Information Technology

Hit Refresh

A sharp spike in demand trajectory (beyond resilience), significant operational improvement (at peak levels now), continuity in market share gains and industry tailwinds of accelerated DX has led to outperformance, with 58/37% gains/re-rating impact in IT index over 6M/12M period. We 'hit refresh' in this note and evaluate the relative quarterly trends across segments and demand/competitor indicators. Risk-reward is more favourable for tier-1s now and less secular across mid-tiers. Some macro risks such as second-wave/lockdown have increased, but that's likely to translate into a flattish demand curve instead of a double-dip.

Despite the broad spectrum of outcome/outlook globally, key trends in the sector are as follows: (1) Large deal pipeline is improving, despite strong bookings and slower decision cycles which is expected to pick-up by year-end. (2) Cloud-led strong deal bookings (Capgemini's bookings around hyper-scalers up 50%, IBM's cloud signings up 25%, Cognizant's digital bookings up 40% YTD). (3) Acceleration in vendor consolidation (up to 20% reduction in vendor count) driving deals with a focus on cost optimisation. (4) Shift to the cloud also resulting in delays in on-premise investments, but acceleration in large infrastructure modernisation deals (8 >USD 100mn GTS deals within 11 large deals for IBM) as enterprises upgrade their tech stack at the infrastructure as well as the application layer. (5) Continuity of positive momentum in BFSI, driven by digital/regulatory/cost in sync with increased tech spend, accelerated z15, increase in implementation go-lives, vendor consolidation and strength in retail banking, mortgage, capital market sub-segments.

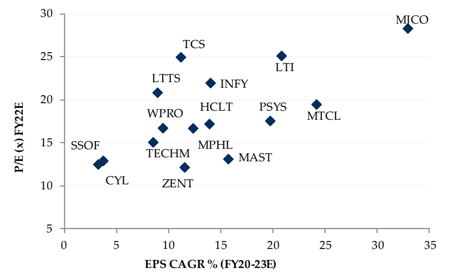
- **Revenue outperformance:** The strong sequential revenue performance was led by a reversal in supply-side factors, BFSI revenue growth outperforming by >300bps YoY, and strong growth in Retail & CPG and Life-science & Healthcare verticals. At the same time, E&U and Communications verticals lagged. In 2Q, tier-1 IT posted more robust sequential performance vs. mid-tier, as compared to a similar dent in 1Q. Revenue/APAT beat in 2QFY21 was 2.5/7.0%, and an increase in FY22/23E EPS averaged ~5%.

- **Margin outperformance continued in 2Q: gross margin led vs. SG&A led in 1Q:** Margins have peaked in 2Q and are expected to moderate as wage hikes are rolled-out and some cost savings around Travel & S&M reverse partially over 2-4 quarters, even as offshore-mix is expected to remain high.

- **Outlook and valuations:** We expect IT sector revenue growth (USD terms) at +0.5/11.0/9.5% over FY21/22/23E, translating into 12% APAT CAGR over FY20-23E (vs. 8% CAGR over FY15-20). We believe that the risk-reward profile for tier-1 IT (vs. mid-tier) is more favourable now, following strong outperformance of mid-tier in 3M/6M, higher macro risk translating into a flight to quality incrementally, tier-1 valuations at a discount to mid-tier and an upside potential similar to mid-tier (~15%). **Maintain a constructive view on the sector. Preferred picks from Tier-1 include HCLT and INFY and mid-tier include Mphasis and Persistent**.

Company	CMP* (Rs)	RECO	TP (Rs)
TCS	2,686	ADD	3,070
Infosys	1,104	BUY	1,230
HCL Tech	843	BUY	970
Wipro	345	ADD	390
TechM	841	BUY	940
LTI	3,179	ADD	3,065
Mphasis	1,363	BUY	1,655
Mindtree	1,358	ADD	1,450
LTTS	1,697	REDUCE	1,585
Persistent	1,147	BUY	1,520
Cyient	408	ADD	490
Zensar	184	ADD	220
Sonata	340	BUY	390
Majesco	928	BUY	1,050
Mastek	928	BUY	1,050

*CMP as on 5th Nov 2020



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IT Services: 2QFY21 Quarterly Financial Summary

Company	NET SALES (USD mn)			NET SALES (Rs bn)			EBIT (Rs bn)			EBIT Margin (%)			APAT (Rs bn)			Adj. EPS (Rs)		
	2Q FY21	QoQ (%)	YoY (%)	2Q FY21	QoQ (%)	YoY (%)	2Q FY21	QoQ (%)	YoY (%)	2Q FY21	QoQ (bps)	YoY (bps)	2Q FY21	QoQ (%)	YoY (%)	2Q FY21	1Q FY21	2Q FY20
TCS	5,424	7.2	-1.7	401.4	4.7	3.0	105.2	16.2	12.3	26.2	259	218	84.0	19.9	4.5	22.7	18.9	21.7
Infosys	3,312	6.1	3.2	245.7	3.8	8.6	62.3	16.1	26.8	25.3	268	364	48.5	14.5	20.6	11.4	10.0	9.5
HCLT	2,507	6.4	0.9	185.9	4.2	6.1	40.2	9.7	14.8	21.6	108	165	31.4	7.4	18.5	11.6	10.8	9.8
Wipro*	1,992	3.7	-2.8	151.2	1.4	-0.1	28.0	9.1	7.2	18.5	132	126	24.7	3.2	-3.4	4.3	4.2	4.5
Tech M	1,265	4.8	-1.7	93.7	2.9	3.3	13.3	45.1	14.8	14.2	413	142	10.7	9.5	-5.3	12.1	11.1	12.8
Tier-1 IT	**14,501**	**6.1**	**-0.3**	**1077.9**	**3.8**	**4.3**	**248.9**	**15.5**	**15.5**	**23.1**	**233**	**225**	**199.2**	**13.6**	**8.3**			
L&T Infotech	405	3.6	11.2	30.0	1.7	16.6	6.0	15.9	49.1	19.9	244	433	4.6	9.7	26.7	26.2	23.9	20.7
Mphasis	327	7.2	7.4	24.4	6.4	12.8	3.9	9.5	13.1	16.1	45	3	3.0	8.8	9.5	16.1	14.8	14.7
Mindtree	261	3.1	-3.7	19.3	0.9	0.6	3.3	27.1	87.8	17.3	357	804	2.5	19.1	87.9	15.4	12.9	8.2
L&T Tech	178	4.1	-10.0	13.1	1.5	-6.3	1.8	14.9	-24.6	13.7	161	-332	1.4	16.1	-26.2	13.0	11.2	17.7
Persistent	136	3.9	8.4	10.1	1.7	13.9	1.2	18.4	53.9	12.1	171	314	1.0	13.3	13.6	13.3	11.8	11.7
Cyient	135	3.4	-17.8	10.0	1.2	-13.4	1.1	116.2	-0.5	11.0	586	143	0.8	3.2	-14.8	7.6	7.4	9.0
Zensar	132	0.6	-13.6	9.8	-1.2	-8.7	1.4	43.0	26.5	14.4	445	400	0.9	22.0	11.6	3.9	3.2	3.5
Majesco	42	1.3	22.7	3.1	-0.1	29.5	0.3	-2.5	113.9	9.3	-22	368	0.2	1.5	26.3	6.3	6.2	4.9
Mastek	55	8.2	59.5	4.1	6.1	68.2	0.7	31.9	196.6	18.3	357	792	0.5	26.0	91.3	19.8	16.0	10.5
Mid Tier - IT	**1,670**	**4.1**	**1.4**	**123.8**	**2.2**	**6.4**	**19.8**	**21.4**	**31.6**	**16.0**	**252**	**307**	**14.9**	**12.5**	**18.0**			
Aggregate	**16,171**	**5.9**	**-0.2**	**1,201.7**	**3.6**	**4.5**	**268.7**	**15.9**	**16.6**	**22.4**	**236**	**232**	**214.1**	**13.6**	**8.9**			

Source: HSIE Research, * Wipro IT services USD revenue

IT Services: 2QFY21 Actual vs. HSIE estimates

Company	NET SALES (US $mn)			NET SALES (Rs bn)			EBIT (Rs bn)			EBIT Margin (%)			APAT (Rs bn)		
	2Q FY21	2Q FY21E	% Var.	2Q FY21	2Q FY21E	% Var.	2Q FY21	2Q FY21E	% Var.	2Q FY21	2Q FY21E	bps Var.	2Q FY21	2Q FY21E	% Var.
TCS	5,424	5,232	3.7%	401.4	388.7	3.2%	105.2	96.1	9.5%	26.2	24.7	150	84.0	77.8	8.0%
Infosys	3,312	3,229	2.6%	245.7	239.9	2.4%	62.3	54.1	15.0%	25.3	22.6	275	48.5	43.2	12.2%
HCLT	2,507	2,479	1.1%	185.9	184.2	1.0%	40.2	38.7	3.9%	21.6	21.0	60	31.4	29.8	5.5%
Wipro*	1,992	1,941	2.6%	151.2	149.5	1.1%	28.0	27.0	3.6%	18.5	18.1	41	24.7	25.5	-3.3%
Tech M	1,265	1,237	2.3%	93.7	91.9	1.9%	13.3	10.3	28.8%	14.2	11.3	295	10.7	10.2	4.5%
Tier-1 IT	**14,501**	**14,118**	**2.7%**	**1077.9**	**1054.2**	**2.2%**	**248.9**	**226.2**	**10.0%**	**23.1**	**21.5**	**163**	**199.2**	**186.4**	**6.8%**
L&T Infotech	405	400	1.2%	30.0	29.7	1.0%	6.0	5.3	12.0%	19.9	17.9	197	4.6	4.1	11.8%
Mphasis	327	313	4.6%	24.4	23.3	4.7%	3.9	3.7	5.7%	16.1	16.0	15	3.0	2.9	2.8%
Mindtree	261	261	0.2%	19.3	19.4	-0.5%	3.3	2.9	16.6%	17.3	14.8	251	2.5	2.2	15.8%
L&T Tech	178	175	1.9%	13.1	13.0	1.2%	1.8	1.7	6.4%	13.7	13.0	67	1.4	1.4	-2.5%
Persistent	136	135	0.9%	10.1	10.0	0.6%	1.2	1.0	18.9%	12.1	10.2	186	1.0	1.0	4.9%
Cyient	135	133	1.5%	10.0	9.9	1.5%	1.1	0.9	30.0%	11.0	8.6	241	0.8	0.7	18.3%
Zensar	132	132	-0.3%	9.8	9.8	-0.2%	1.4	1.0	47.8%	14.4	9.7	467	0.9	0.7	30.4%
Majesco	42	42	0.5%	3.1	3.1	-0.4%	0.3	0.3	1.5%	9.3	9.2	18	0.2	0.2	1.5%
Mastek	55	53	3.3%	4.1	4.0	3.4%	0.7	0.6	22.9%	18.3	15.4	290	0.5	0.5	13.0%
Mid Tier - IT	**1,670**	**1,643**	**1.7%**	**123.8**	**122.1**	**1.4%**	**19.8**	**17.3**	**14.3%**	**16.0**	**14.2**	**180**	**14.9**	**13.6**	**9.7%**
Aggregate	**16,171**	**15,761**	**2.6%**	**1201.7**	**1176.3**	**2.2%**	**268.7**	**243.5**	**10.3%**	**22.4**	**20.7**	**166**	**214.1**	**200.0**	**7.0%**

Source: HSIE Research, * Wipro IT services USD revenue

Revenue growth trend (YoY CC %)

	1QFY20	2QFY20	3QFY20	4QFY20	1QFY21	2QFY21	Guidance
TCS	10.6%	8.4%	6.8%	3.0%	-6.3%	-3.2%	NA
Infosys	12.4%	11.4%	9.5%	6.4%	1.5%	2.2%	+2 to +3% CC in FY21
HCL Tech	17.0%	20.5%	16.4%	13.5%	1.0%	-0.4%	+1.5% QoQ to +2.5% QoQ CC in 3Q-4Q as compared to -7.2% QoQ & +4.2% QoQ in 1Q/2QFY21
Wipro	5.9%	3.8%	3.3%	2.6%	-4.4%	-3.4%	+1.5% to 3.5% QoQ CC in 3Q as compared to -7.5% QoQ & +2% QoQ in 1Q/2QFY21
Accenture	8.4%	7.2%	9.0%	8.0%	1.3%	-1.0%	+3% to +5% CC for FY21 (1-3% organic)
Cognizant	4.7%	5.1%	4.2%	3.5%	-2.5%	-0.7%	-0.4% CC for CY20
Capgemini	5.7%	5.9%	2.9%	2.3%	-7.7%	-3.6%	-4.5% to -3.0% CC (organic) for CY20; 12.5-14.0% CC including Altran
Atos	-4.4%	-5.0%	-7.9%	0.6%	-4.5%	-3.5%	-4% to -2% organic in CY20
IBM services	-3.7%	-2.8%	-3.3%	-3.9%	-7.5%	-4.0%	NA
DXC Tech	-4.2%	-0.8%	-2.0%	-6.9%	-5.9%	NA	-9.3% to -8.3% YoY in FY21

Source: Company, HSIE Research; Capgemini growth is ex-Altran, IBM services (GBS/GTS) & Atos in YoY terms

Management Commentary: 2QFY21

Company	Management Commentary post 2QFY21	HSIE View
TCS	BFSI: 1) Had strong growth in two largest business verticals BFSI and Retail in Q2FY21. 2) BFSI strong momentum led by the Retail Banking and Mortgage sub-verticals. The Capital Markets and Insurance segments also performed well. Retail: 1) Growth is essentially driven by new technology spends by a whole spate of retailers, especially essential retailers. 2) Discretionary retail still continues to be weak. 3) The holiday season will have a big impact and will watch whether they recover strongly during the holiday season. Life Sciences & Healthcare: 1) Company is seeing a very structural shift from location- centric and a very centralized kind of architecture to much more decentralized service delivery architecture. 2) Witnessing shift from more fee-base to value-based models as the data centric nature of the healthcare industry keeps on unfolding. Manufacturing: In automobiles, the entire dominance of a dealer centric customer outreach or a channel system is being now challenged by much more digital front-end solutions. Technology: 1) Customers are also accelerating their technology investments to power their recovery and revival, as well as their transformation journeys. 2) The pandemic has driven home the downsides of carrying a technology debt and the need for greater resilience, resulting in accelerated initiatives to put in place cloud-based foundations that will serve as a secure, resilient and scalable digital score. Headcount: 1) On boarded about 8,000 freshers entirely virtually, and also ramped up the hiring to support growth. 2) In Q3FY21 company plans to onboard 12k freshers. 3) Announced wage hike wef from 1st Oct 2020. Margins: Retains aspirational margin band of 26% to 28%.	1) TCS' industry leadership and gold standard in execution/scale will be supported by industry tailwind of core system modernisation by enterprises. 2) We have factored in USD revenue growth of -1.2%, 12.7%, 10.5% for FY21/22/23E with 3Q/4QFY21 at 2.6/2.7% QoQ. EBIT margin factored at 25.1/25.9% for 3Q/4Q and 26.5%, 26.6% for FY22/23E. 3) ADD rating with target price of Rs 3,070 is based on 27x Sep-22E EPS with EPS CAGR at 16% over FY21-23E.
Infosys	BFSI: 1) Financial Services saw continued improvement in performance both on a year-on-year and sequential basis, business has been in areas that banks are investing significantly post COVID, but that's mortgage servicing, call center technology and operations, lending services to cater to various government relief program as well as pickup of large digital transformation programs. 2) Company's banking platform has received multiple industry recognitions during the quarter and lot of traction as banks across the world embark on digital transformation. Retail: 1) INFY started seeing some momentum back in retail with increased volumes in Q2 and ramp-up of earlier deal wins, however remains cautious on this segment given continuing demand and liquidity issues and possibly increased by the coming months. Communication: 1) Performance in Communication segment remained weak, given pressure on spending especially in media entertainment, advertising and OEM segments. 2) Continue to have a strong pipeline of deals in communication vertical. Energy: Energy utility resources and services vertical are also under pressure due to constraints spending in the oil and gas, travel and hospitality and resources sector. Manufacturing: 1) In this segment, opening up of pockets although, replace of recovery may remain sluggish. Cost take-out is a major focus for the clients across sectors. 2) Expect gradual improvement in this segment with recovery in volumes and robust new account openings. Headcount: 1) Company expects to add about 16,500 people this year and next year, planning to add another 50,000 people. 2) Company paid 100% variable pay during Q2 along with Special incentive for junior level employees. 3) Company announced salary hike wef from 1 Jan 2021 across all level. 4) Company plans to add 16,500 people in India as fresher in FY21 and 16,000 to be added in FY22. Guidance: 1) Company increased its revenue guidance for the full year from 0% to 2% moving it to 2% to 3% growth in constant currency YoY. Also increased its operating margin guidance for the full year, from 21% to 23%, moving it to 23% 24%. 2) H2FY21 margins to be impacted by wage hike and furloughs.	1) INFY's growth leadership and scale, large deal momentum and improving capabilities in Salesforce, ServiceNow, Adobe are key positives. 2) We have factored in USD revenue growth of 5.1%, 11.6%, 10.3% for FY21/22/23E with 3Q/4QFY21 at 3.5/2.5% QoQ. EBIT margin factored in at 24.4/23.0% for 3Q/4Q and 22.8/23.3% for FY22/23E. 3) Our target price of Rs 1,230 is based on 23x Sep-22E EPS (15% discount to TCS) with EPS CAGR at 14% over FY20-23E.

