

BUY

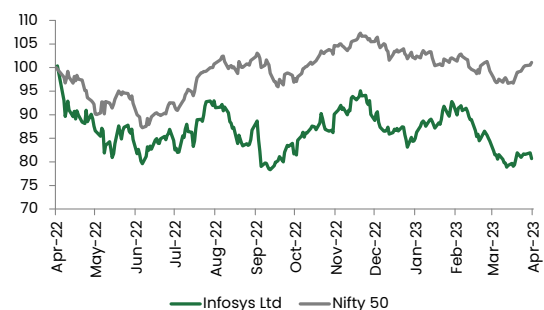
CMP (Rs)	1,383
Target Price (Rs)	1,855
Potential Upside	34.2%
Sensex	60,431
Nifty	17,828

Key Stock data	
BSE Code	500209
NSE Code	INFY
Bloomberg	INFO:IN
Shares o/s, Cr (FV 5)	413.8
Market Cap (Rs Cr)	583,350
3M Avg Volume	6,089,379
52 week H/L	1,757/1,355

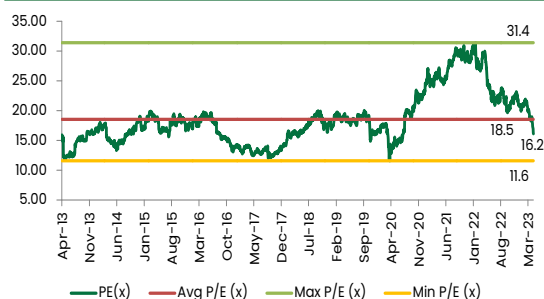
Shareholding Pattern

(%)	Jun-22	Sep-22	Dec-22
Promoter	13.1	15.2	15.1
FII	31.7	36.2	36.3
DII	18.9	32.4	32.8
Others	36.3	16.3	15.9

1 Year relative price performance



Forward P/E Band (x)



Research Analyst

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Muted Q4FY23 growth, however improvement likely post Q2FY24

Q4FY23 Result Update | Sector: IT | April 14, 2023

Subdued Revenue growth: Infosys revenue in rupee and dollar declined by 2.3% each QoQ which came in below our estimate of 1.8% & 0.5% growth QoQ. The revenue impacted largely due to cancellation of few projects, delay in ramping of deals and challenging environment in the US. In constant currency it de-grew by 3.2% QoQ while seeing a growth of 8.8% YoY in Q4FY23. For FY23, revenue growth remains a miss as it grew by 15.4% YoY as compared to management expectation of 16-16.5%. Amongst offerings, digital revenue which contributes 62.9% grew in double digit with 15% CC growth YoY while its core segment growth was flat.

EBIT margins saw a de-growth: Infosys posted EBIT growth of 13.2% YoY while sequentially it de-grew by 4.4% and margins saw a decline of 47bps QoQ. Despite easing supply side constraints, lower operating efficiency impacted growth. EBIT margins came in at 21% which was in-line with management expectation.

Attrition moderated for the third consecutive quarter is positive: Attrition level once again saw a decline for the third consecutive quarter and stood at 20.9%, a decline of 340bps which is positive. Further, it declined from Q3FY23 levels of 24.3% and Q4FY22 levels of 27.7%.

Deal momentum continued to be strong: Infosys continued to win large deals, so in Q4FY23 and FY23 it won deals worth USD 2.1bn (de-growth of 7% YoY) and 9.8bn (growth of 3% YoY). In addition, clients' prospects are changing and they are focusing more on efficiency, cost and consolidation opportunities which have resulted in Infosys winning more large term deals.

Management guidance sounds cautious: For FY23 management revenue guidance did not meet its expectation while margins came in-line. Further for FY24, they seem cautious on macro conditions in the US, also clients seem spending wisely on projects as focus is more on cost optimization and vendor consolidation. So, for FY24, management guided revenue growth of 4-7% in CC and operating margin to be in the range of 20-22%.

Outlook & Valuation: Infosys continued to see strong momentum from its digital services, and moderation in attrition, however uncertainty in global markets especially US markets and also the episode of collapsing of regional banks impacted clients spending. Management has sight some cautiousness for the near term. We too believe that Infosys growth may temporarily be muted as it generates ~61% and ~30% from the American region and Financials service segment. So, we have lowered our forecast for FY24E & FY25E and have estimated its revenue/EBIT growth of 13.0/15.6% CAGR over FY23-25E. We have maintained a **Buy** rating on Infosys but have revised our **target price downwards to Rs 1,855**, assigning a PE multiple of 23x on FY25 EPS.

