INSTITUTIONAL RESEARCH

HSIE Results Daily

Contents

Results Reviews

- **Infosys:** Infosys (INFO) delivered a strong Q2 top-line leading to the anticipated guidance increase for FY25E. INFO outperformed peers in Q2FY25 on anticipated lines (Infosys update: On your marks, get set…), driven by improved demand in BFSI (seven large deals) and an uptick in short-cycle/small to mid-sized deals. Management commentary pointed to a stable demand environment and an uptick in discretionary in parts of the BFSI vertical. Revenue guidance was raised to 3.75% to 4.50% CC for FY25E following the quarter's 3.1% QoQ CC revenue growth. The pockets of weakness were in lower large deal wins including net new large deal wins and the postponement of the wage hike cycle to Q4/Q1. Our revenue growth estimates for FY24-27E assume a similar incremental annual growth rate as the last five years' average. The recent re-rating of valuation multiples is 'partially' priced in these positives. We maintain our ADD rating on Infosys with a target price of INR 2,010, based on 25x Dec-26E EPS.
- **Axis Bank:** Axis Bank (AXSB) beat estimates, largely on account of higher recoveries from written-off accounts and higher MTM gains, offset by soft growth on both sides of the balance sheet, and continued stress in unsecured retail credit. The bank wrote back excess tax provisions owing to a favourable IT order, offset by an increase in prudent provisions. Deposit growth (+2.3% QoQ) appears below the industry with the CASA ratio also declining to 40.6% (-125 bps QoQ). While AXSB has been leaning towards enhancing the quality of its deposit franchise, the LCR deteriorated to 115% as the bank aligned itself with best practices on LCR reporting. The loan-to-deposit ratio stayed elevated at 92% despite modest loan growth (+2.0% QoQ). We argue that AXSB faces a steep balancing act in overcoming its deposit handicap, while also managing growth, given continued elevated stress in unsecured retail segments. We maintain ADD with a revised TP of INR1,250 (standalone bank at 1.7x Sep-26 ABVPS).
- **Wipro:** Wipro's (WPRO) revenue improvement in Q2 was offset by the soft outlook for Q3FY25E (-2 to 0% QoQ CC) which reflects the historical volatility. WPRO's small & mid-sized deal wins were near the lows (-17% YoY and -3% QoQ), which contrasts with its peer Infosys' commentary of >10% QoQ in its sub-USD 50mn deal wins. This can perhaps be attributable to the renewal cycle and/or weakness in its E&U and Manufacturing verticals. Key positives for WPRO include (1) large deal (USD 30mn+ TCV) bookings of USD 1.49bn in Q2 up 17% YoY and (2) strong growth in BFSI vertical (best in last eight quarters), supported by Capco. While Wipro has been consistent in strong cash generation at ~5% FCF yield, sub-par return metrics and historical volatility in earnings will keep the valuations at a discount. Maintain REDUCE with TP at INR 500, based on 19x Dec-26E EPS.
- **LTIMindtree:** LTIMindtree (LTIM) delivered a healthy Q2, supported by strong growth in the BFSI vertical (a common feature across the industry) and continued client mining (growth across all top accounts). While the deal TCV remained flat YoY at USD 2.7bn in H1FY25, the overall large deal pipeline continues to remain strong at USD 5bn. LTIM management remained confident about sustainable momentum in the BFSI and Manufacturing verticals with several deals in the pipeline. Prominent growth drivers include mainframe modernization opportunities in BFSI supported by GenAI, AI

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embedded in deals, vendor consolidation and ERP modernization, especially in SAP/S4HANA. However, the management remains cautiously optimistic due to challenges of furloughs, lower working days, select clients in travel, macro uncertainties and wage hike impact in Q3FY25E. Maintain ADD on LTIM with a TP of INR 6,435, based on 27x Dec-26E EPS. The absolute upside return potential is diminished, following the sharp move in the last 3M/6M.

- **Mphasis:** Mphasis posted strong revenue growth and in-line operating performance. The uptick in T-1 client growth and an uptick in the BFSI pipeline is the biggest positive – from the pipeline growing 19% in Q4FY24, it's gone up 43% YoY in Q2FY25, driven by consolidation opportunities and partly supported by softer bookings in Q2. Importantly, 35% of the pipeline is AI-led as the company leverages AI for modernisation programs. However, the lengthened decision-making cycle for transformation deals may keep the disconnect between pipeline/bookings/revenue growth. The number of large deal wins has moderated as compared to the prior period run-rate (11 USD 20mn+ TCV deals over the past year as compared to 29 deals in the prior two-year period). Management reiterated its FY25E revenue outlook of 'better than industry growth'; EBIT margin may have an upward bias within the band of 14.6 to 16.0%. Risk-reward is unfavourable with valuations at 29x FY26E. Maintain REDUCE on Mphasis with a TP of INR 2,865, based on 24x Dec-26E EPS.
- **Karur Vysya Bank:** Karur Vysya Bank (KVB) marginally beat estimates, benefitting from a strong operating performance, partly offset by a moderate rise in credit costs. Loan growth (+14% YoY) was driven by core segments: MSME (+22% YoY) and gold loans (+31% YoY) alongside strong traction in the LAP portfolio (~42% YoY). KVB continues to de-grow its corporate book and cut lower-yielding exposures. Deposit growth hugged loan growth (+15%+ YoY); with the CASA ratio further declining to 29.5% (-91bps QoQ), in line with industry trends. While we expect adverse impact on NIMs from incrementally higher cost of deposits, and likely rate cuts during H2FY25, we also build in incremental efficiency gains, which are likely to help sustain RoAs at current levels. We continue to be constructive on KVB on the back of its consistent performance, and a granular portfolio; we maintain ADD with a revised TP of INR240 (1.5x Sep-26 ABVPS).