Company	Management Commentary post 2QFY21	HSIE View
HCL Tech	BFSI: 1) Continue to see good demand across the board, across its clients across geography actually also. 2) The demand continues to come from both service transformation that digital transformation as well as digital foundation deals with racing across the clients. Retail: 1) There has been strong participation in areas that are critical for retail segment including e-commerce solutions. Manufacturing: 1) In manufacturing and logistics industries, e-commerce platforms are significantly being scaled up in retail CPG; so that there is a specific two or three ideas, which are getting increased attention and investments, which is driving the revenues and pipeline Technology: 1) Stellar performance is result of five key factors first the intensity of the technology spend in the market companies calibrate their business models to the new normal is increasing. 2) Company framework designed to create and implement business and technology strategies to succeed in cloud, which will help in accelerating the clients cloud adoption journey. 3) Recently expanded partnership to include IBM public cloud with focus on certain regulated industries Headcount: 1) Company is targeting 12,000 freshers in FY21 but will end up between 10-12k due to pandemic. 2) Wage hike effective from 1 Oct 2020 for E0 to E2 employees and from Jan 2021 for E3 and above level employees. Guidance: Company revised its margin guidance upwards. Expect constant currency revenue guidance for Q3 and Q4 to be in the range of 1.5% to 2.5% on an average basis which will deliver a positive growth for the full year. EBIT guidance stands revised to 20% to 21%.	1) We have factored in USD revenue growth at +1.2/11.8/10.1%, factoring in IT & BS growth at -0.6/+12.4/+10.4%, ER&D growth at -4.4/+11.4/+10.1% and P&P growth at +20.4/9.3/8.4% over FY21/22/23E respectively. 2) EBIT margins are estimated at 20.6/20.7/20.6% over the same period, translating into an EPS CAGR of 12.4% over FY20-23E (TCS/INFY at 11/14% CAGR). 3) HCLT is among our top picks in the sector, and our target price of Rs 970 is based on 18x Sep-22E EPS.
TECHM	Telecom: 1) In communication, company continues to participate and stay very busy with the transformation and digital. 2) Company is helping telcos transform potentially on the IT side and combining some of the digital technologies. 3) Company is talking about helping service providers transform their entire 5G stack on the process and system side, leading up to subscriber management to the B2B use case management, all the way to OSS and continue to assist customers.4) 5G is an opportunity for service providers to re-look at everything from process to operations to systems to of course the network architecture. 5) Company will continue to drive the channel of 5G across between communications as well as in the enterprise side of the business. Manufacturing: 1) Mfg bottomed out during the quarter and growth primarily being driven by engineering services in auto sector which had slowed down. 2) Expect both in US and Europe, Q3 to look quite positive on manufacturing and come back on the growth part. 3) Three vertical firing in a big way, other three although did well but not as good as you know technology, banking and retail. Retail: 1) The retail segment which is the next vertical that company look at has opportunity to grow. 2) COVID has exposed a lot of opportunities in digital, in retail, primarily around omni channel, omni commerce that company and its BPS teams will engage with the customers Headcount: 1) Company plans to hire people in next 2 qtr and also campus hiring planned in Q4FY21 or Q1FY22. 2) No wage hike planned in CY20. Outlook: 1) Company intends to sustain margins going ahead if not improve. 2) Target EBIT margin at 15%.	1) We expect USD revenue growth of -2.2/+6.9% in FY21/22E. We have factored in 3/4Q FY21 growth of +1.6/+2.1% respectively. EBIT will be at 12.9/13.5% for FY21/22E. Telecom/Enterprise growth for FY21E will be at -7.4/+1.6% and +3.9/+8.9% for FY22E respectively. 2) Our target price stands at Rs 940, based on 16x (~15% premium to 5Y average) Sep-22E EPS.
Wipro	BFSI: 1) Company remains optimistic on financial services. 2) Company is a strong player and will continue to increase focus in the sectors Energy 1) Energy and utilities and technology sectors will return to growth industry Technology & Re-structuring: 1) The next big wave of opportunity will clearly be driven by Next Generation Services of cloud, digital transformation, IoT, 5G Enterprises in the post-crisis world are transforming their technology stack. 2) Company will invest in specific capabilities such as domain expertise, digital transformation architect, large program managers, technology experts, investing talent to reinforce innovation, business understanding, technology skills Headcount:: Promotion to 80% of employee and wage hike wef to 1 Dec 2020. Guidance: Company guided for revenue growth of 1.5% to 3.5% QoQ CC in Q3FY21.	1) We have factored in -2.5/+6.7% USD revenue growth for FY21/22E respectively; FY21E implies 3Q/4Q revenue growth of +3.0/+1.7% 2) Outlook is positive for BFSI/Consumer vertical and ENU/Tech will bounce in 3Q. 3) Our target price of Rs 390 is based on 18x Sep-22E EPS.

Company	Management Commentary post 2QFY21	HSIE View
LTI	BFSI: 1) BFS has had good growth this quarter, and there is a continuing pipeline in the future as well. 2) Company seeing a significant shift from a technology perspective. 3) Banks need to onboard customers remotely, insurance companies need remote sales. 4) Insurance vertical registered a decline of 3.4% quarter-on-quarter and close to 5% year-on-year basis. This vertical continues to struggle with the impact created by COVID. 5) In U.S., insurance are seeing impact by COVID related insured losses and premium volumes have declined. Manufacturing: 1) Mfg was the hardest hit vertical in the first quarter, and has seen good recovery from there in Q2. 2) Mfg growth, beginning to come back in the US as well as Europe. Partly, this is due to the return to operations, as factories come up and supply chains start to work again in the new normal, as they say. 3) The growth in manufacturing going forward will be driven by the move to new operating models. Energy: 1) Recovery is tepid, even though oil prices have stabilized, but at much lower levels compared to pre-COVID. 2) Company expects to see some recovery from Q4 onwards Hi-Tech: 1) The decline during the quarter was on account of reprioritization of work due to COVID on one particular account. Company expects Hi-Tech & Media vertical returning to growth in the coming quarters. Headcount: 1) Company continues to strengthen its workforce. 2) Company would roll out salary hike effective from 1st Jan 2021. Outlook: 1) PAT margin guidance for the full year FY21, to be in the 14% to 15% band, despite salary hike in January 2021.	1) We have factored in USD revenue growth of 8.3/17.1/15.9% and EBIT margin at 18.9/18.1/18.6% for FY21/22/23E respectively. APAT margin estimated at 15.1/15.0/15.4% for FY21/22/23E. 2) Our target price of Rs 3,065 is based on 22x Sep-22E EPS (DCF-implied at 22x), supported by industry-leading 20% EPS CAGR over FY20-23E, >45% RoIC.
Mphasis	DXC-HP: 1) Company believes that DXC continues to make great strides in their strategic roadmap and the new DXC approach. 2) Mphasis is well aligned to the new DXC strategic direction and working closely with their operational and business leadership in driving synergy across the two companies. 3) Mphasis is and will continue to be in the mix and continue to work jointly on a plan that gives longer-term flexibility to DXC as well as longer-term business continuity and visibility to Mphasis through this partnership, potentially even well beyond the September '21 timeframe. Direct business: 1) The strong showing in Direct has helped Mphasis manage the decline in DXC. 2) Company's investments in tribes and squads model is driving accelerated growth in the direct business. Growth is broad based across all units within direct. 3) Direct growth will continue to be supported by robust TCV that company has added across verticals. 4) Direct business in Europe has grown very strong and so has the TCV conversion. BFSI: 1) Continue to see strong growth momentum and positive outlook in company's key focus vertical of banking and capital markets. 2) Company has built a robust pipeline in Insurance domain over the past few quarters and expects to convert this into revenue in the coming quarters. 3) The banking business is probably the most cut throat competitive landscape, most mature buyers. 4) Mphasis has pretty significant insurance operation where it run for some large global insurers, large parts of their middle and back-office activities. TCV Win: 1) Company believes that rising TCV trend is a testament to its improving track record in scale and frequency of large deals. 2) The nature of the TCV wins, the nature of the conversion to revenue, and the nature of pipeline, company definitely has good visibility at least in the short to medium term. Outlook: 1) EBIT margin to be in the range of 15.5-16.5% band. 2) There will be an element of seasonality that will come into Q3.	1) We have factored 7.0/13.6/9.2% growth in revenue, based on Direct business growth at 18/20/14% and DXC-HP at -32/-22/-27% for FY21/22/23E respectively and factored in EBIT% at 16.1/16.2/16.4% for FY21/22/23E, resulting in 14% EPS CAGR over FY20-23E. 2) MPHL's valuation discount to midtier IT is expected to reduce, supported by an improving mix of high-growth Direct business limiting the impact from DXC and on FCF yield >6%, ~30% RoIC, FY20-23E EPS CAGR at 14% (16.5% over FY21-23E). Our target price of Rs 1,655 is valued at 20x Sep-22E EPS.

Company	Management Commentary post 2QFY21	HSIE View
Mindtree	BFSI: 1) On the BFSI side, spend is happening more in the areas of cloud, cloud adoption is gaining significant. 2) The second area that's happening with regard to the insurance spend is in the technology modernization, because traditionally insurance sectors have been a bit slower in terms of adopting the digital initiative. Retail: 1) CPG is spending a lot on the digital marketing area, on the aspects of direct-to-consumer. 2) All the digital spent towards that helps them to directly reach out to the consumer; it's the second area where the company is seeing on the RCM sector. Technology: The business transformation acceleration is leading to conversations in the core modernization, cloud migration, touch less and contactless experience, enhancing and embracing the end user experience. Travel: 1) Company seen green shoots amidst uncertainty in the travel and hospitality sector, while will continue to see growth momentum in the other industry segments. 2) Travel segment has been the most impacted during this pandemic as company was literally in the front line. 3) It will take quite some time, at least several quarters for travel & transportation and hospitality to come back to the pre-COVID levels. Headcount: Company announced salary increments for Mindtree Minds effective 1st Jan 2021. Outlook: With revenue momentum on track and continued focus on driving operational efficiencies, company's endeavor to deliver profitable growth will continue.	1) Continued pursuit of high annuity/tail rationalisation/client mining across verticals will support growth ahead. 2) We have factored in USD revenue growth of -2.8/+11.8/+10.6% and EBITDA% at 18.9/18.9/18.8% for FY21/22/23E respectively. EPS CAGR of 24% over FY20-23E (14% over FY21- 23E), >35% RoIC, >5% FCF yield support valuations. 3) We maintain our ADD rating with target price of Rs 1,450 is based on 20x Sep-22E EPS, limiting the upside.
LTTS	Transportation: 1) Growth was led by Auto and Trucks & Off-highway, which together grew in double-digit sequentially. 2) Company expects growth in Aerospace from Q3 onwards. 3) Auto saw a strong rebound, as the impact from furloughs and shutdowns reduced in Q2, and customers accelerated their focus on initiatives like electric vehicle and autonomous. 4) In Aerospace, company witnessed increased traction in defense, especially in North America. 5) Design automation and digital transformation for manufacturing engineering services are areas where spend is happening in aerospace in the post-pandemic scenario Plant Engineering: 1) The rebound was led by Oil and Gas and FMCG sub-segments followed by Chemicals. 2) In Plant Engineering, company is seeing digital adoption increase, and is shifting gears to meet customer needs of low-cost automation, touch less and remote plant operations and monitoring. 3) Momentum continuing in the Plant Engineering for coming quarters as well. Industrial Products: Company is investing in IoT enablement and sensor labs to drive growth further and expects growth in Industrial Products to continue for coming quarters as well. Telecom & Hi-tech: 1) In Media, there is demand for design and development of media device platforms using Android and Linux, and content management and network testing. 2) In Telecom, company see demand in 5G network commissioning tools, operations enhancement etc. 3) Company expects good pickup in Telecom in Q3 on an organic basis based on the pipeline and deal wins. Medical: 1) The pipeline ahead looks strong as spends on healthcare; remote diagnostics and tele health are seeing an uptick. 2) LTTS is expanding its presence beyond the Med-tech sector, to target the Pharma and Provider space as well, as the spend are large in areas like digital therapeutics and Connected Hospitals. Guidance: Upgraded revenue growth guidance for FY21 to decline by 7% to 8% as compared to earlier decline by 9% to 10%.	1) We have factored in USD revenue growth of -7.4/+14.1/+12.4% and EBIT margin at 14.6%, 16.5%, 16.5% over FY21/22/23E respectively. 2) 3Q-4QFY21 revenue growth estimated at 4.5% QoQ and 4.0% QoQ respectively and FY22/23 revenue growth imply 2.9% CQGR each, translating into FY20-23E EPS CAGR at 9% (26% CAGR over FY21-23E). 3) We maintain our REDUCE rating with target price of Rs 1,585, is based on 18x Sep-22E EPS (DCF-implied at 18x and historical average at 19x).

Company	Management Commentary post 2QFY21	HSIE View
Persistent	TSU: 1) Company won a number of large deals in the quarter in TSU across our existing customers and net new customers. 2) Company intent is to take the services part across both these businesses higher and that's where the European part has been weaker. 3) From a service line performance perspective, company continued to see strong traction in product engineering services, as well as cloud and infrastructure service lines. Alliance: 1) In Alliance business, there have been efforts to improve the profitability as well and these have yielded in new royalty contracts with growth products, enhanced level of service contracts with new and existing resale customers, where company resale certain products like CE, CLM. 2) Company is seeing growth in its large deal pipeline in the Alliance business with a number of multi-million, multi-year deals across services Red Hat, Cloud, and PLM businesses. 3) Hopeful that the Alliance business will turn around and become a growth business over the next few quarters. 4) Optimistic about the opportunities in cross collaboration across the technology services in Alliance business as Persistent simplify and integrate the service offerings and harmonize the way of working across the business units. BFSI: 1) BFSI growth is also broad-based, and company is very focused on making sure that it becomes even more broader based as it goes along. Healthcare: 1) On Healthcare life sciences, while the quarter may have looked a little softer as compared to the competition, the details behind it are, there was a one-time IP deal in the quarter before, which contributed roughly about USD 700,000 - 800,000, so normalizing for that this quarter also came in at a decent clip, because those IP deals don't happen every quarter. 2) In healthcare, there were a number of large deals, including one with a large multinational medical technology company, wherein the company won a multi-year, multi-million dollar deal for re-architecting their flagship product from legacy to modern component based architecture Headcount: 1) Company has planned to do salary increments effective November 1, across the board for all employees. 2) For this quarter and next quarter, company plans to add anywhere between 300 to 400 people on a quarterly basis.	1) We have factored in USD revenue growth at 10.0/13.2/12.7% with Technology Services growth at 15.7/15.6/14.7% and Alliance growth at -5.8/+4.7/+4.7% over FY21/22/23E respectively. We estimate EBITDA margin at 15.5% over FY21-23E (2Q at 16.4%), resulting in FY20-23E EPS CAGR at 20% (22% over FY21-23E). 2) Our target price is Rs 1,520, based on 21x Sep-22E EPS and supported by 20% EPS CAGR, >35% RoIC.
Cyient	A&D: 1) Company is seeing growth coming essentially from A&D and medical, but also wants to see how they take it across the A&D and the transport vertical as well. 2) Aerospace and Defense, which continues to face headwinds. 3) Company hope Q3 or Q4 will be a bottoming quarter, and is still keeping a close tab on what is happening. The good news, last six, seven weeks has been better than what it expected and hope the same trend continues as we close 2020 and head into 2021. Transport: 1) Company is in line with what is expected by the customers, and have seen a significant ramp up. 2) Continues to remain positive for the next couple of quarters as company see them as a steady recovery on the rail and transport industry. 3) Most of the rail transportation customers, they also prioritize what would give them cash in the short term, so that their projects are also prioritized in line with that. Communication: 1) Communication, which has seen a growth, which is essentially driven by what company call them as the rollout of broadband networks globally as well as the 5G network. 2) With virtual collaboration working from home, probably increasing the bandwidth demand across both consumer as well as on the enterprises has lead growth in Communication vertical. 3) Continue to remain positive as company starts seeing significant investment around the network transformation and accelerated deployment of broadband and wireless infrastructure globally. Headcount: Company has decided to give the hike to the employees at the bottom of the pyramid, about 8,000 odd people, which will be effective October 1, that will have an impact of about 1%.	1) We have factored in -13.8/+5.4% USD revenue growth for FY21/22E respectively; FY21E implies 3/4Q revenue growth of +0.1/+2.5%. Margin in 3QFY21E will be impacted by wage hike (effective Oct-20), and FY21E exit margin will be similar to 2QFY21 level. 2) Our target price stands at Rs 490, based on 14x Sep-22E EPS, ~10% premium to 5Y average 1Y-fwd P/E multiple.

