

Infosys

Q3 matches expectations; we argue for bottoming of growth vs. recovery

Reiterate Rating: NEUTRAL | PO: 1,535 INR | Price: 1,494 INR

Q3 matches expectations; good quarter of execution

Q3 revenue decline of 1%qoq, 1%yoy (cc) was as expected. This includes a 0.8% sequential uptick provided by 3rd party items for service delivery. EBIT margin declined 70bp qoq to 20.5%, also as expected. We read it as a quarter of good execution given the margin performance includes 70bp hit from wage hikes (effective Nov 1, 23) and a 1x impact of 60bp from a subsidiary. Decline in headcount and progress in margin enhancement program (project Maximus) helped.

Tightening of guide suggests recovery is not yet a given

The updated FY24 revenue guidance (1.5% to 2%yoy) implies a Q4 sequential range of -1.5% to +0.5%. We view it as being on the softer side of investor expectations given the anticipated tailwinds from the available deal ramps. This also suggests to us that visibility on discretionary spends is yet to improve. On the earnings call, management described customer spend trend as having neither improved nor deteriorated. That said, the deal win performance remained strong, with new component being up 2x yoy.

Highlights from the earnings call

(1) In continuation of the trend of Q3, Q4 is also likely to see impact of furloughs. (2) Customer approach in financial services was described as still cautious and in value maximization mode while decision cycles remain long in retail and telecom sectors. Manufacturing, energy, and life sciences have relatively better spend scenarios. (3) Pricing environment is stable. (4) Ramps in recent wins has been along expected lines.

Retain Neutral with unchanged PO

In our view, Infosys is moving well with its performance in securing large, cost take-out deals. Yet, its translation to revenue growth is likely to be countered by a measured approach of customers on discretionary IT programs. We think initial IT budgets for CY24 could be flat yoy, as argued in our [year ahead report](#). Adjust estimates and retain Neutral rating. We raise our USD PO to 18.55 (from 18.40) after adjusting for FX.

Estimates (Mar) (Rs)	2022A	2023A	2024E	2025E	2026E
Net Income (Adjusted - mn)	221,110	240,950	246,505	262,606	287,531
EPS	52.43	57.54	59.52	63.38	69.40
EPS Change (YoY)	15.2%	9.7%	3.4%	6.5%	9.5%
Dividend / Share	31.00	34.00	36.00	39.00	42.00
Free Cash Flow / Share	54.17	48.90	55.11	58.99	62.78
ADR EPS (US\$)	0.704	0.716	0.717	0.763	0.836
ADR Dividend / Share (US\$)	0.416	0.423	0.434	0.470	0.506
Valuation (Mar)					
P/E	28.50x	25.97x	25.11x	23.57x	21.53x
Dividend Yield	2.07%	2.28%	2.41%	2.61%	2.81%
EV / EBITDA*	20.19x	18.09x	17.20x	16.04x	14.83x
Free Cash Flow Yield*	3.51%	3.15%	3.51%	3.76%	4.00%

* For full definitions of *IQmethod*SM measures, see page 11.

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Refer to important disclosures on page 12 to 15. Analyst Certification on page 10. Price Objective Basis/Risk on page 9.

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Timestamp: 11 January 2024 04:57PM EST

12 January 2024

Equity

Key Changes

(Rs)	Previous	Current
2024E EPS	59.71	59.52
2025E EPS	63.53	63.38
2026E EPS	69.64	69.40
2024E EBITDA (m)	369,937.7	369,544.3
2025E EBITDA (m)	396,188.2	396,327.1
2026E EBITDA (m)	432,853.3	428,605.7

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Stock Data

Price (Common / ADR)	1,494 INR / 18.88 USD
Price Objective	1,535 INR / 18.55 USD
Date Established	2-Jan-2024 / 12-Jan-2024
Investment Opinion	B-2-7 / B-2-7
52-Week Range	1,185 INR-1,620 INR
Market Value (mn)	78,245 USD
Market Value (mn)	6,496,782 INR
Shares Outstanding (mn)	4,348.0 / 4,348.0
Average Daily Value (mn)	119.31 USD
Free Float	84.0%
BofA Ticker / Exchange	INFYF / NSI
BofA Ticker / Exchange	INFY / NYS
Bloomberg / Reuters	INFO IN / INFY.BO
ROE (2024E)	31.3%
Net Dbt to Eqty (Mar-2023A)	-25.2%

iQprofileSM Infosys

Key Income Statement Data (Mar)	2022A	2023A	2024E	2025E	2026E
(Rs Millions)					
Sales	1,216,410	1,467,670	1,547,616	1,626,795	1,751,064
Gross Profit	431,190	486,390	515,353	555,413	599,843
Sell General & Admin Expense	(116,270)	(135,080)	(145,809)	(159,085)	(171,238)
Operating Profit	280,150	309,060	323,126	344,775	371,761
Net Interest & Other Income	20,950	24,160	23,798	21,806	25,661
Associates	NA	NA	NA	NA	NA
Pretax Income	301,100	333,220	346,924	366,582	397,421
Tax (expense) / Benefit	(79,640)	(92,140)	(100,249)	(103,376)	(109,291)
Net Income (Adjusted)	221,110	240,950	246,505	262,606	287,531
Average Fully Diluted Shares Outstanding	4,218	4,188	4,142	4,143	4,143