Financial Summary - consolidated

Particulars, Rs cr	FY22	FY23	FY24E	FY25E
Net revenue	121,641	146,767	163,744	187,315
EBIT	28,015	30,906	35,205	41,303
EBITM (%)	23.0	21.1	21.5	22.1
APAT	22,146	24,108	27,989	32,810
APATM (%)	18.2	16.4	17.1	17.5
EPS (Rs)	52.8	58.3	67.6	79.3
PE (x)	26.2	23.7	20.4	17.4
RoE (%)	29.4	32.0	31.5	31.2

Source : RBL Research

Sequentially Infosys posted muted performance and revenue seen a de-growth of 2.3%

EBIT Margin declined by 47bps QoQ and 51bps YoY

Europe continues to lead the growth: Amongst the geographies, the American region continues to see challenges and slowdown in deals ramp-up for the second consecutive quarter and that impacts the revenue growth. However, growth from Europe has been strong and it grew by 20.3% YoY in CC and 2.3% QoQ in rupee and also India business grew by 5.9% QoQ in rupee terms. Apart from this, the American region de-grew by 3.9% QoQ.

Energy & Utilities & Manufacturing aided growth: Amongst, business segments mixed trend was seen as growth was driven by retail (3.5% in cc), manufacturing (7.5%), energy (14.4%), and life science (9.1%) while on the flip side, there was de-growth in financial services (-7.7%), communication (-7.8%) and Hi-Tech (-2.4%). Further, management believes in the near term, financial services growth may be muted due to challenges and weak macro environment in the US however from a medium to long term perspective growth will improve.

P&L Account Quarterly - consolidated

Particulars (Rs cr)	Q4FY23	Q4FY22	Y-o-Y %	Q3FY23	Q-o-Q %
Revenue (\$ Mn)	4,554	4,280	6.4	4,659	(2.3)
Revenue (Rs cr)	37,441	32,276	16.0	38,318	(2.3)
Cost of Sales	26,011	22,272	16.8	26,561	(2.1)
Gross Profit	11,430	10,004	14.3	11,757	(2.8)
Gross Margins (%)	30.5	31.0	-47bps	30.7	-15bps
Selling and marketing expenses	1,659	1,347	23.2	1,611	3.0
General and administrative expenses	1,894	1,701	11.3	1,904	(0.5)
Total Expenditure	29,564	25,320	16.8	30,076	(1.7)
EBIT	7,877	6,956	13.2	8,242	(4.4)
EBIT Margins (%)	21.0	21.6	-51bps	21.5	-47bps
Other Income	671	637	5.3	769	(12.7)
Interest	82	50	64.0	80	2.5
PBT	8,466	7,543	12.2	8,931	(5.2)
Tax	2,332	1,848	26.2	2,345	(0.6)
PAT	6,134	5,695	7.7	6,586	(6.9)
PAT Margin (%)	16.4	17.6	-126bps	17.2	-80bps
EPS	14.8	13.7	7.7	15.9	(6.9)

Source : RBL Research

Revenue by offerings – consolidated

Particulars (Rs cr)	Q4FY23	Q4FY22	Growth YoY %	CC Growth YoY %
Digital (Rs cr)	23,550	19,107	23.3	15.0
Digital (USD mn)	2,864	2,534	13.1	
% of Revenue	62.9	59.2	370bps	
Core (Rs cr)	13,891	13,169	5.5	-0.2
Core (USD mn)	1,690	1,746	(3.2)	
% of Revenue	37.1	40.8	-370bps	
Total (Rs cr)	37,441	32,276	16.0	8.8
Total (USD mn)	4,554	4,280	6.4	

Source : RBL Research

Revenue Share by Business Segments (%) – consolidated

Particulars	Q4FY23	Q4FY22	CC Growth YoY %
Financial services	28.9	31.3	(7.7)
Retail	14.8	14.3	3.5
Communication	11.8	12.8	(7.8)
Energy, Utilities, Resources & Services	12.9	12.0	7.5
Manufacturing	13.5	11.8	14.4
Hi-Tech	8.0	8.2	(2.4)
Life Sciences	7.2	6.6	9.1
Others	2.9	3.0	(3.3)

