



INDIA IT SERVICES

Signs of inflection

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Time for enterprises to turn positive on tech spending

IT Services demand continues to struggle with constrained discretionary demand as enterprises remain uncertain about the macro-economic outlook. However, among investors and analysts, the US economy heading into a Goldilocks phase is becoming a consensus view, as reflected in upgrades in the US real GDP forecasts. Our equity strategists and bank analysts argue (read: [LOAN RANGER 4: The Rocky Balboa Economy](#)) that over the next 3-4 months, the catalysts of PMIs rising, benign inflation prints resuming and central banks finally cutting rates mid-year should allow for a continuation of the Goldilocks phase. This may turn enterprise sentiment positive for tech spending and bridge the gap between expectations. US IIP and job postings by IT Services firms, both having a high correlation with India IT services firms' revenue growth, are showing signs of inflection.

4QFY24 preview: Beginning of a gradual recovery

For our large-cap coverage, we expect 4QFY24 CC organic revenue growth at -1% to +1%. We see mid- and small-caps reporting 1-3% q-q USD organic revenue growth. Recovery of furloughs and ramp-up of recently won large deals should aid revenue growth. Accordingly, for most of our coverage companies, we see y-y revenue growth to start recovering from 4QFY24. That said, we note that some firms continue to see the impact of project ramp-downs. We expect EBIT margin to improve q-q for most of our coverage due to operating efficiencies. We think FY25 guidance will be a critical near-term catalyst, along with US macro-economic indicators in the coming months.

Positioning our picks for a growth recovery; INFO and HCLT are our top picks

We think the industry has bottomed out. Signs of improvement in the global economy, macro indicators and strong deal wins in recent quarters should translate into revenue growth acceleration in FY25, in our view. We prefer large-cap firms with strong client relationships, solid execution track-record and scale to invest in GenAI. Accordingly, our sector top picks are INFO and HCLT, and we also prefer TCS and LTIM. Among mid-caps, we prefer PSYS for its strong revenue growth.

Key changes & valuation metrics

	Stock Rating	Price* (LC)	Target price (LC)		Upside	Mkt cap (INRm)	EPS chg.		P/E (x)		EV/EBITA (x)		ESG Rating
				chg.			23	24e	23CY	24eCY	23CY	24eCY	
HCL Technologies	(+)	1,543.6	1,850.0	↗ 10%	20%	4,179,913		↘ 3%	26.9	23.1	20.7	17.8	
Infosys	(+)	1,498.1	1,985.0		33%	6,199,885		↘ 6%	25.6	23.2	18.9	17.3	
Infosys ADR (US)	(+)	17.9	24.0		34%	6,188,945		↘ 6%	25.3	23.2	18.7	17.3	
LTIMindtree	(+)	4,938.4	5,630.0	↘ 12%	14%	1,476,005	↘ 2%	↘ 9%	32.2	29.2	25.7	22.7	
Mphasis	(=)	2,388.1	2,250.0		-6%	449,909		↘ 1%	28.8	26.0	22.3	20.9	
Persistent Systems	(+)	3,984.6	4,260.0	↗ 3%	7%	602,757			58.1	42.5	43.2	32.2	
Redington	(-)	208.5	135.0		-35%	162,916		↗ 2%	13.0	12.4	10.4	10.1	
Tata Consult.	(+)	3,876.3	4,580.0		18%	14,152,514		↘ 3%	31.3	28.0	24.3	21.6	
Tech Mahindra	(=)	1,248.1	1,170.0	↘ 8%	-6%	1,104,039	↘ 3%	↘ 6%	35.1	26.9	29.1	22.2	
Wipro	(-)	480.1	445.0	↗ 3%	-7%	2,505,388			23.5	21.4	17.5	15.4	
Wipro ADR (US)	(-)	5.8	5.3	↗ 2%	-8%	2,502,593			23.3	21.4	17.3	15.4	

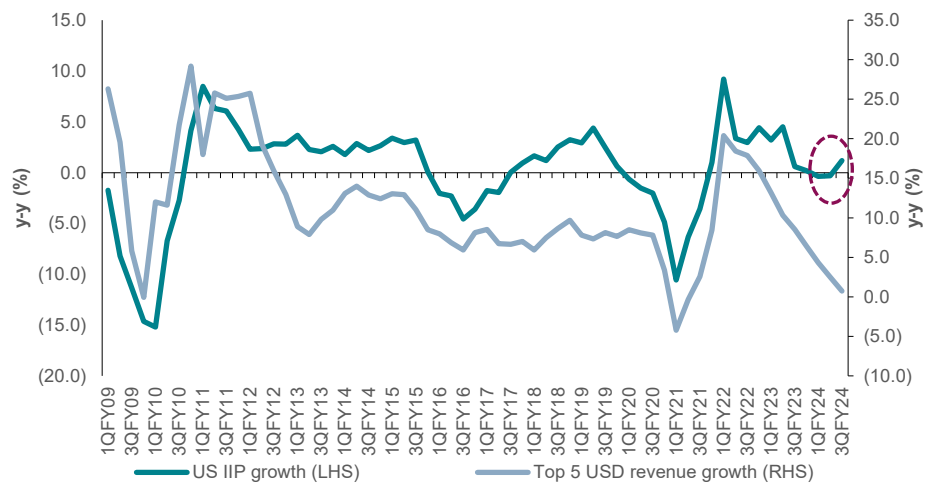
* Closing prices at 28 March 2024

See page 17 for Analyst Certification, Important Disclosures, Non-US Research Analyst disclosures and BNP Paribas Group Corporate Social Responsibility ("CSR") policies. For time of dissemination, please refer to the Cube. In November 2023, Exane SA and BNP Paribas SA completed their legal merger, with BNP Paribas SA as the succeeding legal entity. BNP Paribas Exane is a trade name of BNP Paribas SA and its affiliates and branches. BNPP has adopted strict CSR policies that govern financing and investment in certain sectors.

Lateral data: Showing signs of bottoming

The US IIP y-y growth has stabilised since 2QFY24 and moved into a positive territory, showing signs of a turnaround. US manufacturing and non-manufacturing PMIs remain stable. ACN's weaker-than-expected 3QFY24 revenue growth guidance and a cut in FY24 revenue guidance suggest demand recovery is slower than previously expected. Although ACN's guidance cut for FY24 has brought in an overhang for the sector, we note that its managed services segment continues to grow, while consulting remains under pressure. Moreover, the FY24 guidance at the mid-point implies revenue growth to have likely bottomed, with sharp recovery in 4Q24 (+6% y-y), which bodes well for India IT services firms, in our view.

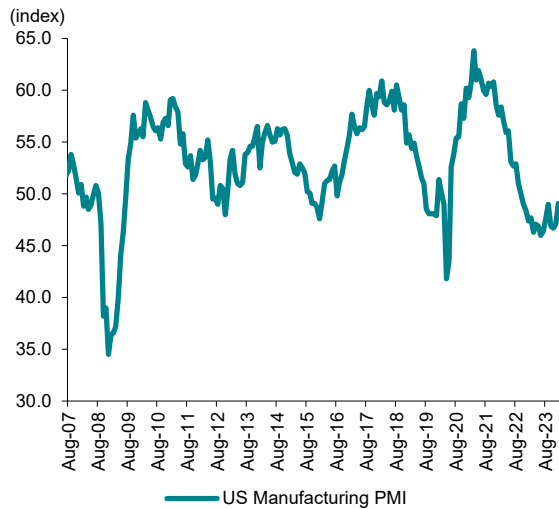
Figure 1: India IT Services revenue growth has a strong correlation with US industrial production growth — US IIP has started to recover



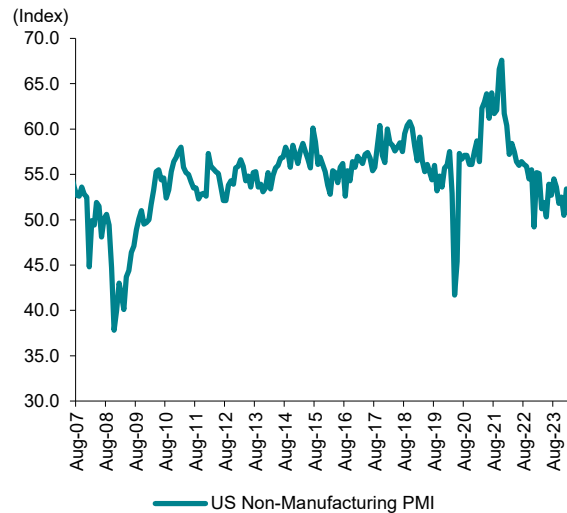
Note: India IT services USD revenue represents those of TCS, INFO, HCLT, WPRO and TECHM combined
Sources: Bloomberg, BNP Paribas Exane

Figure 2: US manufacturing and non-manufacturing PMIs largely steady

US manufacturing PMI remains stable



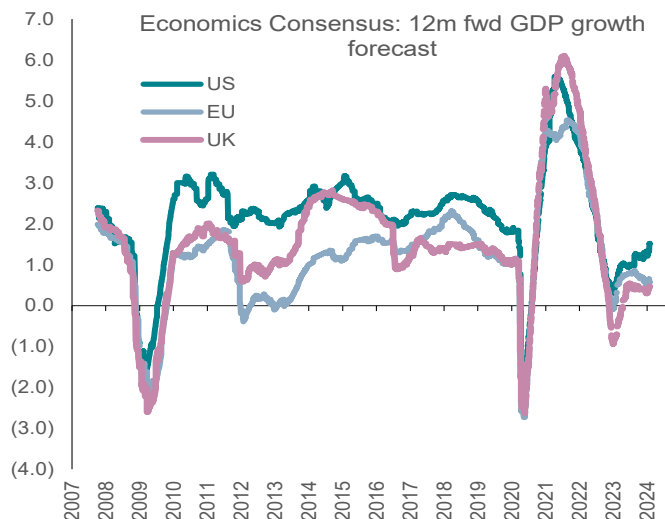
US non-manufacturing PMI too remains resilient



Source: Bloomberg, BNP Paribas Exane

We see ([LOAN RANGER 4: The Rocky Balboa Economy](#)) multiple macro-economic data suggesting we are heading towards a Goldilocks phase. Over the next 3-4 months, the catalysts of PMIs rising, benign inflation prints resuming and central banks finally cutting rates mid-year should allow for a continuation of the Goldilocks phase, which may turn enterprise sentiment positive for tech spending, in our view.

Figure 3: Consensus GDP: Upgrades to the US GDP growth forecasts



Source: Datastream, BNP Paribas Exane estimates

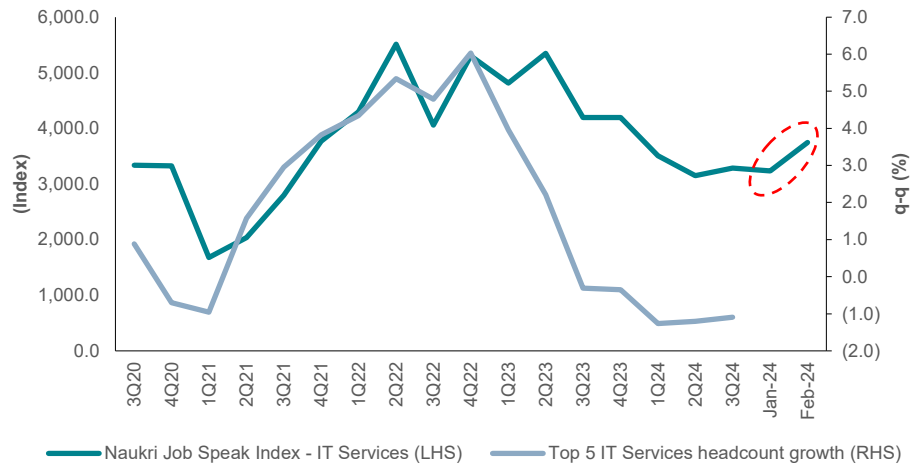
Job listings for IT services shows a sharp uptick m-m in Feb-24

The Naukri Job Speak Index is an indicator of hiring activity based on new job listings and job-related searches. We note that the q-q growth in Indian IT headcount and the Naukri Job Speak Index for IT services show a reasonably strong correlation. Although the index for IT services was still down 15% y-y for Feb-24, it was up 16% m-m and achieved the highest level in the past 11 months.

Increase in job postings in recent months is a sign of likely headcount addition by 3QCY24, in our view. We see this as an early and encouraging sign for Indian IT services' demand revival. As per the latest Job Speak Index report, hiring for AI-related roles such as Machine Learning Engineer and Full Stack AI Scientist grew 100% and 44% y-y, respectively, in Feb-24.

Figure 4: Naukri Job Speak Index for IT Services saw a jump in Feb-24

Higher index value = higher number of job listings

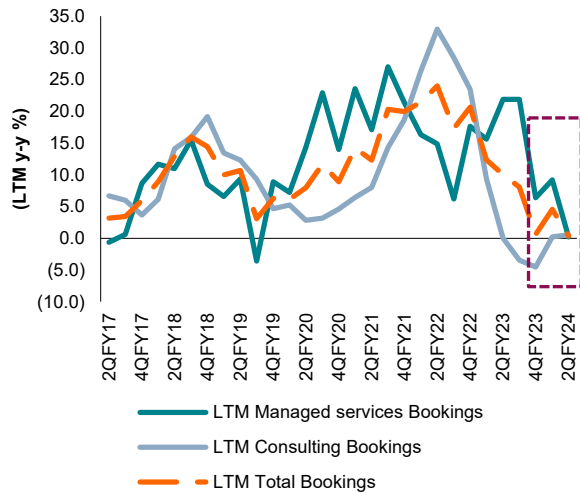
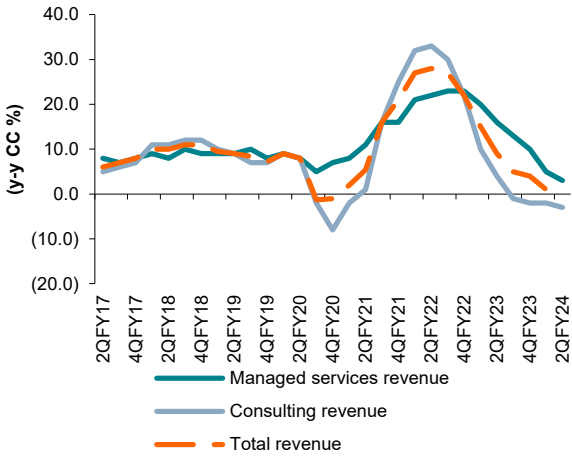


Source: Naukri Job Speak Report, BNP Paribas Exane

Figure 5: Accenture's y-y revenue growth remains moderate and bookings lumpy as enterprises are still uncertain of macroeconomic outlook

ACN delivered y-y CC growth slightly above the mid-point of the guidance range

ACN's overall bookings growth was primarily driven by outsourcing



Source: Accenture, BNP Paribas Exane

4QFY24 preview: Varied performance

In our large-cap coverage, we expect 4QFY24 revenue to 1) increase 1.1% q-q CC for TCS; 2) grow 1.7% q-q CC for HCL Tech, driven by a one-month contribution from the Verizon deal and reversal of furloughs; and 3) decline 0.5% q-q CC for INFO and 0.7% q-q CC for LTIM, primarily due to the absence of revival in discretionary spends, project ramp downs and extension of furloughs. We see mid- and small caps reporting 1-3% q-q USD revenue growth. We expect EBIT margin to fall q-q for INFO, LTIM and HCLT due to revenue declines, wage hike impacts and seasonality.

We expect INFO to guide for FY25 CC y-y revenue growth guidance range of 3-5%, WPRO to guide for quarterly CC revenue growth of -1% to 1% y-y for 1QFY25 and HCLT to guide for FY25 revenue growth guidance range of 6-8% y-y CC and to raise EBIT margin range for FY25 to 19-20%. We expect MPHL to keep its FY25 EBIT margin guidance range (ex M&A charges) at 15.25-16.25%. We see upside to these FY revenue growth guidance as demand recovers in the 2HFY25.