Key Cash Flow Statement Data

Net Income	221,110	240,950	246,505	262,606	287,531
Depreciation & Amortization	34,770	42,250	46,418	51,552	56,845
Change in Working Capital	(11,830)	(65,030)	(17,560)	(20,159)	(31,639)
Deferred Taxation Charge	NA	NA	NA	NA	NA
Other Adjustments, Net	5,590	12,050	170	600	600
Cash Flow from Operations	249,640	230,220	275,534	294,599	313,337
Capital Expenditure	(21,610)	(25,790)	(47,390)	(50,390)	(53,390)
(Acquisition) / Disposal of Investments	(44,280)	18,110	0	0	0
Other Cash Inflow / (Outflow)	(9,060)	(9,960)	0	0	0
Cash Flow from Investing	(74,950)	(17,640)	(47,390)	(50,390)	(53,390)
Shares Issue / (Repurchase)	210	350	0	0	0
Cost of Dividends Paid	(127,310)	(136,530)	(178,762)	(193,658)	(208,555)
Cash Flow from Financing	(127,100)	(136,180)	(178,762)	(193,658)	(208,555)
Free Cash Flow	228,030	204,430	228,144	244,209	259,947
Net Debt	(241,450)	(190,820)	(240,202)	(290,752)	(342,144)
Change in Net Debt	NA	NA	NA	NA	NA

Key Balance Sheet Data

Property, Plant & Equipment	135,790	137,930	138,902	137,740	134,285
Other Non-Current Assets	371,210	411,420	425,181	438,810	460,201
Trade Receivables	226,980	254,240	266,534	280,170	301,572
Cash & Equivalents	241,450	190,820	240,202	290,752	342,144
Other Current Assets	203,420	263,750	278,062	292,236	314,483
Total Assets	1,178,850	1,258,160	1,348,880	1,439,709	1,552,684
Long-Term Debt	NA	NA	NA	NA	NA
Other Non-Current Liabilities	85,460	108,350	109,060	109,763	110,866
Short-Term Debt	NA	NA	NA	NA	NA
Other Current Liabilities	336,030	391,860	413,957	434,535	466,832
Total Liabilities	421,490	500,210	523,017	544,298	577,698
Total Equity	757,360	757,950	825,864	895,411	974,986
Total Equity & Liabilities	1,178,850	1,258,160	1,348,880	1,439,709	1,552,684

iQmethodSM - Bus Performance*

Return On Capital Employed	25.9%	27.9%	27.2%	27.1%	27.6%
Return On Equity	29.2%	32.0%	31.3%	30.7%	30.9%
Operating Margin	23.0%	21.1%	20.9%	21.2%	21.2%
EBITDA Margin	25.9%	23.9%	23.9%	24.4%	24.5%

iQmethodSM - Quality of Earnings*

Cash Realization Ratio	1.1x	1.0x	1.1x	1.1x	1.1x
Asset Replacement Ratio	0.6x	0.6x	1.0x	1.0x	0.9x
Tax Rate (Reported)	26.4%	27.7%	28.9%	28.2%	27.5%
Net Debt-to-Equity Ratio	-31.9%	-25.2%	-29.1%	-32.5%	-35.1%
Interest Cover	NA	NA	NA	NA	NA

Key Metrics

* For full definitions of iQmethodSM measures, see page 11.

Company Sector

Computer Services

Company Description

Set up in 1981, Infosys is among India's top three IT Services' exporters, with FY23 revenues of over US\$18.2bn and nearly 343k employees as of Mar-23. Its service offerings span IT consulting to BPO, with the bulk of revenues from software application dev & maintenance. It is focused on differentiating itself through its consulting and systems integration capabilities and by growing its IP-led solutions. Key markets are North America and Europe.

Investment Rationale

On the back of improved strategic clarity/positioning vs. the past few years, Infosys is likely to remain growth leader in the coming year but we think that its higher absolute valuation makes it more sensitive to the upcoming demand risks. We have a Neutral rating as we see balanced risk-reward as the current sectoral risks on demand slowdown gets balanced by Infosys's sector leading win rates even in a weak macro, also aided by vendor consolidation.

Stock Data

Shares / ADR	1.00
Price to Book Value	7.9x

Key Changes

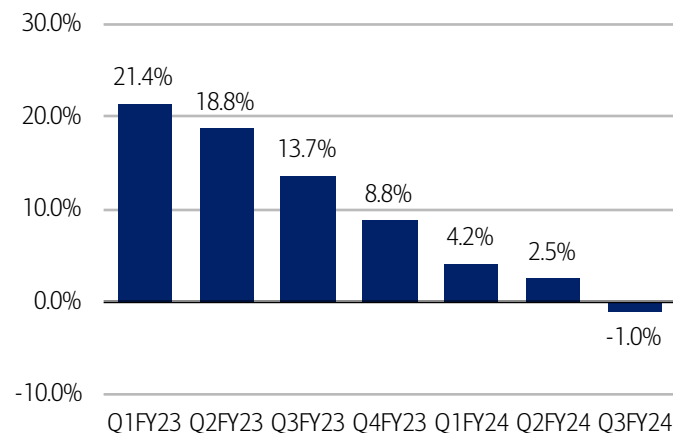
(US\$)	Previous	Current
Price Obj.	18.40	18.55
2025E EPS	0.77	0.76

Q3 result summary

- Company narrowed its revenue guidance for FY24 to 1.5%-2.0% yoy (constant currency) from 1%-2.5% yoy earlier. The updated guidance implies a Q4 sequential cc range of -1.5% to +0.5% & yoy cc range of +0.8% to +2.8%.
- EBIT margin declined 70bps on a sequential basis, impacted by 2 months of wage hike impact (70bps), 1x impact of 60bps from a subsidiary & these were partially offset by efficiency measures in form of utilization uptick, lower sub-con, lower SG&A etc. (50bps) and Fx (10bps).
- On a QoQ, constant currency basis, de-growth was led by retail which was the weakest among all verticals as revenues declined c.5%qoq cc. Manufacturing continued to do well and grew 3.7%qoq cc.
- On a YoY, constant currency basis, BFSI & Communication registered de-growth of 6% & 8% respectively whereas Manufacturing & Life Sciences were up 10.6% and 6.3% respectively.
- Large deal TCV (total contract value) came in at \$3.2bn. Net new component was a healthy 71% of this i.e. \$2.3bn, and is well above past 4 quarter average of \$1.6bn.
- Employee headcount declined by roughly 2% on a sequential basis & headcount is now down 7% on a yoy basis. Utilization (including trainees) was up by 170bps at 81.7%.