Infosys

Guidance increase on expected lines

Infosys (INFO) delivered a strong Q2 top-line leading to the anticipated guidance increase for FY25E. INFO outperformed peers in Q2FY25 on anticipated lines (*Infosys update: On your marks, get set…*), driven by improved demand in BFSI (seven large deals) and an uptick in short-cycle/small to mid-sized deals. Management commentary pointed to a stable demand environment and an uptick in discretionary in parts of the BFSI vertical. Revenue guidance was raised to 3.75% to 4.50% CC for FY25E following the quarter's 3.1% QoQ CC revenue growth. The pockets of weakness were in lower large deal wins including net new large deal wins and the postponement of the wage hike cycle to Q4/Q1. Our revenue growth estimates for FY24-27E assume a similar incremental annual growth rate as the last five years' average. The recent re-rating of valuation multiples is 'partially' priced in these positives. We maintain our ADD rating on Infosys with a target price of INR 2,010, based on 25x Dec-26E EPS.

- **Q2FY25 highlights:** (1) INFO posted revenue of USD 4.89bn, +3.1% QoQ CC including 0.8% inorganic (In-Tech) led by broad-based growth across verticals. (2) E&U and Manufacturing verticals led the growth within verticals. Large transformation opportunities support growth in financial services (27% of revenue). (3) INFO closed 21 large deals with TCV of USD 2.4bn with 41% being net new – both down on a QoQ/YoY basis. The 21 large deals included seven from financial services, three each in communication, manufacturing and other segments, two in retail and one each in E&U, hi-tech and life sciences. Management cautioned on discretionary spending in the European automotive segment. (4) EBITM was flat at 21.1% in Q2 and INFO maintained its EBITM band for FY25E at 20-22%. The margin was supported by 'Project Maximus' initiatives of pyramid, automation, pricing, and sub-contracting impacting margins by +80bps offset by higher variable payout -60bps QoQ impact. Segmental margin improvement in financial services, communication and manufacturing verticals supported margins. (5) Headcount improved following six quarters of decline with stable attrition and the company reiterated 15-20k fresher hires for the year.
- **Outlook:** INFO's net-new large deal wins of USD 7.6bn (TTM basis) provide growth visibility for FY25/26E – USD 2.5bn incremental revenue over the next two years especially as deal conversion has improved. Its growth is expected to recover gradually from 1.4% CC in FY24 to 5% in FY25E and 8.3% in FY26E—implying a CQGR of 2.2% over the next two years as compared to the last 5Y average at 2% CQGR. We have factored EBITM of 21.1%, 21.8%, and 22.1% for FY25E, FY26E and FY27E respectively, translating to an EPS CAGR of 11% over FY24-27E.

Quarterly financial summary

YE March (INR bn)	Q2 FY25	Q2 FY24	YoY (%)	Q1 FY25	QoQ (%)	FY23	FY24	FY25E	FY26E	FY27E
Revenue (USD mn)	4,894	4,718	3.7	4,714	3.8	18,212	18,562	19,521	21,152	22,845
Net Revenue	409.86	389.94	5.1	393.15	4.3	1,467.67	1,536.71	1,635.66	1,797.92	1,964.69
EBIT	86.49	82.74	4.5	82.88	4.4	309.06	317.47	344.78	392.49	433.90
APAT	65.06	62.15	4.7	63.68	2.2	240.95	247.50	264.69	306.95	340.09
Diluted EPS (INR)	15.7	15.0	4.7	15.3	2.2	58.1	59.6	63.8	74.0	81.9
P/E (x)						33.9	33.0	30.9	26.6	24.0
EV / EBITDA (x)						22.4	21.4	19.8	17.5	15.7
RoE (%)						32.0	30.3	29.8	33.3	34.5

Source: Company, HSIE Research, Consolidated Financials

Change in Estimates

YE March (INR bn)	FY25E Old	FY25E Revised	Change %	FY26E Old	FY26E Revised	Change %	FY27E Old	FY27E Revised	Change %
Revenue (USD mn)	19,352	19,521	0.9	20,955	21,152	0.9	22,633	22,845	0.9
Revenue	1621.56	1635.66	0.9	1781.14	1797.92	0.9	1946.46	1964.69	0.9
EBIT	340.92	344.78	1.1	392.28	392.49	0.1	430.08	433.90	0.9
EBIT margin (%)	21.0	21.1	5bps	22.0	21.8	-19bps	22.1	22.1	-1bps
APAT	265.28	264.69	(0.2)	309.30	306.95	(0.8)	339.06	340.09	0.3
EPS (INR)	64.0	63.8	(0.2)	74.7	74.0	(0.8)	81.8	81.9	0.3