Figure 6: March-24 quarter – BNPP Paribas Exane estimates summary

	Revenue (USD m)	Change (USD) (q-q %)	Change (CC) (q-q %)	Revenue (INR m)	Change (q-q %)	EBIT (INR m)	Change (q-q %)	EBIT margin (%)	Change (q-q bp)	Net income (INR m)	Change (q-q %)
TCS	7,376	1.3	1.1	614,018	1.4	155,064	2.3	25.3	24bp	120,424	2.3
Infosys	4,644	(0.4)	(0.5)	386,639	(0.4)	78,326	(1.6)	20.3	-25bp	61,503	0.7
Wipro*	2,651	(0.2)	0.0	223,464	0.6	35,892	1.3	16.2	22bp	28,811	6.9
HCL Tech	3,480	1.9	1.7	289,745	1.9	53,130	(5.4)	18.3	-140bp	41,003	(5.7)
Tech Mahindra	1,558	(1.0)	(1.2)	129,694	(1.0)	9,351	33.0	7.2	184bp	7,287	42.8
Mphasis	407	1.0	1.0	33,714	1.0	5,083	2.2	15.1	18bp	3,816	2.2
LTIMindtree	1,077	(0.6)	(0.7)	89,687	(0.5)	13,400	(3.3)	14.9	-43bp	11,197	(4.2)
Persistent	310	3.1	3.1	25,806	3.3	3,831	5.5	14.8	31bp	3,110	8.7
Redington				240,804	2.4	4,808	1.4	2.0	-2bp	3,268	(6.1)

*For IT services, except INR revenue and net income
Source: BNP Paribas Exane estimates

Event Calendar

Date	Event
12 Apr-24	TCS 4QFY24 results
18 Apr-24	Infosys 4QFY24 results
22 Apr-24	Persistent 4QFY24 results
25 Apr-24	Mphasis 4QFY24 results
25 Apr-24	Tech Mahindra 4QFY24 results
26 Apr-24	HCL Tech 4QFY24 results
26 Apr-24 (expected)	Wipro 4QFY24 results
26 Apr-24 (expected)	LTIMindtree 4QFY24 results
16 May-24 (expected)	Redington 4QFY24 results

Source: Companies, Bloomberg

Figure 7: March 2024 quarter – key points to look out for

Company	BNPPE comments
TCS	<ul style="list-style-type: none"> We expect USD revenue growth of +1.3% q-q (+1.1% q-q in CC) on reversal of furloughs and incremental contribution from the BSNL and other deals. We model a 24bp q-q increase in EBIT margin on account of operating efficiencies. Look out for: BFSI vertical performance; medium-term industry demand trends and impact of macro headwinds on demand; commentary on the US and Europe markets and client budgets, deal wins and deal pipeline; revenue growth and margin outlook for FY25; hiring plans; investments in GenAI partnerships
Infosys	<ul style="list-style-type: none"> We expect USD revenue to decline 0.4% q-q (-0.5% q-q in CC) due to: 1) the continued impact of a slowdown related to a cut in discretionary tech spending; 2) some extension of furloughs; and 3) project ramp downs; partially offset by large deals ramp-up. We model a 25bp q-q decline in EBIT margin to 20.3% on account of muted revenue growth, one month of wage-hike impact and visa costs. The company's recent disclosure implies a net one-time tax refund of cINR33b (not reflected in our PAT estimates). Guidance: We expect Infosys to guide 3-5% y-y CC revenue growth in FY25 and a margin band of 20-22% Look out for: Performance of impacted verticals such as BFSI, retail, hi-tech and telecom; FY25 revenue growth and margin outlook; risk of macro headwinds on demand and demand outlook; commentary on core markets' (US and Europe) performance and client budgets; timeline of large deal win ramp-ups and pipeline; hiring plans; investments in GenAI partnerships and solutions; comments around pricing and utilisation.
Wipro	<ul style="list-style-type: none"> We expect USD services revenue to decline 0.2% q-q (flat q-q CC), above the mid-point of the guidance with some extended furloughs and the continued impact of a slowdown related to a cut in discretionary tech spending We model 22bp q-q expansion in IT services EBIT margin to 16.2% on account of operating efficiencies and cost optimisation. Guidance: We expect Wipro to guide for quarterly CC revenue growth of -1% to 1% q-q for 1QFY25 Look out for: Commentary on any strategic changes with the new CEO of Capco; impact of lower discretionary spending on the consulting business; performance of impacted verticals such as BFSI and tech; FY25 revenue growth and margin outlook; large deal wins and pipeline; hiring plans; investments in GenAI partnerships and solutions; updates on core geographies and top-10 accounts and commentary on client budgets.
HCL Tech	<ul style="list-style-type: none"> We expect 1.9% q-q USD revenue growth (+1.7% q-q in CC) on the back of 1) one additional month of the Verizon deal, and 2) reversal of furloughs, partially offset by 1) subdued discretionary spends and 2) seasonally weak Software business. We model a 140bp q-q contraction in EBIT margin to 18.3% on the back of 1) wage hike in services, 2) lower contribution from the high-margin Software segment and 3) lower margin from the Verizon deal. Guidance: We expect HCLT to guide for FY25 revenue growth of 6-8% y-y CC and to raise EBIT margin range for FY25 to 19-20% Look out for: Performance of verticals such as ER&D, tech and telecom; FY25 revenue and margin outlook; risk of macro headwinds on demand and demand outlook; outlook on services and Software segment; commentary on client budgets; hiring plans; investments in GenAI partnerships and solutions; timeline of large deal win ramp-ups and pipeline; contribution from ASAP.
LTIMindtree	<ul style="list-style-type: none"> We expect revenue to decline 0.6% q-q (-0.7% q-q in CC) due to: 1) lower pass-through contribution q-q; 2) partial reversal of furloughs and 3) project ramp downs. We model a 43bp q-q decline in EBIT margin to 14.9% due to q-q revenue decline and investments in some of the geographies. Look out for: Performance of BFSI, hi-tech and retail verticals; impact of macro headwinds on demand; FY25 revenue growth and margin outlook; performance of top accounts; commentary on client budgets; hiring plans, investments in GenAI partnerships and solutions; recent deal wins and deal pipeline; updates on the merger synergies.
Tech Mahindra	<ul style="list-style-type: none"> We expect 1.0% q-q USD revenue decline (-1.2% q-q CC) as 3QFY24 had one-time pass-through revenue and the Communications sector continues to reel under pressure. We model a 24bp increase in adjusted EBIT margin (i.e., excluding rationalisation costs in 3QFY24) to 7.2% on account of operating efficiencies. Look out for: Commentary from the new CEO; updates on the business segment restructuring; performance of BFSI and CMT verticals; impact of macro headwinds on telecom and enterprise tech spending; FY25 revenue growth and margin outlook; cost control initiatives; enterprise budgets; hiring plans; investments in GenAI partnerships and solutions; large deal wins; and deal pipeline.
Mphasis	<ul style="list-style-type: none"> We forecast 1.0% q-q USD revenue growth (+1.0% q-q in CC) with partial reversal of furloughs; however, we expect the overall BFS and mortgage business to remain under pressure. We model 18bp EBIT margin expansion q-q as we expect subdued revenue growth and acquisition cost impact to be offset by operating leverage. Look out for: Updates on the mortgage and DXC businesses; FY25 revenue growth and margin outlook; traction in AI-led deal wins and investments in GenAI partnerships; deal wins and pipeline; hiring plans; management commentary on diversification strategy and performance in non-BFS verticals, such as insurance and logistics.
Persistent Systems	<ul style="list-style-type: none"> We expect 3.1% q-q USD revenue growth (3.1% q-q CC) on continued strength in its client segments and ramp-up of healthcare deal. We model a 31bps q-q increase in EBIT margin to 14.8% on the back of strong revenue growth and operating leverage. Look out for: Updates on FY25 revenue growth and margin outlook going forward; impact of macro headwinds on demand; deal wins and order-book tenure; commentary on client budgets; hiring plans, investments in GenAI partnerships and solutions; performance of top accounts.
Redington	<ul style="list-style-type: none"> We expect INR revenue to expand 10.2% y-y (+2.4% q-q), primarily driven by growth in the Mobility segment. We expect EBITDA margin to remain flat q-q as we expect factoring costs to remain high. Look out for: Apple's revenue contribution; margin expansion plans; outlook on ESG TSG and Mobility segments in India and overseas markets; working capital days and level of factoring costs; debt position and finance costs; and traction in REDI's cloud business.

Source: BNP Paribas Exane estimates

Figure 8: USD revenue growth trend and estimates for companies in our coverage (q-q for quarters and y-y for years)

	1QFY23	2QFY23	3QFY23	4QFY23	FY23	1QFY24	2QFY24	3QFY24E	4QFY24E	FY24E	1QFY25E	2QFY25E	3QFY25E	4QFY25E	FY25E	FY26E
	(%)	(%)	(%)	(%)	(%)	(%)	(%)	(%)	(%)	(%)	(%)	(%)	(%)	(%)	(%)	(%)
TCS	1.3	1.4	2.9	1.7	8.6	0.4	(0.2)	1.0	1.3	4.2	2.5	3.0	2.5	3.0	8.4	10.5
Infosys	3.8	2.5	2.3	(2.3)	11.7	1.4	2.2	(1.2)	(0.4)	2.4	3.0	3.0	2.0	2.0	6.5	11.0
Wipro	0.5	2.3	0.2	0.7	7.8	(1.6)	(2.3)	(2.1)	(0.2)	(3.2)	0.9	2.0	1.8	2.1	2.0	7.5
HCL Tech	1.1	1.9	5.3	(0.3)	9.6	(1.1)	0.8	5.9	1.9	5.8	2.0	2.6	3.9	1.5	11.3	11.5
LTIMindtree	3.7	4.3	2.4	1.0	17.2	0.1	1.6	0.8	(0.6)	4.6	2.3	4.3	2.2	2.6	7.8	12.0
Tech Mahindra	1.5	0.3	1.8	0.0	10.1	(4.0)	(2.8)	1.1	(1.0)	(4.8)	1.9	3.1	1.6	3.0	5.0	9.8
Mphasis	1.2	1.0	(2.5)	(4.1)	7.8	(3.4)	0.1	1.0	1.0	(6.5)	2.0	4.4	1.3	3.2	8.3	11.3
Persistent	11.1	5.8	3.4	3.9	35.3	3.0	3.1	3.0	3.1	14.4	1.9	9.8	4.0	2.5	17.5	14.2
Redington (INR)#	(2.9)	13.4	13.8	0.8	26.7	(3.0)	4.9	5.8	2.4	14.6	(1.2)	4.9	5.9	2.0	12.3	12.3

Note: #INR revenue growth

Source: Companies, BNP Paribas Exane estimates

Figure 9: EBIT margin progression and estimates for companies in our coverage

	1QFY23	2QFY23	3QFY23	4QFY23	FY23	1QFY24	2QFY24	3QFY24E	4QFY24E	FY24E	1QFY25E	2QFY25E	3QFY25E	4QFY25E	FY25E	FY26E
TCS	23.1	24.0	24.5	24.5	24.1	23.2	24.3	25.0	25.3	24.4	24.3	25.2	25.8	26.8	25.6	26.0
Infosys	20.1	21.5	21.5	21.0	21.1	20.8	21.2	20.5	20.3	20.7	21.1	20.5	21.5	21.9	21.2	22.3
Wipro#	15.0	15.1	16.3	16.3	15.7	16.0	16.1	16.0	16.2	16.1	16.4	15.8	16.5	16.7	16.3	16.5
HCL Tech	17.0	17.9	19.6	18.2	18.2	17.0	18.5	19.7	18.3	18.4	19.8	18.2	20.5	19.6	19.5	19.8
LTIMindtree	17.4	17.5	13.9	16.4	16.2	16.7	16.0	15.4	14.9	15.7	15.1	16.3	17.1	17.8	16.6	17.6
Tech Mahindra	11.0	11.4	12.0	11.2	11.4	6.8	4.7	5.4	7.2	6.0	10.6	10.1	10.4	10.5	10.4	11.2
Mphasis	15.3	15.3	15.3	15.3	15.3	15.4	15.5	14.9	15.1	15.2	14.1	15.5	16.0	16.4	15.5	15.6
Persistent	14.3	14.6	15.4	15.4	14.9	14.9	13.7	14.5	14.8	14.5	16.4	15.8	17.3	17.9	16.9	18.6
Redington (INR)#	2.5	2.6	2.5	2.3	2.5	1.8	2.0	2.0	2.0	1.9	2.0	2.0	2.0	2.0	2.0	2.0

Note: #Services EBIT margin for Wipro

Source: Companies, BNP Paribas Exane estimates

Changes to estimates

We revise our earnings estimates for our coverage companies with the largest cuts for LTIM, TECHM and INFO, as we expect them to be the most impacted from delays in recovery of discretionary spends.

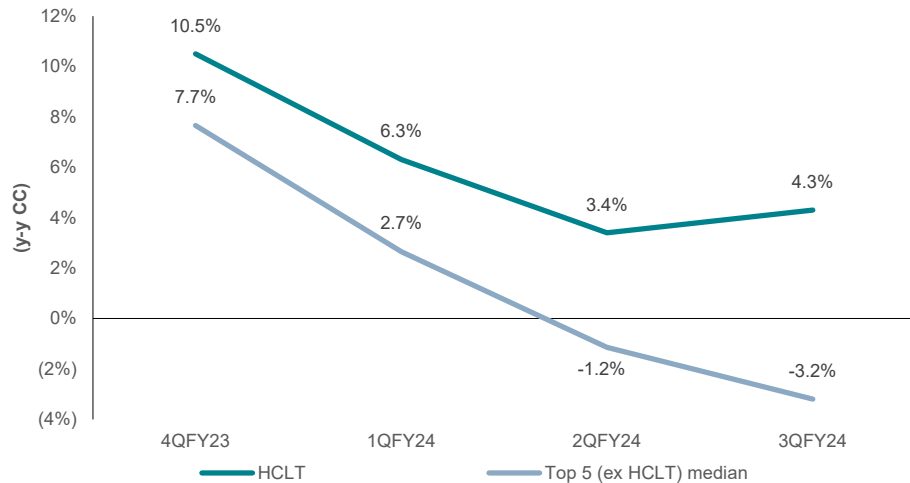
Over the last one year, HCLT's y-y cc revenue growth outperformance has consistently expanded relative to its large cap peers, despite a challenging macroeconomic environment. We attribute this to the company's solid execution and ability to win mega deals even in verticals where it has traditionally been weak, such as telecommunications. During this period, the company has also been able to expand its margin. Accordingly, we adjust our WACC by 50bp to reflect this superior execution. Our WACC assumption for HCLT now falls between those for Infosys and Tech Mahindra (earlier it was similar to Tech Mahindra's).

LTIMindree is more adversely impacted than its peers due to its higher exposure to discretionary demand, in our view. Accordingly, the company's EBIT margins have also come off as some of the projects that ramped down had higher margin. We cut our revenue growth and margin estimates as we see recovery pushed out by a few quarters. That said, we continue to like LTIM for its strength in high-growth segments, especially customer experience, and tailwinds to revenue and margin from merger synergies.

We roll forward our valuation base by a quarter to March 2025. Thus, our TPs change by -12% to +10%. We retain our ratings for our coverage companies.