Exhibit 1: YoY constant currency revenue growth trajectory

YoY growth decelerated from 2.5% in Q2 to -1.0% cc in Q3FY24

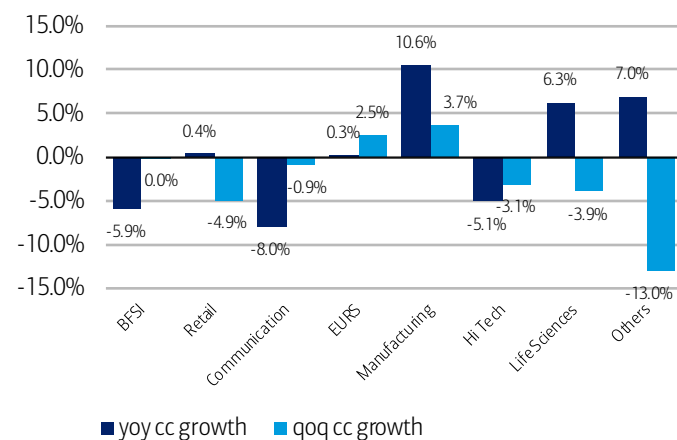


Source: Company, BofA Global Research

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Exhibit 2: Vertical wise growth in Q3FY24

Clients in the BFSI, Retail and Communications vertical continue to maintain a cautious stance whereas manufacturing & energy doing well



Source: Company, BofA Global Research. EURS: Energy, utilities, resources and services

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Exhibit 3: P&L variance table

Q3 revenue decline of 1%qoq, 1%yoy (cc) was as expected. This includes a 0.8% sequential uptick provided by 3rd party items for service delivery.

INR Million	Q3 24	Q2 24	QoQ	Q3 23	YoY	BofAe	Variance
Operating revenues (USD mn)	4,663	4,718	-1.2%	4,659	0.1%	4,680	-0.4%
Operating revenues	388,210	389,940	-0.4%	383,180	1.3%	389,725	-0.4%
Software development expenses	260,770	258,650	0.8%	254,360	2.5%	260,603	0.1%
Gross Profit	127,440	131,290	-2.9%	128,820	-1.1%	129,122	-1.3%
Selling and mktg expenses	17,000	17,540	-3.1%	16,110	5.5%	17,530	-3.0%
Gen and administration expenses	19,070	19,350	-1.4%	19,040	0.2%	19,339	-1.4%
Total expenditure	296,840	295,540	0.4%	289,510	2.5%	297,473	-0.2%
EBITDA	91,370	94,400	-3.2%	93,670	-2.5%	92,252	-1.0%
Depreciation	11,760	11,660	0.9%	11,250	4.5%	11,219	4.8%
EBIT	79,610	82,740	-3.8%	82,420	-3.4%	81,033	-1.8%
Other income	6,580	4,940	33.2%	6,890	-4.5%	4,940	33.2%
PBT	86,190	87,680	-1.7%	89,310	-3.5%	85,973	0.3%
Tax	25,060	25,530	-1.8%	23,450	6.9%	24,502	2.3%
Reported PAT	61,060	62,120	-1.7%	65,860	-7.3%	61,441	-0.6%
Extra-ordinary income	0	0	n/a	0	n/a	0	n/a
Recurring PAT	61,060	62,120	-1.7%	65,860	-7.3%	61,441	-0.6%

Source: Company data, BofA Global Research

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Exhibit 4: Key ratios variance

EBIT margin performance largely along expected lines

Margins	Q3 24	Q2 24	QoQ (bps)	Q3 23	YoY (bps)	BofAe	Variation (bps)
Gross	32.8%	33.7%	-84	33.6%	-79	33.1%	-30
EBITDA	23.5%	24.2%	-67	24.4%	-91	23.7%	-13
EBIT	20.5%	21.2%	-71	21.5%	-100	20.8%	-29
Recurring PAT	15.7%	15.9%	-20	17.2%	-146	15.8%	-4
Effective Tax Rate	29.1%	29.1%	-4	26.3%	282	28.5%	58

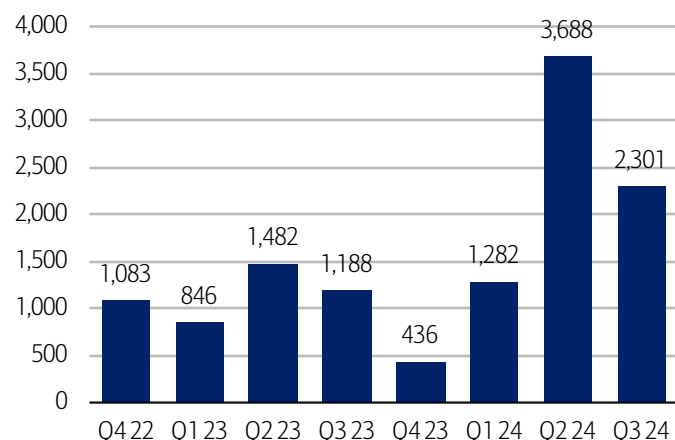
Source: Company, BofA Global Research

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Key Charts

Exhibit 5: Net new large deals (\$mn)

