

**CMP: INR 1,419**

**Rating: Accumulate**

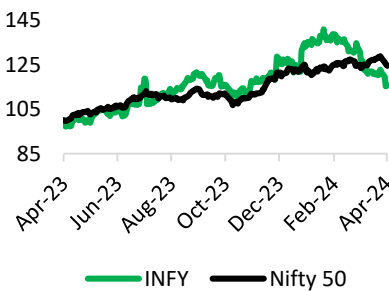
**Target Price: INR 1,609**

Stock Info	
BSE	500209
NSE	INFY
Bloomberg	INFO IN
Reuters	INFO.BO
Sector	Computers-Software
Face Value (INR)	5
Equity Capital (INR Cr)	2,071
Mkt Cap (INR Cr)	5,89,651
52w H/L (INR)	1,731/1,215
Avg Yearly Vol (in 000')	6,984

Shareholding Pattern % (As on Dec, 2023)	
Promoters	14.78
FII	33.7
DII	35.51
Public & Others	16.02

Stock Performance (%)	1m	3m	12m
INFY	-11.44	-13.60	15.69
Nifty	-0.27	2.49	24.55

**INFY Vs Nifty**



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Infosys (INFY) reported Overall in-line numbers as a contract renegotiation with a client caused a 100 bps impact on revenue and margin. Revenue growth guidance widened for FY25 to 1-3% (against 1.5-2% of FY24) in constant currency term. Maintained Operating margin of 20%-22% led by cost optimization. Despite this, nearly 85% of the contract's scope remains unchanged. Revenues in CC terms remained flat YoY and declined by 2.2% QoQ. Dollar-term Revenue de-growth -2.1% QoQ/0.2% YoY to \$4,564 mn below our estimate of \$4,730 mn. Reported revenue of INR 37,923 Cr (-2.3% QoQ/+1.3% YoY) against our estimate of INR 39,275 Cr. Vertical and geo performance: Financial (down 7.1% USD QoQ), retail (-4.1%), communication (+5.6%). North America (-1.1%) while Europe (+0.7%). EBIT margin was down 41bps QoQ/down by 94bps YoY at 20.1% against our estimates of 20.73%. The company continued the recent trend, attrition declined by 30bps QoQ to 12.6%. Headcount declined by 1.7% QoQ; Utilization ex trainee improved by 80 bps QoQ to 83.5%. Consolidated PAT stood at INR 7,969 Cr, up by 30% YoY/30.5% QoQ against our estimate of INR 6,147 Cr due (includes pretax interest income of INR 1,933 Crs and reversal of net tax provisions amounting to INR 38 crores) (positively impacted EPS by INR 4.76). Deal wins at USD 4.5bn vs USD3.2bn (average for past eight quarters). Active number of clients increased by 10 QoQ to 1882.

**Cautiously Optimistic on the medium-Term Outlook:** Project Maximus, margin expansion initiative, has shown strong progress across five key areas, stabilizing margins in FY24 compared to FY23. Despite lower growth challenges, advancements in value-based selling, automation, AI, and operational efficiency have been notable. Focus remains on optimizing operations to enhance medium-term operating margins. In industry verticals, BFSI faces challenges from high inflation and interest rates, leading to cautious spending, while there's a notable shift towards cloud adoption in financial services, and manufacturing sees double-digit growth in FY24.

**Driving Growth Through Digital Transformation; Traction on the Gen AI:** Financial services lead in cloud adoption, driving strong deal wins; collaborative efforts with clients enhance cost optimization and growth initiatives. Manufacturing sector sees double-digit growth in FY24, propelled by advancements in engineering, IoT, and digital transformation, with the company's unique AI approach gaining market share, notably with Topaz.

**Valuations**

Infosys (INFY) reported in-line numbers as a contract renegotiation with a client caused a 100 bps impact on revenue and margin. **Revenue growth guidance widened for FY25 to 1-3% (against 1.5-2% of FY24) in constant currency term. Maintained** margin guidance is 20-22%, with efforts aimed at improving margins through a large deal ramp-up this year and Gen AI deployment. Clients' focus on cost optimization and AI-driven efficiency prompts increased deals on vendor consolidation from managed services, with a strong deal pipeline reflecting sustained efforts and proactive pitches for cost takeouts and digital transformation. In USD terms, anticipated growth of 2.5% is expected for FY25E, with a projected margin of 21.2%/21.9%/22.4% for FY24E/FY25E/FY26E. **We value Infosys at a PE of 21x its FY27E EPS of INR 76.6 with the target price of INR 1,609 per share (earlier TP in INR 1,705 per share). We maintain our Accumulate rating on the stock.**