Figure 10: HCLT's revenue growth outperformance has expanded in recent quarters

y-y CC revenue growth



Source: Companies, BNP Paribas Exane

Figure 11: Changes to our estimates

	Revenue						EPS					
	New			Change vs prior			New			Change vs prior		
	FY24E (USD m)	FY25E (USD m)	FY26E (USD m)	FY24E (%)	FY25E (%)	FY26E (%)	FY24E (INR)	FY25E (INR)	FY26E (INR)	FY24E (%)	FY25E (%)	FY26E (%)
TCS	29,093	31,549	34,862	(0.2)	(1.1)	(1.1)	124.53	142.41	159.49	(0.6)	(2.9)	(2.6)
Infosys	18,642	19,863	22,048	(0.1)	(2.3)	(2.3)	58.96	66.30	76.57	(0.7)	(5.6)	(4.2)
Wipro	10,798	11,013	11,837	(0.1)	(1.3)	(1.3)	20.66	23.16	25.14	(0.0)	(0.2)	(4.9)
HCL Tech	13,320	14,821	16,531	(0.1)	(2.9)	(3.5)	58.32	69.56	77.55	(0.1)	(3.0)	(4.0)
Tech Mahindra	6,287	6,601	7,248	(0.4)	(0.1)	(0.5)	28.66	52.30	61.31	(2.6)	(6.0)	(9.2)
Mphasis	1,605	1,738	1,934	(0.1)	(1.3)	(1.4)	81.76	95.34	105.54	0.1	(1.4)	(1.8)
LTIMindtree	4,295	4,631	5,185	(0.4)	(3.2)	(5.2)	155.21	174.01	203.65	(1.6)	(8.9)	(10.2)
Persistent Systems	1,185	1,393	1,591	0.0	0.0	0.0	70.80	101.25	125.16	0.1	0.4	0.4
Redington (INR m)	909,927	1,021,766	1,122,368	0.1	0.1	0.2	15.51	17.27	19.27	0.1	1.6	0.1
USD/INR	82.83	83.29	83.29	0.0	0.1	0.1						

Source: BNP Paribas Exane estimates

Figure 12: Key assumptions in our DCF-based valuations

DCF valuation	TCS	INFO	HCLT	WPRO	TECHM	LTIM	MPHL	PSYS
WACC (%), new	10.1	10.5	11.0	12.0	11.5	10.5	11.0	10.5
WACC (%), previous	10.1	10.5	11.5	12.0	11.5	10.5	11.0	10.5
Terminal growth rate (%)	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0
INR revenue growth – FY24-26E (%) (CAGR)	9.8	9.1	11.7	5.1	7.7	10.2	10.3	16.2
INR revenue growth – FY26-34E (%) (CAGR)	11.5	11.5	11.5	8.0	10.5	11.5	10.0	13.0
Annual EBIT margin change – FY23-26E (bp) (CAGR), new	66	43	51	35	-7	45	13	121
Annual EBIT margin change – FY23-26E (bp) (CAGR), previous	72	58	56	30	31	83	17	119
Annual EBIT margin change – FY26-34E (bp) (CAGR)	0	0	0	0	0	0	0	0
12-month DCF-based TP (INR)	4,580	1,985	1,850	445	1,170	5,630	2,250	4,260
Implied target FY25 P/E (x)	32.2	29.9	26.6	19.2	22.4	29.7	23.6	42.1
Previous TP (INR)	4,575	2,000	1,680	430	1,270	6,400	2,250	4,150
% change in TP	0.1	(0.8)	10.1	3.5	(7.9)	(12.0)	0.0	2.7

DCF valuation base rolled forward from end-Dec-24 to end-Mar-25

Source: BNP Paribas Exane estimates.

Figure 13: P/E based TP derivation for Redington

Valuation	
EPS (Mar-26E) (INR) (previously EPS of INR19.4 for Mar-26E)	19.3
NTM target PE (x)	7.0x
Target price (INR)	135
Previous (INR)	135

Source: BNP Paribas Exane estimates

Figure 14: Comparable company valuations

	BBG Code	Price (LC)	Mkt Cap (USD m)	FY1E-FY3E CAGR		EBIT margin FY2E (%)	EV/EBITDA		P/E		PEG* FY2E (x)	Div yield FY2E (%)
				Rev. (%)	EPS (%)		FY2E (x)	FY3E (x)	FY2E (x)	FY3E (x)		
Large-cap IT												
Tata Consultancy	TCS IN	3,841	168,156	9.8	12.3	25.6	18.9	16.8	27.0	24.1	2.2	2.7
Infosys	INFO IN	1,484	74,554	9.1	14.0	21.2	14.5	12.5	22.4	19.4	1.6	3.6
Wipro	WPRO IN	472	30,078	5.1	9.9	16.4	12.3	11.5	20.5	19.0	2.1	2.5
HCL Technologies	HCLT IN	1,546	50,222	11.7	15.3	19.5	14.5	13.3	22.2	19.9	1.5	4.1
LTIMindtree	LTIM IN	4,928	17,536	10.2	14.6	16.6	19.3	16.3	28.3	24.2	1.9	1.4
Tech Mahindra	TECHM IN	1,254	14,617	7.7	46.3	10.4	15.9	13.5	24.0	20.4	0.5	4.0
Median				9.4	14.3	18.1	15.2	13.4	23.2	20.2	1.8	3.2
Mid and small-cap IT												
Mphasis	MPHL IN	2,407	5,420	10.3	13.6	15.5	16.6	14.9	25.2	22.8	1.9	2.5
Persistent Systems	PSYS IN	4,050	7,360	16.2	33.0	16.9	25.5	20.6	40.0	32.4	1.2	0.8
Redington	REDI IN	205	1,954	7.7	49.8	2.0	28.0	24.9	11.9	10.6	1.0	3.3
eClerx	ECLX IN	2,387	1,392	12.3	15.0	23.8	12.3	10.8	19.4	16.8	1.3	0.0
NIIT Technologies Ltd	COFORGE IN	5,549	4,079	15.2	26.0	14.7	17.8	15.1	29.4	24.4	1.1	1.6
L&T Tech Services Ltd	LTTS IN	5,446	6,952	13.8	15.9	18.7	23.7	20.6	38.1	32.9	2.4	1.0
Cyient Ltd	CYL IN	1,943	2,654	14.5	20.2	14.9	14.6	12.7	23.9	20.1	1.2	2.1
Median				13.8	20.2	15.5	17.8	15.1	25.2	22.8	1.2	1.6
Global IT												
Accenture	ACN US	341	228,812	7.7	10.2	15.8	16.5	14.9	26.0	23.2	2.6	1.6
Capgemini [^]	CAP FP	215	43,118	4.1	17.9	12.7	12.0	11.0	17.4	15.9	1.0	1.6
Cognizant [^]	CTSH US	74	36,651	2.7	8.7	15.2	10.1	9.4	15.9	14.8	1.8	1.6
Median				4.1	10.2	15.2	12.0	11.0	17.4	15.9	1.8	1.6

Priced as of close of 27 March 2024. FY1E: FY24E, FY2E: FY25E, FY3E: FY26E. ^{*}Based on FY1E-3E EPS CAGR

[^]: For Capgemini and Cognizant: CY24/CY25 corresponds to FY25/FY26

Sources: Bloomberg; company reports; BNP Paribas Exane estimates for Infosys, TCS, Wipro, HCL Tech, Tech Mahindra, Mphasis, LTIMindtree, Persistent and Redington. Bloomberg consensus estimates for the rest.

Investment case, valuation and risks

HCL Technologies (Outperform, Target Price INR1850)

Investment case

HCL Technologies (HCLT) has made a remarkable journey from being a predominantly infrastructure management company to a well-diversified IT services firm. We think HCLT's diversified service capabilities are still underappreciated, especially its progress in cloud computing. The company's recent mega-deal wins and guidance imply growth picking up by 4QFY24, which should set HCLT well for an outperformance vs its larger peers on revenue in FY25, in our view. In addition, healthy dividend yield gives us valuation comfort.

Valuation methodology

We value HCLT using DCF methodology, with FY4-11E revenue CAGR of 11.5%, WACC of 11.0% and terminal growth rate of 5%.

Risks

To the upside:

Upside risks to our DCF-based TP are: 1) A strong turnaround of its software business, HCLSoftware, with sharp improvement in deal wins; 2) improvement in margins due to better pricing and automation initiatives; 3) sustained INR depreciation vs the USD; and 4) an earlier-than-expected recovery in growth due to improving macro headwinds.

To the downside:

Downside risks to our DCF-based TP are: 1) Increased weakness in its software business; 2) a sharper-than-expected decline in global economic activity and GDP growth; 3) margin pressure from increased competition; 4) sustained INR appreciation vs the USD; and 5) deals not ramping up as expected.

Infosys (Outperform, Target Price INR1985)

Investment case

As digital adoption accelerated post Covid, Infosys soundly outperformed peers on revenue growth due to its strong capabilities in digital technologies. However, as discretionary demand came under pressure, so did revenue growth, resulting in multiple rounds of guidance cuts. However, we think revenue growth is close to the trough and expect it to start picking up as the company's mega-deal wins have started to ramp up recently. The company's cost structure appears to have come under control as its two-year margin expansion initiative, Project Maximus is showing results. We think Infosys should be part of investor portfolios positioned for a global macro-economic recovery as we see Infosys as a key beneficiary of discretionary demand pick-up and GenAI adoption.

Valuation methodology

We value Infosys using DCF methodology, with FY4-11E revenue growth of 11.5%, WACC of 10.5% and terminal growth of 5%.

Risks

To the upside:

Upside risks to our DCF-based TP are: 1) A swift ramp-up in recent mega-deal wins; 2) margins improving due to better pricing and automation initiatives; 3) sustained INR depreciation vs the USD; and 4) an earlier-than-expected recovery in growth due to improving macro headwinds.

To the downside:

Downside risks to our DCF-based TP are: 1) Increased margin pressure from recent mega deals; 2) a sharper-than-expected decline in global economic activity and GDP growth; 3) margin pressure from increased competition; 4) sustained INR appreciation vs the USD; and 5) deals not ramping up as expected.

Infosys ADR (US) (Outperform, Target Price USD24)

Investment case

As digital adoption accelerated post Covid, Infosys soundly outperformed peers on revenue growth due to its strong capabilities in digital technologies. However, as discretionary demand came under pressure, so did revenue growth, resulting in multiple rounds of guidance cuts. However, we think revenue growth is close to the trough and expect it to start picking up as the company's mega-deal wins have started to ramp up recently. The company's cost structure appears to have come under control as its two-year margin expansion initiative, Project Maximus is showing results. We think Infosys should be part of investor portfolios positioned for a global macro-economic recovery as we see INFO as a key beneficiary of discretionary demand pick-up and GenAI adoption.

Valuation methodology

We value Infosys using DCF methodology, with FY4-11E revenue growth of 11.5%, WACC of 10.5% and terminal growth of 5%. We convert our INR-derived TP to USD based on the last quarter-end USD-INR exchange rate.

Risks

To the upside:

Upside risks to our DCF-based TP are: 1) A swift ramp-up in recent mega-deal wins; 2) margins improving due to better pricing and automation initiatives; 3) sustained INR depreciation vs the USD; and 4) an earlier-than-expected recovery in growth due to improving macro headwinds.

To the downside:

Downside risks to our DCF-based TP are: 1) Increased margin pressure from recent mega deals; 2) a sharper-than-expected decline in global economic activity and GDP growth; 3) margin pressure from increased competition; 4) sustained INR appreciation vs the USD; and 5) deals not ramping up as expected.

LTIMindtree (Outperform, Target Price INR5630)

Investment case

LTIMindtree (LTIM)'s equity story has been of solid execution both on revenue growth and margin expansion fronts. Add to that the potential from revenue and cost synergy benefits, and the company starts to offer a solid earnings growth outlook. Management's confidence in delivering better y-y revenue growth in 2HFY24 than that in 1HFY24 implies a 3Q-4QFY24 CQGR of at least 3.1%, supported by visibility in deal ramp-ups from the recent solid deal wins and a robust pipeline. From 16% in 2QFY24, LTIM is confident of its EBITDA margin hitting 17-18% by end-FY24 and 19-20% by FY27. Given its solid deal execution, coupled with post-merger revenue and margin synergies, we expect LTIM to offer solid earnings growth potential that is well-deserving of its premium valuation.

Valuation methodology

We value LTIM using DCF methodology, with FY4-11E revenue growth of 11.5%, WACC of 10.5% and terminal growth of 5%.

Risks

To the upside:

Upside risks to our DCF-based TP are: 1) higher-than-expected cross-selling opportunities between Mindtree and LTI clients; 2) margins improving due to better pricing and automation initiatives; 3) sustained INR depreciation vs the USD; and 4) an earlier-than-expected recovery in growth due to improving macro headwinds.

To the downside:

Downside risks to our DCF-based TP are: 1) execution risk post-merger or synergies not materialising as expected; 2) a sharper-than-expected decline in global economic activity and GDP growth; 3) margin pressure from increased competition; 4) sustained INR appreciation vs the USD; and 5) deals not ramping up as expected.

Mphasis (Neutral, Target Price INR2250)

Investment case

Mphasis (MPHL) has been the most hit in our coverage by higher interest rates due to its high exposure to the mortgage business. While management has contained the impact on overall revenue growth, the company has been underperforming its mid-cap peers on revenue growth. Going ahead, the revival of tech spending by US-based BFSI customers is key to MPHL's growth recovery. Also, any post-merger cost-cutting initiatives by two of MPHL's top-10 accounts is a potential medium-term risk. Muted 3QFY24 deal wins, subdued outlook for DXC and lack of recovery in mortgage business in the near-term keep us cautious about MPHL's equity story. We see risks to growth expectations lingering and find better value elsewhere in our coverage.

Valuation methodology

We value MPHL using DCF methodology, with FY4-11E revenue growth of 10%, WACC of 11% and terminal growth of 5%.

Risks

To the upside:

Upside risks to our DCF-based TP are: 1) a reversal in the interest-rate upcycle leading to a sharp improvement in the mortgage business; 2) a sharp pick-up in AI-led deal signings and revenue conversion; and 3) sustained INR depreciation vs the USD; and 4) an earlier-than-expected recovery in growth due to improving macro headwinds.

To the downside:

Downside risks to our DCF-based TP are: 1) Delayed interest-rate cuts resulting in persistent weakness in the mortgage business; 2) weaker-than-expected deal TCV-to-revenue conversion; and 3) sharper-than-expected macro-economic weakness resulting in demand slowdown, especially among BFSI clients.

Persistent Systems (Outperform, Target Price INR4260)

Investment case

Since its recent pivot towards the services business, Persistent Systems (PSYS) has seen solid revenue growth outperformance on the back of its strong product engineering capabilities. Renewals are also happening for longer-tenure deals. The company is increasing its sales and business development headcount, as it aggressively builds out its sales network to maintain its deal-win momentum. It reiterated its aim to expand EBITDA margin by a cumulative 200-300bp over the next 2-3 years through levers such as hiring more freshers and improving utilisation and efficiencies. We see strong revenue growth and margin tailwinds resulting in solid earnings growth for PSYS, and think it is well-deserving of a premium valuation.

Valuation methodology

We value PSYS using DCF methodology, with FY4-11E revenue growth of 13%, WACC of 10.5% and terminal growth rate of 5%.

Risks

To the upside:

Upside risks to our DCF-based TP are: 1) marked pick-up in deal signings due to increased revenue scale; 2) margins improving due to better pricing and automation initiatives; 3) sustained INR depreciation vs the USD; and 4) an earlier-than-expected recovery in growth due to improving macro headwinds.

To the downside:

Downside risks to our DCF-based TP are: 1) any material weakness at its top client (IBM); 2) a sharper-than-expected decline in global economic activity and GDP growth; 3) margin pressure from increased competition; 4) sustained INR appreciation vs the USD; and 5) deals not ramping up as expected.

Redington (Underperform, Target Price INR135)

Investment case

Redington India (REDI) has struggled to convert its sales growth into free cash flow in the recent quarters due to deteriorating working capital management. Supply constraints have largely eased, and hence, the associated benefits have also reversed. Also, demand risks due to slowing smartphone and PC shipments remain, with a margin risk on continued investments, in our view. REDI is making aggressive investments in technology and human capital in the services business. We remain concerned about margin and working capital benefits reversing and see Bloomberg consensus' margin expectations as aggressive. We also see demand headwinds emerging, especially in Africa (c10% of revenue) and in its ESG vertical. We think the valuation has not priced in the likely reversing tailwinds.

Valuation methodology

We value Redington with a target P/E of c7x applied to its two-year forward EPS. Our target multiple is slightly below its past five-year mean NTM P/E, as we see the company going through a normalisation phase with post-Covid benefits reversing.

Risks

To the upside:

Upside risks to our P/E-based TP are: 1) swift margin recovery; 2) working capital improving; and 3) better-than-expected free cash flow generation.

To the downside:

Downside risks to our P/E-based TP are: 1) sharp slowdown in ESG vertical demand; 2) the Africa market seeing a significant hit due to macroeconomic challenges; 3) inflationary pressure increasing in the Turkey market; 4) working capital days and margins reversing to pre-Covid levels; 5) any material reduction in dividend payout.

Tata Consultancy Services (Outperform, Target Price INR4580)

Investment case

Subsiding macro-concerns is key to growth recovery as deal signings for TCS remain strong. However, its performance on margins has been far more encouraging, as it saw a solid expansion despite sluggish revenue growth. TCS is confident of further margin expansion with cost reduction, lower sub-contracting and better utilisation as key levers. We like TCS, as the continuation of strong deal wins shows its strength in cost-optimisation projects. That said, we see growth recovery starting at INFO first, helped by recent mega deals.

