



Q1FY25 Infosys Limited



Infosys Ltd.

Impressive quarter with promising growth prospects

CMP*	Target	Potential Upside	Market Cap (INR Mn)	Recommendation	Sector
INR 1,837	INR 1,933	5.2%	INR 76,03,343	ACCUMULATE	Internet Software & Services

Result Highlights

- Infosys announced a strong start to FY25 with Q1FY25 results in line with our estimates.
- Revenue in Q1FY25 grew to INR 393,150 Mn up 3.6% YoY (+3.7% QoQ) driven by growth in communication, Energy, Utilities, Resources & Services, and manufacturing segments; in line with our projections.
- EBIT grew to INR 82,880 Mn in Q1FY25, up 5.0% YoY (+8.8% QoQ) with margins expanding 11 bps YoY (+84bps QoQ).
- PAT jumped to INR 63,740 Mn, up 7.2% YoY; however, earnings declined sequentially by 20.1%, due to higher reported other income and lower tax rates in Q4FY24.
- We increase our FY26E EPS to INR 77.3 and raise our P/E to 25.0x to reflect strong growth in Q1FY25, higher revenue growth guidance, and a robust deal pipeline. We raise our target price to INR 1,933 (previously: INR 1,531) and retain the “ACCUMULATE” rating on the shares of Infosys Ltd.**

MARKET DATA

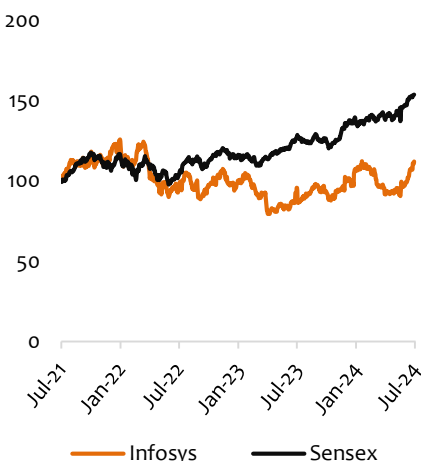
Shares outs (Mn)	4,139
Mkt Cap (INR Mn)	76,03,343
52 Wk H/L (INR)	1,843/1,324
Volume Avg (3m K)	9,003
Face Value (INR)	5
Bloomberg Code	INFO IN

KEY FINANCIALS

INR Millions	Q1FY25	Q4FY24	Q1FY24	QoQ	YoY
Revenue	393,150	379,230	379,330	3.7%	3.6%
EBIT	82,880	76,210	78,910	8.8%	5.0%
PAT	63,740	79,750	59,450	(20.1%)	7.2%
OPM (%)	24.0%	23.2%	24%	84bps	11bps
NPM (%)	16.2%	21.0%	16%	-482bps	54bps

Source: Company, KRChoksey Research

SHARE PRICE PERFORMANCE



MARKET INFO

SENSEX	80,284
NIFTY	24,479

Revised revenue guidance; BFSI sees growth

- INFY reported revenue growth of 3.6% sequentially and 2.5% YoY in constant currency terms led by manufacturing (+6.0% CC YoY), Energy, Utilities, Resources & Services (+6.3% CC YoY), and communication (+5.4% CC YoY).
- Financial services, Infosys largest vertical, returned to positive sequential growth after six quarters and a growth of 0.3% CC YoY.
- In terms of region, India led the regional growth by 19.9% CC YoY, followed by 9.1% CC YoY growth in Europe.
- The management expects stronger growth in H1FY25E than in H2FY25E, led by large deal wins and cost-efficiency projects.
- Total Contract Value stood at USD 4.1 Bn, up 78.0% YoY (-7.0% QoQ).
- The Company revised its revenue guidance in constant currency for FY25E to 3.0-4.0% from 1.0-3.0%, with operating margin guidance remaining the same at 20.0 – 22.0%.

