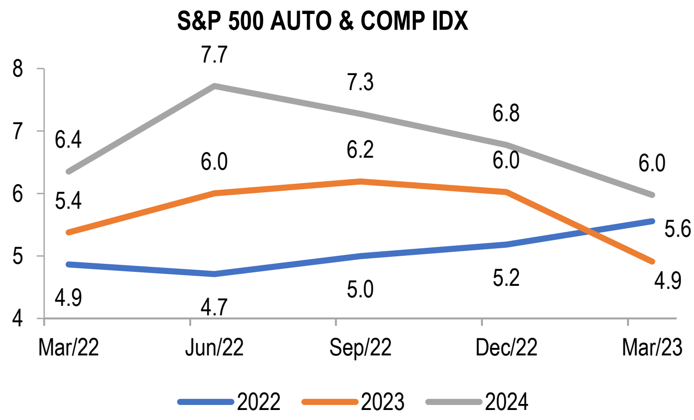


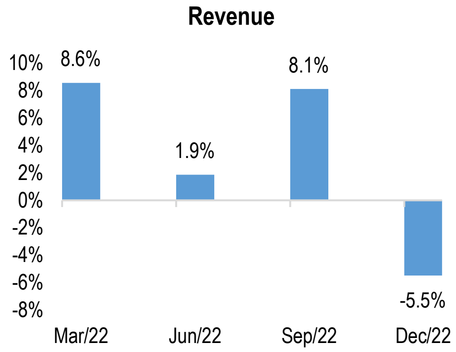



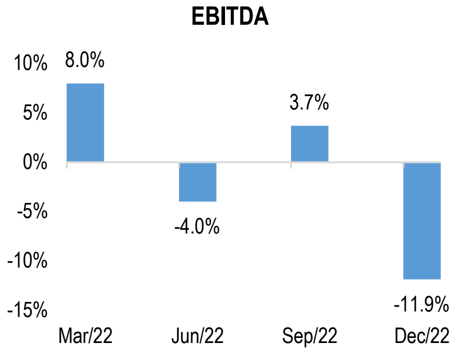

*Source: Bloomberg, Nirmal Bang Institutional Equities Research*

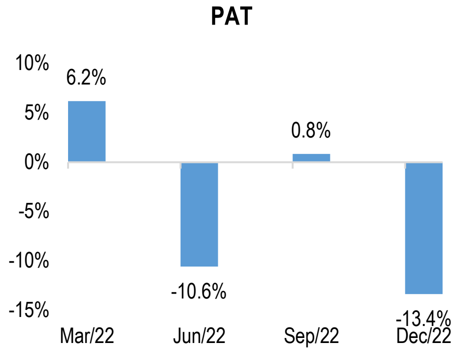
*Source: Bloomberg, Nirmal Bang Institutional Equities Research*

**Exhibit 7: YoY growth in sales, EBITDA, and PAT for the top 24 market cap companies in S&P 500 index in the last 4 quarters (Source of financial data: Bloomberg)**

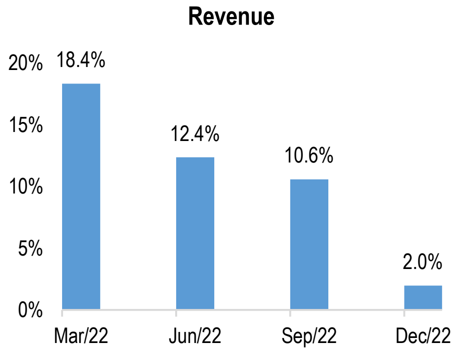
## Apple Inc

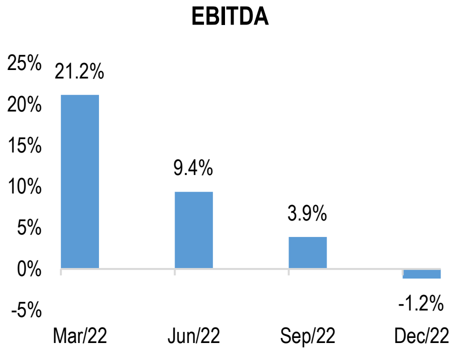


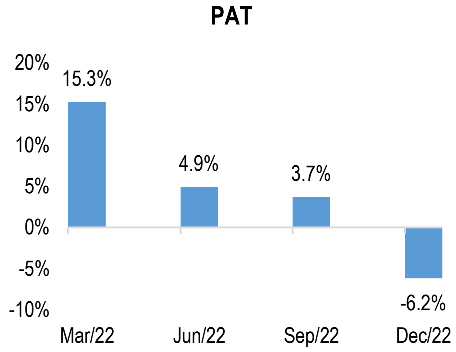



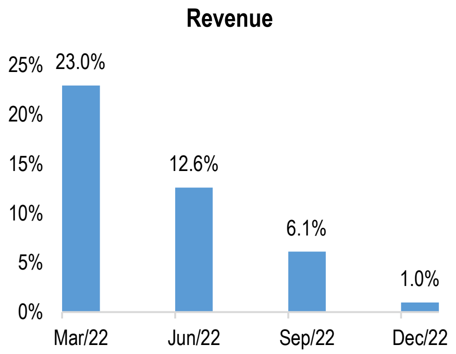

## Microsoft Corp

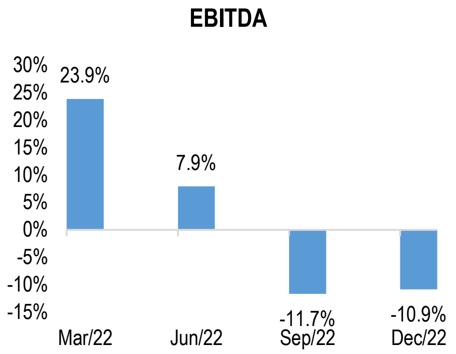


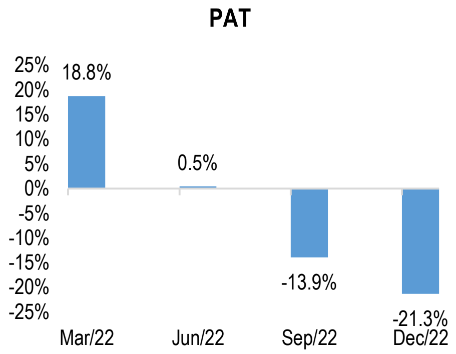



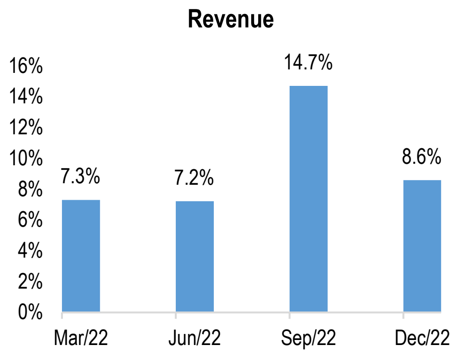

## Alphabet Inc

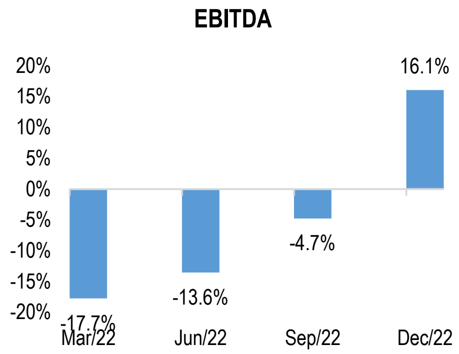


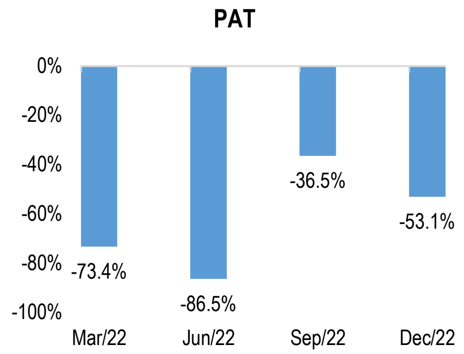



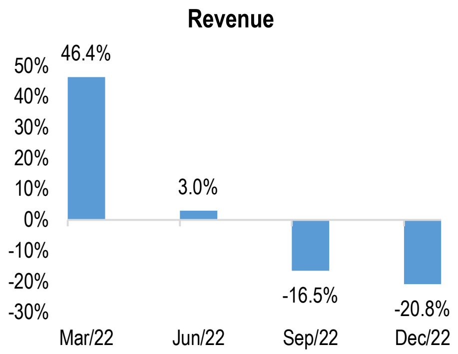
## Amazon.Com Inc

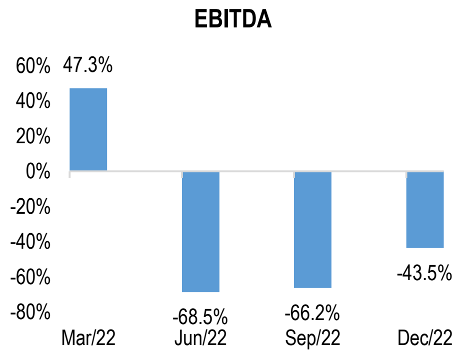


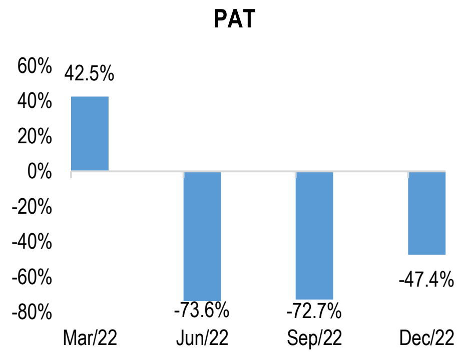



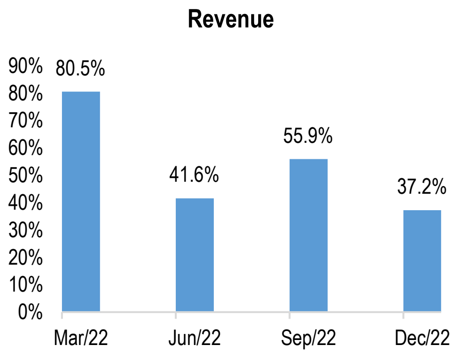

## Nvidia Corp

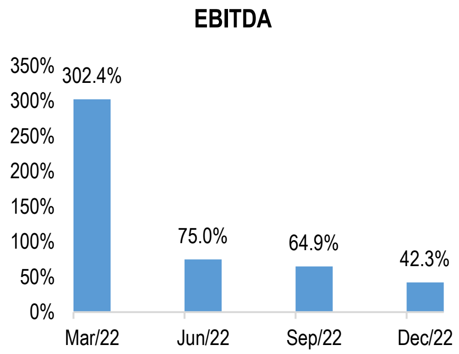


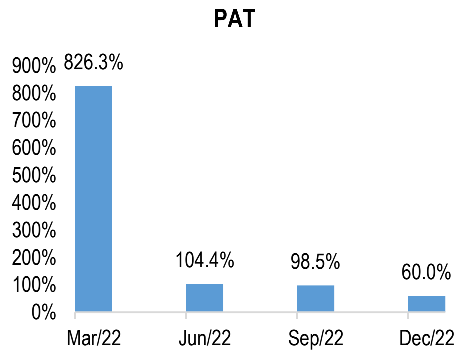



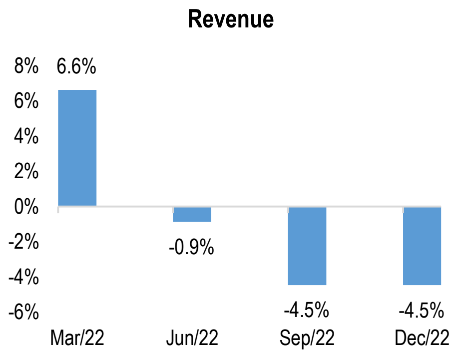

## Tesla Inc

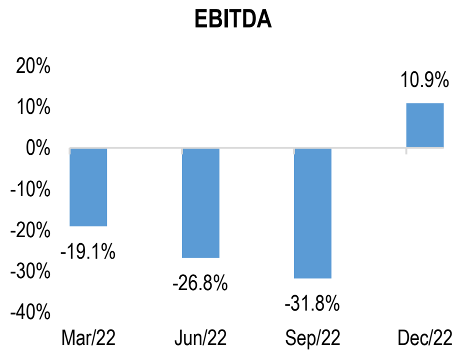


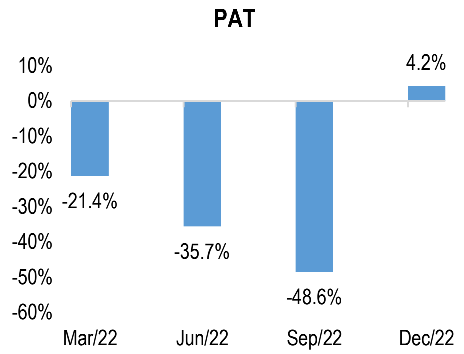




## Meta Platforms Inc

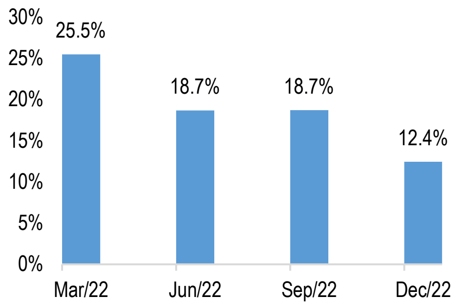


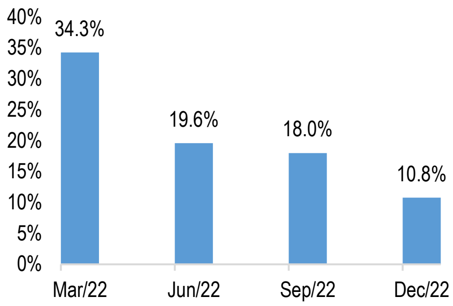



## Visa Inc

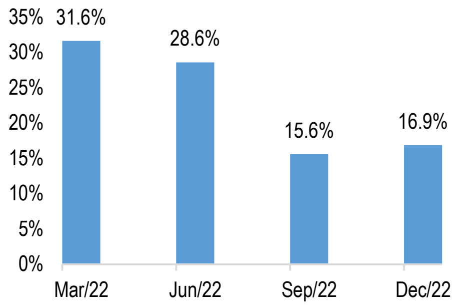
**Revenue**




**EBITDA**

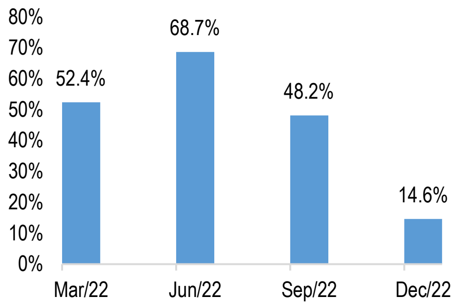



**PAT**




## Exxon Mobil Corp

**Revenue**

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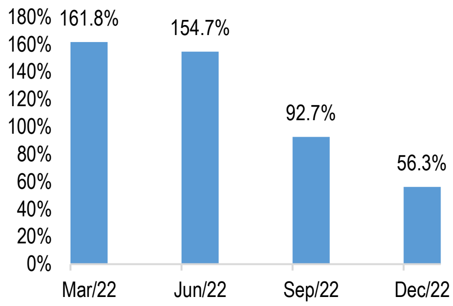


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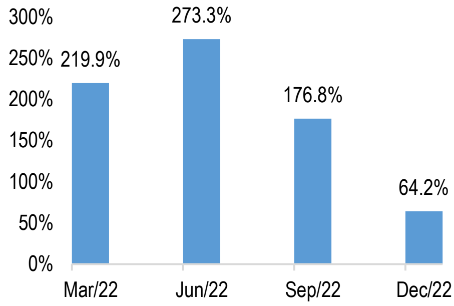
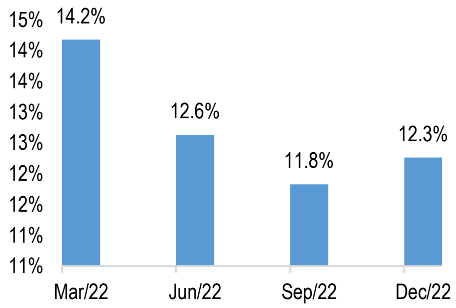



## UnitedHealth Group Inc

**Revenue**

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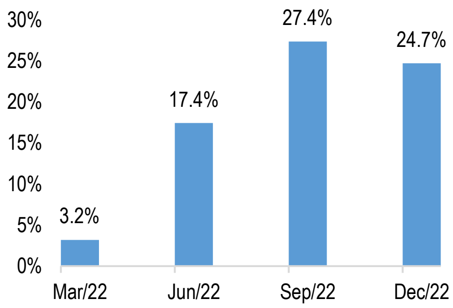


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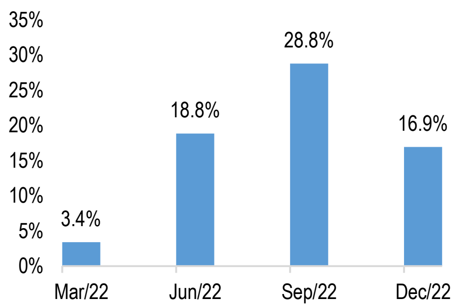
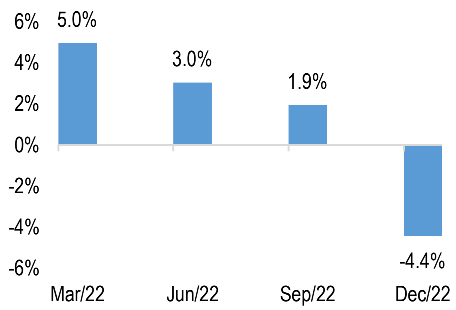



## Johnson & Johnson

**Revenue**

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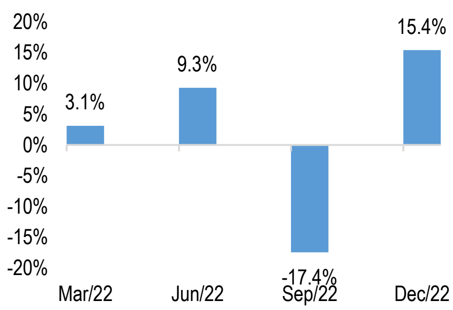


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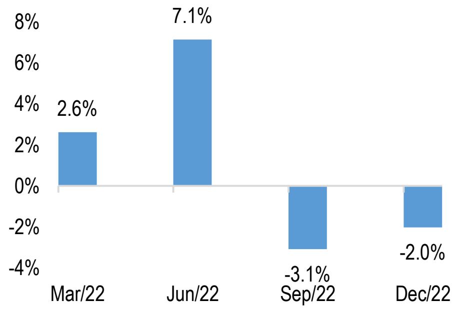
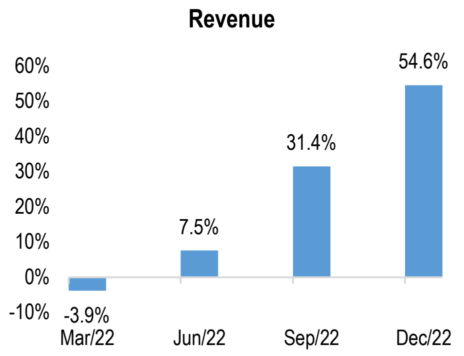
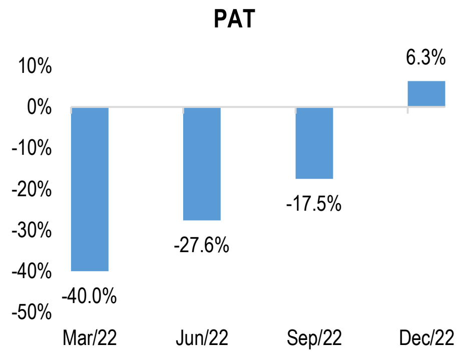


## JPMorgan Chase & Co

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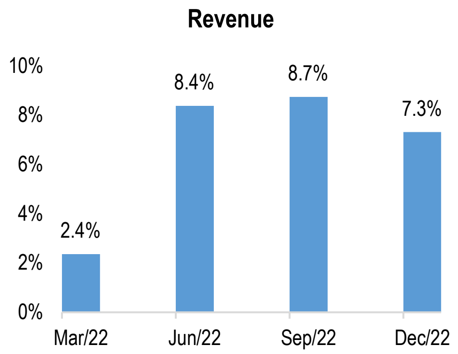


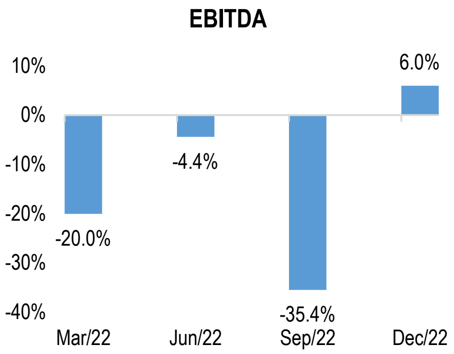


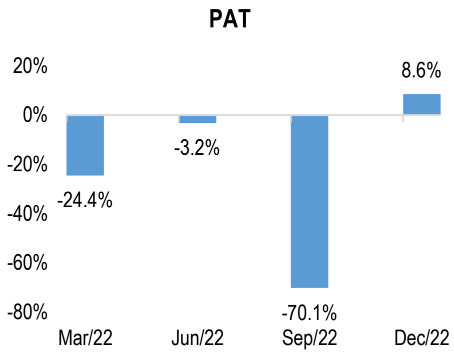


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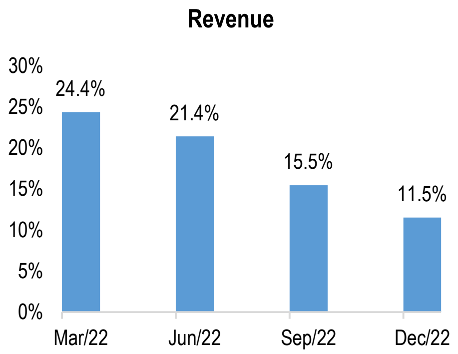
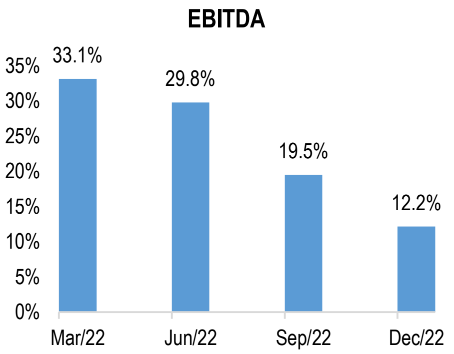
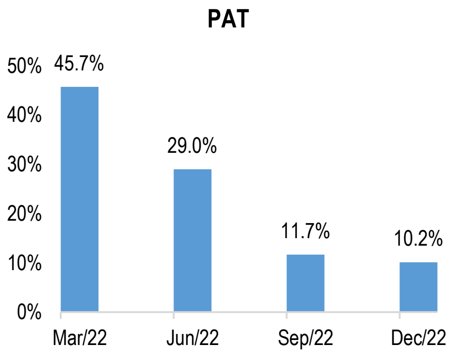
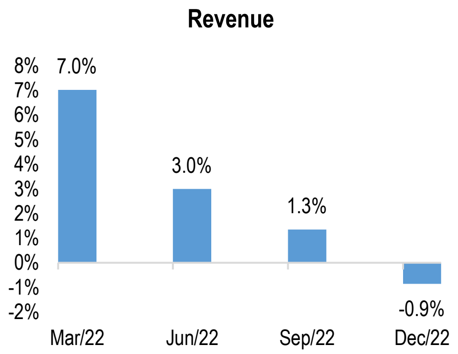
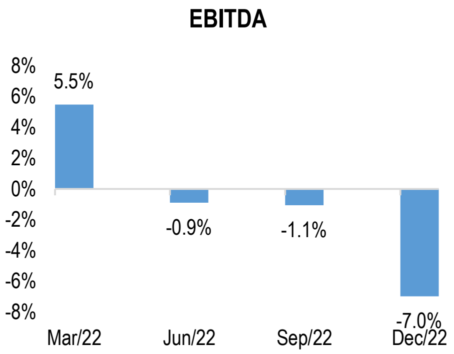


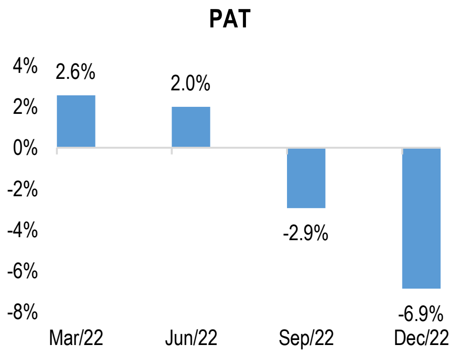



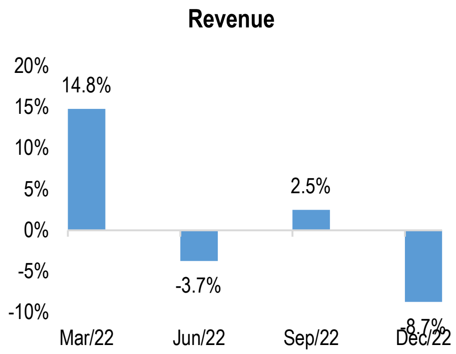

## Procter & Gamble Co

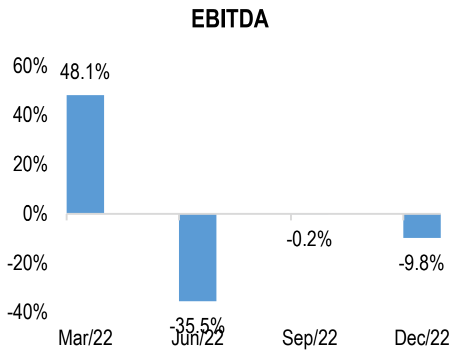


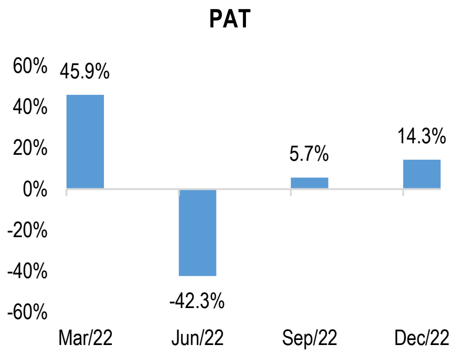



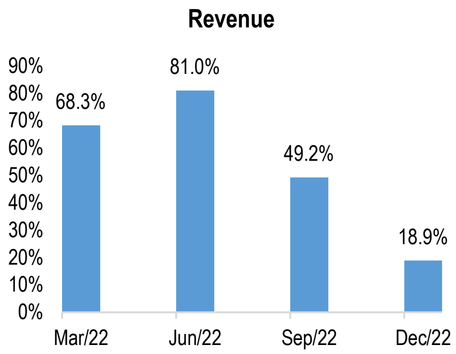
## Eli Lilly & Co

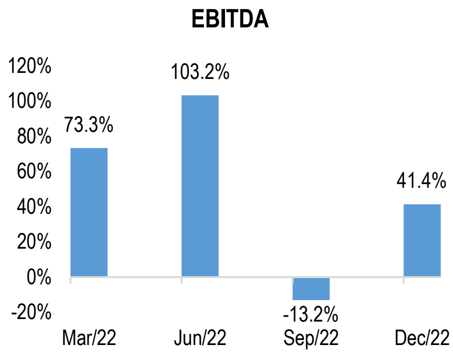


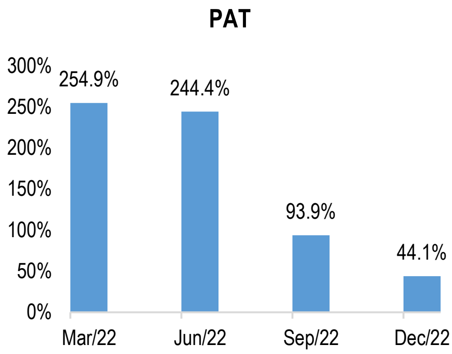




## Chevron Corp

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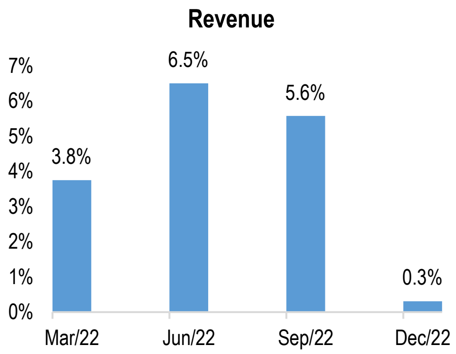
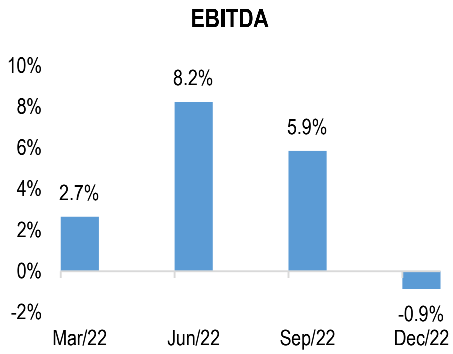
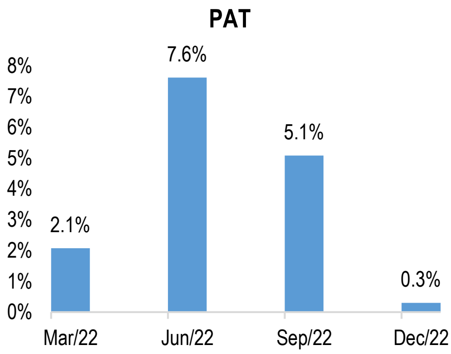
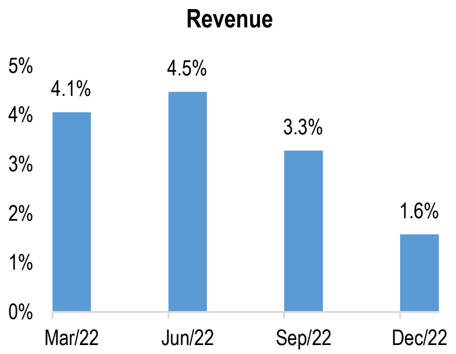
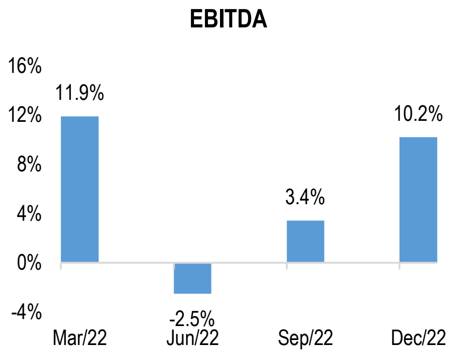


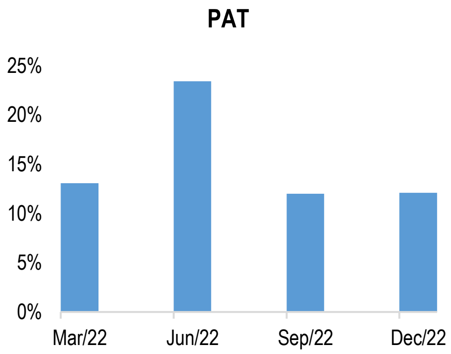



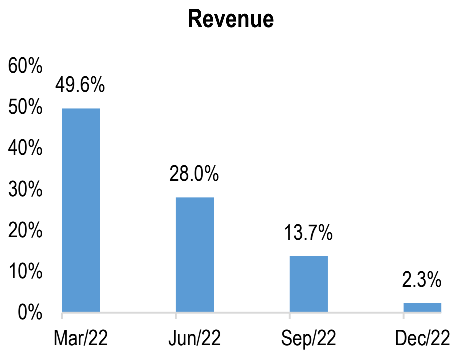

## AbbVie Inc

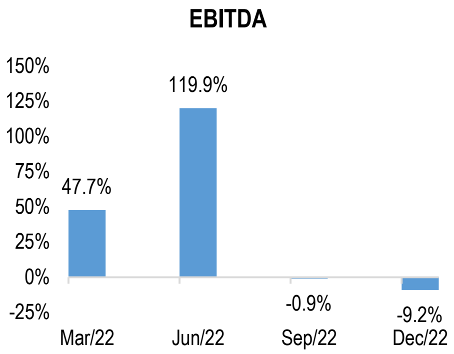


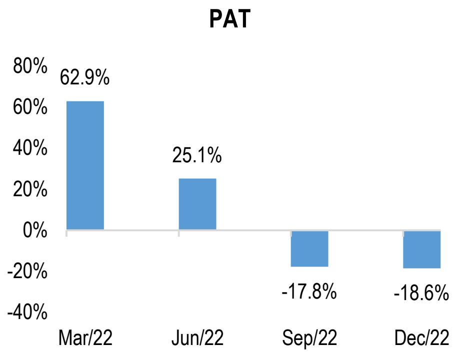



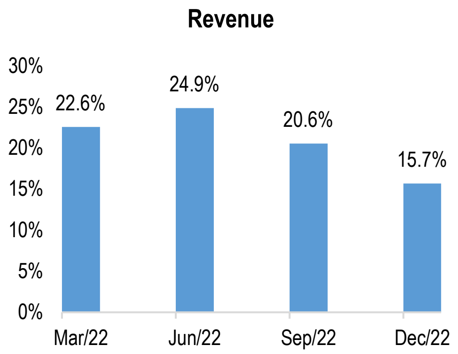
## Merck & Co Inc

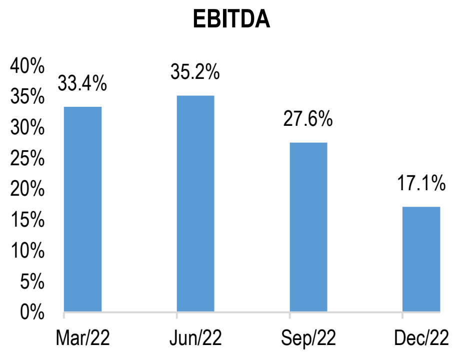


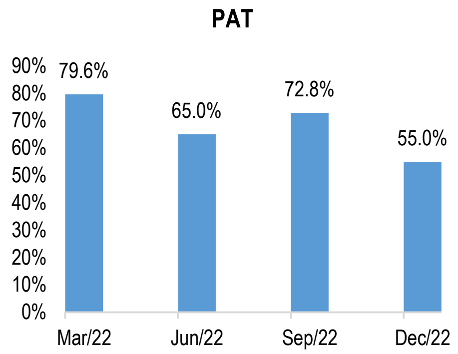



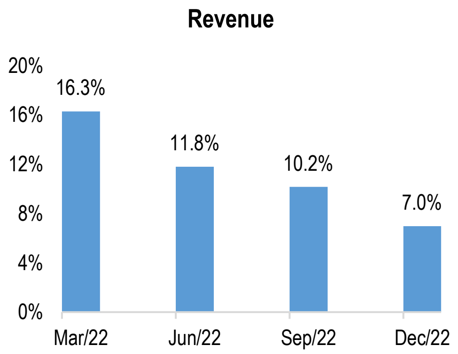

## Broadcom Inc

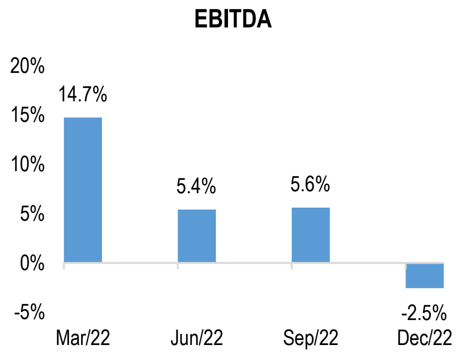


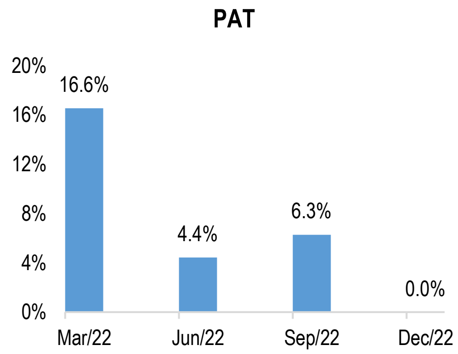




## Coca-Cola Co

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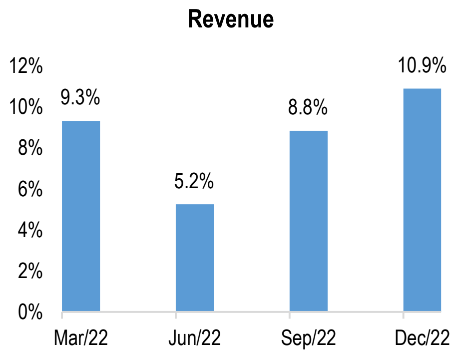
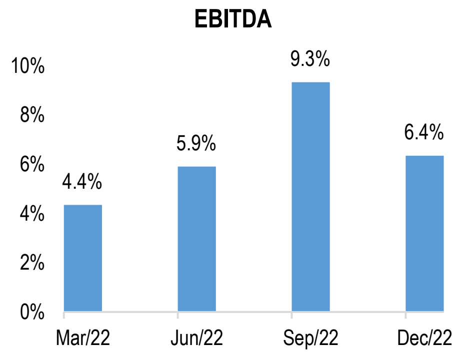
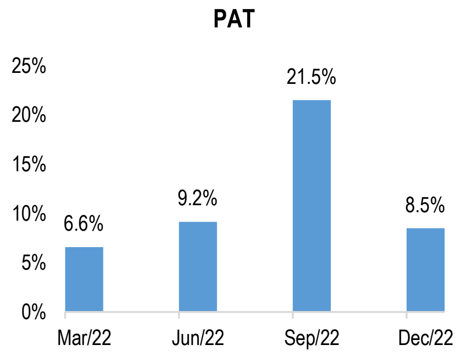
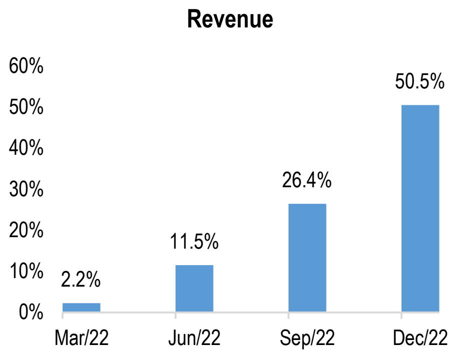
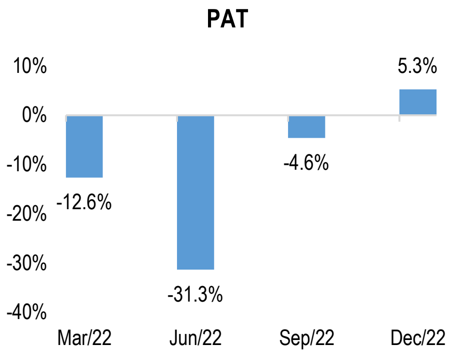


## Bank of America Corp



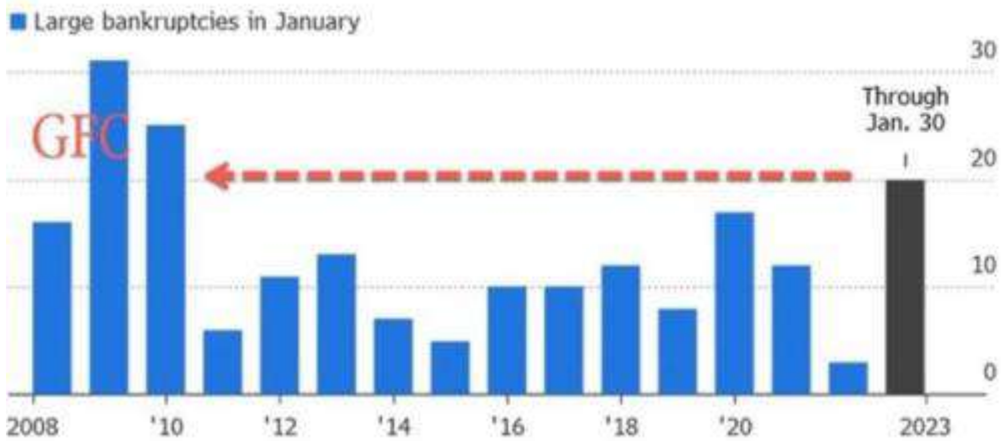



## Wider enterprise stress ratcheting up in the US.

In recent quarters, data points on bankruptcy filings and financial information of Russell 2000 constituents (a US small cap index) indicate increasing stress in the broader enterprise space (even before any material slowdown in real GDP has happened). Exhibit 8 indicates that January 2023 saw more bankruptcy filings in the US compared to all the years post GFC. Our study of quarterly earnings of the Russell 2000 (US small cap index) companies over the last few quarters indicates that the number of zombie companies (with EBITDA lower than interest cost) is not only at the highest ever level, but the aggregate EBITDA level loss has almost doubled on a YoY basis in both June and September 2022 quarters. With the banking system tightening lending standards in the US, we expect the access to credit for smaller companies to become more difficult, leading to greater distress. We also understand that the smaller banks (asset size below US$250bn) deliver 40-50% of the credit in the US. If their capacity to lend gets curtailed due to the current problems we see more stress for enterprises.

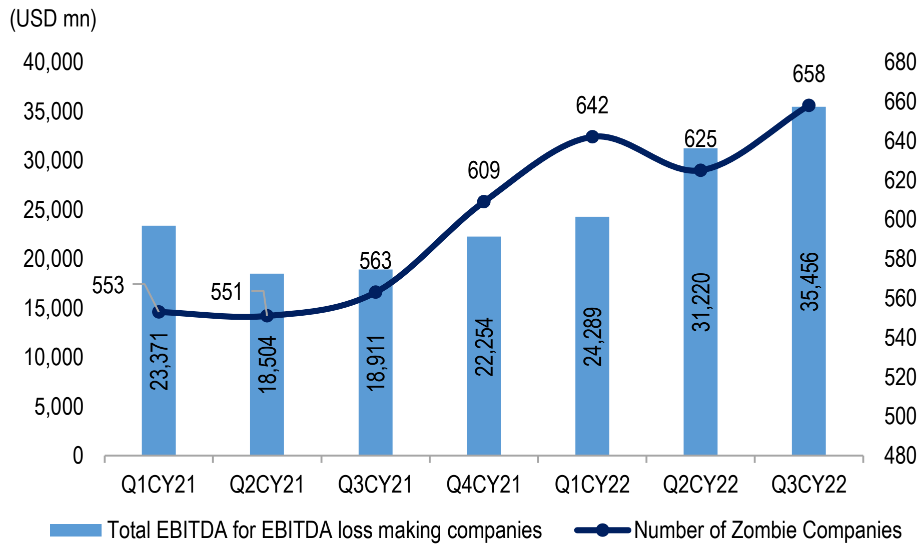
We believe that the deterioration of broader customer health will have adverse implications on demand for the entire Indian IT Services industry. But, more so for the Tier-2 players because we believe that they have a larger exposure to companies outside the Global-500/Fortune-500 set of companies relatively speaking. So, brace for the sudden ramp-downs from clients or bad receivables provisions in the coming quarters.

**Exhibit 8: Bankruptcy filings have shot up in January 2023 compared to the post GFC phase.**




*Source: Bloomberg, Nirmal Bang Institutional Equities Research*

**Exhibit 9: Analysis of Russell 2000 financials over the last several quarters indicates that not only have the number of zombie companies gone up but also the EBITDA level losses have almost doubled.**




*Source: Bloomberg, Nirmal Bang Institutional Equities Research.*

*Note: We have not considered the Dec 2022 quarter as the US results season seems still not completed.*

**Exhibit 10: Number of non-profitable firms likely to spike in the coming days going by previous history**

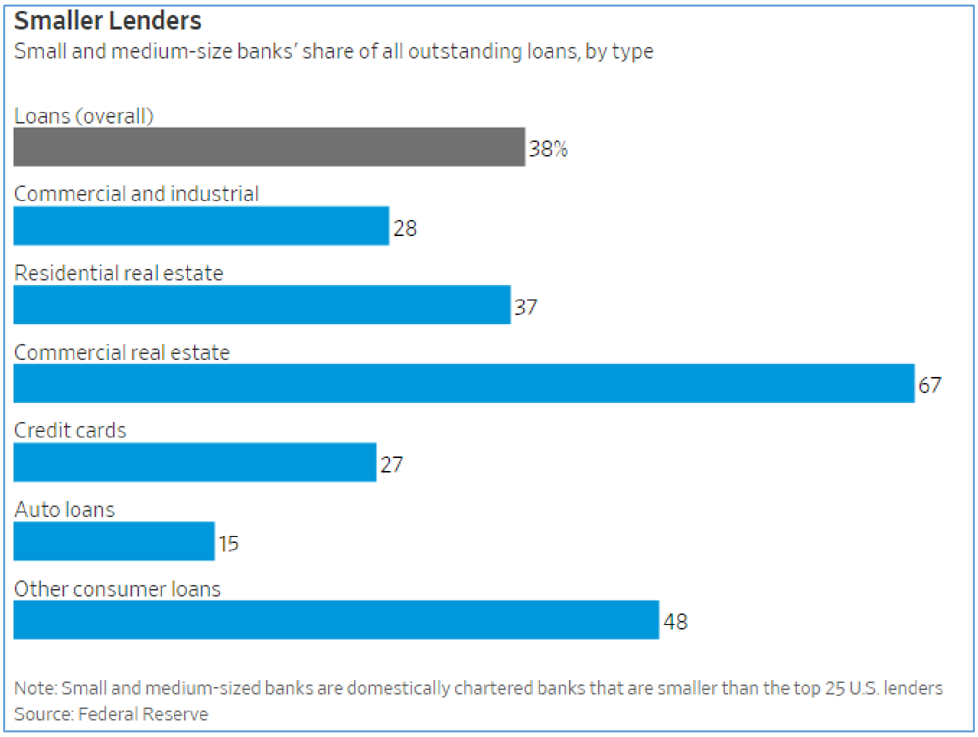

Corporate America's Earnings Quality Is the Worst in Three Decades

*Source: Bloomberg, Kailash Concepts Research*

## US regional banks crisis has wider implications on IT services demand.

We also believe that while the recent regional banking problems in the US may not impact the Indian IT/ITES industry materially in a direct fashion (exposure of the industry to US regional banks seemS low), the indirect impact can be material. Media articles indicate that the so-called non-SIB (systemically important banks) whose asset books are smaller than US$250bn constituted ~40% of loans outstanding in the US. Should these banks be incapacitated, there could be collateral damage to the US economy, which will then get reflected in the asset quality of the SIBs as well as the revenue of Fortune-500 enterprises. The Fortune-500 companies and the SIBs, in our view, form a very significant part of the revenue base of Indian IT Services firms.

**Exhibit 11: Exposure of non-SIBs to the total loans in the US.**




*Source: Federal Reserve, WSJ*

## Earnings of large western banks could get cut if NIM expansion in 2023 does not come through as much as expected

Our study of consensus estimates of large western banks (who are large customers of Indian IT Services firms) indicates that the street is assuming continued NIM expansion for all of them in 2023 after a good 2022 (Exhibit 12), likely driven by pegged low deposit rates and higher asset/loan yields. However, should depositors in the US yearn for higher yields (data incrementally indicates that as they seem to be moving to money market funds), we believe that NIM estimates could see downward pressure, creating a downdraft to anticipated earnings (and consequently on spending).

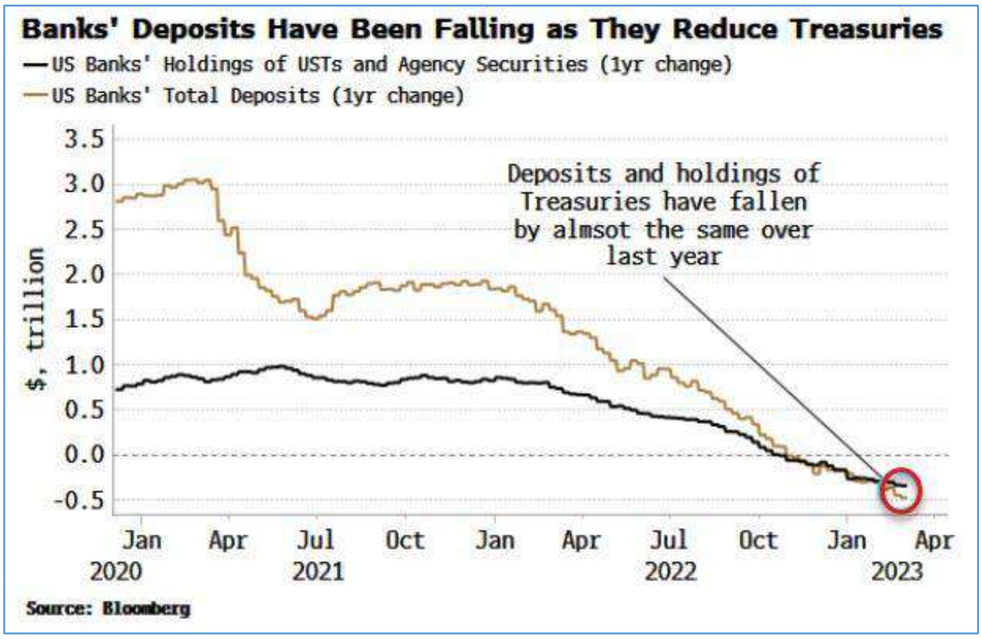
A look at the capital markets related fees of some of the largest Banks/Investment Banks indicates that 2022 was an extremely painful year with the aggregate revenue of the select group of firms that we have looked at (Exhibit 16) falling by ~36% in 2022 over 2021. Revenue is expected to remain at similar levels in 2023. But we see risk to even these estimates should even a shallow US recession play out.

