

Infosys

Extended volatility leading to delayed recovery

Infosys' (INFO) performance volatility continued with revenue weakness and uninspiring guidance for next year. High discretionary portfolio, spending velocity of enterprise clients and elevated third-party costs have increased the volatility. While the guidance is muted at 1 to 3% CC impacted by a weak exit to FY24E, it still implies sequential growth acceleration. The recovery trajectory of both growth (front-ended for FY25E) and margins (margin efficiency program) ahead are positive. Valuation downside seems limited at <20x P/E and with gradual recovery ahead – we've factored revenue growth at 2.7% and 7.8% CC for FY25/26E and EBITM at 21.2/22.0, translating into 10% EPS CAGR over FY24-26E. Maintain ADD on INFO with a TP of INR 1,595, based on 22x FY26E EPS.

Muted guidance a function of challenges in discretionary and weak exit to FY24: INFO guided +1 to +3% CC growth for FY25E (ex-in-tech acquisition) after 1.4% growth in FY24 and missing its annual guidance – following a deceleration from 19.7/15.4% CC delivered in FY22/23. While the growth guidance is weak as compared to its guidance in the past (*exhibit: 2*), the guidance also implies a sequential growth acceleration of +1 to 2% CQGR (5Y average at 2% CQGR). Importantly, growth is likely to be front-ended with the ramp-up of deals such as Liberty Global expected to improve the growth trajectory (>0.5% QoQ).

BFSI client-specific impact: INFO's revenue decline in Q4 was accentuated by client-specific impact in the BFSI vertical. The contract renegotiation and rescope led to nearly -100bps impact of sequential revenue or ~USD 45mn impact. The company stated that it has retained ~85% of the scope of the existing contract from the large BFSI client and there are no similar risks from other large contracts. We reckon that the impact from the client and the GCC-related risk could persist; however, there are also opportunities for BOT in captives such as the recent 8-year deal such as Zooplus to set up a tech hub in Hyderabad.

Weakness in discretionary services: INFO's portfolio of discretionary services has increased over time and the company has a high mix of discretionary services in its portfolio (eg: Salesforce). The higher mix of discretionary services in its portfolio and the current enterprise buying velocity have reduced the visibility as compared to growth visibility in earlier periods. Large deal bookings of USD 17bn in FY24 including USD 9.2bn net new large deals lend growth visibility for FY25E, even as discretionary spending could recover at a slower pace. INFO's deal activity is driven by cost optimization deals and vendor consolidation deals with strength in services such as SAP S4 implementation.

Financial Summary

YE March (INR bn)	Q4FY24	Q4FY23	YoY (%)	Q3FY24	QoQ (%)	FY23	FY24	FY25E	FY26E
Revenue (USD mn)	4,564	4,554	0.2	4,663	(2.1)	18,212	18,562	19,077	20,566
Net Sales	379.23	374.41	1.3	388.21	(2.3)	1,467.67	1,536.71	1,593.07	1,748.10
EBIT	76.21	78.77	(3.2)	79.61	(4.3)	309.06	317.47	337.55	383.90
APAT	64.77	61.28	5.7	61.13	6.0	240.95	247.50	261.69	300.32
Diluted EPS (INR)	15.6	14.8	5.7	14.8	6.0	58.2	59.7	63.2	72.5
P/E (x)						24.4	23.8	22.5	19.6
EV / EBITDA (x)						15.9	15.1	14.3	12.6
RoE (%)						32.0	30.3	29.1	31.9

Source: Company, HSIE Research

ADD

CMP (as on 18 Apr 2024) INR 1,421

Target Price INR 1,595

NIFTY 21,996

KEY CHANGES	OLD	NEW
Rating	ADD	ADD
Price Target	INR 1,650	INR 1,595
EPS %	FY25E -5.5	FY26E -3.5

KEY STOCK DATA

Bloomberg code	INFO IN
No. of Shares (mn)	4,151
MCap (INR bn) / (\$ mn)	5,897/70,625
6m avg traded value (INR mn)	10,139
52 Week high / low	INR 1,733/1,215

STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	(13.5)	(1.4)	12.8
Relative (%)	(14.9)	(10.5)	(8.2)

SHAREHOLDING PATTERN (%)

	Sep-23	Dec-23
Promoters	14.89	14.78
FIs & Local MFs	33.37	33.93
FPIs	33.59	33.69
Public & Others	18.15	17.60
Pledged Shares	0.00	0.00

Source : BSE

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Margin guidance has an upward bias: INFO's margin profile has deteriorated due to elevated levels of pass-through and third-party hardware/software expense has become core to the company's operating model – recent quarters have been impacted by client-specific and McCamish cybersecurity incidents. Within segments, the Retail vertical posted a sharp improvement in margin. The sub-par margin profile in the Manufacturing and Communications vertical is attributable to mega deals and there's considerable scope to improve its margin profile over the medium term. We reckon that INFO's margin guidance has an upward bias (20-22% guidance for FY25E), supported by adequate scope to improve its utilisation, pricing and sub-contracting. INFO has undertaken project Maximus to improve its medium-term operating margin with focused tracks on utilisation, pricing, pyramid and delivery efficiency. GenAI, automation and utilisation optimisation to ~85% offer scope for margin improvement – we're building EBITM at 21.2% and 22% for FY25/26E respectively.

Headcount reduction: INFO's headcount declined during the quarter – the fifth consecutive quarter of sequential decline and lower by 26k for the year to 317,240. Hiring is expected to recover with a lag as there's sufficient scope in utilisation as well as the company increasing the mix of non-campus freshers. Growth in Europe outpaced North America in FY24 with Europe growing at 6.3% as compared to North America at -1.1% - growth divergence between Europe and North America continued in Q4.