Change in estimates

IT Services

Company	Revenue USD bn (NEW)			Change (%)			EBIT % (NEW)			Change (bps)			EPS (Rs) NEW			Change (%)		
	FY21E	FY22E	FY23E	FY21E	FY22E	FY23E	FY21E	FY22E	FY23E	FY21E	FY22E	FY23E	FY21E	FY22E	FY23E	FY21E	FY22E	FY23E
TCS	21,764	24,522	27,095	2.8%	4.6%	5.5%	25.2	26.5	26.6	50	46	6	87.8	107.4	120.0	5.3%	8.7%	8.4%
Infosys	13,430	14,994	16,542	2.9%	3.5%	4.3%	23.8	22.8	23.3	143	50	89	44.6	50.2	57.2	5.8%	4.1%	6.4%
HCL Tech	10,052	11,240	12,372	0.7%	1.3%	1.6%	20.6	20.7	20.6	-36	-57	-48	44.1	50.4	57.8	-1.5%	-2.0%	-1.4%
Wipro*	8,051	8,592	9,040	3.0%	4.2%	4.3%	18.0	18.0	18.3	57	9	27	18.6	20.6	22.3	6.4%	6.9%	9.1%
Tech Mahindra	5,070	5,421	5,838	1.7%	2.3%	3.6%	12.9	13.5	13.8	155	125	124	49.9	55.7	61.7	5.3%	7.1%	8.1%
Tier - 1 IT	**58,368**	**64,769**	**70,887**	**2.4%**	**3.5%**	**4.2%**	**22.0**	**22.4**	**22.7**	**68**	**33**	**32**	**49.0**	**56.9**	**63.8**	4.2%	5.4%	6.1%
LTI	1,651	1,933	2,241	1.9%	4.2%	5.3%	18.9	18.1	18.6	143	37	73	107.2	126.4	153.9	7.7%	6.7%	9.8%
Mphasis	1,326	1,506	1,645	3.3%	2.6%	1.5%	16.1	16.2	16.4	10	-26	-15	66.6	79.2	90.5	8.2%	3.0%	0.2%
Mindtree	1,058	1,183	1,308	0.6%	1.0%	0.7%	15.9	16.0	15.8	149	113	78	59.2	69.6	77.4	11.0%	9.4%	6.0%
LTTS	728	831	933	2.0%	3.1%	2.6%	14.6	16.5	16.5	114	57	-9	58.6	81.3	92.9	5.9%	8.4%	3.9%
Persistent	552	625	704	0.5%	-0.1%	-0.7%	11.2	11.5	12.6	74	97	95	54.2	65.3	80.5	3.7%	7.4%	6.0%
Cyient	539	568	623	1.2%	0.4%	1.4%	9.1	10.0	10.6	116	67	60	29.3	32.6	37.3	6.8%	4.1%	4.3%
Zensar	516	543	582	-2.5%	-4.4%	-5.1%	11.8	11.3	11.4	224	93	81	14.0	15.1	16.3	12.8%	3.0%	0.9%
Sonata*	154	173	188	0.0%	0.0%	0.0%	7.6	7.9	8.1	0	0	0	22.5	26.3	29.7	0.0%	0.0%	0.0%
Majesco	169	189	217	0.0%	0.0%	0.0%	10.0	10.7	13.1	0	0	0	26.7	32.7	45.4	0.0%	0.0%	0.0%
Mastek	217	232	249	4.0%	5.0%	3.6%	16.0	15.6	16.1	161	44	87	66.6	70.6	79.7	14.4%	9.1%	11.9%
Mid Tier - IT	**7,760**	**8,709**	**9,728**	1.3%	1.6%	1.6%	**15.4**	**15.6**	**16.0**	110	53	52	**48.0**	**56.8**	**66.7**	7.2%	5.9%	5.2%
Aggregate	**66,128**	**73,478**	**80,615**	2.3%	3.3%	3.9%	**21.3**	**21.6**	**22.0**	73	36	35	**97.0**	**113.7**	**130.5**	5.7%	5.6%	5.7%

Source: Company, HSIE Research, * Wipro IT services USD revenue and Sonata IITS USD revenue; Note: Change % wrt estimates pre 2QFY21A

Companies	M-cap (Rs bn)	CMP (Rs)	TP Old	New TP	Old Rating	New Rating	Old multiple (x)	New multiple (x)	DCF-implied (x)	5Y Avg (x)	10Y Avg (x)
TCS	9,935	2,686	2,540	3,070	ADD	ADD	24	27	23	21	20
INFY	4,691	1,104	1,115	1,230	BUY	BUY	22	23	21	17	17
HCLT	2,287	843	990	970	BUY	BUY	18	18	18	14	14
WPRO	1,889	345	320	390	ADD	ADD	16	18	18	15	15
TECHM	812	841	875	940	BUY	BUY	16	16	16	14	13
LTI	554	3,179	2,840	3,065	ADD	ADD	22	22	22	17	NA
MPHL	254	1,363	1,670	1,655	BUY	BUY	20	20	18	15	13
MTCL	224	1,358	1,390	1,450	ADD	ADD	20	20	19	18	15
LTTS	177	1,697	1,475	1,585	REDUCE	REDUCE	18	18	18	19	NA
PSYS	88	1,147	1,450	1,520	ADD	BUY	21	21	21	14	13
CYL	45	408	470	490	BUY	ADD	14	14	16	13	12
ZENT	42	184	215	220	ADD	ADD	14	14	16	13	10
SSOF	35	340	390	390	BUY	BUY	14	14	15	11	9
MJCO	26	928	1,050	1,050	BUY	BUY	3x EV/Rev	3x EV/Rev	NA	1x EV/Rev	NA
MAST	23	928	1,015	1,050	BUY	BUY	14	14	NA	11	8

Source: HSIE Research; Note: Old rating/multiple refers to target valuations pre 2QFY21A, CMP as on 5th Nov 2020

IT Services: valuation metrics

Company	MCap (Rs bn)	CMP (Rs)	TP (Rs)	RECO	EPS (Rs)				P/E (x)				RoE (%)				$ Rev CAGR% FY20-23	EPS CAGR% FY20-23
					FY20	FY21E	FY22E	FY23E	FY20	FY21E	FY22E	FY23E	FY20	FY21E	FY22E	FY23E		
TCS	9,935	2,686	3,070	ADD	87.4	87.8	107.4	120.0	30.7	30.6	25.0	22.4	37.3	39.5	47.8	49.7	7.1	11.1
Infosys	4,691	1,104	1,230	BUY	38.6	44.6	50.2	57.2	28.6	24.8	22.0	19.3	25.2	27.9	29.0	30.2	9.0	14.0
HCL Tech	2,287	843	970	BUY	40.8	44.1	50.4	57.8	20.7	19.1	16.7	14.6	23.8	21.9	22.2	22.6	7.6	12.3
Wipro	1,889	345	390	ADD	17.0	18.6	20.6	22.3	20.3	18.6	16.7	15.5	17.3	18.6	20.7	21.6	3.1	9.4
TechM	812	841	940	BUY	48.3	49.9	55.7	61.7	17.4	16.9	15.1	13.6	20.2	19.3	19.9	20.3	4.1	8.5
Tier-1 IT Median									**20.7**	**19.1**	**16.7**	**15.5**	**23.8**	**21.9**	**22.2**	**22.6**	**7.1**	**11.1**
LTI	554	3,179	3,065	ADD	87.3	107.2	126.4	153.9	36.4	29.7	25.2	20.7	29.5	30.9	29.8	29.6	13.7	20.8
Mphasis	254	1,363	1,655	BUY	61.3	66.6	79.2	90.5	22.2	20.5	17.2	15.1	20.6	20.3	21.7	22.0	9.9	13.9
Mindtree	224	1,358	1,450	ADD	40.5	59.2	69.6	77.4	33.6	23.0	19.5	17.5	19.5	28.0	27.4	25.4	6.3	24.1
L&T Tech	177	1,697	1,585	REDUCE	72.0	58.6	81.3	92.9	23.6	28.9	20.9	18.3	28.6	20.0	23.2	22.7	5.9	8.9
Hexaware*	140	471	NA	NA	21.5	23.0	25.9	29.9	21.9	20.5	18.2	15.8	24.9	23.1	22.7	22.7	9.4	11.6
Persistent	88	1,147	1,520	BUY	47.0	54.2	65.3	80.5	24.4	21.2	17.6	14.2	14.4	16.3	17.4	18.8	11.9	19.7
Cyient	45	408	490	ADD	33.9	29.3	32.6	37.3	12.1	14.0	12.5	11.0	14.5	12.3	13.0	14.0	-0.1	3.2
Zensar	42	184	220	ADD	11.7	14.0	15.1	16.3	15.6	13.1	12.2	11.3	12.9	14.5	14.4	14.4	-0.4	11.5
Sonata	35	340	390	BUY	26.7	22.5	26.3	29.7	12.7	15.1	12.9	11.4	38.5	32.9	34.1	34.2	1.3	3.7
Majesco	26	928	1,050	BUY	19.4	26.7	32.7	45.4	47.9	34.7	28.3	20.4	7.9	10.3	11.5	14.1	14.0	32.9
Mastek	23	928	1,050	BUY	51.5	66.6	70.6	79.7	18.0	13.9	13.1	11.6	17.4	22.0	19.9	19.4	18.1	15.7
Mid Tier IT AVG									**24.4**	**21.3**	**18.0**	**15.2**	**20.8**	**21.0**	**21.4**	**21.6**	**8.2**	**15.1**
Mid Tier- IT Median									**22.2**	**20.5**	**17.6**	**15.1**	**19.5**	**20.3**	**21.7**	**22.0**	**9.4**	**13.9**

Source: HSIE Research, *coverage dropped as company to delist, CMP as on 5th Nov2020

Global IT Peers: valuation metrics

Company	MCap (USD bn)	CMP USD	TP	RECO	EPS (USD)				P/E (x)				RoE (%)				$ Rev CAGR% FY20-23	EPS CAGR% FY20-23
					FY20	FY21E	FY22E	FY23E	FY20	FY21E	FY22E	FY23E	FY20	FY21E	FY22E	FY23E		
Accenture	155	235	NA	NR	7.5	8.1	8.9	9.7	31.5	29.1	26.5	24.1	32.5	29.0	28.4	27.1	5.7	9.3
Cognizant	40	74	NA	NR	4.0	3.6	4.0	4.4	18.6	20.6	18.6	16.9	16.4	15.3	17.3	16.2	4.9	3.2
Capgemini^	19	110	NA	NR	6.8	6.5	7.5	8.5	16.3	16.9	14.7	13.0	10.8	8.9	10.8	11.6	8.0	8.0
EPAM	20	351	NA	NR	5.4	6.0	7.2	8.9	64.8	58.6	48.8	39.5	18.3	20.0	20.1	20.2	19.2	17.9
Globant	8	203	NA	NR	2.3	2.3	3.0	3.7	88.6	89.8	67.9	54.4	13.9	14.6	15.7	17.6	22.1	17.7
TietoEVRY^	3	23	NA	NR	1.7	1.9	2.2	2.4	13.1	11.7	10.3	9.2	7.3	8.1	13.3	14.8	19.5	12.4
Global IT AVG									**38.8**	**37.8**	**31.1**	**26.2**	**16.5**	**16.0**	**17.6**	**17.9**	**13.2**	**6.8**
Global IT Median									**25.0**	**24.8**	**22.6**	**20.5**	**15.2**	**14.9**	**16.5**	**16.9**	**13.6**	**8.0**

Source: HSIE Research, CMP as on 5th Nov 2020, ^ in EUR

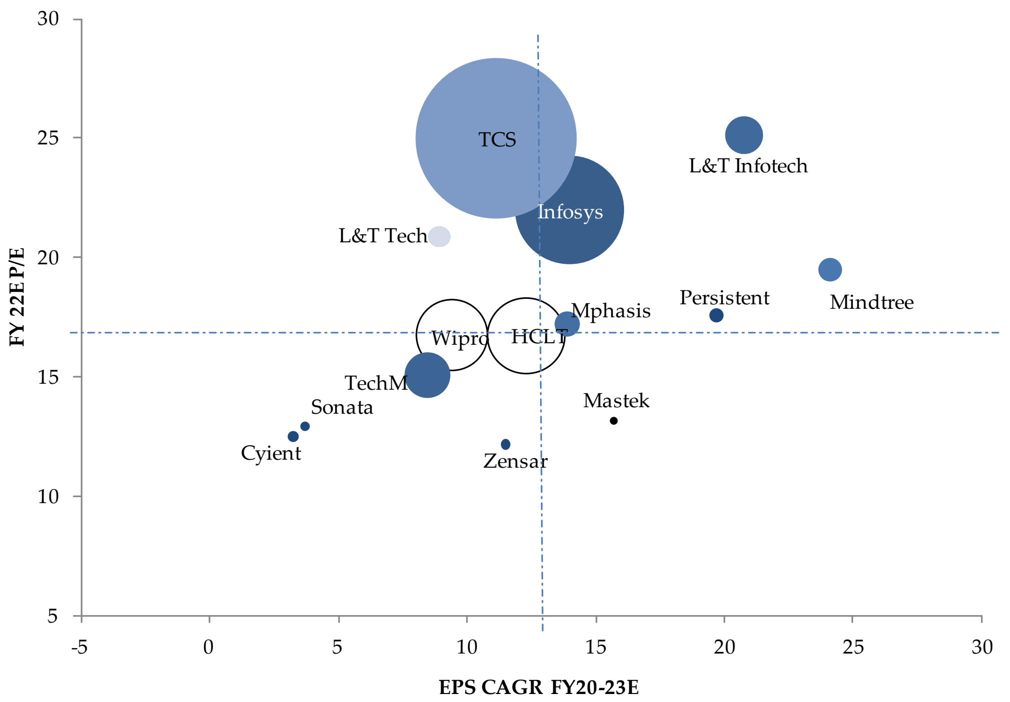
IT Services stock performance (%)

Companies	1M (%)	3M (%)	6M (%)	12M (%)	3Yr (%)	5Yr (%)	10Yr (%)
TCS	-0.7	18.9	39.0	22.0	100.9	106.0	377.8
Infosys	5.3	16.9	63.9	58.6	120.9	82.3	165.8
HCL Tech	2.3	22.4	62.0	45.5	93.9	85.4	710.1
Wipro	3.4	24.2	87.6	33.7	37.7	40.0	83.8
TechM	0.0	29.7	68.3	8.9	79.8	57.3	761.2
LTI	23.2	27.3	107.6	91.4	297.3	NA	NA
Mphasis	1.6	19.9	90.9	49.3	87.7	149.9	95.6
Mindtree	0.6	19.2	55.3	91.4	176.6	75.7	973.3
LTTS	7.1	11.1	44.8	13.6	104.8	NA	NA
Hexaware	1.1	22.4	80.2	39.4	48.0	91.4	997.5
Persistent	-13.6	21.4	145.4	91.6	67.4	69.3	427.5
Cyient	6.5	21.4	84.7	1.8	-24.8	-22.8	150.5
Zensar	-6.7	3.8	129.6	-3.8	17.2	-3.5	514.2
Sonata	7.5	18.9	66.7	8.2	82.6	122.1	453.0
Mastek	4.6	39.1	293.4	185.9	179.0	592.9	303.6
Majesco	14.2	54.2	272.6	132.3	128.1	200.5	269.5
NSE IT	**0.5**	**18.1**	**57.7**	**37.4**	**93.6**	**87.7**	**249.1**
Nifty 50	**3.6**	**9.4**	**33.5**	**6.6**	**25.5**	**74.7**	**142.5**

Source: Bloomberg, HSIE Research, CMP as on 5th Nov 2020

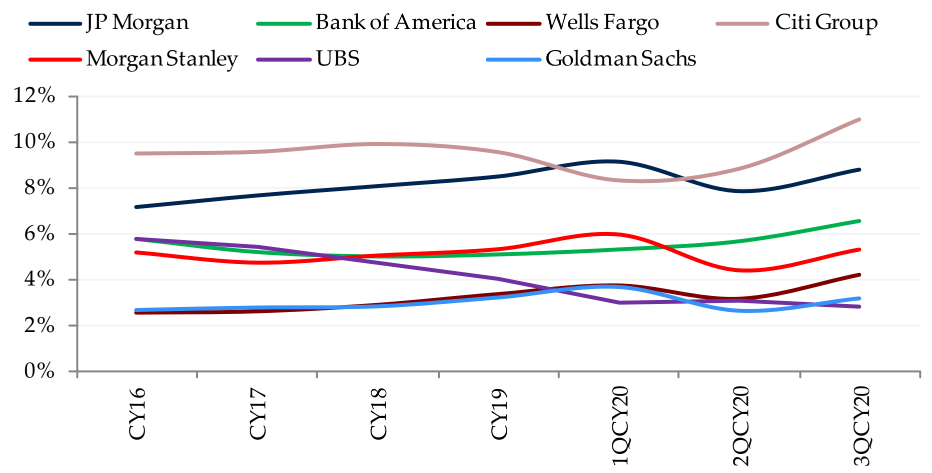
Note:
Green indicates out-performance to Nifty 50 during the respective period
Red indicates under-performance to Nifty 50 during the respective period

IT Sector P/E and EPS Growth



Source : Company, HSIE Research, Size of the bubble denotes market cap

Increasing trend of Tech spend as % revenue among large BFSI players



Source: Company, HSIE Research

BFSI Tech spend intensity increasing

Growth in Tech spend (YoY %)	CY16	CY17	CY18	CY19	1QCY20	2QCY20	3QCY20
JP Morgan	10.5%	12.7%	14.1%	11.6%	9.1%	8.9%	2.8%
Bank of America	0.4%	-6.2%	0.6%	2.0%	3.9%	9.3%	14.6%
Wells Fargo	4.4%	3.9%	9.3%	13.1%	0.0%	-7.4%	-3.7%
Citigroup	1.8%	3.1%	4.1%	-1.6%	0.2%	1.0%	6.1%
Morgan Stanley	1.1%	0.2%	12.6%	8.8%	5.8%	9.5%	10.6%
UBS	-4.8%	-3.6%	-10.6%	-18.9%	-13.3%	-12.0%	-13.5%
Goldman Sachs	0.4%	10.9%	14.0%	14.1%	12.2%	19.0%	20.1%
Others	5.9%	8.4%	14.9%	14.6%	0.2%	0.6%	10.9%
Agg Tech spend growth (YoY %)	**3.9%**	**4.5%**	**8.5%**	**7.0%**	**3.3%**	**4.2%**	**6.5%**
Agg BFSI Enterprise Rev growth (YoY %)	**-0.8%**	**5.4%**	**5.0%**	**2.2%**	**-2.3%**	**2.5%**	**-1.9%**

