



# ANALYZING INFOSYS

Deeply studying Infosys from an investments PoV

## ***PURPOSE OF THIS REPORT***

*Want to evaluate INFY for a long term investment decision? Instead of sifting through copious annual reports and dozens of websites,*

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## Company Overview

Infosys proudly refers to itself as an “AI-first company” with the word ‘AI’ repeating 2498 times in its annual report. It also calls itself a “global leader in consulting, outsourcing, and next-gen services, empowering clients to navigate and implement digital transformations”. Essentially, at its core, Infosys is a **software services company**.

The company prides itself on its commitment to diversity and it boasts a significant achievement with **39% of its workforce being female**. In the realm of environmental responsibility, Infosys has been **carbon-neutral across all three scopes since 2019**, aligning with positive Environmental, Social, and Governance (ESG) practices.

Adding to its accolades, Infosys has earned **multiple "best place to work" awards**, solidifying its reputation as not only a technological powerhouse but also an exceptional workplace.

## Infosys’s “Global” Presence

Infosys has a network of **98 subsidiaries, associate companies, and joint ventures in 56 countries** – ranging from India and South Africa to Netherlands and even China. It has 2,72,665 employees in its standalone operations and a total of 3,43,234 employees in its consolidated operations.