Source : RBL Research

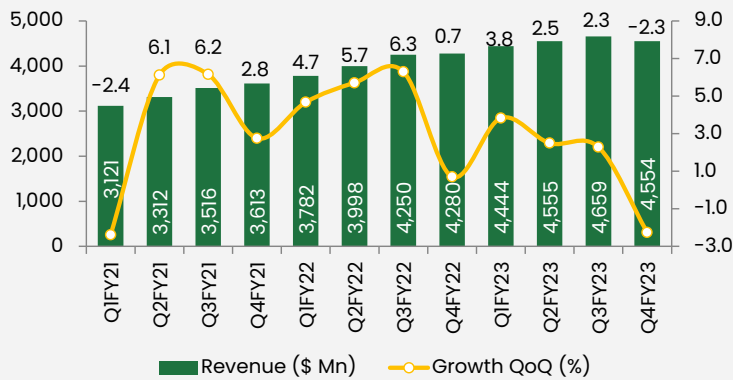
Revenue Share by Client Geography (%) – consolidated

Particulars	Q4FY23	Q4FY22	CC Growth YoY %
North America	61.0	61.4	6.0
Europe	27.0	25.2	20.3
India	2.6	3.2	3.4
Rest of the world	9.4	10.2	(7.1)

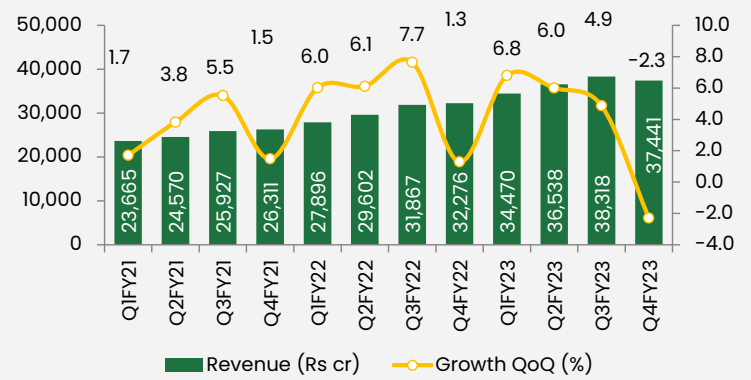
Source : RBL Research

Story in charts

Revenue in \$ de-grew by 2.3% QoQ

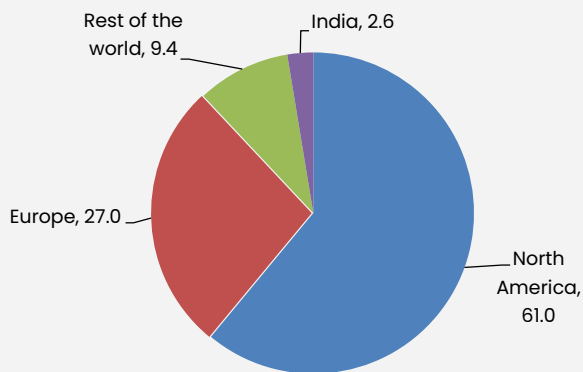


Revenue in Rs de-grew by 2.3% QoQ

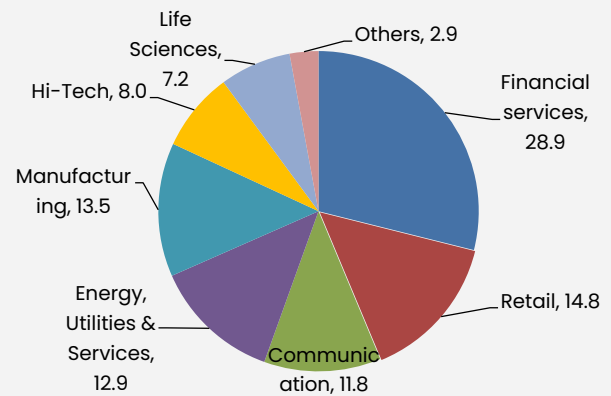


Source : RBL Research

Revenue share amongst geographies (%)

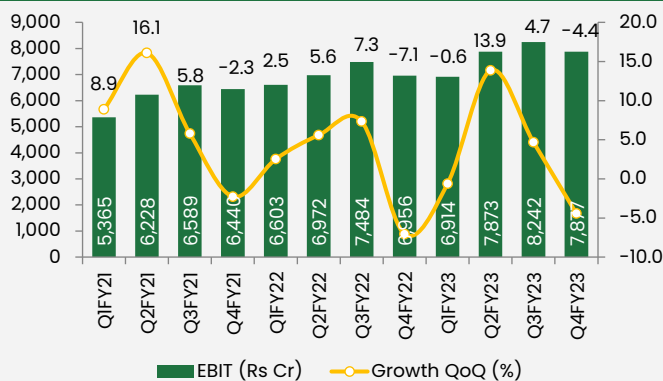


Revenue Share amongst Verticals (%)