Valuation methodology

We value TCS using DCF methodology, with FY4-11E revenue growth of 11.5%, WACC of 10.1% and terminal growth of 5%.

Risks

To the upside:

Upside risks to our DCF-based TP are: 1) mega deal wins based on strong cost optimisation strength; 2) margins improving due to better pricing and automation initiatives; 3) sustained INR depreciation vs the USD; and 4) an earlier-than-expected recovery in growth due to improving macro headwinds.

To the downside:

Downside risks to our DCF-based TP are: 1) continued revenue leakage preventing revenue growth recovery for longer than expected; 2) a sharper-than-expected decline in global economic activity and GDP growth; 3) margin pressure from increased competition; 4) sustained INR appreciation vs the USD; and 5) deals not ramping up as expected.

Tech Mahindra (Neutral, Target Price INR1170)

Investment case

We note investors are hopeful that TECHM would see a marked turnaround under the new CEO. We have highlighted that TECHM exhibits significant turnaround potential. The new CEO has also reorganised TECHM (effective 1 January 2024) to bring agility, service line innovation, delivery quality and better economics. However, we fear TECHM's recent operating performance, weak deal wins and bloated cost structure may delay its turnaround process. Also, the new CEO will share more details on the turnaround plan in April 2024, pushing out the catalyst. We see TECHM's valuation price in all the positives from the turnaround and find better value elsewhere in our coverage.

Valuation methodology

We value TECHM using DCF methodology, with FY4-11E revenue growth of 10.5%, WACC of 11.5% and terminal growth rate of 5%.

Risks

To the upside:

Upside risks to our DCF-based TP are: 1) Swift recovery in CME vertical performance; 2) improvement in deal wins; and 3) sharp increase in EBIT margin due to revenue growth recovery and pulling of operational levers.

To the downside:

Downside risks to our DCF-based TP are: 1) Continued project stoppages and tech spend cuts by customers; 2) a sharper-than-expected decline in global economic activity and GDP growth; 3) margin pressure from increased competition; and 4) sustained INR appreciation vs the USD.

Wipro (Underperform, Target Price INR445)

Investment case

In recent quarters, Wipro's q-q cc revenue growth has underperformed the larger peers' median. In fact, its underperformance is among the highest seen in the last decade. While the company continues to see strong deal wins, most of them are renewals. This is reflected in an accelerating revenue decline and a jump in the revenue contribution from existing customers. The company's strategy of exiting smaller accounts, while well-intentioned, appears to be mistimed given the macroeconomic pressures, in our view. However, its outlook has substantially deteriorated since then. Given a potentially weak exit revenue in FY24, a 2.5% CQGR would at best result in mid-single digit revenue growth in FY25, on our calculations. We see risks to Wipro's earnings growth and valuation.

Valuation methodology

We value Wipro using DCF methodology, with FY4-11E revenue growth of 8%, WACC of 12% and terminal growth of 5%.

Risks

To the upside:

Upside risks to our DCF-based TP are: 1) Strong deal wins starting to reflect in growth recovery; 2) margins improving due to better pricing and automation initiatives; 3) sustained INR depreciation vs the USD; and 4) an earlier-than-expected recovery in growth due to improving macro headwinds.

To the downside:

Downside risks to our DCF-based TP are: 1) Any major earnings-dilutive acquisitions; 2) a sharper-than-expected decline in global economic activity and GDP growth; 3) margin pressure from increased competition; 4) sustained INR appreciation vs the USD; and 5) deals not ramping up as expected.

Wipro ADR (US) (Underperform, Target Price USD5.3)

Investment case

In recent quarters, Wipro's q-q revenue growth has underperformed the larger peers' median. In fact, its underperformance is among the highest seen in the last decade. While the company continues to see strong deal wins, a majority of them are renewals. This is reflected in an accelerating revenue decline and a jump in the revenue contribution from existing customers. The company's strategy of exiting smaller accounts, while well-intentioned, appears to be mistimed given the macroeconomic pressures, in our view. However, its outlook has substantially deteriorated since then. Given a potentially weak exit revenue in FY24, a 2.5% CQGR would at best result in mid-single digit revenue growth in FY25, on our calculations. We see risks to Wipro's earnings growth and valuation.

Valuation methodology

We value Wipro using DCF methodology, with FY4-11E revenue growth of 8%, WACC of 12% and terminal growth of 5%. We convert our INR derived TP to USD based on the last quarter-end USDINR exchange rate.

Risks

To the upside:

Upside risks to our DCF-based TP are: 1) Strong deal wins starting to reflect in growth recovery; 2) margins improving due to better pricing and automation initiatives; 3) sustained INR depreciation vs the USD; and 4) an earlier-than-expected recovery in growth due to improving macro headwinds.

To the downside:

Downside risks to our DCF-based TP are: 1) Any major earnings-dilutive acquisitions; 2) a sharper-than-expected decline in global economic activity and GDP growth; 3) margin pressure from increased competition; 4) sustained INR appreciation vs the USD; and 5) deals not ramping up as expected.

Explanation of Research Ratings#

Stock Rating

BNPP's Ratings are relative ratings defined against the performance of the relevant MSCI sector index, at either the country or regional level over a 12-month investment horizon.

Outperform (O/P): The stock is expected to outperform the stock's relevant MSCI sector index, at either the country or regional level.

Neutral: The stock is expected to perform in line with the stock's relevant MSCI sector index, at either the country or regional level.

Underperform (U/P): The stock is expected to underperform the stock's relevant MSCI sector index, at either the country or regional level.

Under review: The rating of the stock has been placed under review after significant news. Any possible change will be confirmed as soon as possible in the form of a new broadly disseminated report.

Restricted (RS): The stock is covered by BNPP but there is no Rating and no Target Price because BNPP is involved in an equity capital market/ merger and acquisition transaction relating to the subject company.

Not Rated (NR): The stock is covered by BNPP but there is no Rating and no Target Price at this time.

Not Covered (NC): BNPP does not cover this company.

ESG Rating Explanation and Methodology

ESG integration methodology: The BNP Paribas approach offers an alternative to mechanistic ESG scores and leverages the in-depth knowledge of our industry equity research teams by combining quantitative and qualitative factors. There are three steps to our framework; firstly, our teams build a materiality map to assess which ESG topics are most relevant to their respective industries. Secondly, for the chosen topics, companies are assessed relative to sector peers. The assessment can be based on metrics and qualitative judgements. Each company is given a one to five score per topic, with five being the best. Thirdly, based on the topic scores, and any other significant ESG factors, we identify companies in the sector as ESG Leaders, ESG Laggards or ESG Average. The definition of the ratings is shown below: they are not based on the average topic score as some topic scores can be more material than others.

ESG Leader: Relative to sector peers an ESG Leader is better positioned on the chosen ESG topics, or other relevant ESG considerations.

ESG Average: A company rated as ESG Average may have strong or poor performance on an individual ESG topic, but overall has an average exposure to ESG risks and opportunities.

ESG Laggard: Relative to sector peers an ESG Laggard is poorly positioned on the chosen ESG topics, or other relevant ESG considerations for the stock.

Distribution of BNP Paribas' Equity Recommendations#

As at 01/02/2024 BNP Paribas covered 962 companies. The companies that, for regulatory reasons, are not accorded a rating by BNPP are excluded from these statistics. For regulatory reasons, our ratings of Outperform, Neutral and Underperform correspond respectively to Buy, Hold and Sell; the underlying signification is, however, different as our ratings are relative to the sector.

47% of the companies covered by BNP Paribas were rated Outperform. During the last 12 months, BNPP provided investment banking services to 29% of the companies accorded this rating*.

36% of the companies covered by BNP Paribas were rated Neutral. During the last 12 months, BNPP provided investment banking services to 25% of the companies accorded this rating*.

17% of the companies covered by BNP Paribas were rated Underperform. During the last 12 months, BNPP provided investment banking services to 22% of the companies accorded this rating*.

*Please note that the percentages might not add to 100% because of rounding.

BNP Paribas does not set a predetermined frequency for publication and intends to update research reports as it deems appropriate, based on developments affecting the subject company, the sector or the market.

BNP Paribas Financing and Investment Policies

Sustainability is core to BNP Paribas' company purpose: "we are engaged with our clients to create a better future".

In line with the United Nations Sustainable Development Goals, the BNP Paribas Group has thus pledged to act as a catalyst in the energy transition, and to contribute to a responsible and sustainable economy. As a bank, we are required to finance a number of industries, some of which can pose major environmental, social and governance (ESG) challenges. That's why, since 2010, BNP Paribas has adopted and regularly reviewed sector policies laying down strict ESG criteria meant to govern our financing and investments in these sensitive areas. They aim to support our customers in their transitions towards sustainable practices. For more details, please refer to: Financing and investment policies - BNP Paribas (<https://group.bnpparibas/en/our-commitments/transitions/financing-and-investment-policies>).

#As of 30 Nov 2023, we have changed the recommendation rating structure for our Indian stock coverage from Buy, Hold and Reduce to Outperform, Neutral and Underperform. Ratings and target prices for dates prior to 30 Nov 2023 used an absolute rating structure whereby the upside or downside to target price relative to the current share price determined the recommendation, and were prepared and distributed without involvement of a FINRA member firm. We now use a relative recommendation structure whereby the applied rating is based on the stock's expected performance as compared to the relevant MSCI sector index, with the index used as specified in the valuation section of each report.

For policies for managing conflicts of interest in relation to investment research, go to:

https://cube.exane.com/fichiers/COI_investement_research.pdf.

The company-specific disclosures, history of recommendations, valuation methodologies and investment case risks for companies covered by this report are available on <https://cube.cib.bnpparibas/slink/sk6EkeqWGwHrv2cy>.

For material information about the proprietary models used, please see summary of financials in company-specific research reports and company page on <http://cube.exane.com>.

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This document was reposted after its initial publication after making correction in figure 7.

Price at 28 Mar. 24 / 12m Target Price

INR1,544 / INR1,850 +20%

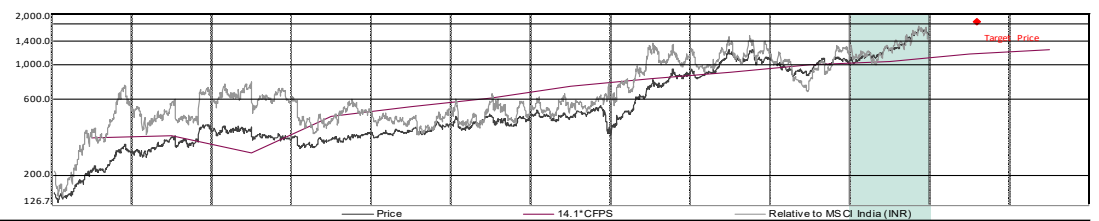
Refinitiv/Bloomberg: HCLT.NS / HCLT.IN

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HCL TECHNOLOGIES (Outperform)

Enterprise IT Services | IT Services - India

Company Highlights			
	INRm	EURm	
Enterprise value	4,113,822	/ 45,671	
Market capitalisation	4,179,913	/ 46,405	
Free float	1,630,166	/ 18,098	
3m average volume	4,953 / 55		
Performance (*)			
	1m	3m	12m
Absolute	(7%)	5%	61%
Rel. Sector	(9%)	(10%)	6%
Rel. MSCI India	(8%)	(1%)	13%
12m Hi/Lo (INR) : 1,364 +13% / 983.2 +57%			
CAGR			
	2005/2023	2023/2025	
EPS restated	NC	15%	
CFPS	NC	9%	



Price (yearly avg from Mar. 13 to Mar. 23) 113.2 207.4 320.9 362.2 332.0 377.5 428.1 475.7 670.8 1,014.3 981.3 1,543.6 1,543.6 1,543.6

PER SHARE DATA (INR)	Mar. 13	Mar. 14	Mar. 15	Mar. 16	Mar. 17	Mar. 18	Mar. 19	Mar. 20	Mar. 21	Mar. 22	Mar. 23	Mar. 24e	Mar. 25e	Mar. 26e
No of shares year end, basic, (m)	2 785.603	2 798.735	2 811.605	2 819.660	2 826.566	2 784.369	2 712.529	2 713.665	2 713.665	2 707.520	2 707.383	2 707.986	2 707.986	2 707.986
Avg no of shares, diluted, excl. treasury stocks (m)	2 785.752	2 827.197	2 823.327	2 824.803	2 825.634	2 804.419	2 751.715	2 713.665	2 713.665	2 712.044	2 710.699	2 711.803	2 713.263	2 713.263
EPS reported, Gaap	14.42	22.53	25.70	19.72	29.93	31.31	36.79	40.76	47.69	49.77	54.79	58.32	69.56	77.55
EPS company definition	14.42	22.53	25.70	19.72	29.93	31.31	36.79	40.76	47.69	49.77	54.79	58.32	69.56	77.55
EPS restated, fully diluted	14.42	22.53	25.70	19.72	29.93	31.31	36.79	40.76	47.69	49.77	54.79	58.32	69.56	77.55
% change	63.6%	56.2%	14.0%	(23.3%)	51.8%	4.6%	17.5%	10.8%	17.0%	4.4%	10.1%	6.5%	19.3%	11.5%
Book value (BVPS) (a)	51.3	71.7	88.0	97.9	118.6	132.2	154.0	188.9	220.8	228.7	241.6	238.4	231.3	222.6
Net dividend	6.10	11.01	15.99	17.00	24.00	8.00	8.00	26.00	43.98	48.00	52.00	64.00	64.00	72.00

STOCKMARKET RATIOS	Mar. 13	Mar. 14	Mar. 15	Mar. 16	Mar. 17	Mar. 18	Mar. 19	Mar. 20	Mar. 21	Mar. 22	Mar. 23	Mar. 24e	Mar. 25e	Mar. 26e
P/E (P/ EPS restated)	7.8x	9.2x	12.5x	18.4x	11.1x	12.1x	11.6x	11.7x	14.1x	20.4x	17.9x	26.5x	22.2x	19.9x
P/E relative to MSCI India	53%	48%	54%	88%	50%	54%	48%	53%	39%	79%	64%	99%	95%	98%
P/CF	6.6x	8.6x	12.8x	18.7x	10.0x	9.9x	9.9x	9.3x	11.7x	16.2x	14.0x	20.8x	18.8x	17.6x
FCF yield	13.3%	10.6%	5.4%	3.3%	8.7%	7.5%	6.7%	8.0%	9.3%	5.4%	6.1%	4.4%	4.6%	4.9%
P/BVPS	2.21x	2.89x	3.65x	3.70x	2.80x	2.85x	2.78x	2.52x	3.04x	4.44x	4.06x	6.47x	6.67x	6.93x
Net yield	5.4%	5.3%	5.0%	4.7%	7.2%	2.1%	1.9%	1.7%	3.9%	4.3%	4.9%	3.4%	4.1%	4.7%
Payout	42.3%	48.9%	62.2%	86.2%	80.2%	25.6%	21.7%	19.6%	54.5%	88.4%	87.6%	89.2%	92.0%	92.8%
EV / Sales	1.11x	1.68x	2.33x	3.15x	1.83x	1.88x	2.06x	2.01x	2.40x	3.15x	2.55x	3.73x	3.35x	3.00x
EV / Restated EBITDA	5.0x	6.4x	9.9x	14.4x	8.3x	8.3x	8.9x	8.5x	8.7x	13.2x	11.4x	16.8x	15.0x	13.8x
EV / Restated EBITA	5.6x	7.0x	10.4x	15.4x	9.0x	9.5x	10.5x	10.3x	11.2x	16.7x	14.0x	20.2x	17.1x	15.2x
EV / NOPAT	7.3x	8.7x	13.2x	19.5x	11.1x	12.0x	13.1x	13.0x	14.3x	20.9x	18.4x	27.3x	22.9x	20.3x
EV / OpFCF	6.9x	9.0x	17.8x	28.8x	10.4x	9.7x	12.4x	10.6x	8.7x	14.4x	12.9x	17.4x	16.2x	15.0x
EV / Capital employed (incl. gross goodwill)	1.4x	2.0x	2.8x	2.8x	2.3x	2.6x	2.6x	2.8x	3.2x	4.9x	4.4x	6.9x	6.9x	7.0x

