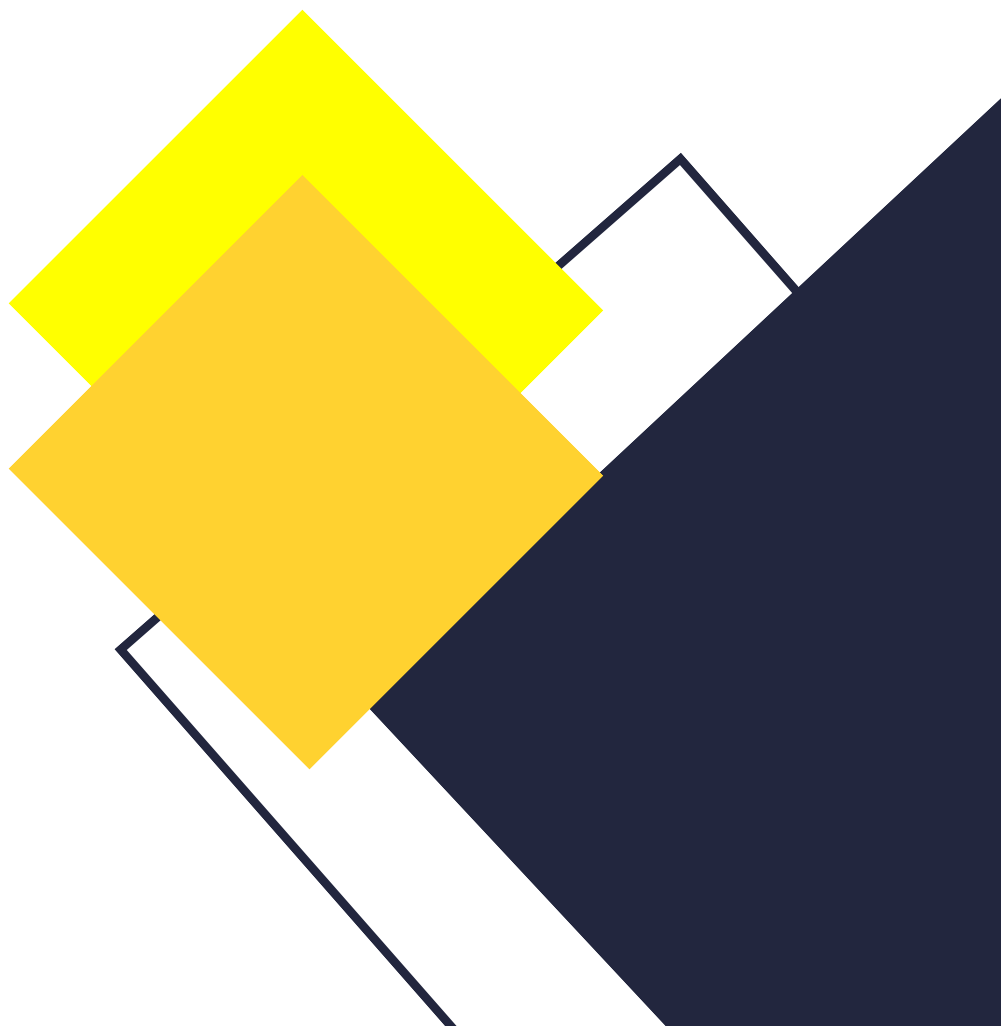





INFOSYS





Market Capital: 7,85,167.84 Cr.
Enterprise Value: 7,67,555.84 Cr.
No. Of Shares: 420.56 Cr.

52 Week High: 1,914.05
52 Week Low: 1,231
Face Value: 5.00

We recommend a Buy position on Infosys with a medium to long-term view owing to Stock with a good financial performance alongside good to expensive valuation, As it lacks price momentum as suggested by technical indicators, Short term won't be a good idea.

