

## Q3FY2026 Results Preview

Sector: IT

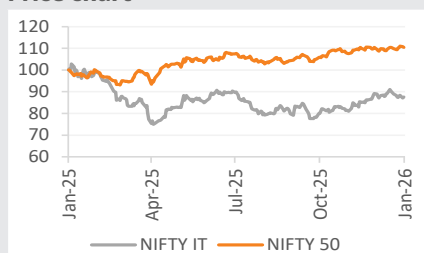
Sector View: Positive

## Coverage universe

Companies	CMP (Rs)	Reco.	PT (Rs)
TCS	3,256	BUY	3,900
Infosys	1,612	BUY	1,850
HCL Tech	1,616	BUY	1,893
Wipro	266	BUY	285
Tech Mahindra	1,602	BUY	1,804
LTIM	5,983	BUY	6,827
L&T Tech	4,302	BUY	5,000
Coforge	1,657	BUY	2,133
Persistent	6,243	BUY	7,295
Birlasoft Ltd	421	BUY	450
NIITMTS	399	BUY	450

Source: Company, Mirae Asset Sharekhan Research

## Price chart



Source: NSE India, Mirae Asset Sharekhan Research

## IT Preview

## Q3 Muted by Seasonality; Eyes on CY26 Demand Outlook

## Summary

- Following a robust performance in Q2FY26, Q3FY26E results are expected to face headwinds from seasonal weakness, leading to muted sequential growth.
- Investors are likely to keenly eye the pace of synergy realisation from recent AI-driven capability enhancements and the inorganic acquisition, early indications on CY26 budget allocations, and revenue generated from the AI pipeline.
- We expect revenue growth of -0.3% to 2.0% for Tier-1 IT companies while Tier-2 IT companies would continue to outperform ranging from 0.2% to 3.5% in CC q-o-q. EBIT margin is likely to be a mixed bag, with currency benefits likely to be offset by wage hikes for selective companies.

**In a notable shift, companies are increasingly providing granular disclosures on AI-driven revenue streams. Investor scrutiny is expected to center on the evolution of AI-related deal pipelines, particularly the velocity of conversion from promising opportunities into booked revenue. In the near term, however, management emphasis is likely to focus on cost-takeout deals and vendor consolidation, which continue to drive incremental wins amid a cautious spending environment.**

**Revenue Growth:** Tier-1 Indian IT firms are projected to deliver muted sequential revenue growth in constant currency (CC), ranging from -0.3% to +2.0% q-o-q, pressured by seasonal furloughs, fewer billing days, despite gradual ramp-up of recent deal wins. Within the group, HCL Tech is expected to outperform, followed by Wipro and TCS, while Infosys may report flat to slightly negative CC growth. In contrast, Tier-2 peers are anticipated to show stronger performance, with QoQ CC growth of 0.2%–3.5%. Persistent Systems is likely to lead with a 3.5% CC QoQ, followed by Coforge at 2.5%. Overall revenue momentum should remain steady, supported by robust demand in BFSI and ongoing execution of new contracts, though Manufacturing, Automotive, Communications, and Retail verticals continue to face softness. Rupee depreciation is expected to provide a favourable margin tailwind, partially offset by cross-currency headwinds of 20–50 bps across the coverage universe.

**EBIT margin to see mixed trends:** IT services companies under our coverage are likely to report a mixed EBIT margin trend. TCS and Wipro is likely to witness ~21bps and ~10bps decline in margins sequentially due to wage hike effects. HCLT is likely to see margin expansion by 100 bps due to seasonally strong software business. Tech Mahindra to see margin improvement of 65 bps driven by cost reduction initiatives. Among Tier-2 IT companies, Coforge and PSYS to see margin decline of 62bps and 144 bps respectively, owing to the full impact of wage hikes partially offset by currency tailwinds. Birlasoft is likely to decline ~190 bps due to absence of one-off of reversal of provisions. NIITMTS and LTIMindtree to see flattish margin movement on a sequential basis.

**Demand environment and guidance:** We anticipate solid deal intake in terms of total contract value (TCV) for major IT services players, primarily driven by cost-optimization mandates, alongside a gradual and sustainable strengthening of the overall pipeline. We expect HCL Technologies to reaffirm its FY26 constant-currency revenue growth guidance of 3–5% y-o-y. Similarly, Infosys is likely to hold its FY26 guidance range of 1–3% YoY in constant currency. Achieving the upper bound of this guidance implies a required run-rate of approximately -0.2% QoQ growth across the remaining two quarters, consistent with historical seasonal patterns typically characterized by broadly flat sequential growth in Q3 and a ~1.3% q-o-q contraction in Q4. For L&T Technology Services, we foresee management maintaining its aspiration for double-digit revenue growth in FY26.