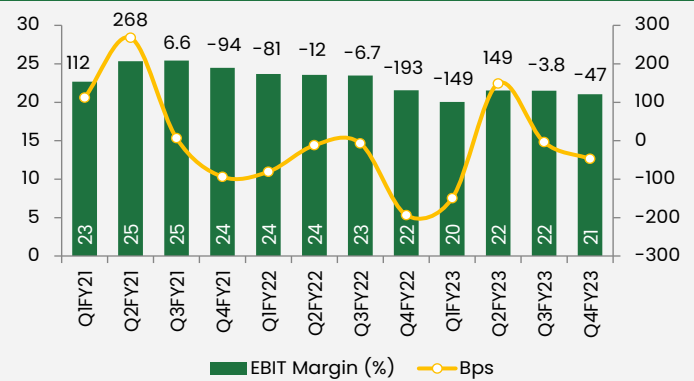


Source : RBL Research

EBIT de-grew by 4.4% QoQ

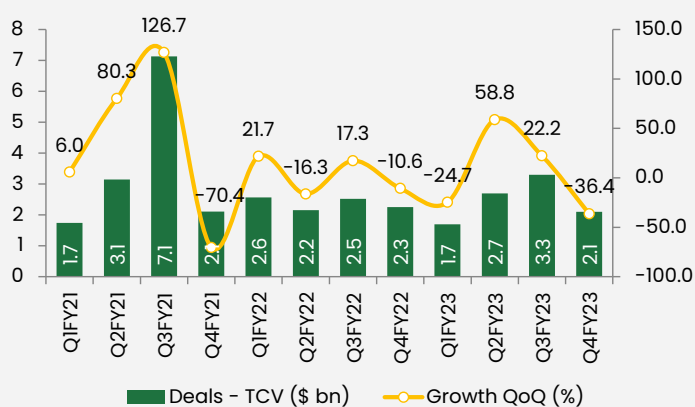


EBIT margins decline by 47bps QoQ

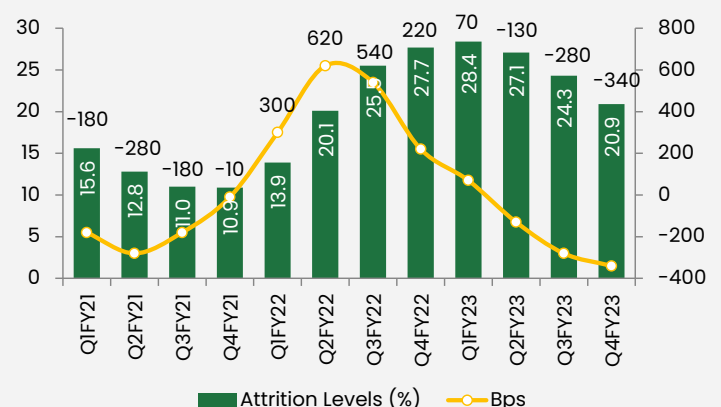


Source : RBL Research

Deal won worth USD 2.1 bn for Q4FY23



Attrition level came at 20.9%, a decline of 340bps



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P&L Account – consolidated

Particulars, Rs cr	FY22	FY23	FY24E	FY25E
Net Sales (\$ Mn)	16,310	18,212	20,215	22,843
Net Sales (INR Cr)	121,641	146,767	163,744	187,315
Expenditure				
Cost of Sales	81,999	102,353	111,346	126,438
Total raw materials	81,999	102,353	111,346	126,438
Gross Profit	39,642	44,414	52,398	60,877
Gross Margins %	32.6	30.3	32.0	32.5
Selling & Marketing Expense	5,155	6,249	8,515	9,740
Administrative Expense	6,472	7,259	8,678	9,834
Total expenditure	93,626	115,861	128,539	146,012
EBIT	28,015	30,906	35,205	41,303
EBIT Margin %	23.0	21.1	21.5	22.1
Other income	2,295	2,700	3,012	3,446
Interest expenses	200	284	291	291
PBT	30,110	33,322	37,926	44,458
Tax	7,964	9,214	9,937	11,648
PAT (after Exceptional)	22,146	24,108	27,989	32,810
PAT Margin %	18.2	16.4	17.1	17.5

