

CMP: INR 1,758

Rating: Accumulate

Target Price: INR 1,990

Stock Info	
BSE	500209
NSE	INFY
Bloomberg	INFO IN
Reuters	INFO.BO
Sector	Computers-Software
Face Value (INR)	5
Equity Capital (INR Cr)	2,072
Mkt Cap (INR Cr)	7,30,404
52w H/L (INR)	1,765 / 1,312
Avg Yearly Vol (in 000')	7023

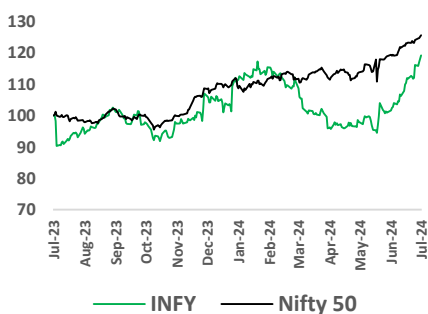
Shareholding Pattern %

(As on Dec, 2023)

Promoters	14.71
FII	34.11
DII	35.62
Public & Others	15.06

Stock Performance (%)	1m	3m	12m
INFY	17.7	24.2	19.5
Nifty	5.2	12.7	25.5

INFY Vs Nifty



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Infosys (INFY) reported overall good Nos above our estimate; Revenue growth revised upward for FY25 to 3%-4% in constant currency term. Maintained Operating margin of 20%-22% led by cost optimization. Revenues in CC terms grew 2.5% YoY/ 3.6% QoQ. Dollar-term Revenue growth 3.3% QoQ/2.1% YoY to \$4,714 mn above our estimate of \$4,650 mn. Reported revenue of INR 39,315 Cr (3.7% QoQ/+3.6% YoY) above our estimate of INR 38,811 Cr. Vertical and geo performance: Financial (0.1% USD QoQ YoY), retail (-3.0% YoY), communication (+5.2% YoY) & Manufacturing (6.4% YoY). North America (-1.2%) while Europe (8.6%) & India (+18.4% YoY). EBIT margin was up 99bps QoQ/ up by 28bps YoY at 21.1% against our estimates of 20.48%. Attrition improved by 10bps QoQ to 12.7%. Headcount declined by 0.6% QoQ; Utilization ex-trainee improved by 180 bps QoQ to 85.3%. Deal wins at USD 4.1bn vs USD 4.5 bn in Q4FY24 (57.6% being net new). Active number of clients decreased by 15 QoQ to 1882.

Positive Growth Trends: The company is seeing early signs of recovery, with notable volume growth and strong performance in financial services after several quarters. While the sustainability is uncertain, these positive trends give the company some confidence. Additionally, large deals, both signed and in the pipeline, contribute to this optimism.

FY25 Strategic Focus: Driving Revenue Growth: In FY25, the company's strategic focus includes achieving MS gains to drive revenue growth and enhance margins through Project Maximus. Anticipated tailwinds amounting to 2.2% include benefits from the normalization of Q4 one-time events (1%), increased utilization and value-based selling under Project Maximus (0.8%), and improved realization (0.4%). These gains are tempered by headwinds such as higher variable pay and lease costs totaling 1.2%. The company remains committed to intensifying Project Maximus efforts, crucial for margin improvement, contingent on accelerating revenue and volume growth to optimize the organizational structure.

Valuations

Infosys delivered robust results, raising FY25 revenue growth outlook to 3-4% from 1-3% and maintaining margin guidance at 20-22% in the near term. The focus includes visible deal wins and the InTech acquisition. Project Maximus aims to enhance margins in the medium term. Stable pricing persists; US financial services, particularly in cards, payments, and capital markets, show recovery, while hi-tech demand remains subdued.

As a result, growth estimates for FY25E-FY27E have been increased by 1.2% and 1.8%, respectively, with a projected margin of 21.2%/21.9%/22.4% for FY25E/FY26E/FY27E. **We value Infosys at a PE of 25x its FY26E EPS of INR 79.6 with the target price of INR 1,990 per share (earlier TP in INR 1,609 per share). We maintain our Accumulate rating on the stock.**

Exhibit 1: Financial (Consolidated)

Y/E March (INR. In Cr)	FY24	FY25E	FY26E	FY27E
Revenues (US\$ mn)	18,562	19,257	20,112	21,819
Net Revenue	1,53,670	1,64,299	1,76,128	1,89,882
EBIT	31,747	34,831	38,572	42,534
EBIT Margin (%)	20.7%	21.2%	21.9%	22.4%
Net Profit	26,233	27,052	29,921	32,973
EPS (INR)	63.3	65.3	72.3	79.6
P/E (x)	27.8	26.9	24.3	22.1
ROCE	23.0%	24.0%	24.7%	24.9%