Outlook: We expect growth improvement in the Communication and Hi-Tech vertical for FY25E, while the Manufacturing vertical is expected to decelerate (yet above company average supported by in-tech acquisition) and decline in BFSI (although recovery compared to FY24). INFO's net-new large deal wins of USD 9.2bn provide growth visibility for FY25/26E – USD 2bn incremental revenue over the next two years. Its growth is expected to recover gradually from 1.4% CC in FY24 to 2.7% in FY25E and 7.8% in FY26E – implying a CQGR of 1.8% over the next two years as compared to the last 5Y average at 2% CQGR. We have factored EBITM at 21.2% and 22.0% for FY25E and FY26E respectively translating to EPS CAGR of 10% over FY24-26E. INFO trades at 22.5x and 19.6x FY25E and FY26E EPS and our TP is based on 22x FY26E EPS of INR 72.5 (INR 75.1 earlier) – which is nearly in line with the company's 10Y PEG of 2x. Better cash generation (improvement in FCF/APAT in FY24) and INFO extending its payout policy by five years for 85% of FCF cumulatively are positives.

Key highlights from the earnings call

BFSI to accelerate while Manufacturing vertical to decelerate: BFSI vertical growth is expected to be better in FY25 as compared to FY24, while Manufacturing vertical is expected to decelerate (as compared to high growth in FY24).

Large deal signings dominated by Communication vertical: 30 large deal signings with TCv at USD 4.5bn for Q4 included 8 deals in communication vertical, 6 deals in BFSI 6 deals in Retail, 4 deals in Manufacturing, 4 deals in Life-sciences and 2 deals in ERS. Within geographies, 16 deals were from North America, 10 from Europe and 4 from the rest of the world region.

BFSI client impact on Q4 margin: Margin headwinds were -100bps from the one-time impact of contract renegotiation & rescoping, -80bps from the additional impact of salary hike and visa expense (effective November 2023), offset by tailwinds such as +40bps from project Maximus and +40bps from lower provision for client receivables.

Acquisition in ER&D services: INFO acquired in-tech, a Germany-based automotive ER&D service provider, for EUR 450mn (revenue of EUR 170mn and 2,200 employees) with services including design, consulting, advanced electronics platform development and validation of automotive-specific software and hardware systems, infotainment for OEM customers (customers include BMW, Volkswagen, Bosch, Siemens, Ford, Rolls Royce, Bombardier, Skoda, and ZF).

Exhibit 1: Quarterly consolidated Financial Snapshot

Particulars (INR bn)	Q4FY24	Q4FY23	YoY (%)	Q3FY24	QoQ (%)
Net Revenues (USD mn)	4,564	4,554	0.2	4,663	(2.1)
Net Revenues	379.23	374.41	1.3	388.21	(2.3)
Software development expenses	255.85	248.90	2.8	260.77	(1.9)
SG&A expenses	35.54	35.53	0.0	36.07	(1.5)
EBITDA	87.84	89.98	(2.4)	91.37	(3.9)
Depreciation	11.63	11.21	3.7	11.76	(1.1)
EBIT	76.21	78.77	(3.2)	79.61	(4.3)
Interest	1.10	0.82	34.1	1.31	(16.0)
Other Income	27.29	6.71	306.7	7.89	245.9
PBT	102.40	84.66	21.0	86.19	18.8
Minority Interest and associate profits	0.06	0.06	0.0	-	0.0
Tax	22.65	23.32	(2.9)	25.06	(9.6)
RPAT	79.69	61.28	30.0	61.13	30.4
E/o (adj for tax)	14.92	-	NA	-	NA
APAT	64.77	61.28	5.7	61.13	6.0

Source: Company, HSIE Research

Margin Analysis

MARGIN ANALYSIS %	Q4FY24	Q4FY23	YoY (bps)	Q3FY24	QoQ (bps)
Software development Expenses % Net Revenue	67.5	66.5	99	67.2	29
SG&A Expenses % Net Revenue	9.4	9.5	(12)	9.3	8
EBITDA Margin (%)	23.2	24.0	(87)	23.5	(37)
EBIT Margin (%)	20.1	21.0	(94)	20.5	(41)
Tax Rate (%)	22.1	27.5	(543)	29.1	(696)
APAT Margin (%)	17.1	16.4	71	15.7	133

Source: Company, HSIE Research

Exhibit 2: Muted guidance - INFO has delivered ~1.5% above guidance mid-point historically

	Guidance	Actual	Actual vs. Mid point of initial guidance
FY25E	1-3% CC		
FY24	4-7% CC	1.4% CC	-4.1%
FY23	13-15% CC	15.4% CC	1.4%
FY22	10-12% CC	19.7% CC	8.7%
FY21	0-2% CC	5% CC	4.0%
FY20	7.5-9.5% CC	9.8% CC	1.3%
FY19	6-8% CC	9% CC	2.0%
FY18	6.5-8.5% CC	5.8% CC	-1.7%
FY17	11.5-13.5% CC	8.3% CC	-4.2%
FY16	10-12% CC	13.3% CC	2.3%
FY15	7-9%	7.1% CC or 5.6% in USD terms	-2.4%
FY14	6-10%	12.4% CC or 11.5% in USD terms	3.5%
FY13	8-10%	6.5% CC or 5.8% in USD terms	-3.2%
FY12	18-20%	14.1% CC or 15.8% in USD terms	-3.2%
FY11	16-18%	25.5% CC or 25.8% in USD terms	8.8%
FY10	-6.7% to -3.7%	3% in USD terms	8.2%
FY09	19-21%	11.7% in USD terms	-8.3%
FY08	28-30%	35% in USD terms	6.0%
17Y Average			1.12%
17Y Median			1.40%

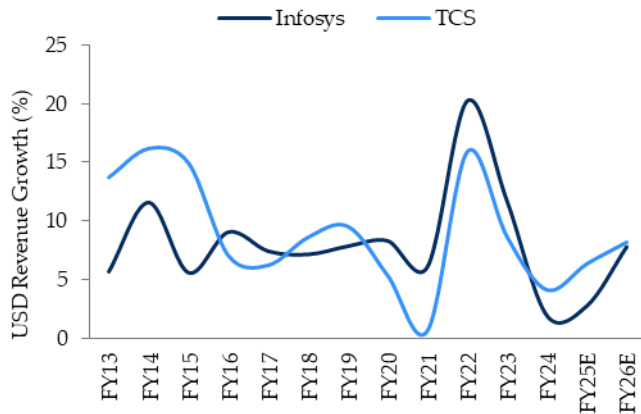
Source: Company, HSIE Research; Note: Green & Red indicates higher and lower actual performance compared to first guidance

