



Infosys Ltd

Q2FY25



Infosys Ltd.

Revenue guidance boosted again; Strong momentum continues

CMP*	Target	Potential Upside	Market Cap (INR Mn)	Recommendation	Sector
INR 1,968	INR 2,110	7.2%	INR 81,98,622	ACCUMULATE	Internet Software & Services

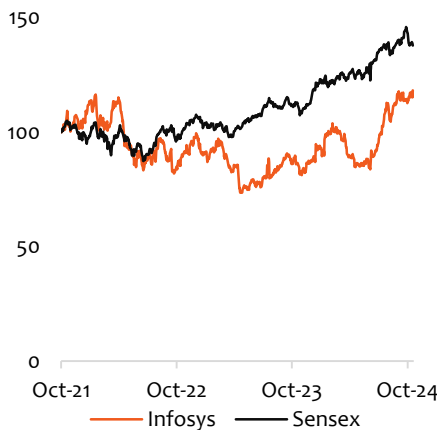
Result Highlights

- Infosys Q2FY25 result earnings came largely in line with our projections.
- Revenue reached INR 4,09,860 Mn, reflecting a 5.1% YoY increase (+4.3% QoQ), in line with our estimates, driven by broad-based growth across key verticals and regions.
- EBIT of INR 86,490 Mn grew by 4.5% YoY (+4.4% QoQ), in line with our projections; EBIT margins remained flat QoQ at 21.1%, however, seeing a marginal drop of 12bps YoY.
- PAT jumped by 4.8% YoY (+2.2% QoQ) to INR 65,160 Mn; PAT margins declined by 4bps YoY (-31bps QoQ) to 15.9%.
- We project FY26E EPS of INR 72.8 assigning a P/E of 29.0x (in line with TCS FY26 P/E), to arrive at a TP of INR 2,110 (previously: INR 1,933) reflecting INFO's robust growth across verticals, pick-up in the BFSI segment, and improving discretionary spending boosted by recent rate cuts. Accordingly, we retain an "ACCUMULATE" rating on the shares of Infosys Ltd.**

MARKET DATA

Shares outs (Mn)	4,139
Mkt Cap (INR Mn)	81,98,622
52 Wk H/L (INR)	1,992/1,352
Volume Avg (3m K)	6,551
Face Value (INR)	5
Bloomberg Code	INFO IN

SHARE PRICE PERFORMANCE



MARKET INFO

SENSEX	81,007
NIFTY	24,750

KEY FINANCIALS

INR Millions	FY23	FY24	FY25E	FY26E	FY27E
Revenue	1,467,670	1,536,710	1,640,478	1,783,125	1,931,832
EBIT	309,060	317,470	344,063	391,294	424,154
PAT	240,950	262,320	263,727	302,161	330,933
OPM (%)	21.1%	20.7%	21.0%	21.9%	22.0%
NPM (%)	16.4%	17.1%	16.1%	16.9%	17.1%

Source: Company, KRChoksey Research

Sequential growth across verticals and regions (Excl. Retail)

- INFY reported revenue growth of 3.1% sequentially and 3.3% YoY in constant currency terms driven by notable growth across key verticals. The manufacturing sector expanded by 10.9% QoQ, while Energy, Utilities, Resources & Services increased by 5.4% QoQ.
- The BFSI segment saw a modest rise of 2.7% QoQ while Communications grew by 2.1% QoQ in USD terms.
- The BFSI segment, particularly in the US, is experiencing an uptick in discretionary spending across areas such as capital markets, mortgages, cards, and payments.
- The retail segment remained flat sequentially (+0.1% QoQ in USD terms), impacted by economic and geopolitical uncertainties.
- Infosys experienced sequential growth across all regions, with North America, Europe, the Rest of the World (RoW), and India reporting QoQ increases of 1.2%, 8.9%, 4.9%, and 3.8% in USD terms, respectively.

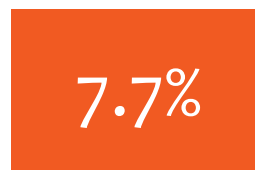
Revenue guidance raised; Margins guidance remains intact

- INFO has revised its FY25E revenue guidance upwards to a range of 3.75% - 4.50% in CC, compared to the previous estimate of 3.0% - 4.0% in CC, while maintaining its margin guidance at 20.0%-22.0%.
- This upward revision in revenue expectations is attributed to stronger Q2FY25 performance, positive growth momentum across verticals and geographies, including the BFSI segment, and notable growth in smaller deals (below USD 50 Mn), which experienced double-digit expansion.
- The revised guidance reflects adjustments for seasonal factors, including furloughs, reduced working days, and calendar days in H2FY25E.

