

HOLD

TP: Rs 1,992 | ▲ 3%

INFOSYS

| IT Services

| 17 January 2025

Broadening of discretionary spend

- **3QFY25 beats our estimates. European BFS and US Retail & CPG discretionary spends pick up. Higher than usual pass through impacts**
- **Sounds the most bullish on discretionary spend amongst Tier-1 players who reported 3QFY25. Value pricing uplift of 3.6% a positive surprise**
- **Maintain FY26/FY27 EPS estimates. Maintain Hold. Believe Infosys can outperform TCS/HCLT in revenue/EPS growth in FY26**

Better than expected revenue growth: At 1.7% QoQ CC growth versus our expectation of 1%. The outperformance was driven by continuing BFS discretionary strength in the US, a pickup in the same for the first time in Europe BFS and US Retail & CPG. It was also supported by higher-than-normal pass through.

EBIT Margin also improves QoQ: By 20bps. driven by +40bps of net currency benefit, +30bps from Project Maximus largely generated by value-based pricing, +20bps due to lower provision for post sales client support and expected credit losses, offset by 70 bps from higher third-party items and furloughs

Revenue guidance increased but factors in a weak 4Q. Margin guidance maintained: FY25 revenue guidance was raised from 3.75%-4.5% to 4.5-5% in CC YoY terms, entirely driven by 3QFY25 performance. Points to a weak 4Q exit partly driven by lower pass through QoQ. 20-22% EBIT margin maintained.

Sounded the most confident on discretionary demand: Among the 4 Tier-1 companies (TCS, HCLT, Infosys and LTIM) that have delivered 3QFY25 results thus far, Infosys sounded the most confident on discretionary demand.

Value pricing push sees a surprising 3.6% pricing increase: Did not hear that from any other player in recent times – at least not to this extent

TCV at US\$2.5bn was a dampener: Flat QoQ and down 22% YOY. But, net-new at 63% was better than 41% in 2QFY25. But 9MFY25 net new TCV is down 32% YoY. Just as was the case in TCS, TCV will have to see a massive uplift in 4QFY25 for the full year number to rival the one in FY24 or else discretionary spending must become much broader and much stronger than what we have seen in 3Q (which has been the best so far if one goes by management commentary of Tier-1 companies)

Preferred pick though we are cautious on the sector: As stated in our recent sector update (**Slow is the (new/old) normal**) while we are underweight the sector Infosys is among our preferred picks along with Tech Mahindra in Tier-1s.

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Key changes

Target	Rating
▲	◀ ▶

Ticker/Price	INFO IN/Rs 1,928
Market cap	US\$ 92.2bn
Free float	87%
3M ADV	US\$ 119.5mn
52wk high/low	Rs 2,006/Rs 1,358
Promoter/FPI/DII	14%/33%/38%

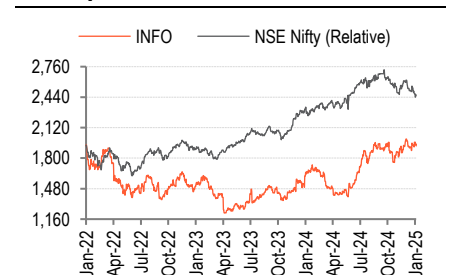
Source: NSE | Price as of 16 Jan 2025

Key financials

Y/E 31 Mar	FY24A	FY25E	FY26E
Total revenue (Rs mn)	15,36,710	16,47,229	18,28,193
EBITDA (Rs mn)	3,64,250	3,93,888	4,42,161
Adj. net profit (Rs mn)	2,62,320	2,63,863	2,94,284
Adj. EPS (Rs)	63.3	63.6	70.9
Consensus EPS (Rs)	63.3	63.9	72.5
Adj. ROAE (%)	31.9	30.4	33.1
Adj. P/E (x)	30.5	30.3	27.2
EV/EBITDA (x)	21.5	19.9	17.7
Adj. EPS growth (%)	10.0	0.4	11.5

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE



Other Key points

- All verticals and most geographies grew on a YoY basis
- North America saw a return to growth after 4 quarters at 4.8% YoY, and Europe grew 12.2% YoY in constant currency terms
- Strong growth in US financial services and revival in European financial services.
- The retail & consumer products industry in the US showed improvement with discretionary pressures easing. Holiday season sales have been better, and consumer sentiment is improving, leading to optimism for the coming quarters. This positive outlook is expected to be reflected in better deal pipelines and volume growth in the next 1-2 quarters
- Automotive in Europe remained slow
- Stable demand trends across other industries, with a focus on cost takeout over discretionary initiatives
- Manufacturing sector remained weak in the automotive sector, but other areas like IoT, supply chain, and digital transformation saw continued momentum
- Communication sector faced challenges with volatile macroeconomic conditions, impacting growth
- High-tech sector remained soft
- Revenue growth guidance for FY '25 revised to 4.5% to 5% in constant currency terms, while operating margin guidance remains at 20% to 22%
- Large-deal pipeline strengthened
- The revised guidance for 4Q implies a negative growth, primarily due to:
 - Seasonality in third-party costs, with 3Q being higher than usual
 - Lower working days and calendar days in 4Q
- The decline in growth for the top five clients, down more than 6% QoQ in dollar terms, is primarily attributed to furloughs, which have impacted many large clients during the quarter. The sequential decline could also include some currency impact, depending on the geographies of the top five clients
- The wage hikes will be rolled out in two phases: the first phase starting from January 1 and the second phase from April 1. Wage increases in India will average 6%-8%, with high performers receiving higher increases, while overseas wage increases will be in the low single digits. The impact of these wage hikes on margins has not been specifically called out, but most employees will receive their compensation increase in 4Q
- The overall deal pipeline has grown this quarter, with an improvement in the large deal pipeline, while the pipeline for smaller deals remained stable.

- Positive trends in sectors such as financial services in the US and Europe, retail in the US, and cost-take-out opportunities in other segments are reflected in the overall deal pipeline.
- In European BFS, the strength comes from many deals signed, particularly cloud deals and vendor consolidation related.
- Net headcount addition of 5,591 employees during the quarter, with a 13.7% attrition rate.
- Recruitment for the quarter has been a combination of both freshers and laterals. For the year, the company plans to hire 15,000+ freshers, with expectations for 20,000+ freshers in the following year

View on the Indian IT services sector: We reinitiated coverage on the Indian IT Services with UW stance through a report on 1 January, 2025 (**Slow is the (new/old) normal**).

Current valuations are disconnected with fundamentals. Since 1 June 2024, Nifty IT has outperformed Nifty significantly. However, consensus earnings for FY25 and FY26 have not moved much during this period. It has been an entirely PE expansion story. Tier-1 and Tier-2 Indian IT services stocks are trading at +1 SD and +2 SD above their five-year means respectively. The PE premium of Tier-2 to Tier-1 is at its historic peak.

Current high PE multiples imply sharp growth pickup in FY25-FY27E. We think it will be slower. We do not believe structurally Indian IT services industry will see the pandemic's 'compressed transformation' type of demand in the foreseeable future. We believe the industry's structural USD organic revenue growth from here on will be lower than the ~7% CAGR – seen during FY15-FY20.

10-year study of valuations and earnings growth indicates that Indian IT stocks are currently trading at +2.1 SD to +18.3 SD higher valuations compared to the mean multiples during the FY15-FY20 period. Yes, we would admit that certain companies have undergone a structural change for the better, but not to the extent that the bulls assume and not all of them.

Multiple speed breakers post FY25 drives our underweight stance

- Trump policies raise uncertainty. The tariffs, the conditional tax breaks, the immigration push back, DOGE, etc all point to uncertainty in the coming days which may delay decision making.
- Higher for longer interest rate environment: One of reasons for optimism around the Indian IT service sector in recent quarters has been the view that US would achieve a soft landing in 2025 (which we define as 0.5- 1.5% real GDP growth) and that Fed Funds rate would be gradually lowered from the recent peak of 5.25-5.5%, driven by lower inflation. This, the market felt, was the apt environment for a broader pick up in discretionary spending beyond that of North American BFSI sector, especially after two muted years when the constant refrain from vendors for the weak growth was of 'macro uncertainty'. However, recent inflation prints, stronger GDP growth, and a higher fiscal deficit have raised concerns. With US 10-

year yields rising to 4.7% from a September 2024 low of 3.6%, there are fears that sustained high interest rates could reduce IT outsourcing demand, particularly in sectors like BFSI and Telecom, and dampen US consumption in areas like housing, autos and retail.