BFSI $ Revenue growth (YoY %)	CY16	CY17	CY18	CY19	1QCY20	2QCY20	3QCY20
Accenture	6.5%	8.9%	10.6%	0.2%	1.6%	-2.7%	-1.0%
Cognizant	7.3%	5.0%	3.7%	0.4%	1.0%	-5.2%	-1.5%
Capgemini	14.3%	9.3%	6.8%	1.4%	0.2%	2.8%	12.5%
Global IT Aggregate	**6.8%**	**7.2%**	**7.7%**	**0.3%**	**1.4%**	**-3.7%**	**3.3%**

BFSI $ Revenue growth (YoY %)	CY16	CY17	CY18	CY19	1QCY20	2QCY20	3QCY20
TCS	6.6%	-9.9%	0.6%	6.4%	-3.0%	-6.6%	1.9%
Infosys	8.7%	6.4%	5.1%	7.3%	3.5%	0.0%	3.5%
HCL Tech	2.3%	14.9%	4.1%	3.2%	11.4%	9.5%	9.3%
Wipro	1.3%	9.2%	14.3%	6.5%	-3.6%	-8.4%	-3.1%
Tech M	28.5%	31.5%	1.7%	1.5%	19.3%	18.8%	24.0%
Indian IT Aggregate	**6.0%**	**1.0%**	**4.0%**	**6.0%**	**1.0%**	**-2.0%**	**4.8%**

Source: Company, HSIE Research

Commentary by large global enterprises

Company	Management Commentary post 3QCY20
Bank of America	1) Company witnessed depth of penetration and digital engagement across the whole consumer business. 2) Through continuing investments in technology, company will continue to prove its platforms across the board drive operational excellence, invest in the future; all while growing core customer client households throughout the quarter. 3) BoFA continued investments in market expansion during the crisis.
Citigroup Inc	1) Investments will not only further enhance safety and soundness, they'll also create a digital infrastructure that will make company more efficient, more competitive, and significantly improve ability to serve clients and customers. 2) The investments made in digital have turned out to be very wise investments as company managed through crisis. 3) Pandemic has shown accelerated move to digital, and the ability to continue to work remotely or more remotely over time and the ability to make faster and better decisions.
Citizens Financial Group	1) Company is largely focused on accelerating its digital capabilities to create increased efficiencies and frictionless customer experiences. 2) Continued to execute on the transformational and traditional TOP program and have clearly been instrumental in ability to deliver positive operating leverage.
Goldman Sachs	1) Expanded platform to serve individuals digitally, both directly and through partnerships. 2) Like digital trends across many industries, COVID-19 has accelerated client adoption and on-boarding across its automated platforms. 3) Despite the continued overhang from COVID-19 and challenges from the work-from-home environment, company continued to leverage its technology platforms and intellectual capital to support clients.
JPMorgan Chase & Co	1) With regard to digital adoption, early signs suggest the increased customer migration to digital will persist. 2) Nearly 69% of customers are digitally active, and that's up 3 percentage points year-on-year and accelerating
Morgan Stanley	1) Changing people's behavior even more than what's going on in the last five years is the increased use of digitalization, whether it's their health services, financial services, obviously shopping etc.
State Street Corporation	1) Further investments to support its operations, client needs, and technology innovation, including company's ongoing investments in CRD and Alpha platform. 2) Company has years of opportunity in technology and is driving a transformation.
Wells Fargo	1) Digital usage trends continue to be strong. 2) Company made significant investments in people and technology to address prior underinvestment in risk and controls. 3) Company will lead corporate strategic planning, define and manage digital platform standards and capabilities, and manage innovation priorities, opportunities and company-wide efforts to drive transformation.
Capital One Financial	1) The digital infrastructure and capabilities that company built from the bottom up, put it in a strong position to grow high quality. 2) The efforts to drive the company to digital are powering its response to the downturn and positioning them for the acceleration of digital change and adoption driven by the pandemic.
Discover Financial Services	1) Investing in advanced analytics and some digital capabilities that driving up information processing, but expectation is that company will continue to get more efficient and overall information processing and technology spend.
Northern Trust Corporation	1) Company will continue to drive greater efficiencies with a focus on technology solutions to drive productivity gains.
Synchrony Financial	1) Digital innovation is paramount to the success program and consumers are rapidly adopting technologies. 2) Deep technology investments have enabled the company to respond quickly to partners with resources to help them adapt to the challenges of this new environment.
The Travelers Companies	1) Company is advancing the rollout of virtual end-to-end claims service tools, embracing the pandemic-driven trend that accelerated digital adoption by individuals and businesses.
UBS Group AG	1) Company witnessed increased digital usage among clients and is accelerating to meet their needs today and tomorrow. 2) Company is reaping the benefits from being ahead of the curve on cloud migration, which is propelling them forward on digital journey.
Mastercard	1) Digital technologies helped the company drive the secular shift to electronic forms of payment that support its broad range of customers, banks, fintechs, neobanks and merchants. 2) Merchants are becoming more digital and consumers and businesses are adapting how they interact at the point of sale, both in-person and online.
Johnson & Johnson	1) Increased investment in robotics and digital platforms. 2) Despite some negative impact related to COVID-19 in the quarter, company saw encouraging signs of recovery in its market performance across multiple metrics.
Eli Lilly	1) Company increased its investments in customer facing activity and direct-to-consumer marketing in Q3 in order to accelerate its growth. 2) Promotional spend will constitute a mix of in person customer interactions, direct-to-consumer advertising, and investments in digital promotion.
Merck & Co	1) Leveraging of new digital capabilities, which have become increasingly important as company find new ways to engage with patients and physicians in this pandemic.
Abbott Laboratories	1) Company has been able to make investments and execute it because of strategic flexibility that it has in the balance sheet. 2) A lot of company's investment has been to drive organic growth.

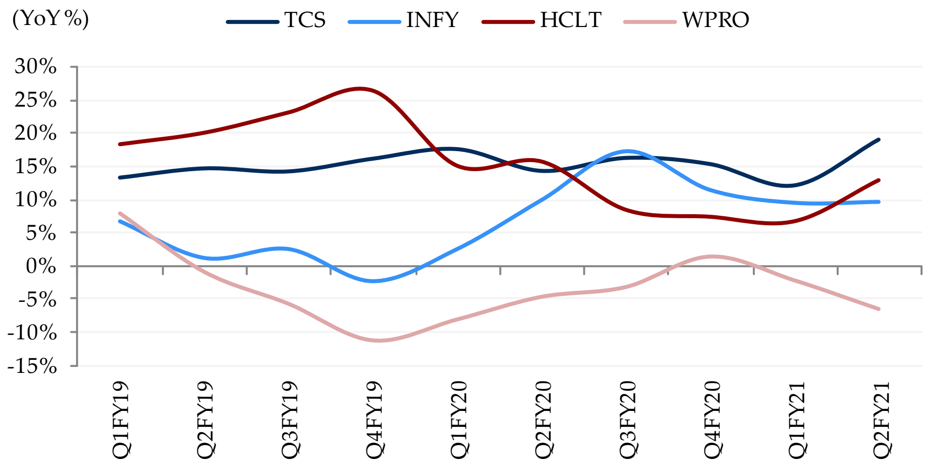
Source: Company, HSIE Research

Company	Management Commentary post 3QCY20
Alphabet Inc	1) The shift to digital accelerates; Google Cloud continues to provide a foundation for data processing and analytics. 2) Given the acceleration in digital transformation, company is focused on ensuring that they remain well positioned to deliver for users and advertisers in this evolving environment. 3) Company is investing aggressively in cloud given the opportunity.
Cognizant	1) Company is seeing accelerated vendor consolidation trends, which it started to benefit from deep strategic relationships and client references in build, operate and or enhance portfolio and growing reputation in digital where more and more clients want to see them challenge digital incumbents. 2) Company is engaged in partnership with Snowflake, in a digital transformation project for a leading financial services firm.
Microsoft	1) The next decade of economic performance for every business will be defined by the speed of their digital transformation. Company is innovating across the full modern tech stack to help customers in every industry improve time to value, increase agility, and reduce costs. 2) In a world of uncertainty and constraints, every person and every organization needs more digital technology to recover and re-imagine what comes next. 3) In commercial business, customers accelerated their digital transformation priorities.
Anthem	1) Continuing to lead and shape the industry for the digital future and company's experiences with COVID-19 have only accelerated its innovative efforts in this space. 2) For modernizing the business by consolidating its systems platforms, automating and reimagining processes and embedding digital and AIs across the enterprise to simplify and improve the customer experience. 3) Digital platforms have long been an area of focus even prior to the pandemic and this year, company expects to gain a significant percentage of its sales through digital channels.
AT&T	1) Company's distribution capabilities are pushed towards digital, which is a more streamlined, simpler approach, improving the quality of that. 2) The transformation of business continues and is on track with how company set this up a year ago.
Amazon	1) Cloud is a mixed bag right now because company is very happy with the cloud performance and is seeing a lot of customers who are now moving to the cloud at a faster pace. 2) Going to cloud is a good way to cut down on expenses long-term. 3) The pandemic will be in better shape as a country and globe in Q1 of next year. It's very reactionary at this point.
American Express	1) Expanding merchant coverage in key international markets, while strengthening and broadening critical partnerships and enhancing its digital capabilities across the business. 2) Company will be placing even a greater emphasis on accelerating investments in core strategic areas in order to build momentum and position the companies for long-term growth as economic conditions improve. 3) While company's result continues to be significantly affected by the impacts of the pandemic, company is increasingly confident that its strategy for managing through the current environment is the right one.
Comcast	1) Digital still has great promise. 2) Company's expertise or technology, and a tremendous amount of R&D continue to push them forward with opportunities to generate new revenue streams and areas of monetization, which sets it on an even stronger path towards long-term growth.
Ford Motor	1) Company has double transformation; one is to transform automotive operations, the other one is in a way to disrupt itself.
United Airlines Holdings	1) It's easy to see in this unique pandemic environment that cargo is a structural advantage for United Airlines and is now preparing to transport large quantities of the COVID-19 vaccine
General Electric	1) GE Digital continues to optimize its cost structure, now close to breakeven. 2) Company continues to build on the legacy of innovation, leading with technology.

Source: Company, HSIE Research

Verticals Performance Dashboard in 2QFY21

Growth in Healthcare vertical continues within Tier 1 barring WPRO



Source: Company, HSIE Research

TCS	% of Rev	2QFY21 YoY%	4Qtr CQGR	USD mn
BFSI	31.9%	1.2%	0.3%	1,730
Regional Markets & Others	18.9%	-9.8%	-2.5%	1,025
Retail & CPG	14.6%	-3.0%	-0.8%	792
Manufacturing	9.4%	-5.7%	-1.5%	510
Technology & Services	8.9%	0.6%	0.1%	483
Life Sciences & Healthcare	9.8%	18.9%	4.4%	532
Communication & Media	6.5%	-8.7%	-2.3%	353
Total	**100.0%**	**-1.7%**	**-0.4%**	**5,424**

Infosys	% of Rev	2QFY21 YoY%	4Qtr CQGR	USD mn
Financial services	32.0%	3.5%	0.9%	1,060
Retail	14.9%	1.1%	0.3%	493
Communication	12.6%	-0.8%	-0.2%	417
Energy, Utilities, Resources & Services	12.3%	-3.1%	-0.8%	407
Manufacturing	9.1%	-7.0%	-1.8%	301
Hi Tech	9.1%	23.5%	5.4%	301
Life Sciences	6.8%	9.6%	2.3%	225
Others	3.2%	27.0%	6.2%	106
Total	**100.0%**	**3.2%**	**0.8%**	**3,312**

HCLT	% of Rev	2QFY21 YoY%	4Qtr CQGR	USD mn
Manufacturing	17.7%	-4.5%	-1.2%	444
Technology & Services	17.3%	-19.6%	-5.3%	434
Financial Services	22.1%	9.3%	2.2%	554
Life Sciences and Healthcare	14.1%	12.9%	3.1%	353
Public Services	10.7%	13.6%	3.2%	268
Retail & CPG	10.4%	15.3%	3.6%	261
Telecom, Media & Ent & Others	7.7%	-2.9%	-0.7%	193
Total	**100.0%**	**0.9%**	**0.2%**	**2,507**

Source: Company, HSIE Research

Wipro	% of Rev	2QFY21 YoY%	4Qtr CQGR	USD mn
BFSI	31.2%	-3.1%	-0.8%	622
Consumer Business Unit	13.7%	2.5%	0.6%	273
Health Business Unit	12.5%	-6.5%	-1.7%	249
Technology	5.3%	-9.6%	-2.5%	106
ENU and Utilities	12.9%	-2.8%	-0.7%	257
Manufacturing	8.2%	-1.6%	-0.4%	163
Communications	16.2%	-1.5%	-0.4%	323
Total	**100.0%**	**-2.8%**	**-0.7%**	**1,992**

Tech Mahindra	% of Rev	2QFY21 YoY%	4Qtr CQGR	USD mn
Telecom (A)	**39.3%**	**-6.0%**	**-1.5%**	**497**
Enterprise (B)	**60.7%**	**1.3%**	**0.3%**	**768**
Manufacturing (B1)	*16.1%*	-12.1%	-3.2%	*204*
BFSI (B2)	*16.4%*	24.0%	5.5%	*208*
Others (B3)	*10.9%*	-16.3%	-4.3%	*138*
Retail, Transport & Logistics (B4)	*9.8%*	18.9%	4.4%	*124*
TME (B5)	*7.5%*	5.3%	1.3%	*95*
Total (A+B)	**100.0%**	**-1.7%**	**-0.4%**	**1,265**

LTI	% of Rev	2QFY21 YoY%	4Qtr CQGR	USD mn
BFS	29.9%	22.9%	5.3%	121
Insurance	16.0%	-4.6%	-1.2%	65
Manufacturing	16.2%	9.8%	2.4%	66
High-Tech, Media & Entertainment	10.6%	9.1%	2.2%	43
CPG, Retail & Pharma	11.0%	6.4%	1.6%	44
Energy & Utilities	10.6%	-2.6%	-0.7%	43
Others	5.7%	81.1%	16.0%	23
Total	**100.0%**	**11.2%**	**2.7%**	**405**

Mphasis	% of Rev	2QFY21 YoY%	4Qtr CQGR	USD mn
Direct International	81.8%	19.1%	4.5%	268
DXC	16.2%	-27.6%	-7.8%	53
Others	2.0%	0.6%	0.1%	6
Total	**100.0%**	**7.4%**	**1.8%**	**327**

Mindtree	% of Rev	2QFY21 YoY%	4Qtr CQGR	USD mn
Technology, Media and Services	49.8%	20.7%	4.8%	130
Manufacturing, CPG & Retail	21.5%	-4.5%	-1.2%	56
BFSI	20.4%	-9.2%	-2.4%	53
Travel & Transportation	8.3%	-52.7%	-17.1%	22
Total	**100.0%**	**-3.7%**	**-0.9%**	**261**

LTTS	% of Rev	2QFY21 YoY%	4Qtr CQGR	USD mn
Transportation	31.5%	-19.0%	-5.1%	56
Telecom & Hi-tech	21.4%	-6.5%	-1.7%	38
Industrial Products	19.5%	-9.5%	-2.5%	35
Process Industry	14.4%	-20.0%	-5.4%	26
Medical Devices	13.2%	35.1%	7.8%	23
Total	**100.0%**	**-10.0%**	**-2.6%**	**178**

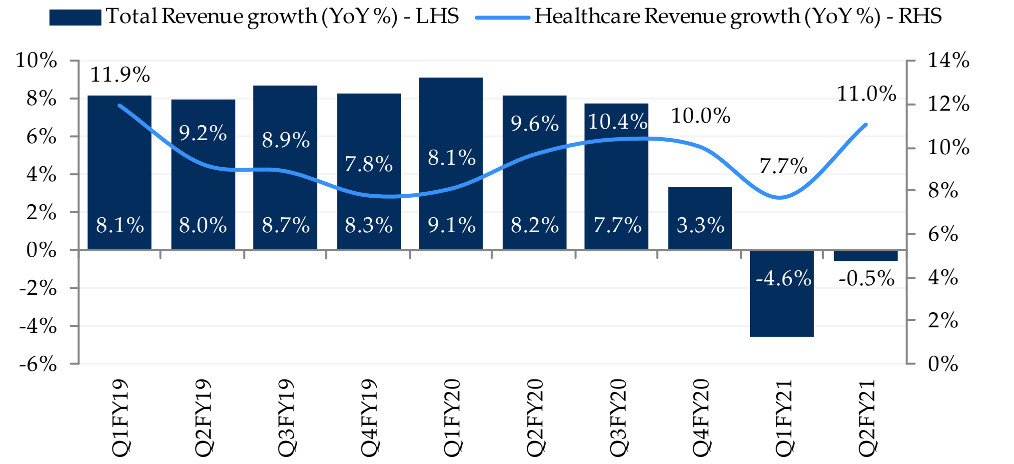
Source: Company, HSIE Research

Persistent (2QFY21)	% of Rev	2QFY21 YoY%	4Qtr CQGR	USD mn
TSU	77.3%	16.6%	3.9%	105
Alliance	22.7%	-12.4%	-3.3%	31
Total	**100.0%**	**8.4%**	**2.0%**	**136**

Cyient	% of Rev	2QFY21 YoY%	4Qtr CQGR	USD mn
Aerospace and Defense	28.6%	-31.4%	-9.0%	33
Communications	27.4%	2.5%	0.6%	31
Transportation	11.6%	-27.3%	-7.7%	13
Energy & Utilities	11.4%	-30.0%	-8.5%	13
Portfolio	9.6%	-28.6%	-8.1%	11
Semiconductor	4.4%	-26.9%	-7.5%	5
Medical and Consumer	7.0%	137.5%	24.1%	8
Total	**100.0%**	**-18.7%**	**-5.1%**	**114**

