

IT Sector Q2FY24E Preview

Average quarterly INR depreciated by 0.5% qoq against USD to 82.7 during Q2FY24, while the cross-currency movement was also negative at ~0.5% qoq. Thus, we expect the Top-line growth numbers of most of the Indian IT companies in reported USD terms would remain subdued even in Q2FY24 (which usually is one of the strongest quarters for IT sector) led by slowing of clients discretionary spending as well as actual deal conversions from pipeline into revenues led by continued weakness in macro-economic indicators. However, EBITDA margins will stay more or less resilient due to lower headcount additions and deferral of salary hikes for some companies. TCS & Tech M (partial) already gave hikes in Q1FY24.

Q2FY24E, FY24E and FY25E estimations of Top 6 Indian IT companies under coverage

IT Sector Q2FY24E Preview Figures	Infosys	TCS	HCL Tech	Wipro	Tech M	LTIMindtree
CMP	1491	3624	1260	408	1219	5275
Mcap (Rs cr)	6,18,947	13,26,022	3,41,840	2,12,814	1,18,914	1,56,094
FY25E PE (x)	22.6	25.2	19.2	17.8	28.9	31.4
Q2FY24E						
Net Sales (Rs cr)	38,465	60,287	26,835	22,753	13,224	8,809
% chg qoq	1.4%	1.5%	2.0%	-0.3%	0.5%	1.2%
% chg yoy	5.3%	9.0%	8.7%	0.9%	0.7%	7.1%
Net Sales (US\$mn)	4,654	7,294	3,247	2,753	1,600	1,066
% chg qoq (Reported USD terms)	0.8%	0.9%	1.5%	-1.3%	-0.1%	0.7%
% chg yoy (Reported USD terms)	2.2%	6.1%	5.3%	-2.4%	-2.3%	4.3%
% chg qoq (Constant Currency terms)	1.3%	1.4%	2.0%	-0.8%	0.4%	1.2%
EBITDA (Rs cr)	9,426	15,726	5,666	4,334	1,455	1,594
EBITDA margin (%)	24.5%	26.1%	21.1%	19.0%	11.0%	18.1%
bps chg qoq	0.6%	0.8%	0.6%	0.7%	0.8%	-0.7%
bps chg yoy	0.1%	-0.2%	-0.9%	1.6%	-4.1%	-1.8%
EBIT (Rs cr)	8,233	14,490	4,727	3,614	1,012	1,409
EBIT margin (%)	21.4%	24.0%	17.6%	15.9%	7.7%	16.0%
bps chg qoq	0.6%	0.9%	0.7%	0.7%	0.9%	-0.7%
bps chg yoy	-0.1%	0.0%	-0.3%	1.9%	-3.7%	-1.5%
PAT (Rs cr)	6,217	11,548	3,736	2,909	686	1,119
% chg qoq	4.6%	4.3%	5.7%	1.4%	-1.0%	-2.8%
% chg yoy	3.3%	10.7%	7.1%	9.4%	-46.7%	-5.8%
Diluted EPS (Rs)	15.0	31.6	13.8	5.3	7.7	37.8
% chg qoq	4.6%	4.3%	5.8%	1.4%	-1.0%	-2.8%
% chg yoy	4.6%	10.7%	7.0%	9.3%	-46.7%	-5.9%
FY24E						
Net Sales (Rs cr)	1,55,215	2,43,520	1,10,419	91,923	53,259	35,525
% chg yoy	5.8%	8.0%	8.8%	1.6%	-0.1%	7.1%
Net Sales (US\$mn)	18,778	29,460	13,357	11,130	6,443	4,297
% chg yoy	3.1%	5.5%	6.1%	-1.1%	-2.5%	4.7%
EBITDA (Rs cr)	37,191	64,261	23,710	16,870	6,422	6,693
EBITDA margin (%)	24.0%	26.4%	21.5%	18.4%	12.1%	18.8%
bps chg yoy	0.0%	0.1%	-0.8%	-0.3%	-3.0%	0.4%
EBIT (Rs cr)	32,402	59,324	19,939	13,972	4,650	5,950
EBIT margin (%)	20.9%	24.4%	18.1%	15.2%	8.7%	16.7%
bps chg yoy	-0.2%	0.3%	-0.2%	0.3%	-2.7%	0.5%
PAT (Rs cr)	24,675	47,144	15,749	11,409	3,231	4,483
% chg yoy	2.4%	11.9%	6.0%	0.5%	-33.1%	1.7%
Diluted EPS (Rs)	59.6	128.8	58.1	20.8	36.5	151.2
% chg yoy	3.5%	11.8%	6.0%	0.5%	-33.4%	1.6%
FY25E						
Net Sales (Rs cr)	1,68,395	2,66,086	1,21,806	97,712	55,919	38,268
% chg yoy	8.5%	9.3%	10.3%	6.3%	5.0%	7.7%
Net Sales (US\$mn)	20,462	32,333	14,801	11,873	6,795	4,650
% chg yoy	9.0%	9.8%	10.8%	6.7%	5.5%	8.2%
EBITDA (Rs cr)	40,645	71,460	26,439	18,322	7,207	7,338
EBITDA margin (%)	24.1%	26.9%	21.7%	18.8%	12.9%	19.2%
bps chg yoy	0.2%	0.5%	0.2%	0.4%	0.8%	0.3%
EBIT (Rs cr)	35,798	66,607	22,697	15,377	5,476	6,580
EBIT margin (%)	21.3%	25.0%	18.6%	15.7%	9.8%	17.2%
bps chg yoy	0.4%	0.7%	0.6%	0.5%	1.1%	0.4%
PAT (Rs cr)	27,373	52,684	17,766	12,592	3,737	4,980
% chg yoy	10.9%	11.8%	12.8%	10.4%	15.7%	11.1%
Diluted EPS (Rs)	66.1	144.0	65.5	22.9	42.2	168.0
% chg yoy	10.9%	11.8%	12.8%	10.4%	15.7%	11.1%

Note: 1. We expect Wipro IT Services to post 1.4% qoq de-growth to US\$2741mn in Q2FY24E. However including IT Products revenues Wipro is expected to post total Topline de-growth of 1.3% qoq to US\$2753mn as mentioned in above table, which reflects Wipro's aggregate growth and margin figures. 2. CMPs of above IT companies are based on 10th October 2023 stock prices.