

Estimate change



TP change



Rating change



Bloomberg	INFO IN
Equity Shares (m)	4572
M.Cap.(INRb)/(USDb)	5891.1 / 70.5
52-Week Range (INR)	1733 / 1215
1, 6, 12 Rel. Per (%)	-11/-13/-12
12M Avg Val (INR M)	10145

Financials & Valuations (INR b)

Y/E Mar	2024	2025E	2026E
Sales	1,537	1,576	1,746
EBIT Margin (%)	21.3	24.5	23.0
PAT	243	264	307
EPS (INR)	63.3	63.8	74.0
EPS Gr. (%)	10.0	0.7	16.0
BV/Sh. (INR)	187	188	188

Ratios

RoE (%)	31.8	34.1	39.4
RoCE (%)	25.9	27.5	31.7
Payout (%)	78.2	85.0	85.0

Valuations

P/E (x)	23.6	23.4	20.2
P/BV (x)	8.0	8.0	7.9
EV/EBITDA (x)	16.8	16.1	13.9
Div Yield (%)	3.1	3.6	4.2

Shareholding pattern (%)

As On	Dec-23	Sep-23	Dec-22
Promoter	13.2	13.3	13.2
DII	32.0	31.7	28.6
FII	41.0	41.0	44.8
Others	13.8	14.1	13.5

FII Includes depository receipts

CMP: INR1,419
TP: INR1,650 (+16%)
Buy

Modest FY25 guidance to weigh on near-term returns

Strong deal wins improve visibility for FY26 growth

- INFO reported muted revenue of USD4.56b in 4QFY24, down 2.2% QoQ in CC terms, below our estimated decline of 0.1% QoQ CC. The weak 4Q was partially driven by a 100bp one-off hit from re-scoping part of work the company does for a large BFSI client. As a result, FY24 revenue growth stood at 1.4%, missing the company's guided growth band of 1.5%-2.0% YoY CC. The large deal TCW momentum remained intact at USD4.5b (up 2.1x YoY, net new at 44%). The management continues to see a good pipeline of large deals, although the demand environment remains unchanged.
- Amid persistent weakness in discretionary spending due to caution on macro recovery, INFO provided an underwhelming USD CC revenue growth guidance of 1%-3% YoY for FY25, significantly below our estimates.
- On the other hand, we see INFO's highest-ever deal TCW in FY24 of USD17.6b (+80% YoY, 1.0x Book-to-bill) as positive, although the near-term drag from the slowdown in the discretionary business has partially taken away the benefits from the growing share of annuity business. We expect the company to deliver FY25 USD CC revenue growth of 2.5% YoY, near the top end of its guidance, before returning to double-digit growth in FY26E (MOFSLe at 10.6%), as macro visibility improves. This will result in FY24-26 USD revenue CAGR of 6.4% YoY, slower than our expectations from its peers TCS and HCLT.
- EBIT margin (adjusted for one-off charges in 3Q) declined 100bp QoQ to 20.1%, 40bp below our estimate. It was impacted by one-off cost of contract renegotiation (100bp), while other cost increases were compensated by efficiency gains and lower provisions. INFO again reported workforce reduction (-5.4k), which brought FY24 headcount reduction to ~26k.
- We expect the company to deliver FY25 EBIT margin of 21.1%, up 40bp YoY, near the mid-point of its 20%-22% EBIT margin guidance. INFO should improve its EBIT margins over the next two years to 22.2% in FY26E, leading to 12% PAT CAGR over FY24-26E.
- We lower our FY25/FY26 EPS estimates by 5-6%, primarily due to weak 4Q and muted FY25 revenue growth guidance. We view INFO as a beneficiary of the acceleration in IT spending over the medium term. We value the stock at 22x FY26E EPS and reiterate our **BUY** rating.