**Exhibit 12: A study of NIMs of the large Western banks (%). NIM expanded in 2022 and expected to do so again in 2023. Unlikely to the extent projected…**

| Bank Name | 2018 | 2019 | 2020 | 2021 | 2022A/E | 2023E | 2024E |
|---|---|---|---|---|---|---|---|
| Barclays PLC | 3.5 | 3.4 | 2.9 | 2.9 | 3.5 | 4.0 | 4.0 |
| Bank of America Corp | 2.5 | 2.4 | 1.9 | 1.7 | 2.0 | 2.2 | 2.2 |
| Canadian Imperial Bank of Comm | 1.9 | 1.8 | 1.7 | 1.6 | 1.6 | 1.6 | 1.6 |
| Citigroup Inc | 2.7 | 2.7 | 2.2 | 2.0 | 2.3 | 2.3 | 2.3 |
| HSBC Holdings PLC | 1.7 | 1.6 | 1.3 | 1.2 | 1.5 | 1.7 | 1.7 |
| JPMorgan Chase & Co | 2.5 | 2.5 | 2.0 | 1.6 | 2.0 | 2.3 | 2.3 |
| Lloyds Banking Group PLC | 2.9 | 2.9 | 2.5 | 2.5 | 2.9 | 3.1 | 3.0 |
| NatWest Group PLC | 2.0 | 1.8 | 1.7 | 2.4 | 2.9 | 3.2 | 3.2 |
| Royal Bank of Canada | 1.7 | 1.6 | 1.6 | 1.5 | 1.5 | 1.6 | 1.6 |
| UBS Group AG | 1.5 | 1.5 | 1.4 | 1.4 | 1.5 | 1.8 | 1.8 |
| Wells Fargo & Co | 2.9 | 2.7 | 2.3 | 2.1 | 2.6 | 3.0 | 2.8 |

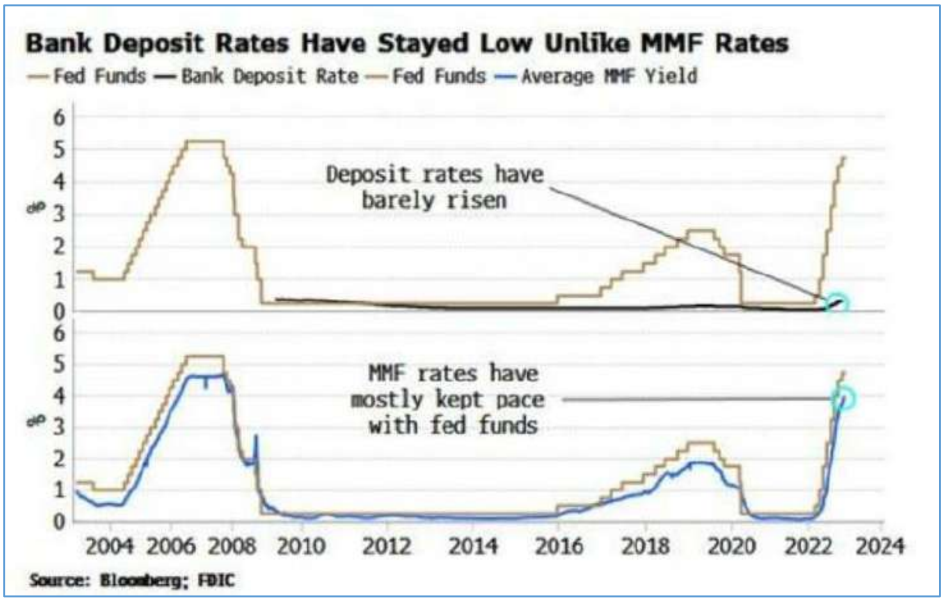
*Source: Bloomberg, Nirmal Bang Institutional Equities Research*

**Exhibit 13: Deposits in the US banking system are declining putting pressure on banks to raise deposit rates**




*Source: Bloomberg, ZeroHedge*

**Exhibit 14: Deposits are possibly moving to MMFs which give higher yields**




*Source: Bloomberg, FDIC, ZeroHedge*

**Exhibit 15: The unrealized losses from the fixed income securities is large and constitutes a large part of the book value of SIBs too and not just regional banks. Confidence in the system has to hold. Bringing down inflation sustainably is important.**

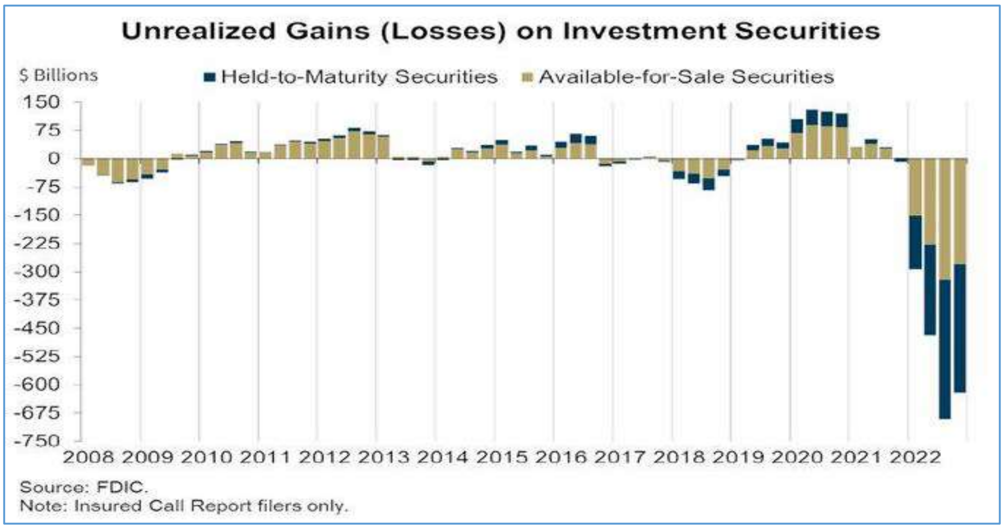



**Exhibit 16: Investment banking revenues collapsed in 2022. Very likely to compress further in 2023 rather than be flat as projected by consensus if US goes into a recession (shallow/deep).**

| Company (USD bn) | 2018 | 2019 | 2020 | 2021 | 2022A/E | 2023E | 2024E |
|---|---|---|---|---|---|---|---|
| Bank of America Corp | 5.5 | 5.8 | 7.4 | 9.1 | 5.0 | 5.8 | 6.4 |
| Canadian Imperial Bank of Comm | 0.3 | 0.4 | 0.3 | 0.6 | 0.4 | 0.3 | 0.4 |
| Citigroup Inc | 5.0 | 5.2 | 4.6 | 6.6 | 3.1 | 3.5 | 4.0 |
| Deutsche Bank AG | 8.9 | 7.9 | 10.6 | 11.4 | 10.6 | 10.5 | 10.7 |
| Goldman Sachs Group Inc | 7.4 | 6.8 | 9.1 | 14.1 | 7.4 | 7.2 | 8.3 |
| HSBC Holdings PLC | 0.7 | 0.8 | 1.0 | 1.0 | 0.4 | 1.6 | 1.7 |
| JPMorgan Chase & Co | 7.5 | 7.6 | 9.5 | 12.5 | 6.9 | 7.4 | 8.5 |
| Morgan Stanley | 6.1 | 5.7 | 7.2 | 10.3 | 5.2 | 5.5 | 6.2 |
| Royal Bank of Canada | 1.6 | 1.3 | 1.3 | 2.0 | 1.4 | 0.4 | |
| UBS Group AG | 8.0 | 7.3 | 9.2 | 9.4 | 8.7 | 8.6 | 8.8 |
| **Total** | **51.2** | **48.7** | **60.3** | **77.1** | **49.2** | **50.8** | **55.0** |

*Source: Bloomberg, Nirmal Bang Institutional Equities Research*

## US consumer has been resilient thus far but cracks appearing….

While we have discussed various macro indicators turning down in our earlier pieces (inverted yield, housing etc), what we are seeing is that the goods part of the US economy already seems to be in recession, but the services part of the economy (which constitutes 80%) has been in a reasonable shape. After two negative prints of GDP growth in 1H2022, 2H2022 was surprisingly resilient on the back of better-than-expected consumer spending especially in the face of the fastest tightening of interest rates by the Fed in recent history. Employment data on the services side is still holding up. However, increasingly, we are seeing stress in US consumer behavior going by some recent data points.

**Exhibit 17: US GDP growth has been resilient in 2H2022 because of a steady consumer. Consumer sentiment recovered in recent months after a steep fall.**


*Source: Bloomberg*

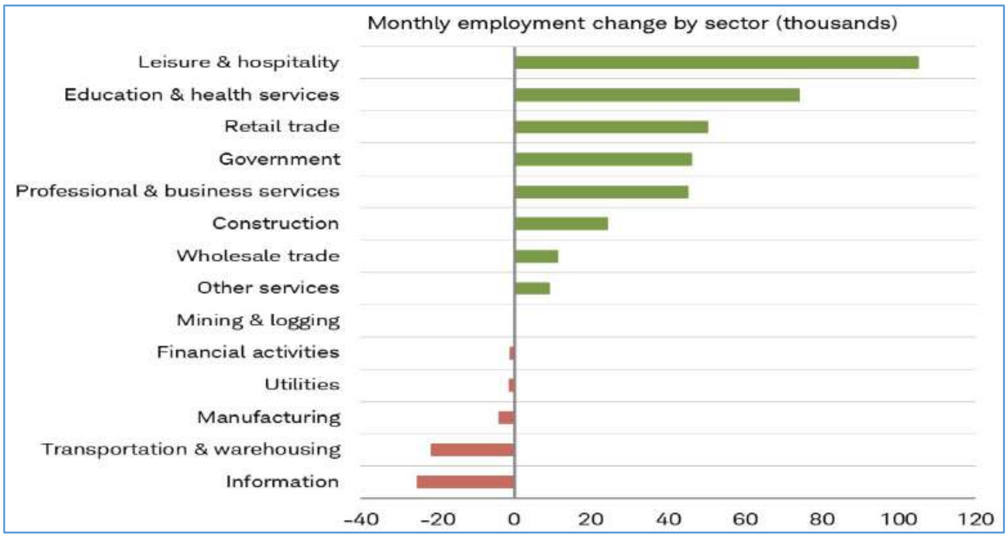
**Exhibit 18: Conference board US leading index point to a recession in 2023.**


*Source: Bloomberg*

**Exhibit 19: Current estimates suggest that GDP will start to contract in 2QCY23 after a positive number in 1Q2023.**

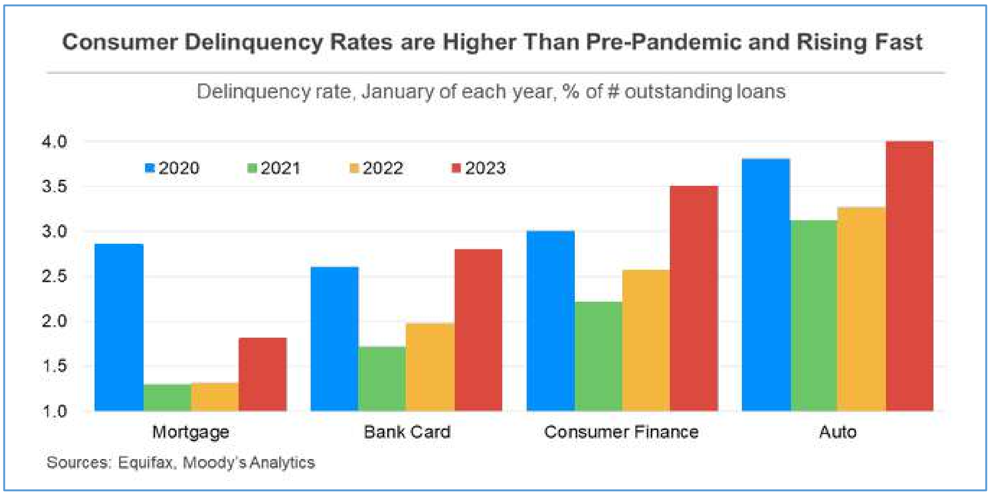

*Source: Bloomberg*

**Exhibit 20: Recent strong employment statistics are driven by the services sector. Given below is data for February 2023.**




*Source: BLS*

**Exhibit 21: Delinquency rates have ratcheted up across various consumer loan categories.**



## Company guidance for 2023/1Q2023, customer surveys and ecosystem data all point to a weak 2023.

Our study of guidance (Exhibit 22) given by various non-Indian IT services firms who work on a calendar year basis, points to a weak 2023 with a very weak March 2023 quarter (on a YoY organic growth basis). Some are even pointing to a decline. Indian industry narrative post 3QFY23 has been that the next few quarters are going to be soft and that revenue growth will pick up in 2HFY24. We think the next few quarters may be weak but 2HFY24 is unlikely to deliver the rebound indicated. Very likely 1HFY24 will be the better half in FY24.

Industry analysts however differ on what is the likely growth in 2023, based on their studies and customer surveys. While Gartner has cut its 2023 IT spend growth by half in the January 2023 estimates compared to the October 2022 estimates, the IT services spend growth has is still strong at 5.5%. This is against the 3.3% growth that it has estimated for 2022. However, we are unable to gather the impact of USD strength in 2022 on the spending estimates of Gartner (these are not in constant currency terms). Going by what we see in the environment there are downside risks to both the IT and IT services spend estimates of Gartner. This will likely be revealed in its April 2023 estimates. Hfs research on the other hand did a survey of 500 odd executive (largely IT leaders) among the Global 2000 set and says that 67% of those surveyed are indicating reduced IT outsourcing budgets in 2023.

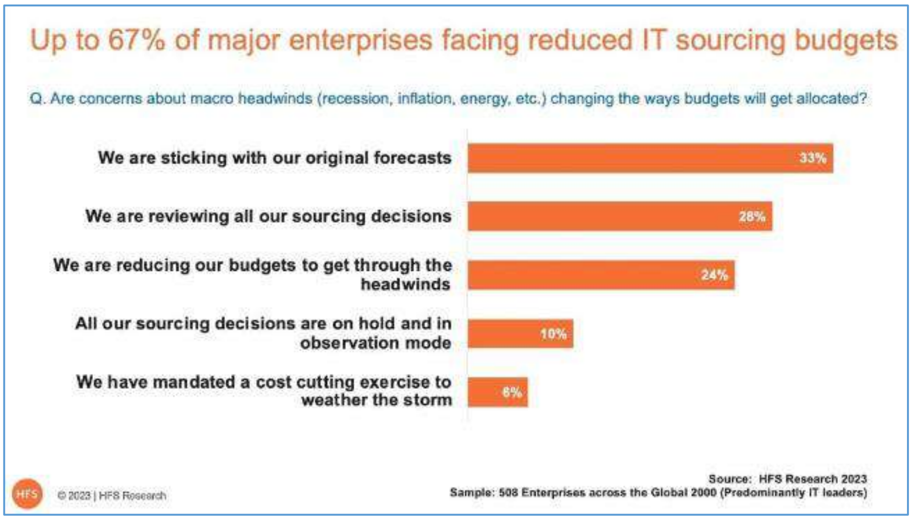
**Exhibit 22: Guidance indicates a sharp deceleration in organic revenue growth in 2023/1Q2023**

| 2022/FY22 | | Accenture | Capgemini* | Cognizant | Epam | Globant | Thoughtworks | Perficient | Endava |
|---|---|---|---|---|---|---|---|---|---|
| | Mkt cap (US$bn) - Current | 165 | 29 | 29.4 | 16.1 | 6.3 | 2.2 | 2.2 | 3.7 |
| | Latest Qtrann Rev (US$bn) | 62.8 | 22.0 | 19.36 | 4.92 | 1.96 | 1.24 | 0.92 | 1 |
| Guidance at the | CC revenue growth | 12-15% | 8-10% | 8.5-11.5% | 38% | 35% | 25-26% | | 38-40% |
| beginning of the year | Inorganic part | - | 1-2% | 2% | 6% | - | - | - | <10% |
| | Organic growth | - | 6-9% | 6.5-9.5% | 32% | - | - | - | 30%+ |
| Actuals | CC revenue growth | 26.0% | 16.6% | 7.5% | 32.4% | 37.3% | 26.8% | 19.0% | 47.60% |
| | Inorganic part | 5.0% | 1.3% | 1.0% | 5.1% | 5.3% | 2.0% | 6.0% | - |
| | Organic growth | 21.0% | 15.3% | 6.5% | 27.3% | 32.0% | 24.8% | 13.0% | - |
| **Guidance for 2023/1Q2023** | | | | | | | | | |
| | | **Accenture**** | **Capgemini** | **Cognizant** | **Epam** | **Globant** | **Thoughtworks** | **Perficient** | **Endava** |
| 2023 | CC revenue growth | 8-11% | 4-7% | - | 9% | 16% | 0-2% | US$945-985mn | 19-20% |
| | Inorganic part | 2.50% | 0.5-1% | - | 0% | - | 2% | - | - |
| | Organic growth | 5.5-8.5% | 3-6.5% | - | 9% | - | (2)-(4)% | - | - |
| 1Q2023 | CC revenue growth | 6-10% | - | (1)-0% | 5% | 17.10% | (2.5)-(2)% | US$227-233mn | - |
| | Inorganic part | - | - | 1% | 0% | - | 3% | - | - |
| | Organic growth | - | - | (2)-(1)% | 5% | - | (5.5)-(5)% | - | - |

*Source: Companies, Bloomberg, Nirmal Bang Institutional Equities Research*

*Note: * in Euros, ** Accenture has a August YE. The numbers for Accenture have to do with its February 2023 quarter*

**Exhibit 23: Customer surveys by industry analyst firms are mixed with few indicating pressure on IT spend and others which are indicating expansion**




*Source: HFS research*

**Exhibit 24: Worldwide IT Spending Forecast (mn USD) in January 2023**

| | 2022 Spending | 2022 Growth (%) | 2023 Spending | 2023 Growth (%) |
|---|---|---|---|---|
| Data Center Systems | 212,376 | 12.0 | 213,853 | 0.7 |
| Software | 783,462 | 7.1 | 856,029 | 9.3 |
| Devices | 722,181 | -10.6 | 685,633 | -5.1 |
| IT Services | 1,244,746 | 3.0 | 1,312,588 | 5.5 |
| Communications Services | 1,422,506 | -2.4 | 1,423,367 | 0.1 |
| **Overall IT** | **4,385,270** | **-0.2** | **4,491,471** | **2.4** |

*Source: Gartner*

**Exhibit 25: Worldwide IT Spending Forecast (mn USD) in October 2022**

| | 2021 Spending | 2021 Growth (%) | 2022 Spending | 2022 Growth (%) | 2023 Spending | 2023 Growth (%) |
|---|---|---|---|---|---|---|
| Data Center Systems | 189,506 | 6.1 | 209,190 | 10.4 | 216,262 | 3.4 |
| Software | 732,030 | 14.8 | 790,385 | 8.0 | 879,625 | 11.3 |
| Devices | 807,580 | 15.8 | 739,982 | -8.4 | 735,394 | -0.6 |
| IT Services | 1,207,966 | 12.8 | 1,258,150 | 4.2 | 1,357,914 | 7.9 |
| Communications Services | 1,459,483 | 3.8 | 1,435,401 | -1.7 | 1,469,220 | 2.4 |
| **Overall IT** | **4,396,565** | **10.2** | **4,433,108** | **0.8** | **4,658,416** | **5.1** |

*Source: Gartner (October 2022)*

## Structural growth beyond FY25 for Tier-1 over-estimated

We believe: (1) Compressed transformation commentary means that demand has been pulled forward in the FY20-FY23 timeframe and that could have implications for demand beyond FY23. We think that demand growth post the likely 'V-shaped recovery' that we are expecting in FY25 (after a sharp dip in FY24) will be better than pre-pandemic times – possibly by 100-200bps and not by 300-500bps that many in the market are anticipating (2) That heightened aggression from a new set of 'well connected' 'Big-Four' players will keep revenue and margins under pressure over the next 5-10 years. Gross margins for the IT industry have been trending down despite INR depreciation, 'moving up the value chain' for higher value-added work, automation, higher off-shoring, higher utilization, etc. Our worry stems from weaker contract profitability that players seem to be open to live with due to higher competitive intensity (3) That the demand slowdown besides the intense re-skilling, intake and training of fresher talent will ease pressure on supply of digital skill sets and set the stage for the 'scale players' to make a comeback. We believe that the compressed transformation related demand overflow led to a 'lifting of all boats' in the last 24-36 months. This we believe will ease post FY23. This should be adverse for Tier-2 IT players. Similarly, the ease of obtaining digital talent will mean that a cyclical phenomenon – 'Insourcing' - will potentially make a bigger comeback going forward. (4) We also believe that players like CapGemini, Cognizant and Tech Mahindra, who have been underperforming Indian Tier-1 growth over the last 5-7 years, will stem their market share loss due to new leadership. (5) Automation has been a value and cost deflator for the IT industry for long and we believe that the arrival of advanced version of automation tools – like Chat GPT4 for instance - will improve productivity of Tech services workers. However, as has been seen in previous such instances, the cost benefits for the companies are generally passed on to customers due to the very high competitive intensity in the industry.

## The 'Big Four' challenge: Tectonic shift in competitive landscape?

We believe that the competitive landscape will turn adverse with the hitherto 'Big Four', which have been flying under the radar, unbundling their consulting-outsourcing pieces and listing them – a la Andersen Consulting way (the earlier avatar of Accenture). Even in their current bundled form, they have eaten into the digital/cloud services market very significantly due to their unprecedented access to CXO suite among the Global-2000 customers and their broader understanding of enterprise customer context. A look at the growth numbers in the most recent year indicates that the consulting parts have actually grown much ahead of some of the Indian IT Services companies and even Accenture has indicated significant market share gain. And, just like Accenture has done over the last couple of decades, building a formidable offshore delivery engine (despite significant skepticism around this 20 years back), we expect the Big Four' players to replicate this performance. While this is good news for India's economy, it may not be good news for the incumbent IT players. This would mean greater fight for customer relevance, share of the market, talent, etc. Over a 5–10-year period, this could also mean that the players who do not execute well will fall off the investor radar. We therefore see significant valuation divergence among the players in the times to come depending on investors' view on relevance and mortality risks.

The consulting business (which includes IT and ITES business) of the 'Big Four' (Deloitte, PWC, E&Y and KPMG) has been flying under the radar for a while now. It will no longer be so in the next 5-10 years. On 8th Sept'22, E&Y decided to split its Audit and Consulting businesses with the eventual aim of listing the latter. This has put the spotlight on what will likely be a momentous reset of the competitive landscape in the Global IT Services sector over the next decade. Just as Accenture (Andersen Consulting in its earlier avatar) split with Arthur Andersen about 23 years back and became a gorilla in the IT Services industry, we believe that some of these 'Big Four' entities already are significant players and will become even bigger post listing. An overview of the 'Big Four' is given in Exhibits 26.

**Expect market share shifts**: We expect these consulting entities of the 'Big Four' (either spun off or in their extant form) to put up a strong fight for market share; very definitely, in the digital transformation part and in the not-too-distant future, in the outsourcing business too (if they follow the path of Accenture). Deloitte's consulting revenue (~US$26bn) growth in FY22 at ~24% was higher than any of the large IT Services players (>US$10bn in revenue). We admit this may not be a like-for-like comparison with transaction-related advisory fees also being part of the mix. If spun off, these entities are likely to acquire a new brand name and may not have the same access to customer board rooms that they have had with the audit part. The 'Big Four' currently work with 80-90% of the Fortune 500/Global 500 companies. It will be a game of building capabilities and cross selling/client mining. Their appearance in the 'leadership quadrants' of various IT Services industry analyst firms (Exhibit 27) are in areas which are largely technology oriented. And, just like Accenture has done over the last two decades, they seem to be on the path of building a distributed global delivery model (with India likely being a centerpiece).

**Future earnings growth of existing incumbents may be constrained:** The increased competition will not only mean lower volume of work (especially in digital services) for some of the current listed IT incumbents, but it will also mean pressure on their margins, both from tighter pricing and costlier talent perspective. So, while digital transformation work will accelerate industry growth (by how much is still a point of debate), the fight for share will ensure that growth for existing players will be a tad slower than would have otherwise been the case. Higher competition for deals will mean that margin improvement in the next decade will be a challenge.

**E&Y kicks off the trend:** Of the 'Big Four', E&Y is currently going down the route of listing its consulting arm **(however, we understand from media that there has been a setback to the process in recent days from certain partners in the US**). We believe that the financial gains E&Y partners would make might entice the other three to follow suit despite current denials. Statements also indicate that the separated entities could gain greater traction in their respective businesses. Currently, the businesses are constrained by conflict-of-interest related issues. E&Y CEO claimed that it would have gained an extra ~US$10bn worth of business from tech customers that it works with on the audit side (we suspect cloud eco-system partners) had it been an independent consulting player. Deloitte in its current form reportedly gained ~US$16bn in revenue from these partnerships in the last fiscal year (FY22). Consulting for Deloitte grew by ~24% to US$26bn in FY22 (YE May), constituting 43% of aggregate global revenue. While the businesses are not an apple-to-apple comparison from a service line standpoint, TCS and the consulting arm of Deloitte are almost similar in size. Even in their current form, the 'Big Four' consulting arms are all competitors to Accenture, IBM, TCS, Capgemini and Infosys, although we believe that the managed services component that they are likely handling is possibly low.

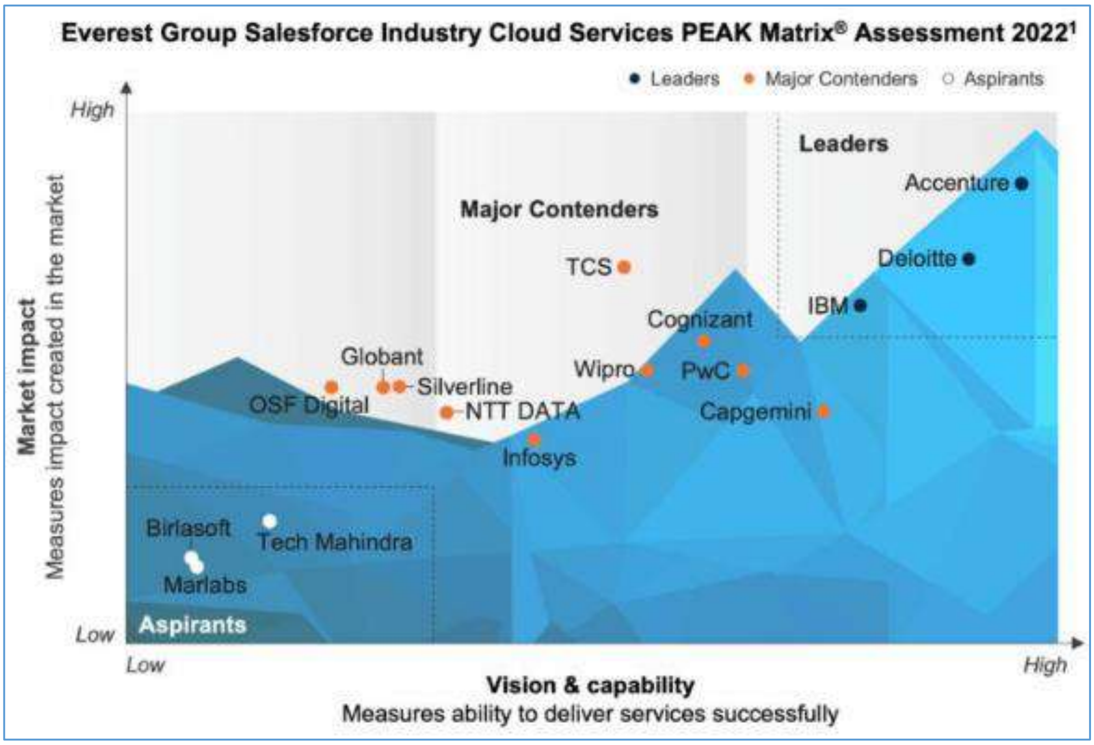
**Strength in Digital undeniable:** A look the leadership quadrants of the industry analyst companies like Everest indicate that the 'Big Four' are strong in newer technology areas currently and weaker in the traditional managed services business. So while Indian IT players are trying to move up in the industry analyst rankings in the Digital areas, we believe that the 'Big Four', just like Accenture did many years back, are also trying to make a mark in managed services space using India for delivery.

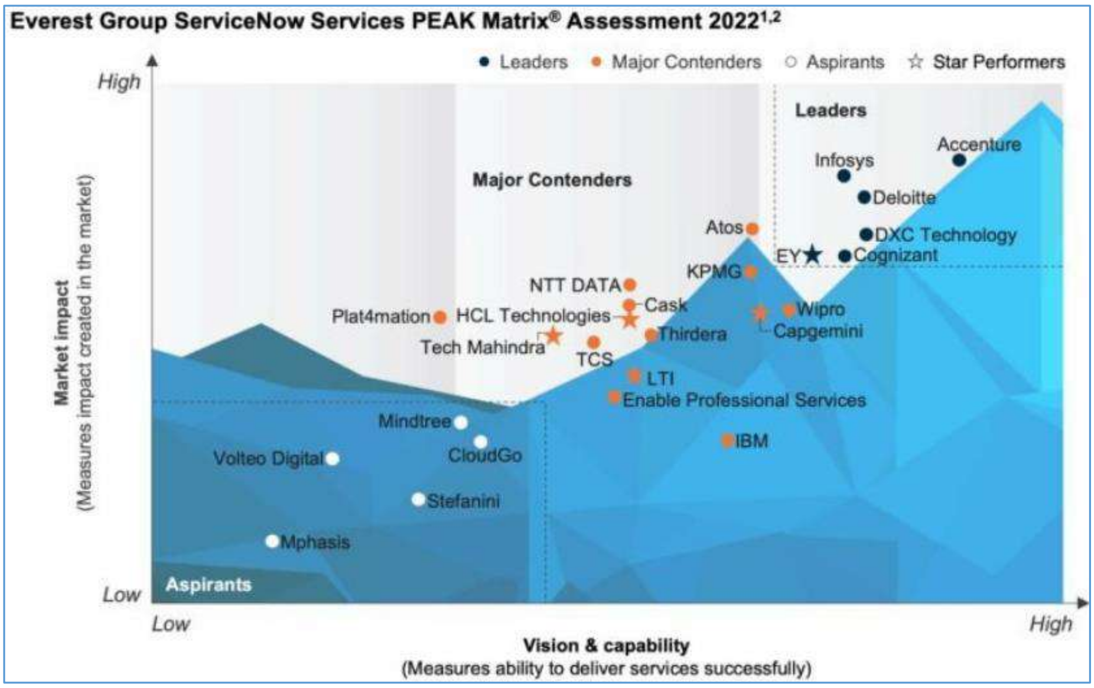
### Exhibit 26: Basic Data on the 'Big Four'

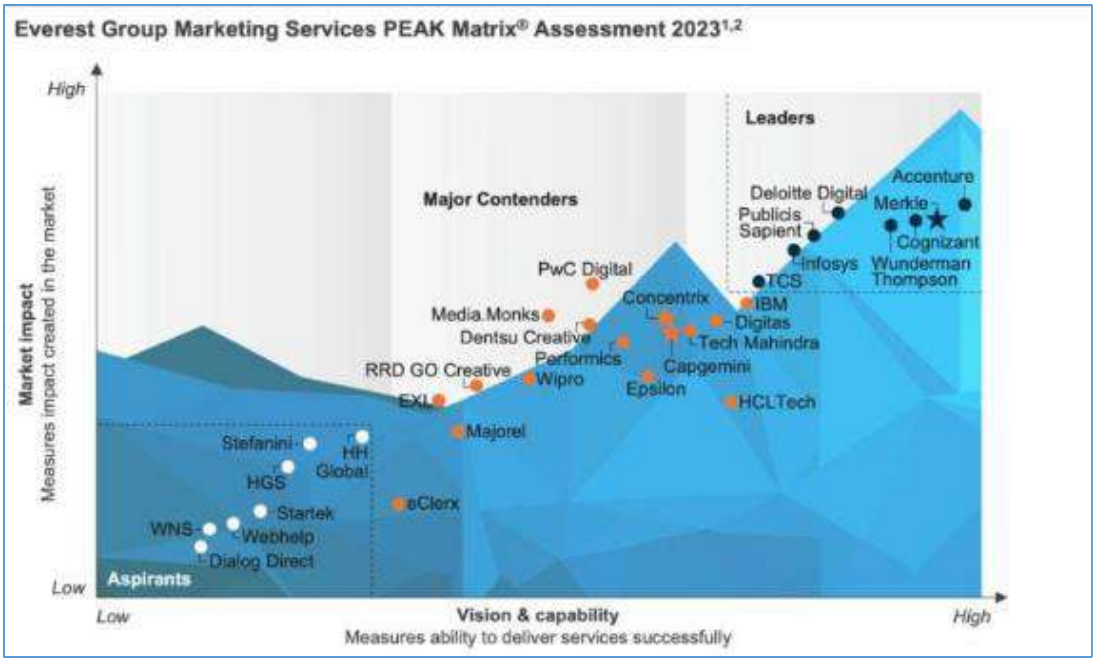
| | Deloitte | PwC | EY | KPMG |
|---|---|---|---|---|
| **YE** | **May** | **June** | **June** | **September** |
| Latest Fiscal | FY22 | FY22 | FY22 | FY21 |
| Number of years in the business (including individual accounting firms) | 170+ | 150+ | 173 | 204 |
| Number of employees worldwide (latest known) | 415,000 | 328,000 | 365,000 | 236,000 |
| Number of countries it operates in | 150 | 155 | 150 | 145 |
| % of Global/Fortune 500 clients it addresses | 90% | 84% | 84% | 82% |
| *Latest Revenue (US$bn)* | *59.3* | *50.3* | *45.4* | *32* |
| YoY growth | 19.6% in LC | 13.4% in LC | 16.4% in LC | 10.00% |
| **Break up of revenue and growth of individual segments** | | | | |
| Audit and Risk Advisory | 31.0% | 36.0% | 31.7% | 35.5% |
| Consulting | 43.4% | 41.1% | 30.6% | 42.5% |
| Tax | 16.7% | 23.0% | 24.9% | 22.0% |
| Financial Advisory | 8.9% | | 12.8% | - |
| **Consulting Revenue** | **US$25.8bn** | **US$20.7bn** | **US$13.9bn** | **US$13.65bn** |
| **Consulting Revenue growth** | **24%** | **23.5% in LC** | **27.1% in LC** | **17%** |

*Source: Companies, Media, Nirmal Bang Institutional Equities Research*

**Exhibit 27: Some from the 'Big Four' are always part of the 'leaders' or the 'major contenders' quadrants on Digital technologies**




Everest Group Marketing Services PEAK Matrix® Assessment 2023[1,2]
High
Low
Market impact
Measures impact created in the market
Leaders
Major Contenders
Aspirants
Accenture
Deloitte Digital
Merkle
Publicis Sapient
Cognizant
Infosys
Wunderman Thompson
TCS
IBM
PwC Digital
Concentrix
Digitas
Media.Monks
Dentsu Creative
Tech Mahindra
Performics
Capgemini
RRD GO Creative
Wipro
Epsilon
EXL
HCLTech
Majorel
Stefanini
HH Global
HGS
eClerx
Startek
WNS
Webhelp
Dialog Direct
Low
Vision & capability
Measures ability to deliver services successfully
High

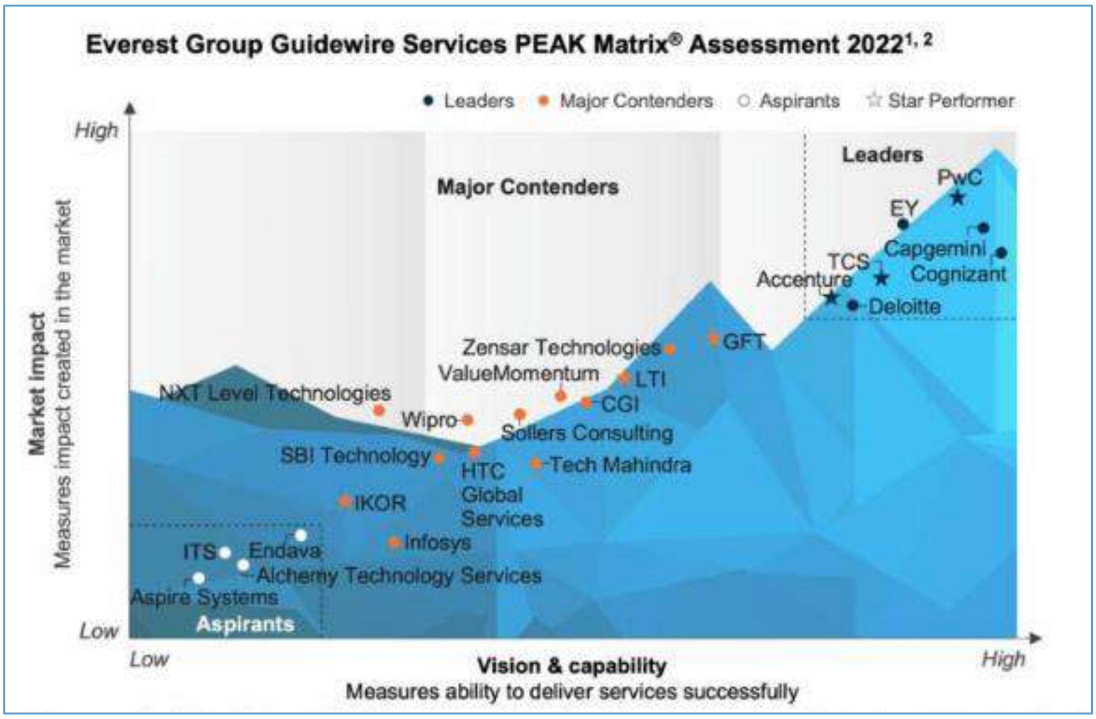
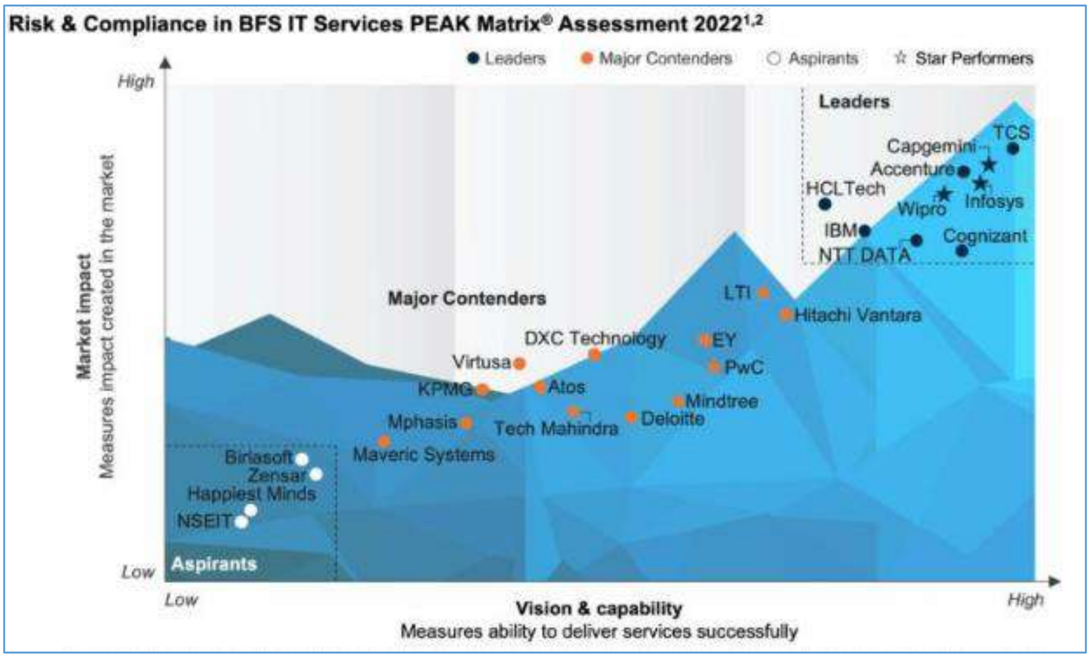

Everest Group Guidewire Services PEAK Matrix® Assessment 2022[1, 2]
Leaders
Major Contenders
Aspirants
Star Performer
High
Low
Market impact
Measures impact created in the market
Leaders
Major Contenders
PwC
EY
Capgemini
TCS
Cognizant
Accenture
Deloitte
Zensar Technologies
GFT
ValueMomentum
LTI
NXT Level Technologies
CGI
Wipro
Sollers Consulting
SBI Technology
Tech Mahindra
HTC Global Services
IKOR
Infosys
ITS
Endava
Alchemy Technology Services
Aspire Systems
Aspirants
Low
Vision & capability
Measures ability to deliver services successfully
High

**Exhibit 28: Even in risk and compliance IT Services side where Indian IT players have been traditionally strong, the 'Big Four' are starting to make a mark as 'major contenders'**



## Initiating coverage on LTIM, Mphasis and Coforge

We are initiating coverage on LTIMindtree, Mphasis and Coforge, all with a 'SELL' rating. We used to actively cover Mindtree before its merger with LTI. We have coverage on Persistent Systems, which we had initiated through this report (Not The Ideal 'Digital' Play) and whose latest update is here (Revenue retention and ACV slippage/conversion will determine growth). We believe that the 21% premium that the Tier-2 basket (we have included LTIMindtree in it) is currently trading at vs the Tier-1 basket is unsustainable. This premium has come off from a peak of ~60% in Nov'21. The Tier-2 set was at a discount of 14% on 1st Jan, 2020. We believe that the current valuations do not reflect the likely downward revisions to estimates on both revenue as well as margins that these companies will likely see in FY24/FY25 and the multiple compressions that they will undergo. Our estimates for these companies, just like in the case of the Tier-1 set, are below consensus. We fear that the Indian Tier-2 set would suffer because of vendor consolidation under the pressured profit picture for customers, a less diversified revenue mix (client, service line, vertical), which could throw up negative growth surprises and a larger exposure to non-Global 1000 clientele, whose profits and therefore spends are more vulnerable in the current challenging macro environment.

Considering the nature of the clients and the weak macro environment, we would not be surprised by announcement of a few customer bankruptcies within the Tier-2 set in the next 12-24 months. Such events could drive valuation de-rating. We are already beginning to see stress in the broader US economy based on the number of bankruptcy filings made in the US on the enterprise side and the number of zombie companies (EBITDA<interest cost) in the Russell 2000 index (the US small cap index). This happened even before the current banking problems surfaced.

## Tier-2 did shine during the pandemic years – FY20-FY23

The pandemic-driven Digital high tide lifted all the boats – even the weakest ones. Management commentary turned bullish on business prospects predicated on a boom lasting a 'few years'. Projecting growth became tricky as visibility was not high. One could under-estimate near term growth while over-estimating medium-term growth. The trickiest part was valuation, which had crossed +2 SD for many Tier-2 companies on a decadal basis during this timeframe.

However, after a correction, the Indian Tier-2 IT set is now at a PE premium of 21% to the Tier-1 pack from a discount of 14% on 1st Jan, 2020 and peak premium of 60% in Nov. 2021. This premium reflects expectations of the big positive earnings growth gap between Tier-2 and Tier-1 companies over FY21-FY23 sustaining, which we think is a very optimistic view. This gap is a function of not only faster revenue growth but also of margin expansion. However, at 27x March'24E EPS, we believe that much of the positivity is in the price despite assuming fairly decent but slowing revenue and profit growth over FY23-FY26. We are below consensus on both our revenue as well as profit estimates for both FY24/FY25 for the Tier-2 set. But, we fear that there are downside risks to our current estimates.

The high PE multiple premium is also a reflection of market's view that some of the Tier-2 companies will become US$5-10bn enterprises in the next 10-20 years like their Tier-1 peers. This view stems from the 'recency' factor at play and once the 'Digital' high tide recedes it remains to be seen as to how many Tier-2 companies will be in good shape.

From an IT Services demand context, 2020 Covid-19 recession was different from the GFC recession or the 'dotcom bust' recession seen in the last two decades when scale players gained share as customers cut spends. The covid crisis unleashed business model changes and a new tech capex cycle, driven by digital transformation that expanded Tech intensity of customers and was much more Tier-2 friendly. In the initial phase of any new tech cycle, customers tend to be more open to new vendors and more so in the current one where technologies that constitute 'Digital' are numerous and there is likely some niche that a particular Tier-2 player may be better at. Typically, as cycles mature (post FY23 in our view), vendors that have scale tend to do better.

We also think that customers in the next phase will be looking for revolutionary transformation, which we believe Tier-1 companies with multi-vertical exposure and deeper domain & technology skills are best placed to address.

**What went right for Tier-2 in the last 3 years?** (1) Timing - start of a new tech cycle when customers are open to new vendors, especially if they bring in new and niche skillsets (2) Size - many have reached a critical mass when customers look at them more seriously, but not large enough that it turns out to be a problem (3) Capabilities – they have built broader service lines and vertical capabilities in the last 10 years. They have also built specific capabilities in some new Digital areas (4) Better and more experienced management teams - who understand how to scale up successfully having executed this in the past in some larger companies (5) Greater management incentives: Greater PE ownership has meant an openness to reward top/middle management more generously through sales incentives and stock compensation (6) Specific vertical or service line IP that sets it apart from its peers both big or small (7) Stronger tilt to the US, which has been in a better shape during this period compared to Europe due to record monetary and fiscal stimulus (8) An industry shift towards smaller contracts.

## Issues that would arise in the post pandemic phase

We think that the 'rising tide lifting all boats' phase is over. Instead, we see a rapidly receding tide in the next 12 months instead of a normal pre-pandemic demand. This phase would involve: (1) Customers wanting to rationalize their vendor base that got bloated during the pandemic (2) Focus on cost optimization projects rather than on revenue maximization or customer experience maximization work. Here, we believe that Tier- 1 companies with a larger scale, IP, better automation skills and better employee pyramid will be able to gain share (3) A better supply situation across the industry (except for some very niche skills) will mean that the 'overflow' of work purely based on lack of talent, which partly drove Tier-2 demand, will go out of the window. We believe this will also benefit 'insourcing' of work by customer captives in India (4) There is also some mixed commentary around the size of projects in the market. A few players both large as well as mid-sized ones have indicated that the number of smaller short-cycle projects are fewer in the market these days. These projects were numerous in 2HFY21 and in FY22 and they drove growth for both large as well as mid-sized players. We believe that many of them may have been modular Digital projects. These are easier to start off, but can as easily be shut down without affecting larger IT capabilities of the customers.

**Ambitious targets are based on recency bias**: Some Tier-2 companies have hit milestones like US$1bn in revenue or even US$4bn in recent quarters. The managements have been exuding confidence that the next doubling of revenue will happen quite fast. We do not share the same confidence. While the 'value creation framework' has helped, we believe that 'compressed transformation', where multiple digital initiatives have been simultaneously rolled out and that too ahead of time, is probably a once in a multi-decade phenomenon. We expect spending to be far more deliberate and growth to be slower than what we have seen in the FY20-FY23 timeframe. Further, we believe that the new demand environment is not going to be as Tier-2 friendly as it was during FY20-FY23. Client mining and gaining wallet share among the Global-1000 customers will be harder and that view is under appreciated. The good times of the last 24-36 months were a one-off.

**Exhibit 29: Growth of sales. EBIT and PAT projected for Tier-1 companies across different periods**

| | USD Revenue CAGR | | | | EBIT Growth | | PAT growth | |
|---|---|---|---|---|---|---|---|---|
| | FY15-FY20 | FY20-FY26 | FY20-FY23 | FY23-FY26 | FY15-FY20 | FY20-FY26 | FY15-FY20 | FY20-FY26 |
| TCS | 7.4 | 7.9 | 8.4 | 7.4 | 8.7 | 11.2 | 8.3 | 9.8 |
| Infosys | 8.0 | 10.5 | 13.0 | 8.2 | 7.0 | 14.3 | 6.1 | 12.2 |
| Wipro | 3.1 | 8.7 | 10.7 | 6.8 | 2.1 | 10.6 | 2.4 | 8.8 |
| HCLT | 10.8 | 8.4 | 8.4 | 8.3 | 10.9 | 11.1 | 8.8 | 10.6 |
| Tech Mahindra | 7.2 | 7.7 | 8.7 | 6.8 | 4.1 | 14.7 | 9.0 | 11.0 |
| **Total** | **7.3** | **8.7** | **9.8** | **7.6** | **7.4** | **12.0** | **7.0** | **10.4** |

*Source: Companies, Nirmal Bang Institutional Equities Research*

**Exhibit 30: Growth of sales. EBIT and PAT projected for Tier-2 companies across different periods**

| | USD Revenue CAGR | | | | EBIT Growth | | PAT growth | |
|---|---|---|---|---|---|---|---|---|
| | FY15-FY20 | FY20-FY26 | FY20-FY23 | FY23-FY26 | FY15-FY20 | FY20-FY26 | FY15-FY20 | FY20-FY26 |
| LTIM | 13.3 | 12.6 | 16.5 | 8.8 | 11.8 | 21.6 | 10.6 | 21.5 |
| Mphasis | 5.6 | 9.5 | 12.1 | 7.0 | 12.9 | 13.3 | 11.9 | 12.0 |
| Persistent | 10.2 | 20.0 | 27.4 | 13.0 | 2.0 | 35.1 | 3.2 | 28.8 |
| Coforge | 8.9 | 15.0 | 19.1 | 11.0 | 16.6 | 22.5 | 30.9 | 20.5 |
| **Total** | **10.3** | **13.0** | **17.0** | **9.2** | **11.7** | **20.8** | **11.7** | **19.8** |

*Source: Companies, Nirmal Bang Institutional Equities Research*

**Exhibit 31: Growth of sales in USD projected for both Tier-1 and Tier-2 companies across different periods**

| | FY15-FY20 | FY20-FY23 | FY23-FY26 | FY20-FY26 |
|---|---|---|---|---|
| Tier 1 | 7.3% | 9.8% | 7.6% | 8.7% |
| Tier 2 | 10.3% | 17.0% | 9.2% | 13.0% |

*Source: Companies, Nirmal Bang Institutional Equities Research*

**Exhibit 32: Growth of INR PAT projected for both Tier-1 and Tier-2 companies across different periods**

| | FY15-FY20 | FY20-FY23 | FY20-FY26 | FY21-FY23 | FY23-FY26 |
|---|---|---|---|---|---|
| Tier 1 | 7.0% | 10.3% | 10.4% | 10.8% | 10.6% |
| Tier 2 | 11.7% | 22.5% | 19.8% | 21.2% | 17.1% |

*Source: Companies, Nirmal Bang Institutional Equities Research*

## Key elements of the 'value creation framework'

Ever since middle of the last decade, Tier-2 companies have hit on a value creation framework that has worked quite well for them. This framework has gained greater traction among companies where Private Equity firms have invested significantly during 2015-2020.

The elements of this framework are:

- Recruiting a high performing top manager from a large company as the CEO.
- CEO builds a senior management team where members are from large organizations – Infosys, Cognizant, Accenture, TCS, Capgemini, HCL Technologies etc have typically been the favorite hunting grounds. These recruits have experience of massive scale-up and also bring senior level customer relationships to the table. The company backgrounders at the back of this report will give one greater details of team members and their backgrounds.
- Attractive sales incentives given to snag larger projects with annuity components, better margins and cash flows. At times, these incentives have been 3-4x of what they were previously. Higher stock compensation has also been used for critical senior managers to drive performance. The PE driven Tier-2 companies have been particularly generous. Persistent Systems, a first generation founded company has also been quite generous with its stock compensation. The intolerance to non-performance has also been quite high with numerous quick exits of hired senior employees across various Tier-2 organizations.
- Typically, both the CEO and the senior managers have been based in the customer markets. This helps build customer proximity and speed of response.
- After initially sharpening focus on existing niche verticals/service lines, they have incubated adjacent ones through both organic as well as inorganic investments.
- Investments in IP and in platforms have also been a strategy used to create differentiation. Fosfor for LTIM and AdvantageGo for Coforge are two such examples which have/will help differentiate.
- In some organizations this has meant shifting to a vertical-based structure for a large part of revenue, which helps bring global talent and solutions to bear on clients.
- Focusing and strengthening of existing partnerships – be it with Snowflake for LTIM for instance or Pegasystems and Duckcreek for Coforge or Mulesoft and Microsoft Technologies for Persistent Systems.
- Keep margins at reasonable levels and invest any operating leverage benefits back in the business in either sales & marketing or developing capabilities or in building IP/platforms.