Net large new deals came in at \$2.3bn, up almost 2x yoy

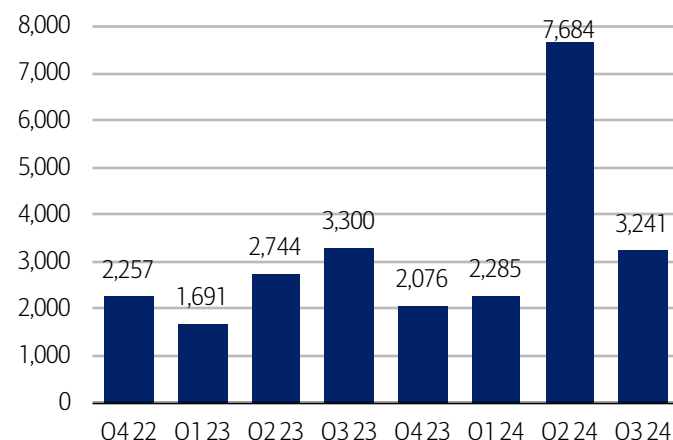


Source: BofA Global Research, Company data

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Exhibit 6: Large deal wins including renewals (\$mn)

Large deal TCV came in at \$3.2bn

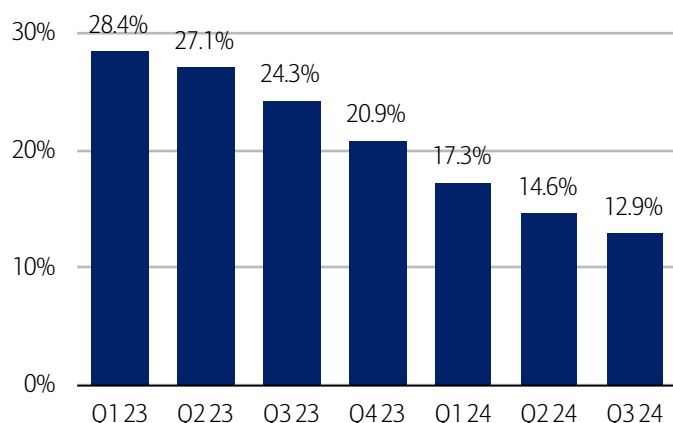


Source: BofA Global Research, Company data

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Exhibit 7: LTM attrition

Voluntary LTM attrition was down 170bps on a sequential basis

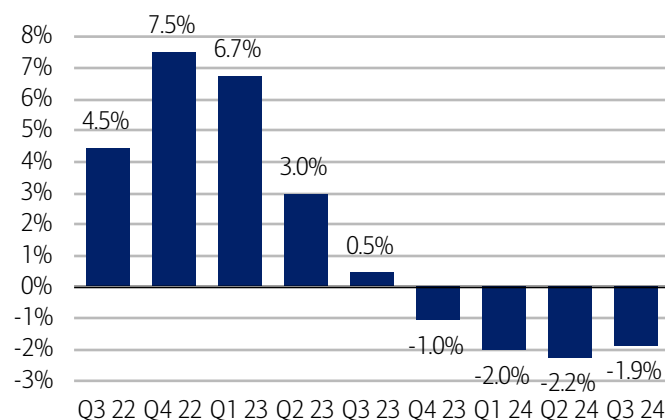


Source: BofA Global Research, Company data

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Exhibit 8: Employee headcount growth - QoQ

Headcount declined by 1.9% qoq, & is now down 7%yoy

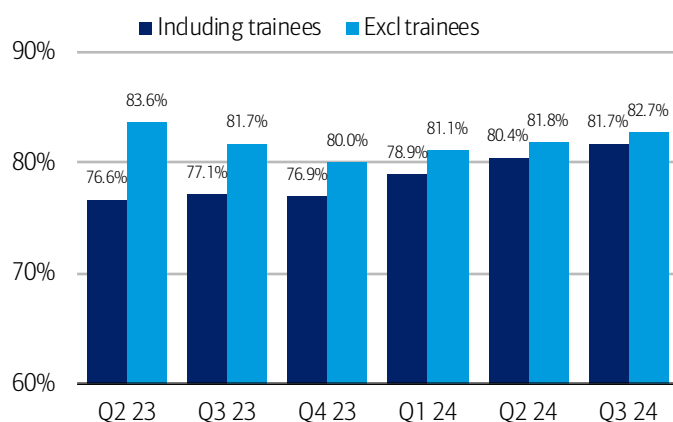


Source: BofA Global Research, Company data

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Exhibit 9: Utilization (%)

Utilization (including trainees) was up 130bps qoq

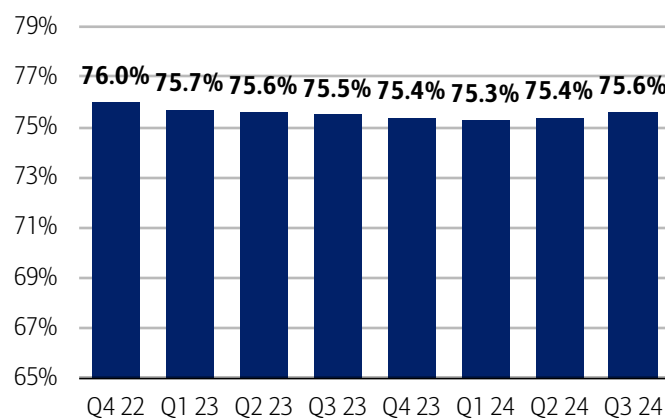


Source: BofA Global Research, Company data

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Exhibit 10: Offshore effort split