ENTERPRISE VALUE (INRm)	Mar. 13	Mar. 14	Mar. 15	Mar. 16	Mar. 17	Mar. 18	Mar. 19	Mar. 20	Mar. 21	Mar. 22	Mar. 23	Mar. 24e	Mar. 25e	Mar. 26e
Market cap	286,102	553,243	862,107	981,808	853,155	950,110	1,247,085	1,420,441	1,808,405	2,701,458	2,584,007	4,113,822	4,129,259	4,134,253
+ Adjusted net debt	309,393	579,524	901,677	1,019,937	937,155	1,057,965	1,177,545	1,290,571	1,820,405	2,750,798	2,656,827	4,179,913	4,179,913	4,179,913
+ Other liabilities and commitments	(361)	(2,697)	(8,830)	2,189	(8,055)	(12,568)	(19,430)	27,390	(200)	(41,670)	(42,790)	(36,060)	(20,624)	(15,630)
+ Revalued minority interests							126,860	172,880	78,800	76,180	81,510	81,510	81,510	81,510
- Revalued investments	22,930	23,584	30,740	40,319	75,946	95,287	42,430	71,940	92,290	84,770	111,540	111,540	111,540	111,540

P & L HIGHLIGHTS (INRm)	Mar. 13	Mar. 14	Mar. 15	Mar. 16	Mar. 17	Mar. 18	Mar. 19	Mar. 20	Mar. 21	Mar. 22	Mar. 23	Mar. 24e	Mar. 25e	Mar. 26e
Sales	257,516	329,180	370,620	311,360	467,220	505,700	604,280	706,780	753,790	856,510	1,014,560	1,103,885	1,234,432	1,376,810
Restated EBITDA (b)	57,742	86,670	87,020	68,150	103,090	114,400	139,700	166,930	207,750	205,300	226,280	244,470	274,832	300,008
Depreciation	(6,744)	(7,320)	(4,500)	(4,450)	(8,340)	(14,520)	(21,480)	(28,400)	(46,110)	(43,260)	(41,450)	(41,250)	(33,881)	(28,085)
Restated EBITA (b)	50,998	79,350	82,520	63,700	94,750	99,880	118,220	138,530	161,640	162,040	184,830	203,220	240,951	271,923
Reported operating profit (loss)	50,998	79,350	82,520	63,700	94,750	99,880	118,220	138,530	161,640	162,040	184,830	203,220	240,951	271,923
Net financial income (charges)	1,558	(160)	9,120	7,960	9,340	11,110	8,050	1,790	4,160	7,470	10,050	9,566	11,018	9,700
Affiliates	1	(1)	(3)	0	0	0	0	0	0	0	0	0	0	0
Other	0	0	0	0	0	0	0	0	(5,750)	0	0	0	0	0
Tax	(12,169)	(15,480)	(19,080)	(14,990)	(19,520)	(23,170)	(24,810)	(29,380)	(36,150)	(34,280)	(46,430)	(54,726)	(63,224)	(71,203)
Minorities	(207)	0	0	(970)	0	(20)	(220)	(320)	(240)	(240)	60	103	0	0
Net attributable profit reported	40,181	63,709	72,557	55,700	84,570	87,800	101,240	110,620	123,660	134,990	148,510	158,163	188,745	210,420
Net attributable profit restated (c)	40,181	63,709	72,557	55,700	84,570	87,800	101,240	110,620	129,410	134,990	148,510	158,163	188,745	210,420

CASH FLOW HIGHLIGHTS (INRm)	Mar. 13	Mar. 14	Mar. 15	Mar. 16	Mar. 17	Mar. 18	Mar. 19	Mar. 20	Mar. 21	Mar. 22	Mar. 23	Mar. 24e	Mar. 25e	Mar. 26e
EBITDA (reported)	57,742	86,670	87,020	68,150	103,090	114,400	139,700	166,930	207,750	205,300	226,280	244,470	274,832	300,008
EBITDA adjustment (b)	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Other items	(9,998)	(18,568)	(16,208)	(12,470)	(9,504)	(11,151)	899	3,365	(13,483)	3,620	3,850	10,040	11,018	9,700
Change in WCR	(1,270)	(1,810)	(10,567)	(14,465)	500	(14,851)	(20,987)	(18,919)	(31,909)	(5,490)	(13,050)	(6,443)	(5,681)	(5,953)
Operating cash flow	47,074	66,292	60,245	41,215	94,086	110,701	119,613	151,376	226,176	203,430	217,080	248,067	280,169	303,755
Capex	(5,827)	(4,879)	(11,881)	(7,170)	(12,114)	(12,883)	(18,919)	(16,992)	(17,784)	(16,450)	(16,610)	(11,791)	(24,689)	(27,536)
Operating free cash flow (OpFCF)	41,248	61,413	48,364	34,045	81,972	97,818	100,634	134,384	208,392	186,980	200,470	236,276	255,481	276,219
Net financial items + tax paid	0	0	0	0	0	(18,700)	(21,810)	(31,600)	(38,080)	(38,780)	(39,660)	(53,610)	(62,944)	(72,242)
Free cash flow	41,248	61,413	48,364	34,045	81,972	79,118	78,824	102,784	170,312	148,200	160,810	182,666	192,536	203,976
Net financial investments & acquisitions	(19,505)	(46,235)	(13,869)	(18,583)	(30,875)	(13,612)	(17,932)	(109,439)	(45,472)	26,021	(25,553)	(22,811)	0	25,000
Other	2,193	(85)	4,333	143	(333)	(40,632)	(40,698)	(23,617)	(64,716)	14,712	0	0	0	0
Capital increase (decrease)	(2,834)	337	(4,726)	(66)	0	0	0	0	0	(993)	(18,899)	0	0	0
Dividends paid	(8,191)	(13,094)	(27,970)	(26,557)	(40,520)	(20,361)	(13,332)	(16,548)	(32,534)	(113,890)	(129,550)	(166,585)	(207,973)	(233,970)
Increase (decrease) in net financial debt	(12,910)	(2,336)	(6,133)	(11,019)	(10,244)	(4,513)	(6,862)	46,820	(27,590)	(41,470)	(1,120)	6,730	15,437	4,994
Cash flow, group share	48,096	68,102	70,812	54,727	93,586	106,827	118,532	138,295	155,898	169,838	190,470	200,900	222,906	237,466

BALANCE SHEET HIGHLIGHTS (INRm)	Mar. 13	Mar. 14	Mar. 15	Mar. 16	Mar. 17	Mar. 18	Mar. 19	Mar. 20	Mar. 21	Mar. 22	Mar. 23	Mar. 24e	Mar. 25e	Mar. 26e
Net operating assets	76,864	82,957	90,240	103,270	120,389	143,514	234,960	378,900	374,570	352,060	348,590	348,182	347,230	329,921
WCR	123,328	188,123	222,610	242,488	251,436	228,611	237,880	124,020	199,170	197,230	240,920	247,363	253,043	258,997
Restated capital employed, incl. gross goodwill	200,192	271,080	312,850	345,758	371,825	372,125	472,840	502,920	573,740	547,200	587,510	595,545	600,273	588,918

Price at 28 Mar. 24 / 12m Target Price

INR1,498 / INR1,985 +33%

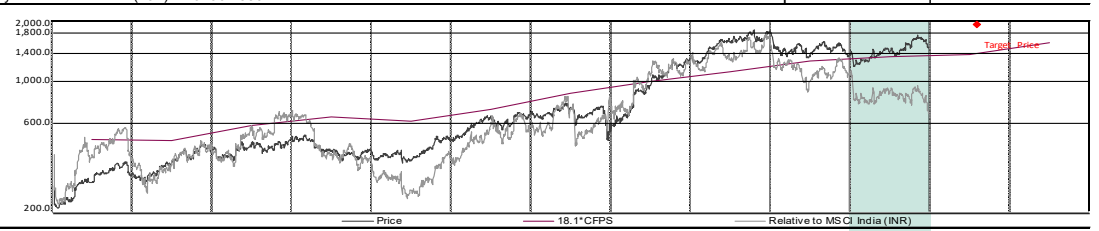
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Analyst: Kumar Rakesh (+91) 22 6196 4350

INFOSYS (Outperform)

Enterprise IT Services | IT Services - India

Company Highlights		INRm / EURm	
Enterprise value	5,956,152 / 66,125		
Market capitalisation	6,199,360 / 68,825		
Free float	5,207,462 / 57,813		
3m average volume	11,399 / 127		
Performance (%)		1m	3m
Absolute	(10%)	(4%)	14%
Rel. Sector	(13%)	(18%)	(25%)
Rel. MSCI India	(12%)	(10%)	(20%)
12m Hi/Lo (INR) : 1.578 -5% / 1.192 +26%			
CAGR		1992/2023	2023/2025
EFS restated	NC		14%
CFPS	NC		8%



	Mar. 13	Mar. 14	Mar. 15	Mar. 16	Mar. 17	Mar. 18	Mar. 19	Mar. 20	Mar. 21	Mar. 22	Mar. 23	Mar. 24e	Mar. 25e	Mar. 26e
Price (yearly avg from Mar. 13 to Mar. 23)	236.3	295.8	370.6	435.1	437.6	421.1	588.8	670.6	944.3	1,567.5	1,469.3	1,498.1	1,498.1	1,498.1
PER SHARE DATA (INR)														
No of shares year end, basic, (m)	4 571.194	4 571.429	4 571.221	4 571.279	4 571.358	4 509.949	4 347.129	4 257.827	4 242.421	4 209.537	4 180.732	4 138.286	4 138.637	4 138.637
Avg no of shares, diluted, excl. treasury stocks (m)	4 571.201	4 571.429	4 571.286	4 571.392	4 572.299	4 512.883	4 352.169	4 263.952	4 249.408	4 217.582	4 186.200	4 142.667	4 142.820	4 142.820
EPS reported, Gaap	20.61	23.29	26.97	29.52	31.19	35.54	35.23	38.98	45.61	52.53	57.63	59.02	66.36	76.64
EPS company definition	20.61	23.29	26.97	29.52	31.19	35.54	35.23	38.98	45.61	52.53	57.63	59.02	66.36	76.64
EPS restated, fully diluted	20.61	23.14	26.97	29.52	31.17	36.24	34.75	39.07	45.54	52.43	57.56	58.96	66.30	76.57
% change	13.3%	12.3%	16.6%	9.4%	5.6%	16.3%	(4.1%)	12.4%	16.6%	15.1%	9.8%	2.4%	12.5%	15.5%
Book value (BVPS) (a)	87.1	104.0	119.8	135.1	150.9	144.0	149.4	153.7	180.0	179.0	180.4	183.1	185.8	198.8
Net dividend	5.28	15.75	22.25	24.25	25.76	42.60	21.53	17.47	27.05	30.99	33.94	39.04	53.05	53.00
STOCKMARKET RATIOS														
P/E (P/ EPS restated)	11.5x	12.8x	13.7x	14.7x	14.0x	11.6x	16.9x	17.2x	20.7x	29.9x	25.5x	25.4x	22.6x	19.6x
P/E relative to MSCI India	77%	66%	60%	70%	63%	52%	70%	78%	58%	116%	91%	95%	97%	97%
P/CF	10.1x	10.9x	13.9x	13.6x	12.3x	12.6x	15.1x	14.1x	17.3x	25.4x	21.0x	20.2x	19.8x	17.2x
FCF yield	7.2%	7.1%	5.2%	4.9%	5.8%	6.8%	5.5%	5.3%	5.5%	3.4%	4.5%	4.5%	4.5%	5.2%
P/BVPS	2.71x	2.85x	3.09x	3.22x	2.90x	2.93x	3.94x	3.04x	5.36x	5.25x	8.15x	8.18x	8.06x	7.54x
Net yield	2.2%	5.3%	6.0%	5.6%	5.9%	10.1%	3.7%	2.6%	2.9%	2.0%	2.3%	2.6%	3.5%	3.5%
Payout	25.6%	68.1%	82.5%	82.2%	82.6%	117.6%	62.0%	44.7%	59.4%	59.1%	59.0%	66.2%	80.0%	69.2%
EV / Sales	2.62x	2.63x	3.14x	3.16x	2.68x	2.21x	2.72x	2.91x	3.68x	5.18x	4.04x	3.86x	3.59x	3.20x
EV / Restated EBITDA	9.2x	9.7x	11.2x	11.5x	9.9x	8.2x	11.8x	13.2x	20.0x	16.9x	16.2x	14.8x	12.6x	12.6x
EV / Restated EBITA	10.2x	10.7x	12.1x	12.6x	10.9x	9.1x	11.9x	13.6x	15.0x	22.5x	19.2x	18.6x	16.9x	14.3x
EV / NOPAT	13.8x	14.9x	16.9x	17.5x	15.1x	12.3x	16.4x	18.2x	20.6x	30.6x	26.5x	26.3x	23.6x	20.0x
EV / OpFCF	9.8x	9.9x	11.0x	12.8x	10.8x	8.0x	11.1x	13.3x	13.0x	20.7x	20.3x	15.9x	16.2x	13.8x
EV / Capital employed (incl. gross goodwill)	6.5x	7.0x	8.9x	9.1x	5.5x	5.0x	6.9x	6.5x	9.4x	14.5x	11.8x	12.0x	12.1x	12.0x
ENTERPRISE VALUE (INRm)	1,069,005	1,317,824	1,671,893	1,970,197	1,836,719	1,558,760	2,251,250	2,637,821	3,692,776	6,304,697	5,935,882	5,956,152	5,932,889	5,867,233
Market cap	1,080,335	1,352,314	1,694,083	1,989,057	2,000,239	1,899,160	2,559,504	2,855,239	4,005,915	6,598,558	6,142,738	6,199,360	6,199,885	6,199,885
+ Adjusted net debt	0	0	0	0	0	(198,180)	(195,680)	(146,350)	(201,270)	(128,700)	(51,160)	(79,227)	(104,761)	(174,272)
+ Other liabilities and commitments							1	36	16,580	29,900	37,630	28,126	29,871	33,726
+ Revalued minority interests								272	281	449	435	435	435	435
- Revalued investments	21,330	34,490	22,190	18,860	163,520	142,230	112,610	87,920	142,050	203,240	194,780	192,540	192,540	192,540
P & L HIGHLIGHTS (INRm)														
Sales	403,520	501,330	533,190	624,410	684,850	705,220	826,760	907,910	1,004,730	1,216,410	1,467,670	1,544,119	1,654,331	1,836,329
Restated EBITDA (b)	115,580	136,340	149,000	170,780	186,050	190,100	208,020	222,670	278,890	314,920	351,310	366,723	401,439	465,451
Depreciation	(11,290)	(13,740)	(10,680)	(14,590)	(17,030)	(18,620)	(19,230)	(28,930)	(32,670)	(34,770)	(42,250)	(47,137)	(49,993)	(55,290)
Restated EBITA (b)	104,290	122,600	138,320	156,190	169,020	171,480	188,790	193,740	246,220	280,150	309,060	319,586	351,445	410,161
Reported operating profit (loss)	104,290	122,600	138,320	156,190	169,020	171,480	188,790	193,740	246,220	280,150	309,060	319,586	351,445	410,161
Net financial income (charges)	23,590	26,600	34,260	31,260	29,700	33,110	28,830	26,260	20,060	20,950	24,160	24,620	32,684	34,101
Affiliates														
Other	0	(2,190)	0	0	(180)	12,430	(7,150)	2,500	0	0	0	0	0	0
Tax	(33,670)	(40,620)	(49,290)	(52,520)	(55,980)	(56,740)	(57,250)	(56,100)	(72,050)	(79,640)	(92,140)	(99,973)	(109,477)	(127,059)
Minorities	0	0	0	0	0	0	(50)	(450)	(720)	(350)	(130)	0	0	0
Net attributable profit reported	94,210	106,390	123,290	134,930	142,560	160,280	153,170	165,950	193,510	221,110	240,950	244,233	274,652	317,203
Net attributable profit restated (c)	94,210	105,785	123,290	134,930	142,509	163,530	151,225	166,580	193,510	221,110	240,950	244,233	274,652	317,203
CASH FLOW HIGHLIGHTS (INRm)														
EBITDA (reported)	115,580	136,340	149,000	170,780	186,050	190,100	208,020	222,670	278,890	314,920	351,310	366,723	401,439	465,451
EBITDA adjustment (b)	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Other items	21,870	23,920	37,340	32,840	30,550	24,840	24,660	27,780	19,940	22,670	31,880	32,640	0	0
Change in WCR	(9,760)	390	(11,310)	(22,549)	(19,440)	(1,060)	(5,920)	(19,380)	6,330	(11,830)	(65,030)	(2,734)	(2,542)	(2,772)
Operating cash flow	127,690	160,650	175,030	181,071	197,160	213,880	226,760	231,070	305,160	325,760	318,160	396,629	398,897	462,678
Capex	(19,280)	(27,450)	(22,470)	(27,230)	(27,600)	(19,980)	(20,450)	(33,070)	(21,070)	(21,610)	(25,790)	(22,270)	(33,087)	(36,727)
Operating free cash flow (OpFCF)	108,410	133,200	152,560	153,841	169,560	193,900	202,310	198,000	284,090	304,150	292,370	374,359	365,810	425,952
Net financial items + tax paid	(30,660)	(36,740)	(64,240)	(56,970)	(54,320)	(64,020)	(62,780)	(47,460)	(65,720)	(77,080)	(90,550)	(92,643)	(88,653)	(104,818)
Free cash flow	77,750	96,460	88,320	96,871	115,240	129,880	139,530	150,540	218,370	227,070	201,820	281,716	277,157	321,134
Net financial investments & acquisitions	(32,460)	(26,650)	(1,730)	(3,770)	(143,980)	(49,410)	(52,170)	9,900	(66,320)	(59,520)	80	0	0	0
Other	(1,660)	2,800	6,930	(1,671)	(2,590)	96,510	55,320	(39,570)	(5,910)	(3,640)	(28,270)	0	0	0
Capital increase (decrease)	10	0	0	0	(130,410)	(8,130)	(74,720)	150	(109,170)	(114,640)				
Dividends paid	(31,230)	(31,430)	(49,350)	(68,130)	(69,390)	(74,640)	(137,050)	(95,480)	(91,370)	(127,310)	(136,530)	(266,283)	(263,483)	(263,483)
Increase (decrease) in net financial debt	(12,410)	(41,180)	(44,170)	(23,300)	100,720	28,070	2,500	49,330	(54,920)	72,570	77,540	(15,433)	(13,674)	(57,651)
Cash flow, group share	106,790	123,520	122,100	146,650	162,280	150,920	169,844	202,443	232,246	260,098	292,482	306,720	312,786	360,633
BALANCE SHEET HIGHLIGHTS (INRm)														
Net operating assets	88,120	103,860	129,470	153,820	162,150	146,010	175,870	250,530	265,680	263,040	296,720	283,713	278,866	271,963
WCR	74,080	83,100	59,240	62,710	174,720	165,860	152,480	156,430	128,670	170,850	208,290	211,024	213,566	216,338
Restated capital employed, incl. gross goodwill	162,200	186,960	188,710	216,530	336,870	311,870	328,380	406,960	394,350	433,890	508,010	494,736	492,232	488,301
Shareholders' funds, group share	397,970	475,300	547,630	617,790	689,820	649,230	649,480	654,500	763,510	753,500	754,070	757,804	768,973	822,693
Minorities						10	580	3,940	4,310	3,860	3,880	3,800	3,800	3,800
Provisions/ Other liabilities	4,810	7,660	6,840	8,830	7,650	13,530	16,700	26,260						

