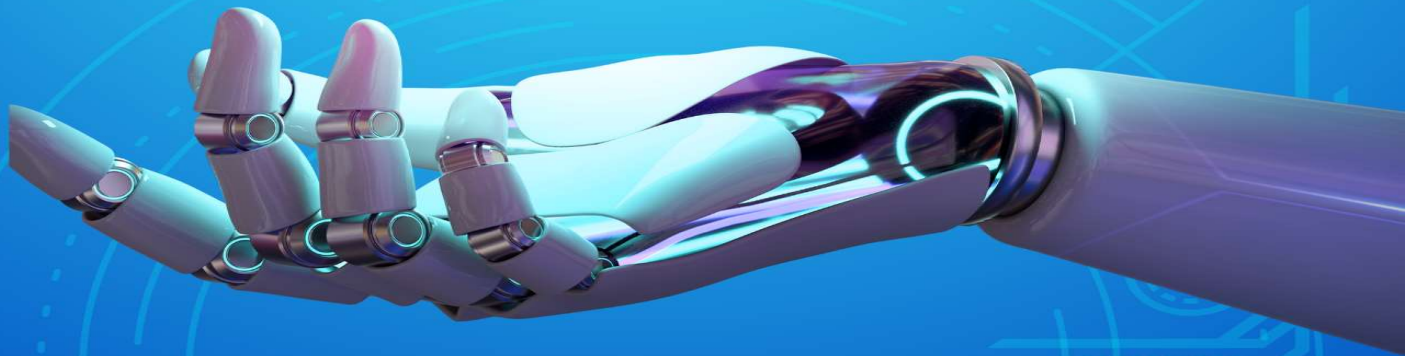


INDIAN IT INDUSTRY

HOW TO PROFIT FROM INDIA
AI REVOLUTION !!!!!

FUTURE OF AI & DATA

11 JUNE, 2024



Tata Consultancy Services Target : ₹4259

Infosys Limited Target : ₹1690

HCL Technologies Target : ₹1592

Tech Mahindra Target : ₹1526

Persistent Systems Target : ₹4364

Coforge Limited Target : ₹6148

Cyient Limited Target : ₹2253

Sonata Software Target : ₹712

**Our Top Picks For The Information Technology
& Business Process Management Industry**

Date : 11/06/2024

Information Technology and Business Process Management (IT-BPM) industry

Impact of Fed Rate Hikes on Global Economies and Indian IT Firms

Federal Reserve rate hikes have far-reaching effects globally, often negatively impacting economic growth. Continued rate increases and a prolonged period of elevated interest rates could significantly affect the US, UK, and European economies, potentially pushing them into recession. Such an economic slowdown in these regions would adversely affect Indian IT firms, which derive more than 80% of their revenue from exports to these economies.

Information Technology Sector Overview

The information technology sector encompasses businesses involved in developing computer software, hardware, and other technology-driven products and services. This sector is capital-intensive, requiring continuous innovation to remain competitive. Ongoing investment in research and development, as well as acquisitions and other expansion initiatives, is crucial. Lower interest rates facilitate these activities by providing cheaper funding. Conversely, high-interest rates dampen demand in key verticals such as BFSI (banking, financial services, and insurance), retail, consumer discretionary, and oil and gas, leading to reduced spending from companies in these sectors.

Resilience in Essential and New-Age Verticals

Despite the challenges posed by high-interest rates, essential and new-age verticals like edtech, healthcare, e-commerce, telecom, automation, government, retail, and SMBs (small and medium-sized businesses) continue to drive demand for IT and BPM (business process management) industries globally. However, this demand is not as robust as it would be in a low-interest-rate environment.

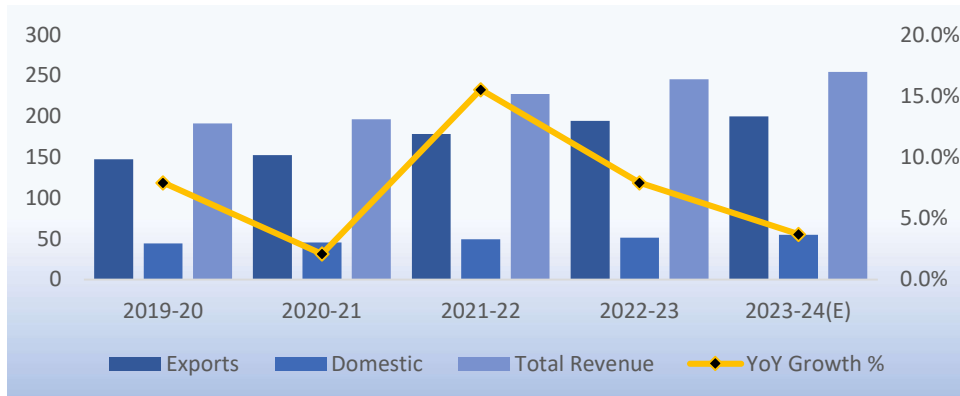
Beneficiaries of the Rate Environment

Mid-cap tech stocks and IT product companies, especially those operating in new-age verticals with high debt balances, are likely to benefit the most in the interest rate cut environment. Conversely, the largest tech companies, such as Apple and Microsoft, which have conservative balance sheets, will see lesser benefits. Global IT services companies, like TCS, Infosys, and HCL Tech, which provide services to high-profile tech companies, would also benefit significantly from any rate cuts.

The IT & BPM and tech industries remain the top beneficiaries of global interest rate cuts, given their alluring valuations and the scope for future growth driven by AI, generative AI, automation, and data science/big data trends across sectors. Spending in these areas can be significantly propelled once inflation stabilizes, geopolitical tensions ease, and economies stabilize.

Description	2019-20	2020-21	2021-22	2022-23	2023-24(E)
Exports	147	152	178	194	199.5
Domestic	44	45	49	51	54.4
Total Revenue	191	196	227	245	254
YoY Growth %	7.9%	2.1%	15.5%	7.9%	3.7%

Source: NASSCOM , (E) = Estimated



Distinguishing Characteristics of Technology and IT & BPM Companies

Technology companies such as Facebook and Google primarily focus on providing internet-based services like social networking and search engines, with revenue mainly derived from advertising. These firms are classified under the broader technology sector, emphasizing innovation and digital platforms. In contrast, IT & BPM companies like Infosys and Tata Consultancy Services offer IT services and business process outsourcing to businesses, focusing on software development, data analytics, and customer support. While both leverage technology, technology companies prioritize digital services and innovation, while IT & BPM companies specialize in providing IT solutions and business process management services.