Exhibit 3: Variability of annual guidance during the quarters - unchanged or increased in >80% of instances

Annual Guidance	Change in Annual Guidance			
	Post Q4	Post Q1	Post Q2	Post Q3
FY25E	1-3% CC			
FY24	4-7% CC	1-3.5%	1-2.5%	1.5-2.0%
FY23	13-15% CC	14-16%	15-16%	16-16.5%
FY22	10-12% CC	14-16%	16.5-17.5%	19.5-20%
FY21	0-2% CC	0-2%	2-3%	4.5-5%
FY20	7.5-9.5% CC	8.5-10%	9-10%	10-10.5%
FY19	6-8% CC	6-8%	6-8%	8.5-9%
FY18	6.5-8.5% CC	6.5-8.5%	5.6-6.5%	5.6-6.5%
FY17	11.5-13.5% CC	10.5-12%	8-9%	8.4-8.8%
FY16	10-12% CC	10-12%	10-12%	12.8-13.2%
FY15	7-9%	7-9%	7-9%	7-9%
FY14	6-10%	6-10%	9-10%	11.5-12%
FY13	8-10%	>5%	>5%	>6.5%
FY12	18-20%	18-20%	17.1-19.1%	16.50%
FY11	16-18%	19-21%	24-25%	25.7-26.7%
FY10	-6.7% to -3.7%	-4.6% to -6.7%	-1.3% to -1%	1.8-2%

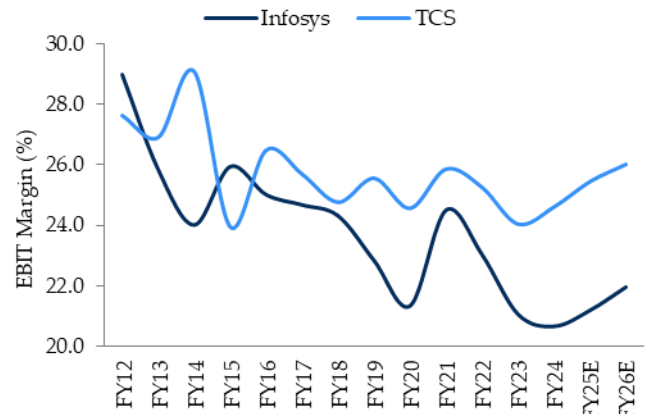
Source: Company, HSIE Research; Note: Green & Red indicates Increase and decrease in annual guidance from the prior guidance; in CC terms from FY16