- Covid-induced pull forward of demand requires a multi-year unwind. We think there were excesses during the compressed transformation phase which are yet to be fully unwound.
- Gen AI – value compressive in the near term: Gen AI has significantly boosted revenue in semiconductors, data centers, and hyper scalers, but IT services have seen limited benefits. ROI remains a top concern arise due to heavy investment in surrounding services
- Massive hyper scaler AI capex should accentuate re-alignment in IT spend: Software players, including hyperscalers, are increasing capex on AI-related data centers. This will drive higher pricing, forcing enterprises to allocate more IT spend to cloud/SaaS
- Indian Tier-1 companies now face higher competition from Accenture, Tier-2 players, and Cognizant, likely slowing their growth compared to FY15-FY20. This is besides the fact that by FY25, Tier-1 revenue will reach \$85bn, double that in FY15. Due to the higher base now, growth may not be as rapid as it was when the base was lower
- The weak TCV for certain players in 1HFY25 and lack of any mega deal announcements in recent quarters points to a brewing growth problem for FY26

How we are valuing companies: We are using PE methodology and using TCS as our industry benchmark. The target PE multiple used for TCS is 24.6x (which is the average PE multiple of TCS over the last 5 years less 1SD). This is by no means pessimistic. 24.6x is higher than the 23.6x multiple which was the mean multiple of the FY15-FY20 time frame when revenue growth was ~150bps faster. During the Global Financial Crisis (GFC) downturn, the stock traded in the single digit PE multiple territory. We are using a 1SD discount to the five-year PE as we believe that industry and TCS will see a 'slower for longer' growth situation.

Why use a PE multiple that is 1SD lower than 5-year mean of TCS:

Through our choice of the benchmark Target PE multiple, we seek to capture the probability of downside risks to consensus growth expectations for FY26/FY27.

While the strong consensus estimates seem to imply a soft-landing macro scenario in the US, the higher probability event is a 'no landing, higher-for-longer interest rate' scenario which we believe has a 50-60% probability. The probability of a recession is also not insignificant (20% based on Bloomberg estimates).

Some of the speed breakers are industry/technology related, and some are related to the macro and policy environment especially in the US which is the key market for Indian IT services firms. Besides the US, we believe the European market macro looks

quite bad (Europe – including UK – forms about 30-40% of revenue for Indian IT services firms) and corporate IT spending would be muted

Tier- 2 valuation reflects growth gap between it and Tier-1:

The Tier-2 set have been taking away market share from the Tier-1 set due to better execution and due to their smaller size. And unlike in the past cycles, they have performed better than the Tier-1 largely due to better management teams.

However, the current PE premium to the Tier-1s is excessive as we believe that to deliver on the high consensus revenue growth expectations, they may be taking on more cost take out projects which are likely to impact their margins adversely.

Fig 1 – Quarterly results: Comparison of actuals with estimates

Y/E Mar (Rs mn)	Q3FY24	2QFY25	3QFY25	YoY (%)	QoQ (%)	3QFY25E	Dev(%)
Net Sales (USD mn)	4,663	4,894	4,939	5.9	0.9	4,901	0.8
Net Sales	3,88,210	4,09,860	4,17,640	7.6	1.9	4,13,638	1.0
Software Development Expenses	2,72,530	2,84,740	2,91,200	6.9	2.3	2,87,092	1.4
% of Sales	70.2	69.5	69.7			69.4	
Gross Margin	115680	125120	126440	9.3	1.1	126546	(0.1)
% of Sales	29.8	30.5	30.3			30.6	
SG&A	36,070	38,630	37,320	3.5	(3.4)	39,499	(5.5)
% of Sales	9.3	9.4	8.9			9.5	
EBIT	79,610	86,490	89,120	11.9	3.0	87,047	2.4
EBIT Margin (%)	20.5	21.1	21.3			21.0	
Other Income	7,890	7,120	8,590	8.9	20.6	7,120	20.6
PBT	86,190	92,530	96,700	12.2	4.5	93,087	3.9
Provision for Tax	25,060	27,370	28,480	13.6	4.1	25,599	11.3
Effective Tax Rate	29.1	29.6	29.5			27.5	
PAT (adjusted)	61,130	65,160	68,220	11.6	4.7	67,488	1.1
Exceptional items	0	0	0			0	
Minority Interest	70	100	160			0	
PAT (reported)	61,060	65,060	68,060	11.5	4.6	67,488	0.8
NPM (%)	15.7	15.9	16.3			16.3	

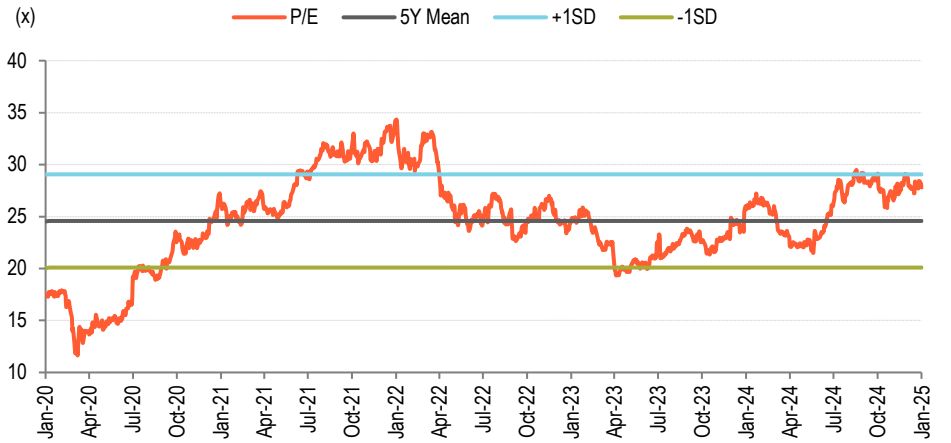
Source: Company, BOBCAPS Research

Fig 2 – Revised Estimates

	New			Old			Change (%)		
	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E
INR/USD	84.4	87.3	89.3	84.1	85.4	86.6	0.4	2.1	3.1
USD Revenue (USD mn)	19,507	20,951	22,450	19,473	20,973	22,492	0.2	(0.1)	(0.2)
USD Revenue Growth (%)	5.1	7.4	7.2	4.9	7.7	7.2			
Revenue (Rsbn)	1647	1828	2004	1638	1792	1948	0.6	2.0	2.9
EBIT (Rsbn)	346	387	431	345	376	412	0.3	3.1	4.6
EBIT Margin (%)	21.0	21.2	21.5	21.1	21.0	21.2			
PAT Adjusted (Rsbn)	264	294	329	266	294	324	(0.8)	0.0	1.5
FDEPS-Adjusted (Rs)	63.6	70.9	79.2	64.1	70.9	78.1	(0.8)	(0.0)	1.5

