Q1FY26 Results Review
India I IT
3 August 2025

NIFTY 50: 24,565

BSE Sensex: 80,600

Institutional Research

# IT Services

## Steady operating performance; Nera term demand remains a concern

**The Q1FY26 performance of IT services companies was mixed, reflecting persistent macroeconomic uncertainty and cautious client spending. While overall revenues showed modest YoY growth, sequential performance remained subdued due to muted discretionary spending and delays in large-deal ramp-ups, particularly in North America. AI led deals are expected to be key demand driver. Margin trends varied across companies, influenced by factors such as higher investments in AI capabilities, wage hikes, and restructuring costs. Deal momentum remained robust, driven by AI-led transformations and vendor consolidation, although decision making cycles remain elongated. Employee attrition saw a modest uptick but remained broadly stable, prompting companies to adopt measured headcount strategies aligned with demand visibility. IT firms continue prioritizing margin enhancement through improved utilization, pyramid optimization, and cost efficiencies. While near-term growth visibility remains cautious, management commentary points toward sequential improvement from H2FY26, supported by robust deal pipelines and growing adoption of Generative AI and digital modernization solutions**

### BFSI Segment and AI Initiatives Support Revenue Growth

Revenue performance across IT services companies was modest in Q1FY26, reflecting continued macroeconomic caution and delays in project commencements. However, demand conditions show early signs of stabilization, notably driven by the BFSI sector, which benefited from robust traction in AI-driven transformation and cloud modernization initiatives. Large-deal wins, especially in North America, supported overall TCV growth. In Q1FY26, Tier-1 IT companies reported sequential revenue growth ranging between (0.6%) for TCS and +4.5% QoQ for Infosys, in USD terms whereas Tier-2 IT companies exhibited relatively stronger momentum, with sequential growth ranging from (2.8%) for LTTS to +9.6% QoQ for Coforge in USD terms . While uncertainties persist due to ongoing tariff and geopolitical factors, incremental improvement in demand visibility and continued client investments in Generative AI and digital platforms underpin cautious optimism for revenue acceleration in H2FY26.

### Broadly, the focus on margin improvement remains intact

EBIT margins in Q1FY26 broadly reflected stability, balancing investments in AI, capability expansion, and wage increments against continued efficiency measures and productivity improvements. Companies maintained their focus on optimizing employee pyramids, improving utilization rates, and effective cost controls. Attrition saw slight sequential upticks but remained at manageable levels, mitigating margin pressures. Trends in EBIT margins for Tier-1 IT companies varied ranging from (171 bps) QoQ for HCLT to +56 bps QoQ for TechM. Similarly, Tier-2 IT companies exhibited margin movement ranging from (5 bps) QoQ for PSYS to 176bps QoQ for Happiest Minds. Going forward, margin performance is expected to be supported by pick up in revenue growth, continued AI-led productivity initiatives, and disciplined execution of operational efficiencies.

### Business performance to pick up from H2FY26

We expect business performance to improve from H2FY26, driven by accelerated execution of recent deal wins and increased traction in AI-led services. Demand trends remained uneven across verticals, with robust momentum observed in BFSI, supported by significant deal closures and AI-driven transformations. Meanwhile, segments such as retail, automotive, and consumer industries continued to experience softness due to subdued discretionary spending and ongoing tariff concerns. Technology and Healthcare sectors displayed early resilience, benefiting from selective modernization projects and incremental bookings. Overall, sustained client investment in digital transformation, cloud migration, and Generative AI capabilities underpins our cautiously optimistic sector outlook in the medium term.

**Our Top picks** in the Tier 1 IT space are Infosys and TCS; whereas, we prefer LTIMindtree, Coforge and Persistent Systems in Tier 2 IT space.

### Stock price performance (%)*

| Company Name | 1 Mth | 3 Mth | 6 Mth | 1 Yr |
|---|---|---|---|---|
| TCS | (12.3) | (12.8) | (26.8) | (29.9) |
| Infosys | (8.7) | (2.5) | (21.0) | (19.3) |
| Hcl Technologies | (15.5) | (7.9) | (15.2) | (9.8) |
| Wipro | (9.1) | (0.0) | (21.4) | (3.3) |
| Tech Mahindra | (14.2) | (3.8) | (13.8) | (4.6) |
| Ltimindtree | (5.4) | 9.6 | (14.1) | (8.9) |
| L&T Technology | (1.1) | 1.9 | (21.0) | (16.2) |
| Mphasis | (4.5) | 12.1 | (3.8) | (0.6) |
| Coforge | (11.4) | 15.6 | 2.5 | 40.3 |
| Persistent Systems | (15.8) | (6.7) | (16.4) | 9.2 |
| Happiest Minds Tech | (6.6) | 1.0 | (12.9) | (25.2) |

Source: Bloomberg, *as on 01 August 2025

### Rating and Target prices

| Company Name | Rating | TP (Rs) |
|---|---|---|
| TCS | BUY | 4,270 |
| Infosys | BUY | 1,942 |
| HCL Technologies | ADD | 1,743 |
| Wipro | REDUCE | 270 |
| Tech Mahindra | ADD | 1,821 |
| LTIMindtree | BUY | 6,273 |
| L&T Technology Serv. | REDUCE | 4,486 |
| Mphasis | REDUCE | 2,778 |
| Coforge | BUY | 2,122 |
| Persistent Systems | BUY | 7,180 |
| Happiest Minds | ADD | 696 |