**Tier-2 company evaluation framework**: We have done a comparative analysis (Exhibit 33) of the various Tier-2 companies across various the parameters to assess their history and evaluate what will make them fast growing, profitable and sustainable companies. We have also come up with a subjective valuation framework (Exhibit 35) to look at their strengths and weaknesses. This is a subjective analysis based on our reading of the companies. Based on this, we have also arrived at the kind of discounts one should be giving vis-à-vis the industry benchmark TCS (which is given in Exhibit 60)

### Exhibit 33: Comparative analysis of financial metrics Tier2 companies

| | LTIM | Mphasis | Coforge | Persistent | Epam | Globant | Genpact |
|---|---|---|---|---|---|---|---|
| Market Cap (US$mn) | 16,581 | 4,859 | 2,934 | 4,217 | 16,146 | 6,450 | 8,095 |
| December 2022 Quarter Revenue Annualised (US$mn) | 4,188 | 1,716 | 1,007 | 971 | 4,924 | 1,963 | 4410 |
| Growth (YoY) | 14.0% | 3.7% | 13.7% | 40.6% | 11.2% | 29.2% | 2.8% |
| EBIT Margin change - Dec 2022 - Dec qtr 2017 | 0bps | -70bps | 150bps | 300bps | 170bps | 700bps | 30bps |
| Number of employees (December 2022) | 86,462 | 35,450 | 22,505 | 22,598 | 59,300 | 27,122 | 115,800 |
| Revenue Per capita (US$) - All employees | 48,437 | 48,406 | 44,737 | 42,960 | 83,035 | 72,373 | 38,084 |
| Gross margin (December Qtr 2022) | 28.6% | 26.5% | 33.4% | 33.8% | 32.4% | 37.6% | 34.9% |
| SGA (December Qtr 2022) | 13.7% | 11.3% | 14.9% | 15.3% | 16.6% | -25.6% | 21.5% |
| EBIT Margin (December Qtr 2022) | 14.9% | 15.1% | 14.5% | 15.4% | 13.8% | 11.6% | 17.0% |
| EBIT per capita (USD) | 7,217 | 7,330 | 6,509 | 6,598 | 11,459 | 8,395 | 6,474 |
| Stock compensation expense (2022/FY22) of revenue | 4bps | 54bps | 47bps | 166bps | 189bps | 28bps | - |
| 2015-2020 Earnings CAGR (FY16-FY21) | 16.40% | 12.69% | 10.21% | 8.67% | 37.14% | 22.00% | 6.49% |
| 2020-2022 Earnings CAGR (FY21-FY23) | 16.18% | 16.98% | 33.88% | 45.57% | 4.92% | 38.63% | 11.00% |
| | | | | | | | |
| Operating Cost per capita (USD) | 41,220 | 41,076 | 38,228 | 36,361 | 71,577 | 63,978 | 31,610 |
| Direct Cost per capita (USD) | 34,589 | 35,584 | 29,809 | 28,437 | 56,132 | 45,161 | 24,793 |
| | | | | | | | |
| Top 5 (%) Dec 2022 qtr | 26% | 45.0% | 23.9% | 24.7% | 16.1% | 25% | - |
| Top 10 (%) Dec 2022 qtr | 34% | 59.0% | 36.3% | 35.0% | 23.1% | 34% | - |
| | | | | | | | |
| Top 5 (%) Change - December 2022 -December 2017 in bps | -1010bps | 600bps | -610bps | -2160bps | - | -340bps | - |
| Top 10 (%) Change - December 2022 -December 2017 in bps | -1700bps | 400bps | -570bps | -2030bps | - | -890bps | - |
| **PE** | | | | | | | |
| 2023(FY24) | 26.6 | 19.9 | 25.5 | 30.0 | 19.7 | 22.0 | 13.1 |
| 2024(FY25) | 23.1 | 17.9 | 21.6 | 27.0 | 16.2 | 17.6 | 11.8 |
| | | | | | | | |
| **EV/Sales** | | | | | | | |
| 2023(FY24) | 3.7 | 2.5 | 2.6 | 3.6 | 2.3 | 2.5 | 1.8 |
| 2024(FY25) | 3.3 | 2.3 | 2.4 | 3.2 | 1.9 | 2.0 | 1.6 |

*Source: Companies, Nirmal Bang Institutional Equities Research Note: LTIM EBIT margin adjusted for one-offs*

### Exhibit 34: Vertical Exposure for Tier2 companies – December quarter

| | LTIM | Mphasis | Coforge | Persistent | Epam | Globant | Genpact |
|---|---|---|---|---|---|---|---|
| **Vertical Mix** | | | | | | | |
| Banking and Financal Services | 37.4% | 53.6% | 31.2% | 32.6% | 21.2% | 18.4% | 27.1% |
| Insurance | - | 8.3% | 22.1% | - | - | - | - |
| Emerging Industries | - | 25.1% | - | - | 13.2% | - | - |
| Manufacturing | 17.5% | - | - | - | - | - | - |
| Energy & Utilities | - | - | - | - | - | - | - |
| CPG, Retail | 15.2% | - | - | - | 21.9% | 14.9% | |
| High-Tech, Media & Entertainment | 23.6% | - | - | - | 33.5% | 22.8% | 37.8% |
| Transportation | - | - | 19.3% | - | | 8.1% | - |
| Life Sciences and Healthcare | 6.3% | - | - | 19.6% | 10.2% | 7.8% | 37.2% |
| Professional Services | - | - | - | - | - | 12.0% | - |
| Technology and Communications | - | 12.9% | - | 47.8% | - | 13.2% | - |
| Industrial | - | - | - | - | - | - | - |
| Others | | - | 27.4% | - | - | 2.7% | -2.1% |
| **TOTAL** | **100%** | **100%** | **100%** | **100%** | **100%** | **100%** | **100%** |

*Source: Companies, Nirmal Bang Institutional Equities Research*

**Exhibit 35: Our subjective framework to value Tier-2 companies**

| | | LTIMindtree | Mphasis | Coforge | Persistent |
|---|---|---|---|---|---|
| **Overall Score** | | **82%** | **57%** | **65%** | **67%** |
| | | | | | |
| **Technical Score – (Depth and breadth of capabilities)** | **50%** | **46%** | **34%** | **34%** | **36%** |
| Digital Skills | 15% | 13.0% | 11.0% | 11.0% | 13.5% |
| a. Cloud capabilities | 10% | 85% | 70% | 70% | 90% |
| b. Other Digital Capabilities – CX, DATA/Analytics,SAAS | 5% | 90% | 80% | 80% | 90% |
| Cost Optimisation skills | 15% | 90% | 70% | 65% | 65% |
| Platform/IP skills | 10% | 90% | 65% | 75% | 75% |
| Breadth and depth of Vertical skills | 10% | 100% | 60% | 60% | 50% |
| | | | | | |
| **Sales Score** | **35%** | **31.0%** | **30.5%** | **31.5%** | **30.5%** |
| Sales organisation, incentive structure | 10% | 80% | 90% | 100% | 100% |
| Quality of client base | 10% | 100% | 80% | 80% | 80% |
| Ability to win large deals | 10% | 80% | 100% | 100% | 90% |
| Geographic reach | 5% | 100% | 70% | 70% | 70% |
| | | | | | |
| **Financial Score** | **15%** | **12.0%** | **10.5%** | **12.8%** | **14.5%** |
| Growth - pace and predictability | 10% | 70% | 70% | 90% | 100% |
| ROIC | 5% | 100% | 70% | 75% | 90% |
| | | | | | |
| **Risk score** | **-30%** | **-6.5%** | **-17.8%** | **-13.8%** | **-13.8%** |
| Risks from concentration (Client, Vertical) | -20% | 25% | 70% | 50% | 50% |
| Management Turnover | -5% | 20% | 25% | 25% | 25% |
| Risks from M&A | -5% | 10% | 50% | 50% | 50% |

*Source: Nirmal Bang Institutional Equities Research*

**Exhibit 36: Key positives and negatives of our Tier-2 coverage companies**

| | LTIMindtree | Mphasis | Coforge | Persistent |
|---|---|---|---|---|
| Positives | • A strong client base into which services can be cross/up sold. 95 Global 500 customers<br>• A broader than peer set vertical and horizontal skills menu coming from the merger. This again will be of use in cross sell and upsell.<br>• Better than peer set cost optimisation skills<br>• Has better IP and platform skills<br>• Very thoughtful and successful M&A program run in LTI. Hopefully will continue in LTIM<br>• Strength in BFSI and Hitech vertical and in customer experience skills | • Despite some legacy BFSI relationships where business is likely hotly contested, Mphasis has been able to grow. Speaks of its client centricity and ability to mine.<br>• Strength in Banking and Capital Markets vertical<br>• Strong growth in Direct international has offset rapid reduction in business in HP/DXC channel.<br>• Entry into more top BFS clients in the last 3-5 years | • Strong top management execution despite not too many capabilities on its plate, relatively.<br>• Strength in Travel, Insurance and niche areas in BFS<br>• Built decent sized businesses around horizontal digital capabilities<br>• AdvantageGo (insuretech platform), Pega, Duckcreek are key areas of strength | • Strong top management execution that has led to great TCV/ACV addition in recent quarters, ahead of even its larger peers.<br>• Core Digital engineering skills have been much in demand since the pandemic<br>• Been generous with stock compensation<br>• A successful M&A program that has added both horizontal and vertical capabilities.<br>• Significantly brought down exposure to poorly performing top client IBM without hurting growth.<br>• Had room for significant margin expansion in the past but decided to re-invest. We think that was a good thing as we expect pricing to come under pressure. |
| Negatives | • While on their own LTI and Mindtree were not able to clock large deals like some of their smaller peers were able to<br>• While LTI has always had a great client base, it has not been able to (something is missing here). As combined entity, there is no excuse to not deliver on client mining<br>• Seems to have a larger dependence on short-cycle deals unlike its peers. That could be a handicap in the current environment. | • Significant vertical and client concentration risks. Risk of growth discontinuity high in the constrained macro environment<br>• Client concentration risk has actually increased over the last 5 years unlike reduction in all of its peers<br>• Has a large exposure to the Mortgage sector, which is under pressure in recent times.<br>• Gross margin and SGA spend so low that there is not enough room to spend on hunting for new logos.<br>• PE sell down risk | • Under indexed to North America the largest tech spender<br>• BFSI is a large 50% plus exposure.<br>• PE company (owner) has sold down stake from 70% to 30%. There could be more stock downloaded into the market in the coming days as the PE company may want to exit. | • Still a large concentration in the Hi-Tech vertical, which could be under pressure in the next 12 months.<br>• While it has 45 F-500 clients on its roster, we are not surel whether it gets material revenue from many of them.<br>• More a horizontal skills company than a one with equal domain skills<br>• Weak cost optimization capabilities in our view |

*Source: Companies, Nirmal Bang Institutional Equities Research*

## Change in estimates

We have instituted some changes to our estimates. However, the net result of the exercise is that there is only a very marginal movement in our EPS estimates for FY23-FY26 from our post 3QFY23 numbers. Our base case is of a shallow recession in the US. In our current estimates, we think it will impact 2HFY24 more than in 1HFY24, something that we had anticipated earlier. In our estimates, we have therefore pulled up revenue for our coverage universe modestly in FY24 as we push adverse impact to 2HFY24. We are also assuming a more modest growth recovery in FY25 too, leading to reduced revenue growth in FY25. Our revenue estimates despite this upward revision remain at the lowest end of consensus.

**Margins should stay flat – there are forces on either side:** We have kept margins broadly constant for FY24 vs FY23. On the positive side, the easing supply pressures indicate ample runway for levers like utilisation, pyramiding, offshoring, backfilling cost clawback (a new lever which we believe will be at play based on recent industry commentary), INR depreciation, etc. On the negative side, we expect pricing pressure (non-consensus view), rebadging costs, large deal transition costs, lack of operating leverage, higher-than-usual onsite salary increase due to a tight onsite labor market and high inflation, normalization of costs like travel, sales & marketing, etc. Net-net, we think that EBIT margins in FY24 will be flat or could see modest upside vs FY23.

### Exhibit 37: TCS

| TCS | New | | | | Old | | | | *Change (%)* | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Change in estimates** | **FY23E** | **FY24E** | **FY25E** | **FY26E** | **FY23E** | **FY24E** | **FY25E** | **FY26E** | ***FY23E*** | ***FY24E*** | ***FY25E*** | ***FY26E*** |
| INR/USD | 80.7 | 82.6 | 83.7 | 86.3 | 80.7 | 81.8 | 83.6 | 86.0 | - | *0.9* | *0.1* | *0.3* |
| USD Revenue (USD mn) | 28,039 | 29,069 | 32,000 | 34,756 | 27,949 | 29,000 | 32,088 | 34,779 | *0.3* | *0.2* | *(0.3)* | *(0.1)* |
| *USD Revenue Growth (%)* | *9.1* | *3.7* | *10.1* | *8.6* | *8.7* | *3.8* | *10.6* | *8.4* | - | - | - | - |
| Revenue (Rsbn) | 2,264 | 2,400 | 2,678 | 2,999 | 2,257 | 2,372 | 2,683 | 2,991 | *0.3* | *1.2* | *(0.2)* | *0.3* |
| EBIT (Rsbn) | 547 | 586 | 657 | 731 | 546 | 576 | 655 | 730 | *0.2* | *1.8* | *0.3* | *0.1* |
| *EBIT Margin (%)* | *24.2* | *24.4* | *24.5* | *24.4* | *24.2* | *24.3* | *24.4* | *24.4* | - | - | - | - |
| PAT (Rsbn) | 425 | 461 | 514 | 568 | 424 | 455 | 514 | 570 | *0.2* | *1.2* | *(0.1)* | *(0.3)* |
| FDEPS (Rs) | 116.1 | 125.9 | 140.4 | 155.2 | 115.8 | 124.4 | 140.4 | 146.0 | *0.2* | *1.2* | *(0.1)* | *6.3* |

*Source: Company, Nirmal Bang Institutional Equities Research Note: The spike in EPS (not in the PAT) in FY26 is driven by an error that we committed.*

### Exhibit 38: Infosys

| Infosys | New | | | | Old | | | | *% Change* | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Change in estimates** | **FY23E** | **FY24E** | **FY25E** | **FY26E** | **FY23E** | **FY24E** | **FY25E** | **FY26E** | ***FY23E*** | ***FY24E*** | ***FY25E*** | ***FY26E*** |
| INR/USD | 81.0 | 82.6 | 83.7 | 86.3 | 81.0 | 81.8 | 83.6 | 86.0 | *0.0* | *0.9* | *0.1* | *0.3* |
| USD Revenue (USD mn) | 18,430 | 19,199 | 21,310 | 23,318 | 18,388 | 19,108 | 21,397 | 23,298 | *0.2* | *0.5* | *(0.4)* | *0.1* |
| *USD Revenue Growth (%)* | *13.0* | *4.2* | *11.0* | *9.4* | *12.7* | *3.9* | *12.0* | *8.9* | - | - | - | - |
| Revenue (Rsbn) | 1486 | 1585 | 1784 | 2012 | 1483 | 1563 | 1789 | 2004 | *0.2* | *1.4* | *(0.3)* | *0.4* |
| EBIT (Rsbn) | 318 | 341 | 384 | 432 | 315 | 331 | 381 | 424 | *0.9* | *2.9* | *0.8* | *1.8* |
| *EBIT Margin (%)* | *21.4* | *21.5* | *21.5* | *21.5* | *21.3* | *21.2* | *21.3* | *21.2* | - | - | - | - |
| PAT Adjusted (Rsbn) | 248 | 255 | 291 | 330 | 246 | 247 | 287 | 322 | *1.0* | *3.4* | *1.5* | *2.6* |
| FDEPS-Adjusted (Rs) | 59.3 | 61.5 | 70.1 | 79.5 | 58.8 | 60.0 | 69.7 | 78.1 | *0.8* | *2.5* | *0.6* | *1.8* |

*Source: Company, Nirmal Bang Institutional Equities Research*

### Exhibit 39: Wipro

| Wipro | New | | | | Old | | | | *Deviation* | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Change in estimates** | **FY23E** | **FY24E** | **FY25E** | **FY26E** | **FY23E** | **FY24E** | **FY25E** | **FY26E** | ***FY23E*** | ***FY24E*** | ***FY25E*** | ***FY26E*** |
| INR/USD | 80.8 | 83.6 | 84.7 | 87.3 | 80.8 | 82.8 | 84.6 | 87.0 | - | *0.9* | *0.1* | *0.3* |
| IT Services USD Revenue (USD mn) | 11,185 | 11,606 | 12,667 | 13,621 | 11,126 | 11,580 | 12,668 | 13,494 | *0.5* | *0.2* | *(0.0)* | *0.9* |
| *USD Revenue Growth (%)* | *8.0* | *3.8* | *9.1* | *7.5* | *7.4* | *4.1* | *9.4* | *6.5* | - | - | - | - |
| Revenue (Rsbn) | 912 | 977 | 1,080 | 1,196 | 907 | 966 | 1,079 | 1,181 | *0.5* | *1.1* | *0.1* | *1.3* |
| EBIT (Rsbn) | 142 | 155 | 173 | 194 | 140 | 159 | 182 | 200 | *1.0* | *(2.6)* | *(4.7)* | *(2.9)* |
| *EBIT Margin (%)* | *15.5* | *15.9* | *16.0* | *16.2* | *15.5* | *16.5* | *16.8* | *16.9* | - | - | - | - |
| PAT (Rsbn) | 115 | 126 | 143 | 161 | 114 | 130 | 149 | 166 | *1.0* | *(2.5)* | *(4.4)* | *(2.8)* |
| FDEPS (Rs) | 21.0 | 23.1 | 26.0 | 29.4 | 20.8 | 23.6 | 27.2 | 30.3 | 1.0 | (2.5) | (4.4) | (2.8) |

*Source: Company, Nirmal Bang Institutional Equities Research*

### Exhibit 40: HCL Technologies

| HCL TECH | New | | | | Old | | | | *% Change* | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Change in estimates** | **FY23E** | **FY24E** | **FY25E** | **FY26E** | **FY23E** | **FY24E** | **FY25E** | **FY26E** | ***FY23E*** | ***FY24E*** | ***FY25E*** | ***FY26E*** |
| INR/USD | 80.6 | 82.6 | 83.7 | 86.3 | 80.6 | 81.8 | 83.6 | 86.0 | - | *0.9* | *0.1* | *0.3* |
| USD Revenue (USD mn) | 12,672 | 13,219 | 14,604 | 16,096 | 12,644 | 13,168 | 14,562 | 15,778 | *0.2* | *0.4* | *0.3* | *2.0* |
| *USD Revenue Growth (%)* | *10.4* | *4.3* | *10.5* | *10.2* | *10.1* | *4.1* | *10.6* | *8.4* | - | - | - | - |
| Revenue (Rsbn) | 1,022 | 1,091 | 1,222 | 1,389 | 1,019 | 1,077 | 1,217 | 1,357 | *0.2* | *1.3* | *0.4* | *2.4* |
| EBIT (Rsbn) | 187 | 202 | 226 | 260 | 187 | 197 | 223 | 251 | *0.3* | *2.8* | *1.4* | *3.4* |
| *EBIT Margin (%)* | *18.3* | *18.5* | *18.5* | *18.7* | *18.3* | *18.3* | *18.3* | *18.5* | - | - | - | - |
| PAT (Rsbn) | 149 | 158 | 177 | 202 | 148 | 155 | 175 | 196 | *0.3* | *2.4* | *1.0* | *3.0* |
| FDEPS (Rs) | 54.9 | 58.5 | 65.2 | 74.7 | 54.7 | 57.1 | 64.6 | 72.5 | *0.3* | *2.4* | *1.0* | *3.0* |

*Source: Company, Nirmal Bang Institutional Equities Research*

### Exhibit 41: Tech Mahindra

| Tech Mahindra | New | | | | Old | | | | *% Change* | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Change in estimates** | **FY23E** | **FY24E** | **FY25E** | **FY26E** | **FY23E** | **FY24E** | **FY25E** | **FY26E** | ***FY23E*** | ***FY24E*** | ***FY25E*** | ***FY26E*** |
| INR/USD | 80.6 | 82.6 | 83.7 | 86.3 | 80.6 | 81.8 | 83.6 | 86.0 | - | *0.9* | *0.1* | *0.3* |
| USD Revenue (USD mn) | 6,653 | 6,839 | 7,407 | 8,101 | 6,624 | 6,721 | 7,424 | 7,964 | *0.4* | *1.8* | *(0.2)* | *1.7* |
| *USD Revenue Growth (%)* | *10.9* | *2.8* | *8.3* | *9.4* | *10.4* | *1.5* | *10.5* | *7.3* | - | - | - | - |
| Revenue (Rsmn) | 536.8 | 564.6 | 620.0 | 699.1 | 534.4 | 549.8 | 620.7 | 684.9 | *0.5* | *2.7* | *(0.1)* | *2.1* |
| EBIT (Rsmn) | 63.5 | 69.8 | 84.2 | 97.3 | 63.6 | 71.2 | 83.2 | 91.8 | *(0.2)* | *(2.1)* | *1.2* | *6.0* |
| *EBIT Margin (%)* | *11.8* | *12.4* | *13.6* | *13.9* | *11.9* | *13.0* | *13.4* | *13.4* | - | - | - | - |
| PAT (Rsmn) | 51.3 | 53.5 | 65.2 | 75.0 | 51.3 | 55.1 | 64.9 | 72.2 | *(0.2)* | *(3.0)* | *0.4* | *3.9* |
| EPS (Rs) | 57.8 | 60.3 | 73.4 | 84.5 | 57.8 | 62.1 | 73.1 | 81.4 | *(0.2)* | *(3.0)* | *0.4* | 3.9 |

*Source: Company, Nirmal Bang Institutional Equities Research*

### Exhibit 42: LTIMindtree

| LTI Mindtree | New | | | | Old | | | | *Change (%)* | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Change in estimates** | **FY23E** | **FY24E** | **FY25E** | **FY26E** | **FY23E** | **FY24E** | **FY25E** | **FY26E** | ***FY23E*** | ***FY24E*** | ***FY25E*** | ***FY26E*** |
| INR/USD | 80.8 | 82.6 | 83.7 | 86.3 | - | - | - | - | - | - | - | - |
| USD Revenue (USD mn) | 4,130 | 4,356 | 4,715 | 5,314 | - | - | - | - | - | - | - | - |
| *USD Revenue Growth (%)* | *17.9* | *5.5* | *8.2* | *12.7* | - | - | - | - | - | - | - | - |
| Revenue (Rsmn) | 302,758 | 359,582 | 394,643 | 458,557 | - | - | - | - | - | - | - | - |
| EBIT (Rsmn) | 48,158 | 60,539 | 69,754 | 82,152 | - | - | - | - | - | - | - | - |
| *EBIT Margin (%)* | *15.9* | *16.8* | *17.7* | *17.9* | - | - | - | - | - | - | - | - |
| PAT (Rsmn) | 41,147 | 51,020 | 58,936 | 69,230 | - | - | - | - | - | - | - | - |
| EPS (Rs) | 152.4 | 172.3 | 199.1 | 233.8 | - | - | - | - | - | - | - | - |

*Source: Company, Nirmal Bang Institutional Equities Research*

## Exhibit 43: Persistent Systems

| Persistent | New | | | | Old | | | | *Change (%)* | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Change in Estimates** | **FY23E** | **FY24E** | **FY25E** | **FY26E** | **FY23E** | **FY24E** | **FY25E** | **FY26E** | ***FY23E*** | ***FY24E*** | ***FY25E*** | ***FY26E*** |
| INR/USD | 80.6 | 82.6 | 83.7 | 86.3 | 80.6 | 81.8 | 83.6 | 86.0 | - | *0.9* | *0.1* | *0.3* |
| USD Revenue (USD mn) | 1,036 | 1,170 | 1,282 | 1,496 | 1,037 | 1,153 | 1,330 | 1,512 | *(0.1)* | *1.5* | *(3.6)* | *(1.1)* |
| *USD Revenue Growth (%)* | *35.3* | *12.9* | *9.6* | *16.7* | *35.4* | *11.2* | *15.4* | *13.7* | - | - | - | - |
| Revenue (Rsmn) | 83,678 | 96,577 | 107,314 | 129,131 | 83,620 | 94,299 | 111,184 | 130,059 | *0.1* | *2.4* | *(3.5)* | *(0.7)* |
| EBIT (Rsmn) | 12,652 | 14,785 | 16,425 | 19,924 | 12,594 | 15,139 | 18,048 | 21,021 | *0.5* | *(2.3)* | *(9.0)* | *(5.2)* |
| *EBIT Margin (%)* | *15.1* | *15.3* | *15.3* | *15.4* | *15.1* | *16.1* | *16.2* | *16.2* | - | - | - | - |
| PAT (Rsmn) | 9,551 | 11,512 | 12,812 | 15,516 | 9,507 | 11,846 | 14,106 | 16,440 | *0.5* | *(2.8)* | *(9.2)* | *(5.6)* |
| FDEPS (Rs) | 125.0 | 150.6 | 167.6 | 203.0 | 124.4 | 155.0 | 184.6 | 215.1 | *0.5* | *(2.8)* | *(9.2)* | *(5.6)* |

*Source: Company, Nirmal Bang Institutional Equities Research*

## Exhibit 44: Mphasis

| Mphasis | New | | | | Old | | | | *% Change* | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Change in estimates** | **FY23E** | **FY24E** | **FY25E** | **FY26E** | **FY23E** | **FY24E** | **FY25E** | **FY26E** | ***FY23E*** | ***FY24E*** | ***FY25E*** | ***FY26E*** |
| INR/USD | 80.6 | 82.6 | 83.7 | 86.3 | - | - | - | - | - | - | - | - |
| USD Revenue (in mn) | 1,747 | 1,816 | 1,951 | 2,140 | - | - | - | - | - | - | - | - |
| *USD Revenue Growth (%)* | *9.7* | *3.9* | *7.4* | *9.7* | - | - | - | - | - | - | - | - |
| Revenue (Rsmn) | 140,730 | 149,891 | 163,268 | 184,710 | - | - | - | - | - | - | - | - |
| EBIT (Rsmn) | 21,546 | 23,451 | 25,864 | 30,060 | - | - | - | - | - | - | - | - |
| *EBIT Margin (%)* | *15.3* | *15.6* | *15.8* | *16.3* | - | - | - | - | - | - | - | - |
| PAT Adjusted (Rsmn) | 16,648 | 17,978 | 19,947 | 23,344 | - | - | - | - | - | - | - | - |
| FDEPS-Adjusted (Rs) | 88.5 | 95.5 | 105.9 | 124.0 | - | - | - | - | - | - | - | - |

*Source: Company, Nirmal Bang Institutional Equities Research*

## Exhibit 45: Coforge

| Coforge | New | | | | Old | | | | % Change | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Change in estimates** | **FY23E** | **FY24E** | **FY25E** | **FY26E** | **FY23E** | **FY24E** | **FY25E** | **FY26E** | **FY22E** | **FY23E** | **FY25E** | **FY26E** |
| INR/USD | 80.0 | 82.6 | 83.7 | 86.3 | - | - | - | - | - | - | - | - |
| USD Revenue (USD mn) | 1,003 | 1,082 | 1,201 | 1,370 | - | - | - | - | - | - | - | - |
| *USD Revenue Growth (%)* | *15.8* | *7.9* | *11.0* | *14.1* | - | - | - | - | - | - | - | - |
| Revenue (Rsmn) | 80,329 | 89,322 | 100,500 | 118,247 | - | - | - | - | - | - | - | - |
| EBIT (Rsmn) | 11,511 | 13,413 | 15,455 | 18,460 | - | - | - | - | - | - | - | - |
| *EBIT Margin (%)* | *14.3* | *15.0* | *15.4* | *15.6* | - | - | - | - | - | - | - | - |
| PAT (Rsmn) | 8,164 | 9,455 | 11,153 | 13,688 | - | - | - | - | - | - | - | - |
| EPS (Rs) | 133.9 | 154.8 | 182.5 | 224.0 | - | - | - | - | - | - | - | - |

*Source: Company, Nirmal Bang Institutional Equities Research*

# NBIE vs Consensus Estimates

## Exhibit 46: TCS

| TCS | Consensus | | | | NBIE | | | | *NBIE/Consensus* | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | FY23E | FY24E | FY25E | FY26E | FY23E | FY24E | FY25E | FY26E | *FY23E* | *FY24E* | *FY25E* | *FY26E* |
| Revenues (Rs bn) | 2,252 | 2,485 | 2,727 | 2,999 | 2,264 | 2,400 | 2,678 | 2,999 | *101%* | *97%* | *98%* | *100%* |
| EBIT (Rs bn) | 546 | 617 | 685 | 756 | 547 | 586 | 657 | 731 | *100%* | *95%* | *96%* | *97%* |
| PAT Adj (Rs bn) | 425 | 485 | 538 | 598 | 425 | 461 | 514 | 568 | *100%* | *95%* | *96%* | *95%* |
| FDEPS Adj (Rs) | 115.8 | 132.1 | 146.5 | 161.1 | 116.1 | 125.9 | 140.4 | 155.2 | *100%* | *95%* | *96%* | *96%* |
| *EBIT Margin (%)* | *24.3* | *24.8* | *25.1* | *25.2* | *24.2* | *24.4* | *24.5* | *24.4* | - | - | - | - |

*Source: Company, Nirmal Bang Institutional Equities Research*

## Exhibit 47: Infosys

| Infosys | Consensus | | | | NBIE | | | | *NBIE/Consensus* | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | FY23E | FY24E | FY25E | FY26E | FY23E | FY23E | FY25E | FY26E | *FY23E* | *FY24E* | *FY25E* | *FY26E* |
| Revenue (Rsbn) | 1,481 | 1,648 | 1,836 | 2,064 | 1,486 | 1,585 | 1,784 | 2,012 | *100%* | *96%* | *97%* | *97%* |
| EBIT (Rsbn) | 314.6 | 362.7 | 411.3 | 470.3 | 318.2 | 341.2 | 384.0 | 431.8 | *101%* | *94%* | *93%* | *92%* |
| PAT Adj (Rsbn) | 246.8 | 284.3 | 322.8 | 369.6 | 248.2 | 255.3 | 291.2 | 330.2 | *101%* | *90%* | *90%* | *89%* |
| *FDEPS Adj (Rs)* | *58.9* | *68.1* | *77.2* | *89.3* | *59.3* | *61.5* | *70.1* | *79.5* | *101%* | *90%* | *91%* | *89%* |
| *EBIT Margin (%)* | *21.2* | *22.0* | *22.4* | *22.8* | *21.4* | *21.5* | *21.5* | *21.5* | - | - | - | - |

*Source: Company, Nirmal Bang Institutional Equities Research*

## Exhibit 48: Wipro

| Wipro | Consensus | | | | NBIE | | | | *NBIE/Consensus* | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | FY23E | FY24E | FY25E | FY26E | FY23E | FY24E | FY25E | FY26E | *FY22E* | *FY23E* | *FY25E* | *FY26E* |
| Revenue (Rsbn) | 908.4 | 988.4 | 1,075.0 | 1,208.0 | 912.0 | 976.8 | 1,079.9 | 1,196.1 | *100%* | *99%* | *100%* | *99%* |
| EBIT (Rsbn) | 137.3 | 158.3 | 175.8 | 204.4 | 141.7 | 155.4 | 173.3 | 193.9 | *103%* | *98%* | *99%* | *95%* |
| PAT (Rsbn) | 114.0 | 131.8 | 147.6 | 169.4 | 115.4 | 126.5 | 142.7 | 161.4 | *101%* | *96%* | *97%* | *95%* |
| FDEPS (Rs) | 20.8 | 24.1 | 26.9 | 31.8 | 21.0 | 23.1 | 26.0 | 29.4 | *101%* | *96%* | *97%* | *93%* |
| *EBIT Margin (%)* | *15.1* | *16.0* | *16.4* | *16.9* | *15.5* | *15.9* | *16.0* | *16.2* | - | - | - | - |

*Source: Company, Nirmal Bang Institutional Equities Research*

## Exhibit 49: HCL Technologies

| HCL Tech | Consensus | | | | NBIE | | | | *NBIE/Consensus* | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | FY23E | FY24E | FY25E | FY26E | FY23E | FY24E | FY25E | FY26E | *FY23E* | *FY24E* | *FY25E* | *FY26E* |
| Revenue (Rsbn) | 1,017 | 1,139 | 1,236 | 1,384 | 1,022 | 1,091 | 1,222 | 1,389 | *100%* | *96%* | *99%* | *100%* |
| EBIT (Rsbn) | 185 | 210 | 236 | 263 | 187 | 202 | 226 | 260 | *101%* | *96%* | *96%* | *99%* |
| PAT (Rsbn) | 147 | 168 | 184 | 209 | 149 | 158 | 177 | 202 | *101%* | *94%* | *96%* | *97%* |
| EPS (Rs) | 54.3 | 61.1 | 68.8 | 77.0 | 54.9 | 58.5 | 65.2 | 74.7 | *101%* | *96%* | *95%* | *97%* |
| *EBIT Margin (%)* | *18.2* | *18.4* | *19.1* | *19.0* | *18.3* | *18.5* | *18.5* | *18.7* | - | - | - | - |

*Source: Company, Nirmal Bang Institutional Equities Research*

## Exhibit 50: Tech Mahindra

| Tech Mahindra | Consensus | | | | NBIE | | | | *NBIE/Consensus* | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | FY23E | FY24E | FY25E | FY26E | FY23E | FY24E | FY25E | FY26E | *FY23E* | *FY24E* | *FY25E* | *FY26E* |
| Revenue (Rsbn) | 534.0 | 584.3 | 639.4 | 707.3 | 536.8 | 564.6 | 620.0 | 699.1 | *101%* | *97%* | *97%* | *99%* |
| EBIT (Rsbn) | 62.9 | 76.4 | 86.3 | 97.6 | 63.5 | 69.8 | 84.2 | 97.3 | *101%* | *91%* | *98%* | *100%* |
| PAT (Rsbn) | 51.4 | 60.1 | 68.1 | 74.9 | 51.3 | 53.5 | 65.2 | 75.0 | *100%* | *89%* | *96%* | *100%* |
| EPS (Rs) | 58.2 | 68.0 | 77.1 | 86.1 | 57.8 | 60.3 | 73.4 | 84.5 | *99%* | *89%* | *95%* | *98%* |
| *EBIT Margin (%)* | *11.8* | *13.1* | *13.5* | *13.8* | *11.8* | *12.4* | *13.6* | *13.9* | - | - | - | - |

*Source: Company, Nirmal Bang Institutional Equities Research*

## Exhibit 51: LTIMindtree

| LTI Mindtree | Consensus | | | | NBIE | | | | *NBIE/Consensus* | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | FY23E | FY24E | FY25E | FY26E | FY23E | FY24E | FY25E | FY26E | *FY23E* | *FY24E* | *FY25E* | *FY26E* |
| Revenue (Rsmn) | 333,315 | 363,219 | 414,323 | - | 302,758 | 359,582 | 394,643 | 458,557 | *91%* | *99%* | *95%* | - |
| EBIT (Rsmn) | 52,486 | 61,655 | 74,765 | - | 48,158 | 60,539 | 69,754 | 82,152 | *92%* | *98%* | *93%* | - |
| PAT (Rsmn) | 43,762 | 49,746 | 60,311 | - | 41,147 | 51,020 | 58,936 | 69,230 | *94%* | *103%* | *98%* | - |
| EPS (Rs) | 149.8 | 175.2 | 208.0 | - | 152.4 | 172.3 | 199.1 | 233.8 | *102%* | *98%* | *96%* | - |
| *EBIT Margin (%)* | *15.7* | *17.0* | *18.0* | - | *15.9* | *16.8* | *17.7* | *17.9* | - | - | - | - |

*Source: Company, Nirmal Bang Institutional Equities Research*

## Exhibit 52: Persistent Systems

| Persistent | Consensus | | | | NBIE | | | | *NBIE/Consensus* | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | FY23E | FY24E | FY25E | FY26E | FY23E | FY24E | FY25E | FY26E | *FY23E* | *FY24E* | *FY25E* | *FY26E* |
| Revenue (Rsmn) | 83,201 | 98,130 | 114,353 | 123,808 | 83,678 | 96,577 | 107,314 | 129,131 | *101%* | *98%* | *94%* | *104%* |
| EBIT (Rsmn) | 12,364 | 15,031 | 17,969 | 18,674 | 12,652 | 14,785 | 16,425 | 19,924 | *102%* | *98%* | *91%* | *107%* |
| PAT (Rsmn) | 9,532 | 11,853 | 14,201 | 15,674 | 9,551 | 11,512 | 12,812 | 15,516 | *100%* | *97%* | *90%* | *99%* |
| EPS (Rs) | 125.0 | 155.3 | 186.1 | 205.1 | 125.0 | 150.6 | 167.6 | 203.0 | *100%* | *97%* | *90%* | *99%* |
| *EBIT Margin (%)* | *14.9* | *15.3* | *15.7* | *15.1* | *15.1* | *15.3* | *15.3* | *15.4* | - | - | - | - |

*Source: Company, Nirmal Bang Institutional Equities Research*

## Exhibit 53: Mphasis

| Mphasis | Consensus | | | | NBIE | | | | *NBIE/Consensus* | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | FY23E | FY24E | FY25E | FY26E | FY23E | FY24E | FY25E | FY26E | *FY23E* | *FY24E* | *FY25E* | *FY26E* |
| Revenue (Rsmn) | 140,577 | 155,254 | 174,226 | - | 140,730 | 149,891 | 163,268 | 184,710 | *100%* | *97%* | *94%* | - |
| EBIT (Rsmn) | 21,586 | 24,475 | 27,661 | - | 21,546 | 23,451 | 25,864 | 30,060 | *100%* | *96%* | *94%* | - |
| PAT (Rsmn) | 16,666 | 18,927 | 21,527 | - | 16,648 | 17,978 | 19,947 | 23,344 | *100%* | *95%* | *93%* | - |
| EPS (Rs) | 88.3 | 100.2 | 114.2 | - | 88.5 | 95.5 | 105.9 | 124.0 | *100%* | *95%* | *93%* | - |
| *EBIT Margin (%)* | *15.4* | *15.8* | *15.9* | - | *15.3* | *15.6* | *15.8* | *16.3* | - | - | - | - |

*Source: Company, Nirmal Bang Institutional Equities Research*

## Exhibit 54: Coforge

| Coforge | Consensus | | | | NBIE | | | | *NBIE/Consensus* | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | FY23E | FY24E | FY25E | FY26E | FY23E | FY24E | FY25E | FY26E | *FY23E* | *FY24E* | *FY25E* | *FY26E* |
| Revenue (Rsbn) | 80,213 | 93,492 | 106,749 | - | 80,329 | 89,322 | 100,500 | 118,247 | *100%* | *96%* | *94%* | - |
| EBIT (Rsbn) | 11,686 | 13,975 | 16,218 | - | 11,511 | 13,413 | 15,455 | 18,460 | *99%* | *96%* | *95%* | - |
| PAT (Rsbn) | 8,380 | 10,299 | 12,062 | - | 8,164 | 9,455 | 11,153 | 13,688 | *97%* | *92%* | *92%* | - |
| EPS (Rs) | 136.9 | 168.0 | 196.6 | - | 133.9 | 154.8 | 182.5 | 224.0 | *98%* | *92%* | *93%* | - |
| *EBIT Margin (%)* | *14.6* | *14.9* | *15.2* | - | *14.3* | *15.0* | *15.4* | *15.6* | - | - | - | - |

*Source: Company, Nirmal Bang Institutional Equities Research*

## Valuation – maintain UW stance.

We reiterate our 'SELL' rating on our entire IT coverage universe (see Exhibit 55). We have tweaked our estimates and target prices (TP) from the ones given post 3QFY23 results. The EPS changes are not very material. The upward revision in TPs in many cases have been driven by:

- Rollover of valuation from Sept'24E EPS to FY25E EPS
- Modest changes in the target PE multiples that we have used to value both TCS and other companies under coverage. We have been using TCS as our valuation benchmark and have been giving subjective discounts to other companies to arrive at the target PE multiples that need to be applied on those companies. We are now using the target valuation multiple for TCS (our valuation benchmark) based on the 10-year PE multiple data vs 5-year PE multiple data as the latter exaggerates the impact of the high valuation phase of FY20-FY23.

**Exhibit 55: Changes made to our earnings estimates, target prices and ratings.**

| Company | CMP (Rs) | Market- cap (US$bn) | New FY23E EPS (Rs) | New FY24E EPS (Rs) | New FY25E EPS (Rs) | New FY26E EPS (Rs) | Old FY23E EPS (Rs) | Old FY24E EPS (Rs) | New target PE (x) | Old target PE (x) | New rating | Old rating | New TP (Rs) | Upside to CMP (%) | Old TP | Change in TP (%) |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| TCS | 3,179 | 140.90 | 116.1 | 125.9 | 140.4 | 155.2 | 115.8 | 124.4 | 19.3 | 19.9 | Sell | Sell | 2,709 | -14.8 | 2,635 | 2.8 |
| Infosys | 1,421 | 71.37 | 59.3 | 61.5 | 70.1 | 79.5 | 58.8 | 60.0 | 17.4 | 17.9 | Sell | Sell | 1,218 | -14.3 | 1,161 | 4.9 |
| Wipro | 377 | 25.02 | 21.0 | 23.1 | 26.0 | 29.4 | 20.8 | 23.6 | 13.5 | 13.9 | Sell | Sell | 351 | -6.8 | 347 | 1.2 |
| HCL Technologies | 1,108 | 36.43 | 54.9 | 58.5 | 65.2 | 74.7 | 54.7 | 57.1 | 14.5 | 13.9 | Sell | Sell | 944 | -14.8 | 847 | 11.5 |
| Tech Mahindra | 1,127 | 13.30 | 57.8 | 60.3 | 73.4 | 84.5 | 57.8 | 62.1 | 13.5 | 12.9 | Sell | Sell | 992 | -12.0 | 945 | 5.0 |
| Persistent Systems | 4,652 | 4.31 | 125.0 | 150.6 | 167.6 | 203.0 | 124.4 | 155.0 | 17.4 | 17.9 | Sell | Sell | 2,912 | -37.4 | 3,041 | -4.2 |
| LTI Mindtree | 4,674 | 16.75 | 152.4 | 172.3 | 199.1 | 233.8 | - | - | 19.3 | | Sell | - | 3,842 | -17.8 | - | - |
| Coforge | 3,901 | 2.89 | 133.9 | 154.8 | 182.5 | 224.0 | - | – | 17.4 | | Sell | - | 3,171 | -18.7 | - | - |
| Mphasis | 1,886 | 4.30 | 88.5 | 95.5 | 105.9 | 124.0 | - | - | 15.4 | | Sell | - | 1,636 | -13.3 | - | - |

*Source: Nirmal Bang Institutional Equities Research, All Prices as of close 17 March 2023.*

**Exhibit 56: Study of the PE multiples of TCS over various periods of time**

| | Mean | Median | -\+1SD | Mean + 1SD | Mean + 1.5SD | Mean + 2SD |
|---|---|---|---|---|---|---|
| 5 Year forward looking PE | 26.2 | 25.6 | 4.1 | 30.3 | 32.3 | 34.3 |
| 10 Year forward looking PE | 21.9 | 20.4 | 5.3 | 27.2 | 29.9 | 32.6 |
| 15 Year forward looking PE | 19.5 | 18.3 | 5.9 | 25.4 | 28.3 | 31.3 |

*Source: Nirmal Bang Institutional Equities Research.*

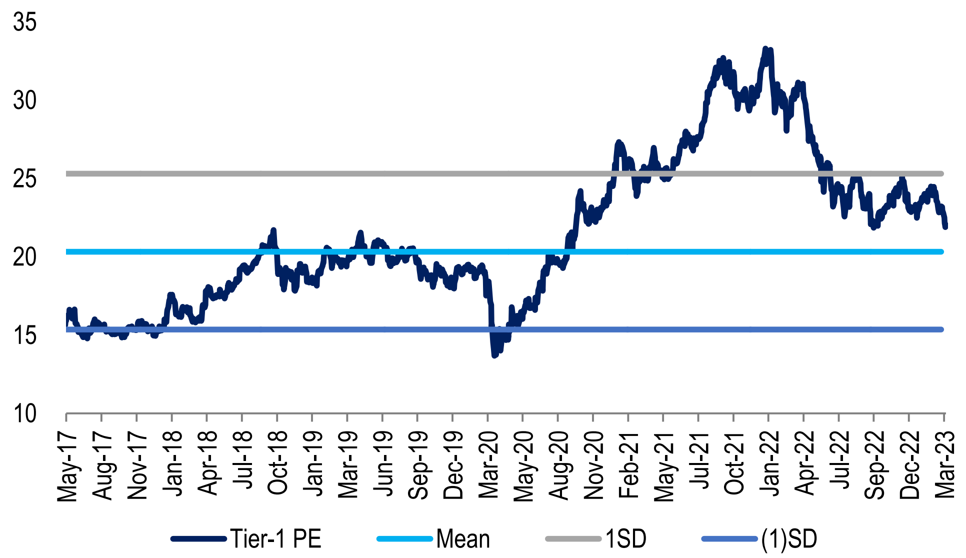
While there has been a reasonable correction from the peak in 2022, an analysis of the current PE multiple of TCS – our valuation benchmark – reveals that valuation remains higher than pre-pandemic levels meaningfully. TCS is currently trading at +1 SD above the 15-year mean. Of course, parts of the market will say that such historical valuations do not matter, and that the industry has moved into a new growth trajectory, which is higher than the one we saw pre-pandemic. We think that the structural growth for the industry is still a matter of debate, which is yet to be settled. While a section of the market believes that industry will grow in the double-digit territory once it comes out on the other side of the 'valley', that is at best an optimistic view. While we do expect USD revenue growth rate for the industry to be 100-200bps higher than what it was pre-pandemic, we are not in the camp which believes it will be structurally 300-500bps higher. As mentioned elsewhere, the industry in FY23 is 4x the size it was in FY10 and is likely much more susceptible to the macro environment.

## Determining Target PE multiples for the coverage

In terms of PE multiples, TCS continues to be our sector benchmark as it has the strongest position in the industry due to: (1) Breadth and depth in service lines, geographies and verticals (2) Ability to stitch together integrated offerings (3) Significant lead in automation skills (4) Strong and stable base of experienced employees with contextual knowledge (5) Strong product, platform and agile delivery capabilities and (6) Industry-best margins and return ratios. We expect TCS to be a market share gainer in the medium to long term, stemming from its strong capabilities. We had reduced the target PE multiple to 19.3x (mean 10-year multiple currently less 0.5SD) from 19.9x (1SD below 5-year mean) that we had earlier. We are now using the target valuation multiple for TCS (our valuation benchmark) based on 10-year PE multiple data vs 5-year PE multiple data as the latter exaggerates the impact of the high growth/valuation phase of FY20-FY23. This by no means is an uber pessimistic number as during the GFC downturn, the stock had traded in the single digit PE multiple territory.

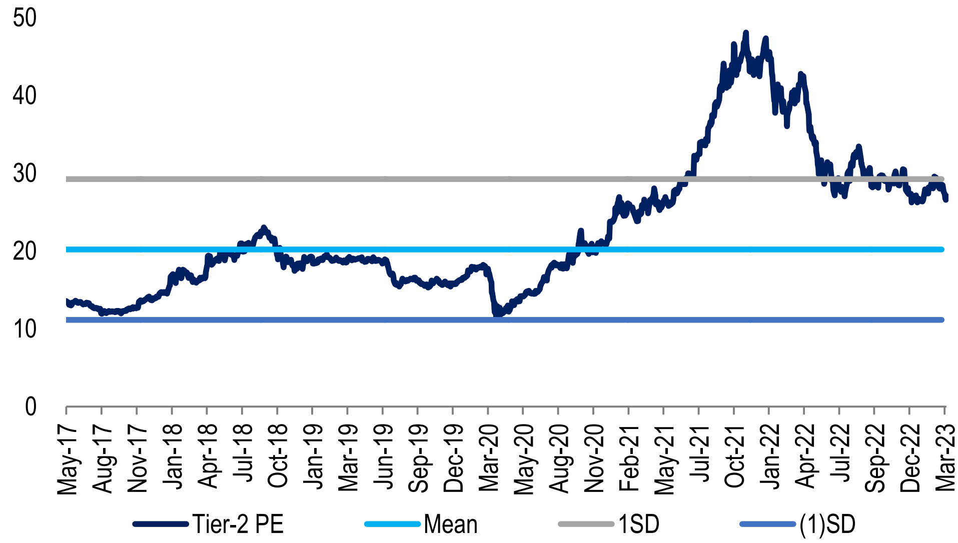
We have benchmarked all other IT companies with respect to TCS. In terms of target PE multiples, we have given appropriate (but subjective) discounts to TCS. The target multiple in our view should reflect the longevity of the enterprise, prospects for growth in revenue, profitability & return ratios and sustainability of the same. The resultant ratings and TPs are given in Exhibit 60. We maintain our 'SELL' ratings on the entire coverage.

**Exhibit 57: PE of Tier-1 companies are currently trading at a significant premium to even the upper end of the valuation range of pre-pandemic times**



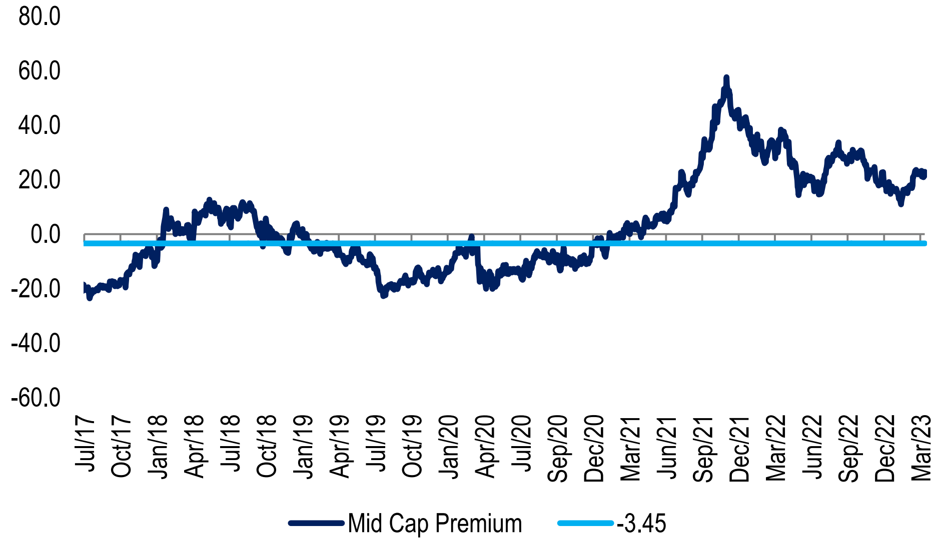

*Source: Companies, Nirmal Bang Institutional Equities Research*

**Exhibit 58: PE of Tier-2 set has expanded dramatically. While we acknowledge most of them have undergone metamorphosis over the last 5 years we do not believe the expanded earnings growth gap with Tier-1 of FY21-FY23 will sustain going ahead.**




*Source: Companies, Nirmal Bang Institutional Equities Research*

**Exhibit 59: PE premium of Tier-2 set vis-à-vis Tier-1 seems unsustainable though it has eased from very elevated levels of 2021.**




*Source: Companies, Nirmal Bang Institutional Equities Research*

**Exhibit 60: Our relative valuation matrix and rationale.**

| Company | Target PE multiple | Discount to TCS | Rationale for the discount and our other company commentary |
|---|---|---|---|
| TCS | 19.3x | | 19.3x represents 0.5SD below the 10-year mean 12-month forward PE multiple. This has been brought down from 19.9x that we held earlier, which represented 5-year mean less 1SD. Based on our analysis, the 5-year PE multiple exaggerates impact of the high growth/valuation phase of FY20-FY23. TCS continues to be our sector benchmark as it has the strongest position in the industry through: (1) Breadth and depth in service lines, geographies and verticals (2) Ability to stitch together integrated offerings (3) Significant lead in automation skills (4) Strong and stable base of experienced employees with contextual knowledge (5) Strong product, platform and agile delivery capabilities and (6) Industry-best margins and return ratios. While it may be gaining market share within the industry, it may probably not be the fastest growing company . |
| Infosys | 17.4x | 10%. | Lower 'legacy services' capabilities in terms of automation, lower platform skills, lower margins and ROIC make us give Infosys a discount. We believe Infosys has compromised a bit on margins in some of the large integrated deals by taking on higher 'third party items'. This has led to a situation where the FY21-FY23 INR EBIT growth of Infosys has been only at par with that of TCS despite growing USD revenue faster by as much as 400bps during this period. |
| HCLT | 14.5x | Decreased discount from 30% to 25% | The valuation is subdued because of the drag in revenue performance by the Products & Platforms (P&P) business in recent times and by the weak margin performance in the Services business. We are a bit perturbed that there has been no clear roadmap indicated for the P&P business. However, we think it is a cheap call option on the promising horizontal products business in the longer term. HCLT is likely a significant beneficiary of the build-out of digital foundation business, which plays into the IMS strength of the company. PE discount has been reduced by 500bps as we believe that the recent weak margin in Services seen in some quarters of FY23 will not repeat. |
| Wipro | 13.5x | 30% | While the new CEO delivered on organic earnings acceleration in FY22, it remains to be seen if that performance can be sustained in FY23 and beyond. Wipro has stopped positively surprising on revenue while it has been negatively surprising on margins. We are bit disconcerted by the lack of revenue visibility. While the TCV numbers have been weak, annual contract value (ACV) has shown grown quite strongly FY22 and in FY23.. The recent PE compression in Wipro is due to the doubts surrounding revenue growth due to slower conversion of its TCV/ACV into revenue and due its struggle with margins. |
| Tech Mahindra | 13.5x | Decreased discount from 35% to 30% | Discount reflects TML's structural weakness because of its less diversified revenue mix, higher client concentration, slower organic growth, lower margins, lower RoIC and its struggle to balance growth and margins. Margins are likely under pressure in FY23/FY24 too. 5G is the big opportunity that could be a growth driver. Large deal TCV has been strong in FY22 and in FY23 has been a key positive. Weakness in the enterprise side of the business will likely be visible in the slowdown that we foresee. We have reduced the discount as we see the entry of Mohit Joshi in Tech Mahindra as a net positive. While there could be some top-level attrition in the next 12 months, we believe Mohit will be able to bring better execution. We will wait for the impact of his entry before further reviewing changes in our estimates or target PE multiples. |
| LTIMindtree | 19.3x | Same multiple assigned as TCS | The zero discount to TCS' target PE is largely because we think LTIM will have the best of both Tier-1 and Tier-2 worlds. It now has a large menu of capabilities to sell, has an excellent portfolio of 95 global 500 clients to mine, and has platforms & IP as differentiators. On the other hand, at ~US$4.2bn revenue run-rate, it is much smaller than TCS and Infosys with the senior management being personally able to give attention to key clients. With its wider set of capabilities now and decent size, it has a seat at the table for the larger deals and each of these are going to help drive faster than industry growth for the foreseeable future. We have also been happy with the execution on both growth as well as margins by each of the independent entities separately for the last 2-3 years before they finally merged. So, the current management has a strong execution track record. We would not want to give a premium to the multiple of TCS as we would like to see execution on its cross sell /up sell strategy. Most of the 95 G-500 where there is cross sell opportunity likely have strong incumbents who will be difficult to displace. |
| Persistent Systems | 17.4x | 10% | We have kept discount at 10% vs TCS on good execution and what we believe are good growth prospects in the medium term for the Digital engineering business, which is its key specialty. After a terrible run in FY15-FY20, where nothing much worked, the management under Sandeep Kalra has delivered outstanding organic growth in both FY22 and FY23. But PSL's turnaround is largely reflected in the current valuation and could face pressure from the adverse macro environment and lack of significant domain and legacy services skills. We also worried about its large exposure to the Hitech space and likely problems from its non-Global-500 customer base, which we believe is relatively large. |
| Mphasis | 15.4x | 20% | While the current CEO Nitin Rakesh has been able to drive the Direct International channel growth (with strong TCV addition) at much above industry rates and has thus been able to solve the large troublesome exposure to HP/DXC, it does have very significant problems in both its very high vertical and client concentration. The BFSI vertical and top clients form ~60% of its revenue. While its large exposure to the mortgage space has impacted growth in FY23, we think that the likely earnings problems in large western banks will impact their spending plans in the quarters to come, likely impacting its FY24 and FY25 growth. We are also worried about possible risk of vendor consolidation (with Mphasis's role diminished) of some of these legacy BFSI relationships. |
| Coforge | 17.4x | 10% | Sudhir Singh, the CEO has done a commendable job in building a good team, incentivizing it and driving significantly faster-than-peer growth across its key verticals of BFS, Insurance and TTH. He has been aggressive on making a mark in large deals. In the insurance space, it has had the benefit of its product – Advantage Go. He has also driven growth in Digital, BPS both organically and inorganically. The element of Coforge's growth has been that it has been through good client concentration reduction unlike in the case of Mphasis. |