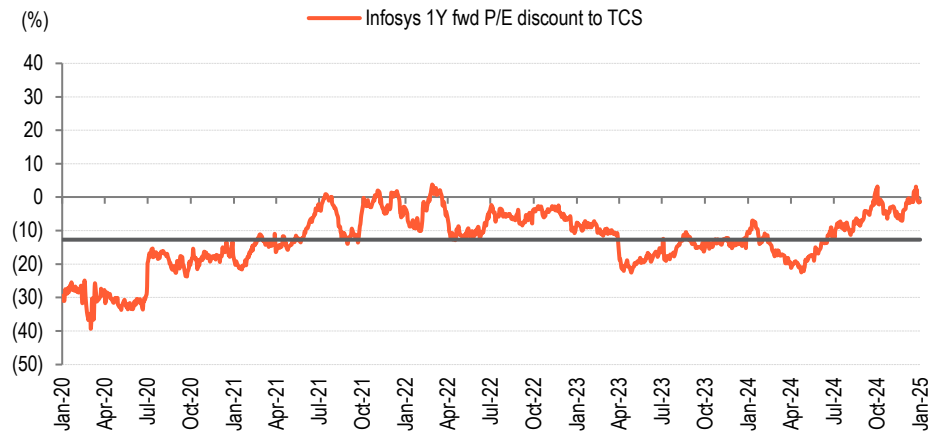
Source: Company, BOBCAPS Research

Fig 3 – 5 Year PE trend



Source: Company, BOBCAPS Research

Fig 4 – Premium/ Discount to TCS



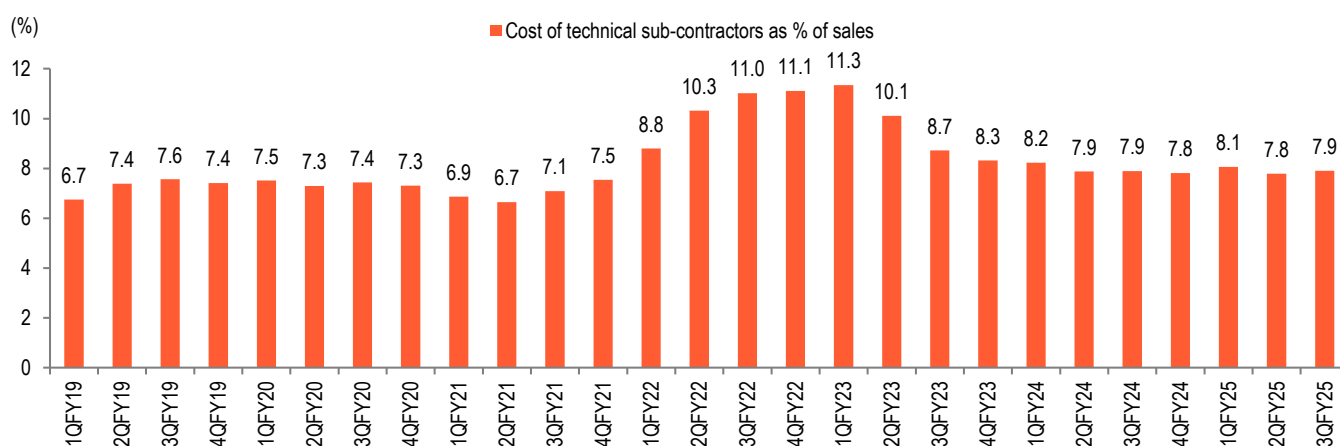
Source: Company, BOBCAPS Research

Fig 5 – P&L at a glance

Y/E Mar (Rs bn)	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Average INR/USD	54.6	60.7	61.2	65.7	67.1	64.5	70.0	71.0	74.1	74.5	80.9	82.7	84.4	87.3	89.3
Net Sales (USD mn)	7,387	8,247	8,714	9,499	10,206	10,940	11,799	12,781	13,562	16,310	18,212	18,562	19,507	20,951	22,450
-Growth (%)	5.5	11.6	5.7	9.0	7.4	7.2	7.9	8.3	6.1	20.3	11.7	1.9	5.1	7.4	7.2
Net Sales	404	501	533	624	685	705	827	908	1,005	1,216	1,468	1,537	1,647	1,828	2,004
-Growth (%)	19.6	24.2	6.4	17.1	9.7	3.0	17.2	9.8	10.7	21.1	20.7	4.7	7.2	11.0	9.6
Direct Costs	253	321	329	391	433	451	539	607	654	820	1,024	1,074	1,148	1,273	1,388
Gross Margin	151	180	204	233	252	254	288	301	351	396	444	463	500	555	615
% of sales	37.4	35.9	38.3	37.4	36.8	36.0	34.8	33.1	34.9	32.6	30.3	30.1	30.3	30.4	30.7
SG& A	46	60	66	77	83	82	99	107	104	116	135	145	154	168	184
% of sales	11.5	11.9	12.4	12.4	12.2	11.7	12.0	11.8	10.4	9.6	9.2	9.4	9.3	9.2	9.2
EBIT	104	120	138	156	169	171	189	194	246	280	309	317	346	387	431
% of sales	25.8	24.0	25.9	25.0	24.7	24.3	22.8	21.3	24.5	23.0	21.1	20.7	21.0	21.2	21.5
Other income (net)	24	27	34	31	31	32	33	28	22	23	27	47	33	34	39
PBT	128	147	173	187	200	204	213	220	266	301	333	360	375	417	466
-PBT margin (%)	31.7	29.3	32.4	30.0	29.1	28.9	25.8	24.2	26.5	24.8	22.7	23.4	22.7	22.8	23.3
Provision for tax	34	41	49	53	56	57	56	54	72	80	92	97	110	123	137
Effective tax rate (%)	26.3	27.6	28.6	28.0	28.1	28.0	26.4	24.4	27.1	26.4	27.7	27.1	29.5	29.5	29.5
Net profit (adjusted)	94	106	123	135	144	147	157	166	194	221	241	262	264	294	329
-Growth (%)	13.3	13.0	15.8	9.4	6.4	2.3	6.8	5.8	16.6	14.3	9.0	8.9	0.6	11.5	11.8
-Net profit margin (%)	23.3	21.2	23.1	21.6	21.0	20.8	19.0	18.3	19.3	18.2	16.4	17.1	16.0	16.1	16.4
Shares Outstanding (Basic)	4,594	4,594	4,594	4,594	4,594	4,347	4,347	4,240	4,244	4,192	4,144	4,139	4,142	4,142	4,142

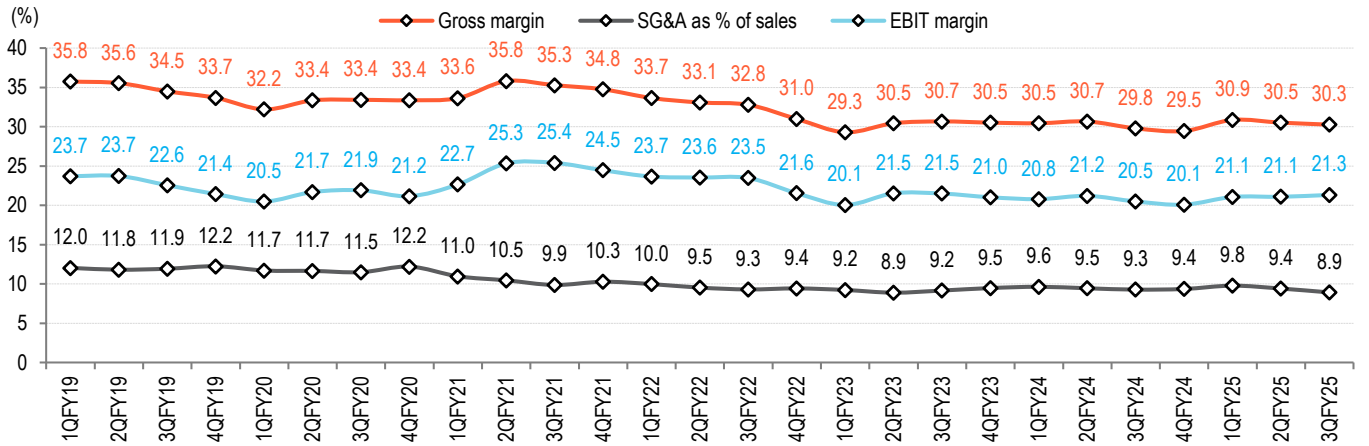
Source: Company, BOBCAPS Research

Fig 6 – Sub-contractor charges trend



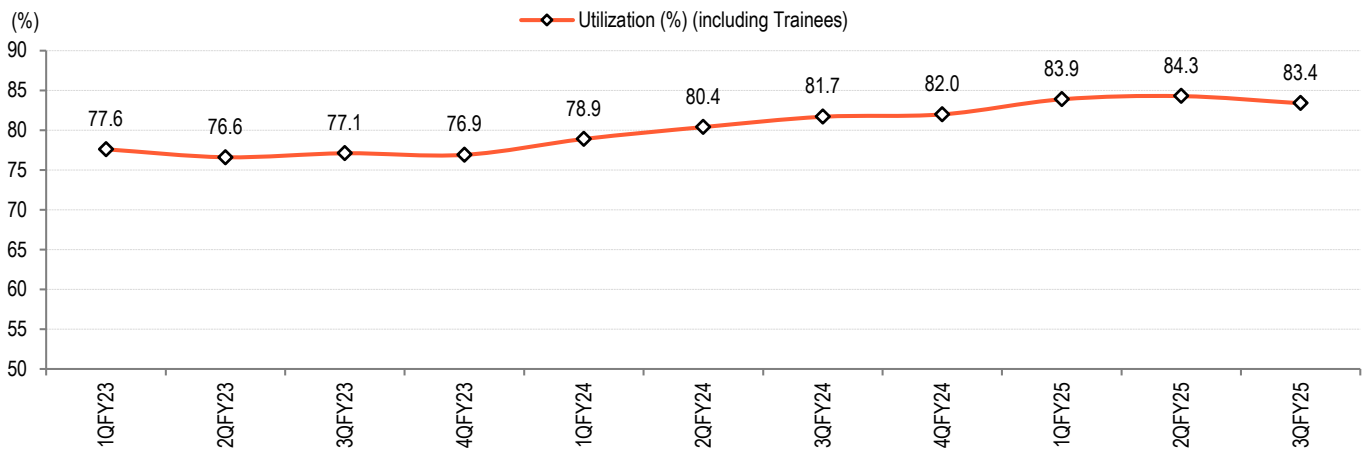
Source: Company, BOBCAPS Research

Fig 7 – Gross Margin, SG&A and EBIT margin (as % of sales)