Source: Company, HSIE Research

ADD

CMP *(as on 17 Oct 2024)*	INR 1,968
Target Price	INR 2,010
NIFTY	24,750

KEY CHANGES	OLD	NEW
Rating	ADD	ADD
Price Target	INR 2,010	INR 2,010
	FY26E	FY27E
EPS %	-0.8	+0.3

KEY STOCK DATA	
Bloomberg code	INFO IN
No. of Shares (mn)	4,152
MCap (INR bn) / ($ mn)	8,172/97,203
6m avg traded value (INR mn)	13,216
52 Week high / low	INR 1,991/1,344

STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	14.0	39.9	37.2
Relative (%)	13.7	28.9	15.3

SHAREHOLDING PATTERN (%)

	Jun-24	Sep-24
Promoters	14.61	14.43
FIs & Local MFs	37.57	38.09
FPIs	32,73	33.28
Public & Others	15.09	14.20
Pledged Shares	0.00	0.00

Source : BSE

Pledged shares as % of total shares

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Axis Bank

Deposit handicap sustains; unsecured stress elevated

Axis Bank (AXSB) beat estimates, largely on account of higher recoveries from written-off accounts and higher MTM gains, offset by soft growth on both sides of the balance sheet, and continued stress in unsecured retail credit. The bank wrote back excess tax provisions owing to a favourable IT order, offset by an increase in prudent provisions. Deposit growth (+2.3% QoQ) appears below the industry with the CASA ratio also declining to 40.6% (-125 bps QoQ). While AXSB has been leaning towards enhancing the quality of its deposit franchise, the LCR deteriorated to 115% as the bank aligned itself with best practices on LCR reporting. The loan-to-deposit ratio stayed elevated at 92% despite modest loan growth (+2.0% QoQ). We argue that AXSB faces a steep balancing act in overcoming its deposit handicap, while also managing growth, given continued elevated stress in unsecured retail segments. We maintain ADD with a revised TP of INR1,250 (standalone bank at 1.7x Sep-26 ABVPS).

- **Sluggish deposit growth supports flat margins:** AXSB reported modest NII growth (+9% YoY) and a marginal 6bps QoQ dip in NIMs to 4.0%, supported by flat cost of deposits (on the back of sluggish deposit growth). Loan growth was below system (~11.5% YoY) and continued to be largely driven by retail portfolios such as LAP, business banking, personal loans, and credit cards. Growth in corporate, housing and auto portfolios continued to be tepid.
- **Recoveries keep asset quality stable:** Gross slippages remained elevated at ~1.8% (Q1FY25: 2.0%), flowing largely from the unsecured retail portfolio. Higher recoveries from written-off accounts ensured lower net credit costs at 54bps (Q1FY25: 97 bps), whereas gross credit costs were elevated at 90bps. We factor in 80-100bps credit cost for FY25E-FY27E, given the build-up of stress in unsecured portfolios (11.9% of loans).
- **Deposit handicap to adversely impact growth and profitability:** While we expect opex intensity to moderate marginally post-Citi integration, an elevated LDR (posing growth constraints), margin pressures, and rising credit costs are likely to keep RoAs under check.

Financial summary

(INR bn)	Q2FY25	Q2FY24	YoY (%)	Q1FY25	QoQ (%)	FY24	FY25E	FY26E	FY27E
NII	134.8	123.1	*9.5%*	134.5	*0.3%*	498.9	547.3	617.3	694.5
PPOP	107.1	86.3	*24.1%*	101.1	*6.0%*	371.2	423.3	489.1	565.7
PAT	69.2	58.6	*18.0%*	60.3	*14.6%*	248.6	260.3	293.1	332.5
EPS (INR)	22.2	19.0	*16.8%*	19.4	*14.6%*	80.5	84.3	95.0	107.7
ROAE (%)						18.0	15.9	15.3	14.9
ROAA (%)						1.8	1.6	1.6	1.6
ABVPS (INR)						469.4	551.6	638.6	743.3
P/ABV (x)						2.4	2.1	1.8	1.5
P/E (x)						14.0	13.4	11.9	10.5

Source: Company, HSIE Research

Change in estimates

(INR bn)	FY25E			FY26E		
	Old	New	Δ	Old	New	Δ
Net advances	11,032	11,004	-0.3%	12,656	12,630	-0.2%
NIM (%)	3.9	3.8	-2 bps	3.8	3.8	-3 bps
NII	550.3	547.3	-0.5%	623.8	617.3	-1.0%
PPOP	414.2	423.3	2.2%	490.6	489.1	-0.3%
PAT	258.3	260.3	0.8%	297.2	293.1	-1.4%
Adj. BVPS (INR)	551.1	551.6	0.1%	644.2	638.6	-0.9%

Source: Company, HSIE Research

ADD

CMP *(as on 17 Oct 2024)*	INR 1,132
Target Price	INR 1,250
NIFTY	24,750

KEY CHANGES	OLD	NEW
Rating	ADD	ADD
Price Target	INR1,260	INR1,250
	FY25E	FY26E
EPS %	0.8%	-1.4%

