

Infosys delivered a strong operating performance in Q1. Revenue grew 3.3% QoQ to US\$4.71bn (3.6% in CC; adjusted for one-offs: 3.1% CC), coming ahead of our estimate. EBITM expanded by 100bps to 21.1%, beating our estimate. However, revenue and margin were aided by a one-off to the tune of 50bps and 40bps. The management has increased FY25 revenue growth guidance to 3-4% CC (from 1-3% earlier), considering the i) solid Q1 performance led by improvement in BFSI in North America, ii) strong large deal wins, and iii) contribution from the in-tech acquisition (~0.8% of revenue). Overall demand and the discretionary spending environment have largely sustained, but BFSI is seeing early signs of improvement in North America. We lift FY25-27E EPS by 1.4-1.8%, factoring in the Q1 performance and the in-Tech acquisition. Given the all-round beat in Q1, signs of recovery in BFSI, and strong deal intake, we upgrade the target multiple to 28x (from 25x) and retain BUY on Infosys, raising TP to Rs2,050/sh at 28x Jun-26E EPS.

Infosys: Financial Snapshot (Consolidated)

Y/E Mar (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
Revenue	14,67,670	15,36,710	16,18,894	17,89,396	19,54,900
EBITDA	3,51,310	3,64,250	3,88,265	4,36,333	4,80,584
Adj. PAT	2,40,950	2,62,320	2,60,347	2,94,433	3,26,861
Adj. EPS (Rs)	58.1	63.2	62.7	70.9	78.7
EBITDA margin (%)	23.9	23.7	24.0	24.4	24.6
EBITDA growth (%)	11.6	3.7	6.6	12.4	10.1
Adj. EPS growth (%)	10.5	8.8	(0.8)	13.1	11.0
RoE (%)	31.8	31.9	27.9	28.5	28.5
RoIC (%)	55.2	49.5	46.9	51.1	55.4
P/E (x)	30.3	27.8	28.0	24.8	22.3
EV/EBITDA (x)	19.9	19.0	17.6	15.4	13.8
P/B (x)	9.6	8.2	7.5	6.7	6.1
FCFF yield (%)	2.8	3.3	3.3	3.9	4.4

Source: Company, Emkay Research

Results Summary

Revenue grew 3.3% QoQ (3.6% QoQ/2.5% YoY in CC) to US\$4.71bn, above our estimate of US\$4.66bn. EBITM expanded by 100bps to 21.1%, beating our estimate of 20.8%. Margins were positively affected by normalization of the one-timers of Q4 (100bps), benefits from Project Maximus (80bps), and one-off benefits in the India business (40bps), being partially offset by headwinds emanating from higher variable pay, higher leave costs, etc (-120bps). Growth was led by BFSI (7.6% QoQ), Manufacturing (3.3%), Life Sciences (3.3%), EURS (2.5%), Communications (1.6%), and Others (17.5%), while Hi-Tech (-5%) and Retail (-0.3%) saw a decline. All geographies saw sequential growth, with North America, Europe, India, and ROW growing 2.1%, 2.6%, 45.5%, and 3.3%, respectively. Large-deal TCV of US\$4.1bn remained healthy, with TTM large-deal-wins up 87.2% YoY. Total headcount declined 0.6% QoQ/6.2% YoY to 315,332. LTM attrition stood at 12.7% vs 12.6% in Q4FY24. **What we liked:** Operating performance beat, broad-based growth with BFSI returning to growth after 6 quarters, strong deal wins. **What we did not like:** Softness in Hi-Tech and Retail.