The Information Technology (IT) sector in India encompasses a broad spectrum of services, including IT services and business process outsourcing (BPO). As of the fiscal year 2022, the IT industry contributed 7.4% to India's Gross Domestic Product (GDP), with a projected increase to 10% by 2025. This sector has played a pivotal role in positioning India as a favorable investment destination globally, fostering substantial employment opportunities not only within India but also in key markets such as the USA and Europe. With approximately 5.4 million individuals employed in the IT-BPM (Business Process Management) sector as of March 2023, it has experienced significant revenue growth over the past decade, reflecting a notable 7% share of India's GDP in the fiscal year 2023-24. India stands as the primary choice for offshoring among international IT firms, owing to its proven track record in delivering both onshore and offshore services proficiently. Projections indicate that India's IT-BPM industry, excluding e-commerce, is anticipated to reach USD 254 billion, with exports accounting for approximately USD 200 billion in the fiscal year 2023-24 and in dollar terms it is projected to reach US\$ 19.93 billion by 2025. Whereas the broad technology industry is anticipated to double its revenue to US\$ 500 billion by 2030.

Services: Services based on Generative AI Apps

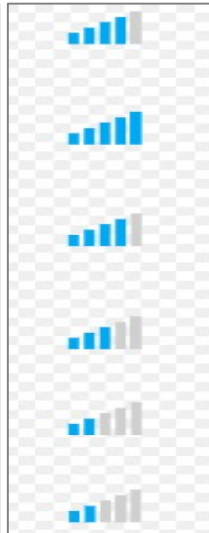
Apps: Generative AI Apps / Products

Tools & Framework: Layer between Gen AI Apps & Foundation Models

Foundation Models: LLMs pre-trained with enormous data

Cloud: Cloud Platforms to scale the hardware

Hardware: Optimized Chips to train & run the LLM



Value Chain of Generative AI

There are opportunities across the generative AI Value Chain, but the most significant is Building end-user applications.

Opportunity Size for new entrants in next 3-5 years, scale of 1-5.

From a **hardware perspective**, model sizes have expanded dramatically, growing from fewer than 100 million parameters to over 500 billion parameters in just five years. This surge in predictive capabilities has been underpinned by advancements in hardware. For example, ELMO, trained in 2018 with 26 million parameters, could perform visual search and image recognition. BERT-Large, trained in 2019 with 340 million parameters, was capable of sentiment analysis and basic Q&A tasks. Today, the most advanced large language models (LLMs) contain over 500 billion parameters, reflecting a substantial increase in model complexity and capability. Data center revenues have correspondingly experienced significant growth, marked by a healthy compound annual growth rate (CAGR) and a notable inflection point recently. Historically, CPUs have dominated data center processing, functioning as serial processors that handle one instruction at a time. However, as the computational demands of generative AI surged, the need for parallel processing capabilities became critical. This shift propelled GPUs, which are designed for parallel processing and were originally developed for computer graphics, to the forefront of AI processing.

While compute power, primarily through GPUs and CPUs, remains a major focus of data center upgrade budgets, other components are equally critical for optimizing overall performance. Improved GPU performance has led to bottlenecks in bandwidth and memory, highlighting the growth potential in these markets. For example, the market for liquid cooling, which accounted for \$2 billion last year, is expected to grow significantly as cooling represents 40% of data center energy consumption. Despite GPUs requiring half the energy of CPUs, their exponential growth necessitates enhanced cooling solutions. Additionally, memory, bandwidth, and energy consumption are key pressure points. Companies must innovate in these areas to maintain competitive margins. Besides GPUs and CPUs, data centers also require other essential hardware and networking equipment such as servers, stabilizers, battery backups, power cables, and various other critical components which, while vital, may be less protected by unique intellectual property.

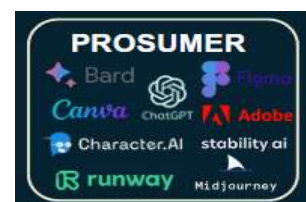
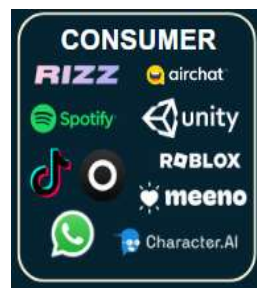
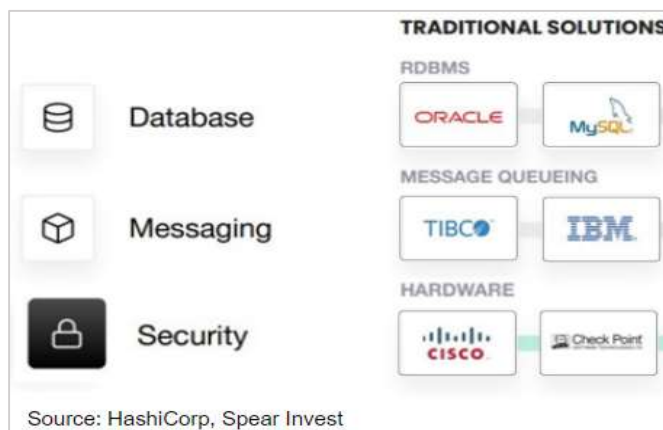


In the **infrastructure layer** of the AI ecosystem, generative AI and data infrastructure companies are pivotal in enabling the development, deployment, and operation of AI systems and large language models (LLMs). The emergence of the cloud-native paradigm, powered by major cloud service providers, has transformed the infrastructure stack. These providers offer core cloud storage and computing services, providing scalable, flexible, and cost-effective solutions for data management. They serve as the foundational infrastructure that enables the enablement of AI systems before deployment.

Source: Spear Invest

Under the infrastructure layer, several subsegments play vital roles in facilitating the development, deployment, and operation of AI systems and large language models (LLMs). These subsegments work together seamlessly to provide the necessary foundation and tools for leveraging AI effectively.