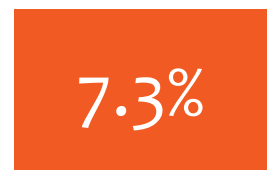
SHARE HOLDING PATTERN (%)

Particulars (%)	Sept-24	Jun-24	Mar-24
Promoters	14.4	14.6	14.7
FIIIs	33.3	32.7	34.1
DIIIs	37.8	37.3	35.6
Others	14.5	15.4	15.6
Total	100	100	100.0

*Based on the previous closing
Note: All the market data is as of previous closing



Revenue CAGR between FY24 and FY26E



Adj. PAT CAGR between FY24 and FY26E

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Key Concall Highlights:

Margin Analysis

- EBIT margins remained stable quarter-over-quarter at 21.1%, supported by improved operating metrics despite the pressures of elevated variable compensation and the impact of acquisitions.
- Key contributors to the sequential margin performance include an 80bps benefit from Project Maximus and a 10bps advantage due to currency fluctuations. These gains were partially offset by a 30bps reduction related to acquisitions, primarily driven by the amortization of intangible assets, as well as a 60bps decline attributable to increased variable pay and other associated costs.
- Several factors will influence margins across various segments, including utilization rates, on-site mix, business mix, and the execution of deals that will ramp up within the quarter.
- INFO benefited from the acquisition by 80 bps in Q2FY25, which is expected to be in a similar range for Q3FY25E and Q4FY25E.

Infosys secures 21 large deals, expanding across key verticals and regions

- Infosys closed 21 significant deals with a Total Contract Value (TCV) of USD 2.4 Bn, down 68.8% YoY (-41.5% QoQ), with 41% of the wins being net new business.
- By verticals, the company secured seven deals in financial services, three each in communication, manufacturing, and other sectors, two in retail, and one deal each in EURS, High Tech, and Life Sciences.
- Geographically, 12 large deals were signed in the Americas, five in Europe, three in India, and one in the Rest of the World (ROW).
- For H1FY25, Infosys secured 55 large deals, totaling a TCV of USD 6.5 Bn, of which 51.0% is net new business.

Workforce rebounds after 6 Quarters, attrition edges up, with wage hikes in Q4FY25E and Q1FY26E

- Infosys recorded a sequential increase in headcount by 2,456, bringing the total to 317,778, though reflecting a YoY decline of 10,976. The attrition rate rose by 20 bps sequentially to 12.9% (+10 bps QoQ).
- Net addition in H1FY25 stood at 548 employees.
- INFO has delayed the wage hike and will likely implement it in two tranches, with junior employees receiving the hike in Q4FY25E and the rest in Q1FY26E.

BFSI growth driven by improved discretionary spending, European Auto faces headwinds

- Infosys reported a 2.6% YoY and 2.7% QoQ growth in the BFSI segment, primarily driven by increased discretionary spending in the US, particularly in areas like capital markets, mortgages, cards, and payments.
- The improvement in the US BFSI segment is driven by the strong performance of large US banks and a focus on cost-efficiency programs. However, there remains a lack of large-scale transformation initiatives, with the emphasis currently on smaller, discretionary projects that cater to immediate needs.
- The outlook for the communication sector remains challenging, with clients primarily prioritizing cost reduction efforts and focusing on maximizing the profitability of their investments.
- The company has witnessed a slowdown in the European automotive segment with discretionary spending for OEMs likely to remain under pressure.

Advancing AI Strategy and Product Development

- The company is developing a compact language model that utilizes industry-specific and Infosys datasets to create Generative AI applications across various sectors. Additionally, it has introduced multi-agent capabilities to assist clients in deploying agent-based solutions powered by Generative AI.
- Furthermore, the company is engaging with multiple clients to establish AI Centers of Excellence (COEs) aimed at driving large-scale AI adoption. It is progressing several AI initiatives from proof of concept to implementation, with a particular emphasis on enhancing customer support and improving sales effectiveness.

Valuation and view:

Infosys demonstrated robust growth across verticals and regions in Q2FY25. The company has raised its revenue guidance for FY25E for the second time in the two quarters, on the back of strong Q2FY25 performance, solid growth momentum in key verticals, double-digit growth in smaller deals, and improving discretionary spending. **We expect revenue/PAT to grow at a CAGR of 7.7%/7.3%, driven by better revenue visibility, new deal wins, sustained growth momentum, and improved spending in North America with financial sectors such as mortgage, cards, and payments seeing growth momentum. We project FY26E EPS of INR 72.8 and assign a P/E multiple of 29.0x, (which aligns with the FY26E P/Ex multiple of TCS).** The decision to assign the same multiple is underpinned by INFO's superior performance compared to TCS, particularly across key sectors such as BFSI, Communication, Energy, Utilities, Resources & Services, and Manufacturing verticals. As a result, we arrive at a TP of INR 2,110, implying a left-over upside of 7.2% from the CMP, and reiterate our "ACCUMULATE" rating on the shares of Infosys Ltd.