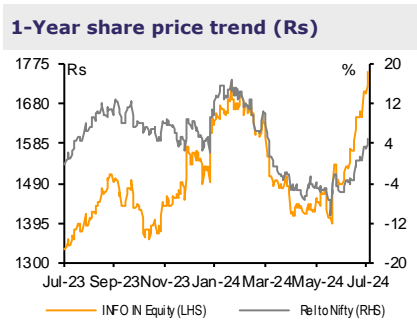
Earnings Call KTAs

i) Infosys has seen good volume recovery after many quarters, along with improvement in realizations, which has aided revenue growth. ii) FY25 revenue growth guidance implies 0.7% to 1.3% CQGR over Q2-Q4. iii) Infosys signed 34 large deals, with TCV of US\$4.1bn; 58% of these are net new. iv) The management expects normal seasonality to play out in FY25, per guidance, i.e. H1 to be stronger than H2. v) BFSI is seeing early signs of demand recovery in the mortgage, capital market, card, and payment verticals, while mgmt. believes it is difficult to comment on sustainability with a one-quarter data-point. vi) Large deal ramp-up led the growth in Communications, whereas the Hi-Tech vertical remains subdued. vii) EURS continues to be impacted by high interest rates and geopolitical conflicts, which are influencing spend patterns; pressure on discretionary spend persists. Deal pipeline remains strong. viii) Manufacturing growth was broad-based; pressure on discretionary spend persists. ix) The management expects margin improvement to be driven by Project Maximus (lean automation, pyramid, utilization, value-based selling). x) Nordic countries and Continental Europe are seeing good traction in large programs; constraints faced by local competitors in Germany are helping Infosys gain share. xi) The company plans to hire 15,000-20,000 freshers in FY25.

Target Price – 12M	Jun-25
Change in TP (%)	10.8
Current Reco.	BUY
Previous Reco.	BUY
Upside/(Downside) (%)	16.6
CMP (18-Jul-24) (Rs)	1,758.1

Stock Data	Ticker
52-week High (Rs)	1,765
52-week Low (Rs)	1,298
Shares outstanding (mn)	4,152.0
Market-cap (Rs bn)	7,299
Market-cap (US\$ mn)	87,253
Net-debt, FY25E (Rs mn)	-4,59,232
ADTV-3M (mn shares)	9
ADTV-3M (Rs mn)	13,748.2
ADTV-3M (US\$ mn)	164.3
Free float (%)	86.0
Nifty-50	24,801
INR/US\$	83.7
Shareholding, Mar-24	
Promoters (%)	13.2
FPIs/MFs (%)	30.5/32.1

Price Performance (%)	1M	3M	12M
Absolute	17.3	24.6	19.9
Rel. to Nifty	11.0	11.3	(4.7)



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Exhibit 1: Quarterly snapshot

(Rs mn)	Q1 FY25	Q4 FY24	QoQ chg	Q1 FY24	YoY chg
Net sales (US\$ mn)	4,714	4,564	3.3%	4,617	2.1%
Net sales	393,150	379,230	3.7%	379,330	3.6%
Operating expenses	298,780	291,390		288,690	
EBITDA	94,370	87,840	7.4%	90,640	4.1%
Margins (%)	24.0	23.2	80	23.9	10
Depreciation	11490	11630		11730	
EBIT	82,880	76,210	8.8%	78,910	5.0%
Margins (%)	21.1	20.1	100	20.8	30
Other income (net)	7,330	26,190		4,710	
Pre-tax profit	90,210	1,02,400	-11.9%	83,620	
Tax provided	26,470	22,650		24,170	
Profit after tax	63,740	79,750		59,450	
Emkay Net profit	63,740	79,750	-20.1%	59,450	7.2%
EPS (Rs)	15.3	19.2	-20.1%	14.3	7.1%

Source: Company, Emkay Research

Exhibit 2: Actuals vs estimates

(Rs mn)	Actual	Estimate		Variation		Comment
		Emkay	Consensus	Emkay	Consensus	
Revenue (US\$ mn)	4,714	4,655	4,666	1.3%	1.0%	Revenue came above our expectations.
Sales	3,93,150	3,88,250	3,89,228	1.3%	1.0%	
EBIT	82,880	80,884	80,181	2.5%	3.4%	
EBIT margin	21.1%	20.8%	20.6%	20 bps	50 bps	Margin beat expectations.
PAT	63,740	61,869	61,887	3.0%	3.0%	Net profit beat expectations due to better than expected operating performance.

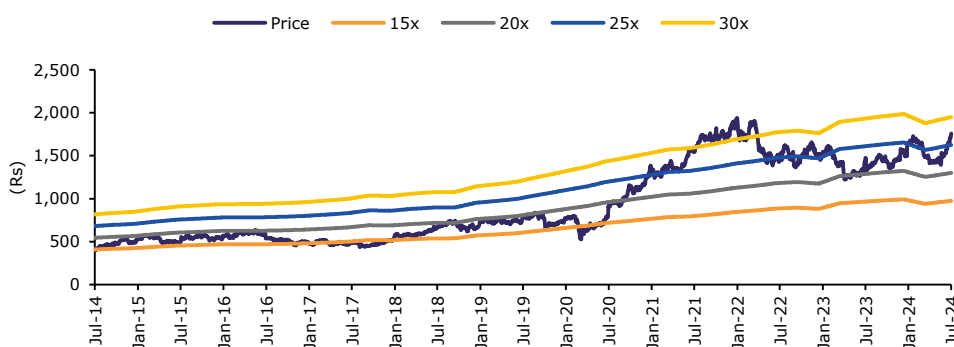
Source: Company, Bloomberg, Emkay Research