- Firstly, cloud service providers are indispensable entities within the realm of generative AI and LLMs. They offer essential computational resources and scalability, providing the fundamental infrastructure and platforms necessary for training and deploying sophisticated AI models.
- Complementing cloud service providers are Foundational Model (FM) companies. They specialize in developing large-scale models, which serve as the underlying components powering LLMs and generative AI applications. These models are adaptable for various applications and constitute the backbone of numerous AI applications, spanning from natural language processing to creative content generation.
- Database companies occupy a pivotal role in managing and facilitating the effective utilization of data, the lifeblood of AI. By offering tools and platforms for storing, managing, and processing large volumes of data efficiently, they ensure that AI models have access to the required data for training and inference.
- Transactional and vector databases, specifically tailored for AI and machine learning applications, optimize storage and retrieval mechanisms for complex data structures and analytical queries, thereby enhancing the efficiency of data processing within AI systems.
- Developer tooling companies within the AI ecosystem are primarily focused on operationalizing generative AI models. They provide essential services such as data labeling and curation, support for model hub and fine-tuning, model inferencing, LLM Ops, and monitoring and evaluation tools. These tools empower organizations to effectively deploy and manage generative AI models in production environments.
- Cybersecurity and observability are crucial considerations as AI systems become more prevalent. Cybersecurity companies specialize in safeguarding sensitive and proprietary data processed and generated by AI systems, ensuring its integrity, confidentiality, and availability.
- Observability tools, on the other hand, play a vital role in monitoring and understanding the internal states of AI systems, particularly in the context of generative AI and LLMs. These tools aid in diagnosing problems, understanding model performance, and ensuring transparency in decision-making processes, thereby enhancing operational efficiency and building trust in AI systems.
- In the professional sphere, **the Application Layer** stands out as the largest Total Addressable Market (TAM), although it remains intensely competitive and saturated. This layer encompasses both startups and established players, with incumbents enjoying distinct advantages due to their substantial installed bases and access to proprietary data. It is noteworthy that the first two layers, Infrastructure and Infrastructure, are poised for exponential growth regardless of the outcome in the Application Layer. This is because all participants in the Application Layer will contribute to increased data storage and computational requirements.



Source :Spear Invest

India's Role in the AI Ecosystem: From Application Innovation to Global Infrastructure Integration

Indian IT and BPM companies like TCS, Infosys, Cyient, Wipro, HCL Tech, and Honeywell Automation predominantly operate within the Application Layer of the AI ecosystem, the largest and most competitive market segment. These firms excel in software development, consulting, and system integration, driving AI adoption and innovation. However, they rely heavily on global cloud providers such as AWS, Google Cloud, and Microsoft Azure for essential infrastructure services, including storage, compute, networking, and databases, due to their historical weakness in the hardware layer. Consequently, while these companies are integral to the AI landscape, they function more on the periphery, offering stability and protection from market downturns but limiting their potential for significant, transformative growth. Their contributions tend to be incremental rather than disruptive, focusing on support rather than groundbreaking innovation.

The USA, UK and EU remain the major markets for the IT software and services exports, accounting for 62%, 17% and 11% of the total IT-ITeS exports respectively, however, there are new challenges surfacing in these traditional geographies. Demands from Asia Pacific (APAC), Latin America and Middle East Asia is growing and new opportunities are emerging for expanding in continental Europe, Japan, China and Africa.

The Information Technology (IT) sector in India encompasses a broad spectrum of services, including IT services and business process outsourcing (BPO). As of the fiscal year 2022, the IT industry contributed 7.4% to India's Gross Domestic Product (GDP), with a projected increase to 10% by 2025. This sector has played a pivotal role in positioning India as a favorable investment destination globally, fostering substantial employment opportunities not only within India but also in key markets such as the USA and Europe. With approximately 5.4 million individuals employed in the IT-BPM (Business Process Management) sector as of March 2023, it has experienced significant revenue growth over the past decade, reflecting a notable 7% share of India's GDP in the fiscal year 2023-24. India stands as the primary choice for offshoring among international IT firms, owing to its proven track record in delivering both onshore and offshore services proficiently.

Furthermore, the advent of emerging technologies has opened up new avenues for growth and innovation within the Indian IT/Software industry. Leveraging its cost-effectiveness, superior quality, reliability, and timely delivery, coupled with the integration of cutting-edge technologies, the sector is poised for continued expansion. Projections indicate that India's IT-BPM industry, excluding e-commerce, is anticipated to reach USD 254 billion, with exports accounting for approximately USD 200 billion in the fiscal year 2023-24 and in dollar terms it is projected to reach US\$ 19.93 billion by 2025. Whereas the broad technology industry is anticipated to double its revenue to US\$ 500 billion by 2030.

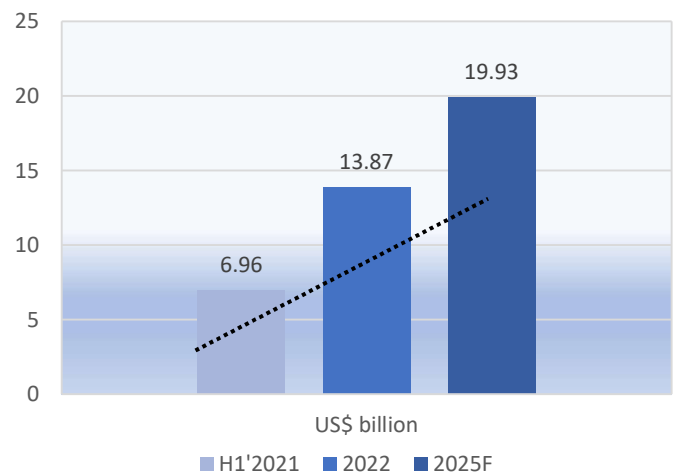
Most lucrative sector for investments

- The computer software and hardware sector in India attracted cumulative foreign direct investment (FDI) inflows worth US\$ 97.31 billion between April 2000- September 2023. The sector ranked 2nd in FDI inflows as per the data released by Department for Promotion of Industry and Internal Trade (DPIIT).

Indian Cloud Market

- The global shift towards digital transformation, notably accelerated by the pandemic, has catalyzed demand for cloud services across various sectors. This surge in demand, fueled by the internet's pivotal role in work and entertainment realms, has prompted significant investments in hyper-scale data centers. Global investments in this domain are expected to exceed US\$ 200 billion annually by 2025.
- In 2022, the revenue generated by India's public cloud services market totaled US\$ 6.2 billion, with forecasts indicating substantial growth to US\$ 17.8 billion by 2027, reflecting a robust Compound Annual Growth Rate (CAGR) of 23.4%.
- Anticipated to surge by 30% Year-over-Year (YoY), the adoption of public cloud services in India is projected to reach US\$ 7.3 billion by 2022, primarily driven by escalating demand from companies seeking modernization opportunities.
- India's data center market is also poised for substantial growth, projected to escalate from US\$ 5.42 billion in 2022 to US\$ 9.96 billion by 2028, boasting a CAGR of 10.69%. Cumulative investments in Indian data centers are estimated to reach US\$ 28 billion between 2019 and 2025, showcasing a notable CAGR of 5%, twice the global average growth rate.
- Furthermore, in the fiscal year 2021, India attained the third position globally, with a workforce of 608,000 cloud experts across various verticals, including technology. This significant talent pool underscores India's capability to meet the escalating demands of the cloud services market, solidifying its position as a key player in the global landscape of cloud computing.

Indian It & BPO Market



India data centre market investment (US\$ billion)



The Indian IT & BPM industry is typically categorized into four broad segments:

IT Services: This segment involves companies that offer a range of technology-related services to businesses globally. These services include software development, maintenance, consulting, and support. IT services companies help businesses leverage technology to improve efficiency, productivity, and competitiveness. They often work on projects based on client requirements and may provide ongoing support through service level agreements (SLAs).