SECTOR OVERVIEW

The IT industry accounted for 8% of India's GDP in 2020. According to STPI (Software Technology Park of India), software exports by the IT companies connected to it stood at Rs. 1.20 lakh crore (US\$ 16.29 billion) in the first quarter of FY21. The IT & BPM industry's revenue is estimated at ~US\$ 194 billion in FY21, an increase of 2.3% YoY. The domestic revenue of the IT industry is estimated at US\$ 45 billion and export revenue is estimated at US\$ 150 billion in FY21. According to Gartner estimates, IT spending in India is estimated to reach US\$ 93 billion in 2021 (7.3% YoY growth) and further increase to US\$ 98.5 billion in 2022. The BPM sector in India currently employs >1.4 million people, while IT and BPM together have >4.5 million workers, as of FY21. India's software services exports (excluding exports through commercial presence) increased by 4% in FY21 compared with FY20 and are estimated at US\$ 133.7 billion during 2020-21. The Indian software product industry is expected to reach US\$ 100 billion by 2025. Indian companies are focusing to invest internationally to expand their global footprint and enhance their global delivery centres. In line with this, in February 2021, Tata Consultancy Services announced plans to recruit ~1,500 technology employees across the UK over the next year. The development would build capabilities for TCS to deliver efficiently to UK customers. As of FY21, the IT industry employed 4.5 million people. The data annotation market in India stood at ~ US\$ 250 million in FY20, of which the US market contributed ~ 60% to the overall value. The market is expected to reach ~ US\$ 7 billion by 2030 due to accelerated domestic demand for AI.



COMPANY OVERVIEW

Infosys Limited (Infosys), formerly Infosys Technologies Limited, provides business consulting, technology, engineering, and outsourcing services. Its end-to-end business solutions include consulting and systems integration comprising consulting, enterprise solutions, systems integration, and advanced technologies; business information technology (IT) services consisting of application development and maintenance, independent validation services, infrastructure management, engineering services comprising product engineering and life cycle solutions and business process management; products, business platforms, and solutions, including Finacle, its banking product, which offers solutions to address core banking, mobile banking and e-banking needs of retail, corporate and universal banks globally, and areas, such as cloud computing, enterprise mobility, and sustainability. On January 4, 2012, Infosys BPO Limited acquired Portland Group Pty Ltd. In October 2012, it acquired Lodestone Holding AG. The company is also in the business segment of Financial Services, Energy & Utilities, Life Sciences and Healthcare, Consumer packaged goods, and Logistics. Infosys Business Model caters to two industries: IT Services & IT consulting and mainly revolves around Information Technology, Consulting, Outsourcing, and Managed Services.

Performance in recent years:-

- Return on Equity has increased versus last 3 years average to 28.80%
- Sales growth is growing at a healthy rate in the last 3 years 12.52%
- Sales growth is good in last 4 quarters at 15.93%
- Net Profit has been subdued in last 3 years 7.42%