KEY STOCK DATA	
Bloomberg code	AXSB IN
No. of Shares (mn)	3,093
MCap (INR bn) / ($ mn)	3,501/41,648
6m avg traded value (INR mn)	12,442
52 Week high / low	INR 1,340/951

STOCK PERFORMANCE (%)	3M	6M	12M
Absolute (%)	(13.2)	7.6	12.3
Relative (%)	(13.6)	(3.5)	(9.7)

SHAREHOLDING PATTERN (%)	Jun-24	Sep-24
Promoters	8.3	8.3
FIs & Local MFs	31.6	33.2
FPIs	53.4	51.8
Public & Others	6.6	6.7
Pledged Shares	0	0

Source : BSE

Pledged shares as % of total shares

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Wipro

Positives Intensify in Core Areas

Wipro's (WPRO) revenue improvement in Q2 was offset by the soft outlook for Q3FY25E (-2 to 0% QoQ CC) which reflects the historical volatility. WPRO's small & mid-sized deal wins were near the lows (-17% YoY and -3% QoQ), which contrasts with its peer Infosys' commentary of >10% QoQ in its sub-USD 50mn deal wins. This can perhaps be attributable to the renewal cycle and/or weakness in its E&U and Manufacturing verticals. Key positives for WPRO include (1) large deal (USD 30mn+ TCV) bookings of USD 1.49bn in Q2 up 17% YoY and (2) strong growth in BFSI vertical (best in last eight quarters), supported by Capco. While Wipro has been consistent in strong cash generation at ~5% FCF yield, sub-par return metrics and historical volatility in earnings will keep the valuations at a discount. Maintain REDUCE with TP at INR 500, based on 19x Dec-26E EPS.

- **Q2FY25 highlights:** (1) WPRO's IT services revenue came at USD 2.66bn, +0.6% QoQ and +2.3% YoY as the company delivered 'some' sequential growth following six quarters of sequential dip and revenue rate ~6% below peak revenue rate. (2) Growth was varied within verticals but broad-based within the strategic market units (growth led by Americas 1&2). Within verticals, BFSI (35% of revenue) led the growth at 2.7% QoQ, while E&U (11% of revenue) and Manufacturing (6% of revenue) declined 3.7% QoQ and 2% QoQ respectively. Capco growth of 3.2% QoQ and 6.9% YoY showed traction but is likely to bear the steeper impact of furlough in Q3. (3) T5/10 clients posted strong growth during the quarter growing well above the company growth. (4) Client-specific weakness prevails in Europe. (5) Total TCV was USD 3.6bn, 8.4% QoQ and -6% YoY; large deal TCV (USD 30mn+ TCV) stood at USD 1.49bn, +17% YoY. (6) EBITM expanded 35bps QoQ to 16.8% supported by higher offshore, lower G&A, and recovery in Europe/APMEA segmental margin. The margin target remains at 17-17.5%. (7) Headcount had a sequential growth after nearly two years as utilisation moderated -130bps to 86.4% and attrition increased marginally to 14.5%; the company has trained and certified 44k employees in advanced AI.
- **Outlook:** We have factored revenue growth to gradually recover from a 4% decline in FY24 to a 2% decline in FY25E and a 5% growth in FY26E. IT services EBITM is expected to be flat in FY25E and improve by 50bps in FY26E translating into an EPS CAGR of ~9% over FY24-27E with FY25E profit recovering to FY22 levels. At CMP, Wipro trades at 21x FY26E (5Y average at 19x).

Quarterly Financial summary

YE March (INR bn)	Q2 FY25	Q2 FY24	YoY (%)	Q1 FY25	QoQ (%)	FY23	FY24	FY25E	FY26E	FY27E
IT revenue (USD Mn)	2,660	2,713	*(2.0)*	2,626	*1.3*	11,147	10,805	10,642	11,163	11,827
Net Sales	223.02	225.16	*(1.0)*	219.64	*1.5*	904.88	897.60	894.60	952.99	1,021.08
EBIT	37.55	33.08	*13.5*	36.28	*3.5*	135.13	135.76	144.39	156.88	168.31
APAT	32.09	26.46	*21.3*	30.03	*6.8*	113.50	110.45	122.94	132.48	142.03
Diluted EPS (INR)	6.1	4.8	*27.2*	5.7	*6.8*	21.7	21.1	23.5	25.3	27.1
P/E (x)						24.4	25.1	22.5	20.9	19.5
EV / EBITDA (x)						15.1	14.9	14.3	13.1	12.1
RoE (%)						15.8	14.4	16.0	16.5	17.0

Source: Company, HSIE Research, Consolidated Financials

Change in Estimates

YE March (INR bn)	FY25E Old	FY25E Revised	Change %	FY26E Old	FY26E Revised	Change %	FY27E Old	FY27E Revised	Change %
IT revenue (USD Mn)	10,622	10,642	*0.2*	11,168	11,163	*(0.0)*	11,833	11,827	*(0.0)*
Revenue	894.49	894.60	*0.0*	954.22	952.99	*(0.1)*	1,022.33	1,021.08	*(0.1)*
EBIT	145.67	144.39	*(0.9)*	157.62	156.88	*(0.5)*	171.96	168.31	*(2.1)*
EBIT margin (%)	16.3	16.1	-15bps	16.5	16.5	-6bps	16.8	16.5	-34bps
APAT	121.96	122.94	*0.8*	130.67	132.48	*1.4*	142.27	142.03	*(0.2)*
EPS (INR)	23.3	23.5	*0.8*	25.0	25.3	*1.4*	27.2	27.1	*(0.2)*