Business Process Management (BPM): BPM companies focus on optimizing and managing business processes to enhance efficiency and effectiveness. They provide services such as workflow automation, business process modeling, and outsourcing of non-core business functions. BPM companies help streamline operations, reduce costs, and improve quality by leveraging technology and best practices in process management.

Software Products and Engineering Services: This segment encompasses companies involved in the development, licensing, and distribution of software products, as well as providing engineering services related to software development. These companies create both off-the-shelf software products and customized solutions tailored to specific business needs. Engineering services within this segment include software design, development, testing, and maintenance, often delivered by specialized software development firms.

Hardware: The hardware segment comprises companies that manufacture, distribute, and support physical computing devices and equipment. This includes products such as computers, servers, networking devices, storage systems, and peripherals. Hardware companies may also offer related services such as installation, configuration, repair, and technical support for their products. This segment plays a critical role in providing the foundational infrastructure for IT solutions and services.



Growth Catalysts for the IT Sector	Description
4G and 5G	- Significant data usage, low latency, high reliability & low energy consumption
Cloud Computation	- Allows offload data management, backend development & design
e-Governance	- E-health, e-education & e-ticketing
Green Communications	- Environment-friendly batteries, renewable energy sources & management of power systems
Emerging Technologies	- Adoption of AI, Blockchain, IoT, Robotics, 3D Printing, and Immersive Media
Blockchain	- National Strategy on Blockchain to reduce frauds, speed up enforcement of contracts, and increase transparency
Remote Working	- Increased focus on remote working and cloud enablement
National Optical Fibre Network (NOFN)	- 1.78 Lakh Gram Panchayats connected by optical fibre
Digital India Programme	- India is the 2nd Fastest Digitizing Economy Globally
Start-up Revolution	- Start-ups focusing on IoT, machine learning, artificial intelligence, and healthcare
Artificial Intelligence	- AI & new-age technology to boost India's annual growth rate by 1.3% by 2035 (NITI Aayog white paper)
Strong Growth in Demand for Export from New Verticals	- Non-linear growth due to platforms, products, and automation
Emerging Verticals (Retail, Healthcare, Utilities)	- Driving growth in the IT sector

SERVICES OFFERED TO VARIOUS BUSINESS VERTICALS

IT Services:

Banking, Financial Services, and Insurance (BFSI): Solutions - Software development, data analytics, cybersecurity, IT infrastructure management.

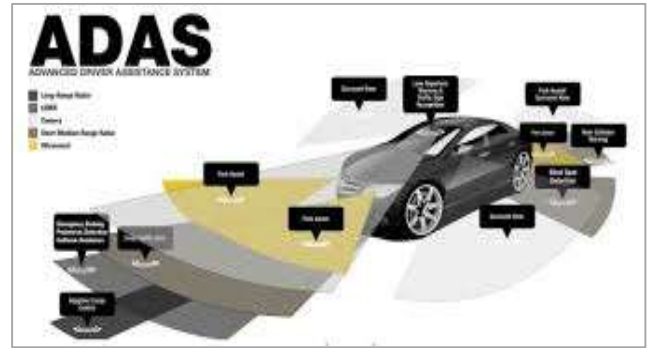
Healthcare: Services - EHR systems, telemedicine, medical billing software, healthcare analytics.

Retail and E-commerce: Support - Website development, inventory management, CRM software, data analytics.

Manufacturing: Optimization - ERP systems, supply chain management software, industrial automation.

Telecommunications: Assistance - Network infrastructure management, customer billing systems, digital transformation.

Government and Public Sector: Aid - E-governance initiatives, citizen services portals, smart city solutions.

**Business Process Management (BPM):**

Finance and Accounting: Services - Outsourcing, financial reporting, payroll processing, tax compliance.

Customer Service and Support: Support - Customer service outsourcing, helpdesk support, technical assistance, call center operations.

Human Resources: Encompasses - Outsourcing, RPO, payroll processing, HR analytics.

Supply Chain and Logistics: Support - Management, logistics outsourcing, transportation management, inventory management.

Healthcare Administration: Services - Medical billing outsourcing, claims processing, medical coding, revenue cycle management.

Insurance Claims Processing: Assistance - Outsourcing, policy administration, underwriting support, fraud detection.

**Software Products and Engineering Services:**

Automotive: Services - Embedded software, vehicle diagnostics, telematics, connected car platforms.

Aerospace and Defense: Solutions - Mission-critical software, flight control systems, avionics, defense simulation.

Healthcare Technology: Encompasses - Software development, medical imaging, EHR systems, telemedicine.

Industrial Automation: Solutions - Control systems software, SCADA, PLC programming, MES.

Financial Technology (Fintech): Services - Software solutions, payment platforms, mobile banking, trading platforms.

Education Technology (Edtech): Solutions - E-learning platforms, LMS, educational apps, SIS.

**Hardware:**

Computer Hardware: Products - Desktops, laptops, servers, workstations, networking devices.

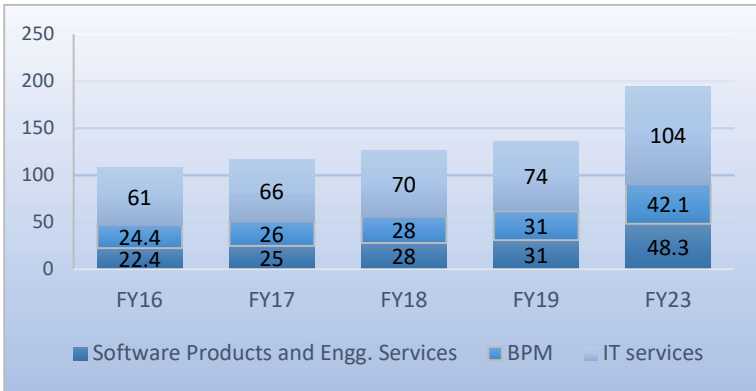
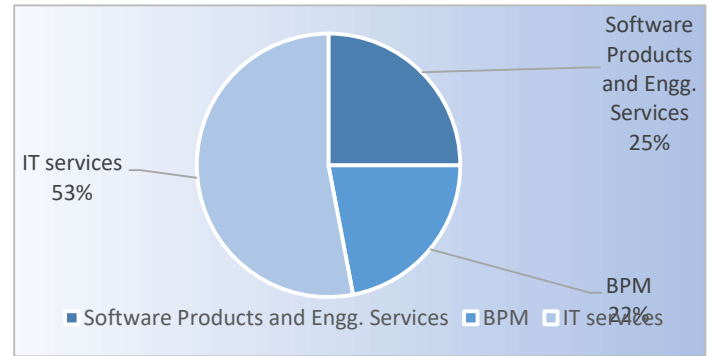
Networking Equipment: Offerings - Routers, switches, access points, modems, network cables.