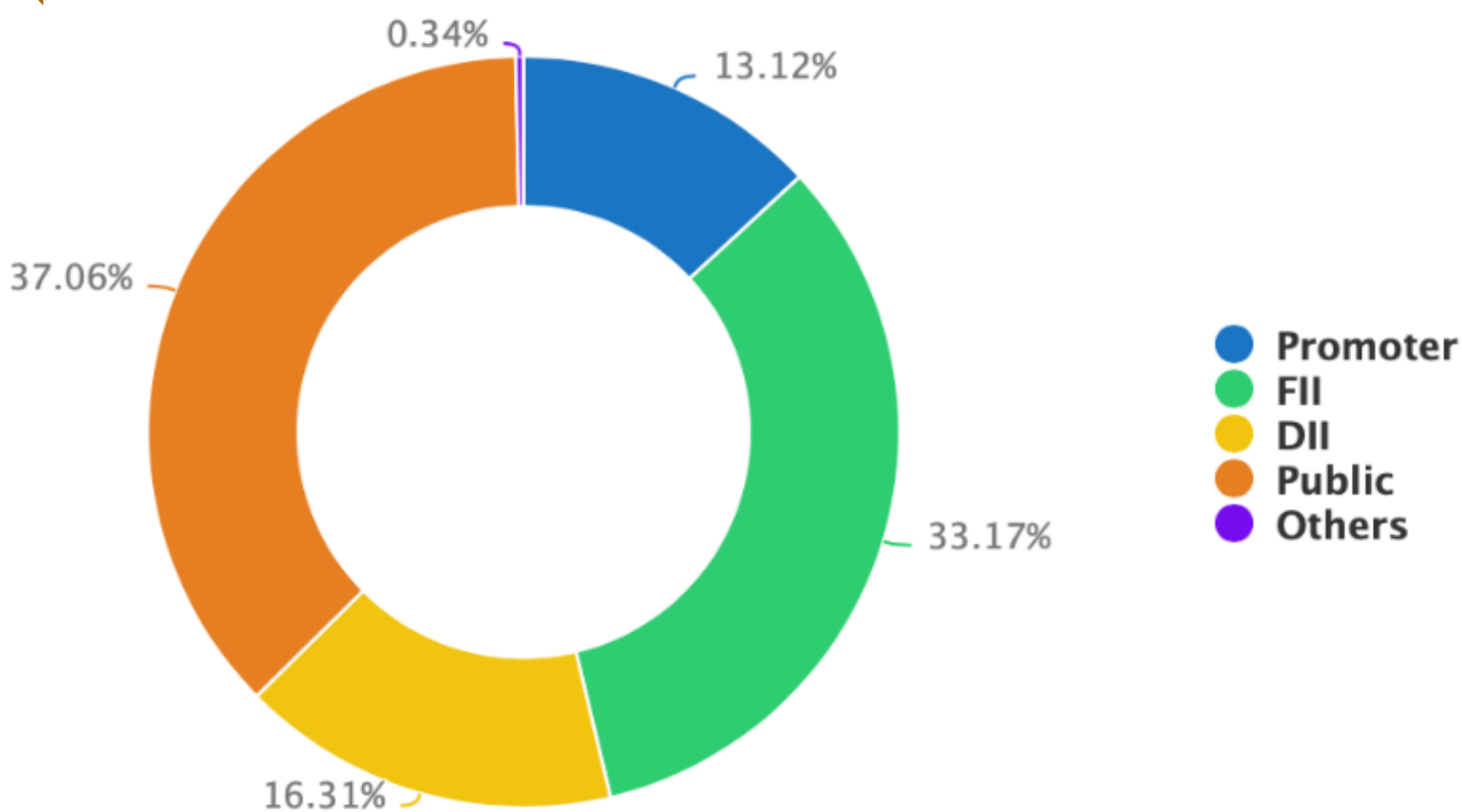
INFOSYS(RATIOS)	FY2021	FY2020	FY2019
P/E Ratio	29.99	16.46	20.99
ROCE	31.73%	30.83%	31.83%
ROE	25.34%	25.35%	23.71%
Debt to Equity	0.00	0.00	0.00
Quick Ratio	2.54	2.62	2.84
Basic EPS	45.61	38.97	35.44
Return on Assets(%)	17.85%	17.88%	18.17%
Net Profit Margin	9.84%	7.56%	6.87%



HOLDING PATTERN

- Promoters:13.12%
- Institutions:49.12%
- Non-Institutions:20.02%

No promoter holdings are pledged



[See Top Holdings](#) ↗



INVESTMENT HYPOTHESIS

1) Comprehensive and client-centric strategies:

- By Investing in digital capabilities and prioritising the services, it was a scale agile digital approach of Infosys that contributed to \$15.4B Last twelve-month revenue with a 40.3% Y/Y cc growth. By modernising legacy processes and automating technology assets their client journey is being accelerated. Through AI and advanced analytics, it is possible to gain deeper insights into the same. Through this, their digital revenue has become about 55% of the total revenue making it the first Indian company whose Digital revenues crossed the 50% mark.
- By infusing AI and automation they are constantly improvising the core operations. With over 117k employees deployed digitally, they had more than a million use cases of internal automation.
- They are expanding on the internal talent marketplace that helps employees to move up in the value chain, delivering their promise of 'careers that never stand still'. The Infosys lex with over 350k resources and 3k courses integrated with their strategic alliances such as the Purdue University and ecornell is making learning more convenient, relevant, and fun.