Headcount reduced, improved utilization, and freshers hired in FY25E

- The attrition rate in Q1FY25 stood at 12.7%, with a headcount reduction of 1,908 employees, while the utilization rate improved to 85.3%.
- In FY25E, the Company is planning to hire close to 15,000 – 20,000 freshers.
- The Company is currently assessing when to implement salary increases, while variable pay has been raised.
- Over 270,000 employees of Infosys are well-trained in building a wide range of AI-powered solutions for clients.

SHARE HOLDING PATTERN (%)

Particulars (%)	Jun-24	Mar-24	Dec-23
Promoters	14.6	14.7	14.8
FIIIs	32.7	34.1	33.7
DIIIs	37.3	35.6	35.5
Others	15.4	15.6	16.0
Total	100	100.0	100.0

*Based on previous closing

8.5%

Revenue CAGR between FY24 and FY26E

10.5%

Adj. PAT CAGR between FY24 and FY26E

Infosys Ltd.

Key Concall Highlights:

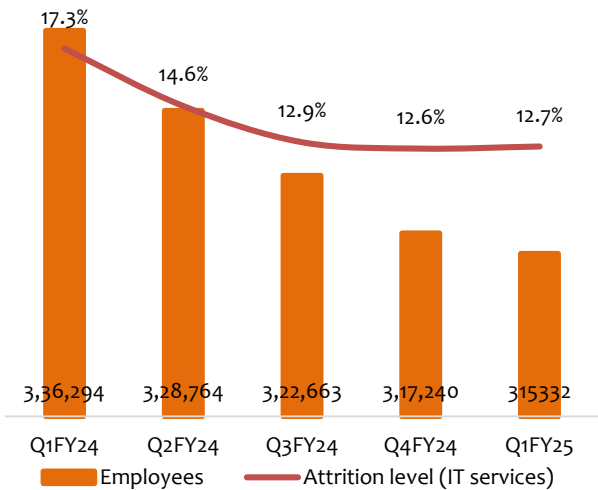
- Infosys reported 7.9% growth in the Financial Services segment, where the Company is seeing **improvement in client spending in North America**.
- **In the United States, certain sectors, such as mortgage, capital markets, and cards and payments, are showing signs of recovery.**
- In the recent reporting period, all geographical regions and the majority of industry sectors experienced sequential growth.
- After several quarters of stagnation, there was a notable turnaround in volume growth, coupled with improved realization rates.
- The Company recorded the **highest-ever free cash flow at USD 1.1 Bn**.
- INFY recently introduced Aster, a suite of AI-enhanced marketing solutions aimed at improving brand experiences and marketing efficiency.
- The Company is seeing **early signs of improvement in the financial services vertical in the US**.
- The management highlighted overall clients continue to exercise caution in their spending decisions, prioritizing deals that blend transformation, technology, and operational enhancements to maximize business value.
- As of the end of Q1FY25, the headcount was 315,000, with the utilization rate continuing to improve to 85.3%. Unbilled revenue dropped to USD 1.7 Bn.
- Infosys **closed 34 significant deals totaling USD 4.1 Bn in total contract value**, with 58% of these deals representing net new business.
- In terms of verticals, there were notable signings: eight deals each in Retail and Communication, six in EURS, five in Financial Services, four in Manufacturing, two in Hi-Tech, and one in Life Sciences.
- Geographically, the distribution of large deals included 21 in America, 12 in Europe, and one in RoW (Rest of the World).
- Despite ongoing pressure on discretionary spending, there is a noted increase in the benefits of vendor consolidation. Furthermore, opportunities are emerging to address supply chain bottlenecks and rationalize infrastructure and applications.
- The upward revision in revenue growth guidance takes into account the strong first quarter, the acquisition of InTech, and the **expectation that H1FY25E will be better than H2FY25E**.
- The Company achieved a 2.2% margin improvement, driven by several factors: 1% from the normalization of one-time items in Q4, 0.8% from Project Maximus, and 0.4% from improved realization.
- However, the margin improvement was partially offset by a 1.2% increase in variable pay and higher leave costs, although mitigated by currency effects and other factors.
- Generative AI and AI applications are being integrated across all service lines, yielding benefits in software development, process optimization, and customer service.
- However, numerous clients lack extensive and consistent technology frameworks, requiring them to develop their data infrastructure fully to leverage generative AI's potential.
- Infosys is **prioritizing the increase in market share as a key strategic objective for FY25E**, focusing on accelerating revenue growth and improving margins through Project Maximus.
- After obtaining the necessary approvals, **the Company has successfully finalized the acquisition of In-tech**.
- The **acquisition is anticipated to bolster segment growth in FY25E**.