Price at 28 Mar. 24 / 12m Target Price

INR2,388 / INR2,250 -6%

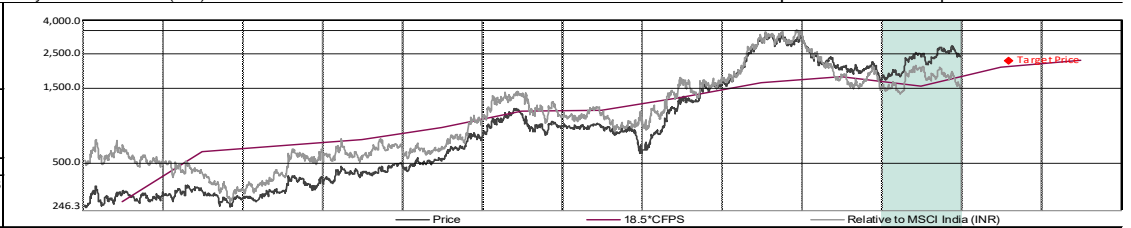
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Analyst: Kumar Rakesh (+91) 22 6196 4350

MPHASIS (Neutral)

Enterprise IT Services | IT Services - India

Company Highlights		INRm / EURm	
Enterprise value	457,745 / 5,082		
Market capitalisation	449,909 / 4,995		
Free float	197,960 / 2,198		
3m average volume	1,519 / 17		
Performance (%)		1m	3m
Absolute	(10%)	(12%)	50%
Rel. Sector	(12%)	(25%)	(1%)
Rel. MSCI India	(12%)	(18%)	5%
12m Hi/Low (INR) : 2,522 -5% / 1,626 +47%			
CAGR		1994/2023	
EPS restated	NC	NC	14%
CFPS	NC	NC	21%



Price (yearly avg from Mar. 13 to Mar. 23)														
	269.9	299.3	311.8	340.3	435.9	572.8	903.3	815.4	1,148.2	2,602.7	2,146.7	2,388.1	2,388.1	2,388.1
PER SHARE DATA (INR)	Mar. 13	Mar. 14	Mar. 15	Mar. 16	Mar. 17	Mar. 18	Mar. 19	Mar. 20	Mar. 21	Mar. 22	Mar. 23	Mar. 24e	Mar. 25e	Mar. 26e
No of shares year end, basic, (m)	210.139	210.139	210.139	209.854	210.035	196.334	191.496	186.535	187.040	187.800	188.400	188.400	188.400	188.400
Avg no of shares, diluted, excl. treasury stocks (m)	210.113	210.129	210.105	210.023	210.023	195.798	191.341	186.836	188.685	192.218	189.252	188.761	188.687	188.687
EPS reported, Gaap	35.40	14.71	32.26	34.22	38.61	43.44	56.10	63.43	64.49	75.33	86.55	81.76	95.34	105.54
EPS company definition	35.40	14.71	32.26	34.22	38.61	43.44	56.10	63.43	64.49	75.33	86.55	81.76	95.34	105.54
EPS restated, fully diluted	35.40	14.63	32.22	33.51	38.41	43.27	56.10	62.52	64.49	75.33	86.55	81.76	95.34	105.54
% change	(6.1%)	(58.7%)	120.3%	4.0%	14.6%	12.6%	29.7%	11.4%	3.1%	16.8%	14.9%	(5.5%)	16.6%	10.7%
Book value (BVPS) (a)	234.8	243.4	260.8	280.0	292.9	279.2	274.1	312.5	349.0	369.7	421.2	393.9	417.2	442.4
Net dividend	17.00	7.00	16.00	20.00	17.00	20.00	27.00	35.00	65.00	46.00	50.00	49.98	60.00	67.00

STOCKMARKET RATIOS	Mar. 13	Mar. 14	Mar. 15	Mar. 16	Mar. 17	Mar. 18	Mar. 19	Mar. 20	Mar. 21	Mar. 22	Mar. 23	Mar. 24e	Mar. 25e	Mar. 26e
P / E (P/ EPS restated)	7.6x	20.5x	9.7x	10.2x	11.3x	13.2x	16.1x	13.0x	17.8x	34.6x	24.8x	29.2x	25.0x	22.6x
P / E relative to MSCI India	51%	106%	42%	48%	51%	59%	66%	59%	49%	134%	88%	107%	107%	112%
P / CF	7.6x	19.7x	9.8x	11.4x	12.6x	15.6x	14.0x	16.4x	16.4x	29.8x	22.3x	28.6x	21.8x	19.6x
FCF yield	11.5%	2.6%	8.7%	9.1%	6.3%	6.3%	5.1%	6.6%	5.4%	2.9%	2.8%	3.8%	4.0%	4.3%
P / BVPS	1.15x	1.23x	1.20x	1.22x	1.49x	2.05x	3.30x	6.2x	3.29x	7.04x	5.10x	6.06x	5.72x	5.40x
Net yield	6.3%	2.3%	5.1%	5.9%	3.9%	3.5%	3.0%	4.3%	5.7%	1.8%	2.3%	2.1%	2.5%	2.8%
Payout	48.0%	47.9%	49.7%	59.7%	44.3%	48.2%	48.1%	56.0%	100.8%	61.1%	57.8%	61.1%	62.9%	63.5%
EV / Sales	0.65x	1.68x	0.75x	0.72x	1.05x	1.39x	2.04x	1.55x	1.92x	3.92x	2.89x	3.46x	3.15x	2.76x
EV / Restated EBITDA	3.6x	9.9x	5.0x	4.9x	6.6x	8.6x	11.9x	8.3x	10.3x	22.1x	16.4x	19.1x	17.0x	14.9x
EV / Restated EBITA	4.2x	11.2x	5.6x	5.3x	7.1x	9.2x	12.6x	9.6x	11.9x	25.6x	18.9x	22.8x	20.3x	17.7x
EV / NOPAT	5.7x	15.5x	7.8x	7.3x	9.8x	12.3x	16.5x	12.3x	16.0x	33.9x	25.0x	30.3x	27.1x	23.6x
EV / OpFCF	3.9x	15.0x	5.3x	5.2x	7.6x	9.3x	13.0x	8.6x	11.1x	23.9x	20.5x	17.8x	17.1x	15.6x
EV / Capital employed (incl. gross goodwill)	1.3x	1.3x	1.3x	1.5x	2.1x	2.8x	4.2x	3.1x	4.0x	8.8x	6.1x	7.2x	7.0x	6.3x

ENTERPRISE VALUE (INRm)	Mar. 13	Mar. 14	Mar. 15	Mar. 16	Mar. 17	Mar. 18	Mar. 19	Mar. 20	Mar. 21	Mar. 22	Mar. 23	Mar. 24e	Mar. 25e	Mar. 26e
Market cap	56,715	62,887	65,518	71,408	91,553	112,465	172,983	151,962	214,346	487,615	403,931	449,909	449,909	449,909
+ Adjusted net debt	(5,886)	(4,670)	(13,209)	(8,682)	(6,225)	(7,069)	(6,572)	1,470	501	2,837	(6)	3,724	(501)	(1,361)
+ Other liabilities and commitments	5,846	3,598	5,730	2,145	2,183	3,341	4,334	6,280	5,476	10,647	11,688	21,639	23,079	12,879
+ Revalued minority interests														
- Revalued investments	18,995	18,154	14,431	21,223	23,956	17,788	13,292	23,034	33,806	32,482	17,527	17,527	17,527	17,527

P & L HIGHLIGHTS (INRm)	Mar. 13	Mar. 14	Mar. 15	Mar. 16	Mar. 17	Mar. 18	Mar. 19	Mar. 20	Mar. 21	Mar. 22	Mar. 23	Mar. 24e	Mar. 25e	Mar. 26e
Sales	57,963	25,339	57,949	60,808	60,763	65,459	77,311	88,436	97,223	119,615	137,985	132,379	144,232	161,115
Restated EBITDA (b)	10,334	4,397	8,701	8,997	9,687	10,625	13,240	16,504	18,028	21,176	24,340	23,965	26,766	29,880
Depreciation	(1,446)	(504)	(980)	(810)	(724)	(709)	(759)	(2,315)	(2,418)	(2,906)	(3,253)	(3,848)	(4,358)	(4,745)
Restated EBITA (b)	8,888	3,893	7,721	8,187	8,963	9,916	12,481	14,189	15,610	18,270	21,087	20,118	22,408	25,136
Reported operating profit (loss)	8,888	3,893	7,721	8,187	8,963	9,916	12,481	14,189	15,610	18,270	21,087	20,118	22,408	25,136
Net financial income (charges)	1,064	389	1,687	1,662	2,247	1,490	1,592	967	696	861	644	437	1,602	1,440
Affiliates														
Other	0	(64)	(32)	(548)	(151)	(131)	0	(777)	0	0	0	0	0	0
Tax	(2,514)	(1,191)	(2,630)	(2,662)	(3,101)	(2,900)	(3,339)	(3,305)	(4,138)	(4,651)	(5,351)	(5,122)	(6,019)	(6,663)
Minorities														
Net attributable profit reported	7,438	3,027	6,746	6,639	7,958	8,374	10,734	11,074	12,168	14,480	16,380	15,433	17,990	19,913
Net attributable profit restated (c)	7,438	3,073	6,769	7,039	8,067	8,472	10,734	11,682	12,168	14,480	16,380	15,433	17,990	19,913

CASH FLOW HIGHLIGHTS (INRm)	Mar. 13	Mar. 14	Mar. 15	Mar. 16	Mar. 17	Mar. 18	Mar. 19	Mar. 20	Mar. 21	Mar. 22	Mar. 23	Mar. 24e	Mar. 25e	Mar. 26e
EBITDA (reported)	10,334	4,397	8,701	8,997	9,687	10,625	13,240	16,504	18,028	21,176	24,340	23,965	26,766	29,880
EBITDA adjustment (b)	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Other items	144	91	489	133	901	990	1,105	243	418	1,168	1,983	585	2,319	2,158
Change in WCR	(172)	(1,212)	(232)	523	(1,045)	(1,502)	(1,421)	423	(453)	(1,501)	(5,779)	2,042	(1,057)	(1,855)
Operating cash flow	10,307	3,275	8,958	9,653	9,543	10,113	12,924	17,170	17,994	20,843	20,544	26,592	28,029	30,183
Capex	(744)	(357)	(723)	(1,274)	(1,181)	(327)	(849)	(1,261)	(1,262)	(1,200)	(1,511)	(869)	(1,481)	(1,772)
Operating free cash flow (OpFCF)	9,562	2,919	8,235	8,379	8,362	9,786	12,075	15,909	16,732	19,643	19,412	25,723	26,547	28,411
Net financial items + tax paid	(3,024)	(1,294)	(2,542)	(1,856)	(2,589)	(2,704)	(3,285)	(5,858)	(5,199)	(5,549)	(6,103)	(6,795)	(6,383)	(9,027)
Free cash flow	6,538	1,624	5,693	6,524	5,773	7,082	8,790	10,051	11,533	14,094	11,309	16,928	18,164	19,384
Net financial investments & acquisitions	(4,724)	2,446	(3,418)	(976)	3,476	5,075	3,437	2,459	(7,154)	(1,941)	2,670	(1,014)	(2,000)	(5,000)
Other	1,694	(962)	7,628	(4,889)	(4,647)	2,371	247	(9,210)	2,848	(2,754)	(2,754)	0	0	0
Capital increase (decrease)	2	1	1	1	1	(11,032)	(9,845)	151	268	442	271	168	0	0
Dividends paid	(4,150)	(4,178)	(1,722)	(4,042)	(5,055)	(3,949)	(4,655)	(6,065)	(6,527)	(12,177)	(8,652)	(20,746)	(13,585)	(15,170)
Increase (decrease) in net financial debt	640	1,069	(6,182)	3,382	451	453	2,026	2,614	(969)	2,336	(2,844)	4,664	(2,578)	786
Cash flow, group share	7,454	3,194	6,648	7,274	7,999	8,912	11,060	10,889	13,248	16,795	18,219	15,755	20,702	23,012

BALANCE SHEET HIGHLIGHTS (INRm)	Mar. 13	Mar. 14	Mar. 15	Mar. 16	Mar. 17	Mar. 18	Mar. 19	Mar. 20	Mar. 21	Mar. 22	Mar. 23	Mar. 24e	Mar. 25e	Mar. 26e
Net operating assets	24,887	24,105	23,655	16,922	16,689	19,240	22,104	30,688	30,227	37,845	40,921	40,603	41,372	45,047
WCR	4,161	8,808	8,930	12,297	13,855	13,580	15,140	13,801	16,164	15,396	24,730	22,688	23,744	25,600
Restated capital employed, incl. gross goodwill	29,048	32,913	32,585	29,219	30,544	32,820	37,244	44,489	46,391	53,242	65,651	63,290	65,117	70,646
Shareholders' funds, group share	49,344	51,150	54,798	58,762	61,524	54,818	52,498	58,296	65,268	69,432	79,348	74,202	78,607	83,350
Minorities														
Provisions/ Other liabilities	57	159	500	89	158	50	28	137	343	718	1,952	73	73	73
Net financial debt (cash)	(343)	726	(7,456)	(4,074)	(3,623)	(3,170)	(1,144)	1,470	501	2,837	(6)	4,658	2,079	2,865