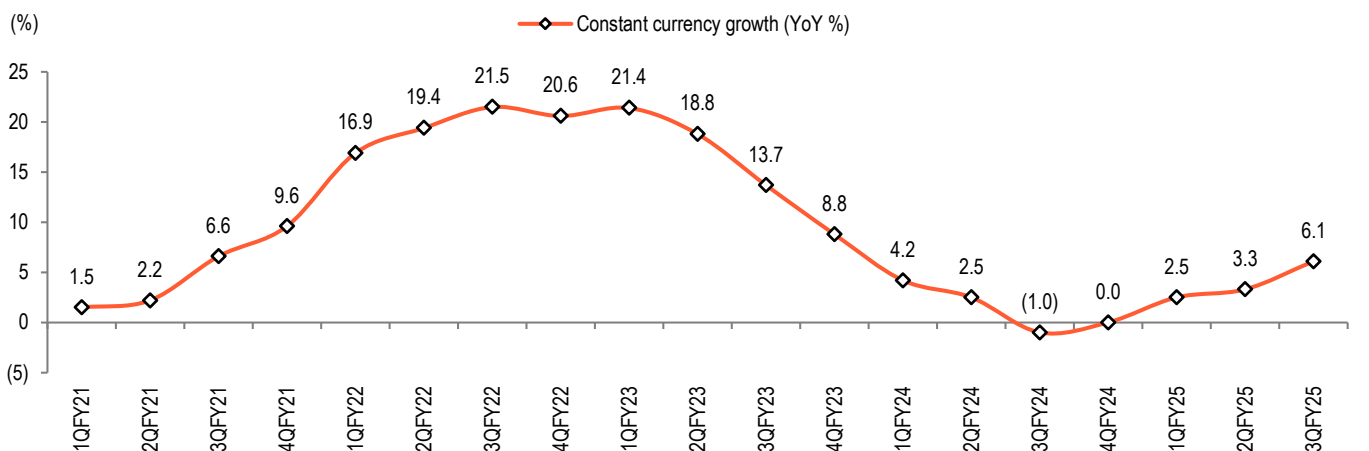
Source: Company, BOBCAPS Research

Fig 8 – Utilisation on a QoQ basis



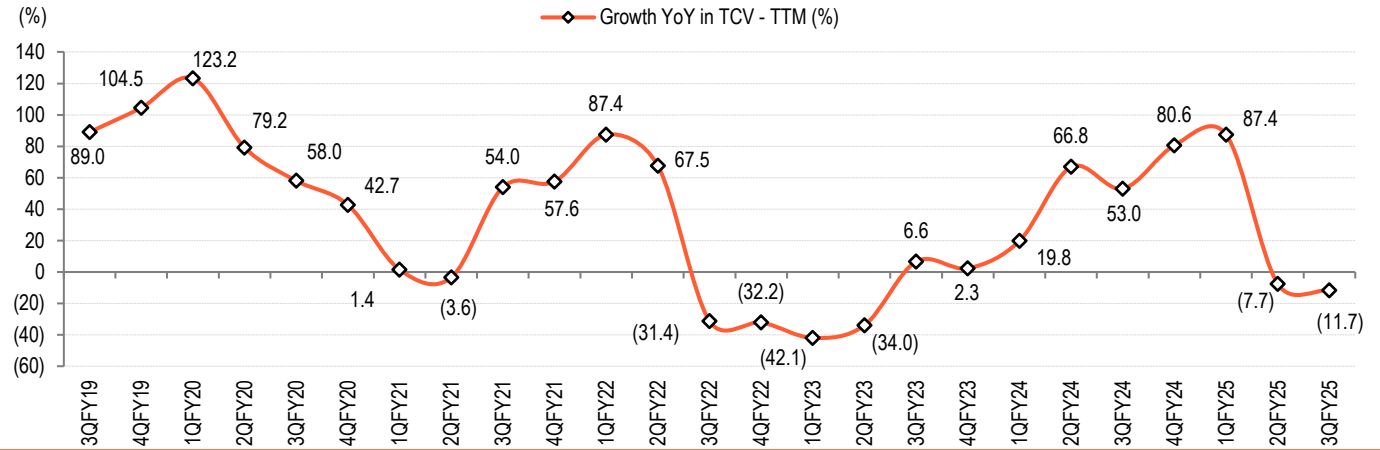
Source: Company, BOBCAPS Research

Fig 9 – Revenue Growth YoY (CC terms)



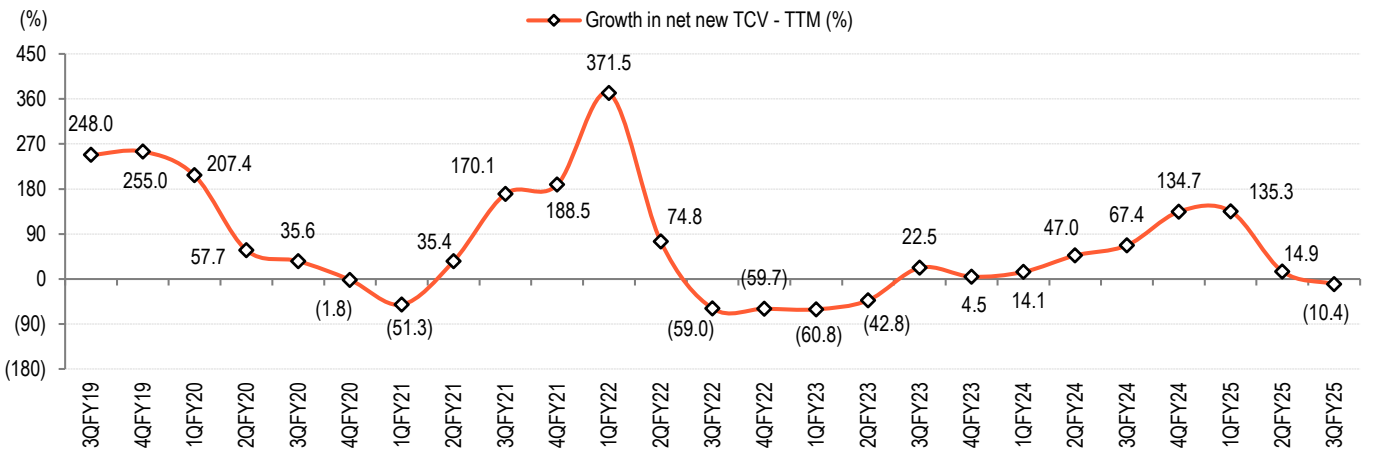
Source: Company, BOBCAPS Research

Fig 10 – Large deal TCV growth – TTM (%)



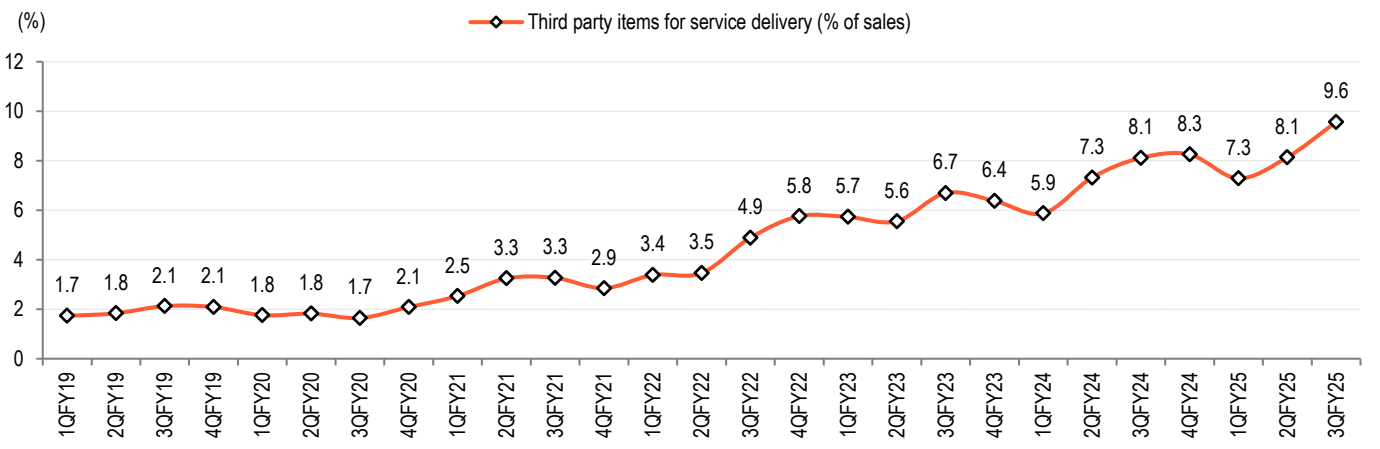
Source: Company, BOBCAPS Research

Fig 11 – Growth in Net New large deal TCV – TTM (%)