Source: Company, HSIE Research

REDUCE

CMP *(as on 17 Oct 2024)*	INR 529
Target Price	INR 500
NIFTY	24,750

KEY CHANGES	OLD	NEW
Rating	REDUCE	REDUCE
Price Target	INR 500	INR 500
EPS %	FY26E	FY27E
	+1.4	-0.2

KEY STOCK DATA	
Bloomberg code	WPRO IN
No. of Shares (mn)	5,231
MCap (INR bn) / ($ mn)	2,766/32,903
6m avg traded value (INR mn)	4,406
52 Week high / low	INR 580/375

STOCK PERFORMANCE (%)	3M	6M	12M
Absolute (%)	(5.5)	17.9	28.5
Relative (%)	(5.9)	6.9	6.6

SHAREHOLDING PATTERN (%)	Jun-24	Sep-24
Promoters	72.82	72.80
FIs & Local MFs	8.25	8.71
FPIs	9.44	9.58
Public & Others	9.49	8.91
Pledged Shares	0.00	0.00

Source : BSE

Pledged shares as % of total shares

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INSTITUTIONAL RESEARCH

LTIMindtree

BFSI outperformance

LTIMindtree (LTIM) delivered a healthy Q2, supported by strong growth in the BFSI vertical (a common feature across the industry) and continued client mining (growth across all top accounts). While the deal TCV remained flat YoY at USD 2.7bn in H1FY25, the overall large deal pipeline continues to remain strong at USD 5bn. LTIM management remained confident about sustainable momentum in the BFSI and Manufacturing verticals with several deals in the pipeline. Prominent growth drivers include mainframe modernization opportunities in BFSI supported by GenAI, AI embedded in deals, vendor consolidation and ERP modernization, especially in SAP/S4HANA. However, the management remains cautiously optimistic due to challenges of furloughs, lower working days, select clients in travel, macro uncertainties and wage hike impact in Q3FY25E. Maintain ADD on LTIM with a TP of INR 6,435, based on 27x Dec-26E EPS. The absolute upside return potential is diminished, following the sharp move in the last 3M/6M.

- **Q2FY25 highlights:** (1) LTIM's Q2 revenue print came slightly lower than our estimates at USD 1,127mn, up 2.3% QoQ & 4.4% YoY CC, supported by strong growth of +3.9% QoQ in BFSI (largely led by BFS) and +6.1% QoQ in Healthcare (-7.9% QoQ in Q1FY25). (2) Among the other verticals, Technology, Media & Communications grew +2% QoQ driven by cost optimisation and vendor consolidation, Consumer grew +2.8% QoQ and Manufacturing grew +0.6% QoQ. (3) Total contract value of deal bookings during the quarter stood at USD 1.3bn and the company won a USD 200mn 5Y-deal in the manufacturing vertical (ramp up Q3FY25 onwards including 50% new). (4) LTIM's EBITM came at 15.5%, +46bps QoQ, mainly on account of gross margin improvement and the absence of visa cost during the quarter. Sub-contracting expenses were flat at 7.2% of revenue. (5) Wage hike in Q3 will impact margins by ~200bps which will be partially offset by operational efficiencies. (6) Net headcount addition was 2,504 in Q2 (1,100 freshers) and attrition remained flat at 14.5%.
- **Outlook:** We have factored LTIM's revenue growth at 6.7%, 14.1% and 14% for FY25/26/27E respectively. Factored EBITM at 15.4/17.0/17.5% for FY25/26/27E, translating into an EPS CAGR of 17% over FY24-27E. LTIM is trading at 30x FY26E EPS, which is in line with its 5Y average.

Quarterly Financial summary

YE March (INR bn)	Q2 FY25	Q2 FY24	YoY (%)	Q1 FY25	QoQ (%)	FY23	FY24	FY25E	FY26E	FY27E
Revenue (USD mn)	1,127	1,076	*4.8*	1,096	*2.8*	4,106	4,287	4,573	5,216	5,945
Net Sales	94.33	89.05	*5.9*	91.43	*3.2*	331.83	355.17	383.20	443.40	511.28
EBIT	14.58	14.23	*2.5*	13.71	*6.4*	53.85	55.69	58.84	75.23	89.27
APAT	12.52	11.62	*7.7*	11.35	*10.3*	44.10	45.85	49.56	62.49	73.77
Diluted EPS (INR)	42.3	39.3	*7.7*	38.4	*10.3*	149.1	155.0	167.5	211.2	249.4
P/E (x)						42.9	41.3	38.2	30.3	25.6
EV / EBITDA (x)						29.7	28.1	26.0	20.5	17.2
RoE (%)						28.6	25.0	23.2	25.5	25.9

