

BUY

CMP (Rs)	1,419
Target Price (Rs)	1,738
Potential Upside	22.5%
Sensex	72,489
Nifty	21,996

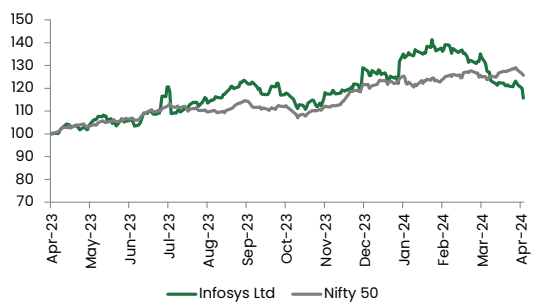
Key Stock data

BSE Code	500209
NSE Code	INFY
Bloomberg	INFO:IN
Shares o/s, Cr (FV 5)	415.0
Market Cap (Rs Cr)	589,111
3M Avg Volume	6,530,282
52 week H/L	1,733/1,185

Shareholding Pattern

(%)	Jun-23	Sep-23	Dec-23
Promoter	14.9	14.9	14.8
FII	33.4	33.6	33.7
DII	34.9	35.5	35.8
Others	16.7	16.0	15.7

1 year relative price performance



1 year P/E Forward (x)



Research Analyst

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Improvement in FY25; Maintain Buy

Q4FY24 Result Update | Sector: IT | April 19, 2024

Revenue declined & below our expectations: Infosys reported decline in Q4FY24 constant currency revenue growth by 2.2% QoQ but YoY was flat. Its revenue in rupee at Rs 37,923cr, de-growth of 2.3% QoQ but a growth of 1.3% YoY while dollar revenue stood at USD 4,564mn, a de-growth of 2.1% QoQ but up by 0.2% YoY. Amongst Verticals, growth was led by manufacturing, Hi-tech, energy, communications & life science while its 40-41% of business driven by financials service & retail witnessed de-growth. Amongst geographies, Europe drove the growth while North America & India business were muted. For FY24, its revenue in Rupee grew by 4.7% YoY to Rs 1,53,671cr while revenue in dollar was up by 1.9% to USD 18,562mn and growth in constant currency was 1.4% YoY. The growth was driven mainly by the Europe region as well as manufacturing, retail, energy & life science segments.

Margins witnessed a decline but in-line with management expectations: The company's EBIT stood at Rs 7,621cr which declined by 4.3% QoQ and 3.2% YoY while margins were in-line with management expectation at 20.1%, but it declined by 41bps QoQ and 94bps YoY. Going ahead, management focuses on growing margins in the similar range of 20-22% for FY25, driven by focus on Gen AI & Maximus models and increase in utilization levels. Its PAT stood at Rs 7,975cr, an increase of 30.5% QoQ and 30% YoY with PAT margin at 21% an improvement of 528bps QoQ and 465bps YoY driven by higher other income. For FY24, EBIT grew by 2.7% YoY to Rs 31,747cr with margins at 20.7%, a decline of 40bps.

Order win stood healthy: Infosys won large deals worth USD 4.5bn for the quarter which is higher by 40.6% as compared to last quarter. Out of these 44% were net new. For FY24, it won total deals worth USD 17.7bn.

Marginal easing in attrition: The company's attrition continued to moderate and stood at 12.6%, down by 30bps QoQ (12.9% in Q3FY24) and 830 bps YoY (20.9% in Q4FY23) which is positive. For FY24, its attrition stood at 12.6% as compared to 20.9% in FY23 (easing of 830bps YoY).

Management guidance better than FY24: For FY25, management guidance seems to be slightly better than FY24 as it suggested revenue growth of 1%-3% in CC which would be driven by focus on newer technology and more winning of larger deals. However, they also mentioned that clients continued to be cautious for discretionary spending and signing new deals. Further, on the operating margin front they maintain similar guidance of 20%-22%.