Weak 4Q performance and FY25 guidance

- USD revenue stood at USD4.56b, down 2.2% QoQ in CC, below our estimate of a 0.1% QoQ decline.
- Discretionary slowdown remains the key factor. INFO also had a 100bp hit from re-scoping of work at a large BFSI client.
- FY25 USD CC initial revenue growth guidance was disappointing at +1.0-3.0% YoY CC, missing our and consensus expectations.
- EBIT margin came in at 20.1%, down 100bp QoQ (vs. adj. 3Q margin). The employee count declined by 5.4k QoQ in 4Q and 26k YoY in FY24.

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- EBIT margin guidance was maintained in the 20-22% range.
- Large deal TCV stood at USD4.5b vs. USD3.2b reported in 3Q with a book-to-bill ratio of 1.0x.
- Adj. net profit (excluding tax interest returns) was INR60.7b, down 0.5% QoQ and slightly below our estimates.
- INFO announced the acquisition of In-tech for EUR450m, implying 2.7x EV/FY23 sales.

Key highlights from the management commentary

- INFO is seeing good traction in cost efficiency and consolidation deals. Deal wins remained strong in 4QFY24 at USD4.5b, including two mega deals.
- The demand outlook for discretionary work is similar to last year. Large deals won in FY24 should support growth in FY25.
- During the quarter, there was a one-time impact of re-negotiation and re-scoping for a large BFSI client at ~1% of revenue. ~85% of the contract has been retained. The management is not seeing any further re-negotiation in coming quarters.
- The management has guided for FY25 margins at 20-22% and indicated that margins should improve over the medium term.

Valuation and view

- INFO's FY25 revenue growth guidance came in significantly below our estimate, although deal wins should support the medium-term growth outlook. It has maintained its margin guidance but continues to see upside potential in the medium term, which we see as encouraging.
- We expect FY25 revenue growth to be near the upper band of the guidance, at 2.5% YoY CC.
- Despite near-term weakness, we expect INFO to be a key beneficiary of the acceleration in IT spending in the medium term. Based on our revised estimates, the stock is currently trading at 19x FY26E EPS. We value the stock at 22x FY26E EPS, implying a TP of INR1,650.

Quarterly performance (IFRS)

Y/E March	FY23				FY24				FY23	FY24	(INR b)	
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	FY23	FY24	4QE	Var. (%/bp)
Revenue (USD m)	4,444	4,555	4,659	4,554	4,617	4,718	4,663	4,564	18,212	18,562	4,677	-2.4
QoQ (%)	3.8	2.5	2.3	-2.3	1.4	2.2	-1.2	-2.1	66.5	1.9	0.3	-242bp
Revenue (INR m)	345	365	383	374	379	390	388	379	1,468	1,537	388	-2.3
YoY (%)	23.6	23.4	20.2	16.0	10.0	6.7	1.3	1.3	108.1	4.7	3.7	-239bp
GPM (%)	29.3	30.5	30.7	30.5	30.5	30.7	29.8	29.5	30.3	30.1	29.9	-39bp
SGA (%)	9.2	8.9	9.2	9.5	9.6	9.5	9.3	9.4	9.2	9.4	9.4	-1bp
EBITDA	87	97	102	98	98	103	100	96	384	397	97	-1.6
EBITDA Margin (%)	25.2	26.7	26.6	26.1	26.0	26.4	25.7	25.2	26.2	25.8	25.1	17bp
EBIT	69	79	82	79	79	83	80	76	309	317	79	-4.1
EBIT Margin (%)	20.1	21.5	21.5	21.0	20.8	21.2	20.5	20.1	21.1	20.7	20.5	-38bp
Other income	6	5	7	6	5	5	7	7	24	23	6	10.5
ETR (%)	28.8	28.2	26.3	27.5	28.9	29.1	29.1	26.8	27.7	28.5	26.5	31bp
PAT	54	60	66	61	59	62	61	61	241	243	63	-3.6
QoQ (%)	-5.7	12.3	9.4	-7.0	-3.0	4.5	-1.7	-0.5			3.2	-369bp
YoY (%)	3.2	11.1	13.4	7.8	10.9	3.2	-7.3	-0.9	63.8	1.0	2.8	-368bp
EPS (INR)	12.8	14.3	15.7	14.8	14.4	15.0	14.7	14.7	57.3	58.4	15.2	-3.6