Exhibit 4: INFO growth discount to TCS remains in FY25E



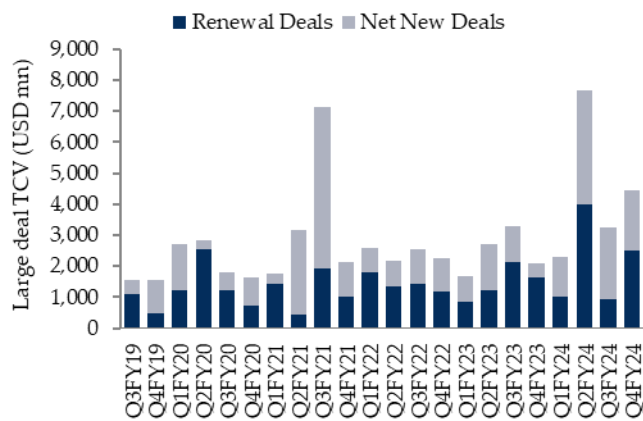
Source : Company, HSIE Research

Exhibit 5: INFO's margin gap to continue



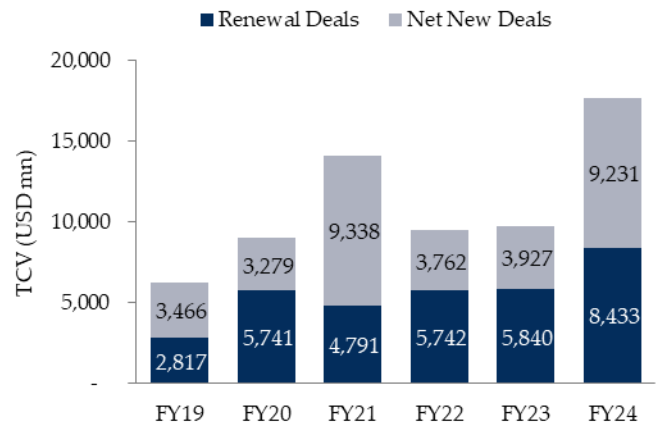
Source: Company, HSIE Research

Exhibit 6: Uptick in net new deal wins



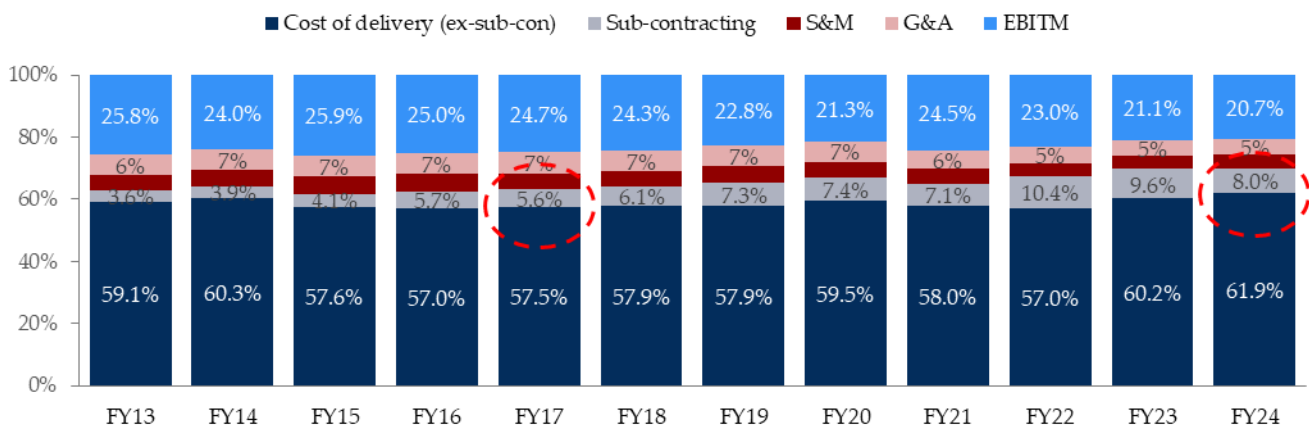
Source: Company, HSIE Research

Exhibit 7: Annual TCV trend – USD 9.2bn net new large deals to aid recovery



Source: Company, HSIE Research

Exhibit 8: Scope for operating structure to normalise - % of revenue



Source : Company, HSIE Research

Exhibit 9: Strength in discretionary

	Salesforce certified experts (Nos)	AWS certifications	AWS Competencies	AWS Customer launches	ServiceNow certified resources	Adobe certified employees	Google Cloud premier partner	SAP Global Service Partners	Oracle Global SI Partners
Accenture	23,762	2000+	30	2000+	1,861	1,249	Y	Y	Y
Cognizant	11,009	2000+	12	500+	962	1,116	Y	Y	Y
Capgemini	8,491	2000+	13	500+	446	392		Y	
TCS	7,726	2000+	18	500+	462	872	Y	Y	Y
Infosys	6,731	2000+	15	400+	877	448	Y	Y	Y
Wipro	4,731	2000+	12	200+	281	96	Y	Y	Y
HCLT	1,862	2000+	12	200+	322	329	Y	Y	
TECHM	1,822	2000+	10	300+	124	164	Y	Y	
LTIMindtree	1,755	1000+	9	200+	183	132		Y	
Mphasis	623	500+	6	50+	5	1			
Persistent	2,471	1000+	6	50+	3	7	Y		
EPAM	1,380	2000+	6	500+	33	209	Y		

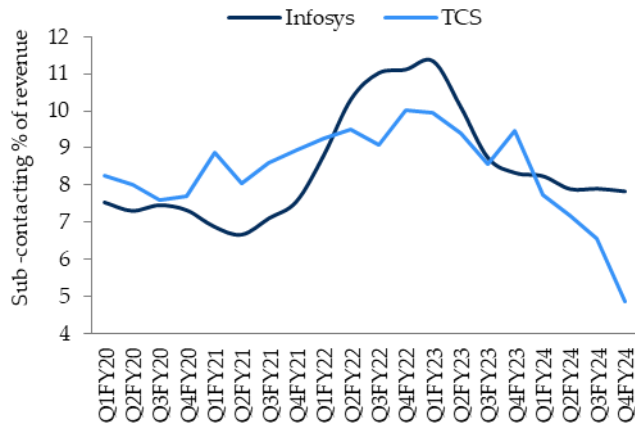
Source: Company, HSIE Research

Exhibit 10: Presence across Microsoft ecosystem

	Accenture	Cognizant	Capgemini	DXC Tech	TCS	Infosys	Wipro	HCL Tech	TECHM	LTIM
Azure	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
Developer Tools	Y	Y			Y		Y			Y
Dynamics 365		Y	Y	Y	Y	Y	Y			Y
Dynamics 365 Enterprise		Y	Y	Y	Y	Y	Y	Y	Y	Y
Dynamics AX, GP, NAV, SL		Y			Y	Y	Y		Y	Y
Enterprise Mobility & Security		Y	Y	Y	Y	Y	Y	Y	Y	Y
Exchange		Y			Y	Y	Y			Y
Microsoft 365	Y	Y	Y	Y	Y	Y		Y	Y	Y
Office 365	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
Power BI		Y	Y	Y	Y	Y	Y	Y	Y	Y
Project		Y			Y	Y	Y			
SQL	Y	Y			Y	Y	Y			Y
SharePoint	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
Skype for Business		Y			Y	Y	Y		Y	
Surface1		Y								
Teams	Y	Y			Y	Y		Y	Y	Y
Visio		Y			Y		Y			
Windows	Y	Y			Y	Y	Y		Y	Y
Yammer		Y					Y			