Outlook & Valuation: Infosys results came in below expectations but was well within the management guidance. We believe as clients are still on the back foot regarding signing new discretionary deals, so the positive outcome on revenue growth may delay by 1-2 quarters but expect overall FY25 to be better than FY24. The growth is expected to be driven by demand for its Gen AI & Cloud as well as automation technology. Besides, their focus remains on optimization and better utilization which will aid to drive margins. On a financial front, we expect revenue/EBIT to grow by 3.5%/6.1% CAGR over FY24-26E as we have incorporated management guidance for FY25. We continue to maintain our Buy rating and a same target price of **Rs 1,738**.

Financial Summary - consolidated

Particulars, Rs cr	FY23	FY24	FY25E	FY26E
Net revenue	146,767	153,671	156,744	164,582
EBIT	30,906	31,747	32,850	35,714
EBITM (%)	21.1	20.7	21.0	21.7
APAT	24,108	26,248	27,435	29,716
APATM (%)	16.4	17.1	17.5	18.1
EPS (Rs)	58.3	63.4	66.2	71.7
PE (x)	24.4	22.4	21.4	19.8
RoE (%)	32.0	29.8	27.7	26.7

Source : RBL Research

Key Highlights: 1) Management is seeing good traction with its clients on Gen AI. 2) It announced acquisition of In-tech (German original equipment manufacturers) for Euro 450mn and the acquisition is likely to be completed in the first half of FY25. 3) For FY24, the Board recommended a final dividend of RS 20/share and additionally a special dividend of Rs 8/share. 4) For FY25 as well the Company expects to continue its policy of returning approximately 85% of the Free Cash Flow cumulatively over a 5-year period through a combination of semi-annual dividends and/or share buyback/ special dividends. 5) Amongst geographies, Europe contribution increased to 28.6% in Q4 and its reported growth of 4.9% YoY CC while North America contribution to revenue decreased to 59.6% and witnessed a degrowth of 2.2% YoY in CC while India which contributed around 2.2% too saw a decline in growth by 15.4% YoY in CC. 6) Amongst verticals, financials & Retail witnessed a decline of 8.5% YoY & 3.7% YoY in Q4 while growth was led by hi-tech with 9.7% YoY in CC, manufacturing with 8.7% YoY in CC followed by communication, energy & Life science with 4.5% YoY, 3.3% YoY & 1.0% YoY in CC.

Revenue growth mixed, de-growth in North America but growth in Europe

EBIT margins at 20.1% in-line with management expectation

P&L Account Quarterly - consolidated

Particulars, Rs cr	Q4FY24	Q4FY23	Y-o-Y (%)	Q3FY24	Q-o-Q (%)
Revenue (\$ Mn)	4,564	4,554	0.2	4,663	(2.1)
Revenue (Rs cr)	37,923	37,441	1.3	38,821	(2.3)
Cost of Sales	26,748	26,011	2.8	27,253	(1.9)
Gross Profit	11,175	11,430	(2.2)	11,568	(3.4)
Gross Margins (%)	29.5	30.5	-106bps	29.8	-33bps
Selling and marketing expenses	1,735	1,659	4.6	1,700	2.1
General and administrative	1,819	1,894	(4.0)	1,907	(4.6)
Total Expenditure	30,302	29,564	2.5	30,860	(1.8)
EBITDA	8,784	8,998	(2.4)	9,137	(3.9)
EBITDA Margins (%)	23.2	24.0	-87bps	23.5	-37bps
Depreciation	1,163	1,121	3.7	1,176	(1.1)
EBIT	7,621	7,877	(3.2)	7,961	(4.3)
EBIT Margins (%)	20.1	21.0	-94bps	20.5	-41bps
Other Income	2,729	671	306.7	789	245.9
Interest	110	82	34.1	131	(16.0)
PBT	10,240	8,466	21.0	8,619	18.8
Tax	2,265	2,332	(2.9)	2,506	(9.6)
PAT	7,975	6,134	30.0	6,113	30.5
PAT Margin (%)	21.0	16.4	465bps	15.7	528bps
EPS (Rs)	19.3	7.2	166.6	14.8	30.4