Storage Solutions: Products - HDDs, SSDs, SANs, NAS devices.

Embedded Systems: Solutions - Microcontrollers, sensors, actuators, control modules.



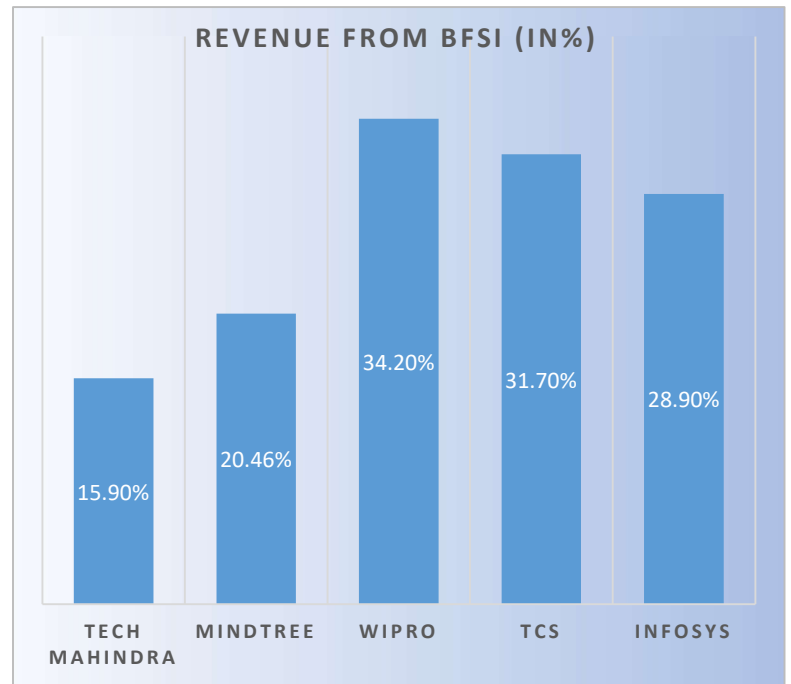
- India's IT export revenue rose by 9% in constant currency terms to USD 194 billion in FY23.
- IT services accounted for over 53% of total IT exports.
- BPM, engineering, R&D, and software products made up 22% and 25%, respectively, of total exports.
- STPI reported software exports of Rs. 1.20 lakh crore (USD 16.29 billion) in Q1 FY22.
- In August 2021, Minister Rajeev Chandrasekhar set a USD 400 billion IT export target for March 2022, with a focus on cybersecurity, hyper-scale computing, AI, and blockchain.



- The US has historically been the largest importer of Indian IT exports, constituting over 61.73% during FY21, while non-US-UK countries accounted for just 21.38%.
- Although the US and UK led customer markets with a combined 79% share, there's rising demand from APAC, Latin America, and the Middle East.
- BFSI is a key business vertical for the IT & BPM industry.
- The need to undertake investment in IT will also be required to gain a competitive advantage instead of solely reducing operational costs.

The adoption of new technologies is expected to accelerate the growth of the BFSI sector. Investment in IT will be necessary to gain a competitive advantage beyond merely reducing operational costs.

- HDFC Bank has partnered with Flywire to enable digital fee payments for customers to overseas colleges and universities.
- In November 2022, ICICI Bank introduced two new products for its NRI clients—Loan against Deposits (LAD) and Dollar Bonds—at its branch in GIFT City.
- In August 2022, Network People Services Technologies (NPST) announced the development of a banking super app, offering a seamless user experience by integrating banking, financial, and transactional services for banks, fintech companies, and other BFSI entities.
- In July 2022, the Union Bank of India (UBI) launched a Metaverse Virtual Lounge and an Open Banking Sandbox environment in partnership with Tech Mahindra.
- In February 2022, Bangalore-based edtech startup BygC launched India's first upskilling-focused community platform for young graduates and job seekers in the BFSI sector.



EVOLUTION OF ARTIFICIAL INTELLIGENCE - SPEAR INVEST

Three Waves of AI

First Wave (2018-2023): Predictive AI

The first wave of AI focused on learned perception and inference, such as image recognition, speech understanding, and recommendation systems for videos or products. Early natural language processing models in 2018 were capable of visual search and image recognition, containing fewer than 100 million parameters.

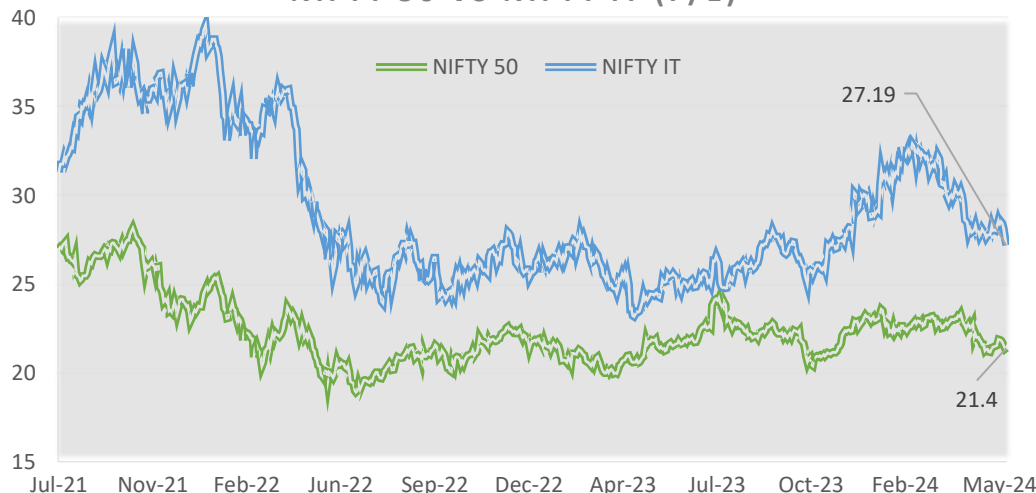
Second Wave (2022+): Generative AI

In late 2022, the advent of ChatGPT marked the beginning of the generative AI era, enabling AI to generate text, images, videos, code, and even proteins. The foundational model behind ChatGPT and other large language models (LLMs) is the transformer model, a neural network that learns context and represents a significant breakthrough in AI technology.

The Next Wave: Physical AI

The forthcoming wave of AI involves robotics and industrial digitalization, where AI will interact with the physical world through robots, avatars, and digital twins. This phase will see AI's integration into tangible, real-world applications.

