

Expect IT to Maintain its Growth Momentum with 18% Sales Rise

Some analysts hint at margin squeeze due to salary hike, hiring costs, higher subcontracting costs

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Bengaluru | Pune: India's top tier of information technology (IT) services companies are expected to post revenue growth of 4.1-7% sequentially and as much as 18.3% on a year-on-year basis in the second quarter of the current fiscal, on the back of strong demand environment and steady deal closures.

While some analysts have pointed out that margins would be impacted by factors such as salary hikes, higher subcontracting costs, uptick in attrition, and higher recruitment costs for some companies including Infosys and Wipro, others said margins could be flat for the overall industry due to normalisation of wage hikes and revenue growth.

"We expect healthy growth momentum to continue in Q2 on the back of a broad-based secular demand environment, healthy demand for cloud, data analytics, digital transforma-

Future Inc

Motilal Oswal

TCS will be an exception and will report margin expansion in Q2

Wipro will have the highest erosion of **180 basis points** in margins

IDBI Capital

Industry margins will dip between **45 bps and 110 bps**

Tech Mahindra is expected to report flat margins

tion and cybersecurity services," Dipesh Mehta and Abhishek Mody of Emkay wrote in a report.

"We expect USD revenue growth of 4.2-6.5% QoQ (4.7-7.1% CC) for tier-1 companies. Mid-cap firms will continue to outperform, with growth in the range of 1.0-9.2% for our coverage

universe," the report added. Motilal Oswal said TCS would be an exception among the large IT services companies in India to report margin expansion in Q2, while Wipro will have the highest erosion of 180 basis points in margins on account of a wage hike, absence of one-time tailwind



and the impact from the acquisition of Capco. According to IDBI Capital, margins for the IT services industry would dip between 45 bps and 110 bps, except for Tech Mahindra, which is expected to report flat margins.

Most analysts have said Infosys will lead among the large IT services players in terms of growth, with expectations that the firm will revise its revenue guidance upwards from 14-16%.

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MOTILAL OSWAL
(In a report)



**Among tier-2 IT,
we expect upbeat
revenue traction
across our cover-**

**age universe, with Mind-
tree leading the pack with
8.5% QoQ CC growth**