## Valuation

The Nifty IT Index has delivered a strong +6% relative outperformance against broader market benchmarks over the past three months, supported by compelling valuations, meaningful rupee depreciation versus the USD, successive interest rate reductions, and early indications of macroeconomic stabilization. With peak concerns around a deteriorating demand environment largely receding and the bulk of earnings estimate downgrades for most tier-1 IT services companies now in the rear-view mirror, investor sentiment has notably improved.

Looking ahead, we envisage two primary scenarios: either the current demand backdrop persists in a steady-state manner, or we witness a progressive recovery in discretionary budgets accompanied by accelerating revenue realization from AI-centric engagements. In particular, generative AI initiatives centered on productivity enhancement are likely to reinvigorate client spending appetite and provide incremental momentum in coming quarters. We maintain a constructive stance on the Indian IT sector over a medium- to long-term horizon, underpinned by growing conviction in a favourable evolution of underlying demand dynamics.

**Q3FY26 Leaders:** HCLT, PSYS and Coforge

**Q3FY26 Laggards:** Infosys, Birlasoft, and Tech Mahindra

**Preferred picks:**

**Large caps:** TCS, Infosys, HCLTech

**Mid-caps:** Coforge Persistent Systems, and LTIM

**Q3FY26E: USD revenue and EBIT estimates**
**Rs cr**

Company	Revenue (in USD Mn)						EBIT Margin				
	Q3FY26E	Q3FY25	Q2FY26	Y-o-Y (%)	Q-o-Q (%)	CC QoQ (%)	Q3FY26E	Q3FY25	Q2FY26	Y-o-Y (%)	Q-o-Q (%)
TCS	7,483	7,539	7,466	-0.7	0.2	0.3	25.0	24.5	25.2	49.2	-20.9
Infosys	5,055	4,939	5,076	2.3	-0.4	-0.3	21.1	21.3	21.0	-24.0	7.6
HCL Tech	3,704	3,533	3,644	4.9	1.7	2.0	18.4	19.5	17.4	-107.5	102.4
Wipro	2,634	2,629	2,604	0.2	1.1	1.5	16.3	17.3	16.4	-95.7	-10.2
Tech Mahindra	1,579	1,568	1,586	0.8	-0.4	0.3	12.8	10.2	12.1	262.2	64.3
LTIM	1,206	1,139	1,180	5.9	2.2	2.3	15.9	13.8	15.9	211.3	1.3
L&T Tech	341	311.9	337.1	9.3	1.2	1.3	13.9	15.9	13.4	-200.0	50.0
Coforge	472	390.5	462.1	20.7	2.0	2.5	13.3	11.9	14.0	139.2	-62.0
Persistent	421	360	406	16.9	3.7	3.5	14.9	14.9	16.3	-1.7	-143.8
Birlasoft Ltd	152	161	151	-5.4	1.0	0.2	12.6	10.4	14.5	221.6	-188.2
NIITMTS	54.8	49.5	54.1	10.7	1.4	1.4	15.6	18.1	15.6	-245.7	-1.7

Source: Company; Mirae Asset Sharekhan Research

**Q3FY26E Result estimates**
**Rs cr**

Company	Revenue				EBITM				Net Profit			
	Q3FY26E	Q3FY25	YoY(%)	QoQ(%)	Q3FY26E	Q3FY25	YoY (bps)	QoQ (bps)	Q3FY26E	Q3FY25	Y-o-Y (%)	Q-o-Q (%)
TCS	66,601.2	63,973.0	4.1	1.2	25.0	24.5	49.2	-20.9	13,096.0	12,380.0	5.8	1.5
Infosys	44,988.1	41,764.0	7.7	1.1	21.1	21.3	-24.0	7.6	7,280.0	6,806.0	7.0	-1.1
HCL Tech	32,784.3	29,890.0	9.7	2.6	18.4	19.5	-107.5	102.4	4,685.3	4,591.0	2.1	10.6
Wipro	23,441.2	22,285.1	5.2	3.5	16.3	17.3	-95.7	-10.2	3,289.7	3,353.8	-1.9	1.3
Tech Mahindra	14,057.3	13,285.6	5.8	0.4	12.8	10.2	262.2	64.3	1,356.2	983.2	37.9	13.5
LTIM	10,734.0	9,660.9	11.1	3.3	15.9	13.8	211.3	1.3	1,441.7	1,085.4	32.8	2.9
L&T Tech	3034.9	2653.0	14.4	1.9	13.9	15.9	-200.0	50.0	339.3	322.4	5.3	3.2
Coforge	4196.4	3258.1	20.7	2.0	13.3	11.9	139.2	-62.0	354.0	231.6	52.9	-5.8
Persistent	3,749.0	3,062.3	22.4	4.7	14.9	14.9	-1.7	-143.8	442.9	373.0	18.8	-6.1
Birlasoft Ltd	1,354.3	1,362.7	-0.6	1.9	12.6	10.4	221.6	-188.2	102.4	116.9	-12.4	-11.8
NIITMTS	487.9	418.9	16.5	2.6	15.6	18.1	-245.7	-1.7	55.2	61.7	-10.6	11.3