2) Structured approach to Creating Investor value:

- **Go-to-market localization capabilities:** With their Center of Excellence within each of its business units, Infosys has been funding projects of greater scale than within a single project.
- It has been using a unique method to get quality partners that are turning its clients into partners. This has helped them grow their business in the long term. They have also been gaining large amounts of profits due to the remarkable investments made by their partners. It has facilitated this process of turning clients into partners through operational readiness, constant innovation, and meticulous execution of predetermined plans. They have also been strengthening their digital portfolio by taking up systematic M&As. Some of which are GuideVision (leading ServiceNow Elite partner in Europe), Blue Acorn iCi (Adobe Platinum partner in the US, and a leader in digital customer experience, commerce, and analytics), and Kaleidoscope Innovation (a full-spectrum product design, development, and insights firm innovating across medical, consumer and industrial markets.)
- **Strong financials:** With the one-year and five-year total shareholder return being 53.3% and 329.6% compared to the 25.7% and 126.9% of Nifty 50, Infosys has created a significant shareholder value through dividends and capital appreciation. Their balance sheet is strong, debt-free, and liquid. Currently, It is backed by robust Q3FY22 results in revenue terms. The Digital revenues rose 41.2% YoY and contributes to 58.5% of the total revenues. Despite the supply chain challenges its margins were resilient at 23.5%. Revised revenue guidance upwards to 19.5-20.0% (from 16.5-17.5% earlier) for FY22E. The growth trajectory of Infosys remains strong, supported by a strong deal pipeline and wins – it closed 25 large deals with TCV of 2.5bn +17% QoQ. It has a good broad-based momentum across verticals, through the third quarter results there were five large deals in the BFSI and showed a decent momentum in the retail, manufacturing, life-science, and communication sectors. With timely operational pivots of offshoring and greater utilisation, the near-term impact from subcontracting was mitigated. There was an uptick in fresher onboarding 55k in FY22 vs. 45k planned earlier and 21k in FY21, to fulfil demand and offset the near-term attrition surge of +540bps QoQ.



PROJECT

- The company won large 25 deals during the quarter with a total contract value of US\$2.53 billion(NN deals wins was up +40% QoQ) vs. US\$2.15 bn in Q2 this FY. Out of these, six were in retail, five each in BFSI, Communication and Energy, two in manufacturing, and one each in High-tech and Life Sciences. Total 16 deal wins were from America, seven from Europe, and two from the RoW.
- **ESG vision 2030**

The Infosys ESG Vision 2030 articulates its commitment to shape and share its solutions that serve the development of businesses and communities. They formed the ESG Committee of the Board with 3 Independent Directors for Environmental, Social, and Governance visions.

The Environment Vision serves the preservation of our planet by shaping and sharing technology solutions to Environment Ambitions. The Social Vision serves the development of people by shaping a future with meaningful opportunities for all social Ambitions. They plan to do this by enabling digital talent at scale via extending digital skills to 10mn+ (by 2025) and empowering 80 mn+ lives via tech for good programs (by 2025) and lastly the Governance Vision that serves the interests of all the stakeholders by leading through the core values.



PEER COMPARISON

Company Name	Price	%Chg	M-Cap (Cr)	TTM PE	P/B	ROE (%)	1 Year Perform (%)	Net Profit (Rs.)	Net Sales (Rs.)	Debt to Equity
Infosys	1,899.15	0.04	798,79.93	38.24	10.46	25.34	47.42	19,423	100,472	0.00
TCS	3,884.75	1.75	1,436,988.98	39.28	16.50	37.52	27.81	32,562	164,177	0.00
Wipro	721.50	0.39	395,474.58	32.65	7.22	19.66	82.01	10,855	61,934	0.12
HCL Tech	1,333.45	0.55	361,853.67	31.37	6.02	18.60	36.01	11,169	75,379	0.06

TCS

Enterprise Value : 13,78,916.07 Cr.
Net Profit: 30,960cr
No of shares: 369.91 Cr.

Tata Consultancy Services is an IT solution provider. TCS offers a consulting-led, integrated portfolio of IT and IT-enabled services delivered through its unique Global Network Delivery Model, recognized as the benchmark of excellence in software development. The company also engaged in the business of Telecom, Retail and Distribution, Banking, Financial Services and Insurance.



Wipro

ENTERPRISE VALUE : 3,09,891.95 Cr.

Net Profit: 2,465cr

No of shares:548.13 Cr.

Wipro Ltd is a leading India based provider of IT Services, including Business Process Outsourcing (BPO) services, globally. Further, Wipro has other businesses such as IT Products, Consumer Care and Lighting and Infrastructure engineering.

HCL TECH

ENTERPRISE VALUE :2,93,509.34 Cr.

Net Profit: 2,637cr

No of shares:271.37 Cr.