Source: Centrum Broking

### Nifty 50 vs Nifty IT

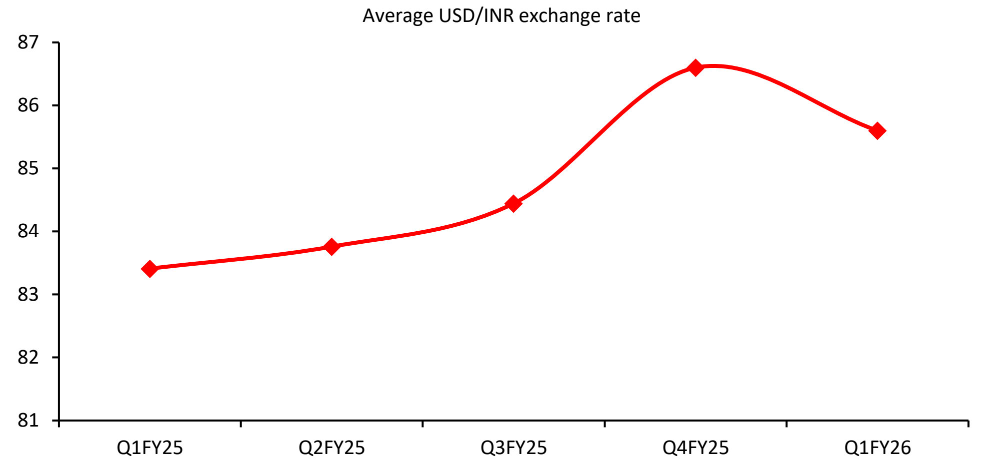

Source: Bloomberg

IT Services


Piyush Pandey, CFA
+91-22-4215 9864
piyush.pandey@centrum.co.in

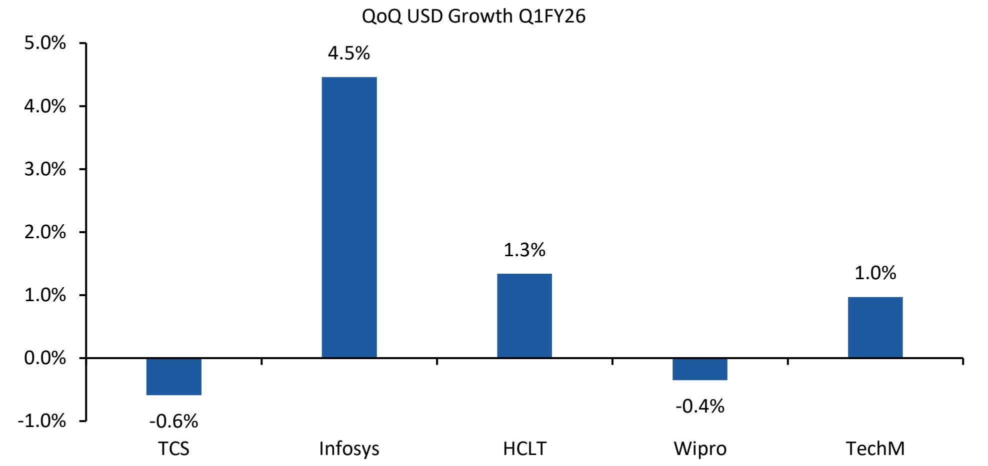

Vagish Nandal
+91-22-4215 9543
vagish.nandal@centrum.co.in

**Exhibit 1: INR appreciated by 1.2% QoQ during Q1FY26**



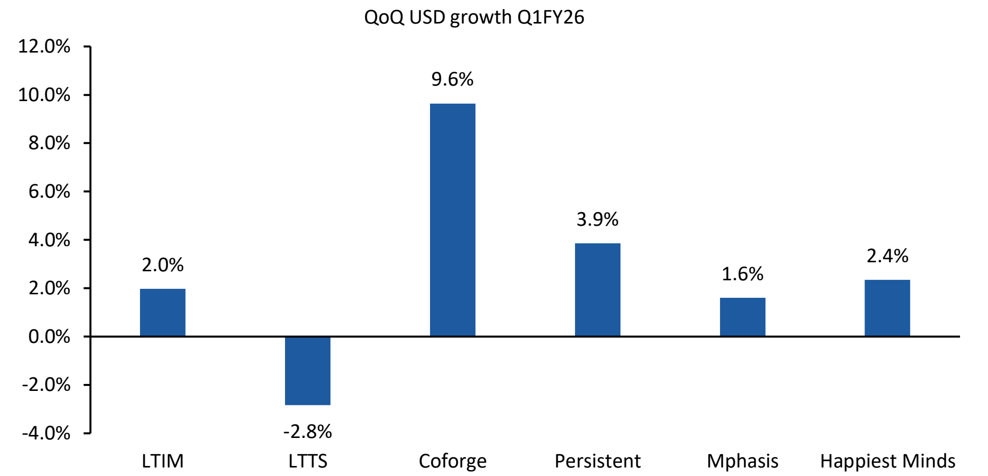

Source: Centrum Broking, Company Data

**Exhibit 2: Infosys reported highest sequential growth among Tier 1 IT companies**



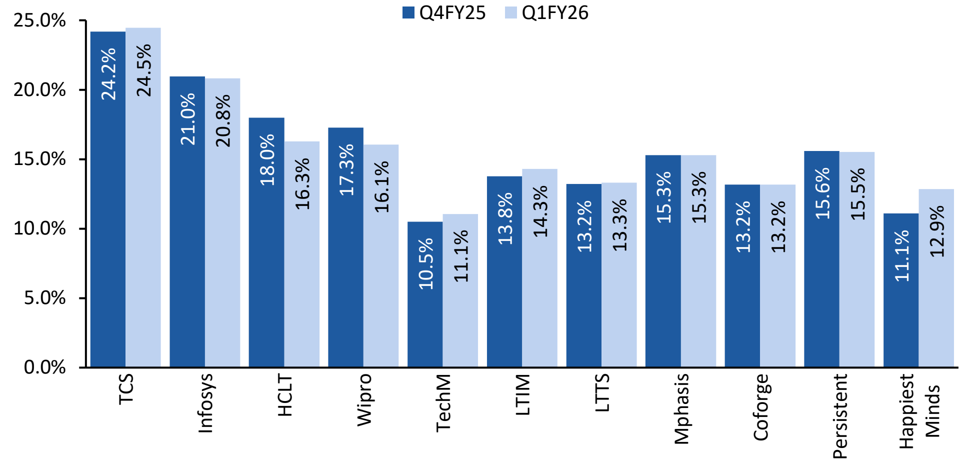

Source: Centrum Broking, Company Data

**Exhibit 3: Coforge reported highest sequential growth among tier 2 companies**




Source: Centrum Broking, Company Data

**Exhibit 4: EBIT margin showed mixed trends for our coverage universe**




Source: Centrum Broking, Company Data

**Exhibit 5: Tier 1: Infosys showed highest sequential growth in INR terms**

| Ticker | Revenue(Rs mn) | | | | | | |
|---|---|---|---|---|---|---|---|
| | Q1FY25 | Q2FY25 | Q3FY25 | Q4FY25 | Q1FY26 | QoQ% | YoY% |
| TCS IN | 6,26,130 | 6,42,590 | 6,39,730 | 6,44,790 | 6,34,370 | -1.6% | 1.3% |
| INFO IN | 3,93,150 | 4,09,860 | 4,17,640 | 4,09,250 | 4,22,790 | 3.3% | 7.5% |
| HCLT IN | 2,80,570 | 2,88,620 | 2,98,900 | 3,02,460 | 3,03,490 | 0.3% | 8.2% |
| WPRO IN | 2,19,638 | 2,23,016 | 2,23,188 | 2,25,042 | 2,21,346 | -1.6% | 0.8% |
| TECHM IN | 1,30,055 | 1,33,132 | 1,32,856 | 1,33,840 | 1,33,512 | -0.2% | 2.7% |

Source: Company, Centrum Broking

**Exhibit 6: Tier 1: EBIT margin declined sequentially for Tier 1 companies**

| Ticker | EBIT Margin (%) | | | | | | |
|---|---|---|---|---|---|---|---|
| | Q1FY25 | Q2FY25 | Q3FY25 | Q4FY25 | Q1FY26 | QoQ% | YoY% |
| TCS IN | 24.7% | 24.1% | 24.5% | 24.2% | 24.5% | 26 bps | -21 bps |
| INFO IN | 21.1% | 21.1% | 21.3% | 21.0% | 20.8% | -13 bps | -26 bps |
| HCLT IN | 17.1% | 18.6% | 19.5% | 18.0% | 16.3% | -171 bps | -81 bps |
| WPRO IN | 16.5% | 16.8% | 17.3% | 17.3% | 16.1% | -121 bps | -46 bps |
| TECHM IN | 8.5% | 9.6% | 10.2% | 10.5% | 11.1% | 56 bps | 259 bps |