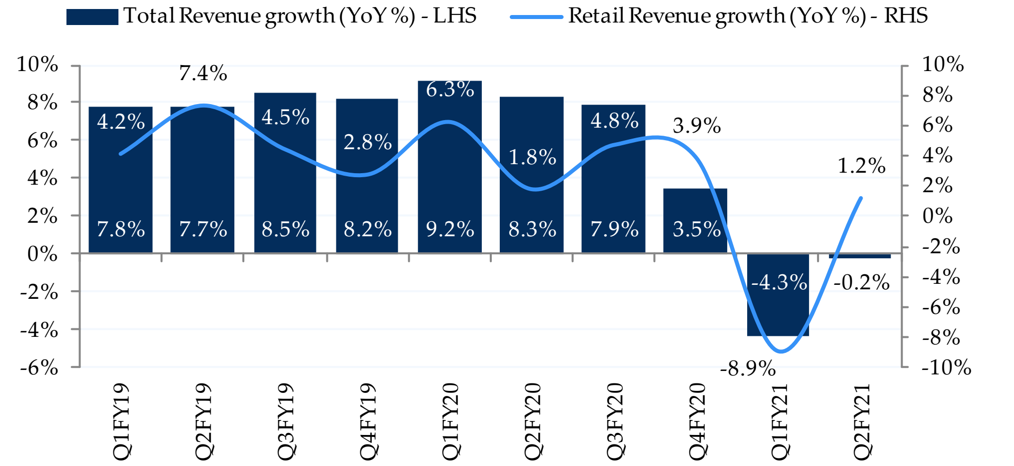
Source: Company, HSIE Research

Healthcare vertical has been outperforming overall growth



Source: Company, HSIE Research, * Revenue composition of TCS, INFY, HCLT, WPRO, LTTS, CYL

Retail & CPG vertical revived after sharp decline in Q1



Source: Company, HSIE Research, * Revenue composition of TCS, INFY, HCLT, WPRO

Services Performance Dashboard in 2QFY21

Infosys	% of Rev	2QFY21 YoY%	4Qtr CQGR	USD mn
Revenue Split: Digital & Core				
Digital Services	47.3%	27.4%	6.2%	1,567
Core Services	52.7%	-11.9%	-3.1%	1,745
Revenue Split: Services & Products				
Services	92.0%	1.4%	0.4%	3,047
Products & platforms	8.0%	29.0%	6.6%	265
Total	**100.0%**	**3.2%**	**0.8%**	**3,312**

HCLT	% of Rev	2QFY21 YoY%	4Qtr CQGR	USD mn
IT and Business Services	70.8%	0.0%	0.0%	1,774
Engineering and R&D services	15.7%	-6.4%	-1.7%	394
Products & Platforms	13.5%	17.0%	4.0%	339
Total	**100.0%**	**0.9%**	**0.2%**	**2,507**

Wipro	% of Rev	2QFY21 YoY%	4Qtr CQGR	USD mn
Modern Application Services (ADM)	7.4%	-4.1%	-1.0%	147
Cloud and Infrastructure Services (IMS)	25.6%	-3.1%	-0.8%	510
Digital Operations and Platforms (BPO)	44.5%	-3.4%	-0.9%	887
Data, Analytics and AI	15.5%	2.5%	0.6%	309
Industrial & Engineering Services (ER&D)	7.0%	-6.8%	-1.7%	139
Total	**100.0%**	**-2.8%**	**-0.7%**	**1,992**

Tech Mahindra	% of Rev	2QFY21 YoY%	4Qtr CQGR	USD mn
IT Services	89.8%	-2.6%	-0.7%	1,137
BPO	10.2%	7.2%	1.8%	129
Total	**100.0%**	-1.7%	-0.4%	**1,265**

LTI	% of Rev	2QFY21 YoY%	4Qtr CQGR	USD mn
ADM & Testing	36.0%	10.7%	2.6%	145
Enterprise Solutions	30.8%	15.9%	3.8%	124
Infrastructure Management Services	14.4%	44.2%	9.6%	58
Analytics, AI & Cognitive	10.6%	4.3%	1.1%	43
Enterprise Integration & Mobility	8.3%	2.5%	0.6%	34
Total	**100.0%**	**11.2%**	**2.7%**	**405**

Mphasis	% of Rev	2QFY21 YoY%	4Qtr CQGR	USD mn
Application Services	59.0%	-1.0%	-0.2%	193
Business Process Services	26.5%	75.0%	15.0%	87
Infrastructure Services	14.5%	-21.2%	-5.8%	47
Total	**100.0%**	**7.4%**	**1.8%**	**327**

Persistent	% of Rev	2QFY21 YoY%	4Qtr CQGR	USD mn
Services	83.8%	17.2%	4.0%	114
IP driven	16.2%	-21.8%	-6.0%	22
Total	**100.0%**	**8.4%**	**2.0%**	**136**

Cyient	% of Rev	2QFY21 YoY%	4Qtr CQGR	USD mn
Services	84.5%	-18.7%	-5.1%	114
DLM	15.5%	-12.2%	-3.2%	21
Total	**100.0%**	**-17.8%**	-4.8%	**135**

Source: Company, HSIE Research

Geography Performance Dashboard in 2QFY21

TCS	% of Rev	2QFY21 YoY%	4Qtr CQGR	USD mn
Americas	**51.6%**	**-3.4%**	**-0.9%**	**2,799**
North America	*49.9%*	-3.0%	-0.8%	*2,707*
Latin America	*1.7%*	-12.0%	-3.2%	*92*
Europe	**31.8%**	**3.5%**	**0.9%**	**1,725**
UK	*15.5%*	-2.3%	-0.6%	*841*
Continental Europe	*16.3%*	9.8%	2.4%	*884*
India	9.7%	1.5%	0.4%	526
Asia-Pacific	5.0%	-13.8%	-3.6%	271
Middle East and Africa	1.9%	-15.1%	-4.0%	103
Total	**100.0%**	**-1.7%**	**-0.4%**	**5,424**

Infosys	% of Rev	2QFY21 YoY%	4Qtr CQGR	USD mn
North America	60.7%	2.0%	0.5%	2,010
Europe	24.3%	4.0%	1.0%	805
India	3.0%	14.6%	3.5%	99
Rest of the World	12.0%	4.9%	1.2%	397
Total	**100.0%**	**3.2%**	**0.8%**	**3,312**

HCLT	% of Rev	2QFY21 YoY%	4Qtr CQGR	USD mn
Americas	63.1%	-6.3%	-1.6%	1,582
Europe	28.4%	11.5%	2.7%	712
Rest of the World	8.5%	34.0%	7.6%	213
Total	**100.0%**	**0.9%**	**0.2%**	**2,507**

Wipro	% of Rev	2QFY21 YoY%	4Qtr CQGR	USD mn
Americas	58.4%	-4.7%	-1.2%	1,164
Europe	23.8%	-1.5%	-0.4%	474
APAC & Other Emerging Markets	17.8%	2.4%	0.6%	355
Total	**100.0%**	**-2.8%**	**-0.7%**	**1,992**

Tech Mahindra	% of Rev	2QFY21 YoY%	4Qtr CQGR	USD mn
Americas	48.4%	-1.9%	-0.5%	612
Europe	25.2%	-7.2%	-1.9%	319
Rest of the World	26.4%	4.6%	1.1%	334
Total	**100.0%**	**-1.7%**	**-0.4%**	**1,265**

LTI	% of Rev	2QFY21 YoY%	4Qtr CQGR	USD mn
North America	68.8%	11.3%	2.7%	278
Europe	16.2%	9.5%	2.3%	65
RoW	8.2%	2.4%	0.6%	33
India	6.9%	27.9%	6.3%	28
Total	**100.0%**	**11.2%**	**2.7%**	**405**

Mphasis	% of Rev	2QFY21 YoY%	4Qtr CQGR	USD mn
Americas	78.1%	5.9%	1.4%	256
EMEA	10.8%	14.7%	3.5%	35
India	6.5%	31.0%	7.0%	21
RoW	4.5%	-7.4%	-1.9%	15
Total	**100.0%**	**7.4%**	**1.8%**	**327**

Source: Company, HSIE Research

Mindtree	% of Rev	2QFY21 YoY%	4Qtr CQGR	USD mn
US	77.4%	1.1%	0.3%	202
Europe	15.4%	-15.7%	-4.2%	40
APAC	7.2%	-20.3%	-5.5%	19
Total	**100.0%**	**-3.7%**	**-0.9%**	**261**

LTTS	% of Rev	2QFY21 YoY%	4Qtr CQGR	USD mn
North America	60.0%	-12.4%	-3.3%	107
Europe	16.0%	0.0%	0.0%	28
India	13.6%	-6.9%	-1.8%	24
Rest of the World	10.4%	-12.9%	-3.4%	19
Total	**100.0%**	**-10.0%**	**-2.6%**	**178**

Persistent	% of Rev	2QFY21 YoY%	4Qtr CQGR	USD mn
North Americas	82.9%	10.4%	2.5%	113
Europe	7.6%	-16.8%	-4.5%	10
RoW	9.5%	18.4%	4.3%	13
Total	**100.0%**	**8.4%**	**2.0%**	**136**

Cyient	% of Rev	2QFY21 YoY%	4Qtr CQGR	USD mn
North America	53.4%	-27.9%	-7.9%	61
Europe, ME, Africa	28.6%	-11.6%	-3.0%	33
Asia Pacific	18.0%	8.4%	2.0%	21
Total	**100.0%**	**-18.7%**	**-5.1%**	**114**

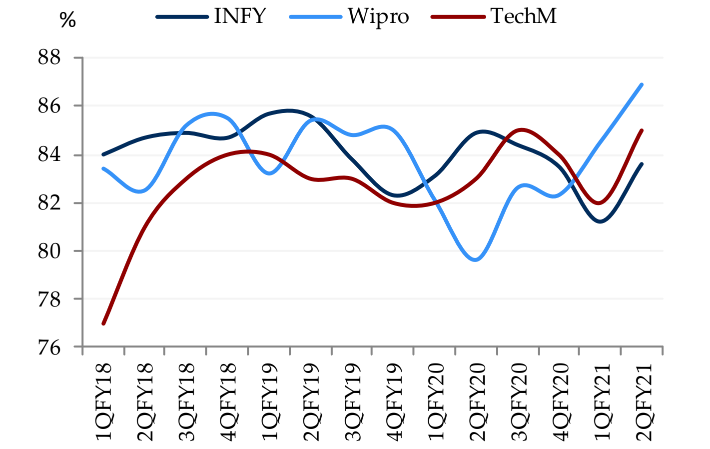
Source: Company, HSIE Research

Headcount & Productivity trend

Companies	Headcount (Nos)	Headcount Growth		Revenue/employee	
		QoQ (%)	YoY (%)	QoQ (%)	YoY (%)
TCS	4,53,540	2.2%	0.6%	4.9%	-2.3%
INFY	2,40,208	0.4%	1.6%	5.7%	1.6%
Wipro	1,85,243	1.9%	2.1%	1.8%	-4.7%
HCLT	1,53,085	1.9%	4.1%	4.5%	-3.1%
TechM	1,24,258	0.7%	-5.5%	4.1%	4.1%
LTI	32,455	3.1%	4.8%	0.5%	6.1%
Mphasis	27,148	3.8%	0.7%	3.2%	6.7%
Hexaware	19,407	3.1%	1.8%	-0.2%	-0.1%
Mindtree	21,827	-0.6%	2.6%	3.7%	-6.2%
L&T Tech	15,902	-4.4%	-5.3%	8.9%	-4.9%
Cyient	11,639	-9.2%	-21.7%	13.9%	5.0%
Persistent	10,820	-0.1%	2.6%	4.0%	5.7%

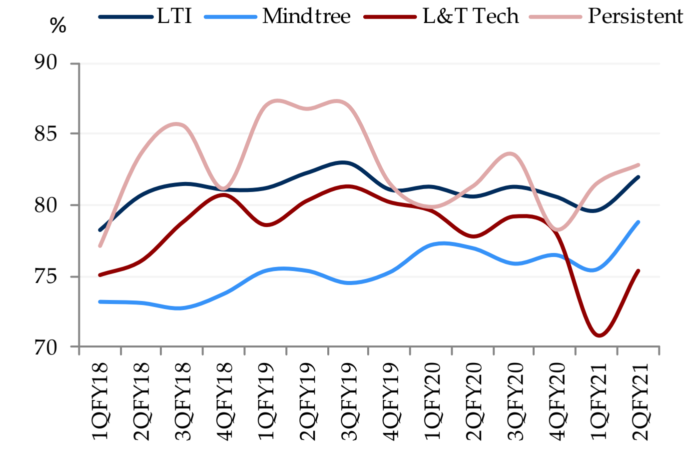
Source: Company, HSIE Research

Tier-1 IT Utilisation trend (%)



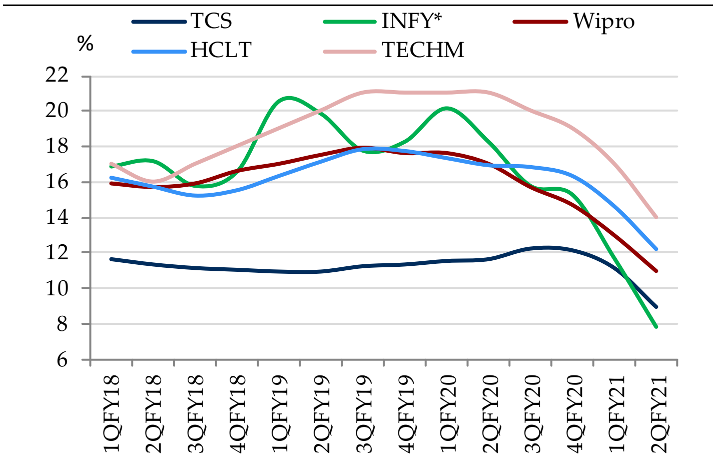
Source: Company, HSIE Research

Mid-Tier IT Utilisation trend (%)



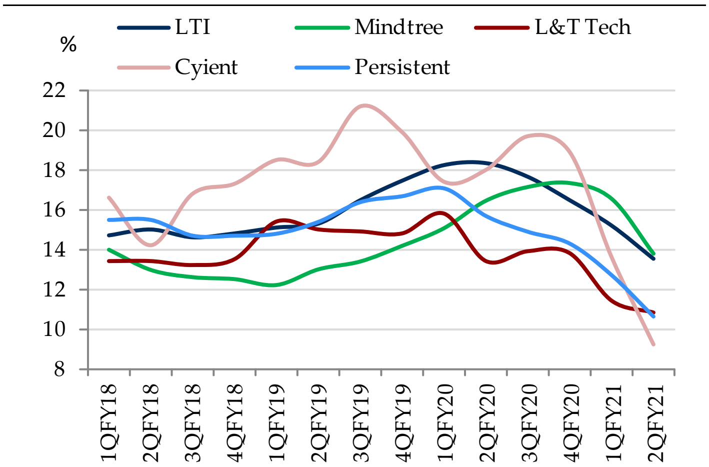
Source: Company, HSIE Research

Tier-1 IT Attrition trend (%)



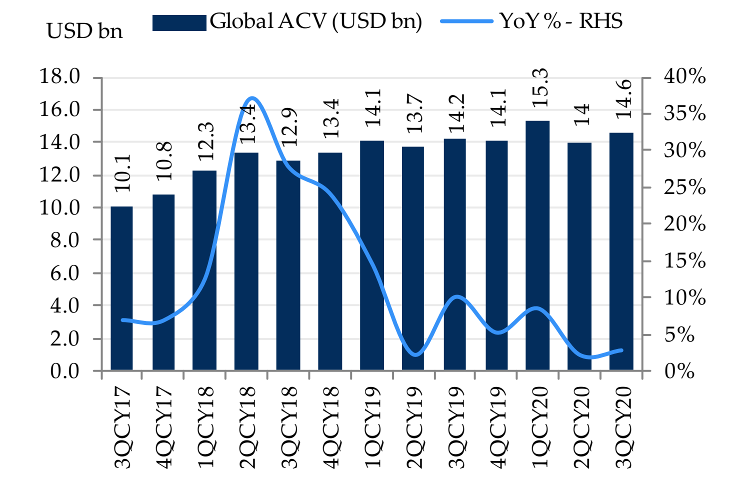
Source: Company, HSIE Research, * INFY Voluntary Attrition from 1QFY20

Mid-Tier IT Attrition trend (%)