Slight uptick in effort mix towards offshore



Source: BofA Global Research, Company data

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Growth by verticals and geographies

Exhibit 11: Geography wise growth (YoY, constant currency)

North America decelerated from 1%yoy cc to -4.9%yoy cc whereas Europe maintained the growth trajectory

	% of Revenue	YoY Growth (constant currency)							
		Q4 22	Q1 23	Q2 23	Q3 23	Q4 23	Q1 24	Q2 24	Q3 24
North America	59.0%	18.5%	18.4%	15.6%	10.5%	6.0%	2.1%	1.0%	-4.9%
Europe	28.2%	28.3%	33.2%	28.5%	25.3%	20.3%	10.1%	5.4%	5.0%
India	2.4%	29.4%	5.8%	36.4%	-5.4%	-7.1%	13.7%	2.6%	-1.0%
ROW	10.4%	13.9%	17.8%	11.9%	11.9%	3.4%	-0.5%	3.9%	7.8%
Total	100.0%	20.6%	21.4%	18.8%	13.7%	8.8%	4.2%	2.5%	-1.0%

Source: BofA Global Research, Company data

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Exhibit 12: Vertical wise growth (YoY, constant currency)

On a YoY, constant currency basis, BFSI & Communications continue to post a decline whereas Manufacturing & Life Sciences faring better

	% of Revenue	YoY Growth (constant currency)							
		Q4 22	Q1 23	Q2 23	Q3 23	Q4 23	Q1 24	Q2 24	Q3 24
Financial Services	27.8%	14.1%	12.1%	11.5%	5.5%	0.4%	-4.2%	-7.3%	-5.9%
Retail	14.6%	16.5%	17.8%	15.4%	12.7%	12.6%	4.0%	9.2%	0.4%
Communication	11.4%	29.2%	30.0%	18.4%	12.7%	0.3%	-5.6%	-4.3%	-8.0%
Energy, Utilities, Resources and Services	13.1%	17.8%	24.6%	24.3%	25.9%	17.1%	8.6%	5.1%	0.3%
Manufacturing	14.9%	50.6%	55.2%	45.0%	36.8%	26.5%	20.7%	12.6%	10.6%
Hi Tech	7.7%	20.9%	16.4%	9.9%	10.4%	3.7%	2.3%	-0.6%	-5.1%
Life Sciences	7.6%	16.2%	15.8%	10.3%	5.0%	15.7%	13.9%	18.4%	6.3%
Others	2.9%	7.3%	15.4%	56.6%	8.1%	13.4%	32.9%	15.3%	7.0%
Total	100.0%	20.6%	21.4%	18.8%	13.7%	8.8%	4.2%	2.5%	-1.0%

Source: BofA Global Research, Company data

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Valuations

Exhibit 13: 12m fwd PE trend - Infosys

Infosys is currently trading at 23x on 12m fwd PE

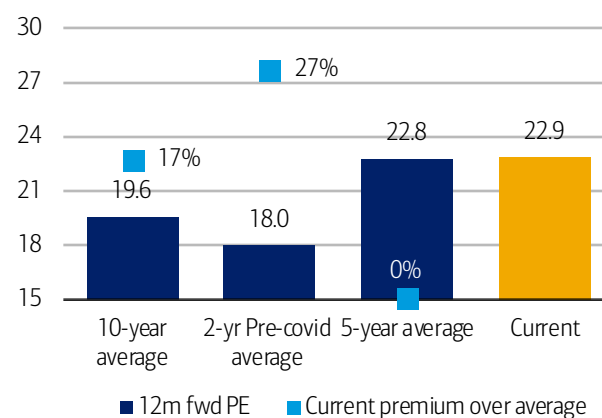


Source: Bloomberg, BofA Global Research

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Exhibit 14: Historical averages – 12m fwd PE - Infosys

Infosys is trading at parity to 5-yr averages but is at a 17% premium to its 10-year average multiple



Source: Bloomberg, BofA Global Research

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Exhibit 15: India IT comp table – BofA estimates

Infosys is current trading at 21.5x on FY26E EPS on our estimates

	TCS	Infosys	HCL Tech	Wipro	TECHM
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Exhibit 15: India IT comp table – BofA estimates