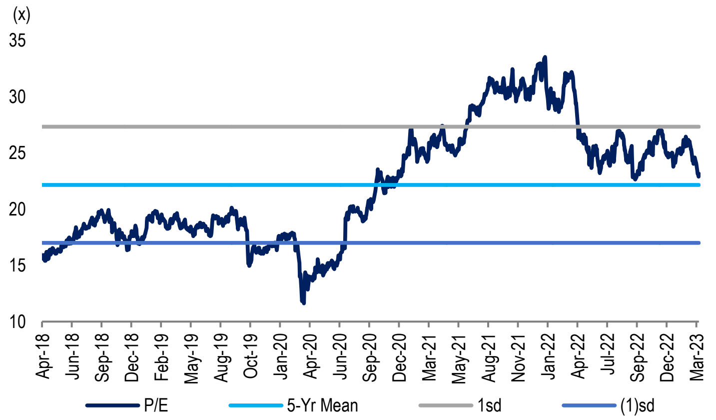
*Source: Nirmal Bang Institutional Equities Research*

## PE Charts of our coverage universe

**Exhibit 61: TCS 12-month forward PE Chart**

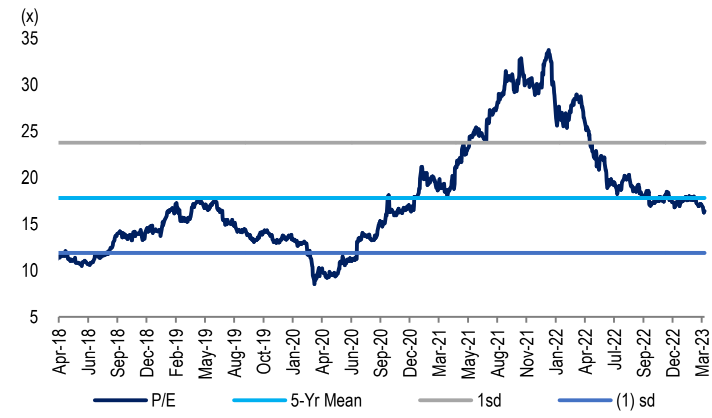

*Source: Company, Bloomberg, Nirmal Bang Institutional Equities Research*

**Exhibit 62: Infosys 12-month forward PE Chart**



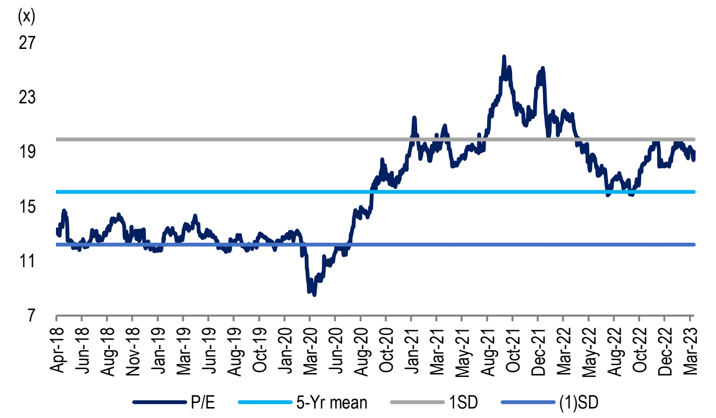

*Source: Company, Bloomberg, Nirmal Bang Institutional Equities Research*

**Exhibit 63: Wipro12-month forward PE Chart**



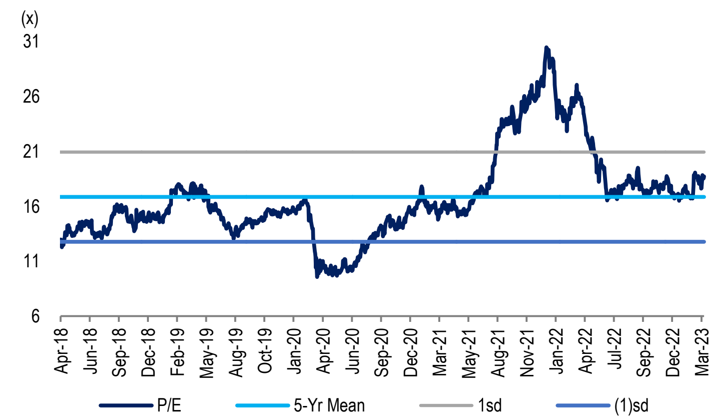

*Source: Company, Bloomberg, Nirmal Bang Institutional Equities Research*

**Exhibit 64: HCL Tech 12-month forward PE Chart**



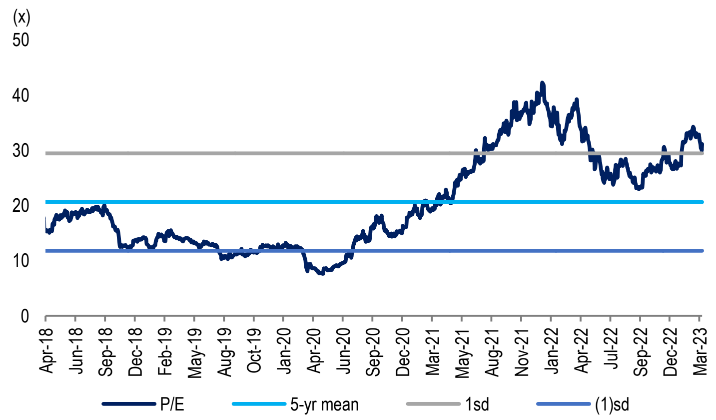

*Source: Company, Bloomberg, Nirmal Bang Institutional Equities Research*

**Exhibit 65: Tech Mahindra 12-month forward PE Chart**



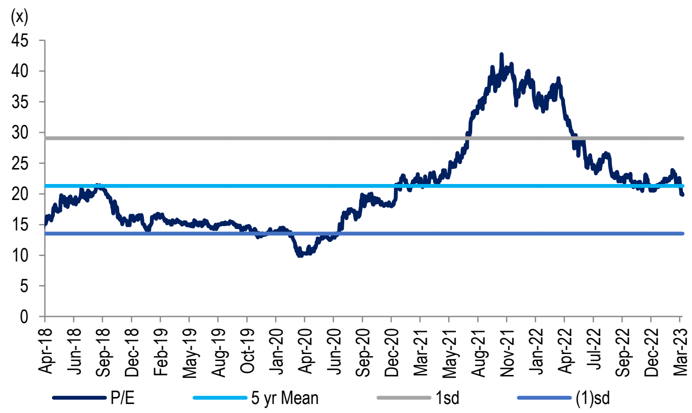

*Source: Company, Bloomberg, Nirmal Bang Institutional Equities Research*

**Exhibit 66: Persistent systems 12-month forward PE Chart**



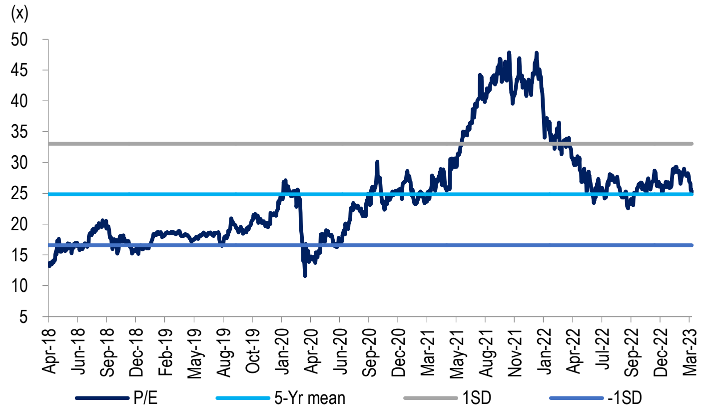

*Source: Company, Bloomberg, Nirmal Bang Institutional Equities Research*

**Exhibit 67: Mphasis 12-month forward PE Chart**




*Source: Company, Bloomberg, Nirmal Bang Institutional Equities Research*

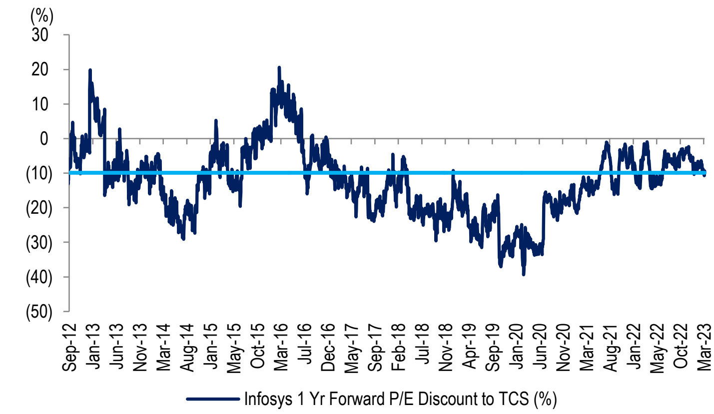
**Exhibit 68: Coforge 12-month forward PE Chart**




*Source: Company, Bloomberg, Nirmal Bang Institutional Equities Research*

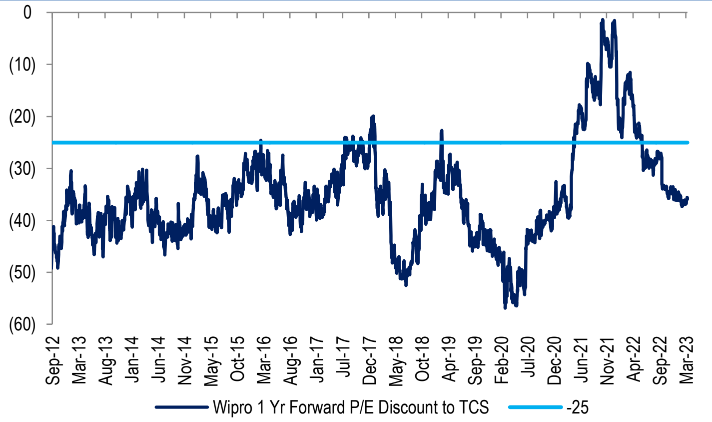
## The premium/(discount) to TCS PE

**Exhibit 69: Infosys**



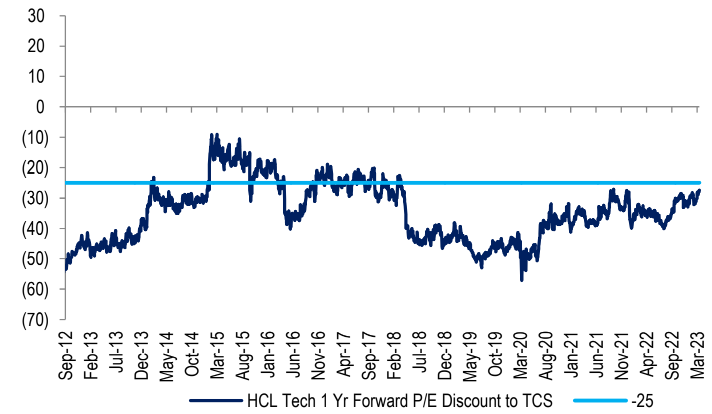

*Source: Company, Bloomberg, Nirmal Bang Institutional Equities Research*

**Exhibit 70: Wipro**



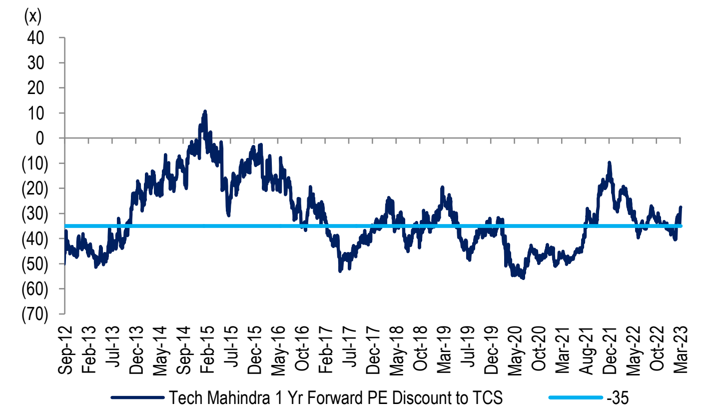

*Source: Company, Bloomberg, Nirmal Bang Institutional Equities Research*

**Exhibit 71: HCL**



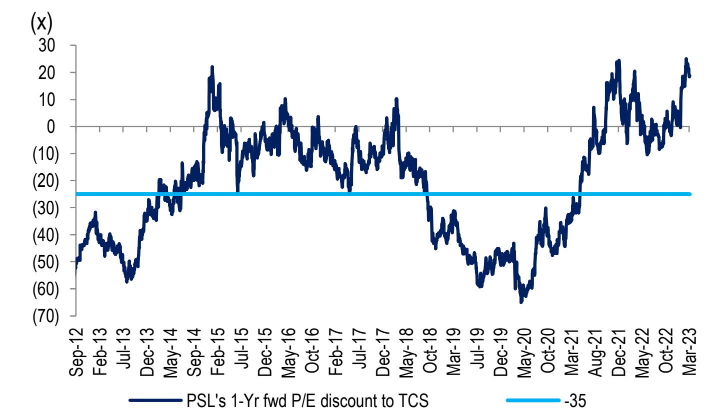

*Source: Company, Bloomberg, Nirmal Bang Institutional Equities Research*

**Exhibit 72: Tech Mahindra**



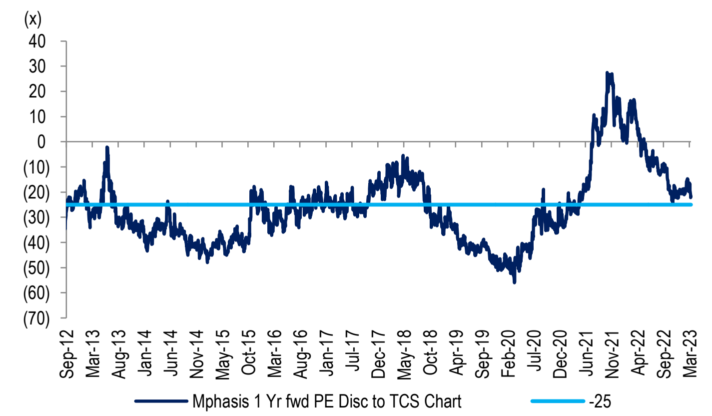

*Source: Company, Bloomberg, Nirmal Bang Institutional Equities Research*

**Exhibit 73: Persistent**



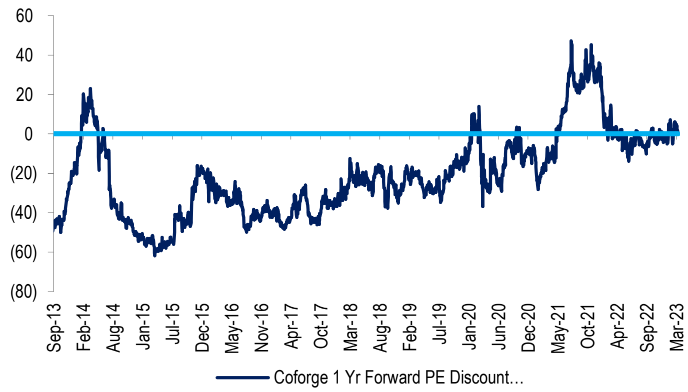

*Source: Company, Bloomberg, Nirmal Bang Institutional Equities Research*

**Exhibit 74: Mphasis**




*Source: Company, Bloomberg, Nirmal Bang Institutional Equities Research*

**Exhibit 75: Coforge**




*Source: Company, Bloomberg, Nirmal Bang Institutional Equities Research*

## Risks to our call

**The upside risks to our stock TPs include:**

- Fed engineers a soft landing in the US despite significant interest rate hikes with no material damage to current consensus expectation on FY24/FY25 EPS
- Inflation in the US and in the EU comes off significantly in 2023, leading to an early and material reversal of the interest rate/liquidity tightening.
- A new spending cycle connected with Metaverse or AI, for instance, drives up spending growth in the near term.
- Offshoring continues to gain pace even post restoration of travel, as customers become more comfortable with it and/or want to extract greater value from their spending. That could ease margin pressure from higher onsite salary costs
- Many more customers than we currently expect are willing to give higher pricing as resources in digital areas are more difficult to come by
- A higher-than-currently expected depreciation of the INR not only vs the USD but also against the Euro and the GBP. With the INR depreciation benefits not frittered away through hyper competition.

**Downside risks to TPs**: While we are negative on the IT sector, we think that stocks could go lower than our current expectations if there is:

- A deep and long recession in the US/Europe due to aggressive and quicker monetary tightening by US Fed/ECB and their inability to come to the rescue of the economies due to persistent high inflation.
- A sharp INR appreciation vs the USD due to the significant capital inflows on both portfolio as well as FDI fronts into India.
- Investors taking greater fancy to domestic plays, including Indian 'financials', as their earnings are not expected to see a bigger downside and valuations are reasonable.

**Risks specific to Tier-2:**

**Upside risks:**

- Some players like LTIM who have a great client base (95 Global-500 clients as of December 2022) and can deliver significantly faster than peer growth can crack the secret sauce of cross selling and upselling now that it has a greater menu of services. But this is easier said than done as many of these customers have deeply entrenched incumbents who will be difficult to dislodge. So, this would require proactive solutioning. Only that on a sustained basis will get one to expand share of wallet from a G-500 customer. But should it or other companies accomplish this they will be able to grow significantly faster than the market on a sustained basis. This could drive up PE multiple higher than where we are valuing them at.

**Downside risk:**

- While one of the elements of the value creation framework has been getting hold of a performing CEO, the downside to this is that the organization becomes too CEO centric and his/her exit could create disruption for the company for a few quarters. This is unlike what one might see in Tier-1 organizations where transitions are likely to be smoother. While recruiting a new CEO may not be very difficult considering the number of large Tier-1 players in India and the vast experience that many of the senior managers there bring to the table, the handover may not be entirely smooth.
- A wrong M&A move (which involves a reasonable amount of capital) can act as a drag on company's growth and margins. It will also take away management bandwidth to fix the problem.
- Of the coverage we have we believe Coforge and Mphasis have carried the additional risk of stock supply from the PE firm selling off stake in the open market. In Coforge for instance we have seen the PE fund has reduced its stake from a peak of ~70% to ~30% today. We believe with stock well distributed, should there be a performance problem in future, the stock could see significant derating.

## Summary financials

### Exhibit 76: TCS

| (YE March) | FY22 | FY23E | FY24E | FY25E | FY26E |
|---|---|---|---|---|---|
| Revenue (Rsbn) | 1,918 | 2,264 | 2,400 | 2,678 | 2,999 |
| *YoY Growth %* | *16.8* | *18.1* | *6.0* | *11.6* | *12.0* |
| EBIT (Rsbn) | 485 | 547 | 586 | 657 | 731 |
| *% of sales* | *25.3* | *24.2* | *24.4* | *24.5* | *24.4* |
| PAT (Rsbn) | 383 | 425 | 461 | 514 | 568 |
| *YoY Growth %* | *14.8* | *10.8* | *8.5* | *11.5* | *10.6* |
| FDEPS (Rs) | 103.6 | 116.1 | 125.9 | 140.4 | 155.2 |
| ROE (%) | 42.3 | 40.9 | 38.6 | 40.4 | 42.0 |
| *Pre Tax ROCE (%)* | *38.3* | *38.9* | *38.2* | *40.4* | *42.1* |
| *Pre Tax ROIC (%)* | *59.7* | *62.1* | *61.7* | *64.6* | *64.6* |
| P/E (x) | 30.7 | 27.4 | 25.3 | 22.7 | 20.5 |
| P/BV (x) | 12.7 | 10.1 | 9.4 | 8.9 | 8.3 |

*Source: Company, Nirmal Bang Institutional Equities Research*

### Exhibit 77: Infosys

| Y/E March (Rsbn) | FY22 | FY23E | FY24E | FY25E | FY26E |
|---|---|---|---|---|---|
| Revenue (Rsbn) | 1216 | 1486 | 1585 | 1784 | 2012 |
| YoY Growth (%) | 21.1 | 22.2 | 6.7 | 12.5 | 12.8 |
| EBIT (Rsbn) | 280 | 318 | 341 | 384 | 432 |
| *EBIT (%)* | *23.0* | *21.4* | *21.5* | *21.5* | *21.5* |
| Adj. PAT(Rsbn) | 221 | 248 | 255 | 291 | 330 |
| *YoY Growth (%)* | *14.3* | *12.3* | *2.8* | *14.1* | *13.4* |
| FDEPS-Adjusted (Rs) | 52.4 | 59.3 | 61.5 | 70.1 | 79.5 |
| ROE (%) | *29.0* | *36.7* | *40.3* | *40.7* | *40.8* |
| *Pre - Tax ROCE (%)* | *39.2* | *50.1* | *54.1* | *54.7* | *55.0* |
| *Pre Tax ROIC (%)* | *47.0* | *49.1* | *49.3* | *52.9* | *56.1* |
| P/E (x) | 27.1 | 24.0 | 23.1 | 20.3 | 17.9 |
| P/BV (x) | 7.9 | 9.9 | 8.8 | 7.8 | 6.9 |

*Source: Company, Nirmal Bang Institutional Equities Research*

### Exhibit 78: Wipro

| Y/E March (Rsbn) | FY22 | FY23E | FY24E | FY25E | FY26E |
|---|---|---|---|---|---|
| Revenue (Rsbn) | 791 | 912 | 977 | 1080 | 1196 |
| *YoY Growth (%)* | *27.7* | *15.3* | *7.1* | *10.6* | *10.8* |
| EBIT (Rsbn) | 140 | 142 | 155 | 173 | 194 |
| *EBIT (%)* | *17.7* | *15.5* | *15.9* | *16.0* | *16.2* |
| Adj. PAT (Rsbn) | 122 | 115 | 126 | 143 | 161 |
| *YoY Growth (%)* | *12.8* | *(5.6)* | *9.6* | *12.8* | *13.1* |
| FDEPS (Rs) | 22.3 | 21.0 | 23.1 | 26.0 | 29.4 |
| *ROE (%)* | *20.1* | *16.8* | *17.3* | *18.5* | *19.8* |
| *Pre Tax ROCE (%)* | *18.0* | *15.7* | *16.3* | *17.4* | *18.6* |
| *Pre Tax ROIC (%)* | *32.3* | *24.6* | *25.4* | *29.1* | *33.9* |
| P/E (x) | 16.9 | 17.9 | 16.3 | 14.5 | 12.8 |
| P/BV (x) | 3.1 | 2.9 | 2.8 | 2.6 | 2.5 |

*Source: Company, Nirmal Bang Institutional Equities Research*

### Exhibit 79: HCL Technologies

| Y/E March (Rsmn) | FY22 | FY23E | FY24E | FY25E | FY26E |
|---|---|---|---|---|---|
| Revenue (Rsbn) | 857 | 1,022 | 1,091 | 1,222 | 1,389 |
| *YoY Growth (%)* | *13.6* | *19.3* | *6.8* | *12.0* | *13.6* |
| EBIT (Rsbn) | 162 | 187 | 202 | 226 | 260 |
| *EBIT (%)* | 18.9 | 18.3 | 18.5 | 18.5 | 18.7 |
| Adj. PAT (Rsbn) | 135 | 149 | 158 | 177 | 202 |
| *YoY Growth (%)* | *4.3* | *10.0* | *6.6* | *11.6* | *14.5* |
| FDEPS (Rs) | 49.8 | 54.9 | 58.5 | 65.2 | 74.7 |
| *ROE (%)* | *22.2* | *23.8* | *24.7* | *26.7* | *29.3* |
| *Pre Tax ROCE (%)* | *23.0* | *26.0* | *27.3* | *29.6* | *32.6* |
| *Pre Tax ROIC (%)* | *33.0* | *37.1* | *38.6* | *41.0* | *44.3* |
| P/E(x) | 22.2 | 20.2 | 19.0 | 17.0 | 14.8 |
| P/BV (x) | 4.9 | 4.8 | 4.6 | 4.5 | 4.2 |

*Source: Company, Nirmal Bang Institutional Equities Research*

### Exhibit 80: Tech Mahindra

| Y/E March (Rsmn) | FY22 | FY23E | FY24E | FY25E | FY26E |
|---|---|---|---|---|---|
| Revenue | 446,460 | 536,821 | 564,574 | 620,001 | 699,109 |
| *YoY %* | *17.9* | *20.2* | *5.2* | *9.8* | *12.8* |
| EBIT | 64,997 | 63,536 | 69,755 | 84,213 | 97,326 |
| *% of sales* | *14.6* | *11.8* | *12.4* | *13.6* | *13.9* |
| PAT | 55,637 | 51,269 | 53,514 | 65,178 | 75,037 |
| *YoY %* | *25.7* | *(7.9)* | *4.4* | *21.8* | *15.1* |
| FDEPS Rs | 62.7 | 57.8 | 60.3 | 73.4 | 84.5 |
| *ROE (%)* | *22.0* | *20.0* | *21.7* | *25.7* | *28.6* |
| *Pre Tax ROCE (%)* | *21.0* | *20.7* | *24.0* | *28.8* | *32.5* |
| *Pre Tax ROIC (%)* | *33.3* | *26.0* | *27.5* | *33.1* | *37.6* |
| P/E(x) | 18.0 | 19.6 | 18.7 | 15.4 | 13.4 |
| P/BV (x) | 3.7 | 4.0 | 3.9 | 3.8 | 3.7 |

*Source: Company, Nirmal Bang Institutional Equities Research*

### Exhibit 81: LTIMindtree

| Y/E March (Rsmn) | FY22 | FY23E | FY24E | FY25E | FY26E |
|---|---|---|---|---|---|
| Revenue | 184,118 | 302,758 | 359,582 | 394,643 | 458,557 |
| *YoY Growth %* | *48.8* | *64.4* | *18.8* | *9.8* | *16.2* |
| EBIT (Rsmn) | 32,355 | 48,158 | 60,539 | 69,754 | 82,152 |
| *% of sales* | *17.6* | *15.9* | *16.8* | *17.7* | *17.9* |
| PAT (Rsmn) | 27,676 | 41,147 | 51,020 | 58,936 | 69,230 |
| *YoY Growth %* | *42.8* | *48.7* | *24.0* | *15.5* | *17.5* |
| FDEPS (Rs) | 133.3 | 152.4 | 172.3 | 199.1 | 233.8 |
| *ROE (%)* | *25.6* | *27.0* | *28.7* | *27.7* | *27.3* |
| *Pre Tax RoCE (%)* | *25.6* | *26.4* | *28.7* | *28.3* | *28.5* |
| *Pre Tax ROIC (%)* | *55.3* | *53.0* | *60.9* | *64.7* | *67.4* |
| P/E (x) | 35.1 | 30.7 | 27.1 | 23.5 | 20.0 |
| P/BV (x) | 5.6 | 8.6 | 7.2 | 6.0 | 5.0 |

*Source: Company, Nirmal Bang Institutional Equities Research*

### Exhibit 82: Mphasis

| Y/E March (Rsmn) | FY22 | FY23E | FY24E | FY25E | FY26E |
|---|---|---|---|---|---|
| Net Revenue | 119,615 | 140,730 | 149,891 | 163,268 | 184,710 |
| *YoY %* | *23.0* | *17.7* | *6.5* | *8.9* | *13.1* |
| EBIT | 18,270 | 21,546 | 23,451 | 25,864 | 30,060 |
| *EBIT (%)* | *15.3* | *15.3* | *15.6* | *15.8* | *16.3* |
| Adj. PAT | 14,311 | 16,648 | 17,978 | 19,947 | 23,344 |
| *YoY %* | *17.6* | *16.3* | *8.0* | *11.0* | *17.0* |
| FDEPS (Rs) | 76.4 | 88.5 | 95.5 | 105.9 | 124.0 |
| *ROE (%)* | *21.2* | *24.1* | *24.8* | *24.9* | *26.3* |
| *ROCE (%)* | *22.8* | *26.5* | *28.1* | *28.4* | *30.2* |
| *ROIC (%)* | *35.6* | *37.4* | *37.6* | *39.3* | *44.2* |
| P/E(x) | 24.7 | 21.3 | 19.8 | 17.8 | 15.2 |
| P/BV (x) | 5.1 | 5.2 | 4.7 | 4.2 | 3.8 |

*Source: Company, Nirmal Bang Institutional Equities Research*

### Exhibit 83: Persistent Systems

| Y/E March (Rsmn) | FY22 | FY23E | FY24E | FY25E | FY26E |
|---|---|---|---|---|---|
| Revenue (Rsmn) | 57,107 | 83,678 | 96,577 | 107,314 | 129,131 |
| *YoY Growth (%)* | *36.4* | *46.5* | *15.4* | *11.1* | *20.3* |
| EBIT (Rsmn) | 7,922 | 12,652 | 14,785 | 16,425 | 19,924 |
| *% of sales* | *13.9* | *15.1* | *15.3* | *15.3* | *15.4* |
| Adj. PAT (Rsmn) | 6,904 | 9,551 | 11,512 | 12,812 | 15,516 |
| *YoY Growth (%)* | *53.2* | *38.3* | *20.5* | *11.3* | *21.1* |
| FDEPS (Rs) | 90.2 | 125.0 | 150.6 | 167.6 | 203.0 |
| *ROE (%)* | *22.4* | *25.9* | *26.3* | *24.8* | *25.5* |
| *Pre Tax ROCE (%)* | *24.6* | *32.0* | *31.8* | *30.2* | *31.3* |
| *Pre Tax ROIC (%)* | *58.0* | *47.7* | *42.4* | *43.9* | *49.1* |
| P/E (x) | 51.6 | 37.2 | 30.9 | 27.7 | 22.9 |
| P/BV (x) | 10.6 | 8.9 | 7.5 | 6.4 | 5.4 |

*Source: Company, Nirmal Bang Institutional Equities Research*

### Exhibit 84: Coforge

| Y/E March (Rsmn) | FY22 | FY23E | FY24E | FY25E | FY26E |
|---|---|---|---|---|---|
| Revenue | 64,320 | 80,329 | 89,322 | 100,500 | 118,247 |
| *YoY Growth %* | *37.9%* | *24.9%* | *11.2%* | *12.5%* | *17.7%* |
| EBIT | 9,152 | 11,511 | 13,413 | 15,455 | 18,460 |
| *% of sales* | *14.2%* | *14.3%* | *15.0%* | *15.4%* | *15.6%* |
| Adj. PAT | 6,619 | 8,164 | 9,455 | 11,153 | 13,688 |
| *YoY Growth %* | 45.3% | 23.3% | 15.8% | 18.0% | 22.7% |
| FDEPS (Rs) | 109.0 | 133.9 | 154.8 | 182.5 | 224.0 |
| *ROE (%)* | *25.5* | *27.6* | *27.8* | *28.5* | *29.9* |
| *Pre Tax ROCE (%)* | *28.4* | *28.2* | *29.4* | *31.4* | *34.2* |
| *Pre Tax ROIC (%)* | *35.3* | *31.8* | *33.1* | *34.3* | *37.6* |
| P/E(x) | 35.8 | 29.1 | 25.2 | 21.4 | 17.4 |
| P/BV (x) | 8.7 | 7.5 | 6.6 | 5.7 | 4.8 |

*Source: Company, Nirmal Bang Institutional Equities Research*

# Financial Summary of Companies

## Financials -TCS

### Exhibit 85: Income statement

| (YE March) | FY22 | FY23E | FY24E | FY25E | FY26E |
|---|---|---|---|---|---|
| **Average INR/USD** | **74.6** | **80.7** | **82.6** | **83.7** | **86.3** |
| **Net Sales (USD mn)** | **25,707** | **28,039** | **29,069** | **32,000** | **34,756** |
| ***-Growth (%)*** | ***15.9*** | ***9.1*** | ***3.7*** | ***10.1*** | ***8.6*** |
| **Net Sales** | **1,918** | **2,264** | **2,400** | **2,678** | **2,999** |
| *-Growth (%)* | *16.8* | *18.1* | *6.0* | *11.6* | *12.0* |
| Cost of Sales & Services | 1,146 | 1,366 | 1,453 | 1,627 | 1,831 |
| *Gross Margin* | 771 | 898 | 947 | 1,052 | 1,169 |
| ***% of sales*** | ***40.2*** | ***39.7*** | ***39.5*** | ***39.3*** | ***39.0*** |
| SG& A | 287 | 351 | 361 | 394 | 438 |
| *% of sales* | *15.0* | *15.5* | *15.0* | *14.7* | *14.6* |
| *EBIT* | 485 | 547 | 586 | 657 | 731 |
| ***EBIT Margin (%)*** | ***25.3*** | ***24.2*** | ***24.4*** | ***24.5*** | ***24.4*** |
| Other income (net) | 32 | 26 | 35 | 35 | 34 |
| PBT | 517 | 573 | 621 | 692 | 765 |
| *-PBT margin (%)* | *27.0* | *25.3* | *25.9* | *25.8* | *25.5* |
| Provision for tax | 132 | 147 | 159 | 177 | 196 |
| *Effective tax rate (%)* | 25.6 | 25.6 | 25.6 | 25.6 | 25.6 |
| Minority Interest | 1 | 1 | 1 | 1 | 1 |
| **Net profit** | **383** | **425** | **461** | **514** | **568** |
| *-Growth (%)* | *14.8* | *10.8* | *8.5* | *11.5* | *10.6* |
| *-Net profit margin (%)* | *20.0* | *18.8* | *19.2* | *19.2* | *18.9* |
| Average Shares outstanding- Basic | 3,697 | 3,659 | 3,659 | 3,659 | 3,659 |

*Source: Company, Nirmal Bang Institutional Equities Research*

### Exhibit 86: Cash flow

| Y/E March (Rsbn) | FY22 | FY23E | FY24E | FY25E | FY26E |
|---|---|---|---|---|---|
| **EBIT** | **485** | **547** | **586** | **657** | **731** |
| (Inc.)/dec. in working capital | 83 | (245) | 8 | (102) | (69) |
| **Cash flow from operations** | **568** | **302** | **594** | **555** | **662** |
| Other income | 32 | 26 | 35 | 35 | 34 |
| Depreciation &amortisation | 46 | 49 | 48 | 49 | 51 |
| Financial expenses | - | - | - | - | - |
| Tax paid | (132) | (147) | (159) | (177) | (196) |
| Dividends paid | (192) | (437) | (463) | (529) | (573) |
| **Net cash from operations** | **322** | **(206)** | **54** | **(67)** | **(22)** |
| Capital expenditure | (16) | (28) | (30) | (30) | (30) |
| Net cash after capex | 306 | (234) | 24 | (97) | (52) |
| Inc./(dec.) in debt | - | - | - | - | - |
| (Inc.)/dec. in investments | (11) | (169) | - | - | - |
| Equity issue/(Share Buyback) | (221) | - | - | - | - |
| **Cash from financial activities** | **(233)** | **(169)** | **-** | **-** | **-** |
| Others | 21 | 254 | 56 | 66 | 72 |
| Opening cash | 98 | 192 | 43 | 124 | 92 |
| Closing cash | 193 | 43 | 123 | 92 | 112 |
| Change in cash | 94 | (149) | 80 | (31) | 20 |

*Source: Company, Nirmal Bang Institutional Equities Research*

### Exhibit 87: Balance sheet

| Y/E March (Rsbn) | FY22 | FY23E | FY24E | FY25E | FY26E |
|---|---|---|---|---|---|
| Equity capital | 3.7 | 3.7 | 3.7 | 3.7 | 3.7 |
| Reserves & surplus | 916 | 1,153 | 1,229 | 1,304 | 1,396 |
| Net worth | 920 | 1,157 | 1,233 | 1,308 | 1,400 |
| Minority Interest | - | - | - | - | - |
| Other liabilities | 29 | 24 | 24 | 39 | 41 |
| Total loans | - | - | - | - | - |
| Lease Laibilities | 78 | 77 | 77 | 77 | 77 |
| **Total liabilities** | **1,027** | **1,257** | **1,333** | **1,423** | **1,518** |
| Goodwill | 50 | 43 | 43 | 43 | 43 |
| Net block (incl. CWIP) | 121 | 103 | 106 | 110 | 114 |
| Investments | 303 | 471 | 471 | 471 | 471 |
| Deferred tax asset - net | 37 | 33 | 32 | 43 | 45 |
| Other non-current assets | 52 | 68 | 67 | 70 | 72 |
| Right of use asset | 76 | 74 | 74 | 74 | 74 |
| Other current assets | 185 | 237 | 235 | 261 | 270 |
| Debtors | 420 | 547 | 538 | 645 | 721 |
| Cash & bank balance | 125 | 30 | 30 | 30 | 30 |
| Bank deposits | 67 | 13 | 94 | 62 | 82 |
| Total current assets | 797 | 828 | 896 | 999 | 1,103 |
| Total current liabilities | 409 | 362 | 357 | 387 | 404 |
| Net current assets | 388 | 465 | 539 | 612 | 699 |
| **Total assets** | **1,027** | **1,257** | **1,333** | **1,423** | **1,518** |

*Source: Company, Nirmal Bang Institutional Equities Research*

### Exhibit 88: Key ratios

| Y/E March | FY22 | FY23E | FY24E | FY25E | FY26E |
|---|---|---|---|---|---|
| **Per Share (Rs)** | | | | | |
| EPS | 103.6 | 116.1 | 125.9 | 140.4 | 155.2 |
| FDEPS | 103.6 | 116.1 | 125.9 | 140.4 | 155.2 |
| Dividend Per Share | 43.0 | 99.0 | 105.0 | 120.0 | 130.0 |
| Dividend Yield (%) | 1.4 | 3.1 | 3.3 | 3.8 | 4.1 |
| Book Value | 251 | 316 | 337 | 357 | 383 |
| Dividend Payout Ratio (incl DT) | 41 | 85 | 83 | 85 | 84 |
| **Return ratios (%)** | | | | | |
| RoE | 42.3 | 40.9 | 38.6 | 40.4 | 42.0 |
| Pre Tax RoCE | 38.3 | 38.9 | 38.2 | 40.4 | 42.1 |
| Pre Tax ROIC | 59.7 | 62.1 | 61.7 | 64.6 | 64.6 |
| **Turnover Ratios** | | | | | |
| Asset Turnover Ratio | 1.3 | 1.4 | 1.4 | 1.5 | 1.6 |
| Debtor Days (incl. unbilled Rev) | 80 | 88 | 82 | 88 | 88 |
| Working Capital Cycle Days | 22 | 55 | 51 | 60 | 62 |
| **Valuation ratios (x)** | | | | | |
| PER | 30.7 | 27.4 | 25.3 | 22.7 | 20.5 |
| P/BV | 12.7 | 10.1 | 9.4 | 8.9 | 8.3 |
| EV/EBTDA | 21.7 | 19.5 | 18.3 | 16.4 | 14.8 |
| EV/Sales | 6.0 | 5.1 | 4.8 | 4.3 | 3.9 |
| M-cap/Sales | 6.1 | 5.1 | 4.8 | 4.3 | 3.9 |

*Source: Company, Nirmal Bang Institutional Equities Research*

## Financials - Infosys

### Exhibit 89: Income statement

| Y/E March (Rsbn) | FY22 | FY23E | FY24E | FY25E | FY26E |
|---|---|---|---|---|---|
| **Average INR/USD** | **74.5** | **81.0** | **82.6** | **83.7** | **86.3** |
| **Net Sales (USD mn)** | **16,310** | **18,430** | **19,199** | **21,310** | **23,318** |
| ***-Growth (%)*** | ***20.3*** | ***13.0*** | ***4.2*** | ***11.0*** | ***9.4*** |
| **Net Sales** | **1,216** | **1,486** | **1,585** | **1,784** | **2,012** |
| *-Growth (%)* | 21.1 | 22.2 | 6.7 | 12.5 | 12.8 |
| Direct Costs | 820 | 1,029 | 1,085 | 1,221 | 1,379 |
| **Gross Margin** | **396** | **457** | **500** | **562** | **633** |
| ***% of sales*** | ***32.6*** | ***30.8*** | ***31.5*** | ***31.5*** | ***31.5*** |
| SG& A | 116 | 139 | 158 | 178 | 201 |
| *% of sales* | 9.6 | 9.3 | 10.0 | 10.0 | 10.0 |
| **EBIT** | **280** | **318** | **341** | **384** | **432** |
| ***% of sales*** | ***23.0*** | ***21.4*** | ***21.5*** | ***21.5*** | ***21.5*** |
| Other income (net) | 23 | 26 | 8 | 14 | 19 |
| PBT | 301 | 342 | 346 | 395 | 448 |
| *-PBT margin (%)* | *24.8* | *23.0* | *21.8* | *22.1* | *22.3* |
| Provision for tax | 80 | 93 | 91 | 104 | 118 |
| *Effective tax rate (%)* | *26.4* | *27.3* | *26.3* | *26.3* | *26.3* |
| **Net profit (adjusted)** | **221** | **248** | **255** | **291** | **330** |
| *-Growth (%)* | *14.3* | *12.3* | *2.8* | *14.1* | *13.4* |
| *-Net profit margin (%)* | *18.2* | *16.7* | *16.1* | *16.3* | *16.4* |
| Shares Outstanding (Basic) | 4,192 | 4,148 | 4,148 | 4,148 | 4,148 |

*Source: Company, Nirmal Bang Institutional Equities Research*

### Exhibit 90: Cash flow

| Y/E March (Rsbn) | FY22 | FY23E | FY24E | FY25E | FY26E |
|---|---|---|---|---|---|
| EBIT | 280 | 318 | 341 | 384 | 432 |
| (Inc.)/dec. in working capital | -4 | -58 | -6 | -46 | -24 |
| Cash flow from operations | 277 | 260 | 335 | 338 | 408 |
| Other Income | 23 | 26 | 8 | 14 | 19 |
| Depreciation &Amortisation | 35 | 41 | 41 | 46 | 52 |
| Financial Expenses | -2 | -3 | -3 | -3 | -3 |
| Tax Paid | -80 | -93 | -91 | -104 | -118 |
| Dividends Paid | -130 | -83 | -179 | -204 | -231 |
| **Net Cash from Operations** | **122** | **149** | **112** | **87** | **128** |
| Capital Expenditure | -32 | -53 | -50 | -55 | -62 |
| Net Cash after Capex | 91 | 95 | 62 | 32 | 66 |
| Inc./(Dec.) in Debt | - | - | - | - | - |
| (Inc.)/Dec. in Investments | -61 | 53 | -40 | 0 | 0 |
| Share Issue/(Share Buyback) | -111 | -113 | 0 | 0 | 0 |
| Cash from Financial Activities | -173 | -61 | -40 | 0 | 0 |
| Others | 10 | -194 | 0 | 0 | 0 |
| Opening Cash | 247 | 175 | 15 | 37 | 69 |
| Closing Cash | 175 | 16 | 37 | 69 | 135 |
| Change in Cash | -72 | -159 | 22 | 32 | 66 |

*Source: Company, Nirmal Bang Institutional Equities Research*

### Exhibit 91: Balance sheet

| Y/E March (Rsbn) | FY22 | FY23E | FY24E | FY25E | FY26E |
|---|---|---|---|---|---|
| Equity capital | 21.0 | 20.9 | 20.9 | 20.9 | 20.9 |
| Reserves & surplus | 736 | 575 | 651 | 738 | 838 |
| Net worth | 757 | 595 | 672 | 759 | 858 |
| Deferred tax liability | 12 | 11 | 11 | 11 | 11 |
| Other liabilities | 28 | 25 | 25 | 25 | 25 |
| Lease Liabilities | 46 | 66 | 66 | 66 | 66 |
| **Total liabilities and Equity** | **843** | **696** | **773** | **860** | **959** |
| Goodwill | 62 | 72 | 72 | 72 | 72 |
| Other intangible assets | 17 | 18 | 18 | 18 | 18 |
| Net block | 136 | 136 | 145 | 153 | 163 |
| Investments | 203 | 134 | 174 | 174 | 174 |
| Deferred tax asset - net | 12 | 12 | 12 | 12 | 12 |
| Other non-current assets | 86 | 95 | 96 | 108 | 114 |
| Unbilled revenue | 125 | 149 | 153 | 180 | 193 |
| Derivative financial instrument | 1 | 1 | 1 | 1 | 1 |
| Other current assets | 86 | 98 | 100 | 118 | 127 |
| Income tax assets-current | 1 | - | - | - | - |
| Debtors | 227 | 283 | 289 | 337 | 362 |
| Cash & bank balance | 175 | 15 | 37 | 69 | 135 |
| Right-of-use Assets | 48 | 65 | 65 | 65 | 65 |
| Total current assets | 663 | 611 | 645 | 770 | 882 |
| Total current liabilities | 336 | 382 | 389 | 447 | 476 |
| Net current assets | 327 | 229 | 256 | 323 | 406 |
| **Total assets** | **843** | **696** | **773** | **860** | **959** |

*Source: Company, Nirmal Bang Institutional Equities Research*

### Exhibit 92: Key ratios

| Y/E March | FY22 | FY23E | FY24E | FY25E | FY26E |
|---|---|---|---|---|---|
| **Per Share (Rs)** | | | | | |
| EPS-Adjusted | 52.5 | 59.4 | 61.6 | 70.2 | 79.6 |
| FDEPS-Adjusted | 52.4 | 59.3 | 61.5 | 70.1 | 79.5 |
| Dividend Per Share | 31.0 | 19.7 | 43.1 | 49.1 | 55.7 |
| Dividend Yield (%) | 2.2 | 1.4 | 3.0 | 3.5 | 3.9 |
| Book Value | 181 | 144 | 162 | 183 | 207 |
| Dividend Payout Ratio (incl DT) | 59 | 33 | 70 | 70 | 70 |
| **Return ratios (%)** | | | | | |
| RoE | 29.0 | 36.7 | 40.3 | 40.7 | 40.8 |
| Pre Tax RoCE | 39.2 | 50.1 | 54.1 | 54.7 | 55.0 |
| Pre Tax ROIC | 47.0 | 49.1 | 49.3 | 52.9 | 56.1 |
| **Turnover Ratios** | | | | | |
| Asset Turnover Ratio | 1.0 | 1.4 | 1.4 | 1.4 | 1.4 |
| Debtor Days (incl. unbilled Rev) | 104 | 105 | 100 | 104 | 99 |
| Working Capital Cycle Days | 31 | 36 | 35 | 38 | 37 |
| **Valuation ratios (x)** | | | | | |
| PER | 27.1 | 24.0 | 23.1 | 20.3 | 17.9 |
| P/BV | 7.9 | 9.9 | 8.8 | 7.8 | 6.9 |
| EV/EBTDA | 19.1 | 17.1 | 16.0 | 14.2 | 12.5 |
| EV/Sales | 4.9 | 4.1 | 3.9 | 3.4 | 3.0 |
| M-cap/Sales | 5.1 | 4.2 | 3.9 | 3.5 | 3.1 |

*Source: Company, Nirmal Bang Institutional Equities Research*

## Financials –Wipro

### Exhibit 93 Income statement

| Y/E March (Rsbn) | FY22 | FY23E | FY24E | FY25E | FY26E |
|---|---|---|---|---|---|
| **Average INR/USD** | **75.2** | **80.8** | **83.6** | **84.7** | **87.3** |
| **Net Sales - IT Services (USD mn)** | **10,356** | **11,185** | **11,606** | **12,667** | **13,621** |
| ***-Growth (%)*** | ***27.3*** | ***8.0*** | ***3.8*** | ***9.1*** | ***7.5*** |
| **Net Sales - Overall** | **791** | **912** | **977** | **1080** | **1196** |
| *-Growth (%)* | *27.7* | *15.3* | *7.1* | *10.6* | *10.8* |
| Cost of Sales & Services | 556 | 648 | 689 | 766 | 852 |
| *% of sales* | *70.3* | *71.1* | *70.6* | *70.9* | *71.3* |
| **Gross profit** | **235** | **264** | **287** | **314** | **344** |
| ***% of sales*** | ***29.7*** | ***28.9*** | ***29.4*** | ***29.1*** | ***28.7*** |
| **SG& A** | **101** | **125** | **132** | **141** | **150** |
| ***% of sales*** | ***12.8*** | ***13.7*** | ***13.5*** | ***13.0*** | ***12.5*** |
| **EBIT** | **140** | **142** | **155** | **173** | **194** |
| ***% of sales*** | ***17.7*** | ***15.5*** | ***15.9*** | ***16.0*** | ***16.2*** |
| Interest expenses | 5 | 10 | 11 | 11 | 11 |
| Other income (net) | 16 | 18 | 20 | 23 | 27 |
| PBT | 151 | 150 | 164 | 185 | 210 |
| *-PBT margin (%)* | *19.1* | *16.4* | *16.8* | *17.2* | *17.5* |
| Provision for tax | 29 | 34 | 38 | 43 | 48 |
| *Effective tax rate (%)* | *19.1* | *23.0* | *23.0* | *23.0* | *23.0* |
| Minority Interest | 0.1 | 0.0 | 0.0 | 0.0 | 0.0 |
| **Net profit** | **122** | **115** | **126** | **143** | **161** |
| *-Growth (%)* | *12.8* | *(5.6)* | *9.6* | *12.8* | *13.1* |
| *-Net profit margin (%)* | *15.4* | *12.7* | *12.9* | *13.2* | *13.5* |
| Number of Shares (Fully Diluted) in Mn | 5,487 | 5,486 | 5,486 | 5,486 | 5,486 |

*Source: Company, Nirmal Bang Institutional Equities Research*

### Exhibit 95: Balance sheet

| Y/E March (Rsbn) | FY22 | FY23E | FY24E | FY25E | FY26E |
|---|---|---|---|---|---|
| Equity capital | 11 | 11 | 11 | 11 | 11 |
| Reserves & surplus | 648 | 701 | 739 | 782 | 830 |
| Net worth | 659 | 712 | 750 | 793 | 841 |
| Deferred tax liability, net | 10 | 9 | 9 | 9 | 9 |
| Other liabilities | 28 | 34 | 34 | 34 | 34 |
| Total loans | 56 | 62 | 62 | 62 | 62 |
| Lease Liability | 24 | 17 | 17 | 17 | 17 |
| **Total liabilities** | **778** | **834** | **872** | **915** | **963** |
| Goodwill | 247 | 310 | 310 | 310 | 310 |
| Other intangible assets | 44 | 46 | 46 | 46 | 46 |
| Net block | 91 | 87 | 67 | 37 | -2 |
| Investments | 262 | 313 | 313 | 313 | 313 |
| Other non-current assets | 31 | 37 | 37 | 37 | 37 |
| Unbilled receivables | 61 | 67 | 68 | 78 | 86 |
| Inventories | 1 | 2 | 2 | 2 | 2 |
| Other current assets | 98 | 72 | 73 | 77 | 81 |
| Receivables | 120 | 143 | 146 | 168 | 183 |
| Cash & bank balance | 104 | 22 | 78 | 137 | 216 |
| Right-of-use Assets | 19 | 16 | 16 | 16 | 16 |
| Total current assets | 403 | 322 | 383 | 479 | 584 |
| Total current liabilities | 299 | 280 | 283 | 307 | 323 |
| Net current assets | 104 | 42 | 100 | 172 | 260 |
| **Total assets** | **778** | **834** | **872** | **915** | **963** |

*Source: Company, Nirmal Bang Institutional Equities Research*

### Exhibit 94: Cash flow

| Y/E March (Rsbn) | FY22 | FY23E | FY24E | FY25E | FY26E |
|---|---|---|---|---|---|
| EBIT | 140 | 142 | 155 | 173 | 194 |
| (Inc.)/dec. in working capital | -30 | -30 | -2 | -13 | -9 |
| Cash flow from operations | 110 | 112 | 154 | 160 | 184 |
| Other income | 16 | 18 | 20 | 23 | 27 |
| Depreciation &amortisation | 40 | 39 | 60 | 70 | 80 |
| Financial expenses | -5 | -10 | -11 | -11 | -11 |
| Tax paid | -29 | -34 | -38 | -43 | -48 |
| Dividends paid | -33 | -81 | -89 | -100 | -113 |
| **Net cash from operations** | **99** | **43** | **96** | **99** | **119** |
| Capital expenditure | -123 | -26 | -40 | -40 | -40 |
| Net cash after capex | -24 | 17 | 56 | 59 | 79 |
| Inc./(dec.) in debt | 68 | 7 | 0 | 0 | 0 |
| (Inc.)/dec. in investments | -74 | -52 | 0 | 0 | 0 |
| Equity issue/(buyback) | 0 | 0 | 0 | 0 | 0 |
| **Cash from financial activities** | **-6** | **-45** | **0** | **0** | **0** |
| Others | -36 | -59 | 0 | 0 | 0 |
| Opening cash | 170 | 104 | 22 | 78 | 137 |
| Closing cash | 104 | 16 | 78 | 137 | 216 |
| Change in cash | -66 | -88 | 56 | 59 | 79 |