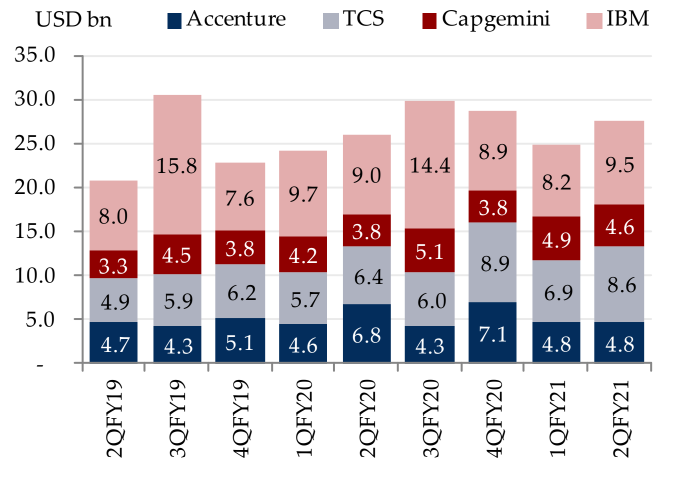
Source: Company, HSIE Research

Global deal booking trend by ISG Index



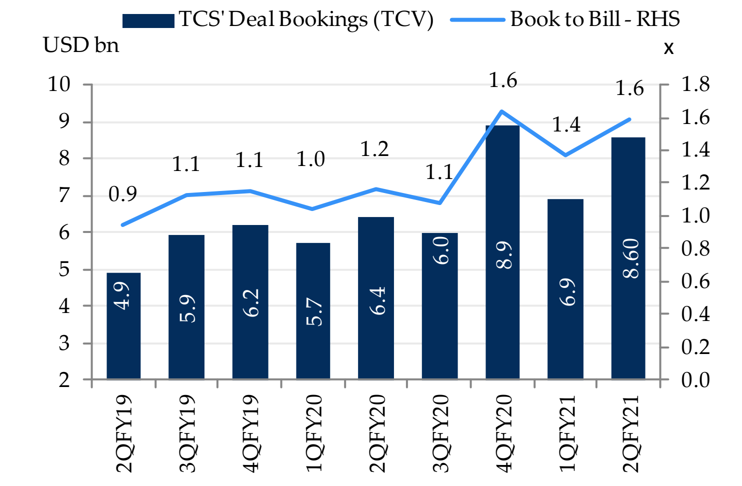
Source: ISG, HSIE Research

Deal win TCS vs Global Peers



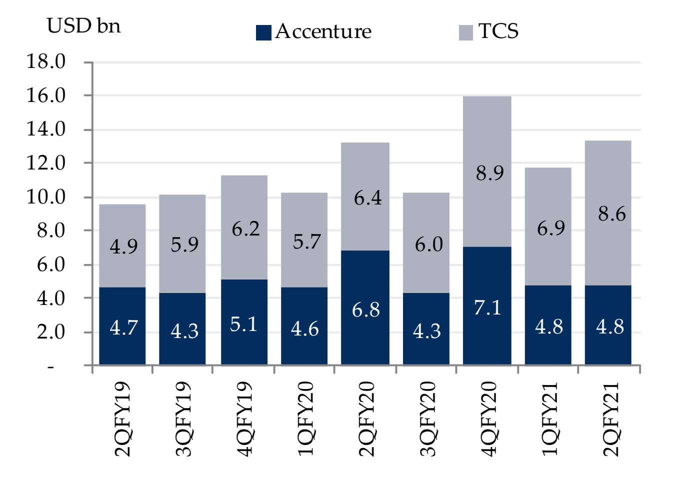
Source: Company, HSIE Research

TCS deal win and book to bill



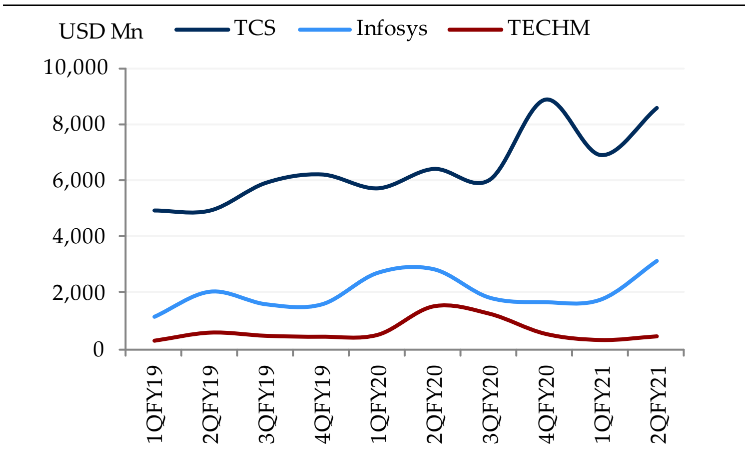
Source: Company, HSIE Research

Accenture vs TCS deal win



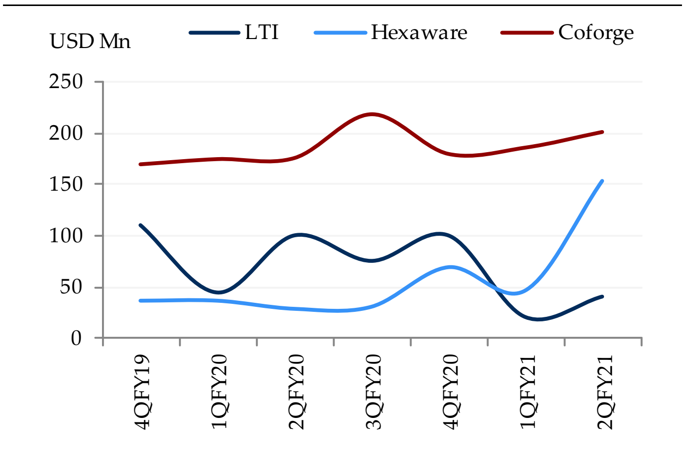
Source: Company, HSIE Research, Accenture - outsourcing TCV & TCS – Total TCV

Tier-1 IT TCV trend (USD Mn)



Source: Company, HSIE Research; INFY includes large deals, TECHM includes EN+NN

Mid-Tier IT TCV trend (USD Mn)



Source: Company, HSIE Research; LTI & Hexaware NN deals

Deal wins in Q2FY21

Client	Vertical	Geography	Description
TCS			
Vistaprint	E-commerce	Ireland	Digital Transformation
Vaillant Group	Semiconductor	Germany	Digital Transformation
ABB Information Systems	Hi-Tech	Switzerland	Infra & Cloud Services
Transnet Port Terminals (TPT)	Logistics	South Africa	Integration Platform
Coop Sweden	Retail	Sweden	SAP S/4HANA and digital
Phoenix Group	BFSI	UK	Analytics
Morrisons	Retail	UK	App. Management, Data services & Cyber security
Maurices	Retail	US	Digital Transformation
Zapaygo	Hi-Tech	UK	Digital wallet
Albertsons	Retail	US	Cloud Migration
TPG Telecom	Communication	Australia	Application, Infra & Cyber security
NA	Manufacturing	Asia	Integrated Platform services
NA	Manufacturing	US	Managed services
NA	BFSI	NA	Digital ERP platform
NA	BFSI	Australia	AI-powered Smart Quality Engineering platform
Travelport	Travel	UK	CX
NA	Manufacturing	NA	Enterprise Cloud
NA	BFSI	US	Cloud Migration
NA	Healthcare	US	Cloud Native Technology
NA	BFSI (Insurance)	US	Cloud Migration
NA	BFSI (Insurance)	Nordics	Modernisation
NA	BFSI	NA	ERP & CRM Solutions
NA	BFSI	NA	Infra & Security Solutions
Toyota Motors	Automobile	US	Ignio
NA	BFSI	UK	Ignio
NA	Retail	UK	Cloud Migration
NA	Automobile	NA	Cloud Platform
NA	Retail	Europe	Ignio
NA	Conglomerate	Middle East	Ignio
NA	Pharma	NA	Design Transformation
NA	Retail	Europe	Digital Asset Management
NA	Real-estate	Australia	Information Management Solution
NA	Railways	Europe	Digital transformation
NA	BFSI	NA	Cloud Hyperscale Platform
NA	Retail	Europe	Data analytics
NA	BFSI	US	DATOM & Ignio
NA	Travel	US	Designing Program
NA	Retail	US	Modernisation
NA	Retail	Europe	Cloud based IoT platform
NA	Healthcare	US	Analytics & digital technologies
NA	Automobile	Asia	Car telematics operations
NA	Manufacturing	US	Engineering Services
NA	BFSI	US	Customer experience
NA	Pharma	Japan	ERP System
Bahrain Development Bank	BFSI	Bahrain	TCS BaNCS™
Volt	BFSI	Australia	BaaS Platform
Equinor	Energy & Utilities	Norway	Digitalisation
AG	BFSI (Insurance)	Belgium	Digital transformation
Infosys			
Vanguard	BFSI	US	Cloud based digital transformation
Consolidated Edison	Utilities	New York	Digital Transformation
National Bank of Bahrain	BFSI (Bank)	Bahrain	Finacle Cash Management Suite (Digital Transformation)
Genesys	Hi-Tech	US	Cloud
Essential Utilities	Utilities	US	Digital Transformation (SAP S/4HANA)
Prabhu Bank Ltd	BFSI	Nepal	Finacle Core Banking Solution
Mobile Health AG	Healthcare	Switzerland	Cloud & Infra Services
LANXESS	Healthcare	Germany	IT Infrastructure digitization
LivePerson	Hi-Tech	New York	Cloud Migration

Client	Vertical	Geography	Description
HCL Tech			
Ericsson	Communication	Sweden	Infra, Cloud and Application services
NA	Healthcare	NA	DRYiCETM Software products & platforms
NA	Energy & Utilities	US	Digital Transformation
NA	Life science & Healthcare	UK	DRYiCE iAutomate
NA	Healthcare	NA	Digital Transformation
NA	Media & Ent	NA	Application Services
NA	Energy & Utilities	US	Data center & private cloud services
NA	Manufacturing (Auto)	NA	App development & modernisation
NA	Life science & Healthcare	South Africa	Cloud Migration
NA	Life science & Healthcare	Europe	Cloud, Infra & App Management
NA	Healthcare	Europe	Digital Transformation
NA	Manufacturing	US	IoT platform, Data Analytics, AI/ML solutions
NA	BFSI (Insurance)	US	Managed services
NA	Manufacturing (Auto)	Europe	HCL's "360° SecureOT"
NA	Life science & Healthcare	US	AI/ML
NA	Life science & Healthcare	US	Cyber security
NA	Manufacturing	Europe	HCL Products - Commerce, Accelerate, and OneTest
NA	BFSI (Insurance)	Asia	Domino and Volt products
NA	Communication	US	Unica and Commerce products
NA	Healthcare	US	DRYiCE OptiBot, DRYiCE Lucy, DRYiCE iAutomate
NA	Logistics	Europe	DRYiCE Lucy, DRYiCE OptiBot and DRYiCE MTaaS
NA	Energy & Utilities	Europe	DRYiCE iControl
Wipro			
Metro Bank	BFSI (Bank)	UK	Engineering & DevSecOps
Marelli	Manufacturing	Europe	Automotive Engineering Services
NA	Manufacturing	US	SAP ECC
NA	Healthcare	US	Digital Services
NA	Healthcare	US	Application development & Engineering Services
NA	Manufacturing	US	Wipro HOLMES
Cynergy Bank	BFSI (Bank)	UK	Digital, Designit, Topcoder and NewAgeEcosystem
NA	Govt	APAC	IoT Analytics
NA	Manufacturing	NA	Integration (VLSI) and firmware
NA	BFSI	NA	Enterprise Solution
Fortum	Energy & Utilities	Finland	AMS & SIAM
Tech Mahindra			
NA	Hi-Tech	US	Engineering services
NA	Communication	Asia	IT, security and network services
NA	Pharma	Europe	Transformation projects
NA	Communication	Asia	IT Managed Services
NA	Communication	Asia	Managed Services
NA	Manufacturing	NA	SAP S4HANA
NA	Communication	Australia	Data Analytics
NA	Utilities	NA	ERP implementation
Hindustan Aeronautics	Aerospace	India	ERP modernisation
NA	BFSI	India	Banking Infra
L&T Infotech			
NA	Govt.	NA	Data & Analytics
NA	Semiconductor	NA	S/4 HANA on cloud
NA	Manufacturing	NA	Digital & AI driven security ops
NA	BFSI	UK	Testing
NA	BFSI	NA	Modernisation & Enterprise integration
NA	Manufacturing	NA	Cloud migration
NA	Manufacturing	NA	Application Support
NA	Manufacturing	NA	SAP
NA	Energy & Utilities	NA	Data Storage maintenance
NA	Pharma	NA	Cloud migration
NA	Energy & Utilities	NA	IT system support & maintenance

Source: Company, HSIE Research

Client	Vertical	Geography	Description
Mphasis			
RBS	BFSI	UK	Micro services development, RPA& DevOps
NA	BFSI (Insurance)	US	Platform modernisation
NA	BFSI	US	QA & interfaces development
NA	BFSI	US	Origination project
Mindtree			
Husqvarna Group	Manufacturing	Germany	DevOps-centric SAP services
Molnlycke	Healthcare	Sweden	SAP to Microsoft Azure
NA	CPG	NA	Digital Transformation
NA	BFSI	US	Application Managed Services
NA	Healthcare	Sweden	Microsoft Azure
NA	Retail	UK	Voice bots , Augmented reality, Virtual reality (AR/VR)
L&T Tech			
Tenneco DRiV	Manufacturing	US	Engineering Services
NA	Transportation (Aerospace)	Canada	LTTS' Digital solutions like AiKno
NA	Transportation (Aerospace)	NA	Engineering design
NA	Transportation (Auto)	NA	Product engineering
NA	Hi-Tech	NA	Platform Validation
NA	Manufacturing	NA	Plant Engineering
NA	Energy & Utilities	NA	Engineering Services
NA	Manufacturing	NA	Product Design & Development
NA	Healthcare	NA	Mobile Engineering
Persistent			
NA	BFSI	NA	Modernisation
NA	BFSI	Europe	KYC Support
NA	BFSI	India	Maintenance
NA	Healthcare	US	Cloud & Microservices
NA	Healthcare	NA	Salesforce platform
NA	Hi-Tech	NA	Robotic Process Automation
NA	Manufacturing	US	Managed services
NA	Manufacturing	US	Product development & Data
NA	Hi-Tech	NA	Data & Analytics
NA	Hi-Tech	US	Setting global operation center
NA	Hi-Tech	US	Modernisation
Zensar			
NA	Hi-Tech	US	Application & Development
NA	Hi-Tech	US	Digital
NA	Conglomerate	US	Application & Development
NA	BFSI	South Africa	Analytics and data
NA	BFSI (Insurance)	US	Implementation
NA	Healthcare	US	Cloud & Infra

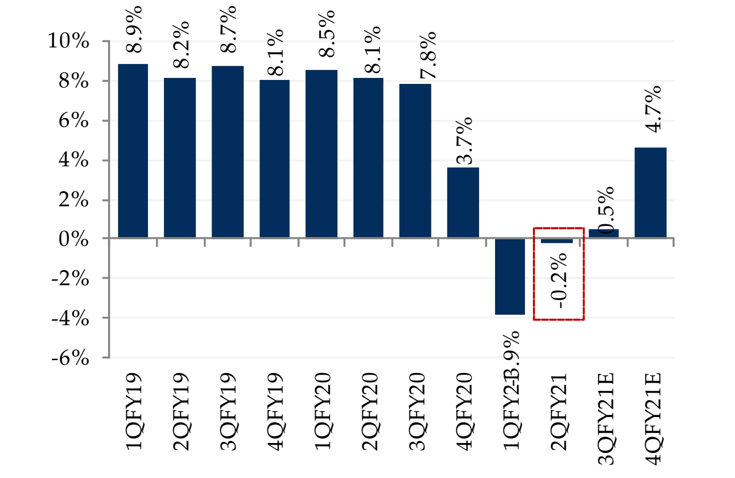
Source: Company, HSIE Research

Inorganic activity has increased

Company Name	Target Acquisition	Area of operation	Purchase Consideration	Revenue of the Target company
Infosys	Kaleidoscope Animations, Inc	ER&D (Medical devices Co)	USD 42mn	USD 20.6mn
Infosys	GuideVision, s.r.o.	IT services and Consulting services (ServiceNow)	EUR 30mn	EUR 12.9mn
Infosys	Blue Acorn iCi Group.	IT services and Consulting services (Adobe)	USD 125mn	USD 43.6mn
HCLT	DWS Limited	IT Services (Australia)	AUD 158.2mn	AUD 167.9mn
Wipro	4C NV and its subsidiaries ("4C")	Consulting and implementation (Salesforce)	EUR 68mn	EUR 31.8mn
Wipro	Eximius Design	VLSI & systems design services	USD 80mn	USD 35.2mn
Wipro	Encore Theme Technologies	IT Services BFSI	INR 950mn	INR 545mn
TECHM	VitalTech Holdings, Inc.	IT services Healthcare (minority stake)	USD 3mn	USD 2.2mn
TECHM	Momenton Pty. Ltd.	IT Services (Australia)	AUD 14.3mn	AUD 10.8mn
TECHM	Tenzing Group.	IT Services	USD 29.5mn	USD 27.4mn
Persistent	Capiot Software Inc	IT Services (Mulesoft, Red Hat, TIBCO)	USD 6.34mn	USD 1.13mn
Cyient	Integrated Global Partners Pty Limited (IG)	Consulting (Energy & Mining Industry - Australia)	AUD 11.6mn	AUD 14.8mn

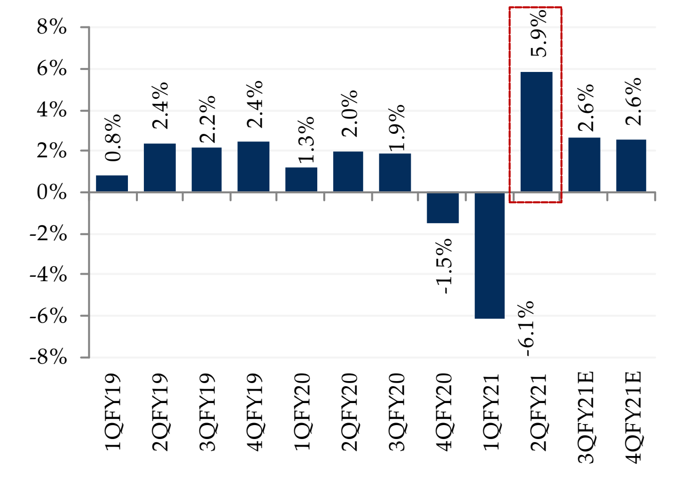
Source: Company, HSIE Research; Acquisitions in 2QFY21 till date