HCL Technologies Ltd is a leading global IT services company. It has a portfolio of services including software-led IT solutions, remote infrastructure management, engineering and R&D services and BPO. The company also in the business activities of IT services, Infrastructure Services, Business Process Outsourcing Services.



RELATED TO INDUSTRY

Industries related to the IT sector are:

- **Semiconductors and semiconductors**

Semiconductors are substances that can conduct electricity under some conditions, but not others, making them ideal for controlling electrical currents. Silicon is a material that is frequently used as a semiconductor. This industry group includes both companies that make semiconductors and companies that make peripheral equipment for semiconductors.

Internet software and services

companies that develop and market internet software or provide internet services, including online databases or interactive services. This also includes companies whose revenue mainly comes from online advertising.

- **IT services**

companies that provide IT services or systems integration services, including IT consulting and information management. It provides data processing or outsourcing services, including back-office automation services. Develop and produce software for business or consumer use, including enterprise applications and technical software. This excludes home entertainment and educational software.

- **Communications**

Companies that produce communication equipment, including local area networks (LAN), routers, telephones, and switchboards.

- **Technology hardware, Instruments, and components**

Companies that produce electronic equipment as an Original Equipment Manufacturer (OEM). An OEM is a company that makes a part or component that is used in another company's end product. Distribute hardware and technology equipment to other companies, but do not produce this equipment or sell it to consumers. This includes companies that distribute communications equipment, computers, servers, electronic computer products, motherboards, audio and video cards, monitors, keyboards and printers.



RISK AND CONCERN

- **Intense Competition:**

The information technology services industry is a highly competitive sector. IT/business consulting services like Cap Gemini, Accenture, Cap Gemini, and TCS go head-to-to-head with high-tech and consultancies like Infosys. In addition to competing with software giants like Oracle and SAP, the company also competes with software consultancy competitors. Intense competition results in price pressures and increased investment in innovative technology to maintain a competitive edge.

- **Changes in US immigration laws:**

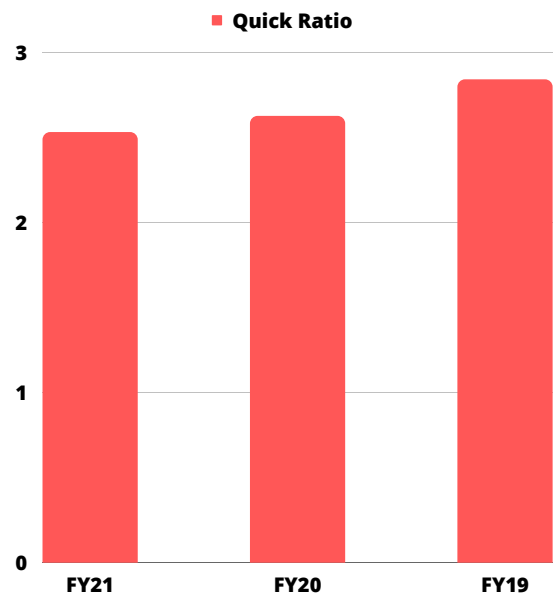
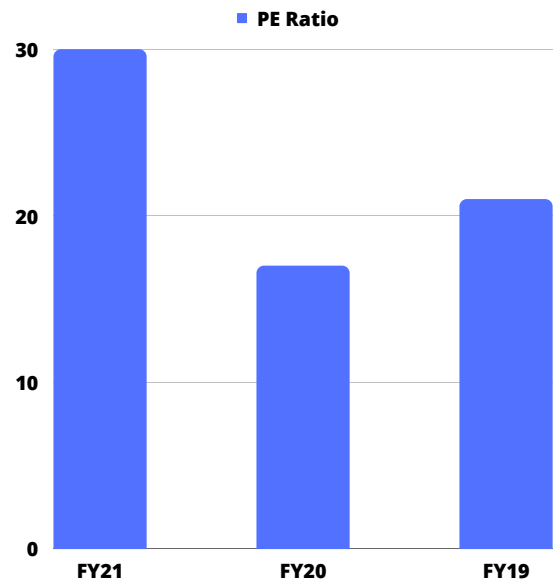
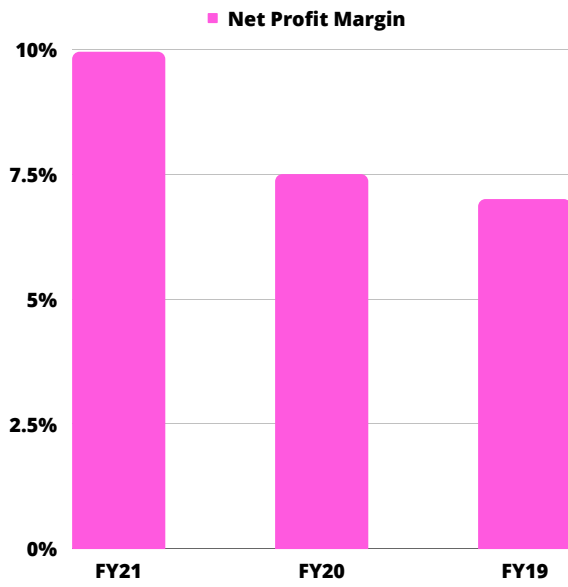
Because immigration laws are subject to political pressure, they are susceptible to change in the event of a change in political power in the United States.