Exhibit 3: Changes in estimates

(Rs mn)	FY25E			FY26E			FY27E		
	Old	New	Change	Old	New	Change	Old	New	Change
Revenue (US\$ mn)	19,119	19,306	1.0%	20,833	21,052	1.0%	22,495	22,731	1.0%
YoY growth	3.0%	4.0%		9.0%	9.0%		8.0%	8.0%	
Revenue	1,603,176	1,618,894	1.0%	1,770,817	1,789,396	1.0%	1,934,602	1,954,900	1.0%
EBIT	336,751	340,071	1.0%	379,723	383,385	1.0%	417,798	422,788	1.2%
EBIT margin	21.0	21.0		21.4	21.4		21.6	21.6	
Net profit	256,578	260,347	1.5%	290,207	294,433	1.5%	321,206	326,861	1.8%
EPS (Rs)	61.8	62.7	1.5%	69.9	70.9	1.4%	77.4	78.7	1.8%

Source: Company, Emkay Research

Exhibit 4: Infosys – One-year forward PER



Source: Company, Emkay Research

Infosys: Consolidated Financials and Valuations

Profit & Loss					
Y/E Mar (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
Revenue	14,67,670	15,36,710	16,18,894	17,89,396	19,54,900
Revenue growth (%)	20.7	4.7	5.3	10.5	9.2
EBITDA	3,51,310	3,64,250	3,88,265	4,36,333	4,80,584
EBITDA growth (%)	11.6	3.7	6.6	12.4	10.1
Depreciation & Amortization	42,250	46,780	48,194	52,947	57,797
EBIT	3,09,060	3,17,470	3,40,071	3,83,385	4,22,788
EBIT growth (%)	10.3	2.7	7.1	12.7	10.3
Other operating income	0	0	0	0	0
Other income	27,160	45,420	30,430	34,703	40,974
Financial expense	3,000	3,000	3,000	3,000	3,000
PBT	3,33,220	3,59,890	3,67,501	4,15,089	4,60,761
Extraordinary items	0	0	0	0	0
Taxes	92,140	97,410	1,06,884	1,20,376	1,33,621
Minority interest	(130)	(160)	(270)	(280)	(280)
Income from JV/Associates	0	0	0	0	0
Reported PAT	2,40,950	2,62,320	2,60,347	2,94,433	3,26,861
PAT growth (%)	9.0	8.9	(0.8)	13.1	11.0
Adjusted PAT	2,40,950	2,62,320	2,60,347	2,94,433	3,26,861
Diluted EPS (Rs)	58.1	63.2	62.7	70.9	78.7
Diluted EPS growth (%)	10.5	8.8	(0.8)	13.1	11.0
DPS (Rs)	34.0	46.0	40.0	45.0	50.0
Dividend payout (%)	58.5	72.8	63.8	63.4	63.5
EBITDA margin (%)	23.9	23.7	24.0	24.4	24.6
EBIT margin (%)	21.1	20.7	21.0	21.4	21.6
Effective tax rate (%)	27.7	27.1	29.1	29.0	29.0
NOPLAT (pre-IndAS)	2,23,601	2,31,542	2,41,165	2,72,204	3,00,179
Shares outstanding (mn)	4,148.6	4,150.4	4,150.9	4,150.9	4,150.9