Source: Company, HSIE Research, Consolidated Financials

Change in Estimates

YE Mar (INR bn)	FY25E Old	FY25E Revised	Change %	FY26E Old	FY26E Revised	Change %	FY27E Old	FY27E Revised	Change %
Revenue (USD mn)	4,606	4,573	*(0.7)*	5,268	5,216	*(1.0)*	6,003	5,945	*(1.0)*
Revenue	385.98	383.20	*(0.7)*	447.77	443.40	*(1.0)*	516.25	511.28	*(1.0)*
EBIT	60.18	58.84	*(2.2)*	76.29	75.23	*(1.4)*	90.45	89.27	*(1.3)*
EBIT margin (%)	15.6	15.4	-24bps	17.0	17.0	-7bps	17.5	17.5	-6bps
APAT	49.83	49.56	*(0.5)*	62.72	62.49	*(0.4)*	74.04	73.77	*(0.4)*
EPS (INR)	168.5	167.5	*(0.5)*	212.0	211.2	*(0.4)*	250.3	249.4	*(0.4)*

Source: Company, HSIE Research

ADD

CMP *(as on 17 Oct 2024)*	**INR 6,394**
Target Price	**INR 6,435**
NIFTY	**24,750**

KEY CHANGES	**OLD**	**NEW**
Rating	ADD	ADD
Price Target	INR 6,470	INR 6,435
EPS %	FY26E	FY27E
	-0.4	-0.4

KEY STOCK DATA	
Bloomberg code	LTIM IN
No. of Shares (mn)	296
MCap (INR bn) / ($ mn)	1,894/22,528
6m avg traded value (INR mn)	3,129
52 Week high / low	INR 6,575/4,514

STOCK PERFORMANCE (%)	**3M**	**6M**	**12M**
Absolute (%)	15.0	37.1	22.6
Relative (%)	14.6	26.1	0.7

SHAREHOLDING PATTERN (%)	**Jun-24**	**Sep-24**
Promoters	68.60	68.60
FIs & Local MFs	14.22	14.89
FPIs	7.28	7.39
Public & Others	9.90	9.12
Pledged Shares	0.00	0.00

Source: BSE

Pledged shares as % of total shares

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Mphasis

Growth outperformance but soft bookings

REDUCE

Mphasis posted strong revenue growth and in-line operating performance. The uptick in T-1 client growth and an uptick in the BFSI pipeline is the biggest positive – from the pipeline growing 19% in Q4FY24, it's gone up 43% YoY in Q2FY25, driven by consolidation opportunities and partly supported by softer bookings in Q2. Importantly, 35% of the pipeline is AI-led as the company leverages AI for modernisation programs. However, the lengthened decision-making cycle for transformation deals may keep the disconnect between pipeline/bookings/revenue growth. The number of large deal wins has moderated as compared to the prior period run-rate (11 USD 20mn+ TCV deals over the past year as compared to 29 deals in the prior two-year period). Management reiterated its FY25E revenue outlook of 'better than industry growth'; EBIT margin may have an upward bias within the band of 14.6 to 16.0%. Risk-reward is unfavourable with valuations at 29x FY26E. Maintain REDUCE on Mphasis with a TP of INR 2,865, based on 24x Dec-26E EPS.

- **Q2FY25 highlights:** (1) Mphasis' revenue came at USD 422mn (higher than our est. USD 415mn), +2.4% QoQ CC and 5.4% YoY CC. However, the quarterly revenue rate remains ~4% below its peak revenue (in Q2FY23). (2) New deal bookings declined by -35% QoQ to USD 207mn which included 84% of deals in new-gen services. Mphasis has won three large deals in Q2. The deal pipeline is strong with BFS pipeline growth of +43% YoY and non-BFS pipeline growth of +11% YoY. (3) Within the verticals, growth was led by TMT (16.5% of revenue) at +5.5% QoQ, led by market share gains and BFS (48% of revenue) at 3.2% QoQ, which was driven by a combination of non-mortgage and mortgage business growth, while Logistics & Transportation (13% of the revenue) declined 1.4% QoQ. (4) EBITM improved by 39bps to 15.4% (in line with our est. of 15.5%), supported by higher onsite utilisation and some recovery in the Digital Risk business. EBITM outlook of 14.6 to 16% was maintained for FY25E.
- **Outlook:** We have factored USD revenue growth of 5.3%, 10.8% and 11.4% for FY25E, FY26E and FY27E, implying CQGR of 1.6%, 2.9% and 2.5% respectively. Digital Risk is expected to be flat in the medium term, which may be an upside risk to growth estimates. EBITM factored is 15.5%, 15.8% and 16.1% for FY25/26/27E, translating to 13% EPS growth over FY24-27E. At CMP, Mphasis is trading at 29x and 26x FY26E and FY27E EPS.