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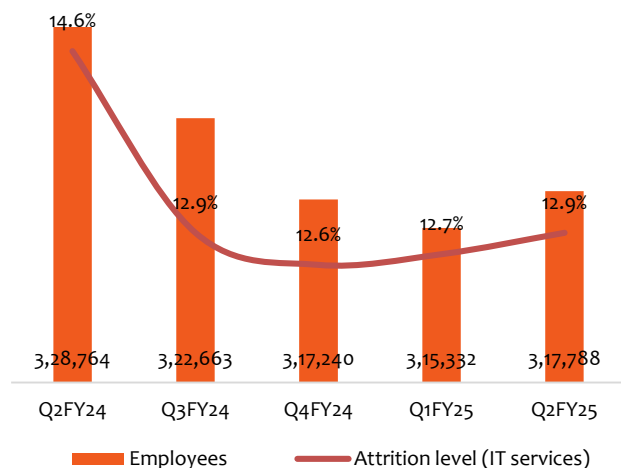
RESULT SNAPSHOT

Particulars (Mn)	Q2FY25	Q1FY25	Q2FY24	QoQ	YoY
Revenues	409,860	393,150	389,940	4.3%	5.1%
Employee benefit expenses	215,640	209,340	207,960		
Cost of technical sub-contractors	31,900	31,690	30,740		
Travel expenses	4,580	4,780	4,390		
Cost of software packages and others	39,490	34,550	33,870		
Communication expenses	1,690	1,470	1,790		
Consultancy and professional charges	4,510	4,450	3,870		
Other expenses	13,960	12,500	12,920		
Total Expenses	311,770	298,780	295,540		
EBITDA	98,090	94,370	94,400		
EBITDA margin (%)	23.9%	24.0%	24.2%		
Depreciation and amortisation expenses	11,600	11,490	11,660		
EBIT	86,490	82,880	82,740	4.4%	4.5%
EBIT margin (%)	21.1%	21.1%	21.2%	2bps	-12bps
Finance cost	1,080	1,050	1,380		
Other Income	7,120	8,380	6,320		
Profit before tax	92,530	90,210	87,680	2.6%	5.5%
Tax expense	27,370	26,470	25,530		
Net profit	65,160	63,740	62,150	2.2%	4.8%
Net profit (%)	15.9%	16.2%	15.9%	-31bps	-4bps
Diluted EPS (INR)	15.7	15.4	15.0		

Source: Company, KRChoksey Research

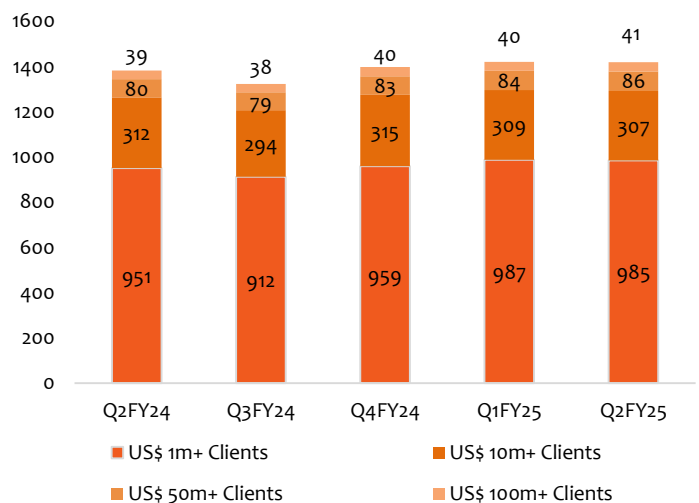
Quarterly Trends

Infy added employee base of 2,456 sequentially after 6 quarters of decline



Source: Company, KRChoksey Research

2 clients added in US\$ 50M+ and 1 in US\$ 100M+ bracket



Infosys Ltd.