Source: Company, Centrum Broking

**Exhibit 7: Tier1: TCS showed highest sequential growth in PAT**

| Ticker | PAT(Rs mn) | | | | | | |
|---|---|---|---|---|---|---|---|
| | Q1FY25 | Q2FY25 | Q3FY25 | Q4FY25 | Q1FY26 | QoQ% | YoY% |
| TCS IN | 1,20,400 | 1,19,090 | 1,23,800 | 1,22,240 | 1,27,600 | 4.4% | 6.0% |
| INFO IN | 63,680 | 65,060 | 68,060 | 70,330 | 69,210 | -1.6% | 8.7% |
| HCLT IN | 42,580 | 42,350 | 45,910 | 43,070 | 38,430 | -10.8% | -9.7% |
| WPRO IN | 30,032 | 32,088 | 33,538 | 35,696 | 33,304 | -6.7% | 10.9% |
| TECHM IN | 8,515 | 12,501 | 9,832 | 11,667 | 11,406 | -2.2% | 34.0% |

Source: Company, Centrum Broking

**Exhibit 8: Tier1: Muted headcount addition for the quarter**

| Ticker | Headcount | | | | | | |
|---|---|---|---|---|---|---|---|
| | Q1FY25 | Q2FY25 | Q3FY25 | Q4FY25 | Q1FY26 | QoQ | YoY |
| TCS IN | 6,06,998 | 6,12,724 | 6,07,354 | 6,07,979 | 6,13,069 | 0.8% | 1.0% |
| INFO IN | 3,15,332 | 3,17,788 | 3,23,379 | 3,23,578 | 3,23,788 | 0.1% | 2.7% |
| HCLT IN | 2,19,401 | 2,18,621 | 2,20,755 | 2,23,420 | 2,23,151 | -0.1% | 1.7% |
| WPRO IN | 2,32,911 | 2,33,889 | 2,32,732 | 2,33,346 | 2,33,232 | 0.0% | 0.1% |
| TECHM IN | 1,47,620 | 1,54,273 | 1,50,488 | 1,48,731 | 1,48,517 | -0.1% | 0.6% |

Source: Company, Centrum Broking

### Exhibit 9: Tier 1: Attrition increased sequentially among Tier 1

| Ticker | LTM Attrition | | | | | | |
|---|---|---|---|---|---|---|---|
| | Q1FY25 | Q2FY25 | Q3FY25 | Q4FY25 | Q1FY26 | QoQ | YoY |
| TCS IN | 12.10% | 12.30% | 13.00% | 13.30% | 13.80% | 50 bps | 170 bps |
| INFO IN | 12.70% | 12.90% | 13.70% | 14.10% | 14.40% | 30 bps | 170 bps |
| HCLT IN | 12.80% | 12.90% | 13.20% | 13.00% | 12.80% | -20 bps | 0 bps |
| WPRO IN | 14.10% | 14.50% | 15.30% | 15.00% | 15.10% | 10 bps | 100 bps |
| TECHM IN | 10.10% | 10.60% | 11.20% | 11.80% | 12.60% | 80 bps | 250 bps |

Source: Company, Centrum Broking

### Exhibit 10: Tier2: Robust revenue growth for Coforge

| Ticker | Revenue(Rs mn) | | | | | | |
|---|---|---|---|---|---|---|---|
| | Q1FY25 | Q2FY25 | Q3FY25 | Q4FY25 | Q1FY26 | QoQ% | YoY% |
| LTIM IN | 91,426 | 94,329 | 96,609 | 97,717 | 98,406 | 0.7% | 7.6% |
| LTTS IN | 24,619 | 25,729 | 26,530 | 29,824 | 28,660 | -3.9% | 16.4% |
| MPHL IN | 34,225 | 35,361 | 35,613 | 37,100 | 37,325 | 0.6% | 9.1% |
| COFORGE IN | 24,008 | 30,623 | 32,581 | 34,099 | 36,886 | 8.2% | 53.6% |
| PSYS IN | 27,372 | 28,972 | 30,623 | 32,421 | 33,336 | 2.8% | 21.8% |
| HAPPIESTMN IN | 4,638 | 5,216 | 5,308 | 5,446 | 5,499 | 1.0% | 18.6% |

Source: Company, Centrum Broking

### Exhibit 11: Tier2: Happiest Minds had highest sequential improvement in margin

| Ticker | EBIT Margin(%) | | | | | | |
|---|---|---|---|---|---|---|---|
| | Q1FY25 | Q2FY25 | Q3FY25 | Q4FY25 | Q1FY26 | QoQ% | YoY% |
| LTIM IN | 15.0% | 15.5% | 13.8% | 13.8% | 14.3% | 52 bps | -70 bps |
| LTTS IN | 15.6% | 15.1% | 15.9% | 13.2% | 13.3% | 10 bps | -228 bps |
| MPHL IN | 15.0% | 15.4% | 15.3% | 15.3% | 15.3% | 1 bps | 29 bps |
| COFORGE IN | 13.6% | 11.7% | 11.9% | 13.2% | 13.2% | -1 bps | -46 bps |
| PSYS IN | 14.0% | 14.0% | 14.9% | 15.6% | 15.5% | -5 bps | 150 bps |
| HAPPIESTMN IN | 13.5% | 12.7% | 13.3% | 11.1% | 12.9% | 176 bps | -68 bps |

Source: Company, Centrum Broking

### Exhibit 12: Tier2: Happiest Minds had highest sequential increase in PAT

| Ticker | PAT(Rs mn) | | | | | | |
|---|---|---|---|---|---|---|---|
| | Q1FY25 | Q2FY25 | Q3FY25 | Q4FY25 | Q1FY26 | QoQ% | YoY% |
| LTIM IN | 11,351 | 12,516 | 10,867 | 11,286 | 12,546 | 11.2% | 10.5% |
| LTTS IN | 3,136 | 3,196 | 3,224 | 3,111 | 3,157 | 1.5% | 0.7% |
| MPHL IN | 4,045 | 4,233 | 4,280 | 4,465 | 4,418 | -1.1% | 9.2% |
| COFORGE IN | 1,393 | 2,336 | 2,532 | 3,059 | 2,861 | -6.5% | 105.4% |
| PSYS IN | 3,064 | 3,250 | 3,730 | 3,958 | 4,249 | 7.4% | 38.7% |
| HAPPIESTMN IN | 510 | 495 | 501 | 340 | 571 | 67.9% | 12.0% |

Source: Company, Centrum Broking

### Exhibit 13: Tier2: Muted headcount addition for the quarter

| Ticker | Headcount | | | | | | |
|---|---|---|---|---|---|---|---|
| | Q1FY25 | Q2FY25 | Q3FY25 | Q4FY25 | Q1FY26 | QoQ | YoY |
| LTIM IN | 81,934 | 84,438 | 86,800 | 84,307 | 83,889 | -0.5% | 2.4% |
| LTTS IN | 23,577 | 23,698 | 23,465 | 24,258 | 23,626 | -2.6% | 0.2% |
| MPHL IN | 31,645 | 31,601 | 31,194 | 31,442 | 31,063 | -1.2% | -1.8% |
| COFORGE IN | 26,612 | 32,483 | 33,094 | 33,497 | 34,187 | 2.1% | 28.5% |
| PSYS IN | 23,519 | 23,237 | 23,942 | 24,594 | 25,340 | 3.0% | 7.7% |
| HAPPIESTMN IN | 6,599 | 6,580 | 6,630 | 6,632 | 6,523 | -1.6% | -1.2% |