Quarterly Financial summary

YE March (INR bn)	Q2FY25	Q2FY24	*YoY (%)*	Q1FY25	*QoQ (%)*	FY23	FY24	FY25E	FY26E	FY27E
Revenue (USD mn)	421	398	5.7	410	2.7	1,718	1,609	1,696	1,879	2,093
Net Sales	35.36	32.77	7.9	34.23	3.3	137.99	132.79	142.20	159.72	180.03
EBIT	5.44	5.07	7.4	5.14	6.0	21.09	20.11	22.11	25.26	28.92
APAT	4.23	3.92	8.0	4.05	4.6	16.38	15.55	17.05	19.68	22.62
Diluted EPS (INR)	22.6	20.9	8.0	21.6	4.7	87.6	83.1	91.2	105.2	120.9
P/E (x)						35.2	37.1	33.8	29.3	25.5
EV / EBITDA (x)						22.7	22.9	21.4	18.0	15.9
RoE (%)						22.0	18.6	18.7	19.9	21.0

Source: Company, HSIE Research, Consolidated Financials

Change in Estimates

YE March (INR bn)	FY25E Old	FY25E Revised	Change %	FY26E Old	FY26E Revised	Change %	FY27E Old	FY27E Revised	Change %
Revenue (USD mn)	1,678	1,696	*1.0*	1,854	1,879	*1.4*	2,049	2,093	*2.2*
Revenue	140.65	142.20	*1.1*	157.59	159.72	*1.4*	176.19	180.03	*2.2*
EBIT	21.93	22.11	*0.8*	24.87	25.26	*1.6*	28.12	28.92	*2.8*
EBIT margin (%)	15.6	15.5	-4bps	15.8	15.8	3bps	16.0	16.1	10bps
APAT	16.95	17.05	*0.6*	19.36	19.68	*1.6*	21.98	22.62	*2.9*
EPS (INR)	90.6	91.2	*0.6*	103.5	105.2	*1.6*	117.5	120.9	*2.9*

Source: Company, HSIE Research

CMP *(as on 17 Oct 2024)*	**INR 3,080**
Target Price	**INR 2,865**
NIFTY	**24,750**

KEY CHANGES	**OLD**	**NEW**
Rating	REDUCE	REDUCE
Price Target	INR 2,790	INR 2,865
EPS %	FY26E	FY27E
	+1.6	+2.9

KEY STOCK DATA	
Bloomberg code	MPHL IN
No. of Shares (mn)	189
MCap (INR bn) / ($ mn)	583/6,933
6m avg traded value (INR mn)	2,816
52 Week high / low	INR 3,188/2,068

STOCK PERFORMANCE (%)	**3M**	**6M**	**12M**
Absolute (%)	10.0	33.5	34.5
Relative (%)	9.7	22.4	12.5

SHAREHOLDING PATTERN (%)	**Jun-24**	**Sep-24**
Promoters	40.35	40.32
FIs & Local MFs	35.95	36.98
FPIs	18.32	18.25
Public & Others	5.38	4.45
Pledged Shares	0.00	0.00

Source : BSE

Pledged shares as % of total shares

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Karur Vysya Bank

Consistency driving sustainable earnings

Karur Vysya Bank (KVB) marginally beat estimates, benefitting from a strong operating performance, partly offset by a moderate rise in credit costs. Loan growth (+14% YoY) was driven by core segments: MSME (+22% YoY) and gold loans (+31% YoY) alongside strong traction in the LAP portfolio (~42% YoY). KVB continues to de-grow its corporate book and cut lower-yielding exposures. Deposit growth hugged loan growth (+15%+ YoY); with the CASA ratio further declining to 29.5% (-91bps QoQ), in line with industry trends. While we expect adverse impact on NIMs from incrementally higher cost of deposits, and likely rate cuts during H2FY25, we also build in incremental efficiency gains, which are likely to help sustain RoAs at current levels. We continue to be constructive on KVB on the back of its consistent performance, and a granular portfolio; we maintain ADD with a revised TP of INR240 (1.5x Sep-26 ABVPS).

- **Steady growth and stable margins:** NII growth (~16% YoY) was healthy with margins at 4.1%, flat on a QoQ basis as there was minimal impact of the incremental cost of deposits, while the bank was able to maintain its asset yields. Loan growth was led by segments such as MSME, LAP and PL, with continued traction in gold loans (26% of loans). The management has guided for NIMs to stay >4% for Q3FY25, not taking into consideration any rate cut.
- **Asset quality trends stable:** GNPA/NNPA improved to 1.1%/0.3% (Q1FY25: 1.3%/0.4%) on the back of higher write-offs as credit costs increased to 78bps (Q1FY25: 65bps). The management used excess recoveries from written-off accounts to shore up its prudent provisions, even as the PCR improved marginally to ~75% (Q1FY25: 71%). We maintain our FY25/26 credit cost estimates at ~80bps, given the rising exposure in higher-yielding loans.
- **Operating efficiencies key to sustaining RoAs:** We build higher conviction on KVB clocking healthy loan growth while sustaining its deposit granularity. However, we believe that efficiency gains are key to sustaining RoAs at 1.6-1.7%, given the likely impact of potential rate cuts on incremental asset yields, lagged deposit pricing, upward normalisation of credit costs, and sustained investments in distribution and technology.