Source: Arihant Research, Company Filings

Exhibit 2: Q1FY25 - Quarterly Performance (Consolidated)

INR Cr (Consolidated)	Q1FY25	Q4FY24	Q1FY24	Q-o-Q	Y-o-Y
Revenue (Mn USD)	4,714	4,564	4,617	3.3%	2.1%
Net Revenue	39,315	37,923	37,933	3.7%	3.6%
Cost of Sales	27,177	26,748	26,382	1.6%	3.0%
Gross Profit	12,138	11,175	11,551	8.6%	5.1%
S&M and Admin. Expenses	3,850	3,554	3,660	8.3%	5.2%
EBIT	8,288	7,621	7,891	8.8%	5.0%
EBIT margin %	21.1%	20.1%	20.8%	99bps	28bps
Other Income	733	2,619	471	-72.0%	55.6%
PBT	9,021	10,240	8,362	-11.9%	7.9%
Tax Expense	2,265	2,265	2,417	0.0%	-6.3%
Effective tax rate %	25.1%	22.1%	28.9%	299bps	-380bps
Reported PAT	6,374	7,975	5,945	-20.1%	7.2%
MI & Associates	-6	-6	-6		
Consolidated PAT	6,368	7,969	5,939	-20.1%	7.2%
Adj PAT Margin %	16.2%	21.0%	15.7%	-22.9%	3.5%
EPS (INR)	15.4	19.3	14.4	-20.0%	7.2%

Source: Arianth Research, Company Filings

Includes interest income (pre-tax) of \$232 Mn (INR 1,933 Cr) and reversal of net tax provisions amounting to \$5 Mn (INR 38 Cr) on account of orders received under sections 250 & 254 of the Income Tax Act, 1961, from the Income Tax Authorities in India for certain assessment years. This has resulted in a positive impact on the consolidated Basic and Diluted EPS by approximately \$0.06 (INR 4.76) for the quarter ended March 31, 2024

Q1FY25 Concall Highlights

Financial services returned to positive sequential growth after six quarters with 7.9% growth in CC terms.

Deal pipeline continues to remain strong. Signed 8 deals each in retail and communication, 6 in BFSI, 5 in financial services, 4 in manufacturing, 2 in high tech, and one in life sciences. Region-wise, the company secured 21 large deals in America, 12 in Europe, and 1 in RoW.

Companies see early signs of improvement in US BFSI especially with regard to mortgage and payments.

Manufacturing growth was broad-based across geographies and sub-verticals, with vendor consolidation and strong GenAI interest, bolstered by the In-tech acquisition.

Communications sector growth was led by large deals despite cautious spending, with telcos focusing on digitization and retail clients prioritizing cost reduction and transformation.

Margin

High interest rates and geopolitical conflicts impact spending, but differentiation in energy transition and integration helps build a strong pipeline, leading to increased revenue guidance 3-4% revenue growth guidance for FY25 takes into fact that H1FY25 would be better than H2FY25.

Tailwinds of 2.2%, including 1% from Q1 normalization, 0.8% from project Maximus, and 0.4% from improved realization, partly offset by 1.2% headwinds from higher variable pay and leave costs.

Clients discretionary tech spending remains weak.

The retail vertical continues to encounter challenges.

Sequential margin improvement was driven by better realization and a focus on operational efficiency. Margin improvements include optimizing the employee pyramid, better realization, and near-shoring

The timing for the FY25 wage hike decision is yet to be determined.

Gen AI

Continue to invest in AI capabilities, launching Aster to enhance marketing efficiency and training 270,000 employees in AI-powered solutions for clients. A shift in US financial services demand, with potential transformation programs in tech and increasing enterprise discussions on generative AI.