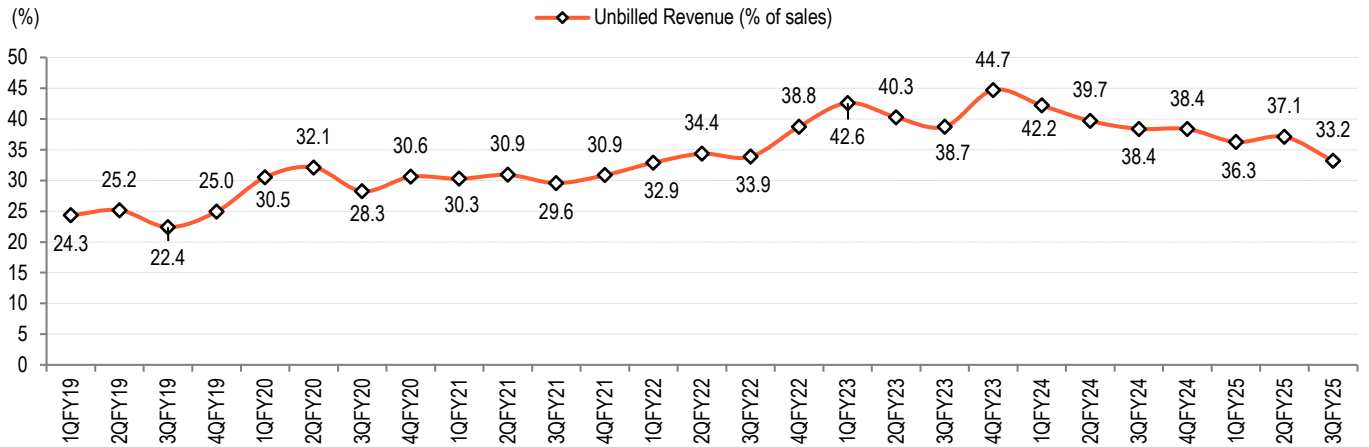
Source: Company, BOBCAPS Research

Fig 12 – Trends in third party items for service delivery (as % of quarterly revenue)



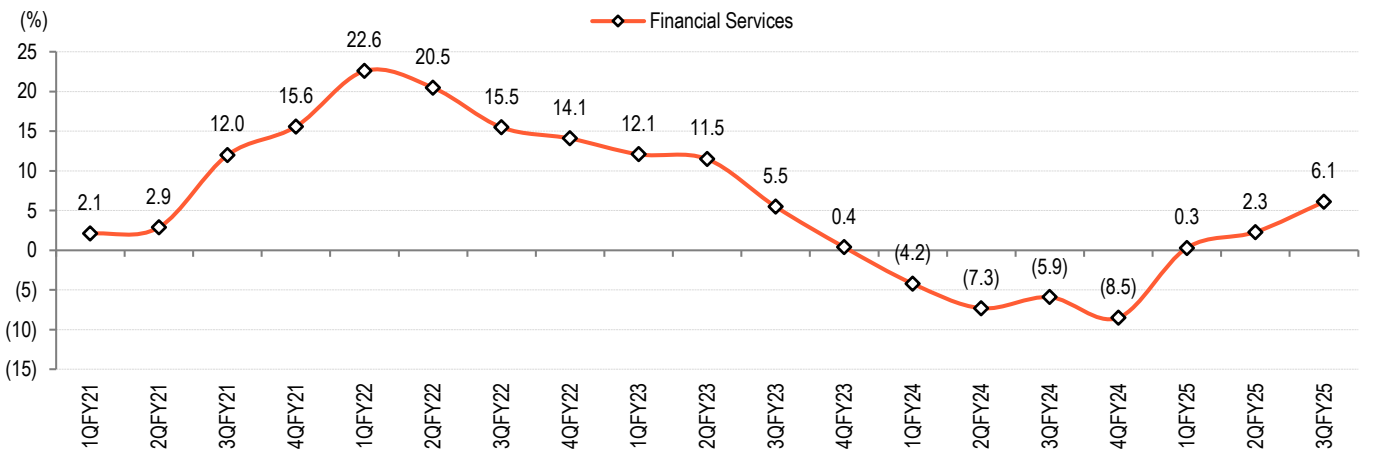
Source: Company, BOBCAPS Research

Fig 13 – Trends in unbilled revenue (as % of quarterly revenue)



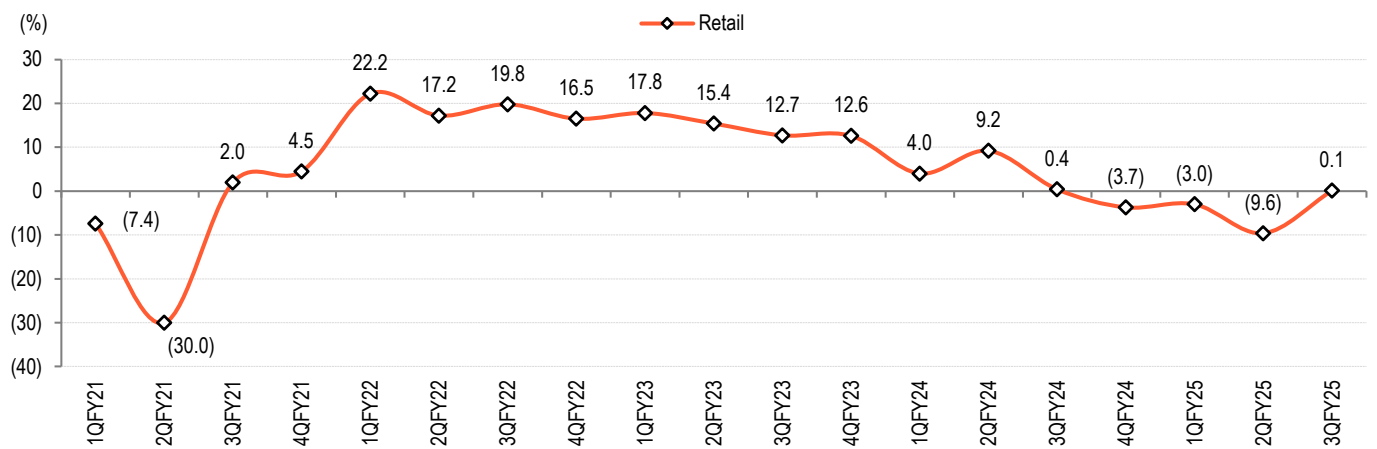
Source: Company, BOBCAPS Research

Fig 14 – YoY Revenue growth for the BFSI vertical (CC terms)



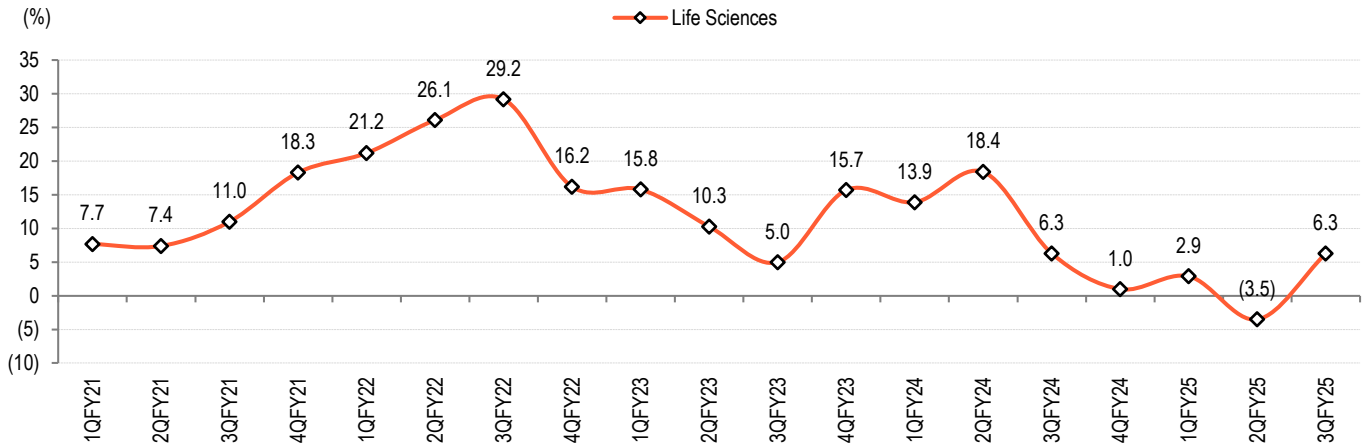
Source: Company, BOBCAPS Research

Fig 15 – YoY Revenue growth for the Retail vertical (CC terms)