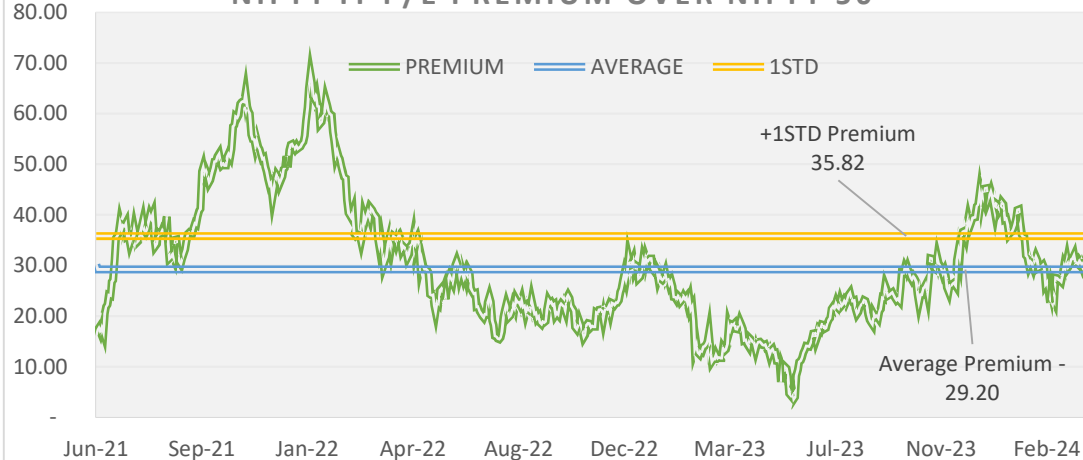
NIFTY 50 VS NIFTY IT (P/E)



Historical analysis indicates that the Nifty IT index typically trades at a price-to-earnings (P/E) premium of over 30% relative to the Nifty 50 index. However, during periods of economic turbulence, this P/E premium has contracted to an attractive level of 27%. Additionally, data reveals that whenever the P/E premium exceeds its average level, it tends to rise sharply, reaching as high as +3 standard deviations above its previous three-month average in a short span of time. This historical pattern presents an attractive opportunity for investors, potentially yielding a savvy return of approximately 8% in the near term, assuming the P/E premium expands to 35% given the current levels of the Nifty 50 and Nifty IT indices.

Furthermore, there is significant potential for P/E expansion in growth industries such as India's IT sector, which is predominantly export-oriented. During bull markets, growth stocks often trade at high or even overvalued valuations due to their strong future growth prospects and high demand. If the industry experiences favorable conditions, it is conceivable that the P/E premium could even exceed its +3STD levels, offering even greater returns for investors.

NIFTY IT P/E PREMIUM OVER NIFTY 50



FY24&25 OUTLOOK

According to ICRA, the IT services sector saw a modest 2.0% revenue growth in FY2024, down from 9.2% in FY2023. This subdued growth is expected to continue with a forecasted 3-5% increase in FY2024 and FY2025. Market uncertainties have led to project delays and reduced IT spending in sectors like BFSI, retail, and technology. However, initiatives in critical spending and cost optimization are gaining traction. Operating profit margins are projected to stay robust at 21-22% in FY2024 and FY2025, supported by effective cost management. Hiring activity, currently muted due to decreased demand and better capacity utilization, is expected to rebound as growth prospects improve. Inflationary pressures have impacted all sectors, notably contracting the BFSI and telecom segments.

TOP PICKS

COMPANY	CMP(In ₹)	TARGET PRICE (In ₹)	UPSIDE (In %)	ROE	P/E	MARKET CAP (₹ Crore)
TCS	3856	4259	10.45	51.51	30.01	13,95,243.00
INFOSYS	1500	1690	12.69	31.83	24.01	6,22,485.00
HCL - Tech	1419	1592	12.23	23.49	24.53	3,84,934.00
TECHM	1340	1526	13.88	8.64	55.5	1,30,913.00
PERSISTENT	3742	4364	16.64	24.5	52.7	57,639.00
COFORGE	5219	6148	17.81	23.83	43.57	34,802.00
CYIENT	1887	2253	19.40	18.94	28.54	20,927.00
SONATA SOFTWARE	587	712	21.29	30.3	39.9	16,350.00

Tata Consultancy Services Ltd



CMP ₹ 3,856 TARGET ₹ 4,259

Tata Consultancy Services, boasting 56 years of experience, is a leader in IT services, consultancy, and business solutions. Through its innovative Location Independent Agile™ model, it delivers a comprehensive portfolio of services, spanning business, technology, and engineering domains. With a workforce of over 601,000 across 54 countries, TCS assists clients in their transformation journeys, leveraging cutting-edge cognitive technologies. In the fiscal year ending March 31, 2024, it recorded consolidated revenues of US\$29.1 billion. Listed on the BSE and NSE in India, TCS continues to set benchmarks in software development and consulting services worldwide.

- TCS and AWS have joined forces in a multi-year partnership to accelerate digital transformations across industries. TCS will offer cloud modernization programs and generative AI solutions, while AWS will help upskill and reskill 25,000 TCS employees in cloud and GenAI technologies.
- TCS has won a new 15-year contract from UK insurer Aviva, estimated to add at least \$100 million annually to TCS's revenue, totaling a minimum of \$1.5 billion. The Mint newspaper suggests it could be TCS's largest ever deal, potentially reaching \$2.5 billion, surpassing the \$2.25 billion Nielsen deal in 2017.
- TCS reported a record Total Contract Value (TCV) of \$13.2 billion for the quarter, with the full financial year's order book TCV reaching an all-time high of \$42.7 billion. This marks strong double-digit growth in TCV over the last 12 months.

FINANCIALS

Particulars	FY-24	FY-23
Revenue from operations	2,40,893	2,25,458
Employee cost	1,40,131	1,27,522
Other operating cost	36,466	38,677
EBIT	59,311	58,353
Profit before tax	63,038	61,997
Profit after tax	46,585	45,908
EPS	127.74	115.19
Employee cost %	58.17	56.6
EBIT %	24.62	25.9
Profit after tax %	19.34	20.4
Headcount	6,01,546	6,14,795
Attrition Rate (%)	12.5	20.1
ROE %	50.7	46.6
ROCE %	63.5	57.6
P/E	30.79	27.83

Infosys Ltd



CMP ₹ 1,500 TARGET ₹ 1,690

Infosys is a global leader in next-generation digital services and consulting, assisting clients in over 56 countries with their digital transformation journeys. With over four decades of experience in managing global enterprises, we guide clients through their digital transformation, leveraging the power of the cloud. Our approach involves enabling clients with an AI-powered core, empowering businesses with agile digital solutions at scale, and fostering continuous improvement through always-on learning. As the second-largest Information Technology company in India, we stand behind TCS.

