

RESEARCH

BOB ECONOMICS RESEARCH | GDP

GDP growth slows to 4.4% in Q3FY23

INFOSYS | TARGET: Rs 1,760 | +17% | BUY

Private 5G-as-a-Service to see multiyear tailwinds

SUMMARY

INDIA ECONOMICS: GDP

Ministry has kept India's growth projection to 7% for FY23 (9.1% in FY22). RBI expects the economy to clock a growth of 6.8% for the same period. Q3FY23 growth is estimated at 4.4% from 6.3% in Q2FY23. Moderation in growth of consumption, imports and investment dragged the growth lower. Global economy continues to reel under the threat of slow down on the back of aggressive monetary tightening by global central banks, dampening global demand and concerns surrounding ongoing geo-political conflict. India's economy is bound to witness some spillover impact on the domestic shores too with dampness in demand. Certain high frequency indicators too have been signaling the same. Against this backdrop, we retain our forecast of 6.8% growth in FY23 with a downward bias.

[Click here for the full report.](#)

INFOSYS

- Private 5G expected to be a key enabler for the digital transformation of enterprises
- Use of MEC reduces network lag and enables ultra-reliable connectivity – ideal for high-bandwidth IIoT applications
- INFO well placed to leverage its global 5G expertise to deliver agile, secure and cost-effective private 5G as-a-Service

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Daily macro indicators

Ticker	24-Feb	27-Feb	Chg (%)
US 10Y yield (%)	3.94	3.91	(3bps)
India 10Y yield (%)	7.42	7.44	2bps
USD/INR	82.75	82.85	(0.1)
Brent Crude (US\$/bbl)	83.2	82.5	(0.9)
Dow	32,817	32,889	0.2
Hang Seng	20,010	19,944	(0.3)
Sensex	59,464	59,288	(0.3)
India FII (US\$ mn)	23-Feb	24-Feb	Chg (\$ mn)
FII-D	13.0	(39.0)	(52.0)
FII-E	(120.7)	(163.5)	(42.8)

Source: Bank of Baroda Economics Research

BOBCAPS Research
 research@bobcaps.in



GDP

28 February 2023

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Jahnavi Prabhakar
Economist**Revision in Growth**

According to NSO, India's GDP growth for FY23 under the second advance estimates will be 7% against a growth of 9.1% in FY22. The nominal GDP growth is pegged at 15.9% in FY23 against 18.4% growth in FY22.

Q3FY23 GDP

GDP growth has been trimmed down to 4.4% in Q3FY23 against an increase of 6.3% in Q2 on a YoY basis. This was marginally lower than our expectation of 4.6%. The dip was visible in private consumption which dropped sharply by 2.1% in Q3 after registering a growth of 8.8% in Q2FY23. Moderation in both exports (11.3% versus 12.3 in Q2) and imports (10.9% versus 25.9% in Q2) growth added to the slowdown. Growth in investment demand also eased by 8.3% in Q2 after increasing by 9.7% in Q2FY23. Government consumption made some improvement with slower pace of contraction in Q3 at (-) 0.8% against a decline of (-) 4.1% in Q2.

GVA dragged down lower

GVA growth slipped down by 4.6% for Q3FY23 compared with a growth of 5.5% registered in Q2FY23. Growth in trade, hotel and financial services moderated by 9.7% (15.6% in Q2) and 5.8% (7.1% in Q2) in Q3FY23 respectively. Even growth for public admin and defence moderated further by 2% (5.6% in Q2FY23). Pace of contraction in manufacturing sector though was lower than last quarter at (-) 1.1% versus (-) 3.6% in Q2FY23. However it continues to remain a concern even as the entrenched price pressure was reflected in the quarterly results of the firms and the same was also visible in industrial production.

On the other hand, Electricity and construction sector registered improvement as it clocked growth of 8.2% and 8.4% respectively in Q3FY23. Agriculture continues to shine brightly with the growth improving by 3.7% from 2.4% in Q2FY23. It is expected to do much better in Q4, however caution needs to be maintained with growing risk of heat wave on the rise.