E: MOFSL Estimates

Key performance indicators

Y/E March	FY23				FY24				FY23	FY24
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
Revenue (QoQ CC %)	5.5	4.0	2.4	-3.2	1.0	2.3	-1.0	-2.2	15.4	1.4
Margins										
Gross Margin	29.3	30.5	30.7	30.5	30.5	30.7	29.8	29.5	30.3	30.1
EBIT Margin	20.1	21.5	21.5	21.0	20.8	21.2	20.5	20.1	21.1	20.7
Net Margin	15.5	16.5	17.2	16.4	15.7	15.9	15.7	16.0	16.4	15.8
Operating metrics										
Headcount	335	345	347	343	336	329	323	317	343	317
Voluntary attrition (%)	28.4	27.1	24.3	20.9	17.3	14.6	12.9	12.6	20.9	12.6
Deal win TCV (USD b)	1.7	2.7	3.3	2.1	2.3	7.7	3.2	4.5	9.8	4.5
Key verticals (YoY CC %)										
BFSI	12.1	11.5	5.5	0.4	(4.2)	(7.3)	(5.9)	(8.5)	7.3	-6.5
Retail	17.8	15.4	12.7	12.6	4.0	9.2	0.4	(3.7)	15.2	2.2
Key geographies (YoY CC %)										
North America	18.4	15.6	10.5	6.0	2.1	1.0	(4.9)	(2.2)	12.4	-1.1
Europe	33.2	28.5	25.3	20.3	10.1	5.4	5.0	4.9	26.3	6.3

**Highlights from the management commentary**

- **Performance in 4QFY24 and demand outlook**
- INFO is seeing good traction in cost efficiency and consolidation deals. Deal wins remained strong in 4QFY24 at USD4.5b, including two mega deals.
- The demand outlook for discretionary work is similar to last year. Large deals won in FY24 should support growth in FY25.
- Traction for GenAI remains robust in software engineering, advisory, sales and support, and software development.
- The management believes that cloud with data is the foundation for GenAI. There is good traction from clients to become data-ready to embrace AI.
- During the quarter, there was a one-time impact of re-negotiation and re-scoping for a large BFSI client at ~1% of revenue. ~85% of the contract has been retained. The management is not seeing any further re-negotiation in coming quarters.
- The macroeconomic impact on BFSI continues. Though clients remain cautious, deal wins for cloud transformation work remain strong.
- There is a healthy pipeline for Manufacturing. There is a lot of system integration work, including S4 HANA in Retail. Cost take-out deals remain in focus. Deal wins for Hi-tech remain strong.
- The momentum should improve for BFSI and Telecom in FY25.
- The seasonality is expected to remain normal in F25, with 1H being better than 2H.
- The management indicated that visibility for growth has declined over the years as the portion of discretionary work has increased. It has guided for revenue growth in the range of 1-3% CC growth for FY25.

Margin performance

- 4QFY24 margin: Headwinds of 100bp from the contract re-negotiation and 80bp from salary increments were partly offset by tailwinds of 60bp from lower provisions, 40bp from the project maximus, and 40bp from the reversal of the impact of a cyber incident in 3QFY24.

- Utilization is still below the comfort range of 84-86%. Sub-con costs continue to be high, which could come down in coming quarters. Pyramid rationalization and automation using GenAI remain margin levers.
- INFO is able to retain some of the benefits of automation from GenAI. It has to be seen how the situation evolves in the coming years.
- The management has guided for FY25 margins at 20-22%. The management also indicated that margins should improve over the medium term.

