

IT

Tepid Q1 weighed by unchanged demand trends

Q1FY2026 Results Preview

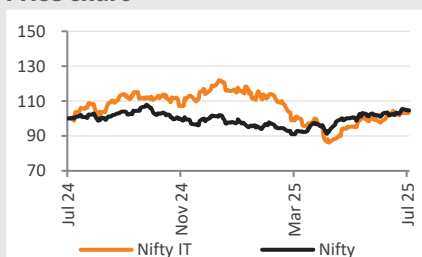
Sector:	IT
Sector View:	Positive

Coverage universe

Companies	CMP (Rs)	Reco.	PT (Rs)
TCS	3,421	Buy	4,050
Infosys	1,640	Buy	UR
HCL Tech	1,725	Buy	1,730
Wipro	270	Hold	UR
Tech Mahindra	1,655	Buy	1,950
LTIM	5,313	Buy	6,200
L&T Tech	4,384	Buy	4,850
Coforge	1,950	Buy	2,100
Persistent	5,895	Buy	7,000
Birlasoft	435	Buy	480
Mastek	2,545	Buy	3,030
Intellect Design	1,129	Hold	UR
NIITMTS	338	Buy	475

Source: Company, Mirae Asset Sharekhan Research;
*UR - Under Review

Price chart



Source: NSE India, Mirae Asset Sharekhan Research

Summary

- ♦ We expect revenue growth of -2.5% to 1.7% q-o-q for Tier-1 IT service companies and revenue growth of -3.1% to 6.3% q-o-q for Tier-2 IT companies in constant currency (CC) terms.
- ♦ EBIT margins across covered companies likely to be mixed with decent deal win TCV centered around cost takeout.
- ♦ Management commentaries on deal activity, demand trends and progress on Gen AI would be key monitorables.
- ♦ GenAI projects particularly those focused on productivity improvements, could rekindle client's interest and aid in picking up the momentum in the quarters ahead. We maintain Positive stance and advise investment in our preferred picks.

We expect Tier-1 IT service companies to report a tepid Q1FY26 driven by softness in tariff-impacted verticals and unchanged demand trends. We expect q-o-q constant currency (CC) revenue growth of -2.5% to 1.7% for Tier-1 and -3.1% to 6.3% q-o-q revenue growth in CC terms for Tier-2 IT companies. Among Tier-1 IT companies, Infosys is expected to lead revenue growth of 1.7% q-o-q in CC terms aided by seasonality and weak base of Q4FY25. Coforge among Tier-2 companies is expected to report strong sequential revenue growth of 6.3% in CC terms aided by ramp up of the Sabre deal and contribution from acquisitions. EBIT margin is likely to be largely mixed across the covered IT companies. Deal wins TCV is likely to be decent and centered around cost takeout. Deal signing has been delayed and discretionary spend has taken a backseat due to increase in geopolitical event and US tariff uncertainty. However, GenAI projects, particularly those focused on productivity improvements, could rekindle client's interest and aid in picking up the momentum in the quarters ahead. We remain positive on the sector from a medium to long-term perspective and advise investment in our preferred picks.

Revenue growth: Tier-1 IT service companies under coverage are expected to report tepid Q1FY26, with CC revenue growth of -2.5% to 1.7% q-o-q weighed by softness in tariff impacted verticals. Cross-currency tailwinds impact of ~60-260 bps is expected across covered companies owing to depreciation of USD against a basket of currencies. Infosys to lead revenue growth among Tier-1 companies, with revenue growth of 1.7% q-o-q in CC aided by seasonality and weak base of Q4FY25. TCS, TechM, HCL Tech and Wipro are expected to decline 0.4%/0.6%/0.7% and 2.5% q-o-q respectively in CC terms while LTIM is expected to deliver modest revenue growth of 1% q-o-q in CC terms. Tier 2 IT service companies are expected to show relatively better growth of -3.1% to 6.3% q-o-q in CC. Among Tier-2, firms, Coforge is expected to lead with 6.3% q-o-q growth in CC aided by ramp up of Sabre deal and contribution from acquisitions while Persistent, NIITMTS and Mastek are expected to grow 4%/3.5% and 1.5% q-o-q respectively in CC terms. However, LTTS and Birlasoft are expected to report a decline of 3.1%/1.8% q-o-q in CC terms.

EBIT margin to be mixed: IT services companies under our coverage are likely to report a mixed EBIT margin trend. EBIT margins for Tech M, LTIM, Infosys and TCS are expected to improve ~70/50/25/10 bps q-o-q while HCL Tech is expected to report a ~75 bps q-o-q contraction with Wipro expected to report flat margins. Among Tier-2 companies, Persistent/Coforge are expected to see margin improvement of ~30/20bps, respectively. EBIT margin for LTTS and Birlasoft is expected to decline ~30/60bps on weak revenues. NIITMTS is expected to see 190 bps q-o-q improvement in EBITDA margins aided by strong revenues.