Valuation and view:

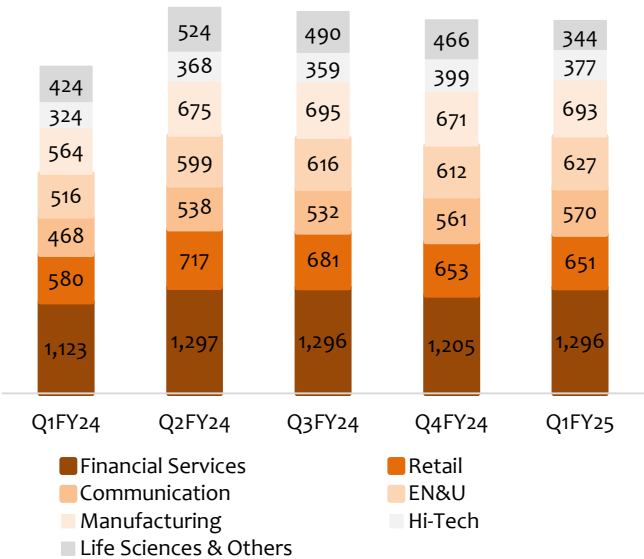
Infosys reported Q1FY25 results in line with our estimates. The Company raised its revenue guidance for FY25E on the back of better macroeconomic conditions in comparison to Q4FY24, robust deal wins, inorganic growth from its acquired entity, sequential positive volume growth, recovery in North America, and improvement in realization. Infosys signed a record number of deals in Q1FY25 leading to a strong TCv. We expect revenue//PAT to grow at a CAGR of 8.5%/10.5% driven by better revenue visibility, and improved spending in North America with financial sectors such as mortgage, cards, and payments seeing recovery coupled with In-tech's revenue support to INFY post-acquisition. **In response to these developments, we increase our estimate for FY26E EPS to INR 77.3 (previously: INR 72.9). We raise our P/E multiple to 25.0x (previously: 21.0x) to arrive at a target price of INR 1,933 (previously: INR 1,531) and reiterate our "ACCUMULATE" rating on the shares of Infosys Ltd.**

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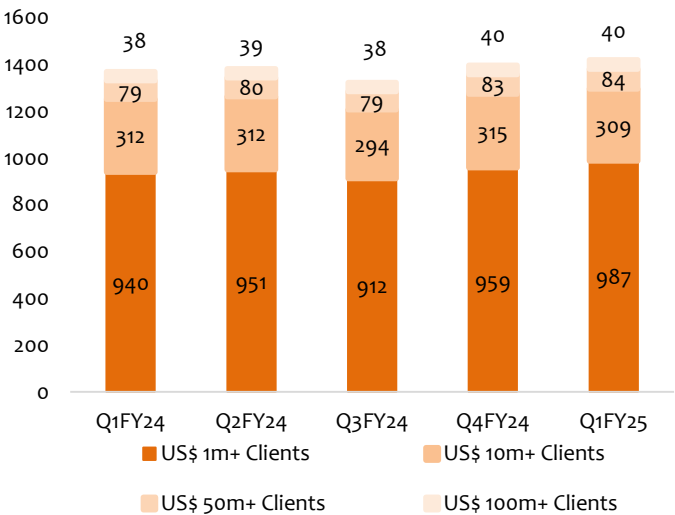
Declining headcount continues in Q1FY25