*Source: Company, Nirmal Bang Institutional Equities Research*

### Exhibit 96: Key ratios

| Y/E March | FY22 | FY23E | FY24E | FY25E | FY26E |
|---|---|---|---|---|---|
| **Per Share (Rs)** | | | | | |
| EPS | 22.4 | 21.1 | 23.1 | 26.0 | 29.5 |
| FDEPS | 22.3 | 21.0 | 23.1 | 26.0 | 29.4 |
| Dividend Per Share | 6.0 | 14.8 | 16.2 | 18.2 | 20.6 |
| Dividend Yield (%) | 1.6 | 3.9 | 4.3 | 4.8 | 5.5 |
| Book Value | 120 | 130 | 137 | 145 | 154 |
| Dividend Payout Ratio (%) | 26.9 | 70.4 | 70.0 | 70.0 | 70.0 |
| **Return ratios (%)** | | | | | |
| RoE | 20.1 | 16.8 | 17.3 | 18.5 | 19.8 |
| Pre Tax RoCE | 18.0 | 15.7 | 16.3 | 17.4 | 18.6 |
| Pre Tax ROIC | 32.3 | 24.6 | 25.4 | 29.1 | 33.9 |
| **Turnover Ratios** | | | | | |
| Asset Turnover Ratio | 0.7 | 0.8 | 0.8 | 0.9 | 0.9 |
| Debtor Days (incl. unbilled Rev) | 83 | 84 | 80 | 83 | 82 |
| Working Capital Cycle Days | 27 | 35 | 34 | 35 | 34 |
| **Valuation ratios (x)** | | | | | |
| PER | 16.9 | 17.9 | 16.3 | 14.5 | 12.8 |
| P/BV | 3.1 | 2.9 | 2.8 | 2.6 | 2.5 |
| EV/EBTDA | 10.4 | 10.6 | 8.6 | 7.4 | 6.3 |
| EV/Sales | 2.4 | 2.1 | 1.9 | 1.7 | 1.4 |
| M-cap/Sales | 2.6 | 2.3 | 2.1 | 1.9 | 1.7 |

*Source: Company, Nirmal Bang Institutional Equities Research*

## Financials – HCL Technologies

### Exhibit 97: Income statement

| Y/E March (Rsbn) | FY22 | FY23E | FY24E | FY25E | FY26E |
|---|---|---|---|---|---|
| **Average INR/USD** | **74.6** | **80.6** | **82.6** | **83.7** | **86.3** |
| **Net Sales (USD mn)** | **11,481** | **12,672** | **13,219** | **14,604** | **16,096** |
| ***YoY Growth (%)*** | ***12.8*** | ***10.4*** | ***4.3*** | ***10.5*** | ***10.2*** |
| **INR Net Sales (Rs bn)** | **857** | **1,022** | **1,091** | **1,222** | **1,389** |
| *YoY Growth (%)* | *13.6* | *19.3* | *6.8* | *12.0* | *13.6* |
| Cost of Sales & Services | 528 | 651 | 695 | 785 | 900 |
| **Gross Margin** | **329** | **371** | **397** | **437** | **489** |
| *% of sales* | *38.4* | *36.3* | *36.3* | *35.8* | *35.2* |
| **SG&A** | **124** | **141** | **147** | **163** | **179** |
| *% of sales* | *14.4* | *13.8* | *13.5* | *13.3* | *12.9* |
| **EBITDA** | **205** | **230** | **249** | **275** | **310** |
| *% of sales* | *24.0* | *22.5* | *22.8* | *22.5* | *22.3* |
| Depreciation and Amortization | 43 | 43 | 47 | 49 | 50 |
| *% of sales* | *5.1* | *4.2* | *4.3* | *4.0* | *3.6* |
| **EBIT** | **162** | **187** | **202** | **226** | **260** |
| ***% of sales*** | ***18.9*** | ***18.3*** | ***18.5*** | ***18.5*** | ***18.7*** |
| Other income (net) (incl forex gain/loss) | 7 | 8 | 5 | 6 | 5 |
| PBT | 170 | 195 | 208 | 232 | 265 |
| Provision for tax | 34 | 47 | 49 | 55 | 63 |
| *Effective tax rate (%)* | *20.2* | *23.9* | *23.7* | *23.7* | *23.7* |
| Minority Interest | 0 | 0 | 0 | 0 | 0 |
| **Net profit** | **135** | **149** | **158** | **177** | **202** |
| *-Growth (%)* | *4.3* | *10.0* | *6.6* | *11.6* | *14.5* |
| *-Net profit margin (%)* | *15.8* | *14.5* | *14.5* | *14.5* | *14.6* |

*Source: Company, Nirmal Bang Institutional Equities Research*

### Exhibit 99: Balance sheet

| Y/E March (Rsbn) | FY22 | FY23E | FY24E | FY25E | FY26E |
|---|---|---|---|---|---|
| Equity capital | 1 | 1 | 1 | 1 | 1 |
| Minority Interest | 1 | (0) | (0) | (0) | (0) |
| Reserves & surplus | 618 | 628 | 650 | 672 | 707 |
| **Net worth** | **619** | **630** | **651** | **674** | **708** |
| Other liabilities | 27 | 31 | 30 | 37 | 40 |
| Total loans | 40 | 43 | 43 | 43 | 43 |
| Lease Liabilites | 24 | 25 | 25 | 25 | 25 |
| **Total liabilities** | **710** | **729** | **750** | **779** | **816** |
| Intangible assets | 272 | 0 | 0 | 0 | 0 |
| Net block | 57 | 332 | 344 | 355 | 367 |
| Investments | 3 | 3 | 3 | 3 | 3 |
| Other non-Current assets (FD,etc) | 55 | 52 | 51 | 62 | 67 |
| Debtors | 155 | 246 | 240 | 294 | 316 |
| Cash & bank balance | 105 | 66 | 66 | 66 | 66 |
| Other Current assets | 221 | 201 | 213 | 208 | 224 |
| Right of use assets | 23 | 23 | 23 | 23 | 23 |
| Total Current assets | 503 | 536 | 542 | 591 | 629 |
| Total Current liabilities | 180 | 194 | 190 | 232 | 250 |
| Net Current assets | 323 | 342 | 352 | 359 | 380 |
| **Total assets** | **710** | **729** | **750** | **779** | **816** |

*Source: Company, Nirmal Bang Institutional Equities Research*

### Exhibit 98: Cash flow

| Y/E March (Rsbn) | FY22 | FY23E | FY24E | FY25E | FY26E |
|---|---|---|---|---|---|
| **EBIT** | **162** | **187** | **202** | **226** | **260** |
| (Inc.)/Dec. in Working Capital | -22 | -29 | 3 | -24 | -10 |
| **Cash flow from Operations** | **140** | **159** | **205** | **202** | **250** |
| Other Income | 7 | 8 | 5 | 6 | 5 |
| Depreciation &Amortisation | 43 | 43 | 47 | 49 | 50 |
| Tax Paid | -34 | -47 | -49 | -55 | -63 |
| **Net Cash from Operations** | **156** | **163** | **208** | **201** | **243** |
| Capital Expenditure | -22 | -46 | -59 | -60 | -62 |
| Net Cash after Capex | 135 | 117 | 149 | 141 | 181 |
| Inc./(dec.) in Debt | -2 | 5 | - | - | - |
| (Inc.)/Dec. in Investments | 24 | -29 | -13 | 18 | -11 |
| Equity Issue/(Buyback) | - | - | - | - | - |
| Dividends Paid | 119 | 130 | 137 | 154 | 168 |
| Cash from Financial Activities | -97 | -154 | -150 | -136 | -179 |
| Others | 2 | (1) | - | (4) | (2) |
| Opening Cash | 65 | 105 | 66 | 66 | 66 |
| Closing Cash | 105 | 67 | 66 | 67 | 66 |
| Change in Cash | 40 | (38) | (0) | 1 | (0) |

*Source: Company, Nirmal Bang Institutional Equities Research*

### Exhibit 100: Key ratios

| Y/E March (Rsmn) | FY22 | FY23E | FY24E | FY25E | FY26E |
|---|---|---|---|---|---|
| **Per Share (Rs)** | | | | | |
| EPS | 49.8 | 54.9 | 58.5 | 65.2 | 74.7 |
| FDEPS | 49.8 | 54.9 | 58.5 | 65.2 | 74.7 |
| Dividend Per Share | 44.0 | 48.0 | 50.5 | 57.0 | 62.0 |
| Dividend Yield (%) | 4.0 | 4.3 | 4.6 | 5.1 | 5.6 |
| Book Value | 228 | 233 | 241 | 249 | 262 |
| Dividend Payout Ratio (excl DDT) | 88 | 87 | 86 | 87 | 83 |
| **Return ratios (%)** | | | | | |
| RoE | 22.2 | 23.8 | 24.7 | 26.7 | 29.3 |
| Pre Tax RoCE | 23.0 | 26.0 | 27.3 | 29.6 | 32.6 |
| Pre Tax ROIC | 33.0 | 37.1 | 38.6 | 41.0 | 44.3 |
| **Turnover Ratios** | | | | | |
| Asset Turnover Ratio | 1.0 | 1.1 | 1.2 | 1.2 | 1.3 |
| Debtor Days (incl. unbilled Rev) | 66 | 88 | 80 | 88 | 83 |
| Working Capital Cycle Days | 35 | 39 | 36 | 39 | 37 |
| **Valuation ratios (x)** | | | | | |
| PER | 22.2 | 20.2 | 19.0 | 17.0 | 14.8 |
| P/BV | 4.9 | 4.8 | 4.6 | 4.5 | 4.2 |
| EV/EBTDA | 13.9 | 12.5 | 11.4 | 10.5 | 9.2 |
| EV/Sales | 3.3 | 2.8 | 2.6 | 2.3 | 2.1 |
| M-cap/Sales | 3.5 | 2.9 | 2.8 | 2.5 | 2.2 |

*Source: Company, Nirmal Bang Institutional Equities Research*

## Financials –Tech Mahindra

### Exhibit 101: Income statement

| Y/E March (Rsmn) | FY22 | FY23E | FY24E | FY25E | FY26E |
|---|---|---|---|---|---|
| **Average INR/USD** | **74.4** | **80.6** | **82.6** | **83.7** | **86.3** |
| **Net Sales (US$m)** | **5,998** | **6,653** | **6,839** | **7,407** | **8,101** |
| ***-Growth (%)*** | ***17.3*** | ***10.9*** | ***2.8*** | ***8.3*** | ***9.4*** |
| **Net Sales** | **446,460** | **536,821** | **564,574** | **620,001** | **699,109** |
| *-Growth (%)* | *17.9* | *20.2* | *5.2* | *9.8* | *12.8* |
| Cost of Sales & Services | 309,719 | 383,119 | 399,100 | 438,988 | 493,944 |
| ***Gross Profit*** | **136,741** | **153,702** | **165,474** | **181,013** | **205,166** |
| ***% of sales*** | ***30.6*** | ***28.6*** | ***29.3*** | ***29.2*** | ***29.3*** |
| SG& A | 56,540 | 70,437 | 74,787 | 74,787 | 84,744 |
| *% of sales* | *12.7* | *13.1* | *13.2* | *12.1* | *12.1* |
| EBITDA | 80,201 | 83,265 | 90,687 | 106,226 | 120,422 |
| *% of sales* | *18.0* | *15.5* | *16.1* | *17.1* | *17.2* |
| *Depreciation* | 15,204 | 19,729 | 20,931 | 22,013 | 23,095 |
| *% of sales* | *3.4* | *3.7* | *3.7* | *3.6* | *3.3* |
| ***EBIT*** | **64,997** | **63,536** | **69,755** | **84,213** | **97,326** |
| ***% of sales*** | ***14.6%*** | ***11.8%*** | ***12.4%*** | ***13.6%*** | ***13.9%*** |
| Amortisation of goodwill | | | | | |
| Interest expenses | 1,626 | 3,461 | 3,494 | 1,891 | 1,547 |
| Other income (net) | 11,123 | 8,924 | 7,839 | 7,758 | 7,806 |
| Share of profit from associate | - | - | - | - | - |
| PBT | 74,494 | 68,999 | 74,101 | 90,079 | 103,586 |
| *-PBT margin (%)* | *16.7* | *12.9* | *13.1* | *14.5* | *14.8* |
| Provision for tax | 18,220 | 17,100 | 20,007 | 24,321 | 27,968 |
| *Effective tax rate (%)* | *24.5* | *24.8* | *27.0* | *27.0* | *27.0* |
| Minority Interest | -640 | -329 | -580 | -580 | -580 |
| **Net profit** | **55,637** | **51,269** | **53,514** | **65,178** | **75,037** |
| *-Growth (%)* | *31.5* | *-8.7* | *5.2* | *21.3* | *14.9* |
| *-Net profit margin (%)* | *12.5* | *9.6* | *9.5* | *10.5* | *10.7* |

*Source: Company, Nirmal Bang Institutional Equities Research*

### Exhibit 103: Balance sheet

| Y/E March (Rsmn) | FY22 | FY23E | FY24E | FY25E | FY26E |
|---|---|---|---|---|---|
| Equity capital | 4,388 | 4,398 | 4,398 | 4,398 | 4,398 |
| Reserves & surplus | 264,469 | 245,578 | 250,335 | 257,891 | 266,443 |
| Net worth | 268,857 | 249,976 | 254,733 | 262,289 | 270,841 |
| Minority Interest | 4,954 | 4,769 | 4,769 | 4,769 | 4,769 |
| Other liabilities | 33,648 | 25,387 | 25,387 | 25,387 | 25,387 |
| Total loans | 16,200 | 9,626 | 5,626 | 2,546 | 2,546 |
| **Total liabilities** | **323,659** | **289,758** | **290,515** | **294,991** | **303,543** |
| Goodwill | 74,258 | 78,343 | 78,343 | 78,343 | 78,343 |
| Net block (incl. CWIP) | 65,857 | 65,481 | 59,889 | 53,214 | 45,458 |
| Investments | 7,387 | 9,908 | 9,908 | 9,908 | 9,908 |
| Right of Use Asset | 9,372 | 11,004 | 11,004 | 11,004 | 11,004 |
| Deferred tax asset - net | 8,191 | 11,457 | 11,457 | 11,457 | 11,457 |
| Other non-current assets | 37,116 | 42,606 | 42,268 | 48,592 | 53,694 |
| Other current assets | 33,964 | 40,919 | 40,595 | 46,668 | 51,569 |
| Debtors | 119,334 | 138,279 | 137,183 | 157,707 | 174,267 |
| Loans & Advances | 8,719 | 9,877 | 9,799 | 11,265 | 12,448 |
| Cash & bank balance | 84,104 | 22,835 | 29,902 | 27,609 | 33,068 |
| Inventory | 405 | 150 | 150 | 150 | 150 |
| Total current assets | 246,526 | 212,060 | 217,629 | 243,399 | 271,502 |
| Total current liabilities | 125,048 | 141,101 | 139,983 | 160,925 | 177,824 |
| Net current assets | 121,478 | 70,959 | 77,646 | 82,473 | 93,678 |
| **Total assets** | **323,659** | **289,758** | **290,515** | **294,991** | **303,543** |

*Source: Company, Nirmal Bang Institutional Equities Research*

### Exhibit 102: Cash flow

| Y/E March (Rsmn) | FY22 | FY23E | FY24E | FY25E | FY26E |
|---|---|---|---|---|---|
| EBIT | 64,997 | 63,536 | 69,755 | 84,213 | 97,326 |
| (Inc.)/dec. in working capital | (12,288) | (10,750) | 380 | (7,120) | (5,745) |
| Cash flow from operations | 52,709 | 52,786 | 70,135 | 77,092 | 91,581 |
| Other income | 11,123 | 8,924 | 7,839 | 7,758 | 7,806 |
| Depreciation &amortisation | 15,204 | 19,729 | 20,931 | 22,013 | 23,095 |
| Financial expenses | (1,626) | (3,461) | (3,494) | (1,891) | (1,547) |
| Tax paid | (18,220) | (17,100) | (20,007) | (24,321) | (27,968) |
| Dividends paid | (39,539) | (47,044) | (48,757) | (57,621) | (66,486) |
| **Net cash from operations** | **19,651** | **13,835** | **26,648** | **23,029** | **26,481** |
| Capital expenditure | (36,508) | (16,014) | (12,000) | (12,000) | (12,000) |
| Net cash after capex | (16,857) | (2,179) | 14,648 | 11,029 | 14,481 |
| Inc./(dec.) in debt | 8,288 | (14,835) | (4,000) | (3,080) | - |
| (Inc.)/dec. in investments | (114) | (11,277) | 338 | (6,324) | (5,103) |
| Equity issue/(buyback) | 18 | 10 | - | - | - |
| **Cash from financial activities** | **8,192** | **(26,102)** | **(3,662)** | **(9,404)** | **(5,103)** |
| Others | (32,202) | (32,988) | (3,919) | (3,919) | (3,919) |
| Opening cash | 124,971 | 84,104 | 22,835 | 29,902 | 27,609 |
| Closing cash | 84,104 | 22,835 | 29,902 | 27,609 | 33,068 |
| Change in cash | (40,867) | (61,269) | 7,067 | (2,293) | 5,460 |

*Source: Company, Nirmal Bang Institutional Equities Research*

### Exhibit 104: Key ratios

| Y/E March | FY22 | FY23E | FY24E | FY25E | FY26E |
|---|---|---|---|---|---|
| **Per Share (Rs)** | | | | | |
| FDEPS | 62.7 | 57.8 | 60.3 | 73.4 | 84.5 |
| Dividend Per Share | 45.0 | 53.1 | 55.0 | 65.0 | 75.0 |
| Dividend Yield (%) | 4.0 | 4.7 | 4.9 | 5.8 | 6.7 |
| Book Value | 306 | 282 | 287 | 296 | 306 |
| Dividend Payout Ratio (%. Incl DDT) | 69 | 90 | 89 | 87 | 87 |
| **Return ratios (%)** | | | | | |
| RoE | 22.0 | 20.0 | 21.7 | 25.7 | 28.6 |
| Pre Tax RoCE | 21.0 | 20.7 | 24.0 | 28.8 | 32.5 |
| Pre Tax ROIC | 33.3 | 26.0 | 27.5 | 33.1 | 37.6 |
| **Turnover Ratios** | | | | | |
| Asset Turnover Ratio | 1.0 | 1.2 | 1.3 | 1.4 | 1.5 |
| Debtor Days (including unbilled) | 98 | 94 | 89 | 93 | 91 |
| Working Capital Cycle Days | 31 | 33 | 31 | 32 | 32 |
| **Valuation ratios (x)** | | | | | |
| PER | 18.0 | 19.6 | 18.7 | 15.4 | 13.4 |
| P/BV | 3.7 | 4.0 | 3.9 | 3.8 | 3.7 |
| EV/EBITDA | 11.5 | 11.8 | 10.8 | 9.2 | 8.0 |
| EV/Sales | 2.1 | 1.8 | 1.7 | 1.6 | 1.4 |
| M-cap/Sales | 2.2 | 1.9 | 1.8 | 1.6 | 1.4 |

*Source: Company, Nirmal Bang Institutional Equities Research*

## Financials –LTIMindtree

### Exhibit 105: Income statement

| Y/E March (Rsmn) | FY22 | FY23E | FY24E | FY25E | FY26E |
|---|---|---|---|---|---|
| **Average INR/USD** | **75.0** | **80.8** | **82.6** | **83.7** | **86.3** |
| **Net Sales (USD mn)** | **3,502** | **4,130** | **4,356** | **4,715** | **5,314** |
| ***-Growth (%)*** | ***109.7*** | ***17.9*** | ***5.5*** | ***8.2*** | ***12.7*** |
| **Net Sales** | **184,118** | **302,758** | **359,582** | **394,643** | **458,557** |
| *-Growth (%)* | *48.8* | *64.4* | *18.8* | *9.8* | *16.2* |
| Cost of Sales & Services | 126,624 | 212,705 | 246,195 | 266,670 | 312,424 |
| ***Gross Margin*** | **57,494** | **90,054** | **113,387** | **127,973** | **146,133** |
| ***% of sales*** | ***31.2*** | ***29.7*** | ***31.5*** | ***32.4*** | ***31.9*** |
| SG& A | 20,957 | 35,657 | 44,805 | 48,984 | 53,554 |
| *% of sales* | *11.4* | *11.8* | *12.5* | *12.4* | *11.7* |
| *EBITDA* | 36537 | 54397 | 68582 | 78988 | 92579 |
| *% of sales* | *19.8* | *18.0* | *19.1* | *20.0* | *20.2* |
| Depreciation and Amortisation | 4,182 | 6,239 | 8,043 | 9,235 | 10,427 |
| *% of sales* | *2.3* | *2.1* | *2.2* | *2.3* | *2.3* |
| ***EBIT*** | **32,355** | **48,158** | **60,539** | **69,754** | **82,152** |
| ***EBIT Margin (%)*** | ***17.6*** | ***15.9*** | ***16.8*** | ***17.7*** | ***17.9*** |
| *Gross other income (incl Forex gains/(loss))* | 5454 | 6902 | 7937 | 9250 | 10494 |
| Interest cost | 665 | 1,146 | 1,656 | 1,816 | 1,976 |
| PBT | 37,144 | 53,914 | 66,820 | 77,188 | 90,670 |
| *-PBT margin (%)* | *20.2* | *17.8* | *18.6* | *19.6* | *19.8* |
| Provision for tax | 9,468 | 12,767 | 15,800 | 18,252 | 21,439 |
| *Effective tax rate (%)* | *25.5* | *23.7* | *23.6* | *23.6* | *23.6* |
| **Net profit** | **27,676** | **41,147** | **51,020** | **58,936** | **69,230** |
| *-Growth (%)* | *42.8* | *48.7* | *24.0* | *15.5* | *17.5* |
| *-Net profit margin (%)* | *15.0* | *13.6* | *14.2* | *14.9* | *15.1* |

*Source: Company, Nirmal Bang Institutional Equities Research*

### Exhibit 107: Balance sheet

| Y/E March (Rsmn) | FY22 | FY23E | FY24E | FY25E | FY26E |
|---|---|---|---|---|---|
| Equity capital | 296 | 296 | 296 | 296 | 296 |
| Reserves & surplus | 142,576 | 161,210 | 192,986 | 231,197 | 275,262 |
| Net worth | 142,872 | 161,506 | 193,282 | 231,493 | 275,558 |
| Minority Interest | 57 | 70 | 70 | 70 | 70 |
| Other liabilities | 387 | 677 | 674 | 794 | 886 |
| Lease liabilities | 26,642 | 30,033 | 30,433 | 30,833 | 31,233 |
| Total loans | 249 | 2,857 | 2,857 | 2,857 | 2,857 |
| **Total liabilities** | **170,207** | **195,143** | **227,316** | **266,048** | **310,605** |
| Goodwill | 11,632 | 11,831 | 11,831 | 11,831 | 11,831 |
| Net block (incl. CWIP) | 12,412 | 16,833 | 20,047 | 23,262 | 26,477 |
| Investments | 72,636 | 70,873 | 78,873 | 86,873 | 94,873 |
| Deferred tax asset - net | 2,605 | 6,994 | 6,969 | 8,210 | 9,161 |
| Right of use assets/ Long term loans and advances | 11,124 | 13,097 | 13,897 | 14,697 | 15,497 |
| Other current assets | 24,682 | 28,888 | 28,794 | 33,534 | 37,163 |
| Debtors | 56,271 | 89,052 | 88,740 | 104,539 | 116,638 |
| Cash & bank balance | 14,462 | 25,593 | 48,218 | 63,713 | 87,652 |
| Total current assets | 95,415 | 143,533 | 165,752 | 201,785 | 241,453 |
| Total current liabilities | 35,617 | 68,019 | 70,054 | 80,611 | 88,686 |
| Net current assets | 59,798 | 75,515 | 95,698 | 121,174 | 152,766 |
| **Total assets** | **170,207** | **195,143** | **227,316** | **266,048** | **310,605** |

*Source: Company, Nirmal Bang Institutional Equities Research*

### Exhibit 106: Cash flow

| Y/E March (Rsmn) | FY22 | FY23E | FY24E | FY25E | FY26E |
|---|---|---|---|---|---|
| **EBIT** | **32,355** | **48,158** | **60,539** | **69,754** | **82,152** |
| (Inc.)/dec. in working capital | (32,614) | (4,621) | 2,442 | (9,982) | (7,653) |
| **Cash flow from operations** | **(259)** | **43,537** | **62,981** | **59,772** | **74,499** |
| Gross other iincome | 5,454 | 6,902 | 7,937 | 9,250 | 10,494 |
| Depreciation &amortisation | 4,182 | 6,239 | 8,043 | 9,235 | 10,427 |
| Interest cost | (665) | (1,146) | (1,656) | (1,816) | (1,976) |
| Tax paid | (9,468) | (12,767) | (15,800) | (18,252) | (21,439) |
| Dividends paid | (9,414) | (14,803) | (19,244) | (20,725) | (25,166) |
| **Net cash from operations** | **(10,170)** | **27,962** | **42,261** | **37,465** | **46,839** |
| Capital expenditure | (4,200) | (5,200) | (7,200) | (7,200) | (7,200) |
| **Net cash after capex** | **(14,370)** | **22,762** | **35,061** | **30,265** | **39,639** |
| Inc./(dec.) in debt | (196) | 2,608 | - | - | - |
| (Inc.)/dec. in investments | (31,774) | 1,763 | (8,000) | (8,000) | (8,000) |
| Equity issue/(Share Buyback) | 121 | - | - | - | - |
| **Cash from financial activities** | **(31,849)** | **4,371** | **(8,000)** | **(8,000)** | **(8,000)** |
| Others | 53,087 | (16,002) | (4,435) | (6,626) | (7,683) |
| Opening cash | 7,594 | 14,462 | 25,593 | 48,218 | 63,713 |
| Closing cash | 14,462 | 25,593 | 48,219 | 63,857 | 87,669 |
| Change in cash | 6,868 | 11,131 | 22,626 | 15,639 | 23,956 |

*Source: Company, Nirmal Bang Institutional Equities Research*

### Exhibit 108: Key ratios

| Y/E March | FY22 | FY23E | FY24E | FY25E | FY26E |
|---|---|---|---|---|---|
| **Per Share (Rs)** | | | | | |
| EPS | 133.7 | 152.4 | 172.3 | 199.1 | 233.8 |
| FDEPS | 133.3 | 152.4 | 172.3 | 199.1 | 233.8 |
| Dividend Per Share | 55.0 | 50.0 | 65.0 | 70.0 | 85.0 |
| Dividend Yield (%) | 1.2 | 1.1 | 1.4 | 1.5 | 1.8 |
| Book Value | 841 | 546 | 653 | 782 | 931 |
| Dividend Payout Ratio (incl DDT) | 34.0 | 36.0 | 37.7 | 35.2 | 36.4 |
| **Return ratios (%)** | | | | | |
| RoE | 25.6 | 27.0 | 28.7 | 27.7 | 27.3 |
| Pre Tax RoCE | 25.6 | 26.4 | 28.7 | 28.3 | 28.5 |
| Pre Tax ROIC | 55.3 | 53.0 | 60.9 | 64.7 | 67.4 |
| **Turnover Ratios** | | | | | |
| Asset Turnover Ratio | 0.9 | 1.2 | 1.2 | 1.1 | 1.1 |
| Debtor Days (incl. unbilled Rev) | 112 | 107 | 90 | 97 | 93 |
| Working Capital Cycle Days | 90 | 60 | 48 | 53 | 52 |
| **Valuation ratios (x)** | | | | | |
| PER | 35.1 | 30.7 | 27.1 | 23.5 | 20.0 |
| P/BV | 5.6 | 8.6 | 7.2 | 6.0 | 5.0 |
| EV/EBITDA | 22.0 | 25.0 | 19.5 | 16.7 | 14.0 |
| EV/Sales | 4.4 | 4.5 | 3.7 | 3.4 | 2.8 |
| M-cap/Sales | 4.4 | 4.6 | 3.8 | 3.5 | 3.0 |

*Source: Company, Nirmal Bang Institutional Equities Research*

## Financials –Mphasis

### Exhibit 109: Income statement

| Y/E March (Rsmn) | FY22 | FY23E | FY24E | FY25E | FY26E |
|---|---|---|---|---|---|
| **Average exchange rate (INR/USD)** | **74.5** | **80.6** | **82.6** | **83.7** | **86.3** |
| **Net Sales (USD mn)** | **1,593** | **1,747** | **1,816** | **1,951** | **2,140** |
| ***Growth (%)*** | ***21.7%*** | ***9.7%*** | ***3.9%*** | ***7.4%*** | ***9.7%*** |
| **Net Sales (Rs mn)** | **119,615** | **140,730** | **149,891** | **163,268** | **184,710** |
| ***-Growth (%)*** | ***23.0%*** | ***17.7%*** | ***6.5%*** | ***8.9%*** | ***13.1%*** |
| Direct Costs | 86,829 | 102,819 | 109,625 | 119,825 | 134,883 |
| **Gross Profit** | **32,786** | **37,911** | **40,267** | **43,444** | **49,827** |
| *% of sales* | *27.4%* | *26.9%* | *26.9%* | *26.6%* | *27.0%* |
| Selling expenses | 7,196 | 8,742 | 9,164 | 9,298 | 10,802 |
| *% of sales* | *6.0%* | *6.2%* | *6.1%* | *5.7%* | *5.8%* |
| G&A expenses | 7,320 | 7,623 | 7,651 | 8,282 | 8,965 |
| *% of sales* | *6.1%* | *5.4%* | *5.1%* | *5.1%* | *4.9%* |
| *Provision for doubtful debts* | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| ***EBIT*** | **18,270** | **21,546** | **23,451** | **25,864** | **30,060** |
| *% of sales* | *15.3%* | *15.3%* | *15.6%* | *15.8%* | *16.3%* |
| Other income | 1,605 | 1,599 | 1,550 | 1,769 | 2,112 |
| Financial Expenses | -744 | -980 | -976 | -976 | -976 |
| **PBT** | **19,132** | **22,164** | **24,025** | **26,657** | **31,197** |
| *-PBT margin (%)* | *16.0%* | *15.7%* | *16.0%* | *16.3%* | *16.9%* |
| *Exceptional Item* | 0 | 0 | 0 | 0 | 0 |
| Provision for tax | 4,821 | 5,516 | 6,048 | 6,710 | 7,853 |
| *Effective tax rate (%)* | *25.2%* | *24.9%* | *25.2%* | *25.2%* | *25.2%* |
| **Net profit** | **14,311** | **16,648** | **17,978** | **19,947** | **23,344** |
| *-Growth (%)* | *17.6%* | *16.3%* | *8.0%* | *11.0%* | *17.0%* |
| *-Net profit margin (%)* | *12.0%* | *11.8%* | *12.0%* | *12.2%* | *12.6%* |

*Source: Company, Nirmal Bang Institutional Equities Research*

### Exhibit 111: Balance sheet

| Y/E March (Rsmn) | FY22 | FY23E | FY24E | FY25E | FY26E |
|---|---|---|---|---|---|
| Equity capital | 1,878 | 1,883 | 1,883 | 1,883 | 1,883 |
| Reserves & surplus | 67,554 | 67,040 | 74,231 | 82,210 | 91,548 |
| Net worth | 69,432 | 68,923 | 76,114 | 84,093 | 93,431 |
| Other liabilities | 718 | 891 | 891 | 891 | 891 |
| Total loans | 5,272 | 1,159 | 1,159 | 1,159 | 1,159 |
| Lease Liabilities | 7,247 | 7,187 | 7,090 | 8,826 | 8,826 |
| **Total liabilities** | **82,669** | **78,160** | **85,254** | **94,969** | **104,307** |
| Goodwill | 27,348 | 29,756 | 29,756 | 29,756 | 29,756 |
| Net block | 4,152 | 3,098 | 3,106 | 2,650 | 1,842 |
| Capital work-in-progress | 109 | 359 | 359 | 359 | 359 |
| Investments | 18,130 | 17,332 | 17,332 | 17,332 | 17,332 |
| Other non-current assets | 1,616 | 2,932 | 2,991 | 3,455 | 3,743 |
| Debtors | 8,523 | 13,038 | 16,687 | 19,278 | 20,882 |
| Unbilled revenues | 14,308 | 14,543 | 14,833 | 17,136 | 18,562 |
| Cash & bank balance | 9,682 | 1,986 | 5,403 | 10,317 | 18,243 |
| Right-of-use assets | 6,236 | 6,194 | 6,091 | 7,766 | 7,766 |
| Other current assets | 16,297 | 17,275 | 17,617 | 20,331 | 22,011 |
| Total current assets | 55,046 | 53,036 | 60,630 | 74,827 | 87,465 |
| Total current liabilities | 23,732 | 28,353 | 28,919 | 33,409 | 36,190 |
| Net current assets | 31,314 | 24,683 | 31,711 | 41,417 | 51,275 |
| **Total assets** | **82,669** | **78,160** | **85,255** | **94,969** | **104,307** |

*Source: Company, Nirmal Bang Institutional Equities Research*

### Exhibit 110: Cash flow

| Y/E March (Rsmn) | FY22 | FY23E | FY24E | FY25E | FY26E |
|---|---|---|---|---|---|
| EBIT | 18,270 | 21,546 | 23,451 | 25,864 | 30,060 |
| (Inc.)/dec. in working capital | 767 | -1,107 | -3,715 | -3,118 | -1,931 |
| **Cash flow from operations** | **19,037** | **20,439** | **19,736** | **22,747** | **28,130** |
| Other income | 1,605 | 1,599 | 1,550 | 1,769 | 2,112 |
| Depreciation &amortisation | 2,933 | 3,304 | 3,731 | 4,919 | 6,387 |
| Financial expenses | -744 | -980 | -976 | -976 | -976 |
| Tax paid | -4,821 | -5,516 | -6,048 | -6,710 | -7,853 |
| Dividends paid | -8,640 | -9,989 | -10,787 | -11,968 | -14,006 |
| **Net cash from operations** | **9,371** | **8,856** | **7,208** | **9,780** | **13,794** |
| Capital expenditure | 1,030 | 500 | 261 | 538 | 420 |
| **Net cash after capex** | **8,341** | **8,357** | **6,947** | **9,242** | **13,374** |
| Inc./(dec.) in debt | 513 | -3,940 | 0 | 0 | 0 |
| (Inc.)/dec. in investments | -25 | -518 | -58 | -464 | -288 |
| Equity Issue/(Buyback) | | | | | |
| **Cash from financial activities** | **-1,453** | **-561** | **-561** | **-561** | **-561** |
| Others | (8,516) | (15,491) | (2,970) | (3,767) | (4,886) |
| Opening cash | 11,310 | 9,682 | 1,986 | 5,403 | 10,317 |
| Closing cash | 9,682 | 1,987 | 5,402 | 10,317 | 18,243 |
| Change in cash | -1,628 | -7,695 | 3,416 | 4,914 | 7,927 |

*Source: Company, Nirmal Bang Institutional Equities Research*

### Exhibit 112: Key ratios

| Y/E March | FY22 | FY23E | FY24E | FY25E | FY26E |
|---|---|---|---|---|---|
| **Per Share (Rs)** | | | | | |
| EPS | 76.4 | 88.5 | 95.5 | 105.9 | 124.0 |
| FDEPS | 76.4 | 88.5 | 95.5 | 105.9 | 124.0 |
| Dividend Per Share | 46.0 | 53.0 | 57.3 | 63.6 | 74.4 |
| Dividend Yield (%) | 2.4 | 2.8 | 3.0 | 3.4 | 3.9 |
| Book Value | 370 | 366 | 404 | 447 | 496 |
| Dividend Payout Ratio (incl DDT) (%) | 60.4 | 60.0 | 60.0 | 60.0 | 60.0 |
| **Return ratios (%)** | | | | | |
| RoE | 21.2 | 24.1 | 24.8 | 24.9 | 26.3 |
| Pre Tax RoCE | 22.8 | 26.5 | 28.1 | 28.4 | 30.2 |
| Pre tax ROIC | 35.6 | 37.4 | 37.6 | 39.3 | 44.2 |
| **Turnover Ratios** | | | | | |
| Asset Turnover Ratio | 1.1 | 1.3 | 1.3 | 1.3 | 1.3 |
| Debtor Days (incl. unbilled Rev) | 70 | 72 | 77 | 81 | 78 |
| Working Capital Cycle Days | 47 | 43 | 49 | 52 | 50 |
| **Valuation ratios (x)** | | | | | |
| PER | 24.7 | 21.3 | 19.8 | 17.8 | 15.2 |
| P/BV | 5.1 | 5.2 | 4.7 | 4.2 | 3.8 |
| EV/EBITDA | 17.6 | 15.2 | 13.8 | 12.0 | 9.9 |
| EV/Sales | 3.1 | 2.7 | 2.5 | 2.3 | 2.0 |
| M-cap/Sales | 3.3 | 2.8 | 2.6 | 2.4 | 2.1 |

*Source: Company, Nirmal Bang Institutional Equities Research*

## Financials –Persistent Systems

### Exhibit 113: Income statement

| Y/E March (Rsmn) | FY22 | FY23E | FY24E | FY25E | FY26E |
|---|---|---|---|---|---|
| **Average INR/USD** | **74.5** | **80.6** | **82.6** | **83.7** | **86.3** |
| **Net Sales (USD mn)** | **766** | **1,036** | **1,170** | **1,282** | **1,496** |
| ***YoY Growth (%)*** | ***35.2*** | ***35.3*** | ***12.9*** | ***9.6*** | ***16.7*** |
| **Net Sales** | **57,107** | **83,678** | **96,577** | **107,314** | **129,131** |
| *YoY Growth (%)* | *36.4* | *46.5* | *15.4* | *11.1* | *20.3* |
| Cost of Sales & Services | 37,895 | 55,347 | 63,917 | 70,457 | 85,896 |
| *% of sales* | *66.4* | *66.1* | *66.2* | *65.7* | *66.5* |
| **Gross Margin** | **19,213** | **28,331** | **32,660** | **36,857** | **43,235** |
| ***% of sales*** | ***33.6*** | ***33.9*** | ***33.8*** | ***34.3*** | ***33.5*** |
| SG& A | 9,631 | 12,964 | 14,870 | 17,057 | 19,565 |
| *% of sales* | *16.9* | *15.5* | *15.4* | *15.9* | *15.2* |
| **EBITDA** | **9,582** | **15,367** | **17,790** | **19,801** | **23,670** |
| *% of sales* | *16.8* | *18.4* | *18.4* | *18.5* | *18.3* |
| Depreciation and Amortization | 1,660 | 2,715 | 3,005 | 3,376 | 3,747 |
| **EBIT** | **7,922** | **12,652** | **14,785** | **16,425** | **19,924** |
| ***% of sales*** | ***13.9%*** | ***15.1%*** | ***15.3%*** | ***15.3%*** | ***15.4%*** |
| Other income (net) | 1,321 | 183 | 667 | 773 | 903 |
| PBT | 9,243 | 12,835 | 15,452 | 17,198 | 20,826 |
| *-PBT margin (%)* | *16.2* | *15.3* | *16.0* | *16.0* | *16.1* |
| Provision for tax | 2,339 | 3,284 | 3,940 | 4,385 | 5,311 |
| *Effective tax rate (%)* | *25.3* | *25.6* | *25.5* | *25.5* | *25.5* |
| **Net profit** | **6,904** | **9,551** | **11,512** | **12,812** | **15,516** |
| *-Growth (%)* | *53.2* | *38.3* | *20.5* | *11.3* | *21.1* |
| *-Net profit margin (%)* | *12.1* | *11.4* | *11.9* | *11.9* | *12.0* |

*Source: Company, Nirmal Bang Institutional Equities Research*

### Exhibit 115: Balance sheet

| Y/E March (Rsmn) | FY22 | FY23E | FY24E | FY25E | FY26E |
|---|---|---|---|---|---|
| Equity capital | 764 | 764 | 764 | 764 | 764 |
| Reserves & surplus | 32,918 | 39,303 | 46,786 | 55,114 | 65,199 |
| Net worth | 33,682 | 40,067 | 47,550 | 55,878 | 65,963 |
| Deferred tax liability | - | - | - | - | - |
| Other liabilities | 3,448 | 5,051 | 5,051 | 5,051 | 5,051 |
| Total loans | 2,801 | 2,633 | 2,633 | 2,633 | 2,633 |
| **Total liabilities** | **39,931** | **47,752** | **55,234** | **63,562** | **73,647** |
| Goodwill | 5,708 | 7,230 | 7,230 | 7,230 | 7,230 |
| Net block (incl CWIP) | 10,699 | 16,023 | 17,017 | 17,641 | 17,895 |
| Investments | 8,224 | 7,260 | 9,260 | 11,260 | 13,260 |
| Deferred tax asset | 1,123 | 1,112 | 1,112 | 1,112 | 1,112 |
| Other non-current assets | 872 | 955 | 955 | 955 | 955 |
| Other current assets | 8,885 | 9,814 | 10,411 | 12,311 | 14,370 |
| Debtors | 9,484 | 15,220 | 16,146 | 19,093 | 22,287 |
| Cash & bank balance | 9,145 | 1,496 | 5,152 | 8,208 | 13,171 |
| Total current assets | 27,514 | 26,530 | 31,709 | 39,612 | 49,828 |
| Total current liabilities | 14,210 | 11,358 | 12,050 | 14,249 | 16,632 |
| Net current assets | 13,305 | 15,172 | 19,660 | 25,364 | 33,195 |
| **Total assets** | **39,931** | **47,752** | **55,234** | **63,562** | **73,647** |

*Source: Company, Nirmal Bang Institutional Equities Research*

### Exhibit 114: Cash flow

| Y/E March (Rsmn) | FY22 | FY23E | FY24E | FY25E | FY26E |
|---|---|---|---|---|---|
| EBIT | 7,922 | 12,652 | 14,785 | 16,425 | 19,924 |
| (Inc.)/dec. in working capital | 1,283 | (8,039) | (832) | (2,648) | (2,869) |
| Cash flow from operations | 9,205 | 4,613 | 13,953 | 13,777 | 17,054 |
| Other income | 1,321 | 183 | 667 | 773 | 903 |
| Depreciation &amortisation | 1,660 | 2,715 | 3,005 | 3,376 | 3,747 |
| Tax paid | (2,339) | (3,284) | (3,940) | (4,385) | (5,311) |
| Dividends paid | (2,369) | (3,286) | (4,029) | (4,484) | (5,430) |
| **Net cash from operations** | **7,478** | **940** | **9,656** | **9,056** | **10,962** |
| Capital expenditure | 7,248 | 7,068 | 4,000 | 4,000 | 4,000 |
| Net cash after capex | 230 | (6,128) | 5,656 | 5,056 | 6,962 |
| Inc./(dec.) in debt | 2,757 | (168) | - | - | - |
| (Inc.)/dec. in investments | 1,286 | 1,019 | (2,000) | (2,000) | (2,000) |
| Equity issue/(buyback) | - | - | - | - | - |
| Cash from financial activities | 4,042 | 852 | (2,000) | (2,000) | (2,000) |
| Others | (4,937) | (2,372) | | | |
| Opening cash | 9,809 | 9,145 | 1,496 | 5,152 | 8,208 |
| Closing cash | 9,144 | 1,496 | 5,152 | 8,208 | 13,171 |
| Change in cash | (665) | (7,648) | 3,656 | 3,056 | 4,962 |

*Source: Company, Nirmal Bang Institutional Equities Research*

### Exhibit 116: Key ratios

| Y/E March | FY22 | FY23E | FY24E | FY25E | FY26E |
|---|---|---|---|---|---|
| **Per Share (Rs)** | | | | | |
| EPS | 90.2 | 125.0 | 150.6 | 167.6 | 203.0 |
| FDEPS | 90.2 | 125.0 | 150.6 | 167.6 | 203.0 |
| Dividend Per Share | 31.0 | 43.0 | 52.7 | 58.7 | 71.1 |
| Book Value | 441 | 524 | 622 | 731 | 863 |
| Dividend Payout Ratio (%) (inl DDT) | 34 | 34 | 35 | 35 | 35 |
| **Return ratios (%)** | | | | | |
| RoE | 22.4 | 25.9 | 26.3 | 24.8 | 25.5 |
| Pre-Tax RoCE | 24.6 | 32.0 | 31.8 | 30.2 | 31.3 |
| Pre Tax ROIC | 58.0 | 47.7 | 42.4 | 43.9 | 49.1 |
| **Turnover Ratios** | | | | | |
| Asset Turnover Ratio | 1.6 | 2.0 | 1.9 | 1.8 | 1.9 |
| Debtor Days (incl. unbilled Rev) | 61 | 66 | 61 | 65 | 63 |
| Working Capital Cycle Days | 10 | 22 | 36 | 38 | 39 |
| **Valuation ratios (x)** | | | | | |
| PER | 51.6 | 37.2 | 30.9 | 27.7 | 22.9 |
| P/BV | 10.6 | 8.9 | 7.5 | 6.4 | 5.4 |
| EV/EBTDA | 36.4 | 23.2 | 19.8 | 17.7 | 14.6 |
| EV/Sales | 6.1 | 4.3 | 3.7 | 3.3 | 2.7 |
| M-cap/Sales | 6.2 | 4.2 | 3.7 | 3.3 | 2.8 |
| Dividend Yield | 0.7% | 0.9% | 1.1% | 1.3% | 1.5% |

*Source: Company, Nirmal Bang Institutional Equities Research*

## Financials – Coforge

### Exhibit 117: Income statement

| Y/E March (Rsmn) | FY22 | FY23E | FY24E | FY25E | FY26E |
|---|---|---|---|---|---|
| **Average INR/USD** | **74.2** | **80.0** | **82.6** | **83.7** | **86.3** |
| **Net sales (US$mn)** | **867** | **1,003** | **1,082** | **1,201** | **1,370** |
| ***-Growth (%)*** | ***38.0%*** | ***15.8%*** | ***7.9%*** | ***11.0%*** | ***14.1%*** |
| **Net Sales** | **64,320** | **80,329** | **89,322** | **100,500** | **118,247** |
| *-Growth (%)* | *37.9%* | *24.9%* | *11.2%* | *12.5%* | *17.7%* |
| *Direct cost* | 43,736 | 54,242 | 59,851 | 67,931 | 80,174 |
| ***Gross Profit*** | **20,584** | **26,087** | **29,471** | **32,569** | **38,073** |
| ***Gross Margin*** | **32.0%** | **32.5%** | **33.0%** | **32.4%** | **32.2%** |
| SGA Expenses | 8527 | 11475 | 12747 | 13464 | 15424 |
| *% of sales* | *13.3%* | *14.3%* | *14.3%* | *13.4%* | *13.0%* |
| Acquisition Related Expenses | 269 | - | - | - | - |
| Cost of ESOPs | 633 | 569 | 600 | 600 | 600 |
| **EBITDA** | **11,155** | **14,044** | **16,124** | **18,506** | **22,049** |
| ***% of sales*** | ***17.3%*** | ***17.5%*** | ***18.1%*** | ***18.4%*** | ***18.6%*** |
| *Depreciation &Amortisation* | 2272 | 2532 | 2711 | 3050 | 3589 |
| *% of sales* | *3.5%* | *3.2%* | *3.0%* | *3.0%* | *3.0%* |
| ***EBIT*** | **8,883** | **11,511** | **13,413** | **15,455** | **18,460** |
| ***% of sales*** | ***13.8%*** | ***14.3%*** | ***15.0%*** | ***15.4%*** | ***15.6%*** |
| Other income (net) | -266 | -247 | -310 | -140 | 159 |
| **Exceptional Items** | - | - | - | - | - |
| PBT | **8,617** | **11,264** | **13,103** | **15,315** | **18,619** |
| *-PBT margin (%)* | *13.4%* | *14.0%* | *14.7%* | *15.2%* | *15.7%* |
| Provision for tax | 1,468 | 2,447 | 3,048 | 3,562 | 4,331 |
| *Effective tax rate (%)* | *17.0%* | *21.7%* | *23.3%* | *23.3%* | *23.3%* |
| **Net profit** | **7,149** | **8,817** | **10,055** | **11,753** | **14,288** |
| **Minority Interest & share of profit/(loss) of associate** | **530** | **644** | **600** | **600** | **600** |
| **Net reported profit** | 6,619 | 8,173 | 9,455 | 11,153 | 13,688 |
| *-Growth (%)* | *45.3%* | *23.3%* | *15.8%* | *18.0%* | *22.7%* |
| *-Net profit margin (%)* | *10.3%* | *10.2%* | *10.6%* | *11.1%* | *11.6%* |

*Source: Company, Nirmal Bang Institutional Equities Research*

### Exhibit 119: Balance sheet

| Y/E March (Rsmn) | FY22 | FY23E | FY24E | FY25E | FY26E |
|---|---|---|---|---|---|
| Equity capital | 609 | 611 | 611 | 611 | 611 |
| Reserves & surplus | 26,722 | 31,142 | 35,710 | 41,363 | 48,942 |
| **Net worth** | **27,331** | **31,753** | **36,321** | **41,974** | **49,553** |
| Minority Interest | 983 | 1,454 | 1,454 | 1,454 | 1,454 |
| Lease Liabilities | 937 | 2,430 | 2,430 | 2,430 | 2,430 |
| Provisions | 1,047 | 1,047 | 1,047 | 1,047 | 1,047 |
| Loans | 3,780 | 6,612 | 4,612 | 2,612 | 0 |
| Deferred tax liability | 766 | 536 | 536 | 536 | 536 |
| Other financial liabilities | 2,908 | 200 | 700 | 1,200 | 1,700 |
| **Total liabilities** | **37,752** | **44,032** | **47,100** | **51,253** | **56,720** |
| Net block | 4,452 | 6,694 | 6,983 | 6,932 | 6,343 |
| Right of use assets | 1,476 | 1,891 | 2,091 | 2,291 | 2,491 |
| Capital work-in-progress | 86 | 44 | 44 | 44 | 44 |
| Goodwill | 10,708 | 11,500 | 11,500 | 11,500 | 11,500 |
| Other intangible assets | 4,113 | 4,248 | 4,248 | 4,748 | 4,248 |
| Other financial assets | 2,719 | 2,539 | 2,289 | 2,289 | 2,289 |
| Other non-current assets | 1,045 | 769 | 769 | 769 | 769 |
| Investments | 0 | 0 | 0 | 0 | 0 |
| Debtors | 13,894 | 17,506 | 17,701 | 21,666 | 24,179 |
| Cash & bank balance | 4,535 | 4,790 | 5,272 | 2,847 | 6,846 |
| Other current assets | 3,780 | 4,950 | 5,047 | 4,322 | 5,264 |
| Total current assets | 22,209 | 27,246 | 28,020 | 28,834 | 36,289 |
| Total current liabilities | -11,792 | -14,224 | -12,169 | -9,479 | -10,578 |
| Deferred tax assets | 2,736 | 3,325 | 3,325 | 3,325 | 3,325 |
| Net current assets | 13,153 | 16,347 | 19,176 | 22,680 | 29,036 |
| **Total assets** | **37,752** | **44,032** | **47,100** | **51,253** | **56,720** |

*Source: Company, Nirmal Bang Institutional Equities Research*

### Exhibit 118: Cash flow

| Y/E March (Rsmn) | FY22 | FY23E | FY24E | FY25E | FY26E |
|---|---|---|---|---|---|
| EBIT | 9,152 | 11,511 | 13,413 | 15,455 | 18,460 |
| (Inc.)/dec. in working capital | -1,134 | -6,154 | -2,346 | -5,930 | -2,356 |
| **Cash flow from operations** | 8,018 | 5,358 | 11,067 | 9,525 | 16,104 |
| Other income (net) | -266 | -247 | -310 | -140 | 159 |
| Depreciation &amortisation | 2,272 | 2,532 | 2,711 | 3,050 | 3,589 |
| Tax paid | -1,468 | -2,447 | -3,048 | -3,562 | -4,331 |
| Dividends paid | 3,176 | 3,968 | 4,888 | 5,499 | 6,110 |
| **Net cash from operations** | **11,732** | **9,163** | **15,308** | **14,372** | **21,631** |
| Capital expenditure | 13,513 | 7,550 | 5,091 | 5,791 | 4,991 |
| Net cash after capex | -1,781 | 1,613 | 10,217 | 8,581 | 16,640 |
| Inc./(dec.) in debt | 3,269 | 2,832 | -2,000 | -2,000 | -2,612 |
| (Inc.)/dec. in investments | -124 | - | - | - | - |
| Equity issue/ (buyback) | - | - | - | - | - |
| **Cash from financial activities** | **674** | **-68** | **-1,939** | **-1,939** | **-1,939** |
| Others | -2,480 | -1,291 | -7,796 | -9,068 | -10,702 |
| Opening cash | 8,122 | 4,535 | 4,790 | 5,272 | 2,847 |
| Closing cash | 4,535 | 4,789 | 5,272 | 2,846 | 6,846 |
| Change in cash | -3,587 | 254 | 482 | -2,426 | 3,999 |