- Infosys has recently completed the acquisition of InSemi, a provider specializing in semiconductor design and embedded services. This strategic move is geared towards strengthening Infosys' Engineering R&D services in the semiconductor domain.
- Additionally, Infosys has entered into a strategic three-year partnership with the ABB FIA Formula E World Championship, solidifying its position as the official Digital Innovation Partner. This collaboration underscores Infosys' commitment to showcasing its AI, digital, and analytics capabilities to enhance the fan experience and support Formula E's sustainability goals.
- Infosys has teamed up with Shell to promote the use of immersion cooling services for data centers. This partnership combines digital and energy expertise to create eco-friendly data center solutions. Immersion cooling technology is expected to reduce CO2 emissions by up to 30% and energy footprint production by 48%. Shell and Infosys will test these claims using Shell's immersion cooling and Infosys' digital solutions.

FINANCIALS

Particulars	FY-24	FY-23
Revenue from operations	1,53,670	1,46,767
Employee cost	82,982	77,787
Other operating cost	35,344	33,756
EBIT	31,747	30,905
Profit before tax	35,988	33,322
Profit after tax	26,248	24,108
EPS	63.39	57.63
Employee cost %	54.0	53.0
EBIT %	20.66	21.1
Profit after tax %	17.08	16.4
Headcount	3,17,240	3,22,663
Attrition Rate (%)	12.6	13
ROE %	29.8	31.95
ROCE %	36.8	38.8
P/E	23.59	24.45

HCL Technologies Ltd

HCLTech

CMP ₹ 1,419 TARGET ₹ 1,592

HCL Tech is a prominent global IT services company, ranking among the top five Indian IT firms by revenue. Established on the global stage post its IPO in 1999, HCL Tech specializes in transformational outsourcing. It offers a comprehensive range of services including software-led IT solutions, remote infrastructure management, engineering and R&D services, and BPO. With a vast global offshore infrastructure and offices in 46 countries, the company delivers multi-service solutions across various industry verticals.

- HCL Technologies Ltd. has secured a \$2.1 billion contract from Verizon Communications Inc. to oversee network management for the business customers of the largest U.S. telecom operator by subscribers. The six-year deal involves Verizon Business leading sales and development, with HCL Tech handling post-sale network rollout and support.
- HCLTech announced a collaboration with Arm, a leading semiconductor chip IP technology provider, aimed at advancing the development of custom silicon chips supporting AI-driven operations. This partnership aims to introduce advanced solutions to enhance the computing efficiency of data center environments for semiconductor manufacturers, system OEMs, and cloud service providers.
- HCLTech is thriving in cloud and cybersecurity, emphasizing AI and GenAI. Their latest launch, HCLTech AI Force, speeds up software development and engineering with promises of increased productivity, better quality, and quicker releases. Notably, a US biopharmaceutical company and a financial services provider have opted for HCLTech's GenAI and data engineering expertise to automate data extraction and transition machine learning models to modern GenAI platforms.

FINANCIALS

Particulars	FY-24	FY-23
Revenue from operations	109913	101456
Employee cost	62650.41	54786.24
Other operating cost	24180.86	23334.88
EBIT	20025	18483
Profit before tax	20967	19488
Profit after tax	15710	14845
EPS	57.86	54.73
Employee cost %	57.0	54.0
EBIT %	18.2	18.2
Profit after tax %	14.3	14.6
Headcount	227481	225944
Attrition Rate (%)	12.4	19.5
ROE %	23	22.7
ROCE %	27.92	27.56
P/E	26.68	19.81

Tech Mahindra Ltd



CMP ₹ 1,340 TARGET ₹ 1,526

Tech Mahindra Ltd delivers a broad spectrum of IT services, spanning IT-enabled services, application development and maintenance, consulting, and enterprise business solutions to a diverse clientele across various industries. Their service portfolio includes infrastructure and cloud services, engineering services, application services, data analytics, network services, testing services, performance engineering, security and risk management services, business process services, product engineering, and consulting. Approximately 88% of their revenue comes from IT services, while the remaining 12% is derived from Business Process Outsourcing.

- Tech Mahindra, a renowned global provider of technology consulting and digital solutions, has entered into a strategic partnership with Fuji TV, Japan's leading broadcaster. Through this collaboration, both entities will collaborate to co-develop and produce content across various genres for the global entertainment industry.
- Ghana's state-backed Next-Gen Infrastructure Company (NGIC) has forged a partnership with Jio's subsidiary Radisys, Tech Mahindra, and Nokia. This collaboration aims to develop the essential infrastructure required to provide cost-effective 5G mobile broadband services.
- The Mahindra Group company reported net new deal bookings of \$500 million, up from \$382 million in the previous quarter but down from \$592 million in the year-ago period. As of March 31, 2024, the company's cash and cash equivalents amounted to ₹7,912 crore.

FINANCIALS

Particulars	FY-24	FY-23
Revenue from operations	51996	53290
Employee cost	29117.76	27710.8
Other operating cost	18198.6	18118.6
EBIT	2689	5806
Profit before tax	3224	6446
Profit after tax	2397	4857
EPS	24.14	49.6
Employee cost %	56.0	52.0
EBIT %	5.2	10.9
Profit after tax %	4.6	9.1
Headcount	145455	152400
Attrition Rate (%)	10	15
ROE %	8.84	17.3
ROCE %	12.19	21.51
P/E	47.04	20.2

Persistent Systems Ltd



CMP ₹ 3,742 TARGET ₹ 4,364

Persistent Systems specializes in offering software engineering and strategy services aimed at assisting companies in implementing and modernizing their businesses. The company provides its own software and frameworks equipped with pre-built integration and acceleration capabilities. Additionally, Persistent Systems has established partnerships with leading providers such as Salesforce and AWS.

- On July 31, Persistent Systems enhanced its partnership with Google Cloud by introducing Generative AI solutions to facilitate data modernization, reduce time to market, and lower costs. In Q4 FY24, Persistent achieved milestones in various sectors:
- **Banking, Financial Services & Insurance:** Accelerated digital transformation and automation for an insurance firm, implemented CRM solutions for a Fortune 500 financial services arm, and developed a banking platform for UK FinTech firms.
- **Software, Hi-Tech & Emerging Industries:** Led IT transformation for a consumer intelligence company, upgraded middleware and developed AI/ML applications, supported a tech giant's cloud infrastructure, and established an offshore R&D center for a European conglomerate's energy control system.
- **Healthcare & Life Sciences:** Collaborated on a data platform for a drug wholesaler, migrated clinical applications to the cloud for a renal care provider, and built a centralized patient management system for a biopharmaceutical company, enhancing patient care and efficiency.