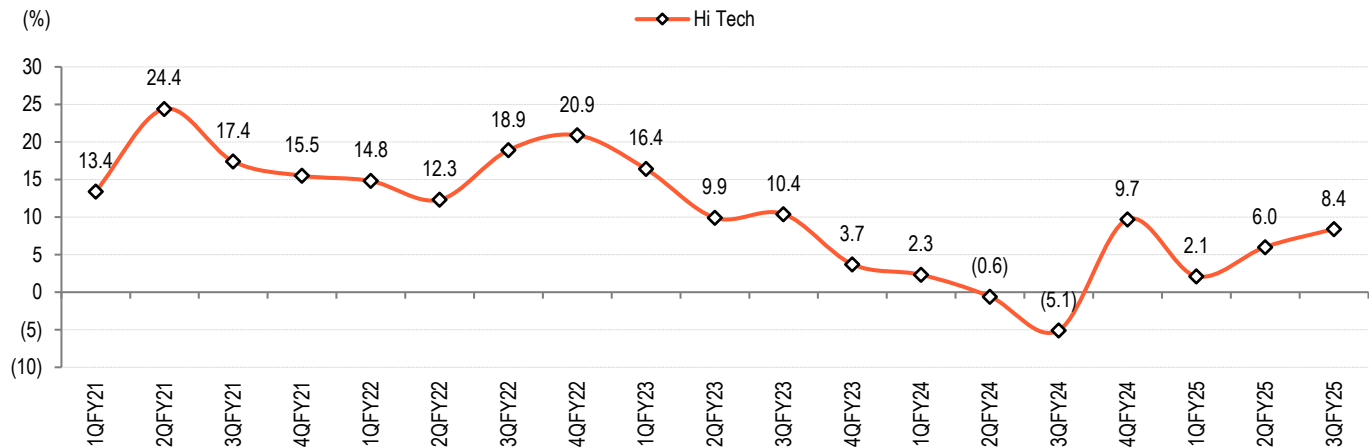
Source: Company, BOBCAPS Research

Fig 16 – YoY Revenue growth for the Life Sciences vertical (CC terms)



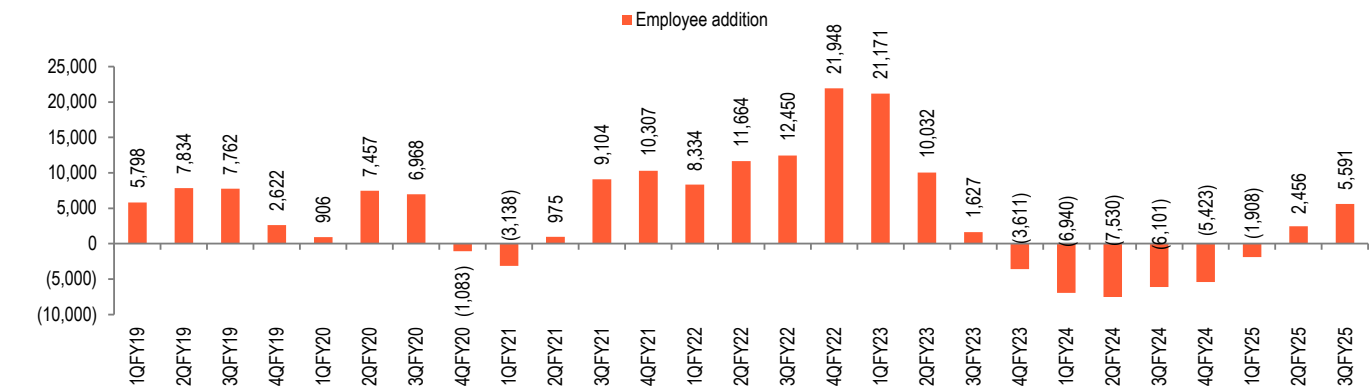
Source: Company, BOBCAPS Research

Fig 17 – YoY revenue growth for the Hi-tech vertical (CC terms)