Source: Company, Centrum Broking

**Exhibit 14: Employee attrition increased sequentially**

| Ticker | LTM Attrition | | | | | | |
|---|---|---|---|---|---|---|---|
| | Q1FY25 | Q2FY25 | Q3FY25 | Q4FY25 | Q1FY26 | QoQ | YoY |
| LTIM IN | 14.40% | 14.50% | 14.30% | 14.40% | 14.40% | 0 bps | 0 bps |
| LTTS IN | 14.80% | 14.30% | 14.40% | 14.30% | 14.80% | 50 bps | 0 bps |
| MPHL IN | NA | NA | NA | NA | NA | NA | NA |
| COFORGE IN | 11.40% | 11.70% | 11.90% | 10.90% | 11.30% | 40 bps | -10 bps |
| PSYS IN | 11.90% | 12.00% | 12.60% | 12.90% | 13.90% | 100 bps | 200 bps |
| HAPPIESTMN IN | 13.50% | 14.40% | 15.30% | 16.60% | 18.20% | 160 bps | 470 bps |

Source: Company, Centrum Broking

# Financial Estimates

**Exhibit 15: Revenue (Rs mn)**

| | FY24 | FY25 | FY26E | FY27E | FY28E |
|---|---|---|---|---|---|
| TCS IN | 24,08,930 | 25,53,240 | 26,56,317 | 29,73,796 | 32,84,438 |
| INFO IN | 15,36,710 | 16,29,900 | 17,45,991 | 19,09,019 | 21,07,200 |
| HCLT IN | 10,99,130 | 11,70,550 | 12,48,887 | 13,75,886 | 14,91,028 |
| WPRO IN | 8,97,603 | 8,90,884 | 9,10,704 | 9,80,507 | 10,52,101 |
| TECHM IN | 5,19,955 | 5,29,883 | 5,59,358 | 6,18,052 | 6,62,320 |
| LTIM IN | 3,55,170 | 3,80,081 | 4,14,170 | 4,73,255 | 5,26,195 |
| LTTS IN | 96,472 | 1,06,702 | 1,18,974 | 1,32,823 | 1,49,140 |
| MPHL IN | 1,32,785 | 1,42,299 | 1,54,420 | 1,70,536 | 1,91,357 |
| COFORGE IN | 91,790 | 1,21,311 | 1,57,555 | 1,87,115 | 2,20,771 |
| PSYS IN | 98,216 | 1,19,387 | 1,43,759 | 1,71,682 | 2,04,324 |
| HAPPIESTMN IN | 16,246 | 20,608 | 23,672 | 27,729 | 32,082 |

Source: Company, Centrum Broking

**Exhibit 16: Revenue growth (%)**

| | FY24 | FY25 | FY26E | FY27E | FY28E |
|---|---|---|---|---|---|
| TCS IN | 6.8% | 6.0% | 4.0% | 12.0% | 10.4% |
| INFO IN | 4.7% | 6.1% | 7.1% | 9.3% | 10.4% |
| HCLT IN | 8.3% | 6.5% | 6.7% | 10.2% | 8.4% |
| WPRO IN | -0.8% | -0.7% | 2.2% | 7.7% | 7.3% |
| TECHM IN | -2.4% | 1.9% | 5.6% | 10.5% | 7.2% |
| LTIM IN | 7.0% | 7.0% | 9.0% | 14.3% | 11.2% |
| LTTS IN | 16.4% | 10.6% | 11.5% | 11.6% | 12.3% |
| MPHL IN | -3.8% | 7.2% | 8.5% | 10.4% | 12.2% |
| COFORGE IN | 14.5% | 32.2% | 29.9% | 18.8% | 18.0% |
| PSYS IN | 17.6% | 21.6% | 20.4% | 19.4% | 19.0% |
| HAPPIESTMN IN | 13.7% | 26.8% | 14.9% | 17.1% | 15.7% |

Source: Company, Centrum Broking

**Exhibit 17: EBIT(Rs mn)**

| | FY24 | FY25 | FY26E | FY27E | FY28E |
|---|---|---|---|---|---|
| TCS IN | 5,83,530 | 6,21,650 | 6,58,031 | 7,43,466 | 8,27,678 |
| INFO IN | 3,17,470 | 3,44,240 | 3,70,898 | 4,08,739 | 4,56,789 |
| HCLT IN | 2,00,270 | 2,14,210 | 2,23,092 | 2,55,985 | 2,80,325 |
| WPRO IN | 1,35,759 | 1,51,239 | 1,49,286 | 1,61,784 | 1,74,649 |
| TECHM IN | 31,474 | 51,382 | 70,111 | 83,437 | 94,405 |
| LTIM IN | 55,685 | 55,034 | 62,356 | 75,484 | 85,507 |
| LTTS IN | 16,473 | 15,871 | 18,059 | 20,853 | 23,639 |
| MPHL IN | 20,114 | 21,708 | 23,743 | 26,433 | 29,660 |
| COFORGE IN | 11,868 | 13,266 | 21,394 | 27,242 | 32,578 |
| PSYS IN | 14,149 | 17,512 | 22,294 | 27,984 | 33,838 |
| HAPPIESTMN IN | 2,776 | 2,598 | 3,360 | 4,314 | 5,133 |

Source: Company, Centrum Broking

### Exhibit 18: EBIT Margin

| | FY24 | FY25 | FY26E | FY27E | FY28E |
|---|---|---|---|---|---|
| TCS IN | 24.2% | 24.3% | 24.8% | 25.0% | 25.2% |
| INFO IN | 20.7% | 21.1% | 21.2% | 21.4% | 21.7% |
| HCLT IN | 18.2% | 18.3% | 17.9% | 18.6% | 18.8% |
| WPRO IN | 15.1% | 17.0% | 16.4% | 16.5% | 16.6% |
| TECHM IN | 6.1% | 9.7% | 12.5% | 13.5% | 14.3% |
| LTIM IN | 15.7% | 14.5% | 15.1% | 16.0% | 16.3% |
| LTTS IN | 17.1% | 14.9% | 15.2% | 15.7% | 15.9% |
| MPHL IN | 15.1% | 15.3% | 15.4% | 15.5% | 15.5% |
| COFORGE IN | 12.9% | 10.9% | 13.6% | 14.6% | 14.8% |
| PSYS IN | 14.4% | 14.7% | 15.5% | 16.3% | 16.6% |
| HAPPIESTMN IN | 17.1% | 12.6% | 14.2% | 15.6% | 16.0% |