Source : RBL Research

Financial service & Retail witnessed muted growth

Revenue Share by Business Segments (%) - consolidated

Particulars	Q4FY24	Q4FY23	Q3FY24	Reported YoY	CC YoY
Financial services	26.4	28.9	27.8	(8.4)	(8.5)
Retail	14.3	14.8	14.6	(3.0)	(3.7)
Communication	12.3	11.8	11.4	4.7	4.5
Energy, Utilities, Resources & Services	13.4	12.9	13.2	3.9	3.3
Manufacturing	14.7	13.5	14.9	9.0	8.7
Hi-Tech	8.7	8.0	7.7	9.8	9.7
Life Sciences	7.3	7.2	7.6	1.9	1.0
Others	2.9	2.9	2.8	(2.7)	0.5

Source : RBL Research

Revenue Share by Client Geography (%) - consolidated

Particulars, Rs cr	Q4FY24	Q4FY23	Q3FY24	Reported YoY Growth (%)	CC YoY Growth (%)
North America	59.6	61.0	59.0	(2.1)	(2.2)
Europe	28.6	27.0	28.2	6.5	4.9
India	2.2	2.6	2.4	(16.1)	(15.4)
Rest of the world	9.6	9.4	10.4	1.6	4.5

Source : RBL Research

North America & India growth was muted

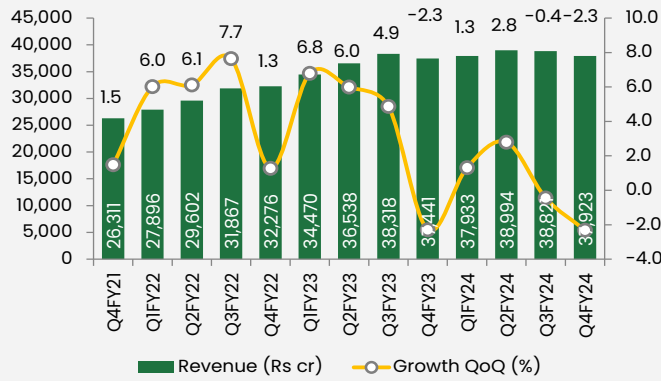
Clients Contribution

Particulars	Q4FY24	Q4FY23	Q3FY24
Number of Clients			
Active	1,882	1,872	1872
Added during the period	98	115	88
No of Mn \$ clients*			
1 Mn \$ +	959	922	944
10 Mn \$ +	315	298	308
50 Mn \$ +	83	75	82
100 Mn \$ +	40	40	40
Clients contributing to revenues			
Top 5 clients	13.6%	13.0%	13.4%
Top 10 clients	20.4%	20.1%	20.0%
Top 25 clients	34.3%	34.7%	33.7%