IT Sector USD Revenue Growth (% YoY)



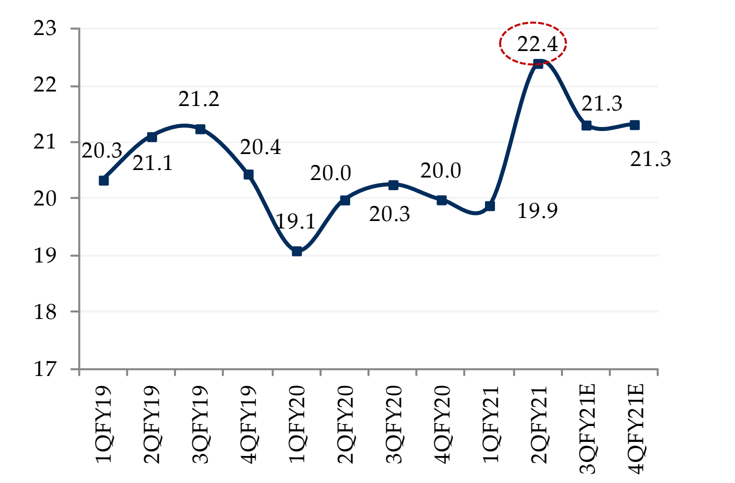
Source: Company, HSIE Research

IT Sector USD Revenue Growth (% QoQ)



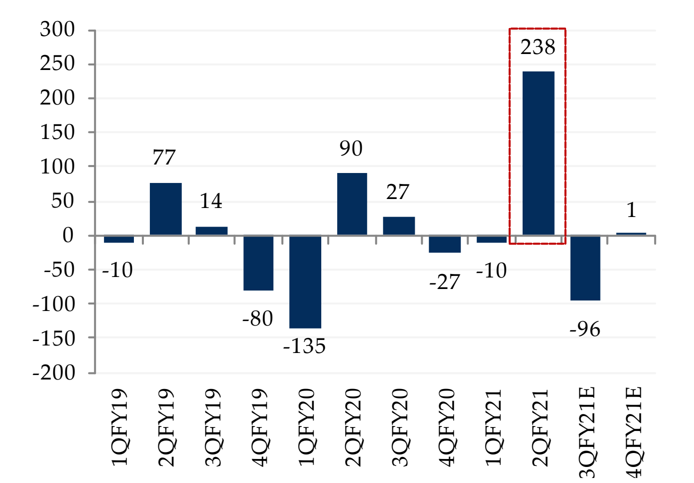
Source: Company, HSIE Research

IT Sector EBIT Margin Trend (%)



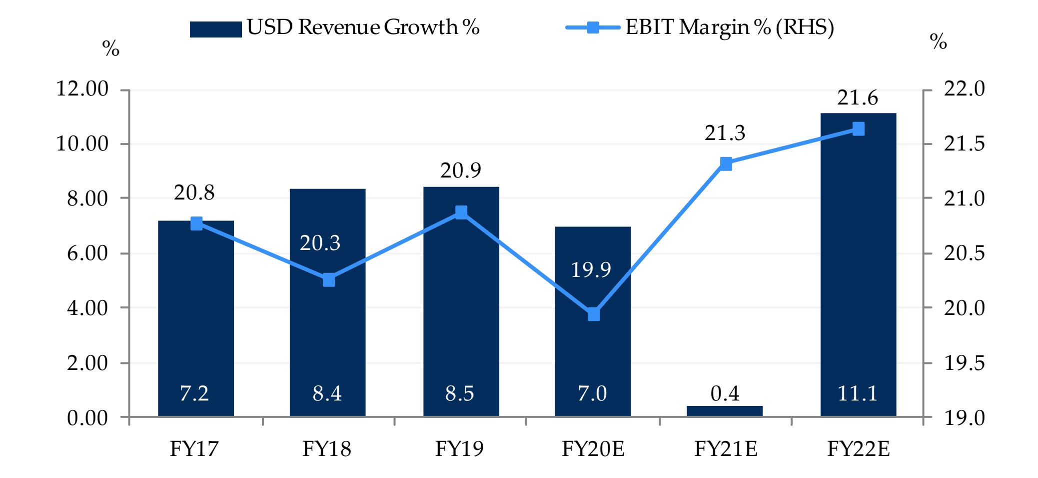
Source: Company, HSIE Research

IT Sector EBIT Margin Change (QoQ bps)



Source: Company, HSIE Research

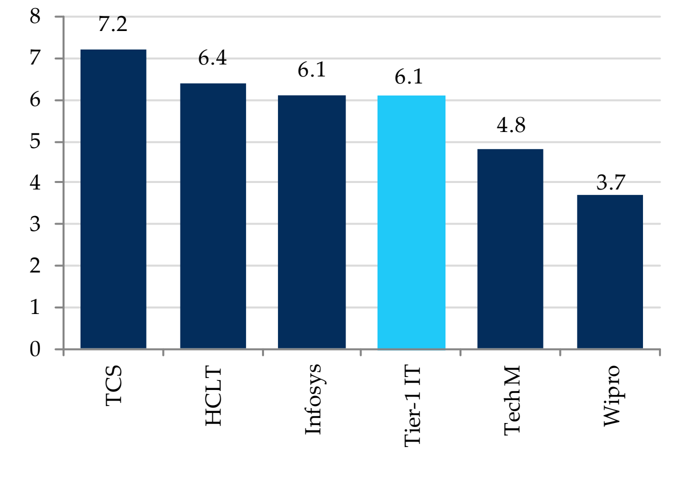
IT Sector aggregate Revenue growth and Margin trend



Source: Company, HSIE Research

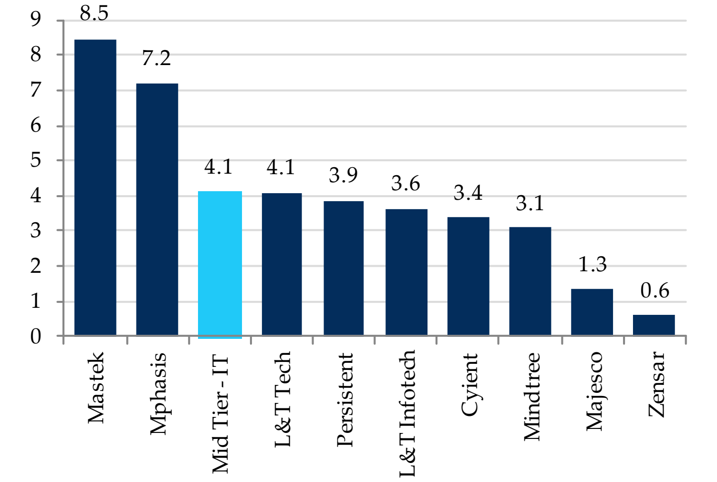
Strong revenue and margin performance (2QFY21)

Tier-1 IT Revenue Performance (QoQ %)



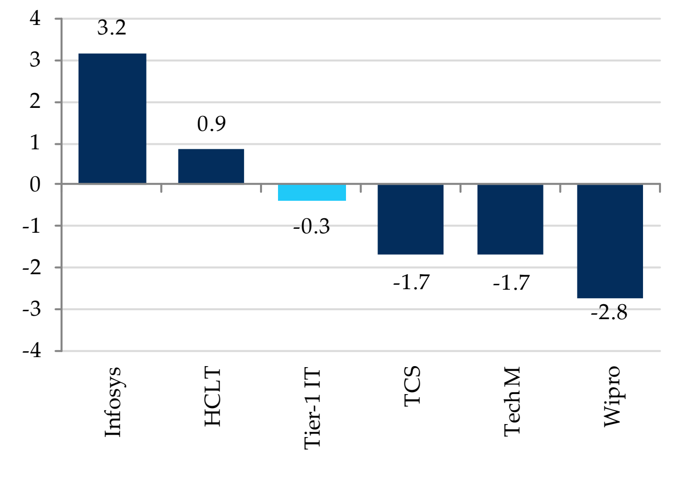
Source: HSIE Research;

Mid-Tier IT Revenue Performance (QoQ %)



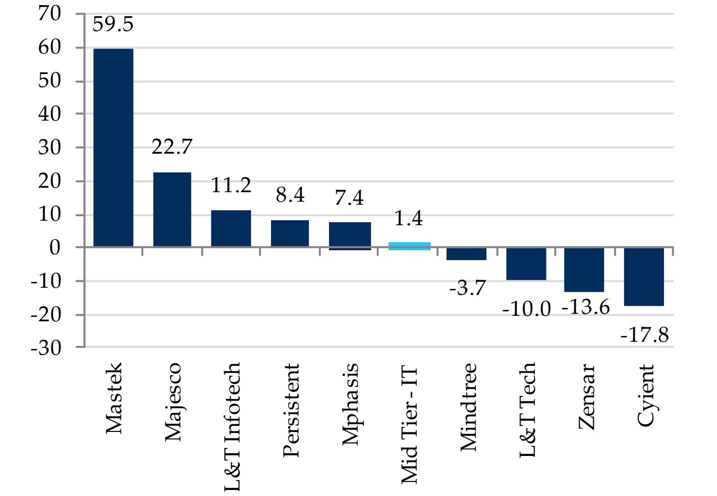
Source: HSIE Research

Tier-1 IT Revenue Performance (YoY %)



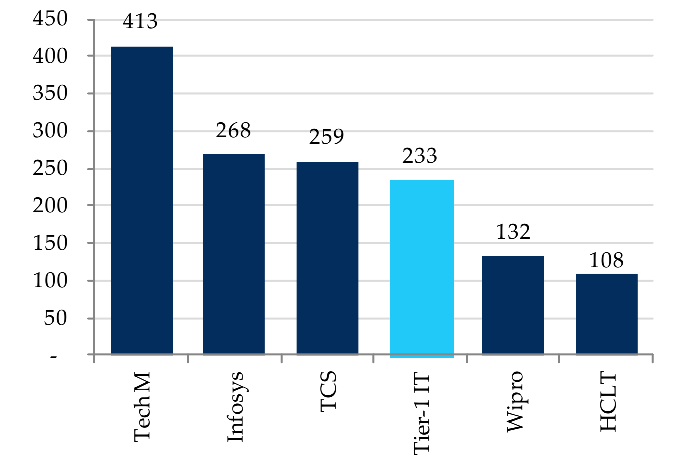
Source: HSIE Research

Mid-Tier IT Revenue Performance (YoY %)



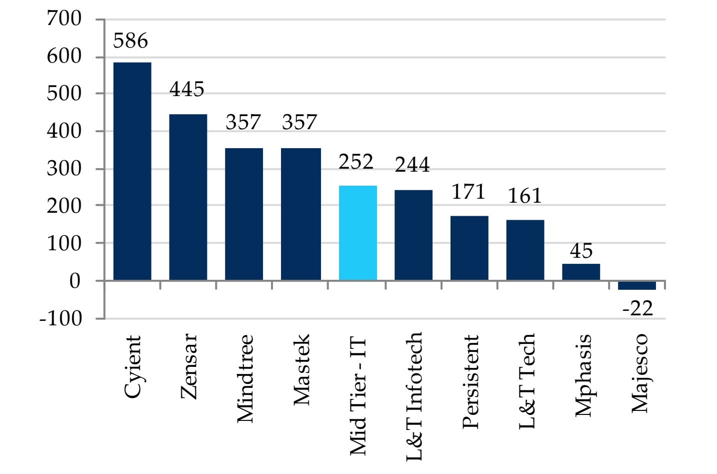
Source: HSIE Research

Tier-1 IT Margin Performance (QoQ bps)



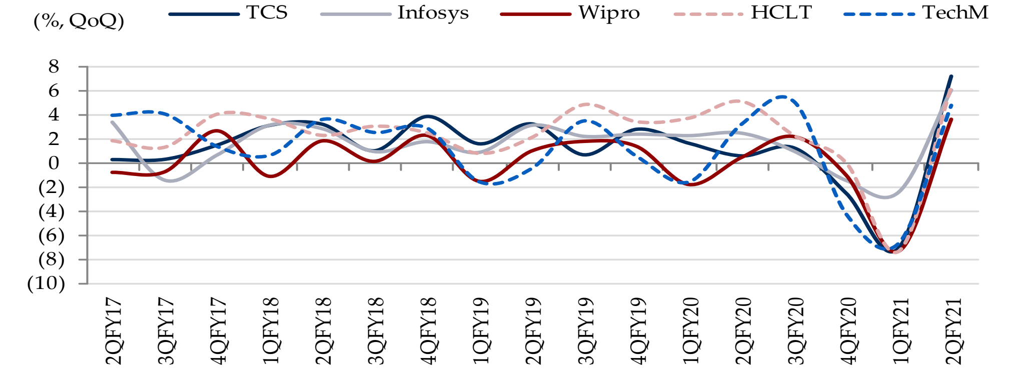
Source: HSIE Research

Mid-Tier IT Margin Performance (QoQ bps)



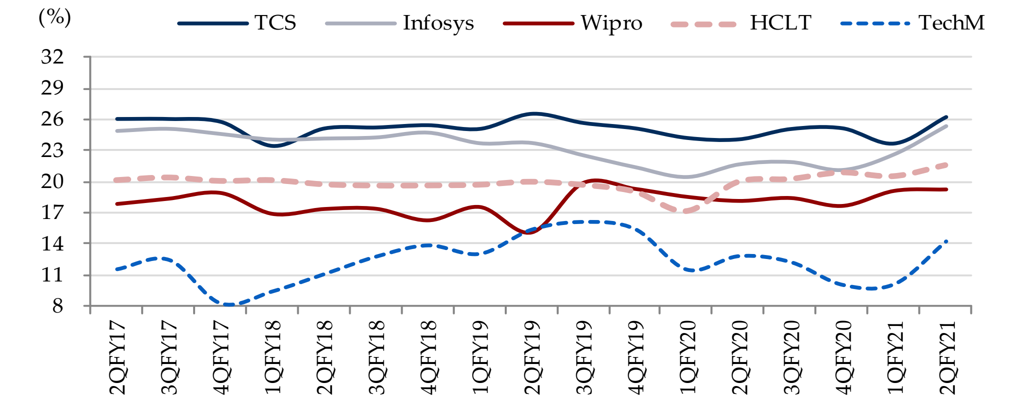
Source: HSIE Research

Tier-1 IT quarterly USD revenue growth trend (QoQ %)



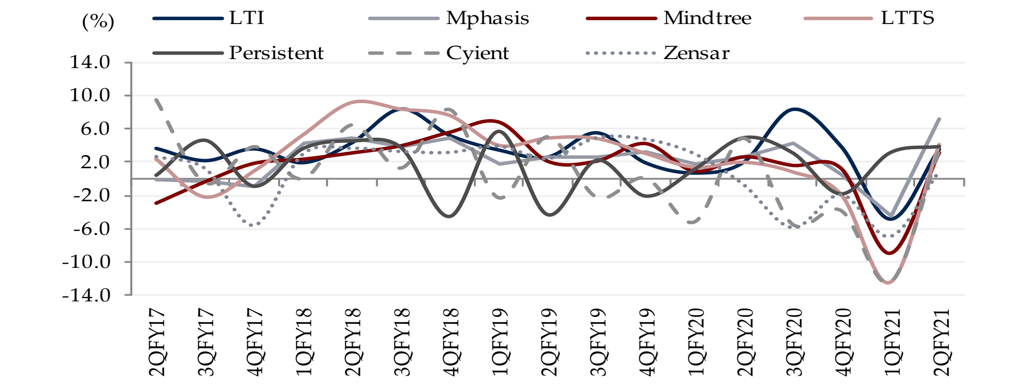
Source: Company, HSIE Research

Tier-1 IT quarterly EBIT Margin trend (%)



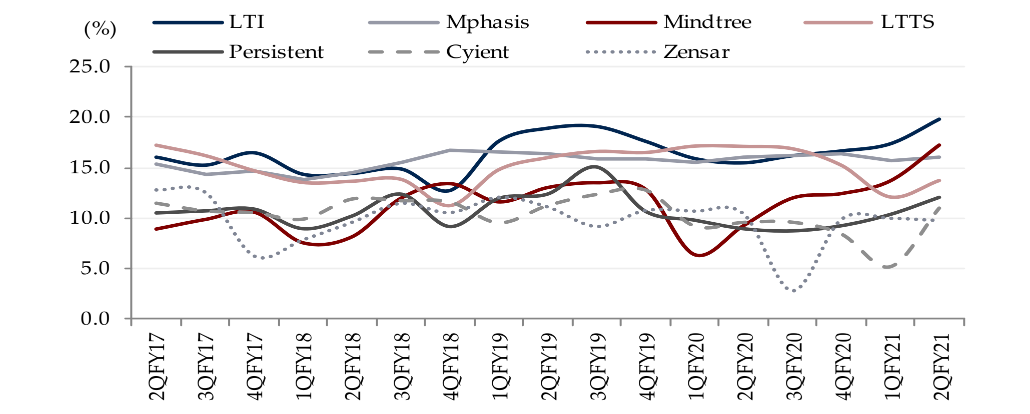
Source: Company, HSIE Research

Mid-Tier IT quarterly USD revenue growth trend (QoQ %)