Source: Company, Centrum Broking

### Exhibit 19: PAT (Rs mn)

| | FY24 | FY25 | FY26E | FY27E | FY28E |
|---|---|---|---|---|---|
| TCS IN | 4,59,080 | 4,85,530 | 5,29,808 | 5,92,629 | 6,43,229 |
| INFO IN | 2,62,480 | 2,67,500 | 2,88,752 | 3,17,302 | 3,53,163 |
| HCLT IN | 1,57,020 | 1,73,910 | 1,76,164 | 2,05,501 | 2,24,438 |
| WPRO IN | 1,10,482 | 1,31,346 | 1,36,037 | 1,38,397 | 1,44,550 |
| TECHM IN | 23,578 | 42,515 | 56,044 | 68,423 | 77,796 |
| LTIM IN | 45,846 | 46,020 | 54,174 | 63,291 | 69,524 |
| LTTS IN | 13,036 | 12,667 | 15,107 | 17,202 | 19,233 |
| MPHL IN | 15,549 | 17,023 | 18,360 | 20,404 | 22,845 |
| COFORGE IN | 8,277 | 7,340 | 14,073 | 18,271 | 22,273 |
| PSYS IN | 11,421 | 14,001 | 18,135 | 22,614 | 27,293 |
| HAPPIESTMN IN | 2,344 | 1,968 | 2,964 | 3,763 | 4,389 |

Source: Company, Centrum Broking

### Exhibit 20: EPS(Rs)

| | FY24 | FY25 | FY26E | FY27E | FY28E |
|---|---|---|---|---|---|
| TCS IN | 126.9 | 134.2 | 146.4 | 163.8 | 177.8 |
| INFO IN | 63.4 | 64.6 | 69.7 | 76.6 | 85.3 |
| HCLT IN | 57.9 | 64.1 | 64.9 | 75.7 | 82.7 |
| WPRO IN | 10.6 | 12.6 | 13.0 | 13.2 | 13.8 |
| TECHM IN | 26.7 | 48.1 | 63.5 | 77.5 | 88.1 |
| LTIM IN | 154.7 | 155.2 | 182.8 | 213.5 | 234.5 |
| LTTS IN | 123.5 | 120.0 | 143.1 | 162.9 | 182.1 |
| MPHL IN | 83.2 | 91.1 | 98.3 | 109.2 | 122.3 |
| COFORGE IN | 24.8 | 21.9 | 42.1 | 54.6 | 66.6 |
| PSYS IN | 73.0 | 89.5 | 116.0 | 144.6 | 174.5 |
| HAPPIESTMN IN | 15.4 | 12.9 | 19.5 | 24.7 | 28.8 |

Source: Company, Centrum Broking

### Exhibit 21: Valuation Table

| Ticker | Rating | Target price | P/E | | |
|---|---|---|---|---|---|
| | | | FY26E | FY27E | FY28E |
| TCS IN | **BUY** | 4,270 | 20.5 | 18.3 | 16.9 |
| INFO IN | **BUY** | 1,942 | 21.1 | 19.2 | 17.2 |
| HCLT IN | **ADD** | 1,743 | 22.4 | 19.2 | 17.6 |
| WPRO IN | **REDUCE** | 270 | 18.7 | 18.4 | 17.6 |
| TECHM IN | **ADD** | 1,821 | 22.7 | 18.6 | 16.3 |
| LTIM IN | **BUY** | 6,273 | 27.5 | 23.5 | 21.4 |
| LTTS IN | **REDUCE** | 4,486 | 29.9 | 26.2 | 23.5 |
| MPHL IN | **REDUCE** | 2,778 | 28.1 | 25.3 | 22.6 |
| COFORGE IN | **BUY** | 2,122 | 40.5 | 31.2 | 25.6 |
| PSYS IN | **BUY** | 7,180 | 43.7 | 35.0 | 29.0 |
| HAPPIESTMN IN | **ADD** | 696 | 31.0 | 24.4 | 20.9 |

Source: Company, Centrum Broking

# Key Takeaway from Management Commentary

## TCS

- India revenue declined 21.7% YoY, largely due to BSNL wind-down
- India BSNL deal opened new capabilities that TCS plans to monetize elsewhere
- Margins expected to trend toward 26–28% range over the long term; current investments focused on capability building
- Mega deals are lumpy; none in FY25, but active pursuit ongoing
- Operating margin expanded 30 bps QoQ to 24.5%, despite capacity build-up and continued investments
- Pipeline remains healthy and broad-based across geographies and verticals, giving confidence for future growth
- Management remains optimistic that FY26 international revenue will be higher than FY25
- Growth recovery timing is uncertain and hinges on macro clarity; outlook to improve post-July with policy stability
- Discretionary spends continue to face pressure; project starts delayed due to higher ROI thresholds
- Client decision-making remains slow; large transformation deals getting deferred
- Strong demand traction in AI, cybersecurity, data platforms, modernization, and SaaS-based enterprise solutions
- Clients investing in AI-led transformation, legacy modernization, ERP overhauls, and vendor consolidation
- Emerging AI-based services like agentic AI and WisdomNext gaining traction across industry verticals
- AI adoption moving from pilots to enterprise-wide implementation tied to business outcomes
- Over 114,000 employees trained in higher-order AI skills; seen as a strategic lever going forward
- Headcount up by 5,090 QoQ in Q1FY26; hiring calibrated as per demand; attrition at 13.8%, slightly above comfort zone
- No decision yet on wage hikes; being monitored based on evolving business situation
- Other income supported by one-off interest on tax refunds; aided PAT growth despite revenue softness
- TCS continues to actively work with group companies on AI projects, including retail, steel, and electronics verticals
- No pricing pressure seen at portfolio level; stable overall
- No acquisition announced, but open to M&A in AI and digital areas if value-accretive
- Strategic domestic initiatives launched: sovereign cloud, cyber defense suite, and e-governance platforms
- Agentic AI gaining client interest for use in value chain transformation and business process automation
- TCS BaNCS and other platforms continue to see momentum; multiple successful go-lives and expansions in BFSI and pensions
- Client productivity benefits from AI currently in 10–15% range; scope exists to scale further as implementations mature
- Deal wins include major use cases in retail, manufacturing, insurance, utilities, and healthcare across geographies

- Continued confidence in offsetting BSNL drag through new offerings, diversified geographies, and cost optimization deals
- Company focused on building enterprise-wide AI infrastructure and co-innovation with hyperscalers and startups.

## INFOSYS

- Revenue growth guidance for FY26 raised to 1%–3% (from 0%–3%) in CC terms due to strong Q1 performance and healthy deal wins
- Large deal TCV in Q1 at $3.8 bn (55% net new), including one megadeal with a large global bank; 20 of 28 deals from North America
- Europe outpaced company average growth due to prior investments and large deal wins
- North America - growth is muted vs. Europe
- Q1 CC revenue growth led by  rest driven by pricing and volume, partly aided by acquisitions
- Margins declined 20 bps QoQ to 20.8% due to 100 bps headwind from comp hike and variable pay; offset partly by 70 bps gain from pricing and seasonality
- Project Maximus and AI-driven value-based pricing contributed to realization gains; expected to continue delivering in future
- Headcount flat QoQ; hiring to continue per earlier plan
- Attrition slightly up at 14.4%, wage hikes already implemented in Jan and Apr; no further hike decided yet
- Third-party costs fell by 60 bps to 7.3% of revenue, aiding margin; full-year third-party revenues expected to be lower than FY25
- Free cash flow at $884 mn (109% of PAT); FY26 FCF expected to remain above 100% of PAT
- ROE improved to 30.4% aided by dividend payouts
- FS vertical gained traction in US across capital markets and wealth management; now preferred AI partner for 10 of top 20 clients
- AI agents delivering 5–15% productivity benefit at clients; 300 agents deployed across verticals
- Discretionary spend still subdued due to macro/tariff/geopolitical uncertainty; decision cycles remain elongated
- Clients reallocating budgets from discretionary spend to AI initiatives, with many deals linked to AI-driven cost takeout
- Muted outlook in retail and manufacturing (auto, industrial, Europe); softness persists due to tariffs and procurement issues
- EURS vertical has mixed outlook; opportunities driven by energy transition, cloud and AI investments
- Strong traction in energy and utilities driven by cost-saving initiatives and sustainability mandates
- Communications segment remains under pressure; clients focus on cost, AI and 5G monetization but delay investments
- High-tech clients cautious amid Gen AI investments; budget cuts and pause in discretionary programs
- FY26 H1 expected to be stronger than H2 due to seasonal trends and deal ramp-ups
- No significant project ramp-downs observed yet; decision-making remains slow but deal pipeline is healthy
- Infosys not deferring lateral hiring; hybrid interviews and flexible work models continue