BUY

TP: Rs 1,760 | ▲ 17%

INFOSYS

| Technology & Internet

| 28 February 2023

Private 5G-as-a-Service to see multiyear tailwinds

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Saptarshi Mukherjee
research@bobcaps.in

Private 5G a boon for high-bandwidth enterprises: The rollout of private 5G-as-a-Service incorporates multi-access edge computing (MEC), which reduces network lag by minimising the time required for data processing. This enables highly reliable network operations for high-bandwidth enterprise use-cases such as remote-guided vehicles, drone-based real-time analytics, high-definition media & video analytics, metaverse solutions, and a variety of Internet of Things (IoT)/ Industrial IoT (IIoT) applications.

Global private 5G market to grow at ~50% over 2022-30E: According to NTT/ Grand View Research, the global private 5G network market was valued at US\$ 1.5bn in 2022 and is likely to expand at a 49% CAGR over 2022-30, fuelled by the growing need for ultra-reliable low-latency connectivity for IIoT applications, including collaborative robots, industrial cameras, and industrial sensors. As per industry estimates, the market for private 5G services in India is likely to be in the region of US\$ 570mn by 2026. Various reports suggest that the software expense will increase materially as compared to hardware and services over the next decade.

INFO ideally positioned to tap demand: INFO's collaboration with its partner ecosystem offers reduced time-to-market and a lower total cost of ownership for private 5G rollout to clients. Enterprises see private 5G as an enabler for their digital transformation, wherein INFO offers vertically aligned pre-integrated business solutions that target faster value realisation for customers. We believe the company is well placed to leverage its global 5G expertise to deliver reliable, secure, and cost-effective private 5G-as-a-Service, using an agile delivery approach.

Maintain BUY: The stock is trading at 20.7x/17.6x FY24E/FY25E EPS. Despite INFO's cautious outlook on a few verticals, we believe its strength in managing the twin journeys of digital transformation (Cobalt) and cost takeout will drive growth leadership. We retain BUY and continue to value the stock at 20.5x FY25E EPS, translating to an unchanged TP of Rs 1,760.

Key changes

Target	Rating
◀ ▶	◀ ▶

Ticker/Price	INFO IN/Rs 1,509
Market cap	US\$ 76.7bn
Free float	3,319%
3M ADV	US\$ 109.9mn
52wk high/low	Rs 1,923/Rs 1,355
Promoter/FPI/DII	15%/36%/49%

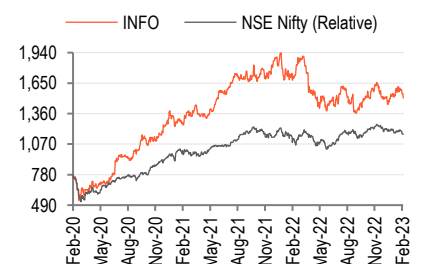
Source: NSE | Price as of 27 Feb 2023

Key financials

Y/E 31 Mar	FY22A	FY23E	FY24E
Total revenue (Rs mn)	12,16,410	14,93,753	17,29,592
EBITDA (Rs mn)	3,14,820	3,57,354	4,39,059
Adj. net profit (Rs mn)	2,21,210	2,47,056	3,07,276
Adj. EPS (Rs)	52.8	58.7	73.0
Consensus EPS (Rs)	52.8	59.5	66.3
Adj. ROAE (%)	29.0	30.6	33.5
Adj. P/E (x)	28.6	25.7	20.7
EV/EBITDA (x)	19.5	17.2	14.0
Adj. EPS growth (%)	15.9	11.3	24.4

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE



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Recommendation scale: Recommendations and Absolute returns (%) over 12 months

BUY – Expected return >+15%

HOLD – Expected return from -6% to +15%

SELL – Expected return <-6%

Note: Recommendation structure changed with effect from 21 June 2021

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