Exhibit 3: Revenue growth revised upward for FY25

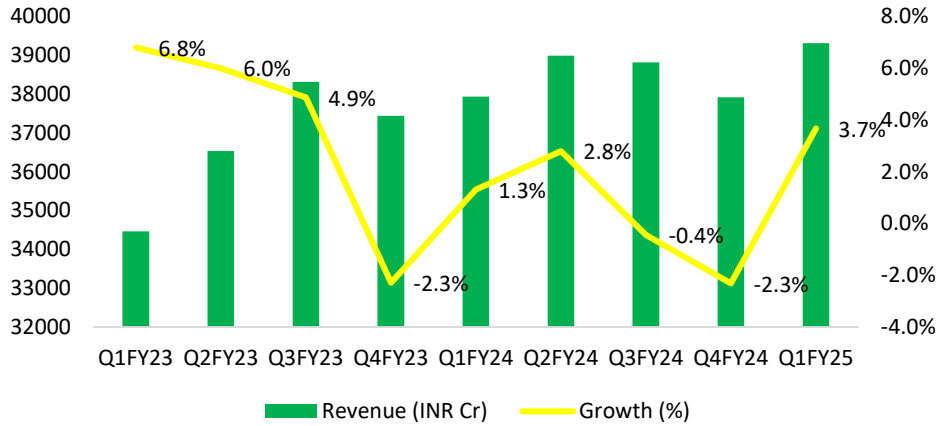


Exhibit 4: Revenue growth revised upward for FY25 to 3%-4% in constant currency term

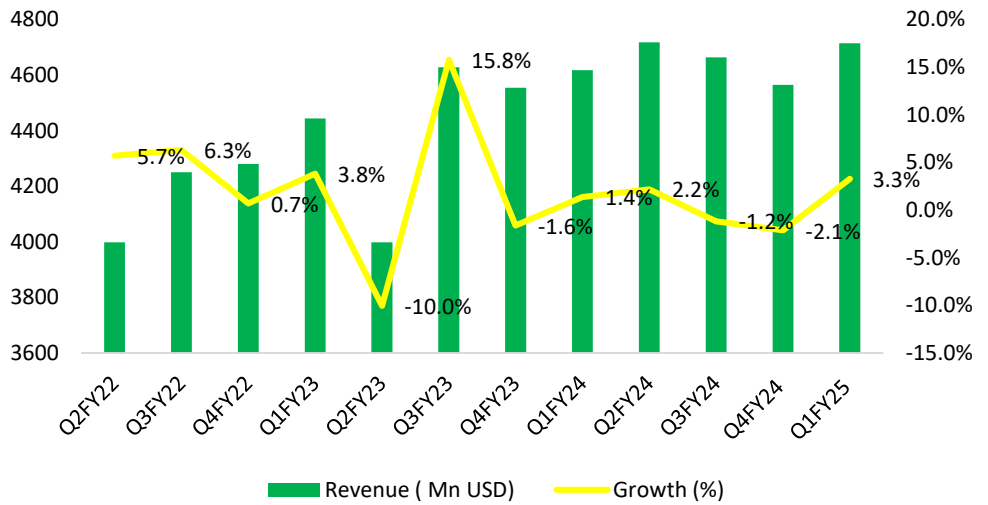
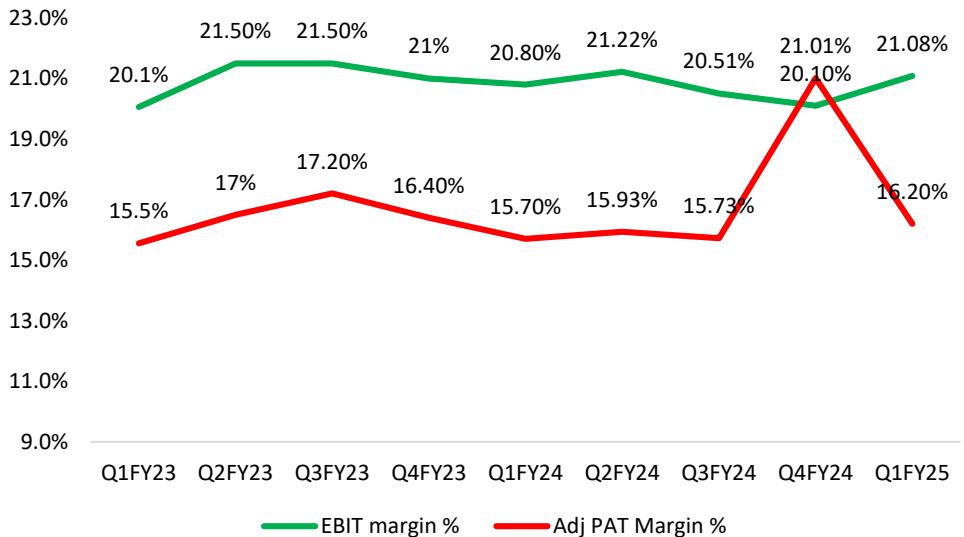