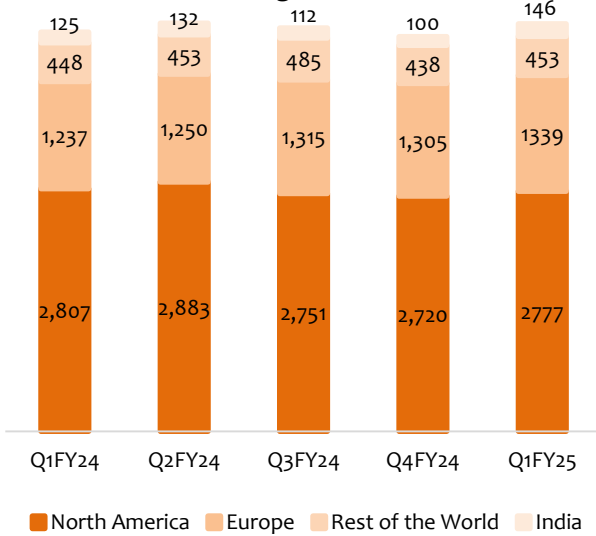
Financial services and retail continues to show declining trend



New Clients added YoY in USD 100 Mn+ and USD 50 Mn+



Revenue increased sequentially across regions



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KEY FINANCIALS

Exhibit 1: Profit & Loss Statement

INR Millions	FY22	FY23	FY24	FY25E	FY26E
Revenue	1,216,410	1,467,670	1,536,710	1,653,790	1,807,695
Employee Cost	639,860	783,580	826,210	869,548	985,984
SG&A and Other Cost	261,630	332,780	346,250	382,534	363,746
EBITDA	314,920	351,310	364,250	401,708	457,965
Depreciation	34,770	42,250	46,780	46,654	48,548
EBIT	280,150	309,060	317,470	355,054	409,417
Other income, net	22,950	27,000	47,110	33,520	36,119
Finance costs	2,000	2,840	4,690	6,687	6,687
Pre-tax Income	301,100	333,220	359,890	381,887	438,849
Income tax expense	79,640	92,140	97,410	106,852	118,489
Net profit Before EI & MI	221,460	241,080	262,480	275,035	320,360
Minority Interest, MI	-360	-130	-150	-264	-290
Net profit After MI	221,100	240,950	262,330	274,771	320,069
Diluted EPS (INR)	52.4	57.5	63.4	66.4	77.3
Shares in Million	4,219	4,192	4,139	4,139	4,139

Source: Company, KRChoksey Research

Exhibit 2: Cash Flow Statement

INR Millions	FY22	FY23	FY24	FY25E	FY26E
Net Cash Generated From Operations	238,850	224,670	252,100	427,546	476,027
Net Cash Flow from/(used in) Investing Activities	-64,160	-12,090	-50,090	-39,894	-43,607
Net Cash Flow from Financing Activities	-246,420	-266,950	-175,040	-337,660	-387,347
Net Inc/Dec in cash equivalents	-71,730	-54,370	26,970	49,992	45,073
Opening Balance	247,140	174,720	121,730	147,860	197,852
Adjustments	-690	1,380	-840	0	0
Closing Balance Cash and Cash Equivalents	174,720	121,730	147,860	197,852	242,925

Source: Company, KRChoksey Research

Exhibit 3: Key Ratio

Key Ratio	FY22	FY23	FY24	FY25E	FY26E
EBITDA Margin (%)	23.0%	21.1%	20.7%	21.5%	22.6%
Tax rate (%)	26.4%	27.7%	27.1%	28.0%	27.0%
Net Profit Margin (%)	18.2%	16.4%	17.1%	16.6%	17.7%
RoE (%)	29.1%	32.0%	32.1%	30.4%	33.7%
RoCE (%)	27.2%	29.7%	28.3%	28.3%	31.4%
Current Ratio (x)	2.0	1.8	2.3	2.3	2.4
EPS (INR)	52.4	57.5	63.4	66.4	77.3

Source: Company, KRChoksey Research

Infosys Ltd.