FINANCIALS

Particulars	FY-24	FY-23
Revenue from operations	9822	8351
Employee cost	5991.42	5010.6
Other operating cost	2160.84	1920.73
EBIT	1367	1247
Profit before tax	1448	1241
Profit after tax	1093	921
EPS	70.98	60.24
Employee cost %	61.0	60.0
EBIT %	13.9	14.9
Profit after tax %	11.1	11.0
Headcount	23850	22889
Attrition Rate (%)	11.5	19.8
ROE %	22.05	23.23
ROCE %	28.79	28.27
P/E	56.07	38.25

Coforge Ltd



CMP ₹ 5,219 TARGET ₹ 6,148

Coforge, a leading global digital services provider, leverages emerging technologies like Cloud, Data, Integration, and Automation to transform businesses. With a presence in 21 countries and 26 delivery centers, it drives critical processes for clients like British Airways, ING, SEI Investments, Sabre, and SITA. As a top-20 Indian software exporter, Coforge delivers comprehensive software solutions and services.

- The Company has announced a multi-year strategic collaboration with Carnival UK, the parent company of P&O Cruises and Cunard. This partnership focuses on enhancing the Quality Engineering (QE) and Testing capabilities of both cruise lines across all operational aspects. The goal is to ensure seamless holiday experiences and exceptional guest satisfaction in the digital age.
- It also partnered with Microsoft to establish the Copilot Innovation Hub, which will develop new industry-specific generative AI solutions. The hub will integrate these solutions with Microsoft's generative AI products and technologies, including Microsoft Azure OpenAI Service, Microsoft Power Platform, and Microsoft Copilot.
- The acquisition of Cigniti Technologies will establish new verticals in retail, technology, and healthcare for the digital services provider. Financial details were undisclosed, but it aims for \$2 billion in revenue by FY27 and improved operating margins by 150-200 basis points. This move is crucial for expanding into South-West, Midwest, and Western US markets. Recent indicators, including a \$400 million Total Contract Value deal, 56% year-over-year order intake growth, and 102-basis-point margin improvement, position the company well for robust growth in FY25 with expanded margins.

FINANCIALS

Particulars	FY-24	FY-23
Revenue from operations	9179	8015
Employee cost	5507.4	4809
Other operating cost	2202.96	1923.6
EBIT	1109	1024
Profit before tax	1045	951
Profit after tax	836	745
EPS	130.7	113.58
Employee cost %	60.0	60.0
EBIT %	12.1	12.8
Profit after tax %	9.1	9.3
Headcount	24726	23224
Attrition Rate (%)	11.5	14.1
ROE %	22.27	22.5
ROCE %	25.32	27.48
P/E	42.43	34.23

Sonata Software



CMP ₹ 587 TARGET ₹ 712

Sonata Software Ltd delivers IT services and solutions globally, serving industries such as Telecom, Media and Technology (TMT), Retail & CPG, Manufacturing, BFSI (Banking, Financial Services and Insurance), and Healthcare and Lifesciences (HLS). The company offers outcome-based Modernization Services encompassing Cloud, Data, Dynamics, Managed Services, Automation, and Digital Contact Center. Sonata is committed to investing in emerging technologies like Generative AI. With a robust partnership with Microsoft, including membership in its prestigious inner circle, Sonata is also forging strong alliances with AWS, Salesforce, Google, and other industry leaders to drive digital success for its clients.

Denodo and Sonata Information Technology India Limited (SITL) have partnered to offer Indian enterprises advanced logical data fabric and data mesh capabilities. Combining Denodo's expertise in Logical Data Management with Sonata's proficiency in Systems Integration, the collaboration aims to provide seamless access to innovative solutions. These solutions aim to help businesses unlock value from distributed data sets, streamline operations, and enhance decision-making.

Sonata Software's international services revenue for FY'24 surged to \$323.6 million, marking a robust 34.3% YoY growth. Meanwhile, its domestic business saw a significant rise, achieving a gross contribution of ₹260.4 crores, reflecting an 18.6% YoY growth in INR.

Aiming to derive 20% of revenue from AI-led services in the next 2-3 years, the company's CFO revealed AI's integration into all proposals. With a \$55 million AI deal pipeline, the company has initiated projects and expects further scaling, though it may take 5-6 quarters for AI to mature, clarifying deal implications.

FINANCIALS

Particulars	FY-24	FY-23
Revenue from operations	8613	7449
Employee cost	1291.95	968.37
Other operating cost	6804.27	5661.24
EBIT	595	545
Profit before tax	461	597
Profit after tax	308	452
EPS	11	16.12
Employee cost %	15.0	13.0
EBIT %	6.9	7.3
Profit after tax %	3.6	6.1
Headcount	6416	6429
Attrition Rate (%)		
ROE %	21.93	34.74
ROCE %	35.07	28.07
P/E	65.12	25.7

CYIENT



CMP ₹ 1,887 TARGET ₹ 2,253

Cyient, formerly Infotech Enterprises Limited, is an Indian multinational technology company established in 1991 in Hyderabad. Specializing in engineering, manufacturing, data analytics, and networks and operations, Cyient delivers advanced technology solutions globally. Ranked among the world's top 30 outsourcing companies, it operates through eight strategic business units and completed its Cyient DLM IPO in July 2023, raising approximately ₹700 crore. Headquartered in India, Cyient serves international clients through subsidiaries and joint ventures in the USA, UK, Germany, Japan, Australia, Singapore, and India.

- Cyient and SkyDrive Inc. have signed an MoU to collaborate on eVTOL aircraft development and related services. Cyient becomes the first Indian partner for advanced air mobility with SkyDrive, marking a significant step in the Urban Air Mobility market, which is expected to reach \$25-30 billion by 2030.
- According to a press release dated March 13, 2024, Cyient, a global intelligent engineering and technology solutions company, has signed a multiyear services agreement with Airbus for Cabin and Cargo Engineering.
- Cyient has become a member of MassMedic, the largest MedTech association in Massachusetts. This move highlights Cyient's commitment to healthcare and its focus on leveraging engineering and digital technologies for MedTech innovation.
- The company secured a US\$ 228 million order intake for Q4 FY24 and US\$ 902 million for the full year. For FY25, Cyient plans to advance its engineering and technology solutions across key industries and megatrends.

FINANCIALS

Particulars	FY-24	FY-23
Revenue from operations	7147	6016
Employee cost	3512.0358	3033.8688
Other operating cost	2332.0661	1979.264
EBIT	1036	746
Profit before tax	918	681
Profit after tax	703	514
EPS	61.57	46.52
Employee cost %	49.1	50.4
EBIT %	14.5	12.4
Profit after tax %	9.8	8.5
Headcount	15461	15172
Attrition Rate (%)	17.1	25.7
ROE %	16.03	14.83
ROCE %	20.61	18.29
P/E	32.35	21.31

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