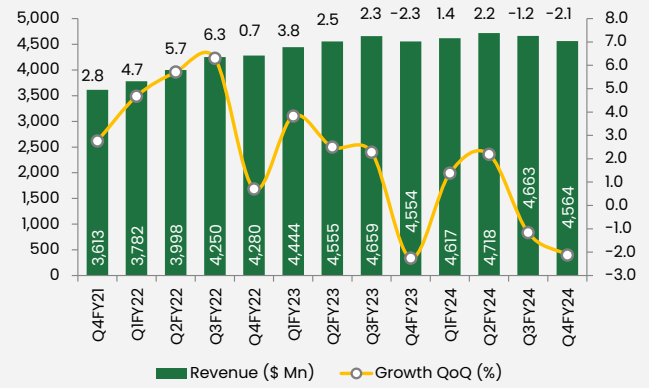
Source : RBL Research

Story in charts

Revenue in Rupee de-grew by 2.3% QoQ but was up by 1.3% YoY

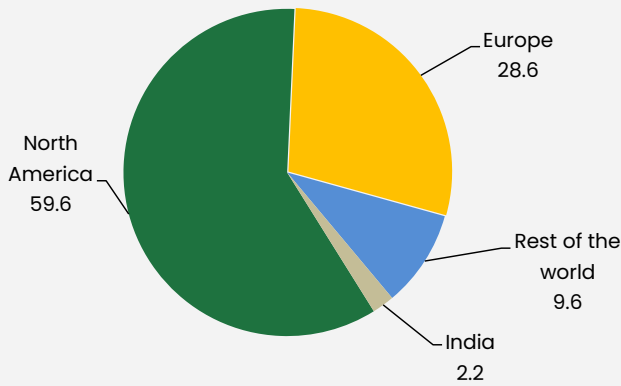


Revenue in USD de-grew by 2.0% QoQ and was up by 0.2% YoY

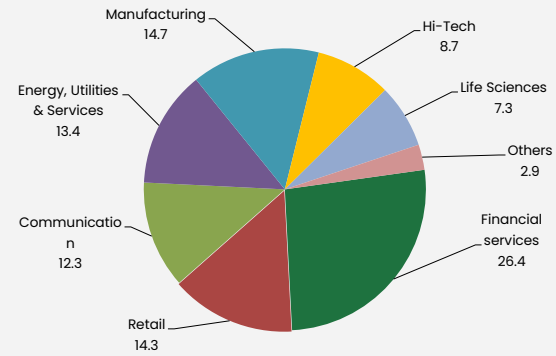


Source : RBL Research

Revenue by Client Geography %

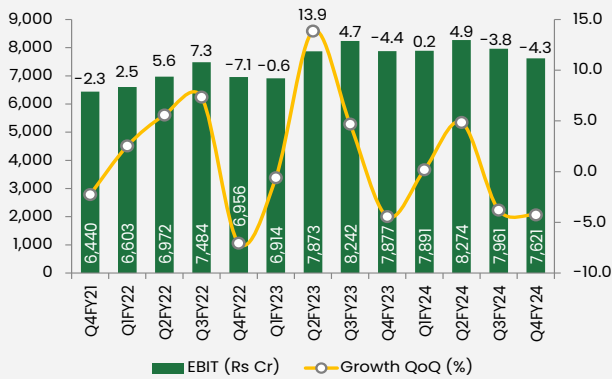


Revenue by Business Segments %

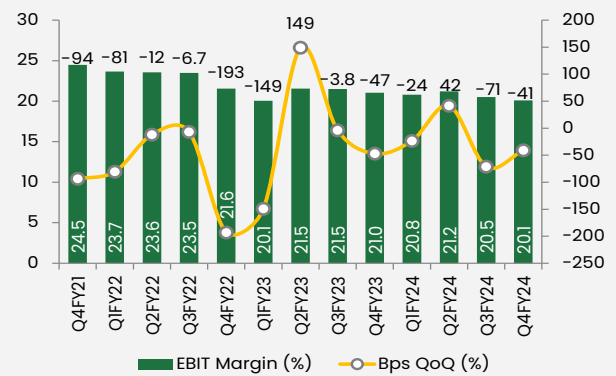


Source : RBL Research

EBIT de-grew by 4.3% QoQ and 3.2% YoY

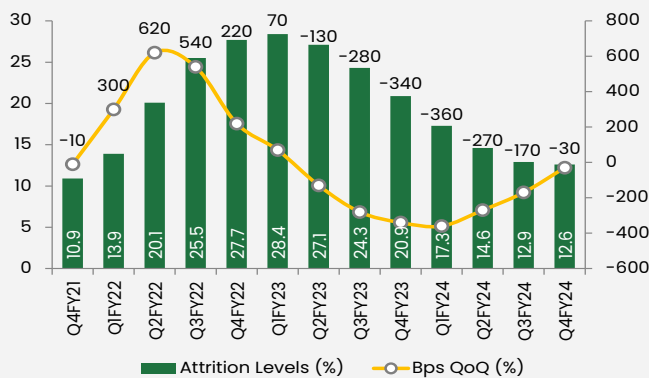


EBIT margin down by 41bps QoQ and 94bps YoY

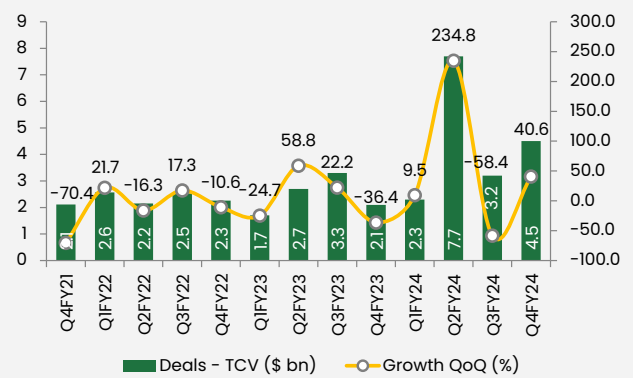


Source : RBL Research

Attrition moderated by 30bps QoQ to 12.6% in Q4FY24



Won large new deals worth USD 4.5 bn for Q4FY24



Source : RBL Research

P&L Account – consolidated

Particulars, Rs cr	FY23	FY24	FY25E	FY26E
Net Sales (\$ Mn)	18,212	18,562	18,933	19,880
Net Sales (INR Cr)	146,767	153,671	156,744	164,582
Expenditure				
Cost of Sales	102,353	107,414	109,094	113,890
Total raw materials	102,353	107,414	109,094	113,890
Gross Profit	44,414	46,257	47,650	50,691
Gross Margins %	30.3	30.1	30.4	30.8
Selling & Marketing Expense	6,249	6,972	7,111	7,242
Administrative Expense	7,259	7,538	7,689	7,735
Total expenditure	115,861	121,924	123,894	128,867
EBITDA	35,131	36,425	37,396	40,323
EBITDAM (%)	23.9	23.7	23.9	24.5
Depreciation	4,225.0	4,678.0	4,545.6	4,608.3
EBIT	30,906	31,747	32,850	35,714
EBIT Margin %	21.1	20.7	21.0	21.7
Other income	2,700	4,711	4,805	5,045