**Exhibit 1: Financial (Consolidated)**

Y/E March (INR. In Cr)	FY23	FY24	FY25E	FY26E	FY27E
Revenues (US\$ mn)	18,181	18,562	19,026	19,793	21,121
Net Revenue	1,46,767	1,53,670	1,61,464	1,70,449	1,82,841
EBIT	30,905	31,747	34,230	37,328	40,956
EBIT Margin (%)	21.1%	20.7%	21.2%	21.9%	22.4%
Net Profit	24,095	26,233	26,581	28,949	31,741
EPS (INR)	58.2	63.3	64.2	69.9	76.6
P/E (x)	24.4	22.4	22.1	20.3	18.5
ROE	31.8%	29.7%	27.9%	27.7%	27.3%

Source: Arihant Research, Company Filings

## Exhibit 2: Q4FY24 - Quarterly Performance (Consolidated)

INR Cr (Consolidated)	Q4FY24	Q3FY24	Q4FY23	Q-o-Q	Y-o-Y
Revenue (Mn USD)	4,564	4,663	4,554	-2.1%	0.2%
Net Revenue	37,923	38,821	37,441	-2.3%	1.3%
Cost of Sales	26,748	27,253	26,011	-1.9%	2.8%
Gross Profit	11,175	11,568	11,430	-3.4%	-2.2%
S&M and Admin. Expenses	3,554	3,607	3,553	-1.5%	0.0%
EBIT	7,621	7,961	7,877	-4.3%	-3.2%
EBIT margin %	20.1%	20.5%	21.0%	-41bps	-94bps
Other Income	2,619	658	589	298.0%	344.7%
PBT	10,240	8,619	8,466	18.8%	21.0%
Tax Expense	2,265	2,506	2,332	-9.6%	-2.9%
Effective tax rate %	22.1%	29.1%	27.5%	-696bps	-543bps
Reported PAT	7,975	6,113	6,134	30.5%	30.0%
MI & Associates	-6	-7	-6		
Consolidated PAT	7,969	6,106	6,128	30.5%	30.0%
Adj PAT Margin %	21.0%	15.7%	16.4%	33.6%	28.4%
EPS (INR)	19.3	14.8	14.8	30.4%	30.3%

**Q4FY24 Concall Highlights**

In Q4, the company experienced a one-time impact of ~100 basis points due to rescoping and renegotiation of a large contract within the financial services segment. Despite this, nearly 85% of the contract's scope remains unchanged.

Margin guidance is 20-22%, with efforts aimed at improving margins through a large deal ramp-up this year and Gen AI deployment.

Once the demand environment changes, hiring will adjust accordingly.

Revenues by Business Segments: BFSI (26.4% of revenue, down by 8.4% YoY): 6 large deals win Q4. Management expects BFSI to perform better in FY25 compared to FY24.

Retail (14.3% of revenue, down by 3.00% YoY): 6 large deals win Q4. Communication (12.3% of Revenue, Up by 4.7% YoY): 8 large deals win Q4. Energy, Utilities, Resources & Services (13.4% of Revenue, Up by 3.9% YoY) Manufacturing (14.7% of Revenue, Up by 9.00% YoY): 4 large deals win Q4. Expected to grow slower as compare to last year. Hi-tech (8.7% of Revenue, Up by 9.8% YoY) Life Sciences (7.3% of Revenue, Up by 1.9% YoY): 4 large deals win Q4.

Geography Large Deal win: 16 were from North America, 10 from Europe, and 4 from the rest of the world.

Company to pay dividend of INR 20 per share and a special dividend of INR 8 per share.

Focus remains on optimizing tracks for medium-term margin growth, amid cautious spending in BFSI due to high inflation and interest rates, with robust cloud adoption and growth in manufacturing witnessed in FY24.

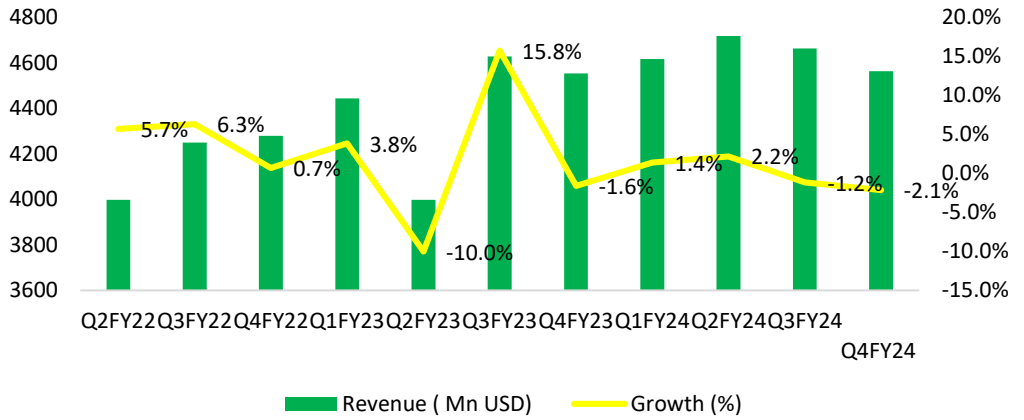
Clients and communication sectors continue to be cautious with growth and challenges.