Exhibit 1: Muted growth across verticals

Verticals	Contribution to revenue (%)	GrowthYoY (CC)
Financial Services	26.4	-8.5
Retail	14.3	-3.7
Communications	12.3	4.5
Energy, Utilities, and Resources	13.4	3.3
Manufacturing	14.7	8.7
Hi-Tech	8.7	9.7
Life Sciences	7.3	1.0
Others	2.9	0.5

Source: Company, MOFSL

Exhibit 2: North America continues to underperform

Geographies	Contribution to revenue (%)	GrowthYoY (CC)
North America	59.6	-2.2
Europe	28.6	4.9
India	2.2	-15.4
RoW	9.6	4.5

Source: Company, MOFSL

Valuation and view

- INFO's FY25 revenue growth guidance came in significantly below our estimate, although deal wins should support the medium-term growth outlook. It has maintained its margin guidance but continues to see upside potential in the medium term, which we see as encouraging.
- We expect FY25 revenue growth to be near the upper band of the guidance, at 2.5% YoY CC.
- Despite near-term weakness, we expect INFO to be a key beneficiary of the acceleration in IT spending in the medium term. Based on our revised estimates, the stock is currently trading at 19x FY26E EPS. We value the stock at 22x FY26E EPS, implying a TP of INR1,650.

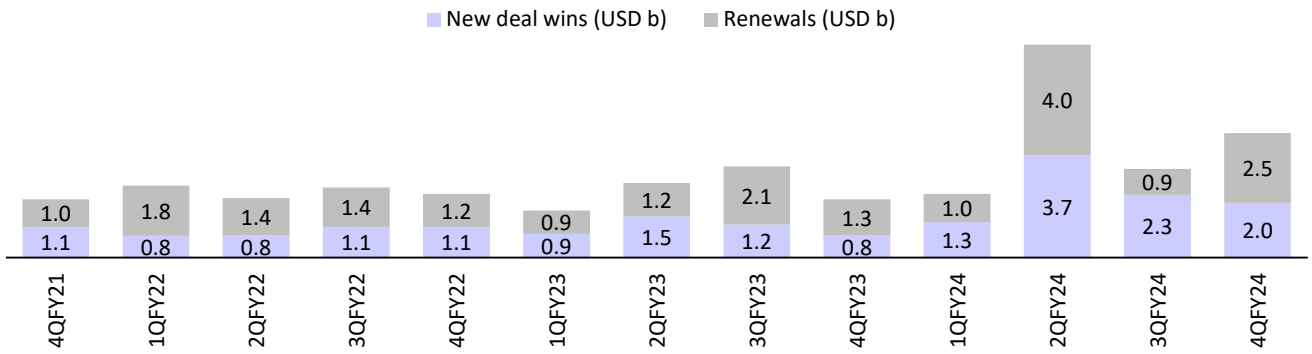
Exhibit 3: Revisions to our estimates

	Revised estimates			Earlier estimates			Change		
	FY24	FY25E	FY26E	FY24	FY25E	FY26E	FY24	FY25E	FY26E
USD:INR	82.8	83.1	83.0	82.8	83.0	83.0	0.0%	0.1%	0.0%
Revenue (USD m)	18,562	18,973	21,032	18,675	20,143	22,440	-0.6%	-5.8%	-6.3%
Growth (%)	1.9	2.2	10.6	2.5	7.9	10.6	-60bp	-570bp	0bp
EBIT margin (%)	20.7	21.1	22.2	20.8	21.3	22.4	-10bp	-20bp	-20bp
PAT (INR b)	243	264	307	246	280	328	-0.9%	-5.6%	-6.4%
EPS (INR)	58.5	63.9	74.1	59.0	67.7	79.2	-0.9%	-5.6%	-6.4%