- No material revenue cannibalization from AI; instead, AI-led productivity helps win consolidation deals
- Vendor consolidation trend continues; Infosys benefits due to strong delivery, scale, and AI capabilities
- No major impact from new GCC or vendor consolidation deals on balance sheet or cash flows
- Effective tax rate for FY26 expected in 29%–30% range

## HCL Tech

- FY26 revenue guidance revised upward to 3–5% in constant currency based on strong Q1 and healthy deal pipeline
- EBIT margin guidance lowered to 17–18% due to Q1 miss, continued investments in AI, sales, and restructuring costs
- Q1 EBIT margin at 16.3%, impacted by lower utilization, sales/marketing spends, client issue
- Company maintains long-term EBIT margin aspiration of 19–20% beyond FY26
- Discretionary spending stable in public sector, telecom; weak in auto, manufacturing, life sciences
- Strong AI-led client conviction aiding pipeline and large-deal wins
- Large deal ramp-up delayed, affecting utilization and Q1 margins; expected full ramp by Q3FY26
- Client bankruptcy caused one-off impact; utilization mismatch also due to auto sector ramp-down
- Bookings expected to rise in Q2FY26
- Healthy pipeline driven by AI and engineering-led digital transformation
- Multiple GenAI partnerships announced with OpenAI, UiPath, Google Cloud, Nvidia, etc.
- AIForce deployed across 35 clients; strong traction in GenAI, agentic AI, and automation
- Multimillion-dollar GenAI-led deals signed in logistics, telecom, sports, aerospace, and imaging sectors
- AI now central to IT services strategy, especially in modernization and operational efficiency
- Platform initiatives like Contact Center as a Service, Net Insight, and Clinical Advisor maturing.

## Wipro

- Q1 FY26 demand remained muted due to macro uncertainty, with clients prioritizing cost optimization and vendor consolidation over discretionary spend
- Despite weak environment, clients accelerated AI, data, and modernization programs, with many AI projects moving to production
- Large deal closures in Q4 FY25 and Q1 FY26, along with strong pipeline, position the company well for H2 FY26
- Europe declined due to economic headwinds
- BFSI remains strategically important with two mega deals won
- Healthcare modernization continues; outlook positive
- Consumer impacted by tariffs and weak discretionary spend
- In Technology & Communications, shift to AI investments driving traction
- Automotive segment especially weak due to geopolitical issues
- Large deals largely driven by vendor consolidation and cost takeouts, with longer tenors impacting ACV growth

- Company won strategic AI-led deals in banking, semiconductor, and North American banking clients
- Over 200 AI-powered agents deployed across domains like lending, claims, and network management
- Outlook cautious but optimistic, guidance of -1% to +1% QoQ growth in constant currency for Q2
- Profit focus remains; margins may see pressure due to upfront investments for large deal ramp-ups
- 17%–17.5% margin band remains aspirational despite pressures from mega deal onboarding
- Capco reported strong bookings of $1B TTM, driven by expansion in newer geographies like Brazil
- Discretionary spend remains stable but muted; assumptions of stability baked into H2 outlook
- Europe to see revenue from Phoenix deal start in Q3; stabilization expected in H2
- Client-specific challenges in Europe largely behind; focus on pipeline conversion
- Top accounts (> $50M) seeing growth; overall client count declined due to subdued discretionary projects
- Restructuring cost of INR 246 Cr in Q1 related to limited actions in Europe; classified as one-time
- ACV also saw YoY growth in Q1, though TCV growing faster due to deal length extension.

## Tech Mahindra

- Large deal wins at $809 million, up 44% YoY; mix improving with more high-value deals
- Deal wins were broad-based across BFSI, retail, telecom, high-tech, manufacturing
- Auto and hi-tech sectors face demand softness due to tariffs, budget cuts, and discretionary spend
- Revenue growth in Q2 onwards expected from large deals transitioning into execution
- FY26 expected to be better than FY25, but outlook remains cautious due to macro volatility
- FY27 margin targets (15%) remain intact; growth assumptions for FY26 and FY27 recalibrated but not lowered
- For subcontracting expenses, management guides for a long-term range of 8-10%
- Margin expansion driven by offshoring, lower subcontracting, operational integration, and governance
- BFSI and retail seen as future growth drivers; telco vertical has stabilized and is expected to contribute
- Client mining success: 2 clients added in $50M+ bucket; growth in top accounts above company average
- 15 new “must-have” accounts added during the quarter; strategic client targeting continues
- Strong focus on execution with centralized delivery and verticalized sales model
- AI-led transformation driving productivity and deal momentum; over 200 enterprise-grade AI agents developed
- Offshore mix increased significantly YoY; more savings possible, though limited by deal phase and engagement type
- Attrition low; hiring conservative in Q1 with only 250 freshers due to visibility constraints

- Manufacturing outlook remains uncertain; longer-term tariff impact expected to weigh on growth
- Talent transformation ongoing with focus on experienced workforce for AI execution; pyramid reshaping to be gradual
- Deal conversion to revenue expected to gain momentum from Q2 onwards barring macro surprises
- Run-offs in portfolio mostly behind; margin levers still intact for FY26 and FY27 targets
- Operating model simplification, Project Fortius, and delivery consolidation showing results in cost structure.