Financial summary

(INR bn)	Q2FY25	Q2FY24	YoY (%)	Q1FY25	QoQ (%)	FY24	FY25E	FY26E	FY27E
NII	10.6	9.2	*15.8%*	10.2	*3.5%*	38.1	42.8	48.3	55.2
PPOP	8.2	6.4	*27.9%*	7.5	*9.4%*	28.3	32.3	37.0	41.5
PAT	4.7	3.8	*25.1%*	4.6	*3.3%*	16.0	18.9	20.8	22.7
EPS (INR)	5.9	4.7	*25.3%*	5.7	*3.3%*	20.0	23.5	25.8	28.3
ROAE (%)						17.2	17.6	17.2	16.7
ROAA (%)						1.6	1.7	1.6	1.6
ABVPS (INR)						120.9	138.0	155.8	175.2
P/ABV (x)						1.8	1.6	1.4	1.2
P/E (x)						10.8	9.1	8.3	7.6

Change in estimates

(INR bn)	FY25E			FY26E		
	Old	New	Δ	Old	New	Δ
Net advances	850	853	0.3%	981	984	0.3%
NIM (%)	4.1	4.1	6 bps	4.0	4.1	7 bps
NII	42.3	42.8	1.3%	47.9	48.3	0.8%
PPOP	31.6	32.3	2.2%	36.2	37.0	2.2%
PAT	18.4	18.9	2.5%	20.8	20.8	0.2%
Adj. BVPS (INR)	135.9	138.0	1.5%	152.4	155.8	2.2%

Source: Company, HSIE Research

ADD

CMP *(as on 17 Oct 2024)*	INR 217
Target Price	INR 240
NIFTY	24,750

KEY CHANGES	OLD	NEW
Rating	ADD	ADD
Price Target	INR 230	INR 240
	FY25E	FY26E
EPS %	2.5%	0.2%

KEY STOCK DATA	
Bloomberg code	KVB IN
No. of Shares (mn)	799
MCap (INR bn) / ($ mn)	173/2,062
6m avg traded value (INR mn)	475
52 Week high / low	INR 233/138

STOCK PERFORMANCE (%)	3M	6M	12M
Absolute (%)	7.4	14.6	50.6
Relative (%)	7.0	3.6	28.6

SHAREHOLDING PATTERN (%)	Jun-24	Sep-24
Promoters	2.2	2.1
FIs & Local MFs	33.7	35.0
FPIs	15.1	15.1
Public & Others	49.0	47.8
Pledged Shares	0.2	0.2

Source : BSE

Pledged shares as % of total shares

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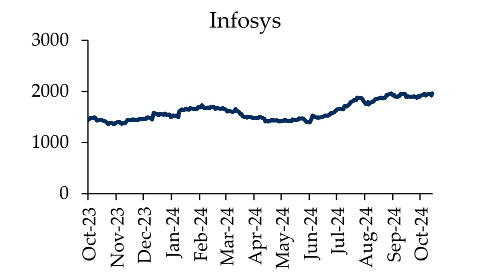
Rating Criteria

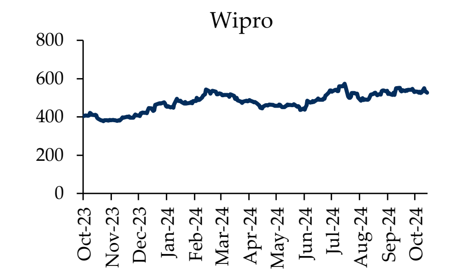
BUY: >+15% return potential
ADD: +5% to +15% return potential
REDUCE: -10% to +5% return potential
SELL: > 10% Downside return potential

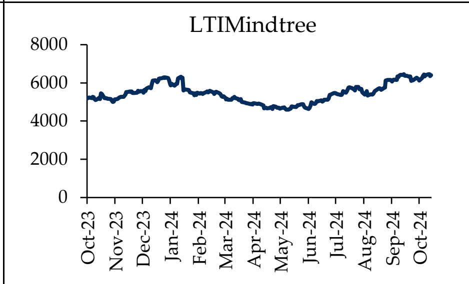
Disclosure:

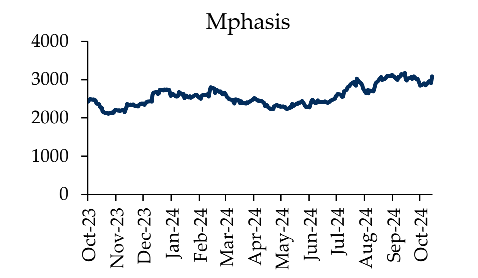
Analyst	Company Covered	Qualification	Any holding in the stock
Apurva Prasad	Infosys, Wipro, LTIMindtree, Mphasis	MBA	NO
Amit Chandra	Infosys, Wipro, LTIMindtree, Mphasis	MBA	NO
Vinesh Vala	Infosys, Wipro, LTIMindtree, Mphasis	MBA	NO
Krishnan ASV	Axis Bank, Karur Vysya Bank	PGDM	NO
Akshay Badlani	Axis Bank	CA	YES
Akshay Badlani	Karur Vysya Bank	CA	NO

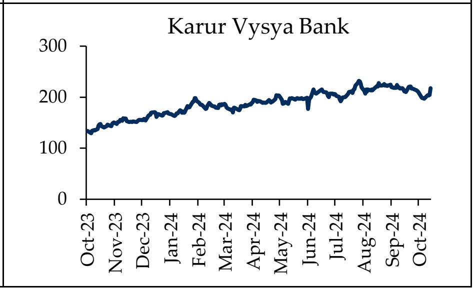
1 Yr Price movement











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