KEY FINANCIALS

Exhibit 1: Profit & Loss Statement

INR Millions	FY23	FY24	FY25E	FY26E	FY27E
Revenue	1,467,670	1,536,710	1,640,478	1,783,125	1,931,832
Employee Cost	783,580	826,210	872,426	984,501	1,090,311
SG&A and Other Cost	332,780	346,250	377,350	358,802	366,869
EBITDA	351,310	364,250	390,702	439,822	474,652
Depreciation	42,250	46,780	46,639	48,528	50,498
EBIT	309,060	317,470	344,063	391,294	424,154
Other income, net	27,000	47,110	29,740	30,688	37,302
Finance costs	2,840	4,690	4,597	6,687	6,687
PBT	333,220	359,890	369,205	415,295	454,768
Tax expense	92,140	97,410	105,118	112,694	123,352
PAT Before EI & MI	241,080	262,480	264,087	302,601	331,417
Minority Interest, MI	-130	-160	-360	-440	-484
PAT After MI	240,950	262,320	263,727	302,161	330,933
Diluted EPS (INR)	57.5	63.4	63.5	72.8	79.7
Shares in Million	4,192	4,139	4,152	4,152	4,152

Exhibit 3: Cash Flow Statement

INR Millions	FY23	FY24	FY25E	FY26E	FY27E
CFFO	224,670	252,100	416,580	452,492	497,476
CFFI	-12,090	-50,090	-39,573	-43,014	-46,602
CFFF	-266,950	-175,040	-326,649	-366,509	-401,335
Net Inc/Dec	-54,370	26,970	50,358	42,968	49,539
Opening Balance	174,720	121,730	147,860	198,218	241,187
Adjustments	1,380	-840	0	0	0
Closing Balance	121,730	147,860	198,218	241,187	290,726

Exhibit 4: Key Ratios

Key Ratios	FY23	FY24	FY25E	FY26E	FY27E
EBITDA Margin (%)	21.1%	20.7%	21.0%	21.9%	22.0%
Tax rate (%)	27.7%	27.1%	28.5%	27.1%	27.1%
Net Profit Margin (%)	16.4%	17.1%	16.1%	16.9%	17.1%
RoE (%)	32.0%	32.1%	29.2%	31.9%	33.2%
RoCE (%)	29.7%	28.3%	27.3%	30.1%	31.0%
EPS (INR)	57.5	63.4	63.5	72.8	79.7

Source: Company, KRChoksey Research

Exhibit 4: Balance Sheet

INR Millions	FY23	FY24	FY25E	FY26E	FY27E
Equity					
Equity Capital	20,690	20,710	20,710	20,710	20,710
Other Equity	733,380	860,450	902,646	950,992	1,003,941
Non controlling interest	3,880	3,450	3,450	3,450	3,450
Total Equity	757,950	884,610	926,806	975,152	1,028,101
Non-Current Liabilities					
Lease Liabilities	70,570	64,000	64,000	64,000	64,000
Deferred Income Tax Liabilities	12,200	17,940	17,940	17,940	17,940
Other Liability	25,580	23,650	23,650	23,650	23,650
Total Non-Current Liabilities	108,350	105,590	105,590	105,590	105,590
Current Liabilities					
Unbilled revenue	71,630	73,410	78,367	85,181	92,285
Trade Paybles	38,650	39,650	44,513	47,844	51,900
Income Tax Liabilities	33,840	35,850	38,687	41,475	45,397
Other current liabilities	247,740	239,030	251,800	267,448	286,208
Total Current Liabilities	391,860	387,940	413,366	441,948	475,790
Total Liabilities	1,258,160	1,378,140	1,445,763	1,522,690	1,609,482
Non-Current Assets					
Property Plants and Equipments	133,460	123,700	116,634	111,120	107,224
Right of use of Assets	68,820	65,520	65,520	65,520	65,520
Goodwill	72,480	73,030	73,030	73,030	73,030
Intangible Assets	17,490	13,970	13,970	13,970	13,970
Other current assets	257,100	207,600	207,600	207,600	207,600
Total Non-Current Assets	549,350	483,820	476,754	471,240	467,344
Current Assets					
Available for sale financial assets	69,090	129,150	129,150	129,150	129,150
Trade Receivables	254,240	301,930	292,140	317,543	344,025
Cash and Bank	121,730	147,860	198,218	241,187	290,726
Other current assets	263,750	315,380	349,501	363,570	378,237
Total Current Assets	708,810	894,320	969,009	1,051,449	1,142,138
Total Assets	1,258,160	1,378,140	1,445,763	1,522,690	1,609,482

Infosys Ltd.

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Date	CMP (INR)	TP (INR)	Recommendation
18-Oct-24	1,968	2,110	ACCUMULATE
20-Jul-24	1,793	1,933	ACCUMULATE
20-April-24	1,411	1,531	ACCUMULATE
12-Jan-24	1,613	1,772	ACCUMULATE
09-Nov-23	1,389	1,508	ACCUMULATE
21-July-23	1,337	1,458	ACCUMULATE

Rating Legend (Expected over a 12-month period)	
Our Rating	Upside
Buy	More than 15%
Accumulate	5% – 15%
Hold	0 – 5%
Reduce	-5% – 0
Sell	Less than – 5%

ANALYST CERTIFICATION:

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