*Source: Company, Nirmal Bang Institutional Equities Research*

### Exhibit 120: Key ratios

| Y/E March | FY22 | FY23E | FY24E | FY25E | FY26E |
|---|---|---|---|---|---|
| **Per Share (Rs mn)** | | | | | |
| EPS | 109.0 | 133.9 | 154.8 | 182.5 | 224.0 |
| FDEPS | 109.0 | 133.9 | 154.8 | 182.5 | 224.0 |
| Dividend Per Share | 52.0 | 65.0 | 80.0 | 90.0 | 100.0 |
| Dividend Yield (%) | 1.3 | 1.7 | 2.1 | 2.3 | 2.6 |
| Book Value | 449 | 520 | 594 | 687 | 811 |
| Dividend Payout Ratio (excl DT) | 48.0 | 48.6 | 51.7 | 49.3 | 44.6 |
| **Return ratios (%)** | | | | | |
| RoE | 25.5 | 27.6 | 27.8 | 28.5 | 29.9 |
| Pre Tax RoCE | 28.4 | 28.2 | 29.4 | 31.4 | 34.2 |
| Pre Tax ROIC | 35.3 | 31.8 | 33.1 | 34.3 | 37.6 |
| **Turnover Ratios** | | | | | |
| Asset Turnover Ratio | 1.3 | 1.4 | 1.5 | 1.7 | 1.8 |
| Debtor Days (incl. unbilled Rev) | 79 | 80 | 72 | 79 | 75 |
| Working Capital Cycle Days | 33 | 55 | 59 | 74 | 70 |
| **Valuation ratios (x)** | | | | | |
| PER | 35.8 | 29.1 | 25.2 | 21.4 | 17.4 |
| P/BV | 8.7 | 7.5 | 6.6 | 5.7 | 4.8 |
| EV/EBITDA | 20.4 | 16.6 | 14.4 | 12.7 | 10.5 |
| EV/Sales | 3.6 | 2.9 | 2.6 | 2.3 | 2.0 |
| M-cap/Sales | 3.7 | 3.0 | 2.7 | 2.4 | 2.0 |

*Source: Company, Nirmal Bang Institutional Equities Research*

## Rating track – TCS

| Date | Rating | Market price (Rs) | Target price (Rs) |
|---|---|---|---|
| 13 April 2015 | Sell | 2,619 | 2,314 |
| 17 April 2015 | Sell | 2,574 | 2,325 |
| 10 July 2015 | Sell | 2,529 | 2,173 |
| 9 September 2015 | Sell | 2,540 | 2,173 |
| 5 October 2015 | Sell | 2,641 | 2,217 |
| 14 October 2015 | Sell | 2,599 | 2,248 |
| 8 January 2016 | Under Review | 2,398 | - |
| 13 January 2016 | Under Review | 2,327 | - |
| 14 March 2016 | Sell | 2,360 | 2,055 |
| 20 April 2016 | Sell | 2,520 | 2,089 |
| 15 July 2016 | Sell | 2,521 | 2,075 |
| 14 September 2016 | Sell | 2,359 | 2,041 |
| 14 October 2016 | Sell | 2,329 | 2,073 |
| 10 January 2017 | Sell | 2,304 | 1,952 |
| 13 January 2017 | Sell | 2,344 | 1,956 |
| 14 February 2017 | Sell | 2,414 | 1,983 |
| 21 February 2017 | Sell | 2,502 | 1,983 |
| 2 March 2017 | Sell | 2,477 | 1,983 |
| 19 April 2017 | Sell | 2,309 | 1,996 |
| 21 June 2017 | Sell | 2,443 | 1,923 |
| 14 July 2017 | Sell | 2,446 | 1,930 |
| 28 September 2017 | Sell | 2,475 | 1,908 |
| 13 October 2017 | Sell | 2,548 | 1,913 |
| 26 December 2017 | Under Review | 2,647 | - |
| 12 January 2018 | Under Review | 2,792 | - |
| 17 March 2018 | Accumulate | 2,829 | 3,155 |
| 20 April 2018 | Accumulate | 3,191 | 3,176 |
| 26 June 2018* | Accumulate | 1,818 | 1,812 |
| 11 July 2018 | Accumulate | 1,876 | 1,862 |
| 05 October 2018 | Accumulate | 2,063 | 2,145 |
| 12 October 2018 | Accumulate | 1,980 | 2,120 |
| 27 December 2018 | Sell | 1,892 | 1,712 |
| 7 January 2019 | Sell | 1,877 | 1,533 |
| 11 January 2019 | Sell | 1,883 | 1,545 |
| 18 March 2019 | Sell | 2,040 | 1,607 |
| 19 March 2019 | Sell | 2,023 | 1,607 |
| 15 April 2019 | Sell | 2,015 | 1,614 |
| 10 July 2019 | Sell | 2,120 | 1,601 |
| 23 September 2019 | Sell | 2,020 | 1,615 |
| 10 October 2019 | Sell | 2,004 | 1,593 |
| 2 January 2020 | Under Review | 2,170 | - |
| 20 January 2020 | Under Review | 2,220 | - |
| 30 March 2020 | Sell | 1,850 | 1,393 |
| 17 April 2020 | Sell | 1,716 | 1,393 |
| 9 July 2020 | Under Review | 2,218 | - |
| 10 July 2020 | Under Review | 2,204 | - |
| 6 September 2020 | Accumulate | 2,289 | 2,381 |
| 28 September 2020 | Accumulate | 2,422 | 2,537 |
| 8 October 2020 | Accumulate | 2,736 | 2,809 |
| 29 December 2020 | Accumulate | 2,929 | 3,001 |
| 10 January 2021 | Accumulate | 3,121 | 3,157 |
| 13 April 2021 | Accumulate | 3,247 | 3,165 |
| 5 July 2021 | Accumulate | 3,325 | 3,664 |
| 9 July 2021 | Accumulate | 3,259 | 3,662 |
| 22 September 2021 | Accumulate | 3,863 | 3,813 |
| 9 October 2021 | Accumulate | 3,936 | 3,772 |
| 20 December 2021 | Buy | 3,584 | 4,159 |
| 13 January 2022 | Accumulate | 3,860 | 4,169 |
| 8 April 2022 | Sell | 3,684 | 3,245 |
| 12 April 2022 | Sell | 3,696 | 3,221 |
| 19 May 2022 | Sell | 3,449 | 2,742 |
| 8 July 2022 | Sell | 3,294 | 2,489 |
| 9 July 2022 | Sell | 3,265 | 2,469 |
| 10 October 2022 | Sell | 3,065 | 2,591 |
| 11 October 2022 | Sell | 3,119 | 2,608 |
| 10 January 2023 | Sell | 3,320 | 2,635 |
| 20 March 2023 | Sell | 3,179 | 2,709 |

* Post 1:1 Bonus

## Rating track – Infosys

| Date | Rating | Market price (Rs) | Target price (Rs) |
|---|---|---|---|
| 13 April 2015 | Accumulate | 2,229 | 2,147 |
| 27 April 2015 | Sell | 1,995 | 1,823 |
| 4 June 2015 | Sell | 2,032 | 1,823 |
| 22 July 2015** | Accumulate | 1,116 | 1,189 |
| 7 September 2015 | Accumulate | 1,074 | 1,189 |
| 14 September 2015 | Accumulate | 1,091 | 1,189 |
| 13 October 2015 | Accumulate | 1,122 | 1,194 |
| 8 January 2016 | Under Review | 1,063 | - |
| 14 January 2016 | Under Review | 1,133 | - |
| 14 March 2016 | Sell | 1,141 | 1,002 |
| 15 April 2016 | Sell | 1,173 | 1,010 |
| 9 June 2016 | Sell | 1,238 | 1,010 |
| 18 July 2016 | Sell | 1,072 | 988 |
| 29 August 2016 | Sell | 1,020 | 970 |
| 17 October 2016 | Sell | 1,027 | 964 |
| 10 January 2017 | Sell | 970 | 920 |
| 16 January 2017 | Sell | 975 | 910 |
| 14 February 2017 | Sell | 985 | 926 |
| 15 April 2017 | Sell | 931 | 887 |
| 15 May 2017 | Sell | 964 | 887 |
| 21 June 2017 | Sell | 944 | 844 |
| 17 July 2017 | Sell | 972 | 846 |
| 21 August 2017 | Sell | 923 | 794 |
| 28 August 2017 | Sell | 912 | 836 |
| 11 September 2017 | Sell | 884 | 836 |
| 28 September 2017 | Sell | 906 | 833 |
| 25 October 2017 | Sell | 924 | 873 |
| 26 December 2017 | Under Review | 1,039 | - |
| 15 January 2018 | Under Review | 1,079 | - |
| 17 March 2018 | Accumulate | 1,170 | 1,154 |
| 14 April 2018 | Accumulate | 1,171 | 1,157 |
| 24 April 2018 | Accumulate | 1,188 | 1,157 |
| 3 July 2018 | Accumulate | 1,307 | 1,314 |
| 14 July 2018 | Accumulate | 1,317 | 1,328 |
| 5 October 2018** | Accumulate | 711 | 752 |
| 17 October 2018 | Accumulate | 695 | 756 |
| 27 December 2018 | Accumulate | 644 | 688 |
| 7 January 2019 | Sell | 661 | 620 |
| 14 January 2019 | Sell | 684 | 603 |
| 19 March 2019 | Sell | 710 | 620 |
| 15 April 2019 | Sell | 748 | 601 |
| 27 June 2019 | Sell | 739 | 601 |
| 15 July 2019 | Sell | 727 | 596 |
| 23 September 2019 | Sell | 765 | 607 |
| 14 October 2019 | Sell | 815 | 625 |
| 22 October 2019 | Sell | 768 | 625 |
| 8 November 2019 | Sell | 708 | 625 |
| 2 January 2020 | Under Review | 737 | - |
| 13 January 2020 | Under Review | 740 | - |
| 31 March 2020 | Sell | 654 | 550 |
| 21 April 2020 | Sell | 653 | 543 |
| 9 July 2020 | Under Review | 775 | - |
| 16 July 2020 | Under Review | 834 | - |
| 6 September 2020 | Accumulate | 919 | 1,027 |
| 28 September 2020 | Accumulate | 1,011 | 1,096 |
| 15 October 2020 | Accumulate | 1,137 | 1,218 |
| 12 November 2020 | Accumulate | 1,123 | 1,218 |
| 29 December 2020 | Accumulate | 1,240 | 1,325 |
| 14 January 2021 | Accumulate | 1,387 | 1,446 |
| 15 April 2021 | Accumulate | 1,397 | 1,411 |
| 5 July 2021 | Accumulate | 1,579 | 1,667 |
| 15 July 2021 | Accumulate | 1,575 | 1,614 |
| 22 September 2021 | Accumulate | 1,718 | 1,689 |
| 14 October 2021 | Accumulate | 1,709 | 1,779 |
| 20 December 2021 | Accumulate | 1,821 | 1,958 |
| 13 January 2022 | Accumulate | 1,877 | 2,046 |
| 8 April 2022 | Sell | 1,811 | 1,653 |
| 15 April 2022 | Sell | 1,749 | 1,584 |
| 19 May 2022 | Sell | 1,509 | 1,283 |
| 2 June 2022 | Sell | 1,478 | 1,283 |
| 8 July 2022 | Sell | 1,498 | 1,172 |
| 25 July 2022 | Sell | 1,506 | 1,142 |
| 10 October 2022 | Sell | 1,451 | 1,182 |
| 14 October 2022 | Sell | 1,420 | 1,153 |
| 13 January 2023 | Sell | 1,483 | 1,161 |
| 20 March 2023 | Sell | 1,421 | 1,218 |

** Post 1:1 bonus issue of equity shares

## Rating track – HCL Technologies

| Date | Rating | Market price (Rs) | Target price (Rs) |
|---|---|---|---|
| 13 April 2015 | Accumulate | 959 | 1,013 |
| 22 April 2015 | Accumulate | 895 | 1,014 |
| 4 August 2015 | Accumulate | 938 | 1,008 |
| 1 October 2015 | Accumulate | 982 | 991 |
| 5 October 2015 | Accumulate | 859 | 991 |
| 20 October 2015 | Buy | 859 | 989 |
| 8 January 2016 | Under Review | 828 | - |
| 20 January 2016 | Under Review | 841 | - |
| 14 March 2016 | Sell | 824 | 737 |
| 29 April 2016 | Sell | 799 | 719 |
| 4 August 2016 | Sell | 826 | 745 |
| 24 October 2016 | Sell | 832 | 718 |
| 10 January 2017 | Sell | 838 | 712 |
| 25 January 2017 | Sell | 849 | 718 |
| 14 February 2017 | Sell | 827 | 740 |
| 12 May 2017 | Sell | 839 | 743 |
| 21 June 2017 | Sell | 854 | 713 |
| 28 July 2017 | Sell | 899 | 764 |
| 28 September 2017 | Sell | 874 | 744 |
| 26October 2017 | Sell | 903 | 763 |
| 26 December 2017 | Under Review | 887 | - |
| 22 January 2018 | Under Review | 958 | - |
| 17 March 2018 | Accumulate | 968 | 1,048 |
| 16 April 2018 | Accumulate | 991 | 1,048 |
| 3 May 2018 | Accumulate | 1,001 | 1,041 |
| 3 July 2018 | Buy | 926 | 1,131 |
| 30 July 2018 | Buy | 963 | 1,172 |
| 5 October 2018 | Buy | 1,081 | 1,281 |
| 24 October 2018 | Buy | 952 | 1,277 |
| 11 December 2018 | Buy | 942 | 1,329 |
| 27 December 2018 | Accumulate | 942 | 1,072 |
| 7 January 2019 | Accumulate | 932 | 958 |
| 30 January 2019 | Accumulate | 988 | 1,054 |
| 19 March 2019 | Accumulate | 1,012 | 1,076 |
| 10 May 2019 | Accumulate | 1,139 | 1,090 |
| 13 August 2019 | Accumulate | 1,083 | 1,127 |
| 23 August 2019 | Accumulate | 1,026 | 1,150 |
| 24 October 2019 | Accumulate | 1,102 | 1,153 |
| 13 November 2020 | Accumulate | 1,146 | 1,153 |
| 2 January 2020* | Under Review | 572 | - |
| 20 January 2020 | Under Review | 601 | - |
| 31 March 2020 | Accumulate | 433 | 483 |
| 8 May 2020 | Accumulate | 512 | 535 |
| 9 July 2020 | Under Review | 588 | - |
| 20 July 2020 | Under Review | 628 | - |
| 6 September 2020 | Buy | 701 | 881 |
| 28 September 2020 | Buy | 828 | 958 |
| 18 October 2020 | Buy | 827 | 1,053 |
| 29 December 2020 | Buy | 922 | 1,141 |
| 16 January 2021 | Buy | 990 | 1,163 |
| 25 April 2021 | Buy | 956 | 1,150 |
| 5 July 2021 | Buy | 985 | 1,352 |
| 20 July 2021 | Buy | 1,000 | 1,334 |
| 22 September 2021 | Buy | 1,300 | 1,509 |
| 17 October 2021 | Buy | 1,251 | 1,518 |
| 20 December 2021 | Buy | 1,171 | 1,600 |
| 15 January 2022 | Buy | 1,337 | 1,651 |
| 8 April 2022 | Accumulate | 1,175 | 1,262 |
| 22 April 2022 | Accumulate | 1,099 | 1,247 |
| 19 May 2022 | Sell | 1,074 | 978 |
| 8 July 2022 | Sell | 992 | 898 |
| 13 July 2022 | Sell | 928 | 866 |
| 10 October 2022 | Sell | 958 | 850 |
| 13 October 2022 | Sell | 952 | 842 |
| 13 January 2023 | Sell | 1,072 | 847 |
| 20 March 2023 | Sell | 1,108 | 944 |

* Post 1:1 Bonus issue

## Rating track – Wipro

| Date | Rating | Market price (Rs) | Target price (Rs) |
|---|---|---|---|
| 13 April 2015 | Sell | 618 | 576 |
| 22 April 2015 | Sell | 588 | 546 |
| 24 July 2015 | Sell | 588 | 548 |
| 30 September 2015 | Sell | 587 | 546 |
| 23 October 2015 | Sell | 578 | 544 |
| 8 January 2016 | Under Review | 556 | - |
| 19 January 2016 | Under Review | 549 | - |
| 14 March 2016 | Sell | 540 | 498 |
| 21 April 2016 | Sell | 601 | 489 |
| 20 July 2016 | Sell | 549 | 478 |
| 24 October 2016 | Sell | 499 | 436 |
| 10 January 2017 | Sell | 472 | 410 |
| 27 January 2017 | Sell | 474 | 413 |
| 14 February 2017 | Sell | 474 | 427 |
| 26 April 2017 | Sell | 495 | 437 |
| 21 June 2017* | Sell | 254 | 197 |
| 21 July 2017 | Sell | 269 | 235 |
| 28 September 2017 | Sell | 290 | 228 |
| 18 October 2017 | Sell | 290 | 244 |
| 26 December 2017 | Under Review | 302 | - |
| 22 January 2018 | Under Review | 329 | - |
| 17 March 2018 | Accumulate | 296 | 302 |
| 26 April 2018 | Accumulate | 287 | 303 |
| 3 July 2018 | Buy | 262 | 335 |
| 23 July 2018 | Buy | 282 | 323 |
| 5 October 2018 | Buy | 325 | 377 |
| 17 October 2018 | Buy | 309 | 364 |
| 27 December 2018 | Sell | 326 | 297 |
| 7 January 2019 | Sell | 324 | 268 |
| 21 January 2019 | Sell | 347 | 277 |
| 19 March 2019** | Sell | 258 | 209 |
| 18 April 2019 | Sell | 282 | 219 |
| 18 July 2019 | Sell | 260 | 212 |
| 23 September 2019 | Sell | 239 | 222 |
| 15 October 2019 | Sell | 244 | 221 |
| 2 January 2020 | Under review | 248 | - |
| 15 January 2020 | Under review | 256 | - |
| 31 March 2020 | Accumulate | 186 | 186 |
| 16 April 2020 | Accumulate | 186 | 178 |
| 9 July 2020 | Under Review | 222 | - |
| 15 July 2020 | Under Review | 225 | - |
| 6 September 2020 | Buy | 276 | 326 |
| 28 September 2020 | Accumulate | 314 | 346 |
| 14 October 2020 | Accumulate | 376 | 382 |
| 19 November 2020 | Accumulate | 345 | 382 |
| 29 December 2020 | Accumulate | 383 | 411 |
| 14 January 2021 | Accumulate | 459 | 480 |
| 5 March 2021 | Accumulate | 439 | 461 |
| 16 April 2021 | Accumulate | 431 | 465 |
| 5 July 2021 | Accumulate | 536 | 563 |
| 16 July 2021 | Accumulate | 576 | 604 |
| 22 September 2021 | Accumulate | 668 | 698 |
| 14 October 2021 | Accumulate | 673 | 706 |
| 20 December 2021 | Buy | 671 | 790 |
| 13 January 2022 | Accumulate | 691 | 776 |
| 8 April 2022 | Accumulate | 581 | 571 |
| 1 May 2022 | Accumulate | 509 | 501 |
| 19 May 2022 | Sell | 481 | 400 |
| 8 July 2022 | Sell | 421 | 367 |
| 21 July 2022 | Sell | 412 | 362 |
| 10 October 2022 | Sell | 408 | 355 |
| 13 October 2022 | Sell | 408 | 340 |
| 14 January 2023 | Sell | 394 | 347 |
| 20 March 2023 | Sell | 377 | 351 |

* Post 1:1 bonus share issue, **Post 1:3 bonus share issue

## Rating track – Tech Mahindra

| Date | Rating | Market price (Rs) | Target price (Rs) |
|---|---|---|---|
| 13 April 2015 | Sell | 660 | 593 |
| 28 May 2015 | Sell | 549 | 511 |
| 19 June 2015 | Sell | 541 | 470 |
| 28 July 2015 | Sell | 520 | 470 |
| 28 September 2015 | Sell | 567 | 474 |
| 4 November 2015 | Sell | 557 | 472 |
| 15 December 2015 | Sell | 543 | 471 |
| 8 January 2016 | Under Review | 522 | - |
| 2 February 2016 | Under Review | 497 | - |
| 14 March 2016 | Sell | 459 | 395 |
| 25 May 2016 | Sell | 480 | 409 |
| 21 June 2016 | Sell | 544 | 421 |
| 3 August 2016 | Sell | 499 | 400 |
| 28 October 2016 | Sell | 414 | 385 |
| 10 January 2017 | Sell | 473 | 368 |
| 31 January 2017 | Sell | 472 | 383 |
| 14 February 2017 | Sell | 500 | 388 |
| 7 March 2017 | Sell | 501 | 408 |
| 29 May 2017 | Sell | 429 | 403 |
| 21 June 2017 | Sell | 395 | 367 |
| 1 August 2017 | Sell | 385 | 360 |
| 28 September 2017 | Sell | 447 | 358 |
| 2 November 2017 | Sell | 478 | 387 |
| 11 December 2017 | Sell | 496 | 426 |
| 26 December 2017 | Under Review | 493 | - |
| 30 January 2018 | Under Review | 605 | - |
| 17 March 2018 | Accumulate | 635 | 608 |
| 28 May 2018 | Accumulate | 703 | 721 |
| 3 July 2018 | Accumulate | 655 | 716 |
| 31 July 2018 | Accumulate | 658 | 718 |
| 5 October 2018 | Buy | 696 | 845 |
| 31 October 2018 | Accumulate | 685 | 731 |
| 27 November 2018 | Accumulate | 695 | 731 |
| 27 December 2018 | Sell | 695 | 590 |
| 7 January 2019 | Sell | 681 | 525 |
| 6 February 2019 | Sell | 751 | 561 |
| 19 March 2019 | Sell | 789 | 587 |
| 6 June 2019 | Sell | 750 | 562 |
| 31 July 2019 | Sell | 641 | 535 |
| 9 September 2019 | Sell | 684 | 544 |
| 23 September 2019 | Sell | 688 | 563 |
| 5 November 2019 | Sell | 775 | 575 |
| 19 December 2019 | Sell | 787 | 614 |
| 2 January 2020 | Under Review | 762 | - |
| 3 February 2020 | Under Review | 807 | - |
| 31 March 2020 | Accumulate | 501 | 540 |
| 4 May 2020 | Sell | 546 | 476 |
| 9 July 2020 | Under Review | 577 | - |
| 28 July 2020 | Under Review | 665 | - |
| 6 September 2020 | Accumulate | 748 | 819 |
| 28 September 2020 | Accumulate | 772 | 868 |
| 26 October 2020 | Buy | 852 | 1,017 |
| 22 December 2020 | Accumulate | 907 | 1,017 |

| | | | |
|---|---|---|---|
| 29 December 2020 | Buy | 947 | 1,150 |
| 30 January 2021 | Buy | 961 | 1,198 |
| 27 April 2021 | Buy | 962 | 1,211 |
| 5 July 2021 | Buy | 1,089 | 1,441 |
| 30 July 2021 | Buy | 1,128 | 1,453 |
| 22 September 2021 | Buy | 1,462 | 1,664 |
| 26 October 2021 | Buy | 1,524 | 1,756 |
| 15 November 2021 | Buy | 1,585 | 1,864 |
| 20 December 2021 | Buy | 1,643 | 1,993 |
| 2 February 2022 | Buy | 1,506 | 1,952 |
| 8 April 2022 | Accumulate | 1,469 | 1,475 |
| 15 May 2022 | Accumulate | 1,203 | 1,276 |
| 19 May 2022 | Sell | 1,172 | 1,018 |
| 8 July 2022 | Sell | 1,021 | 959 |
| 26 July 2022 | Sell | 1,017 | 924 |
| 10 October 2022 | Sell | 1,024 | 889 |
| 02 November 2022 | Sell | 1,071 | 889 |
| 31 January 2023 | Sell | 1,036 | 875 |
| 06 March 2023 | Sell | 1,085 | 945 |
| 20 March 2023 | Sell | 1,127 | 992 |

## Rating track– Persistent Systems

| Date | Rating | Market price (Rs) | Target price (Rs) |
|---|---|---|---|
| 21 September 2015 | Sell | 685 | 562 |
| 27 October 2015 | Sell | 669 | 553 |
| 7 December 2015 | Sell | 663 | 544 |
| 8 January 2016 | Under Review | 630 | - |
| 27 January 2016 | Under Review | 609 | - |
| 14 March 2016 | Sell | 599 | 522 |
| 22 March 2016 | Sell | 741 | 555 |
| 26 April 2016 | Sell | 719 | 558 |
| 22 June 2016 | Sell | 697 | 558 |
| 26 July 2016 | Sell | 665 | 562 |
| 26 October 2016 | Sell | 660 | 573 |
| 19 December 2016 | Sell | 613 | 573 |
| 10 January 2017 | Sell | 636 | 557 |
| 24 January 2017 | Sell | 612 | 548 |
| 14 February 2017 | Sell | 624 | 574 |
| 27 April 2017 | Sell | 568 | 534 |
| 21 June 2017 | Sell | 681 | 516 |
| 24 July 2017 | Sell | 659 | 526 |
| 28 September 2017 | Sell | 651 | 540 |
| 17 October 2017 | Sell | 663 | 566 |
| 4 December 2017 | Sell | 654 | 566 |
| 26 December 2017 | Under Review | 650 | - |
| 30 January 2018 | Under Review | 788 | - |
| 17 March 2018 | Sell | 816 | 698 |
| 25 April 2018 | Accumulate | 726 | 717 |
| 3 July 2018 | Accumulate | 811 | 847 |
| 31 July 2018 | Accumulate | 828 | 867 |
| 5 October 2018 | Buy | 718 | 909 |
| 23 October 2018 | Accumulate | 560 | 622 |
| 12 December 2018 | Accumulate | 611 | 622 |
| 27 December 2018 | Sell | 630 | 504 |
| 7 January 2019 | Sell | 577 | 455 |
| 29 January 2019 | Sell | 567 | 481 |
| 19 March 2019 | Sell | 658 | 489 |
| 2 May 2019 | Sell | 642 | 558 |
| 14 June 2019 | Accumulate | 622 | 604 |
| 29 July 2019 | Accumulate | 561 | 602 |
| 23 September 2019 | Sell | 610 | 525 |
| 8 November 2019 | Sell | 612 | 554 |
| 2 January 2020 | Under Review | 706 | - |
| 31 January 2020 | Under Review | 689 | - |
| 31 March 2020 | Sell | 544 | 502 |
| 7 May 2020 | Accumulate | 505 | 522 |
| 9 July 2020 | Under Review | 743 | - |
| 28 July 2020 | Under Review | 856 | - |
| 6 September 2020 | Accumulate | 986 | 1,081 |
| 28 September 2020 | Accumulate | 1,220 | 1,178 |
| 1 October 2020 | Under Review | 1,341 | - |
| 27 October 2020 | Buy | 1,184 | 1,377 |
| 22 December 2020 | Accumulate | 1,310 | 1,377 |
| 29 December 2020 | Buy | 1,577 | 1,690 |
| 31 January 2021 | Buy | 1,524 | 1,957 |
| 3 May 2021 | Accumulate | 2,038 | 2,088 |
| 5 July 2021 | Accumulate | 2,930 | 2,854 |
| 25 July 2021 | Accumulate | 3,039 | 2,911 |
| 22 September 2021 | Accumulate | 3,580 | 3,418 |
| 1 October 2021 | Accumulate | 3,716 | 3,792 |
| 28 October 2021 | Accumulate | 4,036 | 3,857 |
| 20 December 2021 | Accumulate | 4,640 | 4,489 |

| | | | |
|---|---|---|---|
| 23 January 2022 | Accumulate | 4,285 | 4,504 |
| 16 March 2022 | Under Review | 4,327 | - |
| 8 April 2022 | Sell | 4,706 | 3,458 |
| 29 April 2022 | Sell | 4,309 | 3,442 |
| 19 May 2022 | Sell | 3,858 | 2,776 |
| 8 July 2022 | Sell | 3,390 | 2,443 |
| 23 July 2022 | Sell | 3,633 | 2,427 |
| 10 October 2022 | Sell | 3,489 | 2,673 |
| 21 October 2022 | Sell | 3,707 | 2,705 |
| 20 January 2023 | Sell | 4,258 | 3,041 |
| 20 March 2023 | Sell | 4,652 | 2,912 |

## Rating track– LTImindtree

| Date | Rating | Market price (Rs) | Target price (Rs) |
|---|---|---|---|
| 20 March 2023 | Sell | 4,674 | 3,842 |

## Rating track– Mphasis

| Date | Rating | Market price (Rs) | Target price (Rs) |
|---|---|---|---|
| 20 March 2023 | Sell | 1,886 | 1,636 |

## Rating track– Coforge

| Date | Rating | Market price (Rs) | Target price (Rs) |
|---|---|---|---|
| 20 March 2023 | Sell | 3,901 | 3,171 |

# Company Background

## LTIMindtree

Initiated in May 2022, the merger of erstwhile Larsen and Toubro Infotech Ltd (LTI) and Mindtree Ltd, the leading technology consulting and digital solutions companies under the Larsen & Toubro (L&T) Group, was consummated on November 14, 2022. Trading in the shares of the new entity LTIMindtree (LTIM) was started on 5thDecember, 2022. Mindtree's CEO, Debasish Chatterjee, was designated the CEO of LTIM. Sanjay Jalona, CEO of LTI, resigned post the merger announcement. Mindtree's CFO, Vinit Teredesai was designated the CFO of LTIM. LTIM started with a client base of 750+ global enterprises, ~90,000 professionals working in 30+ countries and had an annualised revenue run-rate of US$4.2bn in the December 2022 quarter. L&T has a ~69% stake in LTIM. While LTI was created by the L&T group in the 1990s, Mindtree was acquired by L&T in 2019 in a hostile fashion. In this company backgrounder, we tackle each entity individually. The financials and the revenue break-ups are for the merged entity LTIM.

### LTI

LTI (L&T Infotech), established in 1997, was the 6th largest India heritage IT services company (behind TCS, Infosys, HCL Tech, Wipro and Tech Mahindra) in revenue at the time of the merger. LTI's main promoter is Larsen and Toubro Ltd (L&T), a leading Indian conglomerate in engineering, construction, manufacturing, finance and technology. LTIemployed more than ~51,000 employees as of 30th September 2022 with TTM revenue of US$2.3bn and ~500 active clients, including 77 Fortune 500 companies. Its IPO was executed in July 2016. L&T Infotech was re-branded as LTI in May 2017. It had 36 global delivery centers and 49 sales offices at the time of the merger. It mainly catered to customers in BFSI, Manufacturing, CPG, Retail, Pharma, Energy & Utilities, Hi-tech and Media & Entertainment verticals. Its range of services includes Application Development, Maintenance, Outsourcing, Enterprise Solutions, Infrastructure Management Services, Testing and Digital Solutions.

In FY16 (the year before the IPO, which was executed in July 2016), LTI had clocked a revenue of US$887mn and had been an under-performer from a growth standpoint compared to its larger peers in the IT industry. However, it clocked ~15.6% USD revenue CAGR over FY16-FY22 to ~US$2.1bn, significantly higher than most of its large and mid-sized peers. The inorganic element in this growth was low as most acquisitions were small ones for adding capabilities. This strong growth happened under the management team led by Sanjay Jalona, who joined in August 2015. Sanjay had come from Infosys, where he had spent 15 years and was last the EVP and Global Head of Hitech, Manufacturing and Engineering Services.

LTI had digital platforms like FosFor (an integrated suite of products that help businesses monetise data at speed and at scale), LTI Infinity (unified multi-cloud platform with technology-led suite of modern engineering tools and processes enabling cloud lifecycle excellence from decisions to operations), LTI Canvas (curated platform consisting of LTI solutions, Microsoft technologies and select third-party tools) and various Industry & Technology platforms (Unitrax, iCEOn, RapidAdopt etc.).

**Exhibit 121: Timeline of key events in LTI's history**

| | |
|---|---|
| 1997 | L&T Infotech incorporated |
| 2004 | Multi-year contract with Chevron |
| 2007 | Acquisition of GDA Tech, electronic Design services company |
| 2008 | Commencement of South Africa Operations |
| 2011 | Acquisition of Transfer agency business from Citigroup in Canada – Unitrax |
| 2014 | Engineering services entity hived off to LTTS |
| 2014 | Acquisition of ISRC (Information Systems Research Center), Unit of UTC group |
| 2015 | Sanjay Jalona joins as the CEO in August, US$150m+ order from Standard Bank of South Africa |
| 2016 | IPO in July of Rs12.4bn at Rs710 per share, Sudhir Chaturvedi joins as Head of sales, Acquisition of Augment IQ |
| 2017 | Rebranding of L&T Infotech to LTI, US$100mn plus 8-year deal from CBDT, Acquisition of Syncordis |
| 2018 | Nachiket Deshpande joins as COO. US$120m+ order from ABSA group of South Africa |
| 2019 | Acquisitions of Ruletronics (Jan), Neilsen + Partner (Feb), Lymbic (Jul), Powercloud (Oct)<br>L&T completes Mindtree acquisition (Jul) |
| 2020 | US$204m order from Injazat of UAE |
| 2021 | Acquired Cuelogic – July 2021, Launched Fosfor, Data-to-Decisions Product Suite |
| 2022 | May – Announcement of merger with Mindtree. Debasish Chatterjee, CEO of Mindtree made CEO of the combined entity. Resignation of Sanjay Jalona |
| 2022 | Consummation of the merger on 14 November |

*Source: LTI, Media, Nirmal Bang Institutional Equities Research*

### Exhibit 122: Select management personnel from erstwhile LTI and their roles in it (pre-merger)

| Person | Position in LTI | Background of the individual |
|---|---|---|
| Sudhir Chaturvedi | President Sales | Joined LTI in September 2016. Prior to LTI he was the COO OF NIIT Tech (currently called Coforge) for 3 years where he was responsible for global sales and delivery of all technology and business services. Prior to NIIT Tech, Sudhir was with Infosys in several roles, the last being head of Financial Services Americas. Others included Head of UK, Head of Sales for Europe, and Head of Manufacturing vertical for Europe. Altogether he spent 13 plus years at Infosys. Prior to that he spent a few years each at E&Y and AF Fergusson. He is an alumnus of College of Engineering, Pune. |
| Nachiket Deshpande | COO and Executive Director | Joined in December 2018. Has 25 plus years of experience in delivery, customer relationship, account and P&L management across verticals, technologies and geographies and last served as Senior Vice President & Global Delivery Head for the Banking and Financial Services unit at Cognizant Technology Solutions (CTS). He was also head of cloud and infrastructure services division in CTS. He spent 19 years with CTS. Prior to Cognizant he was with Tech Mahindra. He is an alumnus of College of Engineering, Pune. |
| Siddharth Ravindra Bohra | Chief Business Officer of Tech, Consumer and Utilities, Global Leader Cloud and Data products business | He joined in September 2015. Siddharth served as Vice-President and Head of Hi-Tech (Americas) at Infosys. He worked at Infosys for 10 years. He also spent 4 years doing marketing & sales experience at PepsiCo India. He is an MBA from Indian Institute of Management, Calcutta. |
| Harsh Naidu | Chief Business Officer - Banking and Financial Services | He has been with LTI for more than 19 years. He is an MBA from Goa Institute of Management |
| Rohit Kedia - | Chief Business officer – Manufacturing, Global Leader Consulting and Enterprise Applications. | He joined LTI in October 2015. Prior to that he was with Infosys for 10 years as part of its Manufacturing vertical as VP and Head Americas. He is an alumnus of IIT, Varanasi. |
| Arun Sankaranarayanan: | Chief Business officer – Nordics- | He joined LTI in October of 2019. Prior to this, he worked with Cognizant for 14 plus years in various roles including as Head of Denmark, Head of BFS – Nordics, etc. He is an alumnus of University of Kerala. |
| Anil Rander | Chief Financial officer | He joined LTI in April 2021. Prior to this, Sr. VP-Fin & Legal- Tech Mahindra Business Services Ltd. & Global Head Fin-BPS at Tech Mahindra Ltd. He was with Tech Mahindra for ~18 years |
| Manoj Shikarkhane | Chief HR Officer | Spent almost 23 years with LTI since 1997 in various delivery organizations before becoming EVP and head of Delivery. He became CHRO in May 2022. He was with Capgemini for a brief period of 2 and half years in between his long stint at LTI. |

*Source: LTI, LinkedIn, Media, Nirmal Bang Institutional Equities Research*

### Exhibit 123: Various M&A deals executed by LTI

| Acquisition | Year | Valuation (USD Mn) | Reason for the Action |
|---|---|---|---|
| Augment IQ | Oct 2016 | 1 | Access to MAXIQ Big Data Platform that became the base for Mosaic |
| Syncordis | Nov 2017 | 17.7 | Expand BFSI in Europe and acquire Temenos Core banking skills |
| Ruletronics | Jan 2019 | 7.48 | Expand capabilities in Pega implementation |
| Neilsen+Partner | Feb 2019 | 31.6 | Increase capabilities in Temenos Wealth Suite |
| Lymbic | Feb 2019 | 5.5 | AI, ML and advanced analytics |
| PowerupCloud | Oct 2019 | 15 | Cloud Consulting, Cloud managed services |
| Cuelogic | Jul 2021 | 8.4 | Digital Engineering, Outsourced Product Development |

*Source: LTI, Nirmal Bang Institutional Equities Research*

## Details of the acquisitions

### Augment IQ:

LTI acquired Pune-based AugmentIQ Data Sciences Pvt. Ltd., an innovative start-up offering IP-based, big data and analytics solutions that help enterprises derive business benefits from big data. As a result of this acquisition, LTI gained access to MAXIQ, the big data platform developed by AugmentIQ, which was servicing one of the world's largest credit bureaus, large banksand regulatory agencies. LTI has embedded MAXIQ into its MOSAIC design platform.

### Syncordis:

LTI acquired Luxembourg-based Syncordis SA along with its subsidiaries in France, the UK, Luxembourg and India.Founded in 2004, Syncordis SA is a pure-play core banking Temenos specialist. It had over 120 Temenos consultants at the time of the acquisition and offices in France, the UK and India. Its clients include Standard Chartered, Julius Baer, Nordea, DNB and East West United Bank. It was a synergistic move because Syncordis is one of Europe's leading core banking implementation service providers with blue-chip clients and exclusive expertise to help with faster implementations for LTI.

### Ruletronics:

Ruletronics enables businesses to transform and evolve digitally by providing innovative BPM and CRM solutions, leveraging Pega Platform. Its current industry strength lies across Insurance, Banking, Healthcare and Retail segments. The company offers unique product-based offerings for Disability Claims management, KYC Bulk Remediation and Insurance Sales & Service applications. The acquisition helped strengthen LTI's rapidly growing digital business with a suite of capabilities in Pega implementation space around establishing BPM Roadmap & Strategy, Customer Services, RPA and decision making.

### Neilsen+Partner:

LTI acquired N+P in February 2019. The latter is an independent Temenos WealthSuite specialist, headquartered in Hamburg, Germany. N+P is a leading partner of Temenos in Europe and APAC. The company is well-recognized for its market-leading capabilities in Temenos WealthSuite, including Triple' A Plus, Data Source and Channels. With presence in major Banking and Wealth Management hubs like Switzerland, Luxembourg and Singapore, N+P also provides IT consulting, digital and software engineering services to major enterprises.

This acquisition is synergistic to Syncordis acquisition that LTI had announced in 2017. Syncordis is the leading Temenos T24 Core Banking Platform specialist with widespread presence in Europe, whereas N+P has built comprehensive expertise in the front office of Temenos WealthSuite. Together with Syncordis, N+P strengthens LTI's capabilities as a global expert of Temenos suite of products and enriches the company's offerings to banking clients. Upon integration, N+P's Temenos business will be consolidated under the brand of Syncordis while software engineering business will operate and expand as part of LTI, Germany.

### Powerupcloud:

Powerupcloud Technologies Pvt. Ltd. is a cloud consulting firm headquartered in Bengaluru and is helping clients across India, Singapore, UAE and USA. With more than 180 employees, Powerupcloud brings a strong team of cloud consulting, artificial intelligence (AI) and data analytics professionals to LTI. Founded in 2015, Powerupcloud is a born-in-the-cloud, Premier Consulting Partner of AWS. It is the only AWS certified partner in APAC to have both Data & Analytics Competency and Machine Learning Competency; also, it is one of the few certified partners of AWS with competencies across Migration, DevOps, Financial Services, Well-Architected and Security & Compliance. With expertise across cloud, big data, AI and product engineering, Powerupcloud is also a Gold Partner of Microsoft Azure and a Cloud Consulting Partner of Google Cloud Platform. Powerupcloud has executed over 150 projects in cloud transformation. Powerupcloud would add two AI-based platforms to LTI's powerful suite of offerings. CloudEnsure.io, an autonomous Cloud Governance Platform that continuously monitors an enterprise's cloud services, detects security and compliance violations in real-time and recommends or executes appropriate fixes. The other platform is Botzer.io, an Enterprise AI platform that helps organizations adopt AI faster across Natural Language Processing, Image Recognition, Deep Learning use-cases and saves time spent in trial-and-error experimentation. We believe that IP from PowerCloud is likely integrated with the RainBow platform that LTI has been marketing for doing its cloud services work.

## Cuelogic

On 15thJune, 2021, LTI signed a definitive agreement to acquire Cuelogic Technologies, a Pune-based digital engineering company. Founded in 2010 as a digital engineering and outsourced product development company, Cuelogic primarily focuses on developing cloud-native web & mobile applications, modernisation and runs innovation lab as a service for its clients in USA and India. Cuelogic works with enterprise clients on multiple facets of digitalisation such as UX Consulting, DevOps, AI Consulting, IoT, Applications Modernisation, Cloud Architectureand Integration. It had an impressive client roster and had 300 employees at the time of acquisition.

**Exhibit 124: Key clients**

| | |
|---|---|
| BFSI | Citibank, Barclays, Standard Bank (of South Africa), Nordea |
| Insurance | Travelers, Marsh &Mclennan, Liberty Mutual, Arthur Gallagher |
| Energy | Chevron, Exxon Mobil, Schlumberger |
| Manufacturing | Otis Elevator, Lafarge Holcim |
| Technology | Cisco, Samsung, Hitachi, Injazat |
| Others | CBDT, Mahagenco, |

*Source: LTI, Media articles*

**Exhibit 125 Background of key clients of LTI (1QFY23)**


*Source: LTI*

**Exhibit 126: Key sales and marketing initiatives**

| Initiative | Objective | Comments |
|---|---|---|
| Aspire | Win large deals | Has a US$1.9bn pipeline which is 62% higher than what it was a year ago |
| Target Account List | Open new Logos | - |
| Minecraft | Top 50 account mining | - |
| ADEA | Analytics and Digital in each account | To cross sell more analytics and Digital into the client base |
| Million Dollar club | US$1mn plus accounts | Rationalization of below US$1mn account |
| Strategic Alliances | Key Sales channel | - |
| Marketing | Brand development and pipeline building | - |

*Source: LTI, Nirmal Bang Institutional Equities Research*

### Exhibit 127: Top 10 shareholders of LTIMindtree

| | Holder Name | % Out | Country |
|---|---|---|---|
| 1 | Larsen and Toubro Ltd | 68.68 | India |
| 2 | UTI Asset Management Co | 1.90 | India |
| 3 | Aditya Birla Sun Life AMC | 0.97 | India |
| 4 | BlackRock Inc | 0.87 | United States |
| 5 | Vanguard Group Inc | 0.86 | United States |
| 6 | Axis AMC | 0.65 | India |
| 7 | UTI International Singapore PTE | 0.44 | Singapore |
| 8 | Tata AMC Pvt Ltd | 0.41 | India |
| 9 | Wasatch Advisors Inc | 0.41 | United States |
| 10 | Norges Bank | 0.36 | Norway |

*Source: Bloomberg, Note: As of 15 March 2023*

### Exhibit 128: Quarterly snapshot of LTIMindtree

| (Year to 31 March) | 1QFY22 | 2QFY22 | 3QFY22 | 4QFY22 | 1QFY23 | 2QFY23 | 3QFY23 |
|---|---|---|---|---|---|---|---|
| INR/USD | 73.7 | 74.0 | 74.9 | 75.4 | 78.0 | 80.5 | 82.4 |
| Revenue (in USDmn) | 780 | 858 | 918 | 945 | 980 | 1,022 | 1,047 |
| **(Rsmn)** | | | | | | | |
| Revenue | 34,625 | 37,670 | 68,807 | 43,016 | 45,228 | 82,278 | 86,200 |
| Gross margin | 10,727 | 11,659 | 22,203 | 12,905 | 13,153 | 25,374 | 24,645 |
| SGA | 4,249 | 4,327 | 7,940 | 4,441 | 4,845 | 9,018 | 10,897 |
| Depreciation and Amortisation | 795 | 850 | 1,518 | 1,019 | 1,065 | 1,959 | 1,781 |
| EBIT | 5,683 | 6,482 | 12,745 | 7,445 | 7,243 | 14,397 | 11,967 |
| Revenue Related Forex gain/loss | 690 | 675 | 1,071 | 945 | 820 | 198 | 490 |
| Other income | 349 | 263 | 590 | 206 | 447 | 1,413 | 1,028 |
| Interest | 177 | 174 | 314 | 0 | 0 | 378 | 379 |
| PBT | 6,722 | 7,420 | 14,092 | 8,596 | 8,510 | 15,630 | 13,106 |
| Tax | 1,753 | 1,903 | 3,591 | 2,221 | 2,166 | 3,740 | 3,099 |
| PAT | 4,969 | 5,517 | 10,501 | 6,375 | 6,344 | 11,890 | 10,007 |
| EPS | 28.4 | 32.1 | 35.4 | 37.4 | 37.4 | 40.2 | 33.8 |
| **YoY Growth** | | | | | | | |
| USD Revenue | - | - | - | - | 25.5 | 19.1 | 14.0 |
| INR Revenues | - | - | - | - | 30.6 | 118.4 | 25.3 |
| Gross profit | - | - | - | - | 22.6 | 117.6 | 11.0 |
| EBIT | - | - | - | - | 27.5 | 122.1 | (6.1) |
| Net profit | - | - | - | - | 27.7 | 115.5 | (4.7) |
| **QoQ Growth** | | | | | | | |
| USD Revenues | - | 10.0 | 7.0 | 2.9 | 3.7 | 4.3 | 2.4 |
| INR Revenues | - | 8.8 | 82.7 | (37.5) | 5.1 | 81.9 | 4.8 |
| EBIT | - | 14.1 | 96.6 | (41.6) | (2.7) | 98.8 | (16.9) |
| Net profit | - | 11.0 | 90.3 | (39.3) | (0.5) | 87.4 | (15.8) |
| **Margins (%)** | | | | | | | |
| Gross margin | 31.0 | 31.0 | 32.3 | 30.0 | 29.1 | 30.8 | 28.6 |
| EBIT | 16.4 | 17.2 | 18.5 | 17.3 | 16.0 | 17.5 | 13.9 |
| PAT | 14.4 | 14.6 | 15.3 | 14.8 | 14.0 | 14.5 | 11.6 |
| SGA | 12.3 | 11.5 | 11.5 | 10.3 | 10.7 | 11.0 | 12.6 |

*Source: Company, Nirmal Bang Institutional Equities Research*

### Exhibit 129: Key metrics of LTIMindtree

| Key Metrics | 1QFY22 | 2QFY22 | 3QFY22 | 4QFY22 | 1QFY23 | 2QFY23 | 3QFY23 |
|---|---|---|---|---|---|---|---|
| **P and L (Rs mn)** | | | | | | | |
| Revenue | 34,625 | 37,670 | 68,807 | 43,016 | 45,228 | 82,278 | 86,200 |
| EBIT | 5,683 | 6,482 | 12,745 | 7,445 | 7,243 | 14,397 | 11,967 |
| PAT | 4,969 | 5,517 | 10,501 | 6,375 | 6,344 | 11,890 | 10,007 |
| **Vertical Mix (%)** | | | | | | | |
| **Revenue by Vertical** | | | | | | | |
| BFSI | 35.6 | 34.9 | 34.9 | 35.5 | 36.1 | 36.2 | 37.4 |
| High-Tech, Media & Entertainment | 25.0 | 24.9 | 24.7 | 25.0 | 25.4 | 25.3 | 23.6 |
| Manufacturing & Resources | 17.4 | 17.4 | 18.3 | 17.4 | 16.3 | 16.2 | 17.5 |
| CPG, Retail, Travel Transportation & Hospitality | 15.2 | 16.4 | 15.6 | 15.7 | 15.7 | 15.4 | 15.2 |
| Health, Life sciences & Public Services | 6.8 | 6.4 | 6.5 | 6.4 | 6.6 | 6.8 | 6.3 |
| **Geographic Mix (%)** | | | | | | | |
| North America | 70.8 | 69.7 | 68.9 | 69.5 | 71.7 | 72.9 | 72.3 |
| Europe | 16.5 | 17.5 | 16.9 | 17.0 | 15.3 | 14.6 | 14.9 |
| RoW | 12.7 | 12.8 | 14.2 | 13.5 | 13.0 | 12.5 | 12.8 |
| **Effort Mix (%)** | | | | | | | |
| Onsite | 17.2 | 16.1 | 15.6 | 15.0 | 14.7 | 14.7 | 14.9 |
| Offshore | 82.8 | 83.9 | 84.4 | 85.0 | 85.3 | 83.5 | 85.1 |
| **Utilization (%) (including Trainees)** | 86.1% | 85.2% | 84.0% | 83.2% | 83.5% | 83.5% | 82.9% |
| **Clients Concentration (%)** | | | | | | | |
| Top 5 Clients | 26.9 | 25.3 | 25.5 | 25.5 | 26.8 | 26.7 | 26.3 |
| Top 10 Clients | 35.7 | 33.7 | 34.0 | 33.5 | 34.5 | 34.3 | 33.8 |
| Top 20 Clients | 46.5 | 45.0 | 45.2 | 44.8 | 45.5 | 45.1 | 45.3 |
| Top 40 Clients | 59.3 | 58.4 | 59.1 | 58.4 | 58.7 | 57.4 | 57.3 |
| **Client Profile** | | | | | | | |
| Number of Active Clients* | 608 | 628 | 650 | 673 | 708 | 719 | 723 |
| New Clients Added | 21 | 35 | 34 | 29 | 43 | 22 | 28 |
| 100 million dollars + | 2 | 2 | 2 | 2 | 2 | 2 | 2 |
| 50 million dollars + | 8 | 9 | 9 | 10 | 10 | 11 | 11 |
| 20 million dollars + | 26 | 30 | 31 | 37 | 40 | 38 | 37 |
| 10 million dollars + | 66 | 74 | 76 | 76 | 79 | 77 | 81 |
| 5 million dollars + | 109 | 117 | 120 | 125 | 130 | 137 | 144 |
| 1 million dollars + | 283 | 301 | 316 | 327 | 337 | 361 | 374 |
| Employee Number | 63,696 | 70,133 | 74,173 | 79,594 | 84,030 | 86,936 | 86,462 |
| Net employee addition | 27,705 | 6,437 | 4,040 | 5,421 | 4,436 | 2,906 | (474) |
| Attrition LTM (%) | 14.5 | 18.6 | 22.1 | 23.8 | 24.0 | 24.1 | 22.3 |

*Source: Company, Nirmal Bang Institutional Equities Research*

**Exhibit 130: YoY and QoQ performance on various parameters of LTIMindtree**

| | 2QFY22 | 3QFY22 | 4QFY22 | 1QFY23 | 2QFY23 | 3QFY23 |
|---|---|---|---|---|---|---|
| **QoQ Growth (%)** | | | | | | |
| **Geographical Data** | | | | | | |
| North America | 8.3 | 5.8 | 3.8 | 7.0 | 6.1 | 1.6 |
| Europe | 16.7 | 3.3 | 3.5 | (6.7) | (0.4) | 4.5 |
| RoW | 10.9 | 18.7 | (2.2) | (0.2) | 0.3 | 4.9 |
| **Verticals** | | | | | | |
| BFSI | 7.8 | 7.0 | 4.6 | 5.4 | 4.6 | 5.8 |
| High-Tech, Media & Entertainment | 9.6 | 6.1 | 4.1 | 5.3 | 3.9 | (4.5) |
| Manufacturing & Resources | 10.0 | 12.5 | (2.2) | (2.9) | 3.7 | 10.6 |
| CPG, Retail, Travel Transportation & Hospitality | 18.7 | 1.8 | 3.5 | 3.7 | 2.3 | 1.1 |
| Health, Life sciences & Public Services | 3.5 | 8.7 | 1.3 | 6.9 | 7.5 | (5.1) |
| **Client Metrics** | | | | | | |
| Top 5 Clients | 3.5 | 7.8 | 2.9 | 9.0 | 3.9 | 0.9 |
| Top 10 clients | 3.8 | 8.0 | 1.4 | 6.8 | 3.7 | 0.9 |
| Top 20 Clients | 6.4 | 7.5 | 2.0 | 5.3 | 3.4 | 2.9 |
| Top 40 clients | 8.3 | 8.3 | 1.6 | 4.2 | 2.0 | 2.2 |
| **YoY Growth (%)** | | | | | | |
| **Geographical Data** | | | | | | |
| North America | - | - | - | 27.1 | 24.5 | 19.6 |
| Europe | - | - | - | 16.4 | (0.7) | 0.5 |
| RoW | - | - | - | 28.5 | 16.3 | 2.7 |
| **Verticals** | | | | | | |
| BFSI | - | - | - | 27.3 | 23.5 | 22.1 |
| High-Tech, Media & Entertainment | - | - | - | 27.5 | 21.0 | 8.9 |
| Manufacturing & Resources | - | - | - | 17.6 | 10.8 | 9.0 |
| CPG, Retail, Travel Transportation & Hospitality | - | - | - | 29.7 | 11.8 | 11.0 |
| Health, Life sciences & Public Services | - | - | - | 21.8 | 26.5 | 10.5 |
| **Client Metrics** | | | | | | |
| Top 5 Clients | - | - | - | 25.1 | 25.6 | 17.5 |
| Top 10 clients | - | - | - | 21.3 | 21.2 | 13.3 |
| Top 20 Clients | - | - | - | 22.8 | 19.3 | 14.2 |
| Top 40 clients | - | - | - | 24.3 | 17.0 | 10.5 |

*Source: Company, Nirmal Bang Institutional Equities Research*

## Mindtree Ltd

In August 1999, Mindtree Consulting Private Limited was founded by ten IT professionals and was partly funded by venture capital firm Walden International and Sivan Securities. It received further funding in 2001 from the Capital Group and Franklin Templeton. It became a public company on 12th December 2006 and was listed in 2007.