Source: Company; Mirae Asset Sharekhan Research

**Valuations**

Company	Reco	Price Target (Rs)	CMP (Rs)	EPS (Rs)				P/E (x)			
				FY25	FY26E	FY27E	FY28E	FY25	FY26E	FY27E	FY28E
TCS	BUY	3,900	3,256	134.2	147	153.2	165.4	23.1	22.9	22.0	20.0
Infosys	BUY	1,850	1,612	64.5	67.1	61.9	66.4	23.2	22.3	24.7	23.0
HCL Tech	BUY	1,893	1,616	64.1	64.6	71.5	75.1	25.3	25.0	22.6	21.5
Wipro	BUY	285	266	12.5	12.9	13.6	13.9	20.9	20.5	19.8	18.6
Tech Mahindra	BUY	1,804	1,602	49.3	60.3	75.3	84.9	28.8	29.6	25.5	21.1
LTIM	BUY	6,827	5,983	155	178.1	207.6	232.9	33.4	33.6	28.8	25.7
L&T Tech	BUY	5,000	4,302	119.4	134.9	146.5	175.3	35.4	32.8	26.9	23.4
Coforge	BUY	2,133	1,657	29.6	47.3	57.3	70.1	54.7	35.1	29.2	24.5
Persistent	BUY	7,295	6,243	90.6	123.4	149.5	184.7	71.2	52.1	39.9	32.3
Birlasoft Ltd	BUY	450	421	18.3	15	21	23.6	20.9	27.4	18.1	16.3
NIITMTS	BUY	450	399	17.5	16.3	19.6	24.1	23.3	23.8	19.8	16.1

Source: Company; Mirae Asset Sharekhan Research

## Q3FY26 IT earnings preview

### Company-wise key expectations

Company	Comments
TCS	We expect TCS to post a revenue growth of 0.3% CC sequentially driven by international business. EBIT margins are expected to decline by ~21bps due to the wage hike partial offset by INR depreciation benefits. Commentary on client budgets, realization of synergies, and AI data centers.
Infosys	Revenue growth is expected to decline 0.3% q-o-q in CC terms due to furloughs and weaker H2. EBIT Margins likely to remain flat with INR depreciation likely to get offset by seasonal weakness.
HCL Tech	HCL Tech is likely to post strong revenue growth driven by strong software business. We anticipate a 100bps margin accretion this quarter, as the favorable operating leverage from seasonal strength and currency tailwinds more than offsets the structural headwinds of annual wage increments and seasonal furloughs
Wipro	Wipro's top-line is expected to grow by 1.5% in CC terms, reflecting a growth skewed towards inorganic contribution from Harman. The near-term margin profile is expected to face a 10 bps headwind, driven by M&A-related dilution and ramp up of deal wins.
Tech Mahindra	Tech Mahindra is expected to post a growth of 0.3% QoQ CC, led by recovery in Communications. Margins is expected to improve by ~60bps, catalyzed by the operational efficiencies realized through 'Project Fortius' and a favorable FX environment.
LTIM	LTIM is expected to post 2.3% q-o-q CC growth, driven by its recent deal wins. EBIT Margins are expected to remain flat despite furloughs.
L&T Tech	Revenue is expected to grow by 1.3% QoQ CC, led by steady deal ramp-ups. Margins is expected to expand by ~60bps sequentially driven by lower SG&A and currency tailwinds.
Coforge	Coforge is expected to post 2.5% q-o-q CC growth while margins are likely to decline by ~65bps owing to wage hikes. Integration of its recent acquisition (Encora) would be key thing to watch for.
Persistent	PSYS is forecast to deliver 3.5% q-o-q CC revenue growth, underpinned by broad-based demand across all business verticals, albeit tempered by seasonal furloughs headwinds. We expect EBIT Margin contraction as the full impact of the annual wage cycle takes effect. Notably, the capacity for margin defense through utilization appears exhausted, as the metric has reached peak levels, leaving limited room for operational optimization.
Birlasoft Ltd	We anticipate a relatively muted quarter for Birlasoft with flattish CC revenue growth and a 190bps contraction in EBIT margins. This margin compression is primarily attributable to the roll-off of one-time provision reversals, which is only partially mitigated by favorable INR depreciation tailwinds. Looking ahead, the growth profile is markedly back-ended, with H2 anticipated to outperform H1 as the current deal backlog translates into tangible revenue conversion.
NIITMTS	The company is projected to deliver a 2.6% sequential revenue expansion in INR terms, underpinned by broad-based momentum across the Technology, Telecom, Life Sciences (HLS), and Energy verticals. We anticipate a stagnant margin profile as the favorable tailwinds from currency appreciation are largely neutralized by elevated structural costs, specifically intensified professional and technical outsourcing expenses

Source: Company; Mirae Asset Sharekhan Research

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