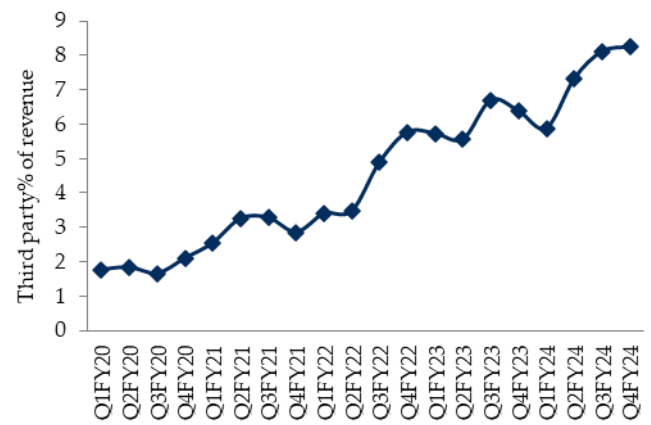
Source: Company, HSIE Research

Exhibit 11: Large scope to optimize sub-contracting



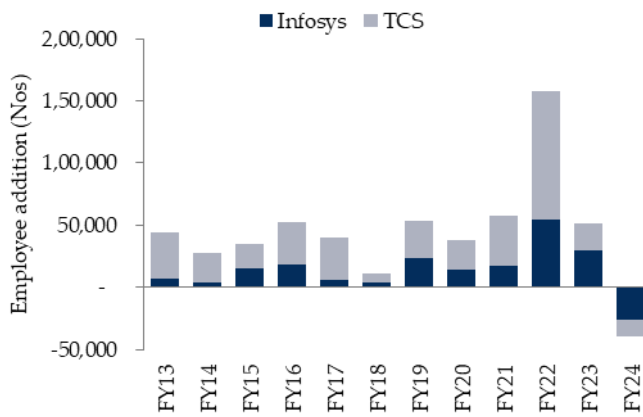
Source: Company, HSIE Research

Exhibit 12: Third party items % of revenue trend may stay elevated



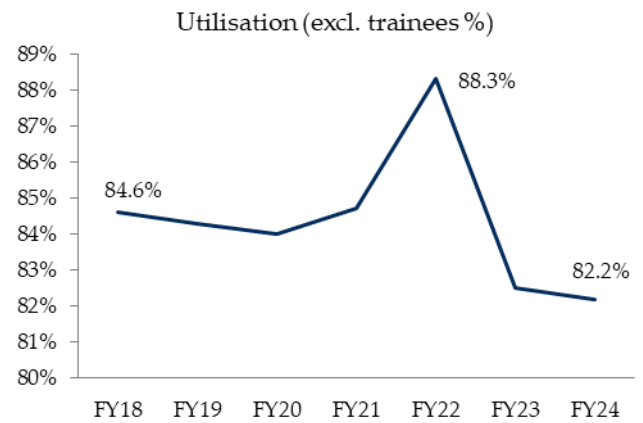
Source: Company, HSIE Research

Exhibit 13: Net headcount reduction for both INFO & TCS



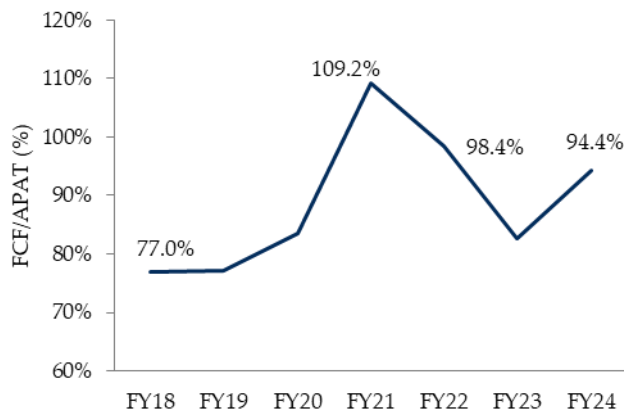
Source: Company, HSIE Research;

Exhibit 14: Scope for improvement in utilisation



Source: Company, HSIE Research

Exhibit 15: Healthy FCF generation



Source: Company, HSIE Research

Exhibit 16: INFO's buyback history

	1st Buyback	2nd Buyback	3rd Buyback	4th Buyback
Date of announcement	Aug-17	Jan-19	Apr-21	Oct-22
Buyback end date	Dec-17	Aug-19	Sep-21	Feb-23
Buyback size (INR bn)	130	83	87	93
Buyback shares (mn)	113	111	53	50
% of total shares	4.9%	2.4%	1.2%	1.2%
Buyback Price (INR)	1,150	747	1,648	1,539

Source: Company, HSIE Research

Exhibit 17: Recent deal wins

Enterprise Client	Vertical	Geography	Service
Hasbro	Retail	US	SAP S4 implementation
zooplus	Retail	Germany	Eight- year collaboration to set up an AI-led product and technology hub
Resolution Life Australasia	Financial Services (Insurance)	Australia	Cloud Migration
PROG Holdings, Inc.	Financial Services	US	Cloud and AI-focused technology modernization
Team Global Express	Logistics	Australia	Greenfield tech setup following divestment & public cloud on AWS
Zand Bank	Financial Services	UAE	Cloud-native solutions on Microsoft Azure
Handelsblatt Media Group	Communication (Media & Ent.)	Germany	AI-enabled reporting
ATP Tour	Communication (Media & Ent.)	UK	AI, Data Analytics, and Cloud
Tennis Australia	Communication (Media & Ent.)	Australia	GEN AI Solution
Pacific International Lines	Logistics	Singapore	Digital Transformation
Musgrave	Retail	Ireland	7-year deal for IT operations transformation
Regional Investment Corporation Australia	Public Services	Australia	Finacle implementation
Proximus	Communication	Belgium	IT Modernisation & ServiceNow platform standarisaton
Spirit AeroSystems	Manufacturing	US	Aerospace Engineering
Smart Europe GmbH	Manufacturing	Germany	5-year deal for digital sales/D2C channel services
LKQ Europe	Manufacturing	Europe	IT Transformation
Spotlight Retail	Retail	Australia	Digital Commerce
Shell	Energy, Utilities, Resources & Services	UK	ER&D and data center services
Bank of Commerce	Financial Services	Phillipines	Core banking transformation using Finacle
TTK Elevator	Manufacturing	US	Digital modernisation (Topaz)
MSG Networks	Communication	US	Communication (Media & Entertainment) – data & analytics
Smart Europe GmbH	Manufacturing	Europe	Customer experience & data-driven personalization using machine learning

Source: Company, HSIE Research

Exhibit 18: Recent acquisition details

Date	Target Company	Service	Purchase Consideration	Revenue
Apr-24	in-tech Holding GmbH	Engineering R&D services	EUR 450mn	FY21/22/23 of EUR 115.2/140.5/169.8mn
Jan-24	InSemi Technology Services Private Limited	Semiconductor Design and Engineering R&D services	INR 280 crore	FY21/FY22/FY23 of INR 58.8/109.5/153.6 crore
Jul-22	BASE life science	Product services consultancy (Life science)	EUR 110mn	FY20/21/22E of EUR 11.5/17.7/26.6mn
Mar-22	Oddity & Kristall 247. GmbH	Digital Experience and Marketing Agency	EUR 53mn	CY19/20/21 EUR 17.7/17.2/21.6mn
Oct-20	Blue Acorn iCi Group.	Digital CX, Commerce & Analytics – Adobe partner	USD 125mn	CY17/CY18/CY19 of USD 32.8/41.9/43.6mn
Sep-20	GuideVision, s.r.o.	Consulting, implementation services – ServiceNow	EUR 30mn	CY17/CY18/CY19 of EUR 6.1/10.4/12.9mn
Sep-20	Kaleidoscope Animations, Inc	Design & development. (Medical devices)	USD 42mn	CY17/CY18/CY19 of USD 13.2/15.5/20.6mn
Feb-20	Simplus (Outbox Systems Inc)	Salesforce consulting	USD 250mn	FY18/19/20 at USD 16.7/42.1/67.1mn & 500 employees