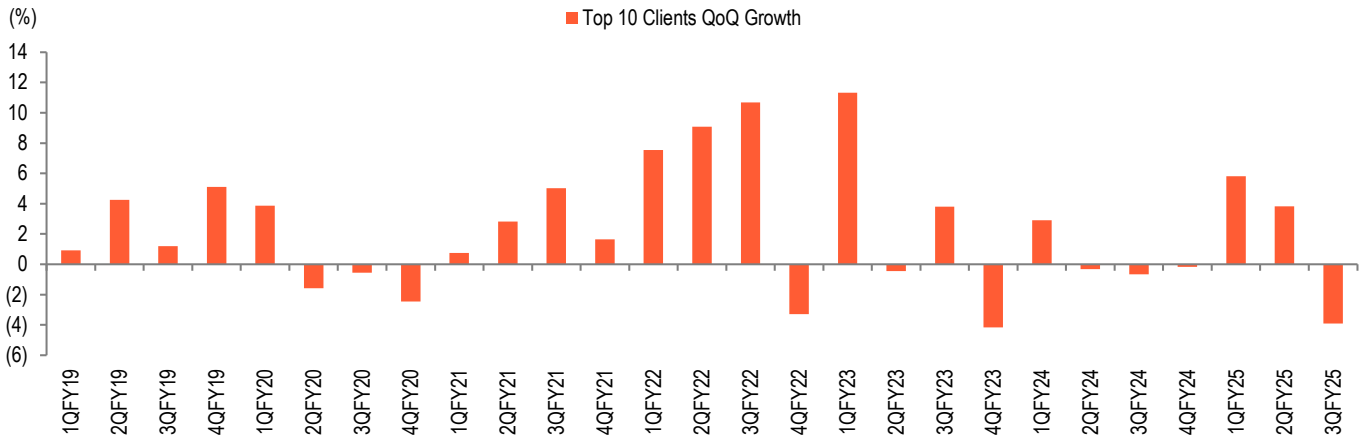
Source: Company, BOBCAPS Research

Fig 18 – Net Employee Addition



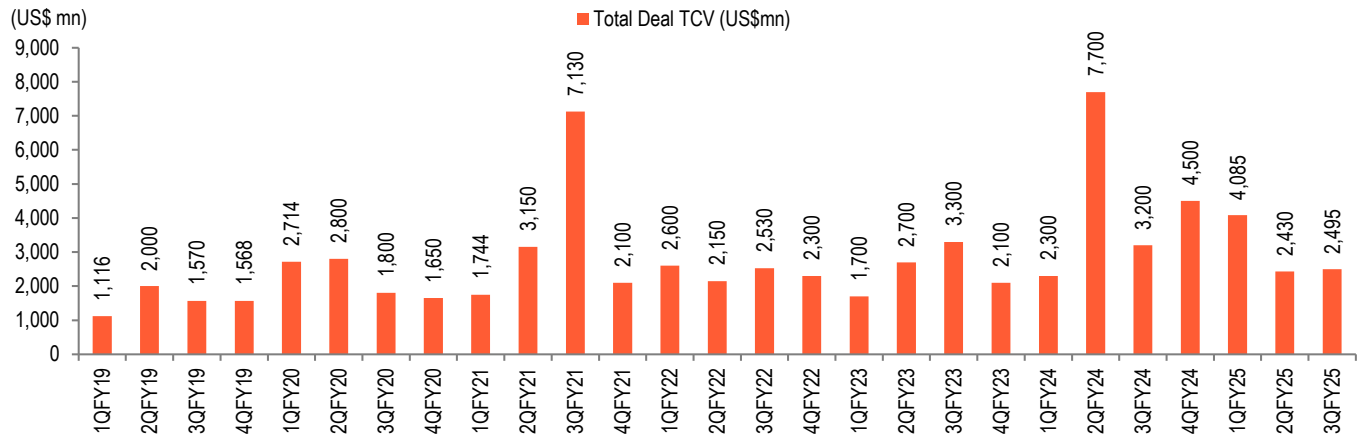
Source: Company, BOBCAPS Research

Fig 19 – Revenue trend from Top 10 clients



Source: Company, BOBCAPS Research

Fig 20 – TCV trend



Source: Company, BOBCAPS Research

Fig 21 – Quarterly Snapshot

Year to 31 March (Rs mn)	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25
INR/USD	77.5	82.0	82.0	82.0	82.0	82.5	83.0	83.4	83.4	83.8	84.5
USD Revenue (USD mn)	4,444	4,555	4,659	4,554	4,617	4,718	4,663	4,564	4,714	4,894	4,939
INR Revenue	3,44,700	3,65,380	3,83,180	3,74,410	3,79,330	3,89,940	3,88,210	3,79,230	3,93,150	4,09,860	4,17,640
Gross margin	1,01,010	1,11,260	1,17,570	1,14,300	1,15,510	1,19,630	1,15,680	1,11,750	1,21,380	1,25,120	1,26,440
SGA	31,870	32,530	35,150	35,530	36,600	36,890	36,070	35,540	38,500	38,630	37,320
EBIT	69,140	78,730	82,420	78,770	78,910	82,740	79,610	76,210	82,880	86,490	89,120
Other income	6,760	5,840	7,690	6,710	5,610	6,320	7,890	27,290	8,380	7,120	8,590
PBT	75,340	83,910	89,310	84,660	83,620	87,680	86,190	1,02,400	90,210	92,530	96,700
Tax	21,720	23,650	23,450	23,320	24,170	25,530	25,060	22,650	26,470	27,370	28,480
PAT-Adjusted	53,600	60,210	65,860	61,280	59,450	62,120	61,060	79,690	63,680	65,060	68,060
Shares Outstanding (basic)	4,194	4,195	4,191	4,144	4,137	4,139	4,139	4,139	4,140	4,142	4,142
EPS Adjusted (Rs)	12.8	14.4	15.7	14.8	14.4	15.0	14.8	19.3	15.4	15.7	16.4
YoY Growth (%)											
USD Revenue	17.5	13.9	9.6	6.4	3.9	3.6	0.1	0.2	2.1	3.7	5.9
INR Revenue	23.6	23.4	20.2	16.0	10.0	6.7	1.3	1.3	3.6	5.1	7.6
Gross profit	7.6	13.6	12.5	14.3	14.4	7.5	(1.6)	(2.2)	5.1	4.6	9.3
EBIT	4.7	12.9	10.1	13.2	14.1	5.1	(3.4)	(3.2)	5.0	4.5	11.9
Net profit	3.2	11.1	13.4	7.8	10.9	3.2	(7.3)	30.0	7.1	4.7	11.5
QoQ Growth (%)											
USD Revenue	3.8	2.5	2.3	(2.3)	1.4	2.2	(1.2)	(2.1)	3.3	3.8	0.9
INR Revenue	6.8	6.0	4.9	(2.3)	1.3	2.8	(0.4)	(2.3)	3.7	4.3	1.9
EBIT	(0.6)	13.9	4.7	(4.4)	0.2	4.9	(3.8)	(4.3)	8.8	4.4	3.0
Net profit	(5.7)	12.3	9.4	(7.0)	(3.0)	4.5	(1.7)	30.5	(20.1)	2.2	4.6
Margins (%)											
Gross margin	29.3	30.5	30.7	30.5	30.5	30.7	29.8	29.5	30.9	30.5	30.3
SGA	9.2	8.9	9.2	9.5	9.6	9.5	9.3	9.4	9.8	9.4	8.9
EBIT	20.1	21.5	21.5	21.0	20.8	21.2	20.5	20.1	21.1	21.1	21.3
PAT	15.5	16.5	17.2	16.4	15.7	15.9	15.7	21.0	16.2	15.9	16.3

Source: Company, BOBCAPS Research

Fig 22 – Key Metrics

Key Metrics	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25
P and L (Rs mn)											
Revenue	3,44,700	3,65,380	3,83,180	3,74,410	3,79,330	3,89,940	3,88,210	3,79,230	3,93,150	4,09,860	4,17,640
EBITDA	69,140	78,730	82,420	78,770	78,910	82,740	79,610	76,210	82,880	86,490	89,120
PAT	53,600	60,210	65,860	61,280	59,450	62,120	61,060	79,690	63,680	65,060	68,060
Vertical Mix (%)											
Manufacturing	20.3	21.0	21.4	21.5	22.2	22.1	22.6	23.4	22.7	23.7	23.4
Insurance Finance and Banking	30.6	30.5	29.3	28.9	28.1	27.5	27.8	26.4	27.5	27.2	27.8
Telecom	13.0	12.3	12.3	11.8	11.7	11.4	11.4	12.3	12.1	11.9	11.2
Retailing & CPG	14.5	14.2	14.3	14.8	14.5	15.2	14.6	14.3	13.8	13.3	13.8
Others (utilities, logistic, transportation, etc)	15.1	15.3	15.7	15.8	16.3	16.0	16.1	16.3	16.6	16.6	16.2
Life Sciences	6.5	6.7	7.0	7.2	7.2	7.8	7.6	7.3	7.3	7.3	7.6
Geographic Mix (%)											
North America	61.8	62.5	62.0	61.0	60.8	61.1	59.0	59.6	58.9	57.4	58.4
Europe	25.0	24.7	25.8	27.0	26.8	26.5	28.2	28.6	28.4	29.8	29.8
India	2.6	2.9	2.4	2.6	9.7	9.6	10.4	9.6	9.6	9.7	8.7
Rest of the world	10.6	9.9	9.8	9.4	2.7	2.8	2.4	2.2	3.1	3.1	3.1
Utilization (%) (including Trainees)	77.6	76.6	77.1	76.9	78.9	80.4	81.7	82.0	83.9	84.3	83.4
Utilization (%) (Excluding Trainees)	84.7	83.6	81.7	80.0	81.1	81.8	82.7	83.5	85.3	85.9	86.0
Effort Mix (%)											
Onsite	24.3	24.4	24.5	24.6	24.7	24.6	24.4	24.2	23.9	24.1	24
Offshore	75.7	75.6	75.5	75.4	75.3	75.4	75.6	75.8	76.1	75.9	76
Clients Concentration (%)											
Top 5 clients	13.0	12.6	13.1	13.0	13.4	13.3	13.4	13.6	13.5	13.7	12.7
Top 10 clients	20.8	20.2	20.5	20.1	20.4	19.9	20.0	20.4	20.9	20.9	19.9
Number of Client											
\$1m+	877	895	912	922	940	951	944	959	987	985	997
\$10m+	278	281	294	298	312	312	308	315	309	307	301
\$50m+	69	77	79	75	79	80	82	83	84	86	89
\$100m+	38	39	38	40	38	39	40	40	40	41	41
Employees	3,35,186	3,45,218	3,46,845	3,43,234	3,36,294	3,28,764	3,22,663	3,17,240	3,15,332	3,17,788	3,23,379
Net addition	21,171	10,032	1,627	(3,611)	(6,940)	(7,530)	(6,101)	(5,423)	(1,908)	2,456	5,591
Attrition (consolidated)(%)	28.4	27.1	24.3	20.9	17.3	14.6	12.9	12.6	12.7	12.9	13.7
Profit and Loss Statement (US\$ mn)											
Revenue	4,444	4,555	4,659	4,554	4,617	4,718	4,663	4,564	4,714	4,894	4,939
EBIT	888	979	1,001	957	961	1,000	956	917	994	1,033	1,053
PAT	689	749	800	745	724	751	734	959	764	778	806
Productivity Metrics											
Per Capita (Annualised)											
Revenue	53,033	52,778	53,730	53,072	54,916	57,403	57,806	57,546	59,797	61,601	61,092
EBIT	10,597	11,344	11,544	11,153	11,430	12,167	11,851	11,562	12,609	13,002	13,025
PAT	8,222	8,679	9,226	8,682	8,612	9,137	9,099	12,092	9,691	9,793	9,970
Direct and Opex cost per capita	42,436	41,435	42,186	41,919	43,486	45,236	45,955	45,984	47,188	48,598	48,067
QoQ Growth (%) (In USD terms)											
Revenue	4	2	2	(2)	1	2	(1)	(2)	3	4	1
EBIT	(3)	10	2	(4)	0	4	(4)	(4)	8	4	2
PAT	(9)	9	7	(7)	(3)	4	(2)	31	(20)	2	4