## LTIM

- H2 growth tapered amid macroeconomic uncertainty
- Macro uncertainty from Q4 persists into FY26, delaying some project ramp-ups and keeping visibility cautious
- Clients prioritizing cost takeout, vendor consolidation and tech modernization for AI readiness, shaping demand outlook
- FY25 order inflow of $6 B (+6.1 % YoY) and Q4 wins of $1.6 B underpin strong deal pipeline into FY26
- AI-led wins (multi-year quality engineering, AI-Ops, cloud security, ERP support) demonstrate traction in high-value offerings
- New AI-aligned large-deal organization, led by Global AI Services head, to drive integrated, multi-service engagements at scale
- “Fit for Future” cost-restructuring program to re-baseline direct/indirect overheads, remove layers and boost productivity via AI, with margin benefits from Q1
- AI-driven productivity gains expected to decouple revenue growth from linear headcount addition, optimizing staffing cost
- DSO improved to 79 days in Q4; sustained focus on working-capital efficiency into FY26
- Q4 EBIT margin flat at 13.8 % QoQ; cost programs targeted to improve margin in FY26
- Headcount at 84,307 with Q4 net reduction post-overhiring; attrition stable at 14.4 %—workforce stability intact
- Usual seasonality expected in FY26, supplemented by faster deal ramps as delayed projects start
- Leadership confident of revenue growth in Q1FY26 and margin improvement through execution of transformation initiatives

## LTTS

- Expect revenue to grow from Q2 onwards, with back-ended growth in FY26 supported by deal ramp-ups and pipeline conversion
- Double-digit revenue growth guided for FY26 over FY25, based on Q4 FY25 FX rates
- Company confident of $2B medium-term revenue goal; reiterates commitment to double-digit growth
- $200M+ large deal TCV (LDTCV) bookings achieved for third consecutive quarter; management aims to make this the new base
- H2 expected to be better than H1 on revenue and margin metrics as large deal ramp-ups begin and macro stabilizes
- Mobility segment to stay muted in near term due to delays and pauses in automotive programs; turnaround expected from Q3 or H2
- Sustainability expected to maintain momentum, supported by ramp-up of prior wins and strong pipeline in plant and industrial subsegments
- Tech segment saw YoY growth of 29.4% aided by Intelliswift, but was down QoQ due to Smart World seasonality

- Q1 decline in revenue primarily due to Smart World Communications (SWC) seasonality, auto sector headwinds, and client-specific program pauses
- AI-led offerings such as Plex AI and iDrive 2.0 gaining traction across segments; over 200 AI patents filed
- AI investments are becoming central to clients strategy; 30% of clients are in full-scale AI programs, supporting future ER&D spend
- Clients cautiously optimistic; management polling indicates sentiment stabilizing with better outlook for H2
- Q1 EBIT margin steady at 13.3%, despite revenue dip and program delays; guided to improve in H2 FY26
- Targeting EBIT margin improvement to mid-16% range by Q4 FY27–Q1 FY28 through large deals, better mix, AI-led efficiencies, and IntelliSwift integration
- Q2 margin expected to remain flattish due to continued program support; improvement expected from Q3
- SWC business remains seasonal, causing Q1 softness; company focusing on more stable international deals (US/Middle East) to smoothen seasonality
- Large deals in advanced stages across tech, mobility and sustainability; closures expected in Q2–Q3
- Top 20 client revenue contribution declined due to auto-related headwinds; expected to improve with ramp-ups
- Client mining efforts and account-specific programs (e.g., one client hitting $50M ARR) to support revenue rebound
- Strong pipeline across hyperscalers, healthcare, fintech, aerospace, and semiconductor verticals
- Integration of Intelliswift on track with positive impact expected in H2; long-term plan to scale across subsegments
- Cash flow turned negative in Q1 due to SWC seasonality and dividend payout; expected to normalize in coming quarters
- SG&A temporarily elevated due to Intelliswift; to normalize between 10.5–11.5% as integration progresses
- Attrition at 14.8%, down from prior quarters; offshore mix improving, now at 56.1%, aiding margin resilience.

## Mphasis

- Pipeline grew 16% QoQ and 84% YoY, reaching all-time highs with a strong AI-led component (68% of Q1 pipeline and TCV)
- TCV for Q1FY26 was $760 million—highest ever—of which 68% is AI-led; includes three $100mn+ deals and one $50mn+ deal
- Company expects to grow at 2x industry rate in FY26, aided by ramp-up of large deals and steady TCV-to-revenue conversion
- Insurance vertical driven by recent deal conversions; expected to remain a growth engine
- Direct BFSI supported by wallet share gains and ramp-up of new wins
- TMT vertical continues to benefit from large deal momentum
- Logistics and Transportation was impacted by client-specific
- investments but is expected to recover gradually through FY26
- EMEA declined 15% QoQ due to ramp-down of a global customer, though ROW grew 30% YoY and 6.8% QoQ (CC)
- Utilization rose sharply QoQ; headcount remained flat, reflecting structural shift to platform-led and fixed-price work

- Large fixed-price contracts have led to divergence between revenue and headcount; company prioritizing high-value, tech-driven projects
- Platform-led delivery (NeoZeta, NeoCrux, NeoSaba) now central to AI-led transformation strategy
- Internal platforms and “AI Superhighway” enable faster AI deployment, improved accuracy, and productivity gains up to 50–60%
- Company emphasized high-account intimacy, custom solutions, and proactive deal-making as key drivers of current pipeline and wins
- Multiple deals are part of GCC and large transformation mandates, helping Mphasis break into engagements it previously didn’t qualify for
- Margins held stable at 15.3% EBIT despite investment in growth; guidance remains at 14.75% to 15.75%
- No major business risk areas remain; past issues like DXC or SVB no longer impacting trajectory
- Cash flow normalized at $46mn in Q1, adjusted for incentive payouts and client collection delays
- Client pyramid strengthening: additions across $100mn, $75mn, $50mn, and $20mn bands
- BFS and non-BFS pipelines up 47% and 108% YoY respectively; large deals pipeline up 154% YoY
- Expect 1–2 quarter lag on average for revenue conversion from TCV, depending on deal type and transition setup
- Shift toward solutioning, platform IP, and AI-led value streams driving structural change and reducing reliance on traditional staffing models.

## Coforge

- Sequential revenue growth of 9.6% in USD and 8% in CC terms; organic growth was 5.9% QoQ
- Demand remains strong in TTH, BFSI, and emerging verticals, with AI and cloud modernization driving horizontal adoption. No major client hesitancy observed except minor near-term softness in BFS, which is expected to normalize quickly.
- Signed 5 large deals in Q1; total order intake stood at $507mn
- Q1 EBIT margin at 13.2%, flat QoQ despite cost pressures from ramp-up of largest deal, higher amortization, and visa costs
- Capex of $65mn in Q1, of which $58mn spent on AI data center; FY26 capex expected to taper down to historical levels (2–3% of revenue)
- Ramp-up of large Sabre deal to continue in Q2; expected to stabilize in Q3
- BFSI outlook strong across commercial banking, lending, wealth, and compliance; banks shifting to cloud-native, modern architectures for efficiency
- Execution model driven by weekly large deal proposals and narrow focus on selected big bets; no abandonment policy on strategic bets
- Hyper-specialization in select industries and deep engineering DNA (e.g. Forge-X, Quasar AI, SATS platform) central to value delivery
- AI-led solutions deployed across BFSI, travel, insurance, and retail with 35%+ efficiency gains in some use-cases
- AgentSphere and Forge-X platforms expanding client productivity and time-to-market with over 20 core AI assets
- FY26 EBIT margin guidance reiterated at 14%; Q2 expected to see margin improvement from operating leverage; Q3 margin lift aided by ESOP cost reduction
- 65–70% OCF to EBITDA conversion expected in steady state; Q1 impacted due to high capex

- Merger with Cigniti progressing as per plan; effective date expected to be April 1, 2025; final approvals expected by Dec–Jan timeframe
- Despite macro uncertainty and tariff-related volatility, management confident of delivering 9th consecutive year of strong growth in FY26.