The company deals in e-commerce, mobile applications, cloud computing, digital transformation, data analytics, testing, enterprise application integration and enterprise resource planning, with more than 276 active clients and 43 offices in over 24 countries, as of 30th September, 2022. Mindtree works in Application Development & Maintenance, Data Analytics, Digital Services, Enterprise Application Integration and Business Process Management, Engineering R&D, Enterprise Application Services, Testing and Infrastructure Management Services. The company offers various research and development (R&D) services, including Bluetooth Solutions, Digital Video Surveillance, an integrated test methodology called MindTest, an IT infrastructure management and service platform called MWatch, application management service, Atlas, SAP Insurance and OmniChannel. Mindtree's business is structured around clients in verticals such as Banking, Capital Markets, Consumer Devices & Electronics, Consumer Packed Goods, Independent Software Vendors, Manufacturing, Insurance, Media & Entertainment, Retail, Semiconductors, Hi-tech, Media and the Travel & Hospitality industry. Mindtree's workforce includes thousands of employees who serve as Microsoft Azure outsourced support agents. The company employed ~38,290 employees across the world as of 30th September 2022. It has clients that range from Fortune 10 companies to enterprise software organizations. It has offices across USA,the UK, Germany, Switzerland, the UAE, India, Singapore, Australia and Japan.

**Timeline of key events in its history**

| | |
|---|---|
| 1999 | Incorporated as Mindtree Consulting Ltd on 5 August by a group of 10 individual promoters. |
| 2000 | An investment of Rs169mn was made by way of subscription to Equity Shares of our Company in the first round of funding by LSO Investment (P) Limited, a Promoter company promoted by three of the Promoters, and Walden Software Investments Limited (managed by Walden International), Amalgamated Holdings Limited and Vaitarna Holdings Private Limited. |
| 2001 | Capital International Global Emerging Markets Private Equity Fund LP, Global Technology Ventures Limited and certain Promoters invested a further Rs590mn in the Company in a second round of funding by subscribing to convertible preference shares of the Company. |
| 2004 | Acquisition of the software division of ASAP and ARPSL. Execution of contract with AIG Offshore Systems Service Inc. for supply of IT Services |
| 2005 | Acquisition of Linc Software Services Private Limited. West Campus development center opened in Bangalore. |
| 2006 | Signed a letter of intent for expansion of facilities in the SEZ in Chennai. Land acquired in Bhubaneshwar for expansion of facilities. Development centre launched in Chennai. |
| 2008 | Company name has been changed from MindTree Consulting Ltd to MindTree Ltd. |
| 2010 | MindTree has signed a pact with Carlyle Group, one of the world's largest private equity firms. MindTree will provide IT infrastructure management and support services for Carlyle's global data centres. Mindtree Ltd, the IT solutions firm, bagged a contract from governments Unique Identification Project (UID) for application development and maintenance services. |
| 2012 | Mindtree and KPN join Hands to build Cloud Services Aggregation Platform. |
| 2014 | Mindtree and SAP announce first Managed Mobility Offering in Australia. Mindtree opens a new US delivery center in Redmond, Washington. MindTree has announced bonus in the ratio of 1:1. |
| 2015 | MindTree completes acquisition of Relational Solutions Inc. MindTreeenters into strategic partnership with flydubai. Mindtree selected by Molnlycke Health Care for SAP Application Management. |
| 2016 | Mindtree to acquire Magnet 360, a Salesforce Platinum Consulting Partner. The Company issue of Bonus Shares to the holders of Equity Shares of the Company in the ratio of 1:1 (i.e., one Bonus Equity Share of Rs. 10/- each, for every one fully paid up Equity Share of Rs. 10/- each held). |
| 2017 | Mindtree Launches US Network Operations Center. |
| 2019 | Mindtree Opens New European Headquarters in London. Mindtree joins Hyperledger to accelerate Blockchain |
| 2020 | Mindtree Recognized as an Expert Managed Service Provider for Microsoft Azure. |
| 2021 | Mindtree Achieves Google Cloud Partner Specialization in Application Development. |
| 2022 | LTI acquires Mindtree Ltd and the combined entity is known as LTI-Mindtree Ltd. It becomes the 5th largest IT services company in India based on market capitalization at the time of the merger. |

*Source: Mindtree, Media,Nirmal Bang Institutional Equities Research*

## Mergers and Acquisitions

### Exhibit 131: Various M&A deals executed by Mindtree Ltd.

| Acquisition | Year | Valuation (USD Mn) | Country of Headquarters | Reason for the Action |
|---|---|---|---|---|
| ASAP Solutions | 2004 | - | India & USA | SAP & ERP |
| Linc Software Services Pvt Ltd | 2005 | 7 | India | Application development and Maintenance domains for Mid-Range Systems |
| Co Systems | 2005 | 10 | USA | Telecom (Captive Development Center – Indian division) |
| TES-Purple Vision | 2007 | 6.55 | France | Electronics(IC Design). Indian Division. Subsidiary of TES Electronic Solutions SA. |
| Aztecsoft | 2008 | Rs40mn | India | Product engineering and Testing services company. Aztecsoft had previously acquired Disha Technologies, a testing company, in 2004. |
| Kyocera Wireless India Pvt Ltd | 2009 | 6 | Japan | Wireless services. Indian R&D Division |
| 7Strata | 2010 | Rs7.2mn | India | Remote infrastructure management services |
| Dicoverture Solutions LLC | 2015 | 15 | USA | Property and Casualty Insurance |
| Bluefin Solutions Ltd | 2015 | 42.3 | UK | IT solutions, SAP HANA solutions |
| Relational Solutions Inc | 2015 | 10 | USA | IT solutions –CPG |
| Magnet 360 | 2016 | 50 | USA | Salesforce consulting |

*Source: Mindtree Ltd, Nirmal Bang Institutional Equities Research*

### Exhibit 132: Key clients of Mindtree Ltd.

| | |
|---|---|
| BFSI | AIG |
| Hi-Tech & Media Services | Microsoft, Hewlett Packard, Oracle, Bluetooth, SIG, Intel, IBM, Orange, Sun Microsystems, Getronics, ABB, Symantec, Elance |
| Travel and Hospitality | Southwest Airlines, Marriott |
| Retail, CPG, Manufacturing | Sonoco, Samsung |

*Source: Mindtree, Media articles, Nirmal Bang Institutional Equities Research*

**Exhibit 133: Management of the erstwhile Mindtree (pre-merger)**

| Person | Position in Mindtree Ltd. | Background of the individual |
|---|---|---|
| Debashis Chatterjee | Managing Director & CEO | Currently, Debashis Chatterjee occupies the position of Chief Executive Officer, Director & MD at Mindtree Ltd. He was responsible for driving company-wide growth business strategy and delivering technology-driven solutions that result in profitable ROI for Mindtree. He also excelled in developing last relationships with cutomers, strategic alliances with pratners and overseeing high value M&As to fruition across the globe for Mindtree. Mr. Chatterjee is also on the board of Saband Software Technologies Pvt Ltd. In the past Mr. Chatterjee held the position of SVP, Global Head-Banking & Financial Services at Cognizant Technology Solutions Corp. and EVP, President-Global Delivery & Digital Systems at Cognizant Technology Solutions India Pvt Ltd. (a subsidiary of Cognizant Technology Solutions Corp.) and Vice President at International Business Machines Corp. Debashis Chatterjee received an undergraduate degree from Jadavpur University. |
| Venugopal Lambu | Executive Director and President | Venu Lambu was SVP, Cognizant's Technology Services (Application Value Management, Cloud & Infrastructure Business) and Cognizant Security (Digital & Cyber Security), and was a member of the global executive leadership team for Cognizant's Digital Systems & Technology business group. He brings 25+ years of insight and experience to help client's C-suite navigate business challenges to achieve their organization goals across Transformation, Governance, Change Management and driving Return on Investments. Venu is passionate about helping businesses build strong IT foundations |
| Vijayaram Parupudi | Chief Business Officer | Experienced business leader with a demonstrated history of working in the information technology and services industry. Skilled in Account management, global delivery, program management and IT strategy. Strong sales leader with more than 3 decades experience in handling Hitech industry segment. |
| Manikandesh Venkatachalam | Chief Business Officer | Was working as the SVP & Global Head for Travel, Transportation, Logistics and Hospitality business for Mindtree, and aggressively employing Mindtree's "born digital" approach to deliver business value for clients while expanding Mindtree's market presence and mind share. Brings forth 25 years of IT experience in winning and managing large transformation initiatives with a proven track record of establishing new executive relationships to deliver growth results. Winning new clients and building new business opportunities from scratch, nurturing executive relationships, account planning, strategic partnerships, P&L management and pipeline management are some of my expertise areas. Engineering graduate from the University of Madras and also hold an MBA from the University of Wisconsin. |
| Anil Kumar Gandhavre | Chief Business Officer | As a business head, led one of the four global business units - Retail, Consumer Goods, and Manufacturing business Unit. Had strategic and operational responsibility, including setting the vision, creating, and implementing business strategy, and driving growth for Mindtree. Member of Mindtree management council and NASSCOM start-up mentor group – Passionate about leading-edge digital, AI, Cybersecurity, and cloud technologies. |
| Vinit Ajit Teredesai | Chief Financial Officer | Seasoned Finance Professional with 28 years' experience working in Technology & Manufacturing sector. Working in Senior Leadership position as Chief Financial Officer with extensive diverse experience in Financial Planning & Analysis, Corporate Finance, Accounting, Auditing, Treasury, International & Domestic Taxation, Building & Scaling Shared Services, Corporate Restructuring, M&A, Compliance, Legal, Procurement, capacity Building & Administration. MIT Sloan Alumini with special focus on Strategy, Innovation & Technology. |

*Source: Mindtree, Media articles, Nirmal Bang Institutional Equities Research*

## Mphasis

Mphasiswas formed in June 2000 after the merger of the US-based IT consulting company Mphasis Corporation (founded in 1998 in Santa Monica by Jerry Rao and Jeroen Tas) and the Indian IT services company BFL Software Limited (founded in 1992). The company provides infrastructure technology and applications outsourcing services as well as architecture guidance, application development & integration and application management services. It serves Financial Services, Telecom, Logistics and Technology industries. Mphasis was ranked #7 in India heritage IT companies. Currently, Mphasis has more than 60 sales and delivery centers in 19 countries with delivery centers in India, China, Australia, North America, the UK, Japan, Singapore, Indonesia, Tunisia, Mauritius, New Zealand, Taiwan, Mexico, Costa Rica, Taiwan, and Europe. In India, it has presence with operations in Bangaluru, Chennai, Pune, Hyderabad, Mumbai, Noida and Mangaluru. Mphasis was acquired by EDS in 2006. EDS was later re-branded as HP. Mphasis was divested by HP in favor of the PE company Blackstone in 2016.

The TTM revenue of Mphasis as of 31st December 2022 was US$1,736mn. The optically sedate growth of Mphasis over the five years ending FY20 was largely because of a significant drop in revenue of its largest client HP/DXC. From 34% of revenue in FY15 it fell to 6.5% in FY22. It further fell to 4.8% in the December quarter of 2022.

Mphasis applies next-generation technology to help enterprises transform businesses globally. Customer centricity is foundational to Mphasis and is reflected in the Mphasis' Front2Back Transformation approach. Front2Back uses the power of cloud and cognitive to provide hyper-personalized digital experience to clients and their end customers. Mphasis' Service Transformation approach helps 'shrink the core' through the application of digital technologies across legacy environments within an enterprise. Mphasis' core reference architectures & tools, speed and innovation with domain expertise and specialization are key to building strong relationships with marquee clients.

Mphasis believes that its advantage is critical scale & agility through global delivery footprint, deep domain expertise with focus & investments in financial services and engineering DNA with investments in architecture, automation and customer experience.

**Exhibit 134: Timeline of key events in its history**

| | |
|---|---|
| 1998 | Mphasis begins as high-end technology firm |
| 2000 | Merger of Mphasis with BFL Software |
| 2004 | Exceeds US$100mn in revenue |
| 2006 | EDS acquires 62% stake in Mphasis |
| 2008 | HP acquires EDS and Mphasis |
| 2009 | EDS rebranded as HP Enterprise |
| 2010 | Mphasis reaches US$1bn in revenues |
| 2010 | Expands in Sri Lanka, Australia and Poland, Acquires Fortify IS |
| 2011 | Acquires Wyde |
| 2013 | Acquires Digital Risk LLC |
| 2016 | Blackstone acquires 61% stake in Mphasis from HP Enterprises |
| 2017 | Current CEO Nitin Rakesh Hired in January |
| 2017 | Launch of Front2Back Transformation Strategy |
| 2018 | Acquires Stelligent Systems LLC |
| 2020 | Acquires Datalytyx |
| 2021 | Acquires Blink UX |

## Management

| Person | Position in Mphasis | Background of the individual |
|---|---|---|
| Nitin Rakesh | CEO and Managing Director | Prior to joining Mphasis in January 2017, he was the CEO of Syntel (a NASDAQ listed IT Services Company). From 2008 to 2012, he also served as the CEO and Managing Director of Motilal Oswal Asset Management Company. He holds a bachelor's degree in engineering (Computer Science) from Delhi Institute of Technology, Delhi University and has received his Master's in Management from Narsee Monjee Institute of Management Studies, Mumbai. |
| Manish Dugar | Chief Financial Officer | Prior to joining in March 2020, he served as Managing Partner at Agnus Capital LLP. Before this, Manish was a Chief Financial Officer at Practo and CFO at InMobi. He has held several leadership roles at Wipro for over 10 years including as CEO for BPO business and as the CFO for Wipro Technologies globally for over four years. Manish is a qualified Chartered Accountant, Cost & Works Accountant, Company Secretary (CS) and holds a Diploma in Business Finance from ICFAI. He also holds an MBA degree from IIM Calcutta. |
| Elango R | President – North America – New Clients Acquisition | Joined in 2006. He has worked in various capacities in Mphasis such as Chief Human Resources Officer, Head of Emerging Geo and has worn multiple hats as Head of Business Operations, Corporate Social Responsibility, and Marketing and Corporate Communications. Prior to Mphasis, Elango helped set up the offshore captive for Bank of America as the Head of Human Resources and has worked with the UB group and Quality Inns India. |
| Ravi Vasantraj | Global Delivery head | Joined in 2019. Prior to the current role he headed the Business Process Services (BPS) business unit globally including Mphasis Digital Risk. Along with his current portfolio, Ravi also manages the Go to Market (GTM) strategy for BPS and Mortgage business lines. Prior to joining Mphasis, Ravi served as Global Head – BFSI practice for Tech Mahindra. Before Tech Mahindra, he led Banking Operations at Syntel Inc., and drove Sales at Tata Consultancy Services. Ravi has over twenty-eight years of experience in IT, BPO and Infrastructure services across different geographies and markets. |
| Anurag Bhatia | Senior Vice President and Head of Europe | Anurag has over twenty years of expertise in building scale operations in business and technology services globally. At Mphasis, he is responsible for spearheading growth strategies, client pursuits and enhancing client success in the European region, a key market for the company. Anurag is also a member of Mphasis' Executive Council. Prior to his current role, Anurag led Service Transformation at Mphasis for over three years, leading strategy and execution across all verticals, channels and geographies. Anurag brings a strong track record in business advisory and transformational deal making, delivering on business objectives and establishing operating models for value creation. He has been associated with multiple private equity firms across start-up and scale-up lifecycle. |
| Rohit Jayachandran | Senior Vice President and Head Strategic Accounts | Rohit heads the Strategic Account Portfolio at Mphasis, with a focus on bringing transformative technology & operations capabilities to deepen relationships with marquee clients. His team of highly experienced global client partners deliver transformation, platform driven modernization and innovation that supports customer's strategic growth. He has been with Mphasis for more than 17 years, holding a variety of leadership positions where he has successfully built new regions and capabilities. Before Mphasis, Rohit worked in the technology vertical of Bank of New York Mellon, where he was involved in the development of complex trading systems. Rohit holds a master's degree in management from S.P Jain Institute of Management & Research, India and Bachelor's degree in Electrical Engineering from Pondicherry University, India. |

*Source: Mphasis, Linked In, Media, Nirmal Bang Institutional Equities Research*

### Exhibit 135: Various M&A deals executed by Mphasis

| Acquisition | Year | Valuation (USD Mn) | Reason for the Action |
|---|---|---|---|
| Navion Software | Oct 2002 | NA | Expand in China; acquire niche players for competitive advantage |
| Kshema Technologies | Apr 2004 | 21 | Improve skillset in embedded solutions and industrial automation space |
| Onida Infotech | Jan 2004 | 0.7 | Fillip to ERP implementation practice |
| Princeton Consulting | Feb 2005 | GBP 7.73mn | Business Process Improvement consulting skills and established client base |
| Eldorado | Mar 2005 | 16.5 | Strengthen US footprint and enter heathcare insurance and payment market |
| AIG Systems | Aug 2009 | NA | Strengthen domain-based solutions for Financial Services and Insurance industry |
| Fortify | Apr 2010 | 13 | Ability to provide outcome-based services |
| Wyde | Aug 2011 | NA | Footprint in Continental Europe; shore up insurance business |
| Digital Risk | Dec 2012 | 175 | Specialized service offerings in risk and compliance area, specific to mortgage industry |
| Stelligent | Nov 2018 | 25 | Boosts end to end capabilities in public cloud, augments managed service capabilities |
| Datalytyx | Nov 2020 | GBP 13.3mn | Strengthen next-gen Data GTM strategy; better partnership with Snowflake and Talend |
| Blink UX | Sep 2021 | 94 | end-to-end capabilities in User Experience Research, Strategy, Design, and Implementation |

*Source: Mphasis, Nirmal Bang Institutional Equities Research*

## Key acquisitions

### Navion Software

Established in May 1999, Navion started commercial operations in October 2000. It is a SEI-CMM Level 3 company based in Shanghai, China. The company is part of the Capital One Group and is engaged in software development for Capital One. MphasiS will thus become one of the first Indian IT services company to establish its presence in China by having a development centre there. This will provide MphasiS an alternative development bandwidth outside the Indian sub-continent.

### Kshema Technologies

Kshema Technologies Limited is a high-end Bangaluru based IT Services Company established in 1997. An SEI CMM Level 5 and ISO 9001:2000 certified company, Kshema's growth has been exponential since inception. The company provides world-class software solutions in Industrial Automation & Embedded Technologies, Healthcare & Life Sciences and Enterprise Applications. Mr. Anant Koppar, Kshema's CEO, will take over as President of the Technology Group of the combined organization. In addition, he will also be a Director on the Board of MphasiS Corporation, USA.

### Onida Infotech

Mumbai-based Onida Infotech Services operates in the areas of SAP implementation, maintenance and support activities and has employee strength of ~80. The division was formed in 2000 as a wholly owned subsidiary of MIRC Electronics. This subsidiary was later merged with MIRC Electronics Limited. Its customers include leading multinationals in India and overseas.

### Princeton Consulting

London-based specialist consulting company Princeton is a niche consultancy services organisationand was established in early 1997. The company provides high-quality, leading-edge CRM solutions and process improvement services to blue-chip and high growth companies in the UK & other European countries. Princeton's areas of expertise include multi-channel Customer Service & Support, Sales Force Management, Content Management and Business Intelligence. Through this acquisition, Mphasis will able to broaden its service offering for BPO and IT services in the UK and other European markets.

### Eldorado Computing

US-based healthcare benefits management solutions firm Eldorado specializes in claims processing and benefit management solutions for the health insurance industry. Eldorado's customers include third-party administrators, HMOs, insurance companies, self-funded employers, preferred provider organizations, associations, managed care organizations and unions. Its core business products and services include software solutions for health benefit management offered on a licensed basis or on an Application Service Provider platform. This solution streamlines the administrative costs and the technology required to command the processes of claims, billing, administration, case management, workflow, online enrollment and customer service. Beginning with its first system release in 1984, Eldorado Computing Inc. has enjoyed steady growth and achieved widespread acceptance of its systems making it one of the industry's dominant vendors. It has also started to package their platform with Business Process Outsourcing services in the claims administration space.

### AIG Systems Solutions (AIGSS)

Part of American International Group Inc., AIGSS is an India-based provider of IT services and solutions to AIG companies worldwide. Based in Chennai and Kolkata, AIGSS provides IT services to AIG and its member companies. AIGSS' service offerings include application development & maintenance, application implementation, testing, product development and support. AIGSS is engaged across a variety of technology and applications domains, including CRM, Identity Management, Human Resources Management System, Content Management, Business Process Management, Quality Assurance, Testing and Portal Development. This transaction further strengthens the FSI industry offerings of MphasiS with a significantly enhanced insurance solutions portfolio. The acquisition of AIGSS will help MphasiS augment its capabilities for the insurance industry and offer domain solutions.

### Fortify Infrastructure Services

Privately held IT services firm Fortify Infrastructure Services is a provider of offshore based Remote IT Operations and Management (ROM) services. The company has its presence in India and the US. The acquisition will give MphasiS access to 20 customers along with a good pipeline of customers. Through this acquisition, MphasiS will be able to provide outcome-based services which go beyond technical SLAs (service level agreement).

**Wyde**

US-based insurance solution provider Wyde Corp. has a strong presence in the mid-market segment. The company also has a presence in Vietnam. This is the second acquisition in the insurance vertical for the billion-dollar firm, which had acquired AIG's captive unit in India in 2009. Wyde's strength lies in policy claims, claims processing and billing across life and annuities, disability, health and property and casualty. The Wynsure platform can be deployed at an insurance carrier in either one business line at a time, or as a complete end-to-end solution.

**Digital Risk:**

US-based Digital Risk provides highly specialized Risk, Compliance and Transaction Management solutions for the mortgage industry. Digital Risk's proprietary Making Mortgages Safe solutions suite is deployed by over 15 blue chip clients across key mortgage constituencies – Originators, Insurers, Issuers and Investors. Digital Risk is licensed to operate in 46 states in the US.The acquisition is central to Mphasis' 'hyper-specialization' strategy, bringing in over 1,500 highly trained mortgage specialists and a deep domain expertise in mortgage risk and compliance. Under the direction of its current leadership, Digital Risk together with Mphasis will expand Digital Risk's US footprint, anticipating the creation of 500 new US jobs that can be housed in Mphasis' operational centers across the US.

**Stelligent Systems:**

Mphasis acquired Virginia-based cloud technology services company Stelligent Systems LLC in an all-cash deal valued at US$25mn. Stelligent Systems specialises in DevOps automation on Amazon Web Services (AWS), which means that as more enterprises move to the cloud, Stelligent helps them deploy applications on the cloud with greater speed, agility and security. For Mphasis, the acquisition is expected to provide access to strategic proposition in Cloud DevOps and DevSecOps within the AWS ecosystem.

**Datalytyx**

Headquartered in London, UK, Datalytyx provides Next-gen Data Engineering, Data Ops and Master Data Management solutions on Snowflake and Talend environments to clients globally. As the first Snowflake Rockies Partner in the UK, a Snowflake Select Solutions Partner and a Platinum VAR partner of Talend, Datalytyx provides services for modern data projects enabling faster, more accurate analysis and Artificial Intelligence (AI). Since inception, Datalytyx has been supporting modern data projects by providing a managed data platform for analytics and machine learning, using best-in-class data tools. The company integrates client environments with platforms from its partners – Talend and Snowflake, creating a single integrated platform for Data and AI. Through its best and brightest talent (including engineers, scientists, and analysts) and data expertise, Datalytyx, has been driving digital transformation for its customers. Together with Datalytyx and its highly skilled data professionals, Mphasis is distinctively positioned to further fuel its worldwide clients' transformational projects. This acquisition will not only strengthen its next-gen data strategy but will also be a significant milestone in the journey to build capabilities relevant to the digital priorities of our clients.

**Blink UX**

Headquartered in Seattle, Blink UX is a User Experience research, strategy and design firm that works with some of the world's leading enterprises to create transformative digital products, brands and experiences. Blink has additional studios in Austin, Boston, San Diego and San Francisco. Founded in 2000, Blink has over two decades of expertise using their Evidence-driven Design process to define digital user experiences for clients. The Total Addressable Market for the upstream user research, strategy and design is growing at 25-30% p.a. i.e., 4-5x the overall IT Services market. There is significantly increased focus on customer/user centered design in the current environment. The synergy opportunity set will revolve around Product, Experience & Service design as well as the end-to-end implementation services across the spectrum of clients & industries.

**Exhibit 136: Top 10 shareholders**

| | Holder Name | % Out | Country |
|---|---|---|---|
| 1 | BCP TOPCO (Blackstone) | 55.63 | Singapore |
| 2 | LIC of India | 2.10 | India |
| 3 | Vanguard Group Inc | 1.73 | United States |
| 4 | Blackrock Inc | 1.72 | United States |
| 5 | UTI Asset Management Co | 1.65 | India |
| 6 | Mirae Asset Global Investment Co Ltd | 1.55 | South Korea |
| 7 | Canara Robeco Asset Management Co Ltd | 1.43 | India |
| 8 | HDFC Life Insurance Co Ltd | 1.31 | India |
| 9 | Mitsubishi UFJ Financial Group Inc | 1.30 | United States |
| 10 | Norges Bank | 1.21 | Norway |

*Source: Bloomberg, Nirmal Bang Institutional Equities Research. Note: As of 15 March 2023*

**Exhibit 137: Quarterly snapshot**

| Year to 31 March | Q1FY21 | Q2FY21 | Q3FY21 | Q4FY21 | Q1FY22 | Q2FY22 | Q3FY22 | Q4FY22 | Q1FY23 | Q2FY23 | Q3FY23 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Rs Million** | | | | | | | | | | | |
| INR/USD | 75.4 | 74.0 | 73.7 | 73.2 | 73.7 | 73.9 | 74.8 | 75.3 | 77.8 | 80.1 | 82.3 |
| USD Revenue (USD mn) | 305 | 327 | 334 | 342 | 363 | 385 | 414 | 431 | 436 | 440 | 429 |
| INR Revenue | 23037 | 24238 | 24601 | 25044 | 26749 | 28460 | 30955 | 32448 | 33909 | 35273 | 35356 |
| Gross Margin | 6145 | 6910 | 7201 | 7356 | 7167 | 7766 | 8668 | 9185 | 9605 | 9319 | 9365 |
| SGA | 2562 | 2986 | 3153 | 3302 | 2896 | 3446 | 3962 | 4212 | 4401 | 3942 | 4011 |
| EBIT | 3583 | 3924 | 4048 | 4054 | 4271 | 4320 | 4706 | 4973 | 5204 | 5377 | 5354 |
| Other income | 377 | 261 | 366 | 326 | 467 | 440 | 306 | 392 | 357 | 434 | 400 |
| PBT | 3765 | 4038 | 4266 | 4236 | 4581 | 4597 | 4796 | 5157 | 5329 | 5551 | 5510 |
| Tax | 1015 | 1046 | 1011 | 1067 | 1184 | 1182 | 1219 | 1236 | 1310 | 1366 | 1387 |
| PAT | 2750 | 2992 | 3255 | 3169 | 3398 | 3415 | 3577 | 3921 | 4019 | 4185 | 4123 |
| EPS | 14.7 | 16.0 | 17.4 | 16.9 | 18.2 | 18.2 | 19.1 | 20.9 | 21.4 | 22.2 | 21.9 |
| **YOY Growth** | | | | | | | | | | | |
| **USD Revenue** | 2.9% | 7.4% | 5.0% | 7.0% | 18.8% | 17.6% | 24.0% | 25.9% | 20.1% | 14.3% | 3.7% |
| INR Revenue | 11.8% | 12.9% | 8.4% | 6.7% | 16.1% | 17.4% | 25.8% | 29.6% | 26.8% | 23.9% | 14.2% |
| Gross Profit | 7.5% | 14.7% | 12.6% | 8.3% | 16.6% | 12.4% | 20.4% | 24.9% | 34.0% | 20.0% | 8.0% |
| EBIT | 12.2% | 13.1% | 9.6% | 5.8% | 19.2% | 10.1% | 16.3% | 22.7% | 21.9% | 24.5% | 13.8% |
| Net Profit | 3.9% | 9.5% | 10.8% | -10.3% | 23.6% | 14.1% | 9.9% | 23.7% | 18.3% | 22.5% | 15.3% |
| **QoQ growth** | | | | | | | | | | | |
| **USD Revenue** | -4% | 7% | 2% | 2% | 6.0% | 6.1% | 7.5% | 4.0% | 1.2% | 1.0% | -2.5% |
| INR Revenue | -1.9% | 5.2% | 1.5% | 1.8% | 6.8% | 6.4% | 8.8% | 4.8% | 4.5% | 4.0% | 0.2% |
| EBIT | -6.5% | 9.5% | 3.2% | 0.1% | 5.4% | 1.2% | 8.9% | 5.7% | 4.7% | 3.3% | -0.4% |
| Net Profit | -22.2% | 8.8% | 8.8% | -2.6% | 7.2% | 0.5% | 4.7% | 9.6% | 2.5% | 4.1% | -1.5% |
| **Margins** | | | | | | | | | | | |
| Gross Margin | 26.7% | 28.5% | 29.3% | 29.4% | 26.8% | 27.3% | 28.0% | 28.3% | 28.3% | 26.4% | 26.5% |
| EBITDA | 15.6% | 16.2% | 16.5% | 16.2% | 16.0% | 15.2% | 15.2% | 15.3% | 15.3% | 15.2% | 15.1% |
| EBIT margin | 11.9% | 12.3% | 13.2% | 12.7% | 12.7% | 12.0% | 11.6% | 12.1% | 11.9% | 11.9% | 11.7% |
| PAT | 11.1% | 12.3% | 12.8% | 13.2% | 10.8% | 12.1% | 12.8% | 13.0% | 13.0% | 11.2% | 11.3% |
| SGA | 75.4 | 74.0 | 73.7 | 73.2 | 73.7 | 73.9 | 74.8 | 75.3 | 77.8 | 80.1 | 82.3 |

*Source: Company, Nirmal Bang Institutional Equities Research*

### Exhibit 138: Key metrics

| | 1QFY21 | 2QFY21 | 3QFY21 | 4QFY21 | 1QFY22 | 2QFY22 | 3QFY22 | 4QFY22 | 1QFY23 | 2QFY23 | 3QFY23 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **P and L (Rsmn)** | | | | | | | | | | | |
| Revenues | 23,037 | 24,238 | 24,601 | 25,044 | 26,749 | 28,460 | 30,955 | 32,448 | 33,909 | 35,273 | 35,356 |
| EBITDA | 4,178 | 4,524 | 4,654 | 4,671 | 4,895 | 4,977 | 5,532 | 5,799 | 6,030 | 6,203 | 6,180 |
| PAT | 2,750 | 2,992 | 3,255 | 3,169 | 3,398 | 3,415 | 3,577 | 3,921 | 4,019 | 4,185 | 4,123 |
| **Vertical/Industry** | | | | | | | | | | | |
| BFS | 49% | 53% | 53% | 50% | 51% | 55% | 55% | 54% | 53% | 54% | 54% |
| Insurance | 10% | 10% | 10% | 10% | 9% | 9% | 9% | 10% | 9% | 8% | 8% |
| IT, C and E | 14% | 12% | 13% | 15% | 14% | 13% | 13% | 13% | 13% | 13% | 13% |
| Emerging Ind. | 27% | 25% | 24% | 25% | 25% | 24% | 23% | 24% | 24% | 25% | 25% |
| Total | 100% | 100% | 100% | 100% | 100% | 100% | 100% | 100% | 100% | 100% | 100% |
| **Regions** | | | | | | | | | | | |
| USA | 77% | 78% | 78% | 75% | 76% | 78% | 80% | 81% | 82% | 82% | 82% |
| Europe | 12% | 11% | 12% | 13% | 12% | 12% | 11% | 11% | 10% | 10% | 10% |
| ROW | 7% | 7% | 6% | 6% | 7% | 5% | 3% | 3% | 3% | 3% | 3% |
| India | 4% | 5% | 5% | 5% | 5% | 5% | 5% | 5% | 5% | 5% | 5% |
| Total | 100% | 100% | 100% | 100% | 100% | 100% | 100% | 100% | 100% | 100% | 100% |
| Delivery Location | | | | | | | | | | | |
| Onsite | 60% | 59% | 58% | 57% | 59% | 58% | 59% | 58% | 58% | 57% | 55% |
| Offshore | 40% | 41% | 42% | 43% | 41% | 42% | 41% | 42% | 42% | 43% | 45% |
| Total | 100% | 100% | 100% | 100% | 100% | 100% | 100% | 100% | 100% | 100% | 100% |
| **Project Type** | | | | | | | | | | | |
| Time and Material | 74% | 75% | 76% | 57% | 58% | 58% | 55% | 55% | 55% | 56% | 57% |
| Fixed Price | 26% | 25% | 24% | 43% | 42% | 42% | 45% | 45% | 45% | 44% | 43% |
| Total | 100% | 100% | 100% | 100% | 100% | 100% | 100% | 100% | 100% | 100% | 100% |
| **Client concentration (%)** | | | | | | | | | | | |
| Top client | 12% | 12% | 11% | 10% | 11% | 11% | 11% | 11% | 11% | 12% | 12% |
| Top 5 | 39% | 39% | 40% | 41% | 42% | 42% | 43% | 44% | 45% | 45% | 45% |
| Top 10 | 48% | 50% | 52% | 53% | 55% | 57% | 58% | 59% | 60% | 60% | 59% |
| Non-top 10 | 52% | 50% | 48% | 47% | 45% | 43% | 42% | 41% | 40% | 40% | 41% |
| | | | | | | | | | | | |
| US$20mn+ clients | 7 | 8 | 9 | 9 | 9 | 9 | 9 | 10 | 11 | 12 | 13 |
| US$10mn+ clients | 16 | 17 | 16 | 18 | 18 | 19 | 21 | 22 | 24 | 24 | 23 |
| US$5mn+ clients | 32 | 31 | 35 | 37 | 39 | 41 | 42 | 42 | 44 | 45 | 46 |
| US$1mn+ clients | 79 | 80 | 81 | 84 | 84 | 88 | 97 | 104 | 105 | 104 | 107 |
| **Productivity metrics** | | | | | | | | | | | |
| **Per capita annualized** | | | | | | | | | | | |
| Revenue | 54,962 | 57,067 | 55,725 | 54,049 | 53,677 | 54,742 | 57,677 | 57,735 | 56,636 | 55,921 | 56,760 |
| EBITDA | 9,968 | 10,652 | 10,542 | 10,081 | 9,823 | 9,574 | 10,307 | 10,318 | 10,072 | 9,834 | 9,921 |
| PAT | 6,561 | 7,044 | 7,373 | 6,839 | 6,818 | 6,569 | 6,665 | 6,977 | 6,713 | 6,634 | 6,619 |
| | | | | | | | | | | | |
| TCV | 259 | 360 | 247 | 245 | 505 | 241 | 335 | 347 | 302 | 302 | 401 |

*Source: Company, Nirmal Bang Institutional Equities Research*

**Exhibit 139: YoY and QoQ performance on various parameters**

| QoQ Growth | 1QFY21 | 2QFY21 | 3QFY21 | 4QFY21 | 1QFY22 | 2QFY22 | 3QFY22 | 4QFY22 | 1QFY23 | 2QFY23 | 3QFY23 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Verticals** | | | | | | | | | | | |
| BFS | 5 | 15 | 1 | (4) | 9 | 13 | 10 | 2 | 4 | 6 | (1) |
| Insurance | (14) | 1 | 3 | 6 | (3) | 2 | 9 | 14 | (3) | (2) | (1) |
| IT, C and E | (8) | (12) | 11 | 15 | 4 | (6) | 14 | 5 | 6 | 1 | 0 |
| Emerging Ind. | (5) | (2) | (3) | 7 | 7 | 1 | 3 | 9 | 8 | 5 | 3 |
| Total | (2) | 5 | 1 | 2 | 7 | 6 | 9 | 5 | 4 | 4 | 0 |
| **Regions** | | | | | | | | | | | |
| USA | (1) | 7 | 1 | (2) | 8 | 9 | 12 | 6 | 6 | 4 | (0) |
| Europe | (5) | (5) | 12 | 14 | (3) | 6 | 2 | (1) | (5) | 5 | 3 |
| ROW | 9 | (4) | (14) | 18 | 15 | (30) | (21) | (5) | 2 | 10 | (3) |
| India | (19) | 16 | 4 | 9 | 1 | 22 | 2 | 1 | 7 | 2 | 4 |
| Total | (2) | 5 | 2 | 2 | 7 | 6 | 9 | 5 | 5 | 4 | 0 |
| **Delivery Location (INR Millions)** | | | | | | | | | | | |
| Onsite | 3 | 3 | 0 | (0) | 10 | 5 | 10 | 4 | 4 | 1 | (3) |
| Offshore | (8) | 8 | 3 | 4 | 2 | 8 | 8 | 6 | 5 | 8 | 4 |
| Total | (2) | 5 | 1 | 2 | 7 | 6 | 9 | 5 | 5 | 4 | 0 |
| **Project Type** | | | | | | | | | | | |
| Time and Material | 1 | 7 | 3 | (23) | 8 | 7 | 3 | 4 | 4 | 7 | 1 |
| Fixed Price | (8) | 1 | (2) | 79 | 6 | 6 | 17 | 5 | 5 | 1 | (1) |
| Total | (2) | 5 | 2 | 2 | 7 | 6 | 9 | 5 | 5 | 4 | 0 |
| **Client Metrics** | | | | | | | | | | | |
| Top Client | (11.8) | 7.2 | (6.5) | (6.8) | 16.6 | 6.1 | 7.5 | 4.0 | 1.2 | 10.2 | (2.5) |
| Top 5 clients | (2.0) | 7.2 | 4.6 | 5.1 | 8.6 | 6.1 | 10.0 | 6.5 | 3.5 | 1.0 | (2.5) |
| Top 10 clients | (2.5) | 11.7 | 6.1 | 4.5 | 10.0 | 10.0 | 9.4 | 5.8 | 2.9 | 1.0 | (4.1) |
| YoY Growth | | | | | | | | | | | |
| **Verticals** | | | | | | | | | | | |
| BFS | 15 | 25 | 27 | 17 | 22 | 20 | 30 | 39 | 32 | 23 | 11 |
| Insurance | (2) | 3 | (7) | (6) | 7 | 8 | 14 | 23 | 23 | 17 | 7 |
| IT, C and E | (21) | (21) | (11) | 3 | 17 | 25 | 29 | 18 | 19 | 28 | 12 |
| Emerging Ind. | 23 | 19 | (5) | (3) | 9 | 12 | 19 | 21 | 22 | 26 | 26 |
| Total | 12 | 13 | 8 | 7 | 16 | 17 | 26 | 30 | 27 | 24 | 14 |
| **Regions** | | | | | | | | | | | |
| USA | 9 | 11 | 9 | 5 | 15 | 17 | 30 | 40 | 37 | 30 | 16 |
| Europe | 25 | 21 | 12 | 16 | 18 | 31 | 19 | 3 | 2 | 1 | 2 |
| ROW | 45 | 38 | 2 | 6 | 12 | (19) | (25) | (39) | (46) | (15) | 4 |
| India | (8) | (3) | (0) | 6 | 32 | 39 | 37 | 27 | 35 | 13 | 15 |
| Total | 12 | 13 | 8 | 7 | 16 | 17 | 26 | 30 | 27 | 24 | 14 |
| **Delivery Location (INR Millions)** | | | | | | | | | | | |
| Onsite | 15 | 14 | 8 | 6 | 14 | 17 | 27 | 33 | 26 | 21 | 7 |
| Offshore | 7 | 12 | 9 | 7 | 19 | 19 | 24 | 25 | 28 | 28 | 24 |
| Total | 12 | 13 | 8 | 7 | 16 | 17 | 26 | 30 | 27 | 24 | 14 |
| **Project Type** | | | | | | | | | | | |
| Time and Material | 8 | 14 | 12 | (15) | (9) | (9) | (9) | 23 | 19 | 19 | 18 |
| Fixed Price | 24 | 9 | (2) | 63 | 88 | 96 | 135 | 38 | 37 | 30 | 9 |
| Total | 12 | 13 | 8 | 7 | 16 | 17 | 26 | 30 | 27 | 24 | 14 |
| **Client Metrics** | | | | | | | | | | | |
| Top Client | (11.8) | (7.9) | (11.1) | (17.7) | 8.9 | 7.8 | 24.0 | 38.5 | 20.1 | 24.7 | 13.2 |
| Top 5 clients | 5.6 | 10.3 | 10.6 | 15.4 | 27.9 | 26.7 | 33.3 | 35.1 | 28.7 | 22.5 | 8.6 |
| Top 10 clients | 5.1 | 14.3 | 16.2 | 20.7 | 36.1 | 34.1 | 38.3 | 40.1 | 30.1 | 20.3 | 5.5 |

*Source: Company, Nirmal Bang Institutional Equities Research*

## Coforge

Coforge (erstwhile NIIT Technologies) was started in 1981 as part of the education company NIIT Ltd. NIIT Technologies was separated into an independent listed company in 2004 after NIIT's software arm notched up revenue higher than that of the education division in 2002. NIIT Limited sold off NIIT Technologies to Barings Private Equity (BPEA) in April 2019. At the time of the transaction, NIIT Limited held 23% of the company. Post the deal, NIIT Technologies was re-branded as Coforge in August 2020. Post an open offer, BPEA took up its stake to as high as 70% and it disposed of ~40% through open market sale since then.

Coforge is a global digital services and solutions provider that enables its clients to transform at the intersection of domain expertise and emerging technologies. It is an IT services and solutions firm with domain knowledge and hyper-specialization in select industry verticals. It has a detailed understanding of the underlying processes of those industries and partnerships with leading platforms connected with those industries. Coforge leads with its product engineering approach and leverages Cloud, Data, Integration and Automation technologies to transform client businesses into intelligent, high growth enterprises. It has capabilities in Application Development, Infrastructure Management, Product Engineering, Artificial Intelligence/Machine Learning (AI/ML), Blockchain, User/Customer Experience (UX/CX), Cloud, and Digital Process Automation (DPA). Coforge is helping clients to reimagine how they buy, consume and innovate in today's multi-dimensional world whilst accentuating security and reliability. Its Digital Process Automation (DPA) provides a framework to optimize and bring efficiencies to the core functions of enterprises while transitioning and transforming to a Digital IT and Digital Business which enables enterprises to drive new services, new models and new capabilities.

Coforge firm has presence in 21 countries with 25 delivery centers across 9 countries. It had ~22,500 employees as of December 2022 and generated an annualized revenue of ~USD1bn as of December Quarter 2022. It has 30+ sales offices, 250+ clients and 2500+ onsite based consultants. And in the same quarter, Coforge had large exposure to the following key verticals: Insurance (22% of revenue), Banking & Financial Services (31% of revenue), Travel & Transportation (19% of revenue) and Others (consisting of Retail, Healthcare and Manufacturing). It derives 49% of its revenue from the Americas, 40% from EMEA and 11% from the Rest of the World.

Its InsureTech platform AdvantageGo was included in Intelligent Insurer's "Hot 100" Insurtech companies that have the potential to transform the industry. It has also developed a next-gen quality engineering platform COTAP (Cognitive Test Automation Platform), which provides test analytics and allows auto healing of test cases. It expanded its full suite Duck Creek capabilities aimed at the Insurance vertical by expanding its footprint to include Duck Creek Data Insight and Duck Creek Customer 360 platforms.

**Exhibit 140: Timeline of key events in Coforge'shistory**

| | |
|---|---|
| 2002 | NIIT's software arm notched up revenues higher than that of education division |
| 2004 | Restructuring exercise resulted in creation of NIIT Technologies |
| 2006 | Company forayed into Managed services space to enhance its portfolio of service offerings |
| 2007 | Acquired ROOM solutions, which was a leading insurance solutions provider in UK |
| 2008 | Launched Fleet Management System Solution Accelerator for logistics support |
| 2014 | Forayed into 2 new geographies i.e. Latin America and Ireland |
| 2015 | Acquired 51% stake in Incessant Technologies, a global BPM specialist |
| 2015 | Launched +Advantage suite, a next gen platform to support growth of commercial insurance firms |
| 2018 | Acquired controlling interest in RuleTek, a BPM architecture services company |
| 2018 | Partnership with R3 to develop innovative solutions on its Corda, an open-source blockchain platform |
| 2019 | Founder family members sold 30% stake to Hulst B.V. (affiliate of Barings Private Equity Asia) |
| 2019 | Open offer made by Hulst B.V. to acquire another 40% stake, increasing its total stake to 70% |
| 2020 | NIIT began operating under a new name i.e.Coforge with a newly designed company logo |

**Exhibit 141: Key management personnel of Coforge**

| Person | Position held | Background of the individual |
|---|---|---|
| Sudhir Singh | CEO and Executive Director | Sudhir joined Coforge in May 2017. He has 27 years of industry experience across companies like Unilever, Infosys and Genpact. He started his career with six-year sales and brand management stint at Unilever and then spent close to a decade with Infosys as Head of Infosys South-West geography in the US and ran the Infosys Global BFS Payments and Cards portfolio. He then moved to Genpact as the COO of Capital Markets and IT services business. He is an alumnus of IIT Varanasi and IIM Kolkata. |
| Ajay Kalra | CFO | Ajay joined in November 2019. He is a Chartered Accountant and a commerce graduate from Delhi University and brings 25 plus years of experience. He started his career at Modi Xerox Ltd. where he held various FP&A roles for over 5 years. He then moved to Genpact where he held critical roles in his 20-year stint in Genpact Finance, including leading the Pricing function and Global Controller. |
| Vic Gupta | Chief Digital Officer and CTO | Vic joined in October 2017. With over 25 years of IT Industry experience, he leads the Digital and AI charter for Coforge and is responsible for overall digital vision, roadmap and execution. He started his career in the Department of US Navy as system analyst before moving to Citi as Strategy Leader in the Chief Technology Officer. He spent 13 years at Microsoft holding multiple roles and conducting multiple, large scale digital transformation programs and initiatives. He also had an entrepreneurial stint for 7 years where he ran a digital agency with primary focus on digital experience design, digital marketing and digital e-commerce development. He is an alumnus of Drexel University, Philadelphia. |
| Sanjeev Prasad | EVP and Global Business Head – APAC and Coforge DPA | He joined in July 2019 and plays a key role in shaping corporate strategy, creating & scaling new lines of business, enabling business transformation and identifying & creating successful new ventures at key technology inflexion points. He brings more than 30 years of experience and has been a part of Genpact for 10 years and Sunderland for 3 years, serving as Global CIO in both companies. He was also founder, COO and director of training and IT services organization, STG International Ltd. His initial years were spent in developing products and managing new product development in leading technology companies like Nortel and Amdahl. He is an alumnus of University of Texas and is a certified coach & advisor to start-ups. |
| Madan Mohan | EVP and Global Head – TTH | He joined in November 2017 and is responsible for sharpening the company's strategy for TTH vertical globally. He has over 31 years of experience and deep understanding of multiple industries. He spent 16 years at Infosys where he was Head of South-East US geography. Prior to that, he was with TCS for 11 years where he ran the manufacturing business of global 10 corporations. He is an alumnus of NIT, Rourkela. |
| Gautam Samanta | EVP and Global Head – BFS | He joined in September 2017. He also oversees Coforge's business in Europe with clients who fall outside the core industry verticals of TTH and Insurance. He has 24 + years of experience. He was Vice President and Global Client Partner – Financial Services at Infosys for 4 years, prior to which he was the Vice President – Financial Services at Capgemini for 5 years. He is an alumnus of IIT Kharagpur and IIM Kolkata. |
| Shailendra Agarwal | EVP and US Geo Head | He joined in May 2021 and is responsible for driving growth in US across all verticals. In the past, he led the engineering services at HCL Americas and also led HCL ANZ country sales leadership prior to that. Before HCL, he led the Energy and Utilities portfolio for Capgemini India and before that, led the Chemicals and Petroleum sector for IBM Global Services India. He is an alumnus of IIT Varanasi and XLRI Jamshedpur. |
| Kishore Krishnan | EVP and Head of Europe | He joined in February 2015 and is responsible for growing Coforge's presence in Europe across various verticals. He is also responsible to develop Low code practice across Europe. With over 22 years of experience in the industry, he has worked at Capgemini for 14 years where he led the Insurance and HLS verticals in Europe. |
| Rajesh Ganshani | EVP and Chief Growth Officer – BFS and BPS | He joined Coforge in January 2022 and is recognized for delivering quantifiable transformational value for clients globally in financial services. Prior to joining Coforge, he worked at Genpact for 13 years where he was running the global transformation business for BFS vertical. He was also the senior sales leader for US and UK geographies. Prior to this he worked at TCS for 7 years where he was responsible for the US-based regional banking segment. He is an alumnus of Pune University. |
| John Speight | Chief Delivery Officer and Head of Business Advisory | He joined in July 2018 and heads the business advisory group across all verticals and geographies. He has 30+ years of experience within the financial sector and worked in Genpact for more than 7 years where he headed the strategic global accounts and European CIB relationships. Prior to that, he was the technical director of operations at MF Global UK Ltd.. |
| Rajeev Batra | EVP and Global Head – Insurance | He joined in March 2022 and brings with him 25 years of experience in a variety of leadership roles focused on insurance go-to-market strategy, new logos acquisition, strategic account management, InsurTech partnerships etc. Prior to this, he was the VP and growth leader – Insurance/ Healthcare at Capgemini for 7 years. He also served as VP and Global for Insurance IT at Genpact for 2 years and Associate VP & Growth Leader for Insurance Sector at Infosys for 7 years. He is an alumnus of University of Mumbai. |
| Suman Konkumalla | EVP and Global Business Head – Salesforce BU | He is one of the co-founders and head of Whishworks, which was acquired by the Coforge group in 2019. He now leads the business. He is an alumnus of Managalore University. |

| | | |
|---|---|---|
| Alok Datta | EVP and Global Business Head – Coforge BPS | He joined in June 2021 and has 27 years of experience in BFS space. His most recent role was to lead the growth at SLK global solutions, in 11-year stint as COO and President. He also worked at Genpact for 4 years as VP-Operations and has deep domain expertise across Banking and Mortgage industry spectrum. |
| Kannika Sagar | Chief People Officer | She joined in February 2020 and brings over 25 years of experience spanning across internal business partnering and external consultancy to clients. In her last assignment, she was Chief People Officer for HCL Infosystems for 5 years, prior to which she was into HR Consulting at Aon Hewitt for 9 years. She is an alumnus of Delhi University and XLRI Jamshedpur. |
| Anuradha Sehgal | Chief Marketing Officer | She joined in May 2021 and has over 23 years of experience. She started her career with HUL and went on to work with Whirlpool, Reckitt Benckiser, Airtel and HT Media. She was the Chief Marketing officer for Lenskart. Before joining Coforge, she was Business Head at Mint and launched several revenue supporting initiatives. She is an alumnus of IIFT, Delhi |

*Source: Coforge, LinkedIn, Media, Nirmal Bang Institutional Equities Research*

**Exhibit 142: Various M&A deals executed by Coforge**

| Acquisition | Year | Valuation (USD Mn) | Reason for the Action |
|---|---|---|---|
| ROOM Solutions | May 2006 | 25 | Strengthen presence in UK and enhance skill sets within commercial insurance arena |
| Proyecta | August 2011 | 7 | Enhance European footprint with experience in travel and financial services segments |
| Sabre Philippines Development Centre | August 2012 | | Further deepen engagement with Sabre and enhance global delivery capability |
| Incessant Technologies | May 2015 | 17 | Increase capabilities in digital integration with digitization and automation |
| RuleTek | May 2017 | | Enhance near-shore capabilities and expand footprint in North America |
| Whishworks | April 2019 | 40 | Strengthen digital capabilities and create powerful offerings combination in digital integration |
| SLK Global Solution | April 2021 | 195 | Strengthen financial services, scale BPM operations, and expand US footprint |

*Source: Coforge, Nirmal Bang Institutional Equities Research*

## Details of the acquisitions made by Coforge

### ROOM Solutions:

NIIT Technologies (now Coforge) acquired UK-based Room Solutions Ltd in a bid to strengthen capabilities and increase its client base in the insurance sector. It acquired a 51% stake in Room and the company became a wholly-owned unit by the end of 2007. Room Solutions has a strong presence in the non-life insurance market with a proven IP. It is focused on the commercial insurance market, including providing IT solutions to largest re-insurance market in the UK. At the time of the acquisition, it had 120 employees.

