

**Price:** 1,495

**Recommendation:** Buy

**Industry:** Computers - Software

**Sector:** Information Technology

**Report Date:** 03-Apr-2025

Infosys is advancing growth through strategic initiatives in AI and digital transformation. The company is developing over 100 AI agents and small language models for sectors like banking and cybersecurity. With a diversified approach, Infosys reported a \$2.5 billion TCV in large deals, 63% net new. Expanding in the Nordics, Middle East, and Southeast Asia, Infosys projects 4.5%-5% revenue growth, focusing on cost optimization and vendor consolidation for long-term success.

Sales		Profit & Loss		Profitability Matrix	
Current Year	134456 Cr	Operating Profit(Year)	32834 Cr	Operating Profit Margin	24.4 %
Previous Year	124014 Cr	Operating Profit(Quarter)	8554 Cr	EBITDA Margin	29.14 %
Current Quarter	34915 Cr	PAT (Year)	27234 Cr	Net Profit Margin	21.1 %
Previous Quarter	34257 Cr	PAT (Quarter)	6358 Cr	EPS	66.0
Revenue (QYoY)	32491 Cr				
Valuation Matrix		Growth(YoY)		Growth(QoQ)	
Trailing P/E	22.7	Sales Growth	5.49 %	Sales Growth	1.92 %
PEG Ratio	1.70	PAT Growth	17.04 %	Sales Growth QYoY	7.46 %
EV/EBITDA	15.4	EPS Growth	0.61 %	PAT Growth	-6.68 %
P/B	7.69	Dividend Yield	2.52	PAT Growth QYoY	-2.96 %
Capital Allocation		Holdings		Leverage	
RoE	36.6 %	Promoter	14.4 %	Debt/Equity	0.04
RoA	25.3 %	FII	33.3 %	Debt	3517 Cr
RoCE	46.2 %	DII	38.2 %	Market Cap	620913 Cr
RoIC	57.7 %	Public	13.6 %	Enterprise value	610409 Cr
		No of Shares	415 Cr	Cash Equivalents	14021 Cr

source : Company filings

## Company's Overview Based on Recent Concall and Performance:

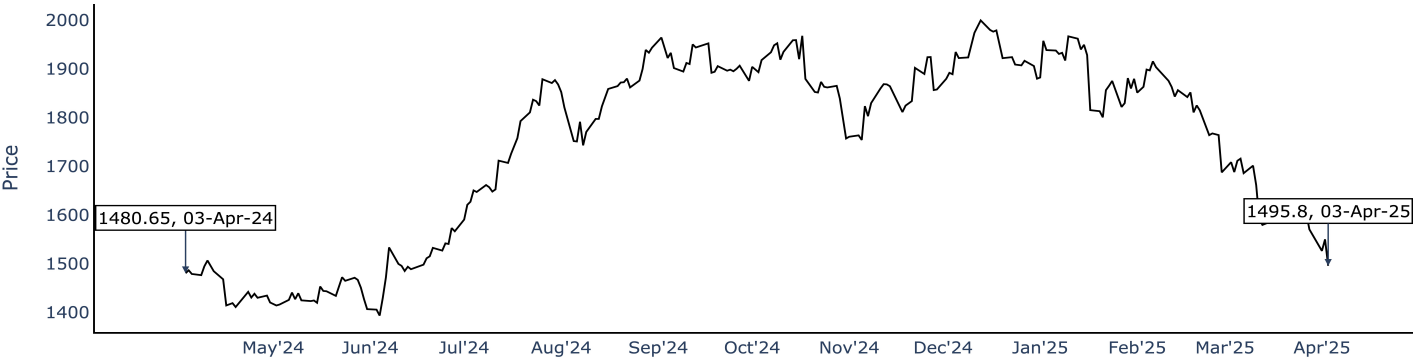
In the recent meeting, Infosys highlighted several new initiatives and business strategies aimed at driving growth and enhancing operational efficiency. The company has been focusing on expanding its capabilities in Generative AI, developing over 100 new AI agents for deployment within client environments. This initiative is part of a broader strategy to leverage AI for transforming business operations and enhancing client offerings. Additionally, Infosys has been working on building small language models for specific sectors such as banking, IT operations, and cybersecurity, which are expected to provide tailored solutions to clients. The company also emphasized its commitment to value-based selling, which has contributed to a 3.6% increase in realization over nine months.

Infosys has adopted a diversified approach to its business strategies, focusing on both large and small deals. The company reported a total contract value (TCV) of \$2.5 billion in large deals for the quarter, with 63% of this being net new business. This represents a significant increase in net new deal TCV by 57%. The company is also seeing strong growth in its financial services sector, particularly in the U.S. and Europe, and has noted improvements in the retail and consumer products industry in the U.S. Infosys is also expanding its presence in new geographies, including the Nordics, Middle East, and Southeast Asia, which are contributing positively to its growth.