Project Maximus doing well (a margin improvement plan aimed at optimizing costs and improving efficiency.)

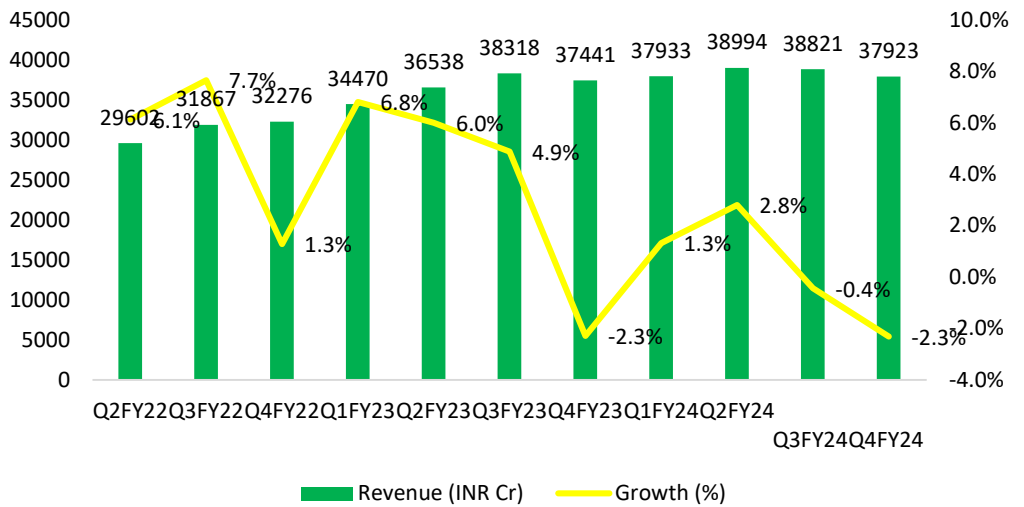
In terms of tailwinds, utilization remains below the comfort level of 84-85%, which is higher than the optimum level of 5-6% for efficiency; however, company can improve ratios, particularly if growth is better.

The revised capital allocation policy states that 85% of FCF would be return to shareholders over 5 year period

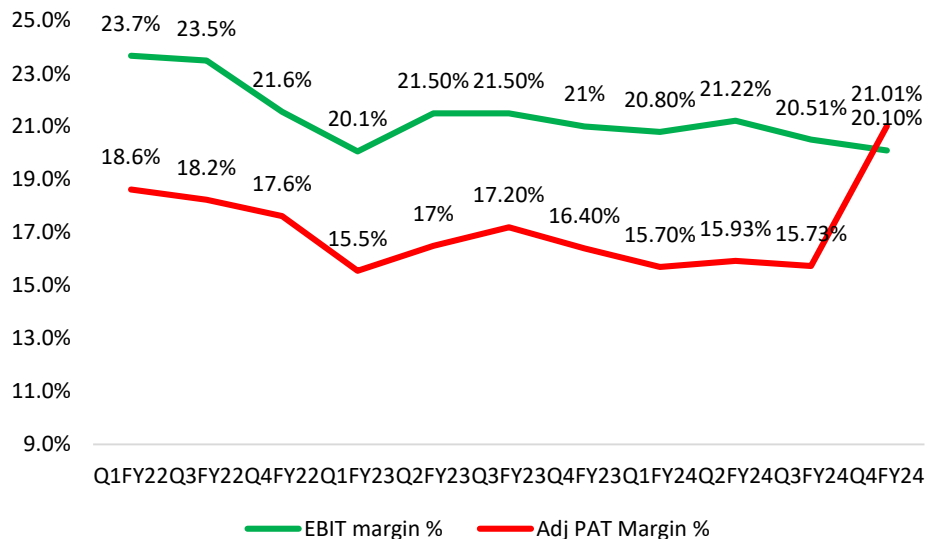
**Exhibit 3: FY24, topline guidance tighten**



