

IT firms' topline likely to be better than Q4 of FY15

Wage hikes to weigh heavy for a few, but weak rupee will help

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DOMESTIC IT services players are expected to post stable or marginally higher revenue growth for the first quarter of this financial year. Barring Tech Mahindra, which has indicated a slight drop in sequential revenue and profit, most companies are expected to report decent financials, analysts say.

Industry leader TCS will be the first in the industry to report earnings on July 9. Infosys will announce its numbers on July 21 and Wipro the next day.

"Expect some reprieve after a quarter of revenue misses across the board. The June quarter is a seasonally strong quarter," said Ashish Chopra, IT analyst at Motilal Oswal Securities:

"Cross-currency stabilisation and rupee depreciation would be additional tailwinds to earnings this time around. Q1 would see impact of wage hikes effective for the full quarter at TCS and Infosys. Despite a 2 per cent quarter-on-quarter depreciation in the rupee, we expect 100 to 110 basis points sequential margin decline at Infosys and TCS, and flattish margin at Wipro," Chopra said.

TCS is expected to per-



Growth vibes

- Some reprieve likely in Q1 after a quarter of revenue misses
- Q1 will see impact of wage hikes for the full quarter at TCS, Infosys
- Mid-sized players like TechM, Mphasis, KPIT may show muted growth

form better than its peers. The company remains a strong performer in the off-shore IT services space with a well-diversified services portfolio and geographic spread.

"In 2015, slowing demand and the effect of a large revenue base may drag growth from FY14 and FY15 levels.

Cross-currency movements are also likely to act as a headwind to revenue growth and limit positive earnings surprises," said Diviya Nagarajan, analyst at UBS Research.

Q1 PREVIEW