Source: Company, HSIE Research

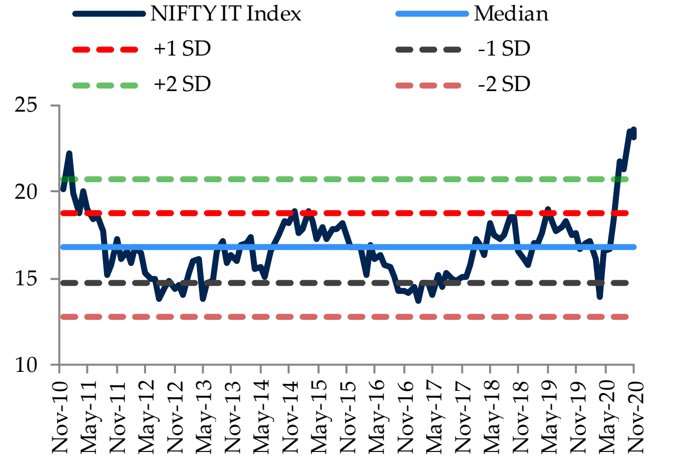
Mid-Tier quarterly EBIT Margin trend (%)



Source: Company, HSIE Research

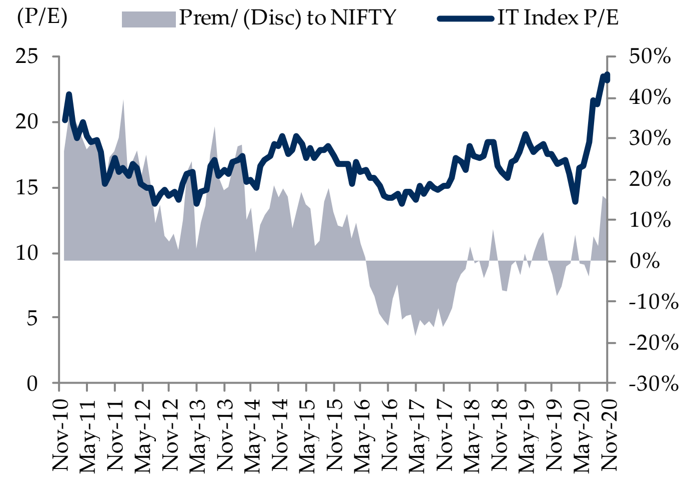
Valuation charts

NIFTY IT Index Valuation Trend (P/E 1-yr fwd)



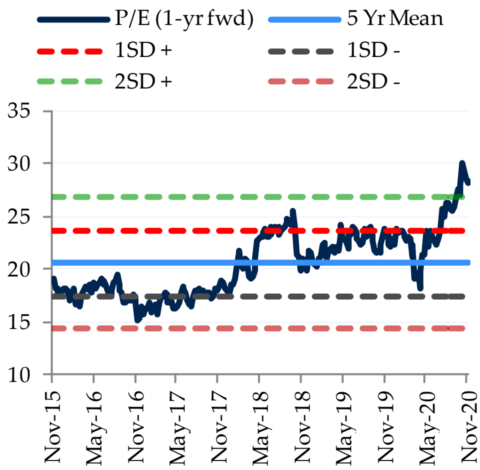
Source: Bloomberg, HSIE Research

IT Index Valuation Trend vs NIFTY

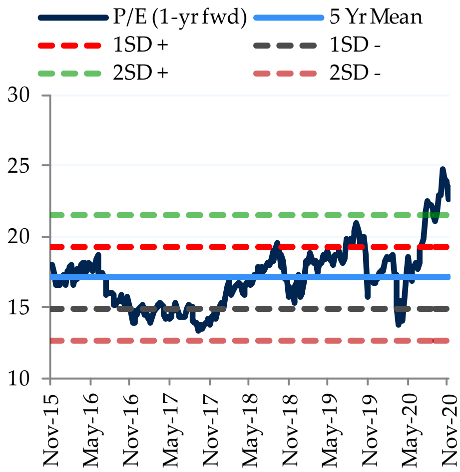


Source: Bloomberg, HSIE Research

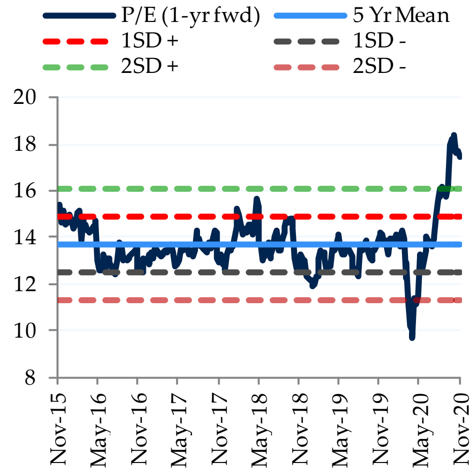
TCS P/E (1-yr fwd) Trend



Infosys P/E (1-yr fwd) Trend

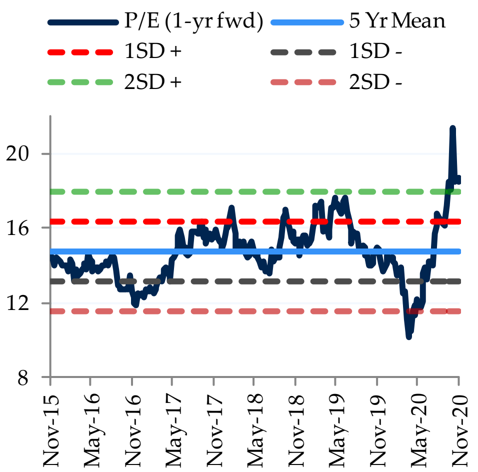


HCL Tech P/E (1-yr fwd) Trend

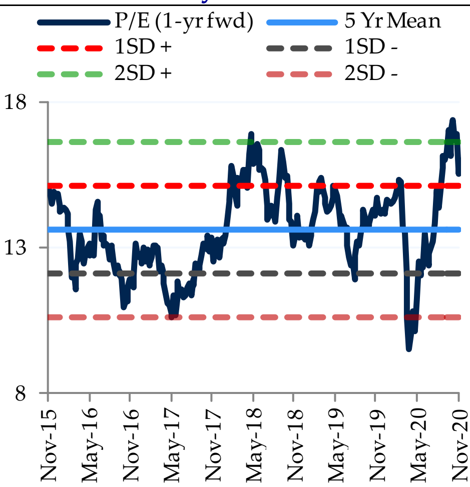


Source: Bloomberg, HSIE Research

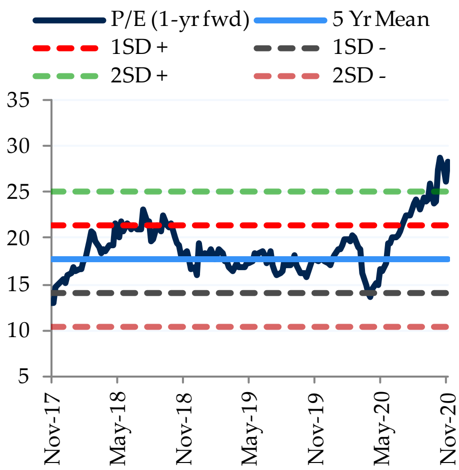
Wipro P/E (1-yr fwd) Trend



TECHM P/E (1-yr fwd) Trend

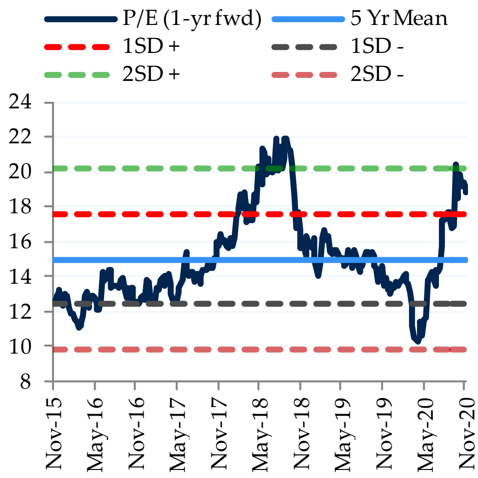


L&T Infotech P/E (1-yr fwd) Trend

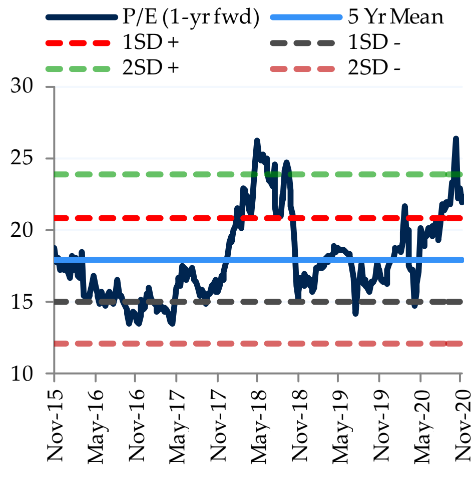


Source: Bloomberg, HSIE Research

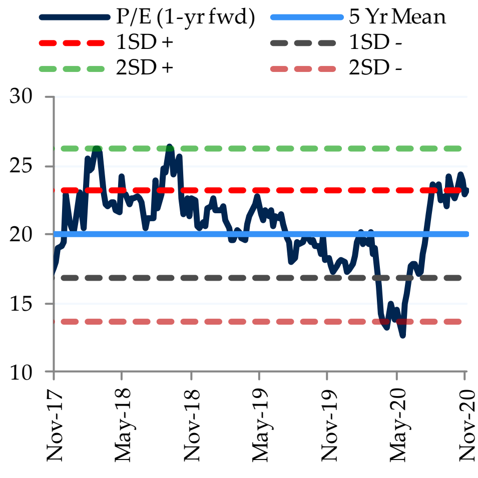
Mphasis P/E (1-yr fwd) Trend



Mindtree P/E (1-yr fwd) Trend

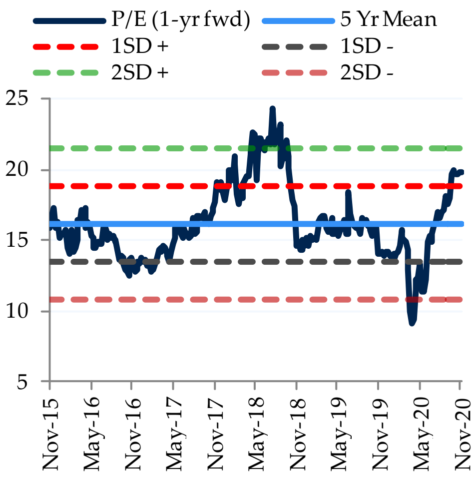


L&T Tech P/E (1-yr fwd) Trend

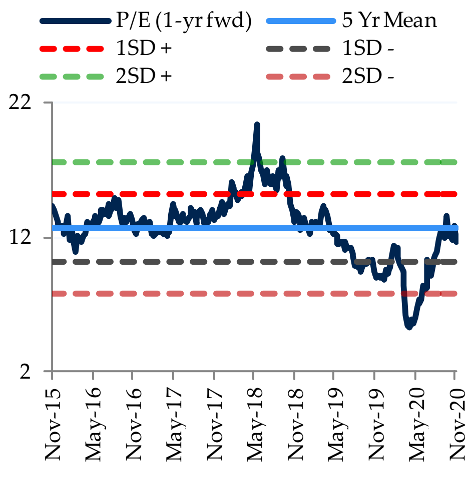


Source: Bloomberg, HSIE Research

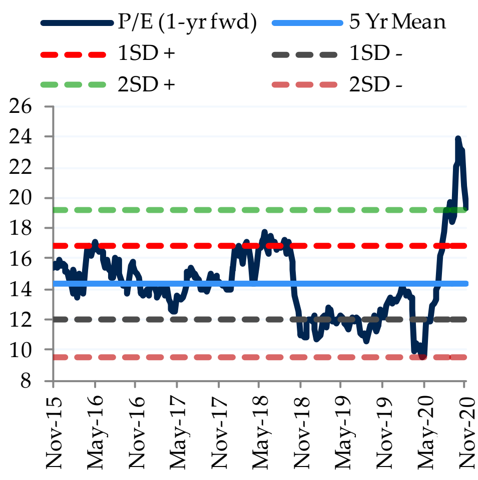
Hexaware P/E (1-yr fwd) Trend



Cyient P/E (1-yr fwd) Trend

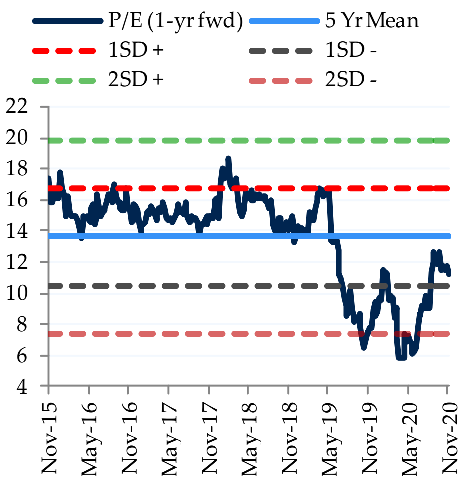


Persistent P/E (1-yr fwd) Trend

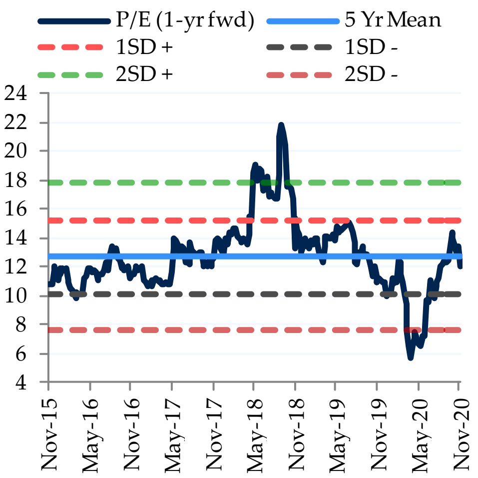


Source: Bloomberg, HSIE Research

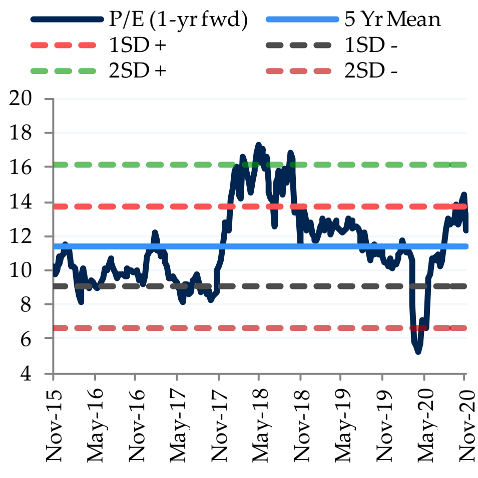
eClerx P/E (1-yr fwd) Trend



Zensar P/E (1-yr fwd) Trend

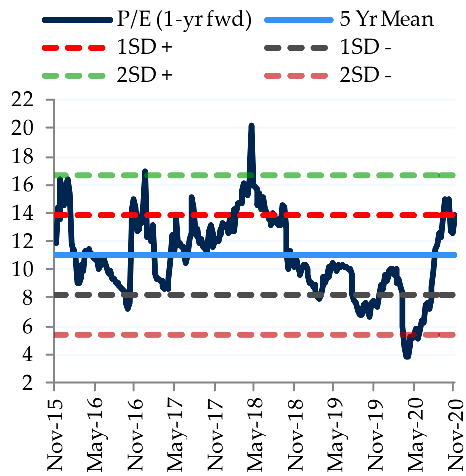


Sonata P/E (1-yr fwd) Trend

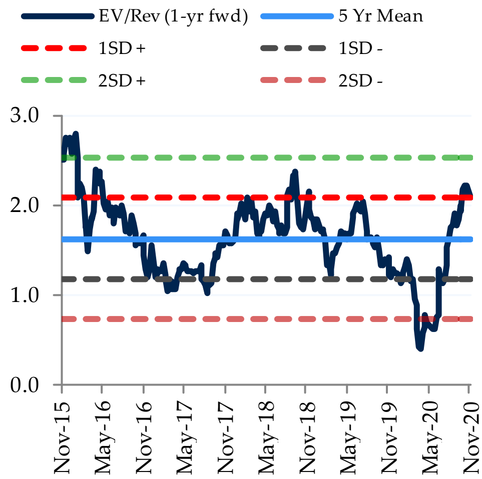


Source: Bloomberg, HSIE Research

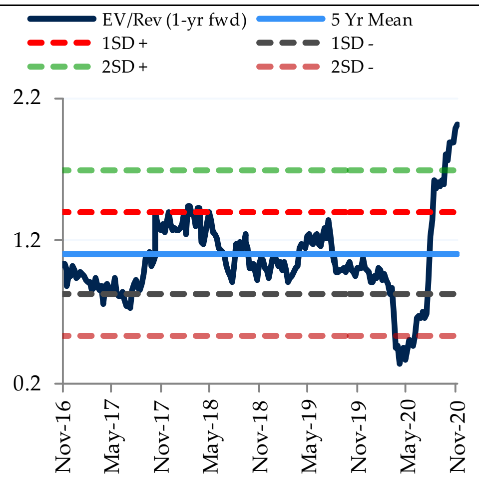
Mastek P/E (1-yr fwd) Trend



Intellect EV/Revenue (1-yr fwd) Trend



Majesco EV/Revenue (1-yr fwd) Trend



Source: Bloomberg, HSIE Research

Rating Criteria

BUY:	>+15% return potential
ADD:	+5% to +15% return potential
REDUCE:	-10% to +5% return potential
SELL:	> 10% Downside return potential

Disclosure:

We, **Apurva Prasad, MBA, Amit Chandra, MBA & Vinesh Vala, MBA** authors and the names subscribed to this report, hereby certify that all of the views expressed in this research report accurately reflect our views about the subject issuer(s) or securities. HSL has no material adverse disciplinary history as on the date of publication of this report. We also certify that no part of our compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view(s) in this report.

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Any holding in stock –No

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