Looking ahead, Infosys has revised its revenue growth guidance to 4.5%-5% in constant currency terms, reflecting confidence in its strategic initiatives and market conditions. The company maintains its operating margin guidance at 20%-22%. Infosys is optimistic about its future growth prospects, driven by strong cash generation, a robust deal pipeline, and continued investments in AI and digital transformation. The company is also focusing on cost optimization and vendor consolidation, which are expected to enhance its competitive position and drive long-term growth.

While the company has demonstrated strong performance, there are areas for improvement. The automotive sector in Europe remains slow, and there is a need to accelerate deal wins to maintain momentum. Additionally, the impact of wage hikes and third-party costs on margins needs careful management. Infosys's utilization rate is slightly above its comfort zone, indicating potential for optimizing workforce deployment. Overall, Infosys's strategic focus on AI, digital transformation, and geographic expansion positions it well for future growth, but continued vigilance in managing costs and operational efficiency will be crucial.

INFY Daily Closing One Year Price Chart



Name	Mar Cap (Rs. Cr.)	P/E	ROE	Sales(G) QoQ	Sales(G) QYoY	PAT(G) QoQ	PAT(G) QYoY
Persistent Sys	74839.13	56.66	23.99%	5.70%	22.58%	14.77%	30.36%
Infosys	620912.95	22.67	36.58%	1.92%	7.46%	-6.68%	-2.96%
HCL Technologies	398094.54	23.36	23.30%	3.56%	5.08%	8.41%	5.54%
Wipro	268872.14	21.68	14.31%	0.08%	0.51%	4.52%	24.48%
Tech Mahindra	134024.22	35.82	8.63%	-0.21%	1.41%	-21.35%	92.63%

Aspect	Commentary
Revenue	The company shows a steady increase in revenue, with a year-over-year growth of 5.49% and a quarter-over-quarter growth of 1.92%. This indicates a consistent upward trend in sales, reflecting effective business strategies and market demand.
Profit & Loss	Operating profit margins are strong, with a yearly operating profit of 32,834 Cr and a quarterly profit of 8,554 Cr. The net profit margin stands at 21.1%, indicating efficient cost management and profitability.
Profitability Matrix	The company maintains robust profitability with an operating profit margin of 24.4% and an EBITDA margin of 29.14%. These figures suggest strong operational efficiency and effective cost control measures.
Valuation Matrix	The valuation metrics show a trailing P/E of 22.7 and a PEG ratio of 1.70, indicating a fair valuation relative to growth expectations. The EV/EBITDA of 15.4 suggests a reasonable enterprise value compared to earnings.
Growth (YoY)	Year-over-year growth is positive, with sales growth at 5.49% and PAT growth at 17.04%. This reflects the company's ability to expand its market presence and improve profitability over the year.
Growth (QoQ)	Quarter-over-quarter growth shows a slight decline in PAT by 6.68%, but sales growth remains positive at 1.92%. This suggests some short-term challenges in profitability despite steady sales.
Capital Allocation	The company demonstrates strong capital efficiency with a RoE of 36.6% and RoCE of 46.2%. These metrics indicate effective use of equity and capital to generate returns.
Holdings	The shareholding pattern is diverse, with promoters holding 14.4%, FIIs at 33.3%, and DIIs at 38.2%. This distribution suggests a balanced ownership structure, potentially reducing volatility.
Leverage	The company maintains a low debt-to-equity ratio of 0.04, indicating minimal leverage and a strong balance sheet. This low level of debt suggests financial stability and reduced risk.

**Analyst viewpoint:** Infosys has positioned itself strategically for growth through notable advancements in AI and digital transformation, supported by a solid financial framework. With a promising increase of 1.92% in QoQ sales growth and a strong year-on-year growth of 7.46%, the company has demonstrated resilience in capturing new business opportunities. Strategic initiatives have led to a remarkable \$2.5 billion in large deal TCV with 63% representing net new business, significantly boosting their competitive edge. Furthermore, Infosys's robust capital allocation, evident from a 36.6% Return on Equity and a 46.2% Return on Capital Employed, highlights efficient utilization of resources. Their competitive valuation metrics, such as a P/E ratio of 22.67, underscore favorable market conditions compared to industry peers, providing a solid base for future investment growth.

Despite these strengths, it's important to acknowledge that margin pressure due to ongoing wage hikes and third-party costs may pose short-term challenges. However, Infosys's strategic focus on expanding AI capabilities and geographical footprint set a positive trajectory for sustained growth. Their recent expansion into promising markets alongside a strict emphasis on cost management and operational efficiency solidifies our bullish outlook. With attention to optimizing workforce deployment and capturing new market segments, we remain optimistic about Infosys's ability to overcome minor operational hurdles and achieve long-term success.

Please read detailed disclosure on next page.

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Investment Rating	Expected Return (over 12-month)
BUY	>=15%
SELL	<-10%
NEUTRAL	>-10% to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

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