Infosys is current trading at 21.5x on FY26E EPS on our estimates

BoFA Rating	FY22	FY23	FY24	FY25	FY26
Currency	INR	INR	INR	INR	INR
Current price Rs.	3,736	1,494	1,485	448	1,249
Target Price Rs		1,535			
Revenue growth (% YoY, INR)					
FY22	16.8%	21.1%	13.6%	27.7%	17.9%
FY23	17.6%	20.7%	18.5%	14.4%	19.4%
FY24E	6.8%	5.4%	7.9%	-0.9%	-2.6%
FY25E	5.9%	5.1%	6.1%	3.4%	4.8%
FY26E	7.9%	7.6%	8.9%	6.1%	8.6%
Recurring EPS (INR)					
FY22	103.6	52.5	50.4	22.4	63.4
FY23	115.2	57.6	54.8	20.7	57.5
FY24E	126.2	59.5	58.0	20.4	43.1
FY25E	133.1	63.4	63.1	21.8	53.1
FY26E	144.2	69.4	68.7	23.2	65.5
Recurring EPS growth (% YoY)					
FY22	19.5%	15.2%	4.6%	16.9%	23.6%
FY23	11.2%	9.7%	8.9%	-7.3%	-9.3%
FY24E	8.0%	3.3%	5.8%	-1.6%	-24.9%
FY25E	7.0%	6.5%	8.9%	6.8%	23.0%
FY26E	8.3%	9.5%	8.9%	6.6%	23.5%
EPS CAGR FY23-26E (%)	7.8%	6.4%	7.8%	3.9%	4.5%
PE - FY22 (x)	36.1	28.4	29.5	20.1	19.7
PE - FY23 (x)	32.4	25.9	27.1	21.6	21.7
PE - FY24E (x)	30.0	25.1	25.6	22.0	29.0
PE - FY25E (x)	28.1	23.6	23.5	20.6	23.5
PE - FY26E (x)	25.9	21.5	21.6	19.3	19.1
EBIT Margin - FY22 (%)	25.3%	23.0%	18.9%	17.5%	14.6%
EBIT Margin - FY23 (%)	24.1%	21.1%	18.2%	15.4%	11.4%
EBIT Margin - FY24E (%)	24.5%	20.9%	18.2%	15.2%	8.3%
EBIT Margin - FY25E (%)	24.6%	21.2%	18.6%	15.9%	11.0%
EBIT Margin - FY26E (%)	24.7%	21.2%	18.6%	15.9%	12.6%
FCF Yield - FY22 (%)	2.7%	3.6%	3.8%	3.7%	3.9%
FCF Yield - FY23 (%)	2.9%	3.3%	4.1%	4.7%	4.1%
FCF Yield - FY24E (%)	3.1%	3.7%	4.4%	5.5%	3.0%
FCF Yield - FY25E (%)	3.6%	3.9%	4.9%	5.3%	3.9%

Source: BofA Global Research estimates

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Financials

Exhibit 16: Infosys Profit & Loss statement

We forecast constant currency yoy revenue growth of 2% in FY24

INR mil	2021	2022	2023	2024E	2025E	2026E
Operating revenues	1,004,730	1,216,410	1,467,670	1,547,616	1,626,795	1,751,064



Exhibit 16: Infosys Profit & Loss statement

We forecast constant currency yoy revenue growth of 2% in FY24

Software development expenses (excl depreciation)	621,770	703,220	801,200	1,002,203	1,071,502	1,151,220
Gross Profit	383,260	431,190	486,390	515,353	555,413	599,843
GPM%	38.1%	35.4%	33.1%	33.3%	34.1%	34.3%
SGA	104,360	116,270	135,080	145,809	159,085	171,238
EBITDA	278,900	314,920	351,310	369,544	396,327	428,606
EBITDA %	27.8%	25.9%	23.9%	23.9%	24.4%	24.5%
Depreciation	32,680	34,770	42,250	46,418	51,552	56,845
EBIT	246,220	280,150	309,060	323,126	344,775	371,761
EBIT%	24.5%	23.0%	21.1%	20.9%	21.2%	21.2%
Other income	20,060	20,950	24,160	23,798	21,806	25,661
Provision for investments	0	0	0	0	0	0
Income after other income and provisions	298,960	335,870	375,470	393,342	418,134	454,266
Interest	0	0	0	0	0	0
PBT	266,280	301,100	333,220	346,924	366,582	397,421
Tax	72,050	79,640	92,140	100,249	103,376	109,291
Recurring PAT	193,510	221,110	240,950	246,505	262,606	287,531
Extraordinary income	0	0	0	0	0	0
Reported PAT	193,510	221,110	240,950	246,505	262,606	287,531

Source: BofA Global Research estimates

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Exhibit 17: Key Ratios

We forecast marginal dip in EBIT margins in FY24.

	2021	2022	2023	2024E	2025E	2026E
Revenue Growth (USD)	6.1%	20.3%	11.7%	2.6%	6.2%	7.6%
Revenue Growth (INR)	10.7%	21.1%	20.7%	5.4%	5.1%	7.6%
Gross Profit Growth	16.3%	12.5%	12.8%	6.0%	7.8%	8.0%
EBITDA Growth	25.2%	12.9%	11.6%	5.2%	7.2%	8.1%
EBIT Growth	27.1%	13.8%	10.3%	4.6%	6.7%	7.8%
Net Profit Growth	16.6%	14.3%	9.0%	2.3%	6.5%	9.5%
Gross Margin	38.1%	35.4%	33.1%	33.3%	34.1%	34.3%
EBITDA Margin	27.8%	25.9%	23.9%	23.9%	24.4%	24.5%
EBIT Margin	24.5%	23.0%	21.1%	20.9%	21.2%	21.2%
Net Margin (recurring)	19.3%	18.2%	16.4%	15.9%	16.1%	16.4%
EPS (Rs) - Diluted (recurring)	45.5	52.4	57.5	59.5	63.4	69.4
DPS (Rs)	27.0	31.0	34.0	36.0	39.0	42.0
Pay-out Ratio(%)	59%	59%	59%	60%	61%	60%