Source: Company, HSIE Research

Exhibit 19: Performance by Geographies

(% of revenue)	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24
North America	62.0	61.0	61.8	60.8	61.1	59.0
Europe	25.8	27.0	25.7	26.8	26.5	28.2
India	2.4	2.6	2.6	2.7	2.8	2.4
Rest of the World	9.8	9.4	9.9	9.7	9.6	10.4
Total	100.0	100.0	100.0	100.0	100.0	100.0

(QoQ, %)	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24
North America	1.5	(3.8)	1.1	2.7	(4.6)	(1.1)
Europe	6.8	2.3	0.6	1.0	5.2	(0.7)
India	(15.4)	5.9	5.3	6.0	(15.3)	(10.3)
Rest of the World	1.3	(6.2)	4.6	1.1	7.1	(9.7)
Total	2.3	(2.3)	1.4	2.2	(1.2)	(2.1)

(YoY, % CC)	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24
North America	10.5	6.0	2.1	1.0	(4.9)	(2.2)
Europe	25.3	20.3	10.1	5.4	5.0	4.9
India	(5.4)	(7.1)	13.7	3.9	(1.0)	(15.4)
Rest of the World	11.9	3.4	(0.5)	2.6	7.8	4.5
Total	13.7	8.8	4.2	2.5	(1.0)	0.0

Source: Company, HSIE Research

Sequential de-growth in North America continues due to decline in BFSI vertical

Exhibit 20: Performance by Verticals

(% of revenue)	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24
Financial services	29.3	28.9	29.8	28.1	27.5	27.8
Retail	14.3	14.8	14.5	14.5	15.2	14.6
Communication	12.3	11.8	12.3	11.7	11.4	11.4
Energy, Utilities, Resources & Services	13.0	12.9	12.6	12.9	12.7	13.2
Manufacturing	13.3	13.5	12.9	14.1	14.3	14.9
Hi Tech	8.1	8.0	8.1	8.1	7.8	7.7
Life Sciences	7.0	7.2	6.9	7.2	7.8	7.6
Others	2.7	2.9	2.9	3.4	3.3	2.8
Total	100.0	100.0	100.0	100.0	100.0	100.0

(QoQ, %)	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24
Financial services	(1.7)	(3.6)	4.5	(3.6)	(3.3)	(1.1)
Retail	3.0	1.2	(0.7)	2.2	3.6	(6.0)
Communication	2.3	(6.2)	5.7	(2.8)	(3.7)	(2.1)
Energy, Utilities, Resources & Services	8.1	(3.0)	(1.0)	4.6	(2.7)	1.7
Manufacturing	6.3	(0.8)	(3.1)	11.7	0.2	2.0
Hi Tech	1.0	(3.5)	2.7	2.2	(4.8)	(3.4)
Life Sciences	6.9	0.5	(2.8)	6.6	7.1	(4.6)
Others	(7.9)	5.0	1.4	19.8	(4.1)	(17.0)
Total	2.3	(2.3)	1.4	2.2	(1.2)	(2.1)

(YoY, % CC)	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24
Financial services	5.5	0.4	(4.2)	(7.3)	(5.9)	(8.5)
Retail	12.7	12.6	4.0	9.2	0.4	(3.7)
Communication	12.7	0.3	(5.6)	(4.3)	(8.0)	4.5
Energy, Utilities, Resources & Services	25.9	17.1	8.6	5.1	0.3	3.3
Manufacturing	36.8	26.5	20.7	12.6	10.6	8.7
Hi Tech	10.4	3.7	2.3	(0.6)	(5.1)	9.7
Life Sciences	5.0	15.7	13.9	18.4	6.3	1.0
Others	8.1	13.4	32.9	15.3	7.0	0.5
Total	13.7	8.8	4.2	2.5	(1.0)	0.0

Source: Company, HSIE Research

Exhibit 21: Client metrics

(Nos)	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24
USD 1mn+	912	922	940	951	944	959
USD 10mn+	294	298	312	312	308	315
USD 50mn+	79	75	79	80	82	83
USD 100mn+	38	40	38	39	40	40
Active Clients	1,850	1,872	1,883	1,884	1,872	1,882
Clients added (Gross)	134	115	99	100	88	98
Clients added (Net)	71	22	11	1	(12)	10
Top-5 % of revenue	13.1	13.0	13.4	13.3	13.4	13.6
Top-10 % of revenue	20.5	20.1	20.4	19.9	20.0	20.4

Source: Company, HSIE Research

*Fifth consecutive
quarter of net
headcount reduction*

Exhibit 22: Supply side metrics

(Nos.)	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24
Total headcount	346,845	343,234	336,294	328,764	322,663	317,240
Net additions	1,627	(3,611)	(6,940)	(7,530)	(6,101)	(5,423)
Voluntary Attrition % (TTM)	24.3	20.9	17.3	14.6	12.9	12.6
Utilisation including trainees (%)	77.1	76.9	78.9	80.4	81.7	82.0
Utilisation excluding trainees (%)	81.7	80.0	81.1	81.8	82.7	83.5

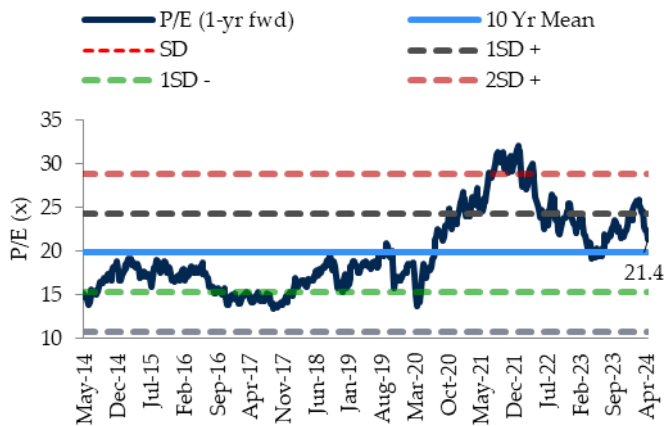
Source: Company, HSIE Research

Exhibit 23: Change in estimates

YE March (INR bn)	FY25E Old	FY25E Revised	Change %	FY26E Old	FY26E Revised	Change %
Revenue (USD mn)	19,638	19,077	(2.9)	21,204	20,566	(3.0)
Revenue	1639.96	1593.07	(2.9)	1802.33	1748.10	(3.0)
EBIT	351.94	337.55	(4.1)	397.12	383.90	(3.3)
EBIT margin (%)	21.5	21.2	-27bps	22.0	22.0	-7bps
APAT	276.82	261.69	(5.5)	311.24	300.32	(3.5)
EPS (INR)	66.8	63.2	(5.5)	75.1	72.5	(3.5)