Source: MOFSL

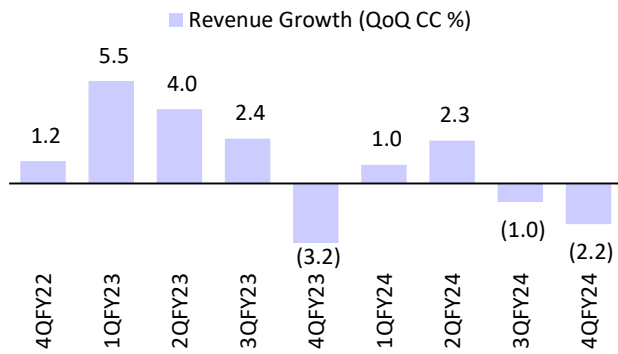
Story in charts

Exhibit 4: Net new deal wins accounted for 44% of total large deals in 4QFY24



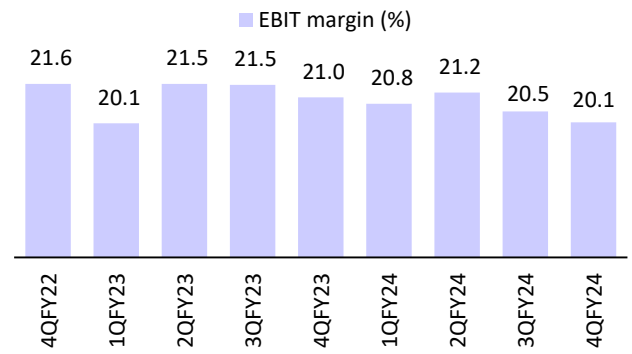
Source: Company, MOFSL

Exhibit 5: Revenue down 2.2% QoQ CC in 4Q



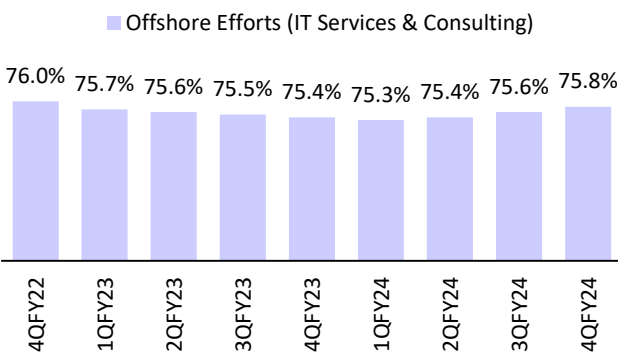
Source: Company, MOFSL

Exhibit 6: EBIT margin (%) at 20.1%



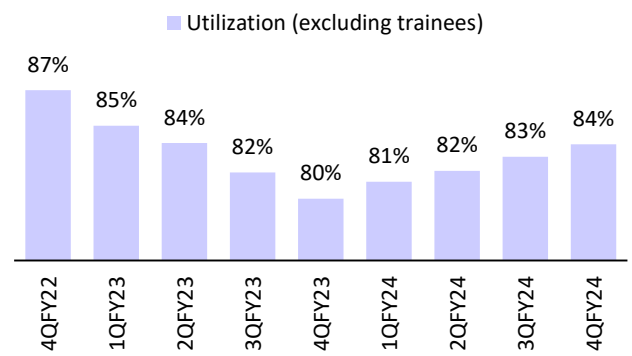
Source: Company, MOFSL

Exhibit 7: Offshoring ratio inched up 20bp



Source: Company, MOFSL

Exhibit 8: Utilization improved to 84% in 4QFY24



Source: Company, MOFSL

Exhibit 9: Operating metrics

	4QFY22	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24
Effort (IT Services and Consulting)									
Onsite	24%	24%	24%	25%	25%	25%	25%	24%	24%
Offshore	76%	76%	76%	76%	75%	75%	75%	76%	76%
Utilization (IT Services and Consulting)									
Including trainees	80%	78%	77%	77%	77%	79%	80%	82%	82%
Excluding trainees	87%	85%	84%	82%	80%	81%	82%	83%	84%
Employee Metrics									
Total Employees (Consolidated, in k)	314	335	345	347	343	336	329	323	317
S/W professional (k)	298	318	328	329	325	318	310	305	300
Support and sales (k)	16	17	17	18	18	19	18	18	17
Revenues by client geography									
North America	61%	62%	63%	62%	61%	61%	61%	59%	60%
Europe	25%	25%	25%	26%	27%	27%	27%	28%	29%
India	3%	3%	3%	2%	3%	3%	3%	2%	2%
ROW	10%	11%	10%	10%	9%	10%	10%	10%	10%
Revenues by Business segments									
Financial Services	31%	31%	31%	29%	29%	28%	28%	28%	26%
Retail	14%	15%	14%	14%	15%	15%	15%	15%	14%
Communications	13%	13%	12%	12%	12%	12%	11%	11%	12%
Energy, Utilities, Resources and Services	12%	12%	12%	13%	13%	13%	13%	13%	13%
Manufacturing	12%	12%	13%	13%	14%	14%	14%	15%	15%
Hi Tech	8%	8%	8%	8%	8%	8%	8%	8%	9%
Life Sciences	7%	7%	7%	7%	7%	7%	8%	8%	7%
Others	3%	3%	3%	3%	3%	3%	3%	3%	3%
Geography YoY % CC									
North America	19%	18%	16%	11%	6%	2%	1%	-5%	-2%