Demand environment and guidance: We expect deal win TCV to be decent for IT service companies centered around cost takeouts, with a steady improvement in deal pipeline. For LTIM, the \$450 million deal win is likely to take order inflow above \$1.5 billion for Q1FY26. Infosys may raise the lower end of guidance from 0-3% to 1-3% while Wipro may guide for flatter revenues for Q2FY26.

Valuations:

Unchanged demand trends weighing Q1FY26: The Nifty IT index (up 4%) is in-line with the Nifty (up 5%) over the past one year after having conceded the earlier outperformance following the escalation of US trade tariff war. With demand environment unchanged, near-term uncertainty persists. Deal signing has been delayed and discretionary spend has taken a backseat due to increase in geopolitical event and tariff uncertainty. However, GenAI projects, particularly those focused on productivity improvements, could rekindle clients interest and aid in picking up the momentum in the quarters ahead. We remain positive on the sector from a medium to long-term perspective and advise investment in our preferred picks.

Key Risks:

Leaders: Coforge, Persistent, NIITMTS, Infosys

Laggards: Wipro, LTTS and Birlasoft

Preferred picks:

Large caps: TCS, Infosys, HCL Tech, Tech Mahindra, LTIM.

Mid-caps: Persistent Systems, Coforge and Mastek

Q1FY26 Result estimates
Rs cr

Particulars	Sales				OPM				Net Profit			
	Q1 FY26E	Q1 FY25	YoY (%)	QoQ (%)	Q1 FY26E	Q1 FY25	YoY (bps)	QoQ (bps)	Q1 FY26E	Q1 FY25	YoY (%)	QoQ (%)
TCS	64,949	62,613	3.7	0.7	26.5	26.6	-14	13	12,307	12,040	2.2	0.7
Infosys	41,937	39,315	6.7	2.5	24.4	24.0	40	27	6,940	6,368	9.0	-1.3
HCL Tech	30,332	28,057	8.1	0.3	20.7	20.7	6	-72	4,269	4,258	0.3	-0.9
Wipro	22,043	21,943	0.5	-2.1	20.7	20.0	74	-54	3,304	3,003	10.0	-7.5
Tech M	13,453	13,006	3.4	1.0	14.7	12.0	270	78	1,235	852	45.0	8.4
LTIM	9,861	9,143	7.9	0.9	17.1	17.6	-47	77	1,180	1,134	4.1	4.6
L&T Tech	2,911	2,462	18.3	-2.4	15.9	18.5	-263	-4	302	314	-3.8	-3.0
Coforge	3,767	2,401	56.9	10.5	17.3	17.0	27	43	358	229	56.8	24.7
Persistent	3,359	2,737	22.7	3.6	18.3	16.6	163	24	434	306	41.8	9.8
Birlasoft	1,290	1,327	-2.9	-2.1	13.3	14.7	-140	12	130	150	-13.6	6.3
Mastek Ltd	936	813	15.1	3.3	15.6	15.2	33	25	92	72	28.3	2.8
Intellect Design	729	605	20.5	0.2	21.9	20.0	193	-637	111	74	48.8	-18.1
NIITMTS	447	407	9.7	4.0	20.4	23.6	-318	175	60	63	-4.3	21.7

Source: Company; Mirae Asset Sharekhan Research

Valuations

Company	Reco	Price Target (Rs)	CMP (Rs)	EPS				P/E			
				FY25	FY26E	FY27E	FY25	FY26E	FY27E	FY26E	FY27E
TCS	Buy	4,050	3,421	134.2	141.7	159.0	25.5	24.1	21.5	23.1	20.8
Infosys	Buy	UR	1,640	64.5	67.4	73.2	25.4	24.3	22.4	21.7	19.7
HCL Tech	Buy	1,730	1,725	64.1	67.8	73.8	26.9	25.5	23.4	21.5	18.9
Wipro	Hold	UR	270	12.5	12.7	13.6	21.5	21.2	19.9	19.7	17.5
Tech Mahindra	Buy	1,950	1,655	49.3	60.1	72.9	33.6	27.5	22.7	22.5	18.2
LTIM	Buy	6,200	5,313	155.0	172.0	198.5	34.3	30.9	26.8	22.6	18.6
L&T Tech	Buy	4,850	4,384	119.4	135.2	161.3	36.7	32.4	27.2	30.2	25.5
Coforge	Buy	2,100	1,950	29.6	45.7	57.1	65.9	42.7	34.1	31.3	26.0
Persistent	Buy	7,000	5,895	90.6	115.1	137.8	65.1	51.2	42.8	42.1	34.8
Birlasoft Limited	Buy	480	435	18.3	20.4	24.3	23.7	21.4	17.9	17.5	14.4
Mastek Limited	Buy	3,030	2,545	118.1	129.2	152.1	21.5	19.7	16.7	17.7	14.4
Intellect Design	Hold	UR	1,129	48.0	34.5	25.8	23.5	32.7	43.8	23.2	17.2
NIITMTS	Buy	475	338	17.4	18.9	23.9	19.4	17.8	14.1	19.6	16.2