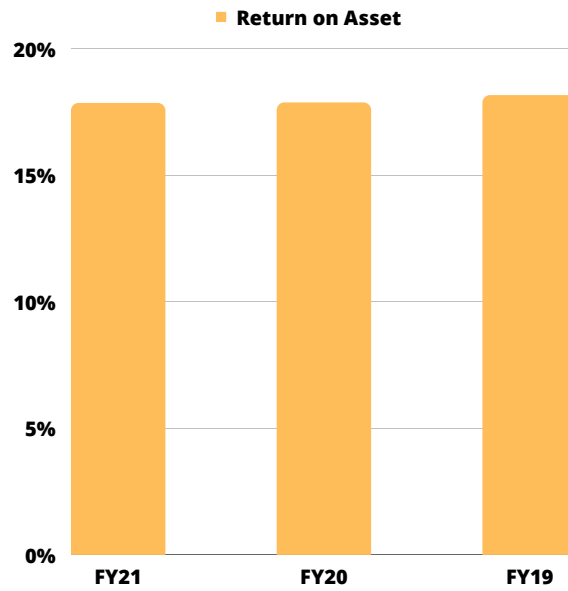
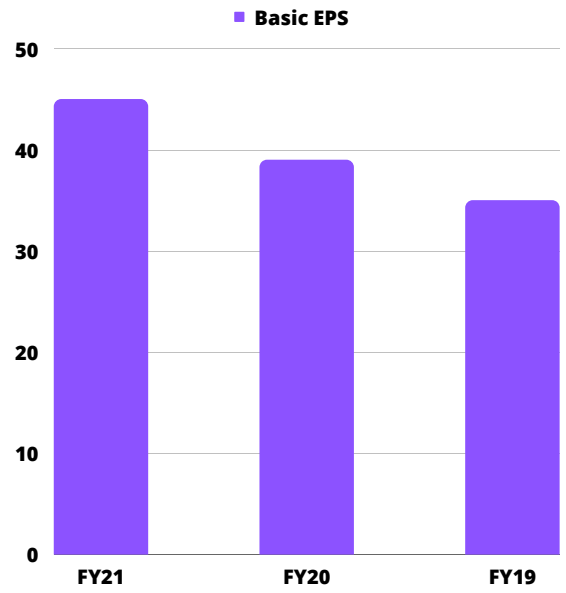
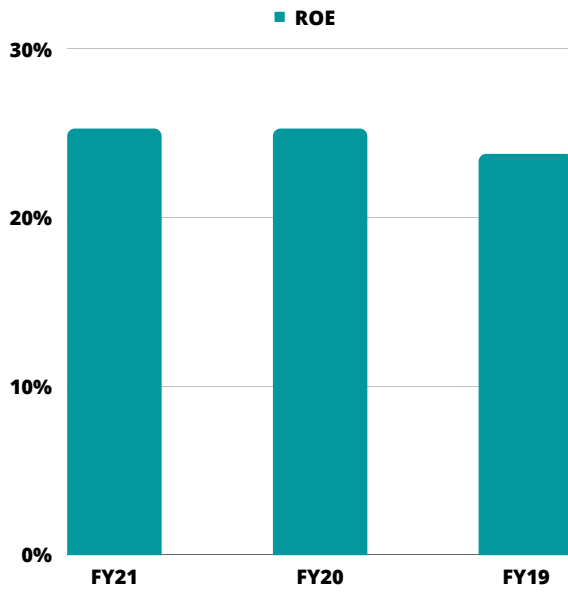
- **Increasing salary inflation in India:**

Lower wage cost is a major competitive advantage for companies such as Infosys, but wage increases are also pressurized in India. Infosys has had to keep the quality of its employees because of wage inflation. It has an adverse effect on the company's operating margins.