Exhibit :5 Maintained Operating margin of 20%-22% led by cost optimization



Source: Arianth Research, Company Filings

Exhibit 6: Operating Metrics

Employee Metrics	Q1FY23	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25
Employees, period end									
Total Employees (Consolidated)	3,35,186	3,45,218	3,46,845	3,43,234	3,36,294	3,28,764	3,22,663	3,17,240	3,15,332
S/W professionals	3,18,447	3,28,146	3,29,296	3,24,816	3,17,611	3,10,375	3,04,590	2,99,814	2,98,123
Sales & Support	16,739	17,072	17,549	18,418	18,683	18,389	18,073	17,426	17,209
Women employees (%)	28.4%	27.1%	24.3%	20.9%	39.5%	39.40%	39.30%	39.30%	39.20%
Voluntary Attrition % (Annualized - IT Services)	28.4%	27.1%	24.3%	20.9%	17.3%	14.60%	12.90%	12.60%	12.70%
Effort (IT Services and Consulting)	Q1FY23	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25
Onsite-Offshore Effort Split									
Onsite	24.3%	24.4%	24.5%	24.6%	24.7%	24.6%	24.4%	24.2%	23.9%
Offshore	75.7%	75.6%	75.5%	75.4%	75.3%	75.4%	75.6%	75.8%	76.1%
Utilization measures									
Including trainees	77.6%	76.6%	77.1%	76.9%	78.9%	80.4%	81.7%	82.0%	83.9%
Excluding trainees	84.7%	83.6%	81.6%	80.0%	81.1%	81.8%	82.7%	83.5%	85.3%
Revenues by client geography	Q1FY23	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25
North America	61.8%	62.5%	62.0%	61.0%	60.8%	61.1%	59.0%	59.6%	58.9%
Europe	25.0%	24.7%	25.8%	27.0%	26.8%	26.5%	28.2%	28.6%	28.4%
ROW	10.6%	9.9%	9.8%	9.4%	9.7%	9.6%	10.4%	9.6%	9.6%
India	2.6%	2.9%	2.4%	2.6%	2.7%	2.8%	2.4%	2.2%	3.1%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Revenues by Business segments	Q1FY23	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25
Financial Services	30.60%	30.50%	29.30%	28.90%	28.10%	27.50%	27.80%	26.40%	27.50%
Retail	14.50%	14.20%	14.30%	14.80%	14.50%	15.20%	14.60%	14.30%	13.80%
Communication	13.00%	12.30%	12.30%	11.80%	11.70%	11.40%	11.40%	12.30%	12.10%
Energy, Utilities, Resources and Services	12.40%	12.30%	13.00%	12.90%	12.90%	12.70%	13.20%	13.40%	13.30%
Manufacturing	12.10%	12.80%	13.30%	13.50%	14.10%	14.30%	14.90%	14.70%	14.70%
Hi Tech	8.20%	8.20%	8.10%	8.00%	8.10%	7.80%	7.70%	8.70%	8.00%
Life Sciences	6.50%	6.70%	7.00%	7.20%	7.20%	7.80%	7.60%	7.30%	7.30%
Others	2.70%	3.00%	2.70%	2.90%	3.40%	3.30%	2.80%	2.90%	3.30%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Client Data	Q1FY23	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25
Number of Clients									
Active	1778	1779	1850	1872	1883	1884	1872	1882	1867
Added during the period (gross)	106	103	134	115	99	100	88	98	87
Number of mn dollar clients*									
\$1 mn	877	895	912	922	940	951	944	959	987
\$10 mn	278	281	294	298	312	312	308	315	309
\$50 mn	69	77	79	75	79	80	82	83	84
\$100 mn	38	39	38	41	38	39	40	40	40
Client contribution to revenues									
Top 5 clients	13.00%	12.60%	13.10%	13.00%	13.40%	13.30%	13.40%	13.60%	13.50%
Top 10 clients	20.80%	20.20%	20.50%	20.10%	20.40%	19.90%	20.00%	20.40%	20.90%
Top 25 clients	36.30%	35.30%	35.30%	34.70%	34.60%	34.10%	33.70%	34.30%	34.90%
Days Sales Outstanding	63	65	68	62	63	67	72	71	72

Source: Arianth Research, Company Filings

Key Financials

Profit & Loss Statement (Consolidated)