Interest expenses	284	469	481	494
PBT	33,322	35,989	37,174	40,266
Tax	9,214	9,741	9,740	10,550
PAT (after Exceptional)	24,108	26,248	27,435	29,716
PAT Margin %	16.4	17.1	17.5	18.1
EPS (Rs)	58.3	63.4	66.2	71.7

Source : RBL Research

Balance Sheet – consolidated

Particulars, Rs cr	FY23	FY24	FY25E	FY26E
Share Capital	2,069	2,071	2,071	2,071
Reserves & Surplus	73,338	86,045	96,912	109,231
Total Shareholder's Fund	75,407	88,116	98,983	111,302
Minority Interest	388	345	352	369
Deferred tax liabilities	4,604	5,379	5,487	5,761
Long term provision	1,307	1,796	1,832	1,924
Other long term liabilities	9,615	8,765	8,621	9,052
Total	15,526	15,940	15,939	16,736
Current Liabilities				
Trade payables	3,865	3,956	4,035	4,237
Other current liabilities	30,630	29,457	29,781	31,271
Total	34,495	33,413	33,817	35,507
Total liabilities	125,816	137,814	149,090	163,916
Application of Assets				
Net Block	22,265	20,612	22,504	24,586
Goodwill on consolidation	7,248	7,303	7,303	7,303
Non current investment	12,569	11,708	11,942	12,539
Tax assets	7,704	9,896	9,405	9,875
Long term loans and advances	39	34	35	36
Other non-current assets	5,116	5,226	5,331	5,597
Total	54,941	54,779	56,519	59,936
Current Assets				
Current investments	6,909	12,915	14,107	16,458
Trade receivables	25,424	30,193	30,919	32,465
Cash balance	12,173	14,786	21,901	28,130
Short term loans and advances	289	248	253	266
Other current assets	26,080	24,893	25,391	26,660
Total	70,875	83,035	92,571	103,979
Total assets	125,816	137,814	149,090	163,916