## Persistent Systems

- Q1 revenue grew 3.9% QoQ and 18.8% YoY in USD; growth seen across all top client buckets indicating broad-based account scaling
- EBIT margin stood at 15.5%, with margin improvement supported by lower ESOP costs, though partially offset by ramp-up delays and higher amortization
- Healthcare declined QoQ due to onsite-to-offshore transition at some large clients but is expected to return to growth during the year
- Order book remained strong with TCV at $520.8 mn and $337 mn from new bookings, supporting medium-term visibility
- New client additions were robust, with increased counts across all revenue buckets, reflecting expanding client relationships
- North America and Europe led geographical growth YoY, while rest of world saw a marginal decline
- BFSI led vertical performance with strong YoY growth, followed by Hi-Tech and Healthcare
- Wage hikes postponed by a quarter due to cautious demand environment and delayed deal ramps in some accounts
- Ongoing macroeconomic and geopolitical caution continues to slow decision cycles, though pipeline remains healthy
- AI-led offerings continue to gain traction; SASVA 3.0 launched as productivity-centric engineering platform with secure, enterprise-ready architecture
- Significant GenAI-led deal wins across BFSI, Hi-Tech, and Healthcare; use cases include underwriting automation and scientific research agents
- AI investments backed by expanding IP portfolio (55+ patents), integrated trust layer, and alliances with platforms like Salesforce and Google
- Key deal wins include platform modernization, cloud testing transformation, digital banking platform, and centralized pharma safety portal
- Leadership changes include new CPO and CMO appointments aimed at accelerating people and brand strategy in alignment with AI focus
- Return on capital employed (ex-cash) improved to 43.8%; PAT margin at 12.7% with healthy cash balance and 98.6% OCF-to-PAT conversion
- Despite short-term pressures, company reiterated ambition to reach $2 bn revenue run-rate by FY27 and aims to maintain top-tier growth in sector

## Happiest Minds

- Management remains confident of sustaining double-digit growth through FY27, driven by strategic transformation and GenAI-led expansion.
- Despite a mixed macro and geopolitical environment for global IT, demand remains resilient in BFSI and healthcare, with early signs of recovery in manufacturing and media.
- GenAI business unit reported 12.7% QoQ and 82% YoY revenue growth, with utilization improving to 40.8%, and is now breaking even at the operating margin level.
- EBITDA margin at 21.4% remains within the guided 20–22% range; the company expects to maintain this despite upcoming people cost increases in Q2.
- Utilization improved to a nine-quarter high of 78.9%, and enhancing this metric remains a key focus to drive margin expansion.

- Repeat business remained strong at 94%; number of \$1 Mn+ clients rose from 57 to 59, indicating deeper client engagements.
- Vertical-led strategy is driving results—BFSI is now the largest vertical, while healthcare (3rd largest) is also gaining strong momentum.
- New wins include deals in GenAI, infrastructure security, and low-code automation; significant expansion seen in GCCs and PE-backed clients.
- Automation-related revenue increased from 25.3% to 28.2% QoQ, aided by client interest in RPA, low-code, and infrastructure automation amid cost pressures.
- India and APAC delivered strong growth due to successful integration of prior acquisitions and migration of some US work to Indian GCCs; however, this pace is unlikely to sustain.
- Top client and US revenue declined sequentially due to completion of a large 1.5-year program and program pauses at another client undergoing strategy review.
- Company remains committed to \$1 Bn revenue target by FY31; while re-evaluation is ongoing, no changes have been made yet.
- Product-led SaaS strategy is scaling up, with Artha (unified banking platform) and Insurance-in-a-box platforms gaining traction.
- Healthcare business is expected to grow strongly, backed by bioinformatics, GenAI use cases, and partnerships with research institutions.
- DSO increased to 91 days, mainly due to integration of a Middle East entity; management expects normalization in subsequent quarters.
- Outlook for H2FY26 is optimistic, with Q2 and Q4 likely to outperform, barring seasonal weakness in Q3. Land-and-expand and net-new strategies are expected to support growth.
- Attrition rose to 18.2%, and efforts are underway to bring it down; net headcount was stable due to 150 gross additions.

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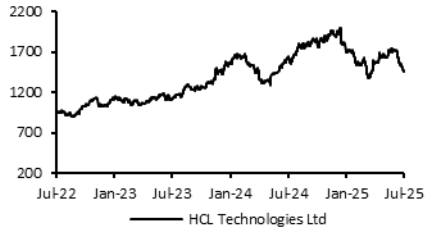
Reduce – The stock is expected to deliver -5-+5% returns.

Sell – The stock is expected to deliver <-5% returns.

**Tata Consultancy Svcs Ltd**

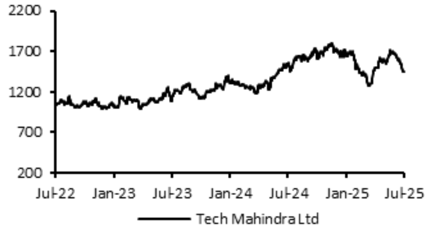

**Infosys Ltd**


**Hcl Technologies Ltd**



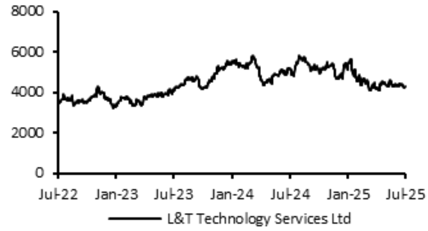

**Wipro Ltd**


**Tech Mahindra Ltd**



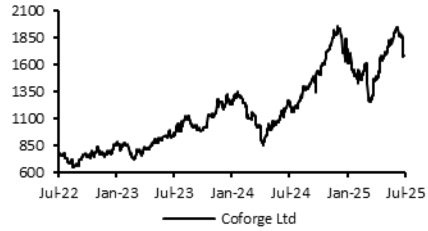

**Ltimindtree Ltd**


**L&T Technology Services Ltd**

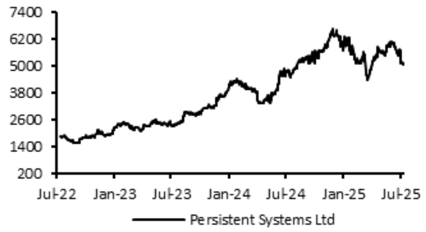



**Mphasis Ltd**


**Coforge Limited**




**Persistent Systems**




**Happiest Minds Technologies**


Source: Bloomberg

| Disclosure of Interest Statement | |
|---|---|
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PORTFOLIO MANAGER

SEBI REGN NO.: INP000004383

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SEBI Registration No. INH000001469

Mutual Fund Distributor
AMFI REGN No. ARN- 147569

**Website:** www.centrumbroking.com
**Investor Grievance Email ID:** investor.grievances@centrum.co.in

**Compliance Officer Details**:
Chintan Madiya
(022) 4215 9000/9815; Email ID: compliance@centrum.co.in

**Centrum Broking Ltd. (CIN :U67120MH1994PLC078125)**
**Registered and Corporate Office:**
Level -9, Centrum House, C.S.T. Road,
Vidyanagari Marg, Kalina,
Santacruz (East) Mumbai – 400098
Tel.: - +91 22 4215 9000