Particulars (INR Cr)	FY24	FY25E	FY26E	FY27E
Revenues (US\$ mn)	18,562	19,257	20,112	21,819
Growth (%)	2.1%	3.7%	4.4%	8.5%
Income	1,53,670	1,64,299	1,76,128	1,89,882
Growth (%)	4.7%	6.9%	7.2%	7.8%
Software development expenses	1,07,413	1,10,902	1,18,887	1,27,411
Gross Profit	46,257	53,397	57,242	62,471
Sales and development expenses	6,973	9,529	9,687	10,254
General and administrative expenses	7,537	9,036	8,983	9,684
EBIT	31,747	34,831	38,572	42,534
EBIT Margin (%)	20.66%	21.20%	21.90%	22.40%
Finance Cost (Lease expense)	470	215	216	217
Other Income	4,711	2,300	2,466	2,658
Provision for investment/ Shares profit / (Loss)				
PBT	35,988	36,916	40,822	44,975
Tax	9,740	9,783	10,818	11,918
PAT	26,248	27,134	30,004	33,057
Adjusted PAT	26,233	27,052	29,921	32,973
Growth (%)	8.9%	3.1%	10.6%	10.2%
Adjusted EPS	63.3	65.3	72.3	79.6

Balance Sheet (Consolidated)

Particulars (INR Cr)	FY24	FY25E	FY26E	FY27E
Shareholder's Funds				
Share Capital	2,071	2,070	2,070	2,071
Reserves & Surplus	86,390	93,811	1,03,847	1,16,679
Net Worth	88,461	95,881	1,05,917	1,18,750
Total Non Current Liabilities	10,559	8,569	8,726	8,907
Total Current Liabilities	38,794	40,498	41,260	43,356
Total Liabilities	1,37,814	1,44,949	1,55,902	1,71,014
Net Block	21,070	27,050	33,462	40,373
Capital Work-in-Progress	293	293	293	293
Total Non Current Assets	48,382	54,942	60,661	66,936
Cash and bank balance	14,786	19,402	20,718	22,106
Total Current Assets	89,432	90,007	95,241	1,04,077
Total Assets	1,37,814	1,44,949	1,55,902	1,71,014

Source: Arianth Research, Company Filings

Key Financials

Cash Flow Statement (Consolidated)

Particulars (INR Cr)	FY23	FY24	FY25E	FY26E	FY27E
PAT	24,108	26,248	27,134	30,004	33,057
Add:- Depreciation & Others	4,225	4,678	3,286	3,523	3,798
Change in Working Capital	-6,344	-5,082	6,031	2,447	6,655
Cash generated from operations	31,261	34,441	37,985	37,421	44,870
Taxes paid	-8,794	-9,231	-9,783	-10,818	-11,918
Cash flow from operating activities	22,467	25,210	28,202	26,604	32,952
Purchase of FA and Capex	-2,579	-2,201	-5,980	-6,411	-6,912
Others	1,370.00	- 2,808.00	- 35.12	- 33.12	- 31.12
Cash flow from investing activities	-1,209	-5,009	-6,016	-6,444	-6,943
Other fin. Activities	-	-	-	-	-
Dividend paid, including div. tax	-13,631	-14,692	-23,094	-23,394	-23,694
Cash flow from financing activities	-26,695	-17,504	-17,486	-18,760	-24,537
Exchange Fluctuations	138	-84	-84	-84	-84
Net Cash Flow	-5,437	2,697	4,700	1,399	1,472
Opening Cash balance	17,472	12,173	14,786	19,402	20,718
Closing Cash balance	12,173	14,786	19,402	20,718	22,106

Key Ratios (Consolidated)

Particulars	FY23	FY24	FY25E	FY26E	FY27E
EPS (INR)	58.2	63.3	65.3	72.3	79.6
Book Value	183.2	213.6	231.6	255.8	286.7
DPS	17.5	46.0	50.0	50.0	50.0
Payout %	57%	56%	85%	78%	72%
Dividend Yield %	1.2	2.6	2.8	2.8	2.8
P/E	24.4	27.8	26.9	24.3	22.1
EBIT Margin (%)	21.1%	20.7%	21.2%	21.9%	22.4%
EBIT Margin	18.2%	17.6%	19.2%	19.9%	20.4%
PBT Margin	22.7%	23.4%	22.5%	23.2%	23.7%
Adjusted PAT Margin	16.4%	17.1%	16.5%	17.0%	17.4%
Debt/Equity	0.1	0.1	0.1	0.1	0.1
Current Ratio	1.8	2.3	2.2	2.3	2.4
ROE	31.8%	29.7%	28.2%	28.2%	27.8%
ROCE	24.6%	23.0%	24.0%	24.7%	24.9%

Source: Arianth Research, Company Filings

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Stock Rating Scale

BUY	>20%
ACCUMULATE	12% to 20%
HOLD	5% to 12%
NEUTRAL	-5% to 5%
REDUCE	-5% to -12%
SELL	<-12%

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