



# FIN 2RESEARCH

SHUBH SAMAY NIVESH



**Rating**

Business	★ ★ ★ ★ ★
Financials	★ ★ ★ ★ ★
Valuation	★ ★ ★ ★ ★
Management	★ ★ ★ ★ ★

Date : 02/09/24

**Company : Infosys Limited.**

**Sector : Information & Technology.**

**CMP : ₹ 1970**

**Rating - BUY**

**Target : ₹2200**

**Potential Upside: 12.00%**

**Research Report**

<b>Stock Info</b>		
Market Cap (₹ in cr)	816502.04	
52-Weeks High/Low	1,351.65 - 1,975.00	
Avg Volume	8354376	
No. of eq shares (cr)	414.47	
Face Value	5.00	
Bse Code	500209	
Nse Code	INFY	
Free Float (cr)	695006.54	

<b>Source : NSE/BSE</b>		
<b>Particulars</b>	<b>2023</b>	<b>2024</b>
P/E (x)	24.80	23.53
P/B (x)	7.88	6.98
EV/EBITDA (x)	16.70	16.41
P/S (x)	4.07	4.02
ROCE (%)	28.21%	28.28%
ROIC (%)	32.96%	30.1%
Gross Margin (%)	37.03%	38.28%
Operating Margin (%)	23.94%	23.70%
Net Margin (%)	16.43%	17.08%

<b>Source : Company</b>		
<b>Particulars</b>	<b>2023</b>	<b>2024</b>
Promoters	14.94%	14.61%
Mutual Funds/AIF	18.63%	19.09%
Insurance co.	13.64%	15.90%
Banks	0.13%	0.06%
Other DIIs	2.4500%	2.51%
Govt of India	0.02%	0.02%
FII	33.43%	32.74%
Retails and Others	16.44%	14.80%
Total	100%	100.00%

<b>Source : NSE/BSE</b>	
<b>Particulars</b>	<b>TTM</b>
P/E	30.74
P/B	9.23
EV/EBITDA	21.88
P/S	5.31
EPS	64.09
P/CF	32.11

**Source : Company**

**Infosys Limited :** Infosys has announced a collaboration with TDC Net, a Danish digital infrastructure and connectivity provider, to support TDC Net's transformation from a traditional infrastructure company to a customer-centric technology leader. The partnership focuses on modernizing TDC Net's IT infrastructure, enhancing customer experience, and optimizing IT and operational service costs, positioning TDC Net for a more agile and efficient future.

**Key Highlights:** Infosys has expanded its collaboration with NVIDIA to introduce AI-powered telco solutions that leverage Infosys Topaz, an AI-first set of services and platforms. These solutions aim to enhance customer experiences, streamline network operations, and accelerate service delivery for telcos. Infosys has developed three generative AI solutions using NVIDIA NIM inference microservices, NVIDIA NeMo Retriever embedding models, and NeMo Guardrails to create domain-specific LLM models. Infosys Topaz also integrates NVIDIA Riva for real-time conversational AI pipelines, enabling real-time transcription and translations for call center agents.

Infosys has introduced three generative AI-powered solutions leveraging NVIDIA technologies to enhance telco operations. The TOSCA Network Service Design uses NVIDIA AI to customize TOSCA templates, streamlining the design process with a 28% reduction in latency and a 15% improvement in accuracy. The NVIDIA-powered smart networking operating center helps network engineers troubleshoot issues faster, reducing mean time to resolve and enhancing customer experience, with a 61% reduction in latency and a 22% improvement in accuracy. Infosys Cortex, a generative AI-driven contact center transformation platform, combines Infosys Topaz and Cobalt to create realistic customer simulations, offering trainee agents an immersive environment to hone their skills. These solutions aim to improve operational efficiency, customer service, and overall performance for telcos.

Infosys has joined the Stanford University Institute for Human-Centered Artificial Intelligence (Stanford HAI) Corporate Affiliate Program to accelerate AI research initiatives. As a member, Infosys will collaborate with Stanford HAI faculty and researchers on various AI topics, including responsible AI, helping enterprises address technical, policy, and governance challenges. The partnership will also focus on enhancing business process efficiency through AI and machine learning and optimizing AI models for cost and scale efficiency using a narrow transformer-based approach that allows model development with minimal data. This collaboration aims to drive innovation and advance the responsible use of AI in business.

**Key Risk :**

- ❑ The global IT industry faced intense competition in fiscal 2024 due to reduced discretionary spending by large clients, particularly affecting traditional outsourcing services. The slowdown in IT spending and declining contract values have intensified competition among industry players. Despite these challenges, Infosys aims to mitigate the impact on profitability by focusing on higher-margin digital and consulting segments and enhancing automation to improve core technologies, positioning itself to better navigate the challenging business environment over the medium term.
- ❑ The slowdown or recession in the U.S. economy, coupled with increases in Federal Reserve rates, can have significant implications for businesses and markets.

**Rating and Target Price :**

1. Infosys' long-term growth potential is supported by its recent achievement of securing 34 large deals totaling \$4.1 billion and strong traction in Generative AI programs delivered through Topaz. The company's focus on consolidation, cost reduction, and efficiency programs has solidified its position as a preferred partner. Infosys is also making significant strides in AI, with partnerships in telecommunications and banking, the launch of Aster, and extensive employee training. The successful acquisition of in-tech and strong market positioning further bolster its outlook. Despite a challenging economic environment and revised revenue growth guidance of 3% to 4% in constant currency, Infosys maintains a stable operating margin guidance of 20% to 22%. We remain optimistic about Infosys' growth prospects, given its differentiated offerings and continued investment in AI capabilities.

2. We have a BUY rating on Infosys, valuing it at a target price of ₹2,200, based on a 34x P/E multiple and an expected EPS of 65.5.

### RATING SCALE: DEFINITION OF RATINGS

- BUY – We expect the stock to deliver more than 10%-20% returns over the next 9 months.
- ACCUMULATE – We expect the stock to deliver 5% - 12% returns over the next 9 months.
- REDUCE – We expect the stock to deliver 0% - 5% returns over the next 9 months.
- SELL – We expect the stock to deliver negative returns over the next 9 months.
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- NOTE – Our target prices are with a 9-month perspective. Returns stated in the rating scale are our internal benchmark.

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