Source: Company, BOBCAPS Research

Financials

Income Statement

Y/E 31 Mar (Rs mn)	FY23A	FY24A	FY25E	FY26E	FY27E
Total revenue	14,67,670	15,36,710	16,47,229	18,28,193	20,03,878
EBITDA	3,51,310	3,64,250	3,93,888	4,42,161	4,87,628
Depreciation	42,250	46,780	47,917	54,846	56,153
EBIT	3,09,060	3,17,470	3,45,971	3,87,315	4,31,475
Net interest inc./(exp.)	(2,840)	(4,690)	(4,150)	(4,040)	(4,040)
Other inc./(exp.)	27,000	47,110	32,680	33,864	38,738
Exceptional items	0	0	0	0	0
EBT	3,33,220	3,59,890	3,74,501	4,17,139	4,66,173
Income taxes	92,140	97,410	1,10,317	1,22,856	1,37,297
Extraordinary items	0	0	0	0	0
Min. int./Inc. from assoc.	130	160	320	0	0
Reported net profit	2,40,950	2,62,320	2,63,863	2,94,284	3,28,876
Adjustments	0	0	0	0	0
Adjusted net profit	2,40,950	2,62,320	2,63,863	2,94,284	3,28,876

Balance Sheet

Y/E 31 Mar (Rs mn)	FY23A	FY24A	FY25E	FY26E	FY27E
Accounts payables	38,650	39,560	36,750	36,750	36,750
Other current liabilities	3,40,140	3,30,420	3,66,684	4,01,104	4,36,078
Provisions	13,070	17,960	15,260	16,805	18,375
Debt funds	0	0	0	0	0
Other liabilities	1,08,350	1,05,590	96,930	96,930	96,930
Equity capital	20,690	20,710	20,720	20,720	20,720
Reserves & surplus	7,37,260	8,63,900	8,31,681	9,05,252	9,87,471
Shareholders' fund	7,57,950	8,84,610	8,52,401	9,25,972	10,08,191
Total liab. and equities	12,58,160	13,78,140	13,68,024	14,77,560	15,96,324
Cash and cash eq.	1,21,730	1,47,860	1,86,668	2,23,380	2,67,797
Accounts receivables	2,54,240	3,01,930	3,39,787	3,74,192	4,09,151
Inventories	0	0	0	0	0
Other current assets	3,47,060	3,98,700	3,29,848	3,56,556	3,83,696
Investments	1,94,780	2,46,230	1,74,430	1,74,430	1,74,430
Net fixed assets	1,37,930	1,28,180	1,25,442	1,33,139	1,41,309
CWIP	0	0	0	0	0
Intangible assets	89,970	87,000	1,29,180	1,29,180	1,29,180
Deferred tax assets, net	12,450	4,540	7,860	7,860	7,860
Other assets	1,00,000	63,700	74,810	78,823	82,901
Total assets	12,58,160	13,78,140	13,68,024	14,77,560	15,96,324

Cash Flows

Y/E 31 Mar (Rs mn)	FY23A	FY24A	FY25E	FY26E	FY27E
Cash flow from operations	2,33,260	2,55,420	3,59,689	3,24,008	3,59,438
Capital expenditures	(55,340)	(34,060)	(87,359)	(62,543)	(64,322)
Change in investments	(12,130)	(48,150)	73,870	0	0
Other investing cash flows	0	0	0	0	0
Cash flow from investing	(67,470)	(82,210)	(13,489)	(62,543)	(64,322)
Equities issued/Others	(1,13,460)	0	0	0	0
Debt raised/repaid	0	0	0	0	0
Interest expenses	(2,840)	(4,690)	(4,150)	(4,040)	(4,040)
Dividends paid	(1,41,731)	(1,90,400)	(1,88,321)	(2,20,713)	(2,46,657)
Other financing cash flows	0	0	0	0	0
Cash flow from financing	(2,58,031)	(1,95,090)	(1,92,471)	(2,24,753)	(2,50,697)
Chg in cash & cash eq.	(53,241)	26,120	38,808	36,712	44,418
Closing cash & cash eq.	1,21,479	1,47,850	1,86,668	2,23,380	2,67,797

Per Share

Y/E 31 Mar (Rs)	FY23A	FY24A	FY25E	FY26E	FY27E
Reported EPS	57.6	63.4	63.7	71.0	79.4
Adjusted EPS	57.6	63.3	63.6	70.9	79.2
Dividend per share	34.0	46.0	45.5	53.3	59.6
Book value per share	182.9	213.7	205.8	223.6	243.4

Valuations Ratios

Y/E 31 Mar (x)	FY23A	FY24A	FY25E	FY26E	FY27E
EV/Sales	5.3	5.1	4.8	4.3	3.9
EV/EBITDA	22.1	21.5	19.9	17.7	16.0
Adjusted P/E	33.5	30.5	30.3	27.2	24.3
P/BV	10.5	9.0	9.4	8.6	7.9

DuPont Analysis

Y/E 31 Mar (%)	FY23A	FY24A	FY25E	FY26E	FY27E
Tax burden (Net profit/PBT)	72.3	72.9	70.5	70.5	70.5
Interest burden (PBT/EBIT)	107.8	113.4	108.2	107.7	108.0
EBIT margin (EBIT/Revenue)	21.1	20.7	21.0	21.2	21.5
Asset turnover (Rev./Avg TA)	120.4	116.6	120.0	128.5	130.4
Leverage (Avg TA/Avg Equity)	1.6	1.6	1.6	1.6	1.6
Adjusted ROAE	31.8	32.0	30.4	33.1	34.0

Ratio Analysis

Y/E 31 Mar	FY23A	FY24A	FY25E	FY26E	FY27E
YoY growth (%)					
Revenue	20.7	4.7	7.2	11.0	9.6
EBITDA	11.6	3.7	8.1	12.3	10.3
Adjusted EPS	9.8	10.0	0.4	11.5	11.8
Profitability & Return ratios (%)					
EBITDA margin	23.9	23.7	23.9	24.2	24.3
EBIT margin	21.1	20.7	21.0	21.2	21.5
Adjusted profit margin	16.4	17.1	16.0	16.1	16.4
Adjusted ROAE	31.8	31.9	30.4	33.1	34.0
ROCE	29.5	28.2	28.1	30.7	31.5
Working capital days (days)					
Receivables	103	105	105	104	104
Inventory	NA	NA	NA	NA	NA
Payables	9	9	8	7	7
Ratios (x)					
Gross asset turnover	10.6	12.0	13.1	13.7	14.2
Current ratio	1.8	2.2	2.0	2.1	2.2
Net interest coverage ratio	NA	NA	NA	NA	NA
Adjusted debt/equity	(0.2)	(0.2)	(0.2)	(0.2)	(0.3)

Source: Company, BOBCAPS Research | Note: TA = Total Assets

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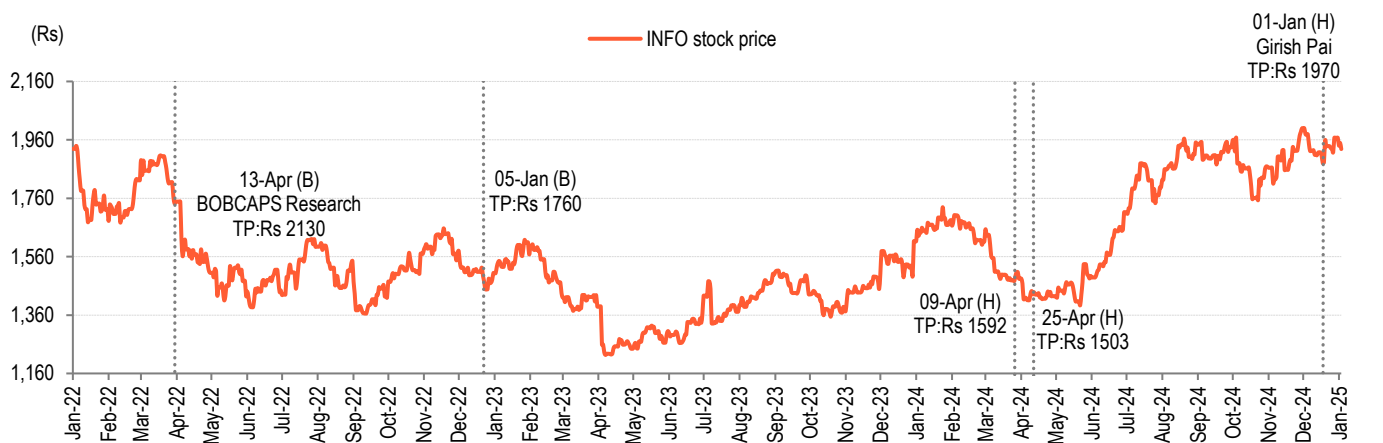
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