- **Liability Laws:**

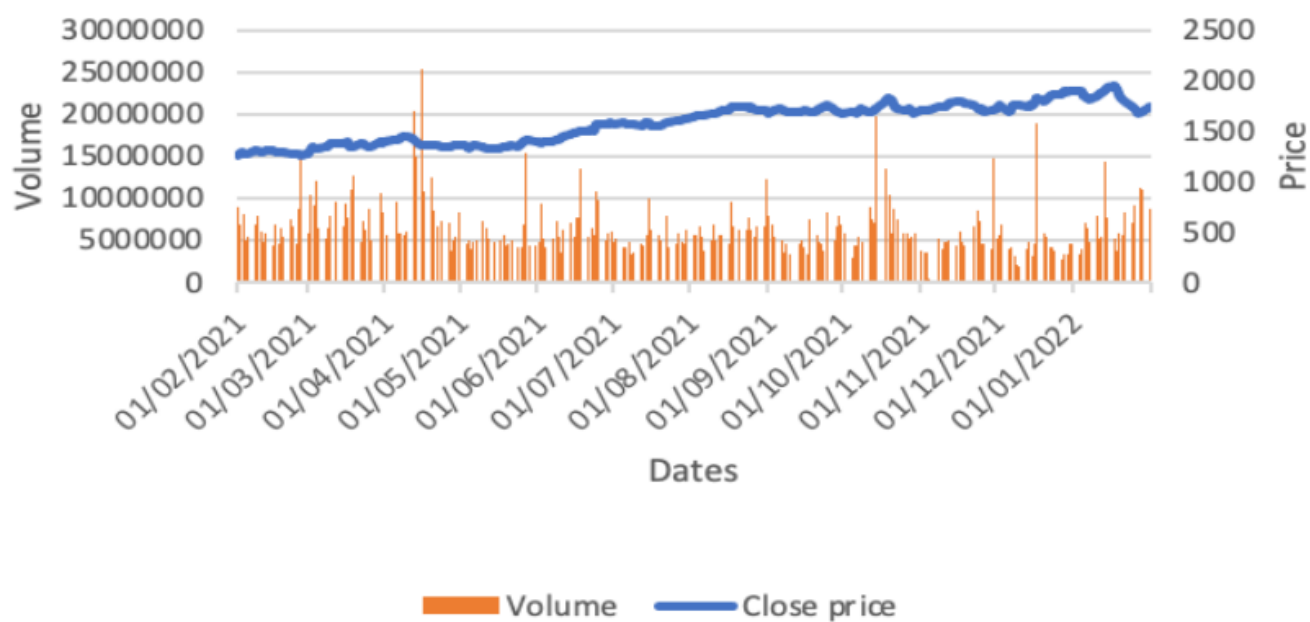
The liability laws in different countries are different, and Infosys may be exposed to various liability claims.







Share price /volume





SUMMING UP

We recommend a BUY position on INFOSYS. with a medium to long-term view owing to following:

- Acquisition of New Start-ups
- Exciting upcoming Future: Digital Transformation, Cloud-Based Computing
- Precast Project

As it provides its clients with different services in the market that helps it to grow in different fields. It has different methods to earn revenue via driving more workforce, quality services, global delivery model. Thus, it shows good potential to grow in the market

The following industries are directly or indirectly related to IT SECTOR: Communications, Technology hardware, Instruments, and components, IT service, Internet software and services. Any major change in these sectors will strongly affect the growth of IT sector. INFOSYS is strongly placed to face Intense competition and its management is constantly trying to come up with new policies to take its growth further. Infosys concentrate its efforts on emerging markets, which are expected to generate significant revenue for IT services and consulting firms in the future. Infosys should not fall behind.



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