

BSE SENSEX 55,566 S&P CNX 16,585



Stock Info

Bloomberg	INFO IN
Equity Shares (m)	4,572
M.Cap.(INRb)/(USDb)	6327.8 / 81.5
52-Week Range (INR)	1954 / 1362
1, 6, 12 Rel. Per (%)	-1/-10/1
12M Avg Val (INR M)	11561
Free float (%)	86.9

Financials Snapshot (INR b)

Y/E Mar	2022	2023E	2024E
Sales	1,216	1,433	1,631
EBIT Margin (%)	23.0	22.4	23.0
PAT	221	258	301
EPS (INR)	52.4	61.2	71.4
EPS Gr. (%)	15.0	16.8	16.6
BV/Sh. (INR)	166	174	183

Ratios

RoE (%)	30.2	36.1	40.1
RoCE (%)	25.1	28.9	31.8
Payout (%)	75.0	75.0	75.0

Valuations

P/E (x)	28.7	24.6	21.1
P/BV (x)	9.1	8.7	8.2
EV/EBITDA (x)	19.8	17.2	14.8
Div Yield (%)	2.6	3.1	3.6

Shareholding pattern (%)

As On	Mar-22	Dec-21	Mar-21
Promoter	13.1	13.1	13.0
DII	17.1	16.3	23.1
FII	33.6	33.5	33.0
Others	36.2	37.1	30.9

FII Includes depository receipts

Stock performance (one-year)



CMP: INR1,504 TP: INR2,000 (+33%) Buy

Tech spends not yet impacted by macro concerns, FY23 guidance unchanged

Long-term growth outlook intact on Cloud-led spends

We attended INFO's Analyst Day, where the management reiterated its FY23 USD revenue growth guidance of 13-15% YoY and expressed optimism about continued spends on business critical Cloud-related services, despite macro-related concerns. It reiterated its long-term Cloud and Digital opportunities, shared margin levers for the future, and plans to double down on Europe.

Multiple levers on both revenue growth and profitability

- **No slowdown despite a weak macro:** The management sees no slowdown in demand, despite weakness in the macro environment, as Digital transformation projects are a critical part of its business success. The management said it maintains a strong deal pipeline, with no slowdown in large deal momentum.
- **Renewed focus on Europe:** There is a renewed focus on Europe. The management expects incremental spends in Europe to be as strong as the US, with increased acceptance of outsourcing. It has identified certain geographies within Europe, with a good growth potential. The management will look for M&A opportunities to expand in Europe.
- **Pricing improvement:** INFO is actively involved in conversations with clients to improve pricing and is seeing strong traction there. It is seeking improved pricing in existing and new deals, incorporating COLA clauses in new agreements, and negotiating for an outcome/value-based pricing as an effort to improve pricing. The improved pricing will accrue with a lag, and should flow through revenue and profit within the next two quarters.
- **Margin expansion:** INFO shared six levers for margin expansion going forward: 1) pyramid rationalization, 2) offshoring, 3) optimizing sub-contractor usage, 4) Automation, 5) operating leverage, and 5) improved pricing.

Strategy focus remains on a Cloud-led model

- The management shared five strategic elements to look for going forward:
 - 1) To scale its Cloud business:** INFO has excellent partnerships with hyperscallers and SaaS players. With market-leading capabilities and its Cloud offering 'Infosys Cobalt', it is confident of scaling this business.
 - 2) Continued intensity in Digital:** The management plans to expand on the Digital front, with opportunities around Data Analytics and AI, enterprise tech, ER&D services, IoT, Cybersecurity, and experience.
 - 3) Focus on next-generation businesses:** INFO will continue its next generation seeding, building partnerships with digital native companies. It will focus on newer opportunities in Europe and on sustainability, and invest in new technologies such as the Metaverse, Quantum, Web 3.0, and blockchain.

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