### ProyectaSistemas de Informacion SA:

NIIT Technologies (now Coforge) acquired Spanish software services firm ProyectaSistemas de Informacion SA to enhance its European footprint with Proyecta's experience in travel and financial services segments. It also strengthened Coforge’s front-end capabilities for larger European engagements and provided a gateway to traditional Spanish-speaking countries in Latin America. Headquartered in Madrid, Proyecta, had over 100 consultants at the time of acquisition with strong relationships with leading industry players in business intelligence, web and mobility applications. Proyecta sharply focuses in two segments, travel and financial services and 68% of its revenue came from travel vertical.

### Sabre Philippines Development Centre:

Sabre is a solutions provider in the travel industry and a client of NIIT Technologies (now Coforge). With this acquisition,Coforge got the right to use Sabre’s Manila centre, which was gaining popularity as a BPO destination. This acquisition also complements the earlier acquisition of Proyecta, through which it aimed to enhance its European footprint by leveraging Proyecta’s experience in servicing travel and financial services segments. Sabre Holdings serves the travel and tourism vertical. It deals in software solutions for travel agencies, corporations, travelers, airlines, hotels, car, rail, cruise and tour operator companies through its four businesses – Sabre Airline Solutions, Sabre Hospitality Solutions, Sabre Travel Network (including GetThere) and Travelocity (including lastminute.com and Zuji) in nearly 60 countries.

### Incessant Technologies:

NIIT Technologies (now Coforge) acquired a majority stake in Hyderabad-based Incessant Technologies. It will provide Coforge the capability to be a significant player in the digital integration space with digital legacy integration, digitization and automation of business processes for seamless customer experience. The acquisition enabled Incessant to build new capabilities, invest in R&D, expand in new geographies like North America & Europe and enter into new verticals such as Travel &Transportation. At the time of acquisition, Incessant Technologies had about 300 employees and 20 significant clients.

## RuleTek

Headquartered in Meridian, Idaho, US, RuleTekis a business process management architecture services company that has done implementations for Fortune 500 companies and had 65 employees at the time of acquisition. This transaction enabled the earlier acquiree, Incessant to strengthen its digital integration capabilities, expand its footprint in the high-opportunity North American market and add near-shore capabilities to its existing delivery model.

## Whishworks:

Whishworks is a global IT services and consulting company, specializing in Systems Integration and Big Data. Incorporated in 2010 and headquartered in Hyderabad, it works with an ecosystem of global innovators, including MuleSoft, MapR and Cloudera, to develop leading solutions that provide distinct business advantages. Over the years, Whishworks has invested in building unique capabilities around MuleSoft's Anypoint Platform, the leading platform for building application networks, and enjoys increasing market share and accelerated growth as a Strategic Consulting Partner of MuleSoft. Its consultants hold over 350 MuleSoft certifications, which makes it the largest pool of MuleSoft certified experts in the EMEA region and one of the largest worldwide. This acquisition enhanced Coforge's footprint in a high demand space and was a significant addition to its existing capability spectrum in digital integration. This initiative was also in line with the strategy to drive growth and create value over the long term by enhancing capabilities and domain depth, adding new partnerships, and making well-considered acquisitions that complement its existing strengths. This transaction was indicated to be margin and earnings accretive to Coforge.

## SLK Global Solutions:

SLK Global is a business process transformation services provider primarily to the financial services industry. Based in Bengaluru, SLK Global has most of clients in the US banking and insurance sectors. It services clients like Fifth Third Bank of the US, which in addition to being the largest customer is also a large shareholder with well over 40% stake of SLK. It has offices in Texas in the US and the Philippines. Coforge has initially acquired 60% of SLK by completely buying out its founders and some stake of Fifth Third Bank's, post which its stake will come down to 40%. Coforge will acquire an additional 20% from Fifth Third Bank after two years. SLK Global had USD62mn revenue in FY20 and about USD73mn in FY21 and had over 7,000 employees at the time of acquisition. The deal was indicated to be margin accretive to Coforge. It strengthens Coforge's position in the North American financial services industry and its BPM business.

**Exhibit 143: Key clients of Coforge**

| | |
|---|---|
| BFSI | Bank of England, Standard Chartered, HSBC, Santander, ING, Fifth Third Bank, |
| Insurance | Aflac, Tokio Marine, Argyle |
| Travel, Transportation and Hospitality | IAG, Contiki, DB Group, EuroStar, Airports Authority of India, British Airways, Sabre, SITA |
| Public | HM Revenue & Customs, Department for Work & Pension, NHS |
| Retail | Costa Coffee, Clarks |

*Source: Coforge, Media articles*

**Exhibit 144: Top 10 Shareholders of Coforge**

| | Holder Name | % Out | Country |
|---|---|---|---|
| 1 | Hulst B.V | 30.16 | Netherlands |
| 2 | Axis Asset Management Co Ltd | 6.50 | India |
| 3 | Life Insurance Corp of India | 4.79 | India |
| 4 | Capital Group Cos Inc | 4.51 | United States |
| 5 | UTI Asset Management Co | 3.56 | India |
| 6 | Aditya Birla Sun Life Asset Management Co Ltd | 3.19 | India |
| 7 | HDFC Asset Management Co Ltd | 2.76 | India |
| 8 | Small cap World Fund Inc | 2.41 | United States |
| 9 | Vanguard Group Inc | 1.83 | United States |
| 10 | Carne Global Fund Managers IRE | 1.49 | Ireland |

*Source: Company, Nirmal Bang Institutional Equities Research. Note: As of 15 March 2023*

**Exhibit 145: Quarterly snapshot**

| Year to 31 March | 1QFY21 | 2QFY21 | 3QFY21 | 4QFY21 | 1QFY22 | 2QFY22 | 3QFY22 | 4QFY22 | 1QFY23 | 2QFY23 | 3QFY23 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Rs mn** | | | | | | | | | | | |
| INR/USD | 75.37 | 74.66 | 74.04 | 73.19 | 73.23 | 73.89 | 74.87 | 74.87 | 76.48 | 79.28 | 81.86 |
| USD Revenue (USD mn) | 140 | 155 | 161 | 172 | 200 | 212 | 221 | 232 | 239 | 247 | 252 |
| INR Revenue | 10570 | 11537 | 11906 | 12615 | 14616 | 15694 | 16581 | 17429 | 18294 | 19594 | 20558 |
| Gross margin | 3329 | 3761 | 3810 | 4035 | 4366 | 5038 | 5371 | 5809 | 5555 | 6278 | 6860 |
| SGA | 1523 | 1589 | 1665 | 1767 | 2007 | 2115 | 2145 | 2260 | 2543 | 2682 | 3063 |
| EBITDA | 1806 | 2172 | 2145 | 2268 | 2359 | 2923 | 3226 | 3549 | 3012 | 3596 | 3797 |
| Depreciation and Amortisation | 465 | 460 | 462 | 449 | 524 | 598 | 566 | 584 | 630 | 614 | 624 |
| EBIT | 1161 | 1588 | 1547 | 1719 | 1705 | 2190 | 2502 | 2755 | 2292 | 2835 | 2991 |
| Other income (net) | 48 | -63 | 19 | 109 | 52 | -77 | -122 | -119 | -76 | -150 | 83 |
| PBT | 1089 | 1525 | 1566 | 1782 | 1633 | 2062 | 2332 | 2590 | 2212 | 2680 | 3074 |
| Tax | 260 | 303 | 331 | 408 | 320 | 446 | 360 | 342 | 493 | 474 | 715 |
| PAT | 799 | 1207 | 1220 | 1330 | 1237 | 1468 | 1837 | 2077 | 1497 | 2011 | 2282 |
| EPS Adjusted (Rs) | 12.8 | 19.9 | 20.1 | 21.9 | 20.4 | 24.2 | 30.3 | 34.1 | 24.6 | 33.0 | 37.4 |
| **YoY Growth** | | | | | | | | | | | |
| USD Revenue | 1.2 | 3.9 | 6.3 | 11.3 | 42.3 | 37.4 | 37.7 | 34.8 | 19.6 | 16.2 | 13.7 |
| INR Revenue | 9.8 | 11.1 | 10.9 | 13.7 | 38.3 | 36.0 | 39.3 | 38.2 | 25.2 | 24.9 | 24.0 |
| Gross profit | 2.3 | 4.8 | 4.0 | 6.1 | 31.2 | 34.0 | 41.0 | 44.0 | 27.2 | 24.6 | 27.7 |
| EBIT | 17.5 | 9.4 | 3.8 | 11.8 | 46.9 | 37.9 | 61.7 | 60.3 | 34.4 | 29.5 | 19.5 |
| Net Profit | (8.9) | 1.0 | (1.1) | 17.1 | 54.8 | 21.6 | 50.6 | 56.2 | 21.0 | 37.0 | 24.2 |
| **QoQ growth** | | | | | | | | | | | |
| USD Revenue | (9.4) | 10.2 | 4.1 | 7.2 | 15.8 | 6.4 | 4.3 | 4.9 | 2.7 | 3.4 | 1.9 |
| INR Revenue | (4.7) | 9.1 | 3.2 | 6.0 | 15.9 | 7.4 | 5.7 | 5.1 | 5.0 | 7.1 | 4.9 |
| EBIT | (24.5) | 36.8 | (2.6) | 11.1 | (0.8) | 28.4 | 14.2 | 10.1 | (16.8) | 23.7 | 5.5 |
| Net Profit | (29.7) | 51.1 | 1.1 | 9.0 | (7.0) | 18.7 | 25.1 | 13.1 | (27.9) | 34.3 | 13.5 |
| **Margins** | | | | | | | | | | | |
| Gross Margin | 31.5 | 32.6 | 32.0 | 32.0 | 29.9 | 32.1 | 32.4 | 33.3 | 30.4 | 32.0 | 33.4 |
| SGA | 14.4 | 13.8 | 14.0 | 14.0 | 13.7 | 13.5 | 12.9 | 13.0 | 13.9 | 13.7 | 14.9 |
| EBITDA | 17.1 | 18.8 | 18.0 | 18.0 | 16.1 | 18.6 | 19.5 | 20.4 | 16.5 | 18.4 | 18.5 |
| EBIT | 11.0 | 13.8 | 13.0 | 13.6 | 11.7 | 14.0 | 15.1 | 15.8 | 12.5 | 14.5 | 14.5 |
| PAT | 7.6 | 10.5 | 10.2 | 10.5 | 8.5 | 9.4 | 11.1 | 11.9 | 8.2 | 10.3 | 11.1 |

*Source: Company, Nirmal Bang Institutional Equities Research*

### Exhibit 146: Key metrics

| Key Metrics | 1QFY21 | 2QFY21 | 3QFY21 | 4QFY21 | 1QFY22 | 2QFY22 | 3QFY22 | 4QFY22 | 1QFY23 | 2QFY23 | 3QFY23 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **P and L (Rs mn)** | | | | | | | | | | | |
| Revenue | 10,570 | 11,537 | 11,906 | 12,615 | 14,616 | 15,694 | 16,581 | 17,429 | 18,294 | 19,594 | 20,558 |
| EBITDA | 1,626 | 2,048 | 2,009 | 2,168 | 2,229 | 2,788 | 3,068 | 3,339 | 2,922 | 3,449 | 3,615 |
| PAT | 799 | 1,207 | 1,220 | 1,330 | 1,237 | 1,468 | 1,837 | 2,077 | 1,497 | 2,011 | 2,282 |
| **Vertical Mix (%)** | | | | | | | | | | | |
| BFS | 17 | 17 | 18 | 17 | 21 | 24 | 28 | 28 | 30 | 32 | 31 |
| Insurance | 33 | 34 | 32 | 31 | 31 | 29 | 28 | 26 | 23 | 23 | 22 |
| Transportation | 19 | 19 | 20 | 19 | 19 | 19 | 18 | 20 | 19 | 19 | 19 |
| Others | 30 | 30 | 30 | 33 | 29 | 28 | 25 | 27 | 28 | 26 | 27 |
| **Geographical Mix (%)** | | | | | | | | | | | |
| Americas | 47 | 48 | 49 | 46 | 52 | 52 | 53 | 50 | 51 | 51 | 49 |
| EMEA | 36 | 36 | 36 | 40 | 35 | 33 | 34 | 40 | 37 | 39 | 40 |
| APAC | 17 | 16 | 15 | 14 | 13 | 15 | 13 | 10 | 12 | 10 | 11 |
| **Revenue Mix - IT Business (%)** | | | | | | | | | | | |
| Onsite | 62 | 64 | 62 | 61 | 60 | 56 | 54 | 53 | 52 | 50 | 50 |
| Offshore | 38 | 36 | 38 | 39 | 40 | 44 | 46 | 47 | 48 | 50 | 51 |
| **IT Utilization (%) (including trainees)** | 77.0 | 81.0 | 78.9 | 81.0 | 77.0 | 78.5 | 77.1 | 76.1 | 76.2 | 77.3 | 80.3 |
| **Clients Concentration (%)** | | | | | | | | | | | |
| Top 5 Clients | 26 | 25 | 24 | 25 | 25 | 23 | 25 | 23 | 23 | 23 | 24 |
| Top 10 Clients | 38 | 36 | 34 | 37 | 36 | 33 | 36 | 35 | 36 | 36 | 36 |
| **Number of Client** | | | | | | | | | | | |
| Between 1 to 5 million | 81 | 83 | 87 | 88 | 95 | 92 | 94 | 100 | 98 | 97 | 98 |
| Between 5 to 10 million | 15 | 16 | 17 | 16 | 20 | 22 | 21 | 19 | 24 | 26 | 23 |
| Above 10 million | 11 | 10 | 11 | 11 | 15 | 16 | 18 | 18 | 19 | 19 | 21 |
| **Revenue by Project type** | | | | | | | | | | | |
| Fixed Price Project | 52 | 53 | 55 | 54 | 55 | 54 | 54 | 53 | 52 | 50 | 50 |
| Time & Material | 48 | 47 | 45 | 46 | 45 | 46 | 46 | 47 | 48 | 50 | 50 |
| **Service Line Mix (%)** | | | | | | | | | | | |
| Product Engineering | 16 | - | 17 | 16 | 14 | 13 | 11 | 11 | 11 | 11 | 10 |
| Data & Integration | 19 | - | 19 | 23 | 20 | 21 | 21 | 22 | 23 | 23 | 24 |
| Intelligent Automation | 15 | - | 15 | 15 | 15 | 14 | 14 | 13 | 13 | 13 | 12 |
| CIMS | 19 | - | 21 | 19 | 17 | 17 | 19 | 18 | 18 | 18 | 19 |
| ADM | 29 | - | 26 | 26 | 26 | 24 | 25 | 25 | 24 | 26 | 27 |
| BPM | 2 | - | 2 | 1 | 8 | 12 | 11 | 11 | 11 | 10 | 9 |
| Employees | 10,598 | 11,162 | 11,424 | 12,391 | 20,491 | 20,786 | 22,130 | 22,500 | 22,742 | 22,991 | 22,505 |
| TTM Attrition (%) Ex BPO | 11.8 | 10.5 | 10.4 | 10.5 | 12.6 | 15.3 | 16.3 | 17.7 | 18.0 | 16.4 | 15.8 |
| **Profit and Loss Statement (in mn USD)** | | | | | | | | | | | |
| Revenue | 140 | 155 | 161 | 172 | 200 | 212 | 221 | 232 | 239 | 247 | 252 |
| EBIT | 15 | 21 | 21 | 23 | 23 | 30 | 33 | 37 | 30 | 36 | 37 |
| PAT | 11 | 16 | 16 | 18 | 17 | 20 | 25 | 28 | 20 | 25 | 28 |
| **Productivity Metrics** | | | | | | | | | | | |
| **Per Capita (Annualised)** | | | | | | | | | | | |
| Revenue | 52,931 | 55,376 | 56,304 | 55,640 | 38,962 | 40,873 | 40,030 | 41,316 | 41,984 | 42,956 | 44,737 |
| EBIT | 5,814 | 7,622 | 7,316 | 7,582 | 4,545 | 5,704 | 6,040 | 6,542 | 5,271 | 6,221 | 6,494 |
| PAT | 4,001 | 5,793 | 5,769 | 5,866 | 3,297 | 3,823 | 4,435 | 4,932 | 3,443 | 4,413 | 4,955 |

*Source: Company, Nirmal Bang Institutional Equities Research*

**Exhibit 147: YoY and QoQ performance on various parameters**

| QoQ Growth | FY20-21 | | | | FY21-22 | | | | FY22-23 | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **By Geography(%)** | **Q1** | **Q2** | **Q3** | **Q4** | **Q1** | **Q2** | **Q3** | **Q4** | **Q1** | **Q2** | **Q3** |
| Americas | (7.4) | 12.5 | 6.2 | 0.6 | 29.9 | 7.7 | 6.5 | (1.8) | 5.6 | 3.4 | (2.2) |
| EMEA | (18.5) | 10.2 | 4.1 | 19.1 | 2.2 | (2.0) | 8.1 | 23.9 | (4.8) | 7.9 | 6.7 |
| APAC | 10.0 | 3.7 | (2.4) | 0.0 | 8.4 | 24.3 | (11.4) | (16.9) | 18.7 | (11.3) | 4.9 |
| **By Industry (%)** | | | | | | | | | | | |
| BFS | 3.9 | 8.9 | 10.2 | 0.0 | 45.4 | 21.5 | 22.9 | 2.4 | 9.4 | 11.1 | 0.0 |
| Insurance | (3.6) | 13.5 | (2.1) | 4.5 | 14.3 | 0.9 | (0.7) | (3.0) | (7.7) | 3.9 | (2.9) |
| Transportation | (34.9) | 7.9 | 9.5 | 1.3 | 15.8 | 4.7 | 2.6 | 15.3 | (0.9) | 2.9 | 1.9 |
| Others | 2.0 | 8.7 | 4.1 | 18.3 | 2.2 | 2.4 | (5.7) | 9.5 | 8.5 | (4.7) | 8.3 |
| **By Practise split (%)** | | | | | | | | | | | |
| Application Development & Maintenance | (11.9) | 8.6 | 4.1 | 11.8 | - | - | - | - | - | - | - |
| IP Assets | (32.1) | 28.6 | 4.1 | 7.2 | - | - | - | - | - | - | - |
| Managed services | (14.7) | 17.1 | 10.2 | 1.2 | - | - | - | - | - | - | - |
| SI & PI | 353.0 | 10.2 | (37.6) | (28.5) | - | - | - | - | - | - | - |
| BPO | (9.4) | 10.2 | 4.1 | (28.5) | - | - | - | - | - | - | - |
| **By Practice Split (%) - Reinstated** | | | | | | | | | | | |
| Product Engineering | (9.4) | - | - | 0.9 | 1.3 | (3.5) | (11.3) | 4.0 | 0.8 | 3.4 | (3.9) |
| Data & Integration | (18.0) | - | - | 29.8 | 1.7 | 8.5 | 3.8 | 12.6 | 8.8 | 2.5 | 5.5 |
| Intelligent Automation | (5.5) | - | - | 7.2 | 11.9 | 4.9 | 2.1 | (4.8) | 1.9 | 3.4 | (4.5) |
| CIMS | (3.4) | - | - | (3.0) | 4.2 | 5.8 | 14.1 | 1.6 | 3.9 | (0.5) | 8.4 |
| ADM | (9.7) | - | - | 7.2 | 15.4 | (1.8) | 7.8 | 7.5 | (1.8) | 10.3 | 5.5 |
| BPM | 4.2 | - | - | (46.4) | 872.7 | 47.0 | 2.5 | 3.1 | 1.8 | (3.1) | (10.8) |
| **Revenues from Top Clients** | | | | | | | | | | | |
| Top 5 | (12.8) | 5.9 | (0.1) | 13.4 | 12.2 | (0.5) | 14.2 | (3.8) | 1.8 | 4.3 | 5.5 |
| Top 10 | (7.0) | 4.4 | (1.7) | 15.1 | 13.9 | (2.2) | 14.1 | 1.7 | 4.2 | 4.3 | 3.4 |
| **Onsite:Offshore Mix** | | | | | | | | | | | |
| Onsite | (12.2) | 13.7 | 0.8 | 5.5 | 13.7 | (0.5) | 0.5 | 3.0 | 0.8 | (0.1) | 0.5 |
| Offshore | (4.4) | 4.4 | 9.8 | 10.0 | 19.1 | 16.8 | 9.0 | 7.2 | 4.9 | 7.3 | 3.4 |
| **YoY Growth** | | | | | | | | | | | |
| **By Geography(%)** | | | | | | | | | | | |
| Americas | (2.9) | 1.8 | 8.5 | 11.3 | 56.2 | 49.5 | 49.8 | 46.3 | 18.9 | 14.2 | 4.9 |
| EMEA | 4.1 | 1.1 | 3.4 | 11.3 | 39.6 | 24.1 | 28.9 | 34.2 | 25.0 | 37.7 | 35.9 |
| APAC | 7.6 | 18.8 | 6.3 | 11.3 | 9.7 | 31.4 | 19.4 | (0.8) | 8.6 | (22.5) | (8.2) |
| **By Industry (%)** | | | | | | | | | | | |
| BFS | 8.8 | 3.9 | 19.6 | 24.7 | 74.6 | 94.9 | 117.3 | 122.3 | 67.2 | 52.9 | 24.5 |
| Insurance | 15.2 | 14.0 | 13.4 | 12.1 | 32.8 | 18.0 | 19.6 | 11.1 | (10.3) | (7.6) | (9.7) |
| Transportation | (29.9) | (29.5) | (26.7) | (22.1) | 38.7 | 34.6 | 26.0 | 43.4 | 22.8 | 20.6 | 19.9 |
| Others | 14.0 | 29.9 | 27.6 | 36.5 | 36.7 | 28.7 | 16.6 | 7.9 | 14.7 | 6.7 | 22.6 |
| **By Practise split (%)** | | | | | | | | | | | |
| Application Development & Maintenance | (1.6) | (3.1) | 0.5 | 11.3 | - | - | - | - | - | - | - |
| IP Assets | 1.2 | 45.5 | 24.0 | (2.6) | - | - | - | - | - | - | - |
| Managed services | (4.7) | 3.9 | 19.6 | 11.3 | - | - | - | - | - | - | - |
| SI & PI | 406.2 | 419.6 | 59.5 | 122.7 | - | - | - | - | - | - | - |
| BPO | (24.1) | 3.9 | 6.3 | (25.8) | - | - | - | - | - | - | - |
| **By Practice Split (%) - Reinstated** | | | | | | | | | | | |
| Product Engineering | - | - | - | 11.3 | 24.5 | 6.4 | (12.5) | (9.8) | (10.3) | (3.9) | 4.2 |
| Data & Integration | - | - | - | 21.9 | 51.3 | 47.5 | 48.6 | 29.0 | 37.9 | 30.4 | 32.5 |
| Intelligent Automation | - | - | - | 19.3 | 41.3 | 31.9 | 28.5 | 14.2 | 3.9 | 2.4 | (4.2) |
| CIMS | - | - | - | 17.5 | 26.8 | 12.3 | 22.0 | 27.7 | 27.3 | 19.7 | 13.7 |
| ADM | - | - | - | (0.2) | 27.5 | 22.6 | 30.8 | 31.2 | 11.7 | 25.5 | 22.9 |
| BPM | - | - | - | (44.3) | 419.8 | 739.2 | 685.0 | 1,410.1 | 58.0 | 4.2 | (9.3) |
| **Revenues from Top Clients** | | | | | | | | | | | |
| Top 5 | (2.5) | (10.4) | (5.5) | 4.7 | 34.7 | 26.5 | 44.6 | 22.6 | 11.3 | 16.8 | 7.8 |
| Top 10 | (1.4) | 13.4 | 0.4 | 9.8 | 34.5 | 26.0 | 46.2 | 29.3 | 18.3 | 26.1 | 14.3 |
| **Onsite:Offshore Mix** | | | | | | | | | | | |
| Onsite | (4.9) | 0.8 | 3.0 | 6.1 | 37.5 | 20.3 | 20.0 | 17.2 | 3.8 | 4.2 | 4.2 |
| Offshore | 13.2 | 10.0 | 12.2 | 20.6 | 50.2 | 68.0 | 66.7 | 62.5 | 43.2 | 31.6 | 24.8 |

*Source: Company, Nirmal Bang Institutional Equities Research*

# Persistent Systems Ltd

Persistent Systems Limited (PSL) was incorporated in 1990 and became a public limited company in 2007; it got listed in March 2010. PSL has largely built its early business around outsourced software product development (OSPD). Its key activity is to offer complete product life cycle services for independent software vendors. Today, it positions itself as a Digital Engineering and Enterprise modernization company.

The company serves more than 900 active clients with59+ offices in over 18 countries, as of 31stDecember, 2022. PSL works across four key industries and six dedicated service lines. BFSI, Healthcare, Industrial, Software and Hi-tech are the industries across which Digital Strategy & Design, CX Transformation, Software Product Engineering, Cloud & Infrastructure, Data Analytics and Enterprise IT Security Services are provided. Persistent enjoyed early success working with database companies, but it was a small project from Microsoft in 1992 that proved to be a turning point, giving the small team theconfidence to begin approaching other leading technology companies. Illustra Technologies, Red Brick Systems and Hewlett-Packard were early supporters. While these companies have also evolved, they continue to be its customers.

Our initiating coverage report on Persistent Systems in September 2015: Persistent Systems- Not The Ideal 'Digital' Play; Structural Weakness To Constrain Shareholder Value Creation

Our latest report on PSL: Revenue retention and ACV slippage/conversion will determine growth

**Timeline of key events in its history**

| | |
|---|---|
| 1990 | Incorporated on May 30, 1990 |
| 1999 | Recognized as a Microsoft Solution Provider for demonstrated expertise and commitment to providing business solutions based on Microsoft products. Started operations at Panini with new owned premises at Pune, India |
| 2000 | Introduced employee's stock options scheme. Became one of the first companies in Asia to receive an investment from Intel 64 LLC. |
| 2001 | Started operations at Bhageerath with new state-of-the-art owned premises at Pune, India. Set up Persistent Systems, Inc., the wholly owned subsidiary in U.S.A. |
| 2006 | Acquired Goa based ControlNet (India) Private Limited. Started operations at Pingala-Aryabhata, new owned premises at Pune, India. Joint investment by Norwest and Gabriel. Investment by Intel Mauritius. |
| 2009 | Set up a branch office at Quebec, Canada. Formed a wholly owned Subsidiary, Persistent Systems and Solutions Limited in Pune, India. |
| 2013 | Persistent Systems Acquires NovaQuest, a Leading Reseller of Dassault Systemes 3DEXPERIENCE and PLM Applications. Company enters into an agreement with Hewlett Packard Inc (HP) to license one of its software products. Persistent Systems to Open Bangalore Office; Expands India IT Presence. Persistent Systems Announces Partnership with SysCare Technology. |
| 2014 | Persistent Systems had signed a strategic agreement to acquire entire stock of CloudSquads Inc. Persistent Systems inaugurates its new office in Goa. Persistent Systems Forms Alliance with Jive Software. The company has joined the Scaled Agile Framework (SAFe) Partner program to strengthen its software product DNA for customers. |
| 2015 | The Company has allotted the Bonus Shares to its shareholders in the Ratio of 1:1. |
| 2016 | Persistent Systems inks pact with IBM in the development and support of a suite of IBM products- Continuous Engineering and Continuous lifecycle management – CE-CLM.. |
| 2017 | Persistent Systems and MuleSoft Partner to Accelerate Digital Transformation. Persistent Systems Granted Development Rights by USA. Persistent Systems to support customers using Amazon Connect. |
| 2018 | Persistent Systems acquires Herald Health, transforming healthcare data overload into clear and actionable insights. Persistent Systems Machine Learning Models Now Available on Amazon Web Services Marketplace for Machine Learning. |
| 2019 | Persistent takes over youperience to create Europes leading boutique Salesforce partner. Persistent Systems joins Siemens MindSphere Partner Program to bring Industrial IoT solutions to market. |
| 2021 | Persistent Launches One of the Most Inclusive Employee Stock Option Plans in the Global IT Services Industry covering about 60% of its total workforce at that point in time. Persistent Announces a Dedicated Payments Business Unit and Expands Cloud Capabilities through Strategic Acquisitions. |

## Management

| Person | Position held Systems | Background of the individual |
|---|---|---|
| Anand Deshpande | Founder Chairman, Managing Director | Prior to starting PSL in 1990, Anand began his career at Hewlett-Packard Laboratories in Palo Alto, California. He holds a B.Tech (Hons.) in Computer Science & Engineering from Indian Institute of Kharagpur, and a Master's degree and a Ph.D. in Computer Science from Indiana University, Bloomington, Indiana. Anand also founded in 2015, deAsra,a non-profit organization which helps MSMEs |
| Sandeep Kalra | Chief Executive Officer | An IIM Calcutta alumnus, Sandeep spent 16+ years with HCL, where he held multiple leadership positions across Outsourced Product Engineering, establishing HCL Technologies in LATAM and Canada as well as leading the Pharma vertical. After HCL Technologies, Sandeep joined Symphony Teleca to lead its growth and was instrumental in its successful acquisition by HARMAN. Sandeep then led a 7,000+ member services business unit for HARMAN (now a Samsung Company), delivering digital transformation solutions to ISVs and enterprises. He joined Persistent Systems in May 2019 as President, Technology services business and was made the CEO in October 2020. |
| Sunil Sapre | Chief Financial Officer | Sunil has more than 30 years of experience in the areas of corporate finance, accounting, tax, financial planning and analysis, risk management and merger and acquisition diligence, and integration. Prior to joining Persistent in June 2015, he worked with L&T Group in various functions and his most recent role was with L&T Infotech where he spent 14 years as the head of finance and accounts for global operations. He is a member of the Institute of Chartered Accountants of India |
| Keith Landis | Chief Marketing Officer | Prior to joining PSL in September 2019, Keith spent 16 years at IBM, spanning multiple marketing roles including leading worldwide product marketing for Watson IoT and global performance marketing & digital for all of IBM Services. Prior to IBM he worked at Pwc for a little less than 3 years. |
| Merlyn Mathew | Head, Delivery Excellence and Talent Management | Merlyn focusses on driving industry leading engineering practices, tooling, and processes to achieve the best outcomes for clients across the industry verticals and service lines. She also leads the Talent Management function encompassing workforce planning and transformation, skill development of existing talent and onboarding of talent to support new businesses and competencies. Prior to Persistent in January 2022, Merlyn was the COO at UBS Technologies in India. Prior to UBS, Merlyn has worked with leading organizations like HSBC, Accenture, Cognizant and TCS. |
| Jaideep Dhok | SVP and GM, BFSI vertical | After spending about 8 and half years at Infosys he joined PSL in 2010 and has spent almost all his time since then in it, except for a 9 month stint at another firm. Before the current role, he was delivery head of all of PSL for about a year. He also held delivery head role in its BFSI vertical prior to that. |
| Praveen Bhadada | Chief of Staff | With over 19 years of experience, Praveen joined PSL in October 2022 from Zinnov where he was the Managing Partner and Global Head for Software and Platform business. He is responsible for driving large deals at PSL. At Zinnov where he was for a little less than 8 years, Praveen managed a team of 100+ consultants. Prior to Zinnov, Praveen has worked for Microsoft India leading the Data Platform business group. Prior to Microsoft, Praveen was associated with Grail Research (a Monitor Group Subsidiary). |
| Dr. Rajesh Gharpure | Chief Delivery Officer – Service Lines | Prior to joining Persistent in January 2023, Rajesh was an Executive Vice President and Global Delivery Leader at LTI.Rajesh has over 22 years of experience in Global Delivery and Operations, Digital Transformation, Consulting and Finance. |
| Yogesh Patgaonkar | Chief People Officer | Prior to joining Persistent in April 2022, he played HR leadership roles in leading organizations like RPG Group, L&T, Mphasis handling critical roles that included setting up and scaling the HR function to cater to global operations, turning around loss making P&L, post-merger integration, build-operate-transfer deals and talent management at corporate level across diversified domains. He brings in 30 years of experience in HR. |
| Kuljesh Puri | SVP & GM – IBM Alliance, Communications, Media & Product Business | Before joining PSL in September 2021, he was the Global Head - Telecom Product Engineering Business at Tech Mahindra for a brief while. Prior to Tech Mahindra he worked for 8 years at Harman International. He spent a large part of his career in Engineering functions at Hughes Software systems and its latter avatars like Aricent and frog.. |
| Nita Puthran | Head Cloud and Infrastructure services | Prior to joining PSL in November, 2019 where Nita manages the cloud and infrastructure business, she had spent about 3 years at Harman connected services where she was heading the infrastructure business unit. Prior to that Nita has spent several at Wipro Technologies (8+) where she was involved in the Infrastructure business with BFSI sector. She has also had stints at Avanadae, Microland among other firms. |
| Ganesh Nathella | SVP & GM - Global Lead HLS Business | Prior to joining PSL in October 2022, Ganesh used to head the healthcare practice of Mindtree for 2 years. He also spent time in the healthcare businesses of UST Global (2 years), Wipro (5 years) and Cognizant (3 years). Ganesh had also spent about 4 years of his early career with TCS |

*Source: Persistent Systems, LinkedIn, Media, Nirmal Bang Institutional Equities Research*

### Exhibit 148: Various M&A deals executed by Persistent Systems Ltd.

| Acquisition | Year | Country of Headquarters | Reason for the Action |
|---|---|---|---|
| Control Net (India) Pvt. Ltd | 2006 | | PE services in networking, ASIC design, and embedded systems |
| Agilent's software business | 2011 | US | To enhance focus on healthcare and life sciences in Europe. |
| Infospectrum India Pvt Ltd | 2011 | India | This acquisition is expected to enable Persistent Systems to further tap the European markets and provide access to customers from verticals like aerospace and defence, complex manufacturing, maritime, transportation and logistics, satellite imaging and geographic information systems. |
| Openwave Systems Inc. Location business | 2012 | USA | Corporate Learning Management System. |
| Rcloud - Doyenz Inc.'s cloud platform unit | 2012 | | A back-up and disaster recovery cloud platform business for North America |
| Novaquest | 2013 | | PLM and search-based tech solutions company and a leading value-added reseller-addition to partnership with Dassault Systems. |
| Hoopz Planet Info | 2014 | India | Certain assets of Pune-based mobile advertising firm. |
| R-Gen | 2015 | | To strengthen Microsoft technologies. |
| Akumina | 2015 | USA | Digital content management solutions. |
| Aepona | 2015 | | To focus on telecom and IOT segments. |
| Citrix Cloud platform | 2016 | USA | End-to-end life cycle management for public and private clouds. |
| PRM Cloud solutions | 2016 | Australia | Strengthening PSL's platform-centric approach to digital transformation |
| PARX | 2017 | Switzerland | Born-in-the-cloud platforms and technologies with no footprint in legacy technologies or services. Deepens Salesforce expertise, further strengthening global capabilities to deliver digital transformation for customers. |
| Youperience | 2019 | Germany | Improve our capabilities and performance in terms of delivery and have access to new markets with locally available experts. |
| CAPIOT | 2020 | USA | Strengthening MuleSoft, TIBCO and API-led integration capabilities. |
| Sureline Systems | 2021 | India | Strengthen cloud migration and transformation offerings and solutions. |
| Software Corporation International | 2021 | USA | Deep domain consulting capabilities specializing in Payment solutions, integration, and support services for an impressive portfolio of leading US Banks. Additionally, Fusion360 provides application development, maintenance, and support for leading Payment platforms. |
| Dataglove | 2022 | USA | Provides scalable, flexible infrastructure while its business applications and workplace offerings enable increased productivity and enhanced employee experience. |
| MediaAgility | 2022 | USA | Deep expertise in building scalable, cloud-based solutions as a Google Cloud Premier Partner. Also help with cloud-native application development and modernization, analytics and AI, cloud engineering, migrations, and managed services to enterprise service clients across the globe. |

*Source: Persistent Systems Ltd, Nirmal Bang Institutional Equities Research*

### Exhibit 149: Key clients of Persistent Systems Ltd.

| | |
|---|---|
| BFSI | Wells Fargo, Finxact, Celonis |
| Tech Co's and Emerging Verticals | AWS, IBM, Salesforce, Microsoft, Redhat, Google cloud, Cibo Technologies, Vlocity, Appian |
| Healthcare & Lifesciences | Cleardata, |

*Source: Persistent Systems, Media articles*

### Exhibit 150: Top 10 Shareholders of Persistent Systems Ltd.

| | Holder Name | % | Country |
|---|---|---|---|
| 1 | Deshpande Anand Suresh | 29.93 | India |
| 2 | Kotak Mahindra Trustee Co | 5.01 | India |
| 3 | Kotak Mahindra Asset Management Co Ltd | 4.60 | India |
| 4 | HDFC Management Co Ltd | 3.25 | India |
| 5 | Axis Asset Management Co Ltd | 3.16 | India |
| 6 | Vanguard Group Inc | 2.08 | United States |
| 7 | Fundrock Management Co SA | 1.81 | Ireland |
| 8 | L&T Mutual Fund Trustee Ltd | 1.58 | India |
| 9 | Nippon Life India Asset Management Ltd | 1.44 | India |
| 10 | Shukla Shridhar | 1.44 | India |

*Source: Bloomberg. Note: As of 24th February 2023*

**Exhibit 151: Quarterly snapshot**

| Year to 31 March | 1QFY21 | 2QFY21 | 3QFY21 | 4QFY21 | 1QFY22 | 2QFY22 | 3QFY22 | 4QFY22 | 1QFY23 | 2QFY23 | 3QFY23 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Rs mn** | | | | | | | | | | | |
| **USD Revenue (USD mn)** | **131** | **136** | **146** | **153** | **167** | **182** | **199** | **217** | **242** | **256** | **264** |
| INR Revenue | 9,914 | 10,077 | 10,754 | 11,134 | 12,299 | 13,512 | 14,917 | 16,379 | 18,781 | 20,486 | 21,694 |
| Gross margin | 3,267 | 3,501 | 3,690 | 3,771 | 4,126 | 4,530 | 5,037 | 5,519 | 6,348 | 6,858 | 7,334 |
| SGA | 1,803 | 1,843 | 1,865 | 1,887 | 2,111 | 2,287 | 2,526 | 2,707 | 3,015 | 3,178 | 3,318 |
| EBITDA | 1,464 | 1,658 | 1,825 | 1,883 | 2,015 | 2,244 | 2,511 | 2,812 | 3,333 | 3,680 | 4,016 |
| Depreciation | 436 | 440 | 461 | 419 | 350 | 371 | 428 | 511 | 645 | 693 | 684 |
| EBIT | 1,029 | 1,218 | 1,364 | 1,464 | 1,665 | 1,873 | 2,083 | 2,300 | 2,688 | 2,987 | 3,332 |
| Other Income (net) | 192 | 157 | 286 | 385 | 365 | 303 | 281 | 371 | 131 | (31) | (104) |
| PBT | 1,220 | 1,375 | 1,650 | 1,849 | 2,031 | 2,176 | 2,364 | 2,672 | 2,819 | 2,956 | 3,228 |
| Tax | 320 | 355 | 441 | 471 | 518 | 559 | 600 | 662 | 703 | 756 | 848 |
| PAT | 900 | 1,020 | 1,209 | 1,378 | 1,512 | 1,618 | 1,764 | 2,010 | 2,116 | 2,200 | 2,380 |
| EPS | | | | | | | | | | | |
| **YoY Growth** | | | | | | | | | | | |
| USD Revenue | 9.5 | 8.4 | 12.9 | 20.3 | 27.3 | 34.0 | 36.2 | 42.2 | 44.8 | 40.2 | 32.8 |
| INR Revenue | 19.1 | 13.9 | 16.5 | 20.2 | 24.1 | 34.1 | 38.7 | 47.1 | 52.7 | 51.6 | 45.4 |
| Gross profit | 13.2 | 13.9 | 20.2 | 20.3 | 26.3 | 29.4 | 36.5 | 46.4 | 53.8 | 51.4 | 45.6 |
| EBIT | 26.1 | 53.9 | 69.2 | 70.9 | 61.9 | 53.8 | 52.7 | 57.1 | 61.4 | 59.4 | 60.0 |
| Net Profit | 9.1 | 18.5 | 37.5 | 64.3 | 68.0 | 58.6 | 45.9 | 45.9 | 39.9 | 36.0 | 34.9 |
| **QoQ growth** | | | | | | | | | | | |
| USD Revenue | 3.1 | 3.9 | 7.4 | 4.6 | 9.2 | 9.3 | 9.2 | 9.1 | 11.1 | 5.8 | 3.4 |
| INR Revenue | 7.0 | 1.7 | 6.7 | 3.5 | 10.5 | 9.9 | 10.4 | 9.8 | 14.7 | 9.1 | 5.9 |
| EBIT | 20.1 | 18.4 | 12.0 | 7.4 | 13.7 | 12.5 | 11.2 | 10.4 | 16.8 | 11.1 | 11.6 |
| Net Profit | 7.4 | 13.3 | 18.6 | 13.9 | 9.8 | 6.9 | 9.1 | 13.9 | 5.3 | 4.0 | 8.2 |
| **Margins** | | | | | | | | | | | |
| Gross Margin | 33.0 | 34.7 | 34.3 | 33.9 | 33.5 | 33.5 | 33.8 | 33.7 | 33.8 | 33.5 | 33.8 |
| SGA | 18.2 | 18.3 | 17.3 | 17.0 | 17.2 | 16.9 | 16.9 | 16.5 | 16.1 | 15.5 | 15.3 |
| EBITDA | 14.8 | 16.4 | 17.0 | 16.9 | 16.4 | 16.6 | 16.8 | 17.2 | 17.7 | 18.0 | 18.5 |
| EBIT | 10.38 | 12.1 | 12.7 | 13.2 | 13.5 | 13.9 | 14.0 | 14.0 | 14.3 | 14.6 | 15.4 |
| PAT | 12.3 | 13.6 | 15.3 | 16.6 | 16.5 | 16.1 | 15.8 | 16.3 | 15.0 | 14.4 | 14.9 |
| SGA | 9.1 | 10.1 | 11.2 | 12.4 | 12.3 | 12.0 | 11.8 | 12.3 | 11.3 | 10.7 | 11.0 |
| | | | | | | | | | | | |
| IP led revenues | 22.8 | 22.0 | 26.5 | 22.8 | 21.9 | 22.8 | 26.5 | 19.3 | 16.8 | 19.9 | 21.7 |
| Linear revenues | 108.2 | 114.0 | 119.7 | 130.1 | 145.0 | 159.5 | 172.6 | 197.6 | 222.9 | 235.6 | 242.7 |

*Source: Company, Nirmal Bang Institutional Equities Research*

### Exhibit 152: Key metrics

| Key Metrics | 1QFY21 | 2QFY21 | 3QFY21 | 4QFY21 | 1QFY22 | 2QFY22 | 3QFY22 | 4QFY22 | 1QFY23 | 2QFY23 | 3QFY23 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **P and L (USDmn)** | | | | | | | | | | | |
| Revenue | 131 | 136 | 146 | 153 | 167 | 182 | 199 | 217 | 242 | 256 | 264 |
| EBITDA | 14 | 16 | 19 | 20 | 23 | 25 | 28 | 31 | 35 | 37 | 41 |
| PAT | 12 | 14 | 16 | 19 | 21 | 22 | 24 | 27 | 27 | 27 | 29 |
| **P and L (Rsmn)** | | | | | | | | | | | |
| Revenue | 9,914 | 10,077 | 10,754 | 11,134 | 12,299 | 13,512 | 14,917 | 16,379 | 18,781 | 20,486 | 21,694 |
| EBITDA | 1,464 | 1,658 | 1,825 | 1,883 | 2,015 | 2,244 | 2,511 | 2,812 | 3,333 | 3,680 | 4,016 |
| PAT | 900 | 1,020 | 1,209 | 1,378 | 1,512 | 1,618 | 1,764 | 2,010 | 2,116 | 2,200 | 2,380 |
| **Geographical Mix (%)** | | | | | | | | | | | |
| North America | 80.4 | 82.9 | 81.1 | 79.2 | 78.9 | 78.7 | 79.2 | 78.6 | 78.4 | 78.6 | 77.1 |
| Europe | 10.2 | 7.6 | 8.8 | 10 | 9.5 | 8.8 | 8.3 | 8.4 | 8.5 | 8.3 | 9 |
| India | 7.9 | 8.1 | 8.6 | 8.9 | 9.8 | 10.5 | 10.9 | 11.0 | 11.3 | 11.5 | 12.3 |
| ROW | 1.5 | 1.4 | 1.5 | 1.9 | 1.8 | 2 | 1.6 | 2 | 1.8 | 1.6 | 1.6 |
| **Service Lines (%)** | | | | | | | | | | | |
| Services | 82.6 | 83.8 | 81.9 | 85.1 | 86.9 | 87.5 | 86.7 | 91.1 | 93.0 | 92.2 | 91.8 |
| IP driven | 17.4 | 16.2 | 18.1 | 14.9 | 13.1 | 12.5 | 13.3 | 8.9 | 7.0 | 7.8 | 8.2 |
| **Business Mix (%)** | | | | | | | | | | | |
| Services | 77.1 | 77.3 | 76.3 | 79.0 | - | - | - | - | - | - | |
| Alliance | 22.9 | 22.7 | 23.7 | 21.0 | - | - | - | - | - | - | |
| **-Utilization (%) including trainees** | 78.5 | 81.2 | 81.0 | 79.1 | 80.1 | 82.8 | 83.0 | 80.6 | 79.5 | 79.9 | 77.6 |
| **Revenue Mix** | | | | | | | | | | | |
| Onsite | 33.7 | 33.1 | 30.5 | 30.4 | 31.4 | 30.4 | 31.4 | 34.5 | 36.5 | 34.8 | 34.5 |
| Offshore | 48.9 | 50.7 | 51.4 | 54.7 | 55.5 | 57.1 | 55.3 | 56.6 | 56.5 | 57.4 | 57.3 |
| **Client concentration (%)** | | | | | | | | | | | |
| Top client | 17.7 | 19.4 | 18.5 | 17.9 | 17.0 | 16.9 | 17.5 | 14.0 | 11.7 | 8.7 | 7.4 |
| Top 5 clients | 40.8 | 41.6 | 37.8 | 36.4 | 36.5 | 35.8 | 36.1 | 32.5 | 30.8 | 26.9 | 24.7 |
| Top 10 clients | 49.0 | 50.5 | 47.0 | 46.3 | 46.7 | 45.4 | 45.0 | 42.1 | 40.7 | 36.7 | 35.0 |
| **Business Mix (%)** | | | | | | | | | | | |
| BFSI | 31.8 | 31.9 | 29.5 | 30.1 | 30.8 | 30.7 | 32.2 | 32.4 | 33.7 | 32.8 | 32.6 |
| Healthcare & Lifesciences | 19.7 | 19.3 | 19.1 | 19.3 | 20.5 | 21.2 | 20.7 | 20.7 | 19.9 | 19.7 | 19.6 |
| Tech cos & Emerging Verticals | 48.5 | 48.8 | 51.4 | 50.6 | 48.7 | 48.1 | 47.1 | 46.9 | 46.4 | 47.5 | 47.8 |
| **Employee Metrics** | | | | | | | | | | | |
| Employees | 10,829 | 10,820 | 12,438 | 13,680 | 14,904 | 15,879 | 16,989 | 18,599 | 21,638 | 22,476 | 22,598 |
| Net addition | 197 | -9 | 1,618 | 1,242 | 1,224 | 975 | 1,110 | 1,610 | 3,039 | 838 | 122 |
| Attrition LTM (%) | 12.7 | 10.6 | 10.3 | 11.7 | 16.6 | 23.6 | 26.9 | 26.6 | 24.8 | 23.7 | 21.6 |
| **Per capita annualized (USD mn)** | | | | | | | | | | | |
| Revenue | 48,394 | 50,311 | 47,002 | 44,687 | 44,770 | 45,930 | 46,879 | 46,736 | 44,649 | 45,483 | 46,794 |
| EBIT | 5,022 | 6,080 | 5,960 | 5,877 | 6,061 | 6,367 | 6,546 | 6,564 | 6,390 | 6,631 | 7,187 |
| PAT | 4,394 | 5,092 | 5,285 | 5,529 | 5,506 | 5,498 | 5,543 | 5,735 | 5,031 | 4,885 | 5,133 |

*Source: Company, Nirmal Bang Institutional Equities Research*

**Exhibit 153: YoY and QoQ performance on various parameters**

| QoQ Growth | 1QFY21 | 2QFY21 | 3QFY21 | 4QFY21 | 1QFY22 | 2QFY22 | 3QFY22 | 4QFY22 | 1QFY23 | 2QFY23 | 3QFY23 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Geography** | | | | | | | | | | | |
| North America | 3.4 | 7.1 | 5.1 | 2.1 | 8.7 | 9.0 | 9.9 | 8.3 | 10.9 | 6.1 | 1.5 |
| Europe | 19.5 | (22.6) | 24.4 | 18.8 | 3.7 | 1.2 | 3.0 | 10.5 | 12.5 | 3.3 | 12.2 |
| India | (9.5) | 6.5 | 14.0 | 8.2 | 20.2 | 17.1 | 13.4 | 10.1 | 14.2 | 7.7 | 10.6 |
| ROW | (22.7) | (3.1) | 15.1 | 32.5 | 3.4 | 21.4 | (12.6) | 36.4 | 0.0 | (5.9) | 3.4 |
| **Project Type** | | | | | | | | | | | |
| Services | 1.8 | 5.4 | 5.0 | 8.7 | 11.5 | 10.1 | 8.2 | 14.7 | 13.5 | 4.9 | 3.0 |
| IP driven | 10.1 | (3.3) | 20.0 | (13.9) | (4.0) | 4.3 | 16.2 | (27.0) | (12.6) | 17.9 | 8.7 |
| **Client concentration** | | | | | | | | | | | |
| Top client | (4.9) | 13.9 | 2.4 | 1.2 | 3.7 | 8.7 | 13.1 | (12.7) | (7.1) | (21.3) | (12.0) |
| Top 5 clients | 1.4 | 5.9 | (2.4) | 0.7 | 9.5 | 7.2 | 10.1 | (1.7) | 5.3 | (7.6) | (5.0) |
| Top 10 clients | 1.3 | 7.1 | (0.0) | 3.0 | 10.1 | 6.3 | 8.2 | 2.1 | 7.4 | (4.6) | (1.4) |
| **Vertical Mix** | | | | | | | | | | | |
| BFSI | 4.8 | 4.2 | (0.7) | 6.7 | 11.7 | 8.9 | 14.5 | 9.8 | 15.6 | 3.0 | 2.8 |
| Healthcare & Lifesciences | 5.8 | 1.8 | 6.3 | 5.7 | 15.9 | 13.0 | 6.6 | 9.1 | 6.8 | 4.8 | 2.9 |
| Tech cos & Emerging Verticals | 1.0 | 4.5 | 13.1 | 2.9 | 5.1 | 8.0 | 6.9 | 8.7 | 10.0 | 8.3 | 4.1 |
| **YoY Growth** | | | | | | | | | | | |
| **Client wise** | | | | | | | | | | | |
| Top client | 6.7 | 10.4 | 14.3 | 18.8 | 25.0 | 27.2 | 33.0 | 41.1 | 43.9 | 40.0 | 29.3 |
| Top 5 clients | 31.4 | (16.8) | (6.3) | 36.7 | 18.6 | 55.1 | 28.5 | 19.4 | 29.5 | 32.2 | 44.0 |
| | 29.1 | 31.1 | 31.2 | 18.9 | 57.9 | 73.7 | 72.7 | 75.7 | 66.9 | 53.5 | 49.8 |
| Top 10 clients | (28.6) | (24.1) | (10.9) | 14.3 | 52.8 | 91.4 | 45.3 | 49.7 | 44.8 | 12.1 | 32.8 |
| **By Verticals** | | | | | | | | | | | |
| Hi-Tech & Media Services | 15.2 | 17.2 | 17.4 | 22.3 | 34.0 | 39.9 | 44.2 | 52.2 | 55.0 | 47.7 | 40.6 |
| Healthcare | (11.4) | (21.9) | (3.6) | 10.0 | (4.1) | 3.4 | 0.1 | (15.1) | (22.6) | (12.5) | (18.1) |
| **By Geography** | | | | | | | | | | | |
| USA | (17.9) | (11.2) | (2.8) | 12.1 | 22.3 | 16.7 | 28.9 | 11.2 | (0.4) | (27.8) | (43.9) |
| Europe | 0.2 | 1.8 | 0.9 | 5.5 | 13.9 | 15.3 | 30.1 | 27.0 | 22.2 | 5.3 | (9.2) |
| Asia Pacific | 2.0 | 2.5 | 3.9 | 11.6 | 21.3 | 20.4 | 30.4 | 29.3 | 26.2 | 13.3 | 3.3 |
| **By Service Lines** | | | | | | | | | | | |
| Customer Success | 25.7 | 21.8 | 9.2 | 15.7 | 23.3 | 28.9 | 48.7 | 53.1 | 58.4 | 49.8 | 34.4 |
| Data & Intelligence | 14.2 | 13.7 | 14.1 | 20.9 | 32.5 | 47.2 | 47.6 | 52.5 | 40.5 | 30.3 | 25.7 |
| Enterprise IT | (0.5) | (0.5) | 14.7 | 23.0 | 27.9 | 32.1 | 24.8 | 31.8 | 37.9 | 38.4 | 34.7 |

*Source: Company, Nirmal Bang Institutional Equities Research*

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