Europe	28%	33%	29%	25%	20%	10%	5%	5%	5%
India	30%	6%	36%	-5%	-7%	14%	3%	-1%	-15%
ROW	14%	18%	12%	12%	3%	-1%	4%	8%	5%
Business Segments YoY % CC									
Financial Services	14%	12%	12%	6%	0%	-4%	-7%	-6%	-9%
Retail	17%	18%	15%	13%	13%	4%	9%	0%	-4%
Communications	29%	30%	18%	13%	0%	-6%	-4%	-8%	5%
Energy, Utilities, Resources and Services	18%	25%	24%	26%	17%	9%	5%	0%	3%
Manufacturing	51%	55%	45%	37%	27%	21%	13%	11%	9%
Hi Tech	21%	16%	10%	10%	4%	2%	-1%	-5%	10%
Life Sciences	16%	16%	10%	5%	16%	14%	18%	6%	1%
Others	7%	15%	57%	8%	13%	33%	15%	7%	1%
DSO	67	63	65	68	62	63	67	72	71
Large deal TCV (USD m)	2,300	1,691	2,744	3,300	2,076	2,300	7,700	3,200	4,454
Client (% of revenues)									
Top 10 clients	19.4%	20.8%	20.2%	20.5%	20.1%	20.4%	19.9%	20.0%	20.4%
Top 25 clients	35.4%	36.3%	35.3%	35.3%	34.7%	34.6%	34.1%	33.7%	34.3%
Number of active clients	1,741	1,778	1,779	1,850	1,872	1,883	1,884	1,872	1,882
New clients added in the period	110	106	103	134	115	99	100	88	98

Source: Company, MOFSL

Financials and valuations

Income Statement						(INR b)		
Y/E March	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E
Sales	827	908	1,005	1,216	1,468	1,537	1,576	1,746
Change (%)	17.2	9.8	10.7	21.1	20.7	4.7	2.6	10.7
Software Develop. Exp.	539	607	654	820	1,024	1,074	1,095	1,198
SGA expenses	99	107	104	116	135	145	148	161
EBITDA	209	223	279	315	357	368	385	445
As a percentage of Net Sales	25.3	24.5	27.8	25.9	24.4	24.0	24.4	25.5
Depreciation	20	29	33	35	48	51	52	58
Interest	0	0	0	0	0	0	0	0
Other Income	29	26	20	21	24	23	27	30
PBT	218	220	266	301	333	341	360	417
Tax	56	54	72	80	92	97	95	111
Rate (%)	25.9	24.4	27.0	26.4	27.7	28.5	26.5	26.5
Minority Interest	0	0	1	0	0	0	0	0
Adjusted PAT	161	166	194	221	241	243	264	307
Extraordinary Items	7	0	0	0	0	-19	0	0
Reported PAT	154	166	194	221	241	262	264	307
Change (%)	-3.9	7.7	16.7	14.2	9.0	8.9	0.7	16.0