Source: BofA Global Research estimates

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Exhibit 18: Balance Sheet

Balance sheet supportive of strong capital returns

Balance Sheet (INR mn)	2021	2022	2023	2024E	2025E	2026E
Assets						
Cash and equivalents	247,140	174,720	121,730	171,112	221,662	273,054
Available for sale financial assets	23,420	66,730	69,090	69,090	69,090	69,090
Investment in CDs	-	-	-	-	-	-
Trade receivables	192,940	226,980	254,240	266,534	280,170	301,572
Unbilled revenue	75,270	115,680	152,890	161,218	169,466	182,412
Derivative financial instruments	1,880	1,430	1,010	1,010	1,010	1,010
Prepayments and other current assets	66,680	86,310	109,850	115,834	121,760	131,061
Total current assets	607,330	671,850	708,810	784,798	863,159	958,199
Property, plant and equipment	136,230	135,790	137,930	138,902	137,740	134,285
Goodwill	60,790	61,950	72,480	72,480	72,480	72,480
Intangible assets	68,660	65,300	86,310	86,310	86,310	86,310
Deferred income tax assets	10,980	12,120	12,450	13,128	13,800	14,854
Income tax assets	58,110	60,980	64,530	68,045	71,526	76,990
Other Assets	141,760	170,860	175,650	185,218	194,694	209,566
Total non-current assets	476,530	507,000	549,350	564,083	576,550	594,486
Total Assets	1,083,860	1,178,850	1,258,160	1,348,880	1,439,709	1,552,684
Liabilities and equity						
Trade payables	26,450	41,340	38,650	42,400	44,570	47,974
Derivative financial instruments	7,940	9,330	13,200	13,200	13,200	13,200
Current income tax liabilities	21,460	26,070	33,840	35,683	37,509	40,374
Tax on dividend	-	-	-	-	-	-
Unearned revenue	40,500	63,240	71,630	75,532	79,396	85,461
Employee benefit obligations	20,200	21,820	23,990	25,297	26,591	28,622
Provisions	7,130	9,750	13,070	13,608	14,379	15,588
Other current liabilities	114,970	164,480	197,480	208,237	218,891	235,612
Total current liabilities	238,650	336,030	391,860	413,957	434,535	466,832
Deferred income tax liabilities	8,750	11,560	12,200	12,865	13,523	14,556
Non-current liabilities	67,670	72,980	95,320	95,320	95,320	95,320
Employee benefit obligations	970	920	830	875	920	990
Total liabilities	316,040	421,490	500,210	523,017	544,298	577,698
Equity						
Share capital	21,240	20,980	20,690	20,690	20,690	20,690
Share premium	9,930	8,270	10,650	10,650	10,650	10,650
Retained earnings	653,970	624,230	600,630	668,374	737,321	816,296
Other components of equity	78,370	100,020	122,100	122,100	122,100	122,100
Minority interest	4,310	3,860	3,880	4,050	4,650	5,250
Total liabilities and equity	1,083,860	1,178,850	1,258,160	1,348,880	1,439,709	1,552,684

Source: BofA Global Research estimates

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Price objective basis & risk**Infosys (INFYF / INFY)**

Our PO of INR1,535 (ADR: US\$18.55) is based on a target P/E of 22x for the 12 months ending Mar-26. Our target multiple for Infosys is at about 15% discount to our target multiple for TCS. This is in line with the average trading discount over the past 5 years.

Versus its own history, our target multiple is at a parity to its 5-year average 12m



forward PE multiple.

Downside risks to our price objective are (1) risks to IT spends in a weakening global macro (2) risks related to the strengthening of INR vs. USD. Upside risks to our PO are (i) faster than expected rebound in demand post upcoming rate cuts in US & (ii) faster than expected revenue conversion from recently won large deals.

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Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
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	Genpact Ltd	G	G US	Kunal Tayal
	WNS Holdings Ltd	WNS	WNS US	Kunal Tayal
NEUTRAL	HCL	XHCLF	HCLT IN	Kunal Tayal
	Infosys	INFYF	INFO IN	Kunal Tayal
	Infosys Tech - A	INFY	INFY US	Kunal Tayal
	Tata Consultancy	TACSF	TCS IN	Kunal Tayal
	Tata Technologies	XZTLF	TATATECH IN	Kunal Tayal
UNDERPERFORM	L&T Technology Services	XLNSF	LTTS IN	Kunal Tayal
	Tech Mahindra	TECHM	TECHM IN	Kunal Tayal
	Wipro	WIPRF	WPRO IN	Kunal Tayal
	Wipro	WIT	WIT US	Kunal Tayal

iQmethodSM Measures Definitions**Business Performance**

Return On Capital Employed

Return On Equity

Operating Margin

Earnings Growth

Free Cash Flow

Numerator

NOPAT = (EBIT + Interest Income) × (1 – Tax Rate) + Goodwill Amortization

Net Income

Operating Profit

Expected 5 Year CAGR From Latest Actual

Cash Flow From Operations – Total Capex

Denominator

Total Assets – Current Liabilities + ST Debt + Accumulated Goodwill

Amortization

Shareholders' Equity

Sales

N/A

N/A

Quality of Earnings

Cash Realization Ratio

Asset Replacement Ratio

Tax Rate

Net Debt-To-Equity Ratio

Interest Cover

Numerator

Cash Flow From Operations

Capex

Tax Charge

Net Debt = Total Debt – Cash & Equivalents

EBIT

Denominator

Net Income

Depreciation

Pre-Tax Income

Total Equity

Interest Expense

Valuation Toolkit

Price / Earnings Ratio

Price / Book Value

Dividend Yield

Free Cash Flow Yield

Enterprise Value / Sales

Numerator

Current Share Price

Current Share Price

Annualised Declared Cash Dividend

Cash Flow From Operations – Total Capex

EV = Current Share Price × Current Shares + Minority Equity + Net Debt +

Other LT Liabilities

Enterprise Value

Denominator

Diluted Earnings Per Share (Basis As Specified)