Source: Company; Mirae Asset Sharekhan Research; *UR - Under Review

Q1FY26E: USD revenue and EBIT estimates

Company	Revenue (USD mn)						EBIT Margin (%)				
	Q1 FY26E	Q1 FY25	YoY (%)	Q4 FY25	QoQ (%)	CC QoQ (%)	Q1 FY26E	Q1 FY25	YoY (bps)	Q4 FY25	QoQ (bps)
TCS	7,587	7,505	1.1	7,465	1.6	-0.4	24.3	24.7	-35	24.2	12
Infosys	4,899	4,714	3.9	4,730	3.6	1.7	21.2	21.1	12	21.0	25
HCL Tech	3,543	3,364	5.3	3,498	1.3	-0.7	17.3	17.1	17	18.0	-73
Wipro	2,566	2,626	-2.3	2,597	-1.2	-2.5	17.4	16.5	98	17.5	-5
Tech M	1,564	1,559	0.3	1,549	1.0	-0.6	11.2	8.5	275	10.5	73
LTIM	1,152	1,096	5.1	1,131	1.9	1.0	14.3	15.0	-69	13.8	53
L&T Tech	340	295	15.2	345	-1.4	-3.1	12.9	15.6	-266	13.2	-29
Coforge	438	291	50.3	404	8.6	6.3	13.4	13.6	-23	13.2	22
Persistent	392	328	19.6	375	4.6	4.0	15.9	14.0	183	15.6	28
Birlasoft Limited	151	159	-5.3	152	-1.0	-1.8	10.9	13.1	-223	11.5	-62
Mastek Limited	109	97	11.9	105	4.1	1.5	13.4	12.8	65	13.3	16

Source: Company; Mirae Asset Sharekhan Research

Q1FY26 IT earnings preview

Company-wise key expectations

Company	Comments
TCS	TCS is expected to report revenue growth of -0.4% in CC terms due to the ramp-down of BSNL deal. EBIT margin is likely to improve by ~10 bps q-o-q
Infosys	Infosys is expected to report a revenue growth of 1.7% in CC terms q-o-q led by Financial services and aided by MRE Consulting and Missing Link consolidation. EBIT margin is expected to improve sequentially by 25 bps.
HCL Technologies	HCL Tech is expected to report a sequential revenue growth of -0.7% in CC terms with cross-currency tailwinds of 200 bps. EBIT margin is expected to decline by ~70 bps q-o-q.
Wipro	Wipro is expected to report a sequential revenue growth of -2.5% q-o-q in CC terms, within its Q1 guided range, of -1.5% to -3.5%. EBIT margin is expected to be flat sequentially.
Tech Mahindra	Tech Mahindra is expected to report revenue growth of -0.6% q-o-q in CC terms with cross currency tailwind of 160 bps. EBIT margin is expected to improve sequentially by 70 bps led by operational efficiencies.
LTIM	LTIM is expected to report revenue growth of 1% in CC terms. EBIT margins are expected to improve by ~50 bps q-o-q driven by fit for future program
L&T Tech	LTTS is expected to report a sequential decline of 3.1% in CC terms while EBIT margin is expected to decline by ~30 bps q-o-q owing to weak revenues.
Coforge	Coforge is expected to report sequential revenue growth of 6.3% in CC terms aided by ramp up of Sabre deal and contributions from acquisitions. EBIT margin is likely to improve by ~20 bps q-o-q.
Persistent Systems	Persistent is expected to report strong sequential revenue growth of 4% in CC terms led by BFSI and Hi-tech verticals. EBIT margin is expected to improve by ~30 bps.
Birlasoft	Birlasoft is expected to report sequential revenue growth of -1.8% in CC terms. EBIT margin is expected to decline sequentially by ~60 bps q-o-q.
Mastek Limited	Mastek is expected to report sequential revenue growth of 1.5% in CC terms while EBIT margin is expected to improve by ~20 bps q-o-q.
Intellect Design	Intellect Design is expected to report flattish sequential revenue growth after a robust Q4FY25 while EBITDA margin is expected to improve by ~200 bps y-o-y.
NIITMTS	NIITMTS is expected to report strong sequential revenue growth of 4% in rupee terms with EBITDA margin expected to improve ~ 190 bps q-o-q aided by strong revenues.

Source: Company; Mirae Asset Sharekhan Research

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