Balance Sheet						(INR b)		
Y/E March	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E
Share Capital	22	21	21	21	21	21	21	21
Reserves	628	633	742	733	733	860	862	864
Net Worth	649	655	764	754	754	881	883	885
Capital Employed	661	719	845	843	866	990	997	1,011
Gross Block	328	428	479	511	593	628	677	731
Less: Depreciation	152	181	213	248	296	347	399	457
Net Block	176	247	266	263	297	281	278	274
Investments and Other Assets	143	134	211	244	253	203	244	254
Curr. Assets	529	546	607	672	709	894	884	926
Debtors	202	240	268	343	407	430	389	430
Cash and Bank Balance	196	186	247	175	122	148	271	262
Investments	66	47	23	67	69	129	129	129
Other Current Assets	65	73	69	88	111	188	95	105
Current Liab. and Prov.	186	209	239	336	392	388	409	444
Net Current Assets	342	337	369	336	317	506	474	482
Application of Funds	661	719	845	843	866	990	996	1,010

Financials and valuations

Ratios

Y/E March	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E
Basic (INR)								
EPS	35.4	38.9	45.6	52.4	57.6	63.3	63.8	74.0
Cash EPS	40.0	45.7	53.3	60.7	69.1	75.5	76.3	87.9
Book Value	149.4	153.7	180.0	179.0	180.4	212.9	213.3	213.8
DPS	21.5	17.5	27.0	31.0	33.5	46.0	54.2	62.9
Payout (%)	109.2	44.9	106.7	59.0	96.7	78.2	85.0	85.0
Valuation (x)								
P/E ratio	42.2	38.4	32.8	28.5	26.0	23.6	23.4	20.2
Cash P/E ratio	37.4	32.7	28.1	24.6	21.6	19.8	19.6	17.0
EV/EBITDA ratio	31.1	28.6	22.7	20.0	17.5	16.8	16.1	13.9
EV/Sales ratio	7.9	7.0	6.3	5.2	4.3	4.0	3.9	3.5
Price/Book Value ratio	10.0	9.7	8.3	8.4	8.3	7.0	7.0	7.0
Dividend Yield (%)	1.4	1.2	1.8	2.1	2.2	3.1	3.6	4.2
Profitability Ratios (%)								
RoE	24.8	25.5	27.3	29.2	32.0	29.8	30.0	34.7
RoCE	21.2	21.2	23.0	24.4	26.2	24.5	24.6	28.4
Turnover Ratios								
Debtors (Days)	89	96	97	103	101	102	90	90
Fixed Asset Turnover (x)	4.7	3.7	3.8	4.6	4.9	5.5	5.7	6.4

Cash Flow Statement

(INR b)

Y/E March	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E
CF from Operations	164	205	235	261	295	312	307	354
Cash for Working Capital	-6	-19	6	-12	-65	-52	118	-15
Net Operating CF	158	186	241	250	230	261	425	339
Net Purchase of FA	-24	-34	-21	-22	-26	-22	-39	-44
Free Cash Flow	134	152	220	228	204	239	386	295
Net Purchase of Invest.	9	16	-63	-53	8	-37	0	0
Net Cash from Invest.	-16	-18	-84	-75	-18	-59	-39	-44
Proceeds from Equity	0	0	0	0	0	0	0	0
Others	0	-6	-7	-8	-15	-28	0	0
Dividend Payments	-145	-95	-91	-127	-137	-147	-263	-305
Buyback of shares	0	-75	0	-111	-115	0	0	0
Cash Flow from Fin.	-145	-176	-98	-246	-267	-175	-263	-305
Net Cash Flow	-2	-8	60	-72	-54	27	123	-9
Effect of forex on cash flow	0	-1	1	-1	1	-1	0	0
Opening Cash Bal.	198	196	186	247	175	122	148	271
Add: Net Cash	-2	-9	61	-72	-53	26	123	-9
Closing Cash Bal.	196	186	247	175	122	148	271	262

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SELL	< - 10%
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UNDER REVIEW	Rating may undergo a change
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