FINANCIAL RATIOS (%)	Mar. 13	Mar. 14	Mar. 15	Mar. 16	Mar. 17	Mar. 18	Mar. 19	Mar. 20	Mar. 21	Mar. 22	Mar. 23	Mar. 24e	Mar. 25e	Mar. 26e
Sales (% change)	8.2%	(55.2%)	123.4%	4.9%	(0.1%)	7.7%	18.1%	14.4%	9.9%	23.0%	15.4%	(4.1%)	9.0%	11.7%
Organic sales growth	8.2%	(55.2%)	123.4%	4.9%	(0.1%)	7.7%	18.1%	14.4%	9.9%	23.0%	15.4%	(4.1%)	9.0%	11.7%
Restated EBITA (% change)	1.4%	(56.2%)	98.3%	6.0%	9.5%	10.6%	25.9%	13.7%	10.0%	17.0%	15.4%	(4.6%)	11.4%	12.2%
Restated attributable net profit (% change)	(6.1%)	(58.7%)	120.3%	4.0%	14.6%	5.0%	26.7%	8.8%	4.2%	19.0%	13.1%	(5.8%)	16.6%	10.7%
Personnel costs / Sales	NC	NC	61.9%	61.3%	61.0%	58.3%	55.6%	55.7%	57.9%	58.8%	58.5%	NC	NC	NC
Restated EBITDA margin	17.8%	17.0%	15.0%	14.8%	15.9%									

Price at 28 Mar. 24 / 12m Target Price

INR208.5 / INR135 -35%

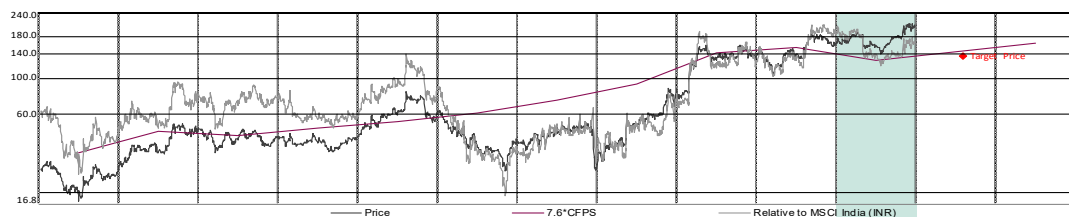
Refinitiv / Bloomberg: REDI.NS / REDI.IN

Analyst: Kumar Rakesh (+91) 22 6196 4350

REDINGTON (Underperform)

Enterprise IT Services | IT Services - India

Company Highlights		INRm / EURm	
Enterprise value	190,155 / 2,111		
Market capitalisation	162,916 / 1,809		
Free float	123,816 / 1,375		
3m average volume	486 / 5.4		
Performance (*)			
	1m	3m	12m
Absolute	3%	17%	35%
Rel. Sector	(0%)	0%	(11%)
Rel. MSCI India	1%	10%	(5%)
12m Hi/Lo (INR) : 192 +9% / 139.6 +49%			
CAGR		2006/2023	2023/2025
EPS restated	NC		11%
CFPS	NC		12%



Price (yearly avg from Mar. 13 to Mar. 23) 29.7 24.8 40.2 42.8 40.4 61.0 41.8 45.1 52.2 128.1 146.9 208.5 208.5 208.5

PER SHARE DATA (INR) Mar. 13 Mar. 14 Mar. 15 Mar. 16 Mar. 17 Mar. 18 Mar. 19 Mar. 20 Mar. 21 Mar. 22 Mar. 23 Mar. 24e Mar. 25e Mar. 26e

No of shares year end, basic, (m) 798,964 799,404 799,956 799,696 799,697 800,345 778,163 778,176 778,439 781,457 781,561 781,561 781,561 781,561

Avg no of shares, diluted, excl. treasury stocks (m) 799,637 799,439 799,857 799,857 799,690 800,066 793,406 778,263 779,784 780,909 781,898 781,919 781,606 781,606

EPS reported, Gaap 4.22 4.84 5.30 5.81 6.02 6.02 6.40 6.62 9.72 16.40 17.82 15.88 17.65 19.74

EPS company definition 4.22 4.84 5.30 5.81 6.02 6.02 6.40 6.62 9.72 16.40 17.82 15.88 17.65 19.74

EPS restated, fully diluted 4.29 4.84 5.30 5.81 6.02 6.02 7.10 6.67 9.76 16.39 17.81 15.51 17.27 19.27

% change NS 12.6% 9.5% 9.6% 3.7% 17.9% (6.1%) 46.4% 68.0% 8.7% (12.9%) 11.3% 11.6%

Book value (BVPS) (a) 25.3 31.6 36.9 39.4 44.1 50.2 55.4 63.4 74.0 88.6 97.0 108.0 120.5

Net dividend 0.45 0.95 1.05 1.20 1.20 1.20 1.65 2.15 5.80 6.60 7.20 6.20 6.80 7.80

STOCKMARKET RATIOS Mar. 13 Mar. 14 Mar. 15 Mar. 16 Mar. 17 Mar. 18 Mar. 19 Mar. 20 Mar. 21 Mar. 22 Mar. 23 Mar. 24e Mar. 25e Mar. 26e

P/E (P/EPS restated) 5.8x 8.3x 8.1x 7.0x 10.1x 5.9x 6.8x 5.4x 7.6x 8.2x 13.4x 12.1x 10.8x

P/E relative to MSCI India 30% 36% 38% 31% 46% 24% 31% 15% 30% 29% 50% 52% 53%

P/CF 5.4x 6.5x 7.4x 6.2x 8.6x 5.2x 4.7x 4.3x 6.9x 7.2x 12.4x 11.0x 9.8x

FCF yield 0.3% 1.8% (9.6%) 31.9% (0.4%) 22.0% 16.1% 73.6% 7.1% (31.1%) (1.9%) (4.0%) 4.9%

P/BVPS 0.98x 1.27x 1.16x 1.03x 1.38x 0.83x 0.81x 0.82x 1.62x 2.16x 1.93x 1.73x

Net yield 1.8% 2.4% 2.5% 5.3% 2.0% 3.9% 4.8% 11.1% 5.2% 4.9% 3.0% 3.3% 3.7%

Payout 10.5% 19.6% 19.8% 37.0% 19.9% 23.3% 32.3% 59.4% 40.3% 40.4% 40.0% 39.4% 40.5%

EV / Sales 0.12x 0.15x 0.16x 0.11x 0.15x 0.09x 0.09x 0.03x 0.12x 0.17x 0.21x 0.20x 0.18x

EV / Restated EBITDA 5.2x 6.9x 7.1x 5.4x 7.7x 4.7x 4.3x 6.3x 6.3x 6.3x 9.8x 9.0x 7.9x

EV / Restated EBITA 5.6x 7.4x 7.5x 5.8x 8.2x 5.0x 5.1x 1.4x 4.7x 6.8x 10.7x 9.9x 8.7x

EV / NOPAT 7.5x 10.0x 10.0x 7.9x 10.7x 6.5x 6.6x 2.1x 5.7x 8.7x 14.0x 12.8x 11.6x

EV / OpFCF 10.5x 15.4x NS 3.0x 22.5x 3.5x 4.4x 0.5x 6.7x NS 46.7x NS 12.2x

EV / Capital employed (incl. gross goodwill) 1.0x 1.1x 1.1x 1.0x 1.3x 0.9x 0.9x 0.6x 2.0x 1.5x 1.8x 1.6x 1.5x

ENTERPRISE VALUE (INRm) Mar. 13 Mar. 14 Mar. 15 Mar. 16 Mar. 17 Mar. 18 Mar. 19 Mar. 20 Mar. 21 Mar. 22 Mar. 23 Mar. 24e Mar. 25e Mar. 26e

Market cap 34,478 47,914 55,417 44,501 62,517 42,020 44,326 17,124 76,748 134,010 190,155 201,918 199,449

+ Adjusted net debt 0 11,806 13,466 17,809 9,022 9,298 4,408 4,312 (23,227) (24,588) 14,620 22,362 33,882 31,051

+ Other liabilities and commitments 967 571 645 700 1,000 1,148 1,457 1,514 1,816 2,212 2,481 2,722 3,085

+ Revalued minority interests 1,864 3,175 3,674 3,615 3,588 3,447 3,813 3,730 3,228 3,658 3,658 3,658 3,658

- Revalued investments 0 0 1,437 918 1,123 168 176 335 5,544 3,698 1,261 1,261 1,261 1,261

P & L HIGHLIGHTS (INRm) Mar. 13 Mar. 14 Mar. 15 Mar. 16 Mar. 17 Mar. 18 Mar. 19 Mar. 20 Mar. 21 Mar. 22 Mar. 23 Mar. 24e Mar. 25e Mar. 26e

Sales 279,449 315,592 354,422 411,147 416,026 465,362 514,652 569,459 626,440 793,768 909,927 1,021,766 1,122,368

Restated EBITDA (b) 0 6,594 6,931 7,836 8,248 8,165 8,987 10,228 13,434 17,917 21,188 19,477 22,498 25,253

Depreciation (385) (426) (468) (547) (569) (634) (1,554) (1,482) (1,413) (1,554) (1,784) (2,085) (2,340)

Restated EBITA (b) 6,209 6,505 7,368 7,702 7,595 8,353 8,674 11,952 16,504 19,634 17,693 20,413 22,914

Reported operating profit (loss) 6,209 6,505 7,368 7,702 7,595 8,353 8,674 11,952 16,504 19,634 17,693 20,413 22,914

Net financial income (charges) (1,267) (951) (1,465) (1,156) (1,289) (1,409) (1,705) (607) (280) (1,299) (1,508) (2,494) (2,338)

Affiliates

Other (91) 0 0 0 0 (711) (47) (63) 0 0 0 0 0

Tax (1,272) (1,450) (1,462) (1,778) (1,462) (1,389) (1,584) (3,415) (3,075) (3,941) (3,770) (4,121) (5,144)

Minorities (213) (238) (206) (125) (28) 233 (187) (302) (350) (468) (287) (300) (370)

Net attributable profit reported 3,366 3,866 4,235 4,642 4,816 5,078 5,152 7,564 12,799 13,926 12,128 13,498 15,062

Net attributable profit restated (c) 0 3,433 3,866 4,235 4,642 4,816 5,300 5,188 7,608 12,799 13,926 12,128 13,498 15,062

CASH FLOW HIGHLIGHTS (INRm) Mar. 13 Mar. 14 Mar. 15 Mar. 16 Mar. 17 Mar. 18 Mar. 19 Mar. 20 Mar. 21 Mar. 22 Mar. 23 Mar. 24e Mar. 25e Mar. 26e

EBITDA (reported) 0 6,594 6,931 7,836 8,248 8,165 8,987 10,228 13,434 17,917 21,188 19,477 22,498 25,253

EBITDA adjustment (b) 0 0 0 0 0 0 0 0 0 0 0 0 0 0

Other items 0 523 817 452 311 527 1,191 1,262 830 983 1,193 1,250 0 0

Change in WCR (3,277) (4,126) (7,896) 6,741 (5,324) 2,517 (554) 23,339 (6,244) (51,367) (15,173) (19,545) (6,391)

Operating cash flow 0 3,840 3,623 392 15,300 3,368 12,694 10,936 37,603 12,656 (28,986) 5,553 2,953 18,862

Capex (569) (506) (573) (640) (587) (820) (838) (1,258) (1,621) (1,480) (2,248) (2,469)

Operating free cash flow (OpFCF) 0 3,271 3,117 (181) 14,660 2,781 11,874 10,098 37,123 11,397 (30,607) 4,074 705 16,393

Net financial items + tax paid 0 (3,216) (2,482) (3,447) (3,219) (3,010) (3,811) (3,819) (4,469) (4,083) (6,217) (7,263) (7,380) (8,247)

Free cash flow 0 55 636 (3,628) 11,441 (228) 8,063 6,279 32,654 7,314 (36,824) (3,189) (6,675) 8,146

Net financial investments & acquisitions 0 2,953 139 178 (134) 241 (368) (207) (5,036) 247 2,816 1,075 0 0

Other 0 (14,664) (2,035) (1) (612) 744 (263) (2,447) (81) (1,672) (41) 0 0 0

Capital increase (decrease) 9 11 8 34 43 (1,411) 1 2 3 0 0 0 0

Dividends paid (160) (411) (900) (1,941) (1,075) (1,131) (3,530) 0 (4,531) (5,158) (5,628) (4,846) (5,315)

Increase (decrease) in net financial debt 0 11,806 1,660 4,343 (8,787) 276 (4,890) (96) (27,538) (1,361) 39,207 7,742 11,521 (2,831)

Cash flow, group share 0 3,673 4,961 4,617 5,200 5,649 6,366 7,404 9,421 14,423 15,638 13,153 14,789 16,599

BALANCE SHEET HIGHLIGHTS (INRm) Mar. 13 Mar. 14 Mar. 15 Mar. 16 Mar. 17 Mar. 18 Mar. 19 Mar. 20 Mar. 21 Mar. 22 Mar. 23 Mar. 24e Mar. 25e Mar. 26e

Net operating assets 2,820 4,581 5,119 4,765 4,905 4,921 7,259 6,058 7,855 8,895 8,261 9,169 10,043

WCR 0 30,981 37,365 45,664 39,117 43,076 40,880 43,629 24,315 29,630 80,556 95,729 115,274 121,665

Restated capital employed, incl. gross goodwill 0 33,800 41,946 50,783 43,882 47,981 45,802 50,888 30,373 37,485 89,452 103,990 124,443 131,708

Shareholders' funds, group share 20,213 25,223 29,494 31,479 35,306 39,060 43,089 49,337 57,850 69,274 75,774 84,425 94,172

Minorities 1,864 3,175 3,674 3,615 3,588 3,447 3,813 3,730 3,228 3,658 3,658 3,658 3,658

Provisions / Other liabilities 992 823 870 965 1,277 1,487 2,441 2,966 3,636 4,462 4,472 4,451 4,431

Net financial debt (cash) 0 11,806 13,466 17,809 9,022 9,298 4,408 4,312 (23,227) (24,588) 14,620 22,362 33,882 31,051

FINANCIAL RATIOS (%) Mar. 13 Mar. 14 Mar. 15 Mar. 16 Mar. 17 Mar. 18 Mar. 19 Mar. 20 Mar. 21 Mar. 22 Mar. 23 Mar. 24e Mar. 25e Mar. 26e

Sales (% change) NC NC 12.9% 12.3% 16.0% 1.2% 11.9% 10.6% 10.6% 10.0% 26.7% 14.6% 12.3% 9.8%

Organic sales growth 12.9% 12.3% 16.0% 1.2% 11.9% 10.6% 10.6% 10.0% 26.7% 14.6% 12.3% 9.8%

Restated EBITA (% change) NC NC 4.8% 13.3% 4.5% (1.4%) 10.0% 3.8% 37.8% 38.1% 19.0% (9.9%) 15.4% 12.3%

Restated attributable net profit (% change) 0.0% NC 12.6% 9.6% 9.6% 3.8% 16.9% (7.8%) 46.6% 68.2% 8.8% (12.9%) 11.3% 11.6%

Personnel costs / Sales 1.5% 1.5% 1.5% 1.5% 1.6% 1.6% 1.5% 1.5% 1.4% 1.5% 1.4% 1.3% 1.5%

Restated EBITDA margin NC 2.4% 2.2% 2.2% 2.0% 2.0% 1.9% 2.0% 2.4% 2.9% 2.7% 2.1% 2.2% 2.3%

Restated EBITA margin 2.2% 2.1% 2.1% 1.9% 1.8% 1.8% 1.7% 2.1% 2.6% 2.5% 1.9% 2.0% 2.0%

Tax rate NC 26.2% 26.1% 24.8% 27.2% 23.2% 22.3% 22.9% 30.3% 19.0% 21.5% 23.3% 23.0% 25.0%