Exhibit 4: Balance Sheet

INR Millions	FY22	FY23	FY24	FY25E	FY26E
Property, Plant and Equipment	130,750	133,460	123,700	116,940	111,999
Right-of-use Asset	48,230	68,820	65,520	65,520	65,520
CWIP	4,160	2,880	2,930	2,930	2,930
Goodwill	61,950	72,480	73,030	73,030	73,030
Intangible Assets	17,070	17,490	13,970	13,970	13,970
Deferred Tax Assets	12,120	12,450	4,540	4,540	4,540
Income Tax Assets	60,980	64,530	30,450	30,450	30,450
Other non-current assets	35,230	51,550	52,600	52,600	52,600
Investments	136,510	125,690	117,080	117,080	117,080
Total non-current assets	507,000	549,350	483,820	477,060	472,119
Cash & equivalent	174,720	121,730	147,860	197,852	242,925
Available for sale financial assets	66,730	69,090	129,150	129,150	129,150
Sundry debtors	226,980	254,240	301,930	294,511	321,918
Unbilled revenue	115,680	152,890	127,680	163,114	178,293
Derivative financial instruments	1,430	1,010	1,010	1,010	1,010
Prepayments and other current assets	86,310	109,850	186,690	186,690	186,690
Total current assets	671,850	708,810	894,320	972,326	1,059,986
Total Assets	1,178,850	1,258,160	1,378,140	1,449,386	1,532,105
Equity Share Capital	20,980	20,690	20,710	20,710	20,710
Other Equity	732,520	733,380	860,450	904,413	955,624
Equity Attributable to Owners of the Company	753,500	754,070	881,160	925,123	976,334
Non-controlling Interest	3,860	3,880	3,450	3,450	3,450
Total Equity	757,360	757,950	884,610	928,573	979,784
Deferred Income Tax Liabilities	11,560	12,200	17,940	17,940	17,940
Employee Benefit Obligations	920	830	0	0	0
Lease Liabilities	46,020	70,570	64,000	64,000	64,000
Other Liabilities	26,960	24,750	23,650	23,650	23,650
Total non-current liabilities	85,460	108,350	105,590	105,590	105,590
Trade Payables	41,340	38,650	39,650	44,595	48,073
Derivative Financial Instruments	610	780	0	0	0
Unearned Revenue	63,240	71,630	73,410	79,003	86,355
Lease Liabilities	8,720	12,420	19,590	19,590	19,590
Other Liabilities	164,480	197,480	175,260	187,162	201,758
Income Tax Liabilities	26,070	33,840	35,850	39,325	43,608
Employee Benefit Obligations	21,820	23,990	26,220	26,220	26,220
Post-Sales Client Support and Warranties	9,750	13,070	17,960	19,328	21,127
Total Current Liabilities	336,030	391,860	387,940	415,223	446,731
Total Equity and Liabilities	1,178,850	1,258,160	1,378,140	1,449,386	1,532,105

Source: Company, KRChoksey Research

Infosys Ltd.

Infosys Ltd.				Rating Legend (Expected over a 12-month period)	
Date	CMP (INR)	TP (INR)	Recommendation	Our Rating	Upside
24-Jul-24	1,837	1,933	ACCUMULATE	Buy	More than 15%
20-April-24	1,411	1,531	ACCUMULATE	Accumulate	5% – 15%
12-Jan-24	1,613	1,772	ACCUMULATE	Hold	0 – 5%
09-Nov-23	1,389	1,508	ACCUMULATE	Reduce	-5% – 0
21-July-23	1,337	1,458	ACCUMULATE	Sell	Less than – 5%
17-April-23	1,383	1,645	BUY		

ANALYST CERTIFICATION:

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