**Exhibit 4: Top line below estimate Q4FY24**



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



Source: Arihant Research, Company Filings

**Exhibit 6: Operating Matrics**

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

Source: Arianth Research, Company Filings

## Key Financials

Profit & Loss Statement (Consolidated)					
Particulars (INR Cr)	FY23	FY24	FY25E	FY26E	FY27E
Revenues (US\$ mn)	18,181	18,562	19,026	19,793	21,121
Growth (%)	11.5%	2.1%	2.5%	4.0%	6.7%
Income	1,46,767	1,53,670	1,61,464	1,70,449	1,82,841
Growth (%)	20.7%	4.7%	5.1%	5.6%	7.3%
Software development expenses	1,02,353	1,07,413	1,08,988	1,15,053	1,22,686
Gross Profit	44,414	46,257	52,476	55,396	60,155
Sales and development expenses	6,249	6,973	9,365	9,375	9,873
General and administrative expenses	7,260	7,537	8,880	8,693	9,325
EBIT	30,905	31,747	34,230	37,328	40,956
EBIT Margin (%)	21.06%	20.66%	21.20%	21.90%	22.40%
Finance Cost (Lease expense)	284	470	215	216	217
Other Income	2,701	4,711	2,260	2,386	2,560
Provision for investment/ Shares profit / (Loss)					
PBT	33,322	35,988	36,276	39,499	43,299
Tax	9,214	9,740	9,613	10,467	11,474
PAT	24,108	26,248	26,663	29,032	31,825
Adjusted PAT	24,095	26,233	26,581	28,949	31,741
Growth (%)	9.0%	8.9%	1.3%	8.9%	9.6%
Adjusted EPS	58.2	63.3	64.2	69.9	76.6

Balance Sheet (Consolidated)					
Particulars (INR Cr)	FY23	FY24	FY25E	FY26E	FY27E
Shareholder's Funds					
Share Capital	2,069	2,071	2,070	2,070	2,071
Reserves & Surplus	73,726	86,390	93,340	1,02,404	1,14,004
Net Worth	75,795	88,461	95,410	1,04,474	1,16,075
Total Non Current Liabilities	10,835	10,559	8,532	8,651	8,814
Total Current Liabilities	39,186	38,794	40,116	40,638	42,541
Total Liabilities	1,25,816	1,37,814	1,44,058	1,53,762	1,67,431
Net Block	22,343	21,070	26,947	33,152	39,807
Capital Work-in-Progress	288	293	293	293	293
Total Non Current Assets	54,935	48,382	55,027	60,665	66,676
Cash and bank balance	12,173	14,786	19,924	20,472	21,396
Total Current Assets	70,881	89,432	89,031	93,097	1,00,755
Total Assets	1,25,816	1,37,814	1,44,058	1,53,762	1,67,431

Source: Arian Research, Company Filings

## Key Financials

## Cash Flow Statement (Consolidated)

Particulars (INR Cr)	FY23	FY24	FY25E	FY26E	FY27E
<b>PAT</b>	<b>24,108</b>	<b>26,248</b>	<b>26,663</b>	<b>29,032</b>	<b>31,825</b>
Add:- Depreciation & Others	4,225	4,678	3,229	3,409	3,657
Change in Working Capital	-6,344	-5,082	4,807	2,495	6,113
Cash generated from operations	31,261	34,441	36,257	36,424	43,000
Taxes paid	-8,794	-9,231	-9,613	-10,467	-11,474
<b>Cash flow from operating activities</b>	<b>22,467</b>	<b>25,210</b>	<b>26,643</b>	<b>25,957</b>	<b>31,525</b>
Purchase of FA and Capex	-2,579	-2,201	-5,877	-6,204	-6,655
Others	1,370.00	- 2,808.00	- 35.12	- 33.12	- 31.12
<b>Cash flow from investing activities</b>	<b>-1,209</b>	<b>-5,009</b>	<b>-5,912</b>	<b>-6,237</b>	<b>-6,687</b>
Other fin. Activities	-	-	-	-	-
Dividend paid, including div. tax	-13,631	-14,692	-23,094	-23,394	-23,694
<b>Cash flow from financing activities</b>	<b>-26,695</b>	<b>-17,504</b>	<b>-15,509</b>	<b>-19,087</b>	<b>-23,831</b>
Exchange Fluctuations	138	-84	-84	-84	-84
<b>Net Cash Flow</b>	<b>-5,437</b>	<b>2,697</b>	<b>5,222</b>	<b>632</b>	<b>1,008</b>
Opening Cash balance	17,472	12,173	14,786	19,924	20,472
<b>Closing Cash balance</b>	<b>12,173</b>	<b>14,786</b>	<b>19,924</b>	<b>20,472</b>	<b>21,396</b>

## Key Ratios (Consolidated)

Particulars	FY23	FY24	FY25E	FY26E	FY27E
EPS (INR)	58.2	63.3	64.2	69.9	76.6
Book Value	183.2	213.6	230.5	252.4	280.2
DPS	17.5	46.0	50.0	50.0	50.0
Payout %	57%	56%	87%	81%	74%
Dividend Yield %	1.2	3.1	3.3	3.3	3.3
P/E	24.4	22.4	22.1	20.3	18.5
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%	27.9%	27.7%	27.3%
ROCE	24.6%	23.0%	23.8%	24.3%	24.5%

Source: Arian 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%

**Absolute Return****Research Analyst  
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