Net margin 0.0% 1.3% 1.3% 1.3% 1.2% 1.2% 1.2% 1.0% 1.4% 2.1% 1.8% 1.4% 1.4% 1.4%

Capex / Sales 0.2% 0.2% 0.2% 0.2% 0.1% 0.2% 0.2% 0.1% 0.2% 0.2% 0.2% 0.2% 0.2%

OpFCF / Sales NC 1.2% 1.0% (0.1%) 3.6% 0.7% 2.6% 2.0% 6.5% 1.8% (3.9%) 0.4% 0.1% 1.5%

WCR / Sales NC 11.1% 11.8% 12.9% 9.5% 10.4% 8.8% 8.5% 4.3% 4.7% 10.1% 10.5% 11.3% 10.8%

Capital employed (excl. gdw./intangibles) / Sales NC 11.8% 12.4% 13.5% 10.0% 10.8% 9.2% 9.0% 4.8% 5.4% 10.8% 11.0% 11.8% 11.4%

ROE NC 17.0% 15.3% 14.4% 14.7% 13.6% 14.4% 12.0% 15.4% 22.1% 20.1% 16.0% 16.0% 16.0%

Gearing NC 53% 47% 54% 26% 24% 10% 9% (44%) (40%) 20% 28% 38% 31%

EBITDA / Financial charges NC 3.5x 4.4x 4.3x 5.3x 4.9x 4.4x 4.7x 8.6x 15.5x 7.8x 5.3x 7.4x 9.5x

Adjusted financial debt / EBITDA NC 1.8x 1.9x 2.3x 1.1x 1.1x 0.5x 0.4x NC NC 0.7x 1.1x 1.5x 1.2x

ROCE, excl. gdw./intangibles 13.9% 12.2% 11.6% 13.7% 13.0% 15.2% 14.0% 30.2% 39.3% 18.0% 13.6% 13.0% 13.4%

ROCE, incl. gross goodwill 13.6% 11.5% 10.9% 12.8% 12.2% 14.2% 13.1% 27.4% 35.7% 17.2% 13.1% 12.6% 13.0%

WACC 13.0% 12.7% 12.1% 12.0% 11.9% 12.3% 11.8% 10.3% 9.9% 10.8% 11.1% 11.1% 11.1%

Latest Model update: 29 Mar. 24

(a) Intangibles: INR3,898.80m, or INR5 per share. (b) adjusted for capital gains/losses, exceptional restructuring charges, capitalized R&D; EBITA also adjusted for impairments and am. of intangibles from M&A

(c) after EBITA adjustments and financial result/tax adjustments. (*) In listing currency, w. div. reinvested

Price at 28 Mar. 24 / 12m Target Price
USD5.8 / USD5.3 -8%

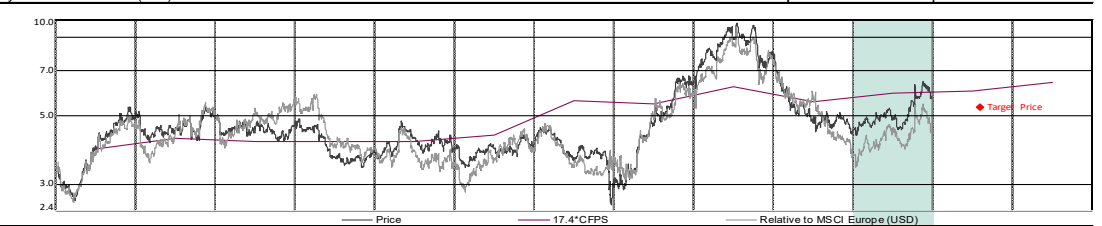
Refinitiv/Bloomberg: WIT.N / WIT.US

Analyst: Kumar Rakesh (+91) 22 6196 4350

WIPRO ADR (US) (Underperform)

Enterprise IT Services | IT Services - India

Company Highlights		USDm / EURm	
Enterprise value	28,334 / 26,235		
Market capitalisation	30,407 / 28,155		
Free float	30,407 / 28,155		
3m average volume	15 / 14		
Performance (*)			
	1m	3m	12m
Absolute	(7%)	3%	32%
Rel. Sector	(9%)	(11%)	(12%)
Rel. MSCI Europe	(10%)	(1%)	12%
12m Hi/Lo (USD) : 5.3 +9% / 4.33 +33%			
CAGR			
	2007/2023	2023/2025	
EPS restated	5%	10%	
CFPS	6%	4%	



Price (yearly avg from Mar. 13 to Mar. 23)	3.0	3.9	4.6	4.5	4.0	4.1	3.8	3.9	4.7	8.3	5.2	5.8	5.8	5.8	
PER SHARE DATA (USD)															
No of shares year end, basic, (m)	6 541.917	6 541.917	6 545.818	6 550.825	6 476.108	6 333.391	6 007.377	6 007.377	6 007.377	5 649.266	5 466.706	5 477.467	5 288.136	5 218.471	5 218.471
Avg no of shares, diluted, excl. treasury stocks (m)	6 557.825	6 557.825	6 566.878	6 564.506	6 495.130	6 344.483	6 022.304	6 022.304	6 022.304	5 661.658	5 482.083	5 488.991	5 326.945	5 230.916	5 230.916
EPS reported, Gaap	0.17	0.20	0.22	0.21	0.19	0.20	0.21	0.23	0.26	0.26	0.29	0.26	0.25	0.28	0.30
EPS company definition	0.17	0.20	0.22	0.21	0.19	0.20	0.21	0.23	0.26	0.29	0.26	0.25	0.25	0.28	0.30
EPS restated, fully diluted	0.17	0.19	0.21	0.20	0.19	0.19	0.21	0.22	0.25	0.29	0.25	0.25	0.25	0.28	0.30
% change	5.1%	14.3%	9.7%	(4.0%)	(5.9%)	2.4%	7.7%	6.8%	13.3%	13.5%	(12.5%)	(12%)	12.0%	8.0%	
Book value (BVPS) (a)	0.8	0.9	1.0	1.1	1.2	1.2	1.4	1.3	1.6	1.8	1.8	1.6	1.7	1.9	
Net dividend	0.13	0.13	0.20	0.09	0.03	0.02	0.01	0.01	0.01	0.08	0.07	0.08	0.08	0.14	0.16
STOCKMARKET RATIOS															
P/E (P/EPS restated)	17.9x	20.4x	22.1x	22.4x	21.1x	21.1x	18.5x	17.6x	18.7x	29.1x	21.0x	23.3x	20.8x	19.3x	
P/E relative to MSCI Europe	130%	123%	126%	147%	117%	134%	120%	128%	78%	222%	156%	157%	147%	150%	
P/CF	15.5x	17.4x	19.0x	19.0x	16.8x	17.2x	15.5x	12.2x	15.0x	23.4x	16.4x	16.9x	16.6x	15.7x	
FCF yield	5.8%	4.6%	4.3%	4.3%	5.1%	4.5%	6.8%	5.5%	6.9%	2.6%	4.8%	5.4%	5.5%	6.0%	
P/BVPS	3.73x	4.46x	4.51x	4.13x	3.32x	3.45x	2.85x	3.57x	3.57x	5.13x	2.95x	3.56x	3.30x	3.09x	
Net yield	4.3%	3.4%	4.3%	2.0%	0.7%	0.4%	0.4%	0.3%	0.3%	1.0%	1.4%	1.4%	2.5%	2.7%	
Payout	77.6%	69.9%	94.6%	45.9%	15.8%	8.1%	6.9%	6.0%	5.4%	28.3%	30.0%	33.7%	52.3%	52.3%	
EV / Sales	2.75x	3.35x	3.71x	3.77x	3.24x	3.13x	2.35x	2.43x	2.86x	4.14x	2.34x	2.63x	2.41x	2.21x	
EV / Restated EBITDA	13.2x	14.9x	16.7x	17.9x	16.4x	15.6x	11.8x	12.1x	12.0x	19.6x	12.6x	13.8x	11.9x	11.0x	
EV / Restated EBITA	15.3x	16.9x	19.0x	20.7x	20.7x	19.4x	13.8x	14.6x	14.8x	24.1x	15.7x	17.4x	14.8x	13.5x	
EV / NOPAT	19.5x	21.7x	24.4x	26.6x	27.2x	24.5x	17.5x	18.3x	18.9x	29.8x	20.3x	22.9x	19.4x	17.8x	
EV / OpFCF	14.2x	17.8x	19.1x	20.8x	18.1x	18.6x	11.4x	17.5x	11.5x	27.9x	14.4x	14.7x	12.8x	11.5x	
EV / Capital employed (incl. gross goodwill)	4.2x	5.6x	5.7x	4.1x	3.1x	3.3x	3.0x	3.8x	4.9x	2.5x	2.9x	3.0x	2.9x	2.9x	
ENTERPRISE VALUE (USDm)															
Market cap	19,497	25,362	30,105	29,401	25,755	25,824	23,119	23,419	26,573	45,339	28,726	30,407	30,006	30,006	
+ Adjusted net debt	(387)	(1,036)	(1,309)	400	1,338	1,448	(844)	(666)	(879)	968	1,030	1,217	(2)	(454)	
+ Other liabilities and commitments							607	881	665	1,156	679	654	654	654	
+ Revalued minority interests	59	70	87	96	82	102	91	71	64	34	22	21	21	21	
- Revalued investments	253	341	381	403	561	892	3,272	2,825	2,529	3,510	4,116	3,965	3,965	3,965	
P & L HIGHLIGHTS (USDm)															
Sales	6,883	7,184	7,679	7,826	8,208	8,451	8,376	8,606	8,344	10,615	11,261	10,779	11,083	11,910	
Restated EBITDA (b)	1,438	1,610	1,711	1,651	1,627	1,694	1,672	1,724	1,991	2,239	2,097	2,053	2,239	2,388	
Depreciation	(199)	(184)	(210)	(229)	(345)	(328)	(245)	(294)	(373)	(415)	(416)	(420)	(431)	(449)	
Restated EBITA (b)	1,239	1,426	1,501	1,422	1,283	1,366	1,427	1,430	1,618	1,824	1,682	1,632	1,808	1,940	
Reported operating profit (loss)	1,287	1,481	1,561	1,481	1,339	1,389	1,473	1,475	1,659	1,883	1,737	1,641	1,821	1,964	
Net financial income (charges)	159	193	266	272	246	282	222	236	213	147	101	107	98	117	
Affiliates	0						(1)	0	2	1	(1)	(1)	(4)	(4)	
Other	0	(3)	0	0	61	(82)	(44)	16	(1)	(29)	0	0	0	0	
Tax	(311)	(374)	(403)	(386)	(376)	(347)	(361)	(350)	(409)	(388)	(423)	(421)	(459)	(498)	
Minorities	(6)	(7)	(9)	(8)	(4)	(0)	(2)	(7)	(10)	(2)	(2)	(6)	(3)	(3)	
Net attributable profit reported	1,129	1,290	1,415	1,359	1,266	1,242	1,287	1,371	1,454	1,611	1,413	1,319	1,453	1,576	
Net attributable profit restated (c)	1,091	1,247	1,369	1,313	1,223	1,224	1,251	1,335	1,423	1,563	1,370	1,313	1,443	1,568	
CASH FLOW HIGHLIGHTS (USDm)															
EBITDA (reported)	1,486	1,665	1,770	1,710	1,684	1,717	1,718	1,769	2,031	2,298	2,153	2,061	2,252	2,412	
EBITDA adjustment (b)	(48)	(56)	(59)	(59)	(56)	(23)	(46)	(45)	(40)	(58)	(56)	(9)	(13)	(24)	
Other items	33	44	96	59	68	63	(38)	121	24	86	85	42	21	32	
Change in WCR	52	(170)	(130)	(94)	68	(15)	388	(336)	309	(490)	(181)	(111)	(64)	(15)	
Operating cash flow	1,523	1,483	1,677	1,616	1,763	1,742	2,023	1,509	2,323	1,836	2,001	1,983	2,196	2,406	
Capex	(187)	(129)	(184)	(201)	(293)	(321)	(298)	(313)	(254)	(261)	(178)	(53)	(104)	(119)	
Operating free cash flow (OpFCF)	1,336	1,354	1,492	1,415	1,470	1,421	1,725	1,196	2,070	1,575	1,824	1,930	2,092	2,287	
Net financial items + tax paid	(204)	(182)	(209)	(150)	(153)	(255)	(138)	91	(233)	(379)	(430)	(278)	(449)	(497)	
Free cash flow	1,132	1,172	1,284	1,264	1,318	1,166	1,586	1,287	1,837	1,196	1,394	1,652	1,643	1,790	
Net financial investments & acquisitions	(818)	128	164	(1,116)	(1,199)	744	721	593	226	(1,179)	(499)	329	480	(360)	
Other	43	(228)	(681)	(1,228)	(563)	(172)	(51)	(444)	(163)	(1,773)	(619)	(3)	0	0	
Capital increase (decrease)	0	0	0	0	(373)	(1,711)	0	(1,485)	(1,571)	0	0	(1,740)	0	0	
Dividends paid	(314)	(385)	(482)	(542)	(130)	(84)	(78)	(117)	(86)	(89)	(408)	(455)	(903)	(978)	
Increase (decrease) in net financial debt	(43)	(688)	(285)	1,622	947	56	(2,179)	166	(243)	1,844	133	219	(1,220)	(452)	
Cash flow, group share	1,260	1,463	1,589	1,551	1,538	1,502	1,493	1,926	1,770	1,944	1,750	1,808	1,807	1,920	
BALANCE SHEET HIGHLIGHTS (USDm)															
Net operating assets	1,968	1,932	2,130	2,791	3,154	3,104	2,879	3,459	3,419	5,373	5,704	4,918	4,199	4,346	
WCR	2,534	2,338	2,856	4,431	5,513	4,940	3,788	3,439	2,856	3,582	4,828	4,763	4,827	4,842	
Restated capital employed, incl. gross goodwill	4,502	4,270	4,986	7,223	8,667	8,044	6,667	6,897	6,275	8,965	10,533	9,681	9,026	9,187	
Shareholders' funds, group share	5,220	5,682	6,672	7,118	7,759	7,491	8,122	7,862	7,451	8,833	9,722	8,544	9,106	9,716	
Minorities	22	23	27	34	36	37	38	26	20	7	7	13	16	19	
Provisions / Other liabilities	168	171	224	316	323	353	282	336	348	544	611	592	592	592	
Net financial debt (cash)	(387)	(1,036)	(1,309)	400	1,338	1,448	(844)	(666)	(879)	968	1,030	1,249	30	(422)	
FINANCIAL RATIOS (%)															
Sales (% change)	3.4%	4.4%	6.9%	1.9%	4.9%	3.0%	(0.9%)	2.7%	(3.0%)	27.2%	6.1%	(4.3%)	2.8%	7.5%	
Organic sales growth	6.9%	7.9%	8.7%	6.6%	7.0%	2.9%	3.7%	3.9%	(2.3%)	26.9%	11.5%	(4.0%)	2.0%	7.5%	
Restated EBITA (% change)	4.8%	15.1%	5.3%	(5.3%)	(9.8%)	6.5%	4.5%	0.2%	13.2%	12.7%	(7.8%)	(3.0%)	10.8%	7.3%	
Restated attributable net profit (% change)	5.1%	14.3%	9.8%	(4.1%)	(6.9%)	0.1%	2.2%	6.8%	5.9%	9.9%	(12.4%)	(4.2%)	9.9%	8.0%	
Personnel costs / Sales	48.0%	47.6%	47.9%	47.9%	48.7%	50.0%	51.2%	53.5%	53.7%	56.9%	59.4%	NC	NC	NC	
Restated EBITDA margin	20.9%	22.4%	22.3%	21.1%	19.8%	20.0%	20.0%	20.0%	23.9%	21.1%	18.6%	19.0%	20.2%	20.1%	
Restated EBITA margin	18.0%	19.8%	19.5%	18.2%	15.6%	16.2%	17.0%	16.6%	19.4%	17.2%	14.9%	15.1%	16.3%	16.3%	
Tax rate	21.5%	22.3%	22.0%	22.0%	23.7%	20.8%	21.3%	20.4%	21.8%	19.1%	23.0%	24.1%	24.0%	24.0%	
Net margin	15.9%	17.5%	17.9%	16.9%	14.9%	14.5%	15.0%	15.6%	17.2%	14.7%	12.2%	12.2%	13.0%	13.1%	
Capex / Sales	2.7%	1.8%	2.4%	2.6%	3.6%	3.8%	3.6%								

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