Shareholders' Equity / Current Basic Shares

Current Share Price

Market Cap = Current Share Price × Current Basic Shares

Sales

EV / EBITDA

Basic EBIT + Depreciation + Amortization

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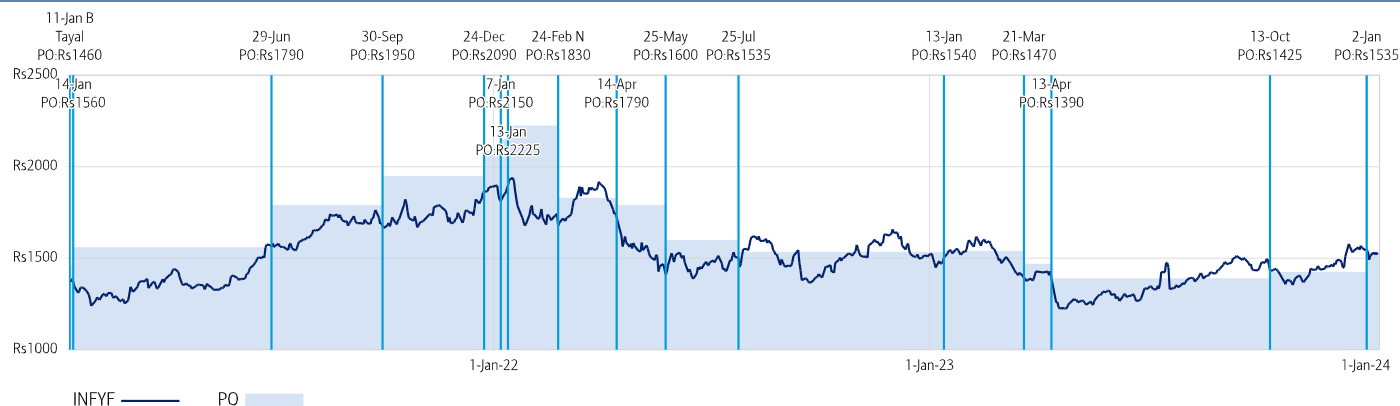
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Important Disclosures

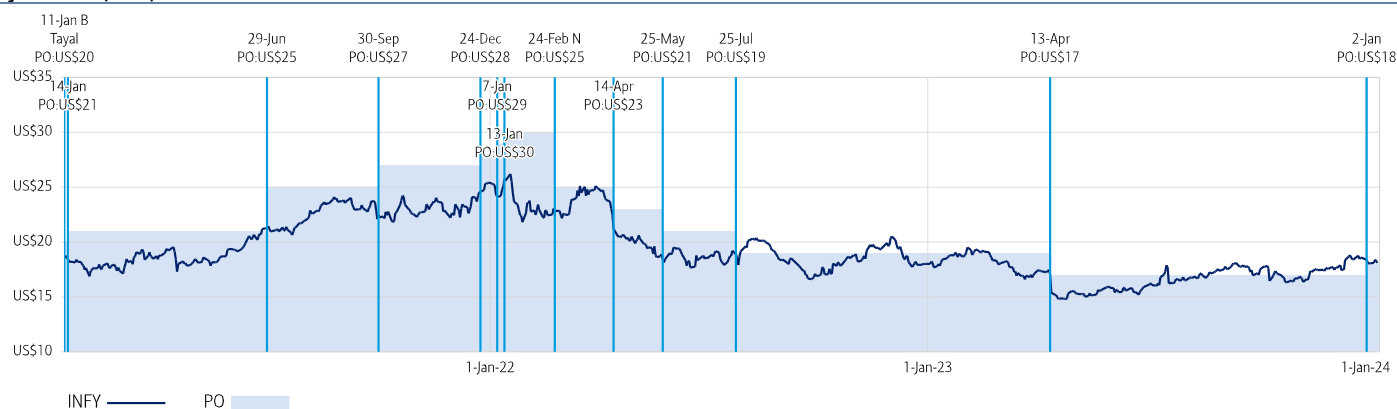
Infosys (INFYF) Price Chart



B: Buy, N: Neutral, U: Underperform, PO: Price Objective, NA: No longer valid, NR: No Rating

The Investment Opinion System is contained at the end of the report under the heading "Fundamental Equity Opinion Key". Dark grey shading indicates the security is restricted with the opinion suspended. Medium grey shading indicates the security is under review with the opinion withdrawn. Light grey shading indicates the security is not covered. Chart is current as of a date no more than one trading day prior to the date of the report.

Infosys Tech - A (INFY) Price Chart



B: Buy, N: Neutral, U: Underperform, PO: Price Objective, NA: No longer valid, NR: No Rating

The Investment Opinion System is contained at the end of the report under the heading "Fundamental Equity Opinion Key". Dark grey shading indicates the security is restricted with the opinion suspended. Medium grey shading indicates the security is under review with the opinion withdrawn. Light grey shading indicates the security is not covered. Chart is current as of a date no more than one trading day prior to the date of the report.

Equity Investment Rating Distribution: Technology Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	Count	Percent
Buy	215	53.09%	Buy	111	51.63%
Hold	97	23.95%	Hold	45	46.39%
Sell	93	22.96%	Sell	24	25.81%

Equity Investment Rating Distribution: Global Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	Count	Percent
Buy	1895	53.62%	Buy	1083	57.15%
Hold	832	23.54%	Hold	454	54.57%
Sell	807	22.84%	Sell	383	47.46%

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Investment rating	Total return expectation (within 12-month period of date of initial rating)	Ratings dispersion guidelines for coverage cluster ^{R2}
Buy	≥ 10%	≤ 70%
Neutral	≥ 0%	≤ 30%
Underperform	N/A	≥ 20%

^{R2} Ratings dispersions may vary from time to time where BofA Global Research believes it better reflects the investment prospects of stocks in a Coverage Cluster.

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