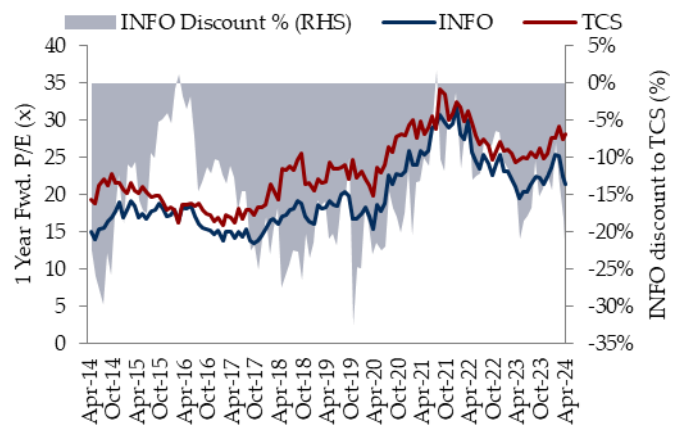
Source: Company, HSIE Research

Exhibit 24: INFO P/E (1-yr fwd) trend



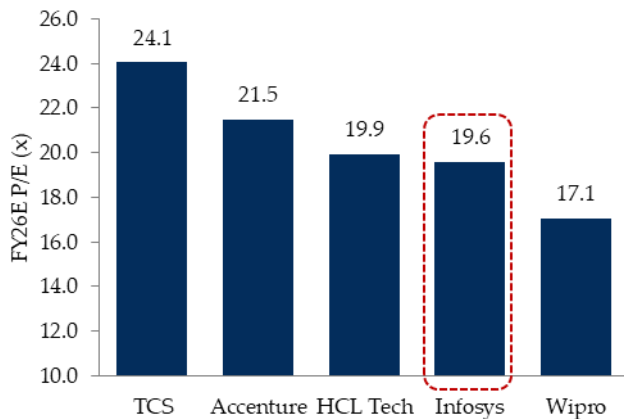
Source: Bloomberg, HSIE Research

Exhibit 25: INFO currently trades at ~20% discount to TCS vs historical average of ~15%



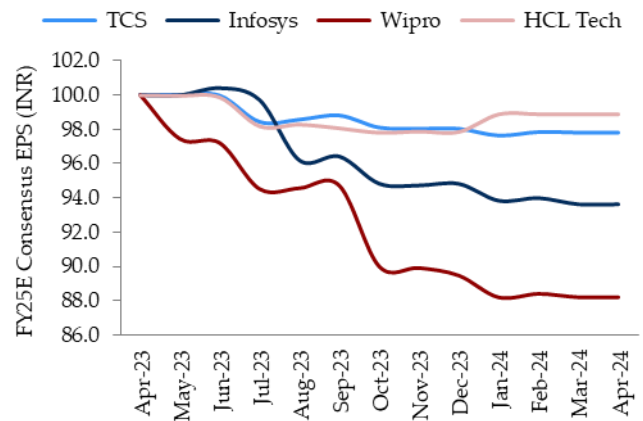
Source: Bloomberg, HSIE Research

Exhibit 26: Trading at ~20% discount to TCS on FY26E



Source: HSIE Research, Note: Accenture is Bloomberg consensus P/E

Exhibit 27: EPS estimate trend more volatile than TCS/HCLT



Source: Bloomberg, HSIE Research

Financials

Consolidated Income Statement

YE March (INR bn)	FY22	FY23	FY24	FY25E	FY26E
Net Revenues (USD mn)	16,310	18,212	18,562	19,077	20,566
<i>Growth (%)</i>	20.3	11.7	1.9	2.8	7.8
Net Revenues	1,216.41	1,467.67	1,536.71	1,593.07	1,748.10
<i>Growth (%)</i>	21.1	20.7	4.7	3.7	9.7
Software development expense	785.22	981.28	1,027.36	1,065.90	1,158.41
SG&A expense	116.27	135.08	145.10	144.57	157.17
EBITDA	314.92	351.31	364.25	382.60	432.52
Depreciation	34.77	42.25	46.78	45.04	48.61
EBIT	280.15	309.06	317.47	337.55	383.90
<i>EBIT (%)</i>	23.0	21.1	20.7	21.2	22.0
<i>EBIT Growth (%)</i>	13.8	10.3	2.7	6.3	13.7
Other Income	22.95	27.00	47.11	30.64	37.94
Interest	2.00	2.84	4.69	4.40	4.40
PBT	301.10	333.22	359.89	363.80	417.44
Tax (incl deferred)	79.64	92.14	97.41	101.86	116.88
RPAT	221.11	240.95	262.33	261.69	300.32
E/o (adj for tax)	-	-	14.83	-	-
APAT	221.11	240.95	247.50	261.69	300.32
<i>APAT Growth (%)</i>	14.3	9.0	2.7	5.7	14.8
EPS (INR)	53.4	58.2	59.7	63.2	72.5
<i>EPS Growth (%)</i>	14.3	9.0	2.7	5.7	14.8