Source : RBL Research

Cashflow – consolidated

Particulars, Rs cr	FY23	FY24	FY25E	FY26E
Profit before tax	33,322	35,989	37,174	40,266
Add: Depreciation	4,225	4,678	4,546	4,608
Add: Interest cost	284	470	481	494
Less: Other Income	(1,118)	(2,067)	-	-
Others	1,606	454	-	-
Operating profit before	38,319	39,524	42,201	45,368
Changes in working capital	(6,503)	(5,083)	(440)	(1,079)
Cash from Operations	31,816	34,441	41,761	44,289
Less: Taxes	(8,794)	(9,231)	(9,740)	(10,550)
Cash flow from Operations	23,022	25,210	32,021	33,739
Net cash used in Investing				
Purchase of fixed assets	(2,579)	(2,201)	(6,438)	(6,690)
Purchase of investments	815	(6,160)	(1,426)	(2,948)
Other income	-	1,768	(481)	(494)
Others	-	1,584	-	-
Cash flow from investing	(1,764)	(5,009)	(8,345)	(10,132)
Cash flow from Financing				
Proceeds from Equity shares	(11,464)	5	-	-
Dividend (Incl dividend tax)	(13,631)	(14,692)	(16,568)	(17,396)
Others	(1,600)	(2,817)	7	18
Cash flow from Financing	(26,695)	(17,504)	(16,561)	(17,379)
Net cash Inflow/Outflow	(5,437)	2,697	7,115	6,229
Opening cash	17,472	12,173	14,786	21,901
Exchange gain/loss	138	(84)	-	-
Closing Cash	12,173	14,786	21,901	28,130

Source : RBL Research

Key ratios – consolidated

Particulars	FY23	FY24	FY25E	FY26E
Per share Data				
EPS (Rs)	58.3	63.4	66.2	71.7
Book value per share (Rs)	182.2	212.7	239.0	268.7
Dividend per share (Rs)	32.9	35.5	40.0	42.0
Dividend Yield (%)	2.3	2.5	2.8	3.0
Dividend Payout (%)	56.5	56.0	60.4	58.5
Profitability Ratios				
EBITDAM(%)	23.9	23.7	23.9	24.5
PBTM (%)	22.7	23.4	23.7	24.5
NPM (%)	16.4	17.1	17.5	18.1
RoE (%)	32.0	29.8	27.7	26.7
RoCE (%)	41.0	36.0	33.2	32.1
Efficiency Data				
Debt-Equity Ratio	0.0	0.0	0.0	0.0
Interest Cover Ratio	108.8	67.7	68.3	72.3
Fixed Asset Ratio	0.2	0.1	0.1	0.1
Debtors (Days)	63.2	71.7	72.0	72.0
Inventory (Days)	0.0	0.0	0.0	0.0
Payable (Days)	9.6	9.4	9.4	9.4
WC (Days)	53.6	62.3	62.6	62.6
Valuation				
P/E (x)	24.4	22.4	21.4	19.8
P/BV	7.8	6.7	5.9	5.3
EV/EBITDA	16.4	15.7	15.1	13.9
EV/Sales	3.9	3.7	3.6	3.4

Source : RBL Research

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Statements on ownership and material conflicts of interest, compensation– Research Analyst (RA)

S. No.	Statement	Answer	
		Yes	No
		Tick appropriate	
		Yes	No
	I/we or any of my/our relative has any financial interest in the subject company? [If answer is yes, nature of Interest is given below this table]		No
	I/we or any of my/our relatives, have actual/beneficial ownership of one per cent. or more securities of the subject company, at the end of the month immediately preceding the date of publication of the research report or date of the public appearance?		No
	I / we or any of my/our relative, has any other material conflict of interest at the time of publication of the research report or at the time of public appearance?		No
	I/we have received any compensation from the subject company in the past twelve months?		No
	I/we have managed or co-managed public offering of securities for the subject company in the past twelve months?		No
	I/we have received any compensation for brokerage services from the subject company in the past twelve months?		No
	I/we have received any compensation for products or services other than brokerage services from the subject company in the past twelve months?		No
	I/we have received any compensation or other benefits from the subject company or third party in connection with the research report?		No
	I/we have served as an officer, director or employee of the subject company?		No
	I/we have been engaged in market making activity for the subject company?		No

[Please note that only in case of multiple RAs, if in the event answers differ inter-se between the RAs, then RA specific answer with respect to questions under F (a) to F(j) below, are given separately]

Nature of Interest (if answer to F (a) above is Yes :

.....

Name(s) with Signature(s) of RA(s).

[Please note that only in case of multiple RAs and if the answers differ inter-se between the RAs, then RA specific answer with respect to questions under F (a) to F(j) above , are given below]

SS.No.	Name(s) of RA.	Signatures of RA	Serial Question of question which the signing RA needs to make a separate declaration / answer	Yes	No.

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