Source : RBL Research

Balance Sheet – consolidated

Particulars, Rs cr	FY22	FY23	FY24E	FY25E
Share Capital	2,098	2,069	2,069	2,069
Reserves & Surplus	73,252	73,338	86,844	103,102
Total Shareholder's Fund	75,350	75,407	88,913	105,171
Minority Interest	386	388	433	495
Deferred tax liabilities	3,763	4,604	4,912	5,619
Long term provision	975	1,307	1,458	1,668
Other long term liabilities	7,390	9,615	10,643	12,175
Total	12,128	15,526	17,014	19,463
Current Liabilities				
Trade payables	4,134	3,865	4,312	4,933
Other current liabilities	25,887	30,630	34,386	39,336
Total	30,021	34,495	38,698	44,269
Total liabilities	117,885	125,816	145,058	169,398
Application of Assets				
Net Block	20,109	22,265	24,288	26,513
Goodwill on consolidation	6,195	7,248	7,248	7,248
Non current investment	13,651	12,569	14,023	16,042
Tax assets	7,310	7,704	8,595	9,832
Long term loans and advances	-	39	44	50
Other non-current assets	3,435	5,116	4,624	5,290
Total	50,700	54,941	58,821	64,974
Current Assets				
Current investments	6,673	6,909	7,708	8,818
Trade receivables	22,698	25,424	28,263	32,331
Cash balance	17,472	12,173	22,561	31,582
Other current assets	20,342	26,080	27,383	31,325
Total	67,185	70,875	86,237	104,424
Total assets	117,885	125,816	145,058	169,398

Source : RBL Research

Cashflow – consolidated

Particulars, Rs cr	FY22	FY23	FY24E	FY25E
Profit before tax	30,110	33,322	37,926	44,458
Add: Depreciation	3,476	4,225	4,094	4,121
Add: Interest cost	200	284	291	291
Less: Other Income /Interest Rec	(807)	(1,118)	-	-
Others	780	1,606	-	-
Operating profit before working capital changes	33,759	38,319	42,311	48,870
Changes in working capital	(1,183)	(6,503)	1,113	(1,946)
Cash from Operations	32,576	31,816	43,424	46,924
Less: Taxes	(7,612)	(8,794)	(9,937)	(11,648)
Cash flow from Operations	24,964	23,022	33,487	35,276
Net cash used in Investing				
Purchase of fixed assets	(2,161)	(2,579)	(6,116)	(6,346)
Purchase of investments	-	815	(2,253)	(3,128)
Dividend Income//Interest Rec.	-	-	(291)	(291)
Cash flow from investing	(7,495)	(1,764)	(8,661)	(9,766)
Cash flow from Financing				
Proceeds from Equity shares	(11,125)	(11,464)	-	-
Dividend (Incl dividend tax)	(12,731)	(13,631)	(14,483)	(16,552)
Others	(786)	(1,600)	45	62
Cash flow from Financing	(24,642)	(26,695)	(14,438)	(16,490)
Net cash Inflow/Outflow	(7,173)	(5,437)	10,388	9,021
Opening cash	24,714	17,472	12,173	22,561
Exchange gain/loss	(69.0)	138	-	-
Closing Cash	17,472	12,173	22,561	31,582

Source : RBL Research

Key ratios – consolidated

Particulars	FY22	FY23	FY24E	FY25E
Per share Data				
EPS (Rs)	52.8	58.3	67.6	79.3
Book value per share (Rs)	179.6	182.2	214.9	254.2
Dividend per share (Rs)	30.3	32.9	35.0	40.0
Dividend Yield (%)	2.2	2.4	2.5	2.9
Dividend Payout (%)	57.5	56.5	51.7	50.4
Profitability Ratios				
EBITDAM(%)	25.9	23.9	24.0	24.3
PBTM (%)	24.8	22.7	23.2	23.7
NPM (%)	18.2	16.4	17.1	17.5
RoE (%)	29.4	32.0	31.5	31.2
RoCE (%)	37.2	41.0	39.6	39.3
Efficiency Data				
Debt-Equity Ratio	0.0	0.0	0.0	0.0
Interest Cover Ratio	140.1	108.8	120.8	141.7
Fixed Asset Ratio	0.2	0.2	0.1	0.1
Debtors (Days)	68.1	63.2	63.0	63.0
Inventory (Days)	0.0	0.0	0.0	0.0
Payable (Days)	12.4	9.6	9.6	9.6
WC (Days)	55.7	53.6	53.4	53.4
Valuation				
P/E (x)	26.2	23.7	20.4	17.4
P/BV	7.7	7.6	6.4	5.4
EV/EBITDA	17.9	15.9	14.0	11.9
EV/Sales	4.6	3.8	3.4	2.9

Source : RBL Research

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

S. No.	Statement	Answer	
		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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