Source: Company, Emkay Research

Cash flows					
Y/E Mar (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
PBT	3,33,220	3,59,890	3,67,501	4,15,089	4,60,761
Others (non-cash items)	49,840	44,550	47,924	52,667	57,517
Taxes paid	(87,940)	(92,310)	(1,06,884)	(1,20,376)	(1,33,621)
Change in NWC	(65,030)	(51,620)	(12,484)	(18,720)	(19,347)
Operating cash flow	2,30,220	2,60,660	2,96,057	3,28,660	3,65,310
Capital expenditure	(25,790)	(22,010)	(54,755)	(43,560)	(47,060)
Acquisition of business	(9,700)	(1,010)	(10,125)	0	0
Interest & dividend income	18,630	21,670	26,930	30,503	36,774
Investing cash flow	(17,640)	(58,650)	(64,880)	(43,560)	(47,060)
Equity raised/(repaid)	(1,18,110)	50	0	0	0
Debt raised/(repaid)	0	0	0	0	0
Payment of lease liabilities	(12,310)	(20,240)	0	0	0
Interest paid	0	0	0	0	0
Dividend paid (incl tax)	(1,36,530)	(1,54,850)	(1,66,035)	(1,86,789)	(2,07,543)
Others	1,380	(840)	0	0	0
Financing cash flow	(2,65,570)	(1,75,880)	(1,66,035)	(1,86,789)	(2,07,543)
Net chg in Cash	(52,990)	26,130	65,142	98,311	1,10,707
OCF	2,30,220	2,60,660	2,96,057	3,28,660	3,65,310
Adj. OCF (w/o NWC chg.)	2,95,250	3,12,280	3,08,541	3,47,380	3,84,657
FCFF	2,04,430	2,38,650	2,41,302	2,85,100	3,18,250
FCFE	2,20,060	2,57,320	2,65,232	3,12,604	3,52,024
OCF/EBITDA (%)	65.5	71.6	76.3	75.3	76.0
FCFE/PAT (%)	91.3	98.1	101.9	106.2	107.7
FCFF/NOPLAT (%)	91.4	103.1	100.1	104.7	106.0

Source: Company, Emkay Research

Balance Sheet					
Y/E Mar (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
Share capital	20,690	20,710	20,710	20,710	20,710
Reserves & Surplus	7,37,260	8,63,900	9,58,212	10,65,856	11,85,173
Net worth	7,57,950	8,84,610	9,78,922	10,86,566	12,05,883
Minority interests	0	0	0	0	0
Deferred tax liability (net)	(250)	13,400	13,400	13,400	13,400
Total debt	0	0	0	0	0
Total liabilities & equity	7,57,700	8,98,010	9,92,322	10,99,966	12,19,283
Net tangible fixed assets	1,33,460	1,23,700	1,15,872	1,10,165	1,05,774
Net intangible assets	17,490	13,970	23,632	18,311	12,889
Net ROU assets	68,820	65,520	69,726	71,368	70,444
Capital WIP	4,470	4,480	5,000	5,000	5,000
Goodwill	72,480	73,030	83,155	83,155	83,155
Investments [JV/Associates]	0	0	0	0	0
Cash & equivalents	3,16,510	3,94,090	4,59,232	5,57,543	6,68,250
Current assets (ex-cash)	6,32,480	6,98,810	7,38,330	8,06,085	8,73,029
Current Liab. & Prov.	4,88,010	4,75,590	5,02,626	5,51,661	5,99,258
NWC (ex-cash)	1,44,470	2,23,220	2,35,704	2,54,424	2,73,771
Total assets	7,57,700	8,98,010	9,92,322	10,99,966	12,19,283
Net debt	(3,16,510)	(3,94,090)	(4,59,232)	(5,57,543)	(6,68,250)
Capital employed	7,57,700	8,98,010	9,92,322	10,99,966	12,19,283
Invested capital	4,36,720	4,99,440	5,28,090	5,37,422	5,46,033
BVPS (Rs)	182.7	213.1	235.8	261.8	290.5
Net Debt/Equity (x)	(0.4)	(0.4)	(0.5)	(0.5)	(0.6)
Net Debt/EBITDA (x)	(0.9)	(1.1)	(1.2)	(1.3)	(1.4)
Interest coverage (x)	0.0	0.0	0.0	0.0	0.0
RoCE (%)	44.4	43.8	39.2	40.0	40.0

Source: Company, Emkay Research

Valuations and key Ratios					
Y/E Mar	FY23	FY24	FY25E	FY26E	FY27E
P/E (x)	30.3	27.8	28.0	24.8	22.3
P/CE(x)	25.8	23.6	23.7	21.0	19.0
P/B (x)	9.6	8.2	7.5	6.7	6.1
EV/Sales (x)	4.8	4.5	4.2	3.8	3.4
EV/EBITDA (x)	19.9	19.0	17.6	15.4	13.8
EV/EBIT(x)	22.6	21.7	20.1	17.6	15.7
EV/IC (x)	16.0	13.8	12.9	12.5	12.1
FCFF yield (%)	2.8	3.3	3.3	3.9	4.4
FCFE yield (%)	3.0	3.5	3.6	4.3	4.8
Dividend yield (%)	1.9	2.6	2.3	2.6	2.8
DuPont-RoE split					
Net profit margin (%)	16.4	17.1	16.1	16.5	16.7
Total asset turnover (x)	1.9	1.9	1.7	1.7	1.7
Assets/Equity (x)	1.0	1.0	1.0	1.0	1.0
RoE (%)	31.8	31.9	27.9	28.5	28.5
DuPont-RoIC					
NOPLAT margin (%)	15.2	15.1	14.9	15.2	15.4
IC turnover (x)	3.6	3.3	3.2	3.4	3.6
RoIC (%)	55.2	49.5	46.9	51.1	55.4
Operating metrics					
Core NWC days	35.9	53.0	53.1	51.9	51.1
Total NWC days	35.9	53.0	53.1	51.9	51.1
Fixed asset turnover	3.0	2.9	2.9	2.9	3.0
Opex-to-revenue (%)	76.1	76.3	76.0	75.6	75.4

Source: Company, Emkay Research

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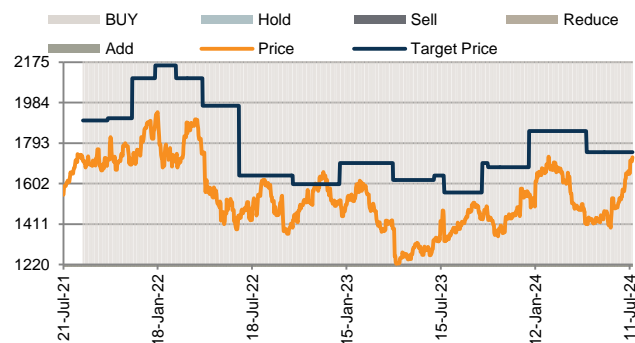
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RECOMMENDATION HISTORY - DETAILS

Date	Closing Price (INR)	TP (INR)	Rating	Analyst
09-Jun-24	1,534	1,750	Buy	Dipeshkumar Mehta
03-Jun-24	1,406	1,750	Buy	Dipeshkumar Mehta
27-May-24	1,471	1,750	Buy	Dipeshkumar Mehta
19-Apr-24	1,411	1,750	Buy	Dipeshkumar Mehta
01-Apr-24	1,495	1,850	Buy	Dipeshkumar Mehta
31-Mar-24	1,498	1,850	Buy	Dipeshkumar Mehta
01-Mar-24	1,655	1,850	Buy	Dipeshkumar Mehta
12-Jan-24	1,613	1,850	Buy	Dipeshkumar Mehta
31-Dec-23	1,543	1,850	Buy	Dipeshkumar Mehta
30-Nov-23	1,455	1,680	Buy	Dipeshkumar Mehta
13-Oct-23	1,431	1,680	Buy	Dipeshkumar Mehta
02-Oct-23	1,435	1,700	Buy	Dipeshkumar Mehta
21-Jul-23	1,332	1,560	Buy	Dipeshkumar Mehta
02-Jul-23	1,336	1,640	Buy	Dipeshkumar Mehta
14-Apr-23	1,389	1,620	Buy	Dipeshkumar Mehta
01-Apr-23	1,428	1,700	Buy	Dipeshkumar Mehta
13-Jan-23	1,504	1,700	Buy	Dipeshkumar Mehta
02-Jan-23	1,524	1,700	Buy	Dipeshkumar Mehta
14-Oct-22	1,474	1,600	Buy	Dipeshkumar Mehta
04-Oct-22	1,429	1,600	Buy	Dipeshkumar Mehta
25-Jul-22	1,504	1,640	Buy	Dipeshkumar Mehta
23-Jun-22	1,452	1,640	Buy	Dipeshkumar Mehta
01-Jun-22	1,479	1,970	Buy	Dipeshkumar Mehta
14-Apr-22	1,749	1,970	Buy	Dipeshkumar Mehta
01-Apr-22	1,904	2,100	Buy	Dipeshkumar Mehta
22-Feb-22	1,734	2,100	Buy	Dipeshkumar Mehta
13-Jan-22	1,897	2,160	Buy	Dipeshkumar Mehta
01-Jan-22	1,888	2,100	Buy	Dipeshkumar Mehta
30-Nov-21	1,713	2,100	Buy	Dipeshkumar Mehta
14-Oct-21	1,716	1,910	Buy	Dipeshkumar Mehta
02-Oct-21	1,665	1,900	Buy	Dipeshkumar Mehta
27-Aug-21	1,709	1,900	Buy	Dipeshkumar Mehta

Source: Company, Emkay Research

RECOMMENDATION HISTORY - TREND



Source: Company, Bloomberg, Emkay Research

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