Source: Company, HSIE Research

Consolidated Balance Sheet

YE March (INR bn)	FY22	FY23	FY24	FY25E	FY26E
SOURCES OF FUNDS					
Share Capital - Equity	20.98	20.69	20.71	20.71	20.71
Reserves	732.52	733.38	860.45	894.29	946.04
Total Shareholders' Funds	753.50	754.07	881.16	915.00	966.75
Minority Interest	3.86	3.88	3.45	3.45	3.45
Net Deferred Taxes	(0.56)	(0.25)	13.40	13.40	13.40
Long Term Prov & Others	73.90	96.15	87.65	87.65	87.65
TOTAL SOURCES OF FUNDS	830.70	853.85	985.66	1,019.50	1,071.25
APPLICATION OF FUNDS					
Net Block	178.98	202.28	189.22	191.10	203.32
CWIP	4.16	2.88	2.93	2.93	2.93
Goodwill & Other Intangible	79.02	89.97	87.00	92.01	93.86
Investments	3.77	7.67	7.22	7.22	7.22
Other Non-current Assets	98.69	118.97	85.53	85.62	85.87
Total Non-Current Assets	364.62	421.77	371.90	378.88	393.20
Cash & Equivalents	374.19	308.84	386.87	407.24	426.84
Debtors	226.98	254.24	301.93	313.00	343.46
Other Current Assets	200.94	260.86	312.90	320.50	341.42
Total Current Assets	802.11	823.94	1,001.70	1,040.75	1,111.73
Creditors	41.34	38.65	39.56	41.01	45.00
Other Current Liab. & Prov	294.69	353.21	348.38	359.13	388.68
Total Current Liabilities	336.03	391.86	387.94	400.14	433.68
Net Current Assets	466.08	432.08	613.76	640.61	678.04
TOTAL APPLICATION OF FUNDS	830.70	853.85	985.66	1,019.50	1,071.25

Source: Company, HSIE Research

Consolidated Cash Flow

YE March (INR bn)	FY22	FY23	FY24P	FY25E	FY26E
Reported PBT	301.10	333.22	359.89	363.80	417.44
Non-operating & EO items	(8.35)	(2.25)	(12.64)	(22.06)	(27.32)
Interest expenses	2.00	2.84	4.69	4.40	4.40
Depreciation	34.77	42.25	46.78	45.04	48.61
Working Capital Change	(14.24)	(63.44)	(50.82)	(6.48)	(17.83)
Tax paid	(76.12)	(87.94)	(92.31)	(101.86)	(116.88)
OPERATING CASH FLOW (a)	239.16	224.68	255.59	282.83	308.43
Capex	(21.61)	(25.79)	(22.01)	(51.93)	(62.68)
Free cash flow (FCF)	217.55	198.89	233.58	230.90	245.74
Investments	(1.18)	(3.90)	0.45	-	-
Non-operating income	8.35	2.25	12.64	21.73	26.83
INVESTING CASH FLOW (b)	(14.44)	(27.44)	(8.92)	(30.20)	(35.86)
FCFE	206.40	183.74	208.65	226.50	241.34
Share capital Issuance	-	-	-	-	-
Dividend	(238.58)	(251.52)	(147.49)	(227.86)	(248.57)
FINANCING CASH FLOW (c)	(249.73)	(266.67)	(172.42)	(232.26)	(252.97)
NET CASH FLOW (a+b+c)	(25.01)	(69.43)	74.25	20.37	19.60
Closing Cash & Equivalents	374.19	308.84	386.87	407.24	426.84

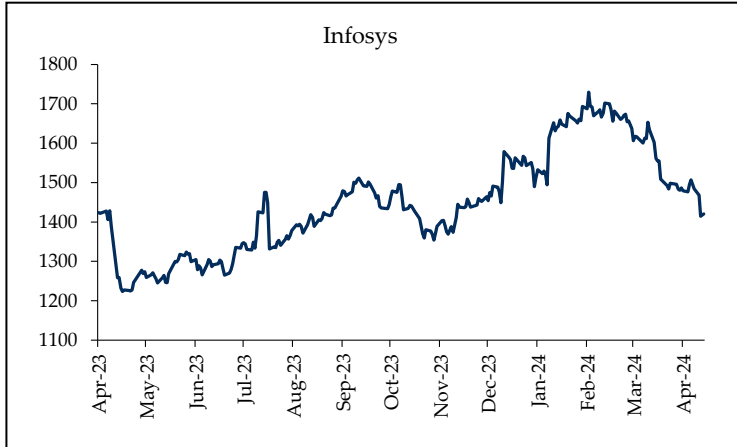
Source: Company, HSIE Research

Key Ratios

YE March	FY22	FY23	FY24	FY25E	FY26E
PROFITABILITY (%)					
EBIT Margin	23.0	21.1	20.7	21.2	22.0
APAT Margin	18.2	16.4	16.1	16.4	17.2
RoE	29.2	32.0	30.3	29.1	31.9
RoIC or Core RoCE	45.6	44.7	40.5	40.1	44.0
RoCE	26.6	28.6	26.9	26.1	28.7
EFFICIENCY					
Tax Rate (%)	26.4	27.7	27.1	28.0	28.0
Fixed Asset Turnover (x)	3.6	4.2	4.3	4.3	4.3
Debtors (days)	68	63	72	72	72
Other Current assets (days)	60	65	74	73	71
Payables (days)	12	10	9	9	9
Other Current liabilities (days)	88	88	83	82	81
Cash Conversion Cycle (days)	28	31	54	53	52
Net Debt/EBITDA (x)	(0.7)	(0.7)	(0.8)	(0.8)	(0.8)
Net Debt/Equity (x)	(0.3)	(0.3)	(0.3)	(0.3)	(0.4)
Interest Coverage (x)	140	109	68	77	87
PER SHARE DATA					
EPS (INR/sh)	53.4	58.2	59.7	63.2	72.5
CEPS (INR/sh)	58.8	65.1	67.6	70.5	80.2
DPS (INR/sh)	29.0	34.0	46.0	55.0	60.0
BV (INR/sh)	173.1	173.2	202.4	210.2	222.1
VALUATION					
P/E	26.6	24.4	23.8	22.5	19.6
P/BV	8.2	8.2	7.0	6.8	6.4
EV/EBITDA	17.5	15.9	15.1	14.3	12.6
OCF/EV (%)	4.3	4.0	4.6	5.2	5.6
FCF/EV (%)	3.9	3.6	4.2	4.2	4.5
FCFE/mkt cap (%)	3.5	3.1	3.5	3.8	4.1
Dividend Yield (%)	2.0	2.4	3.2	3.9	4.2

Source: Company, HSIE Research

1 Yr Price Movement



Rating Criteria

- BUY: >+15% return potential
- ADD: +5% to +15% return potential
- REDUCE: -10% to +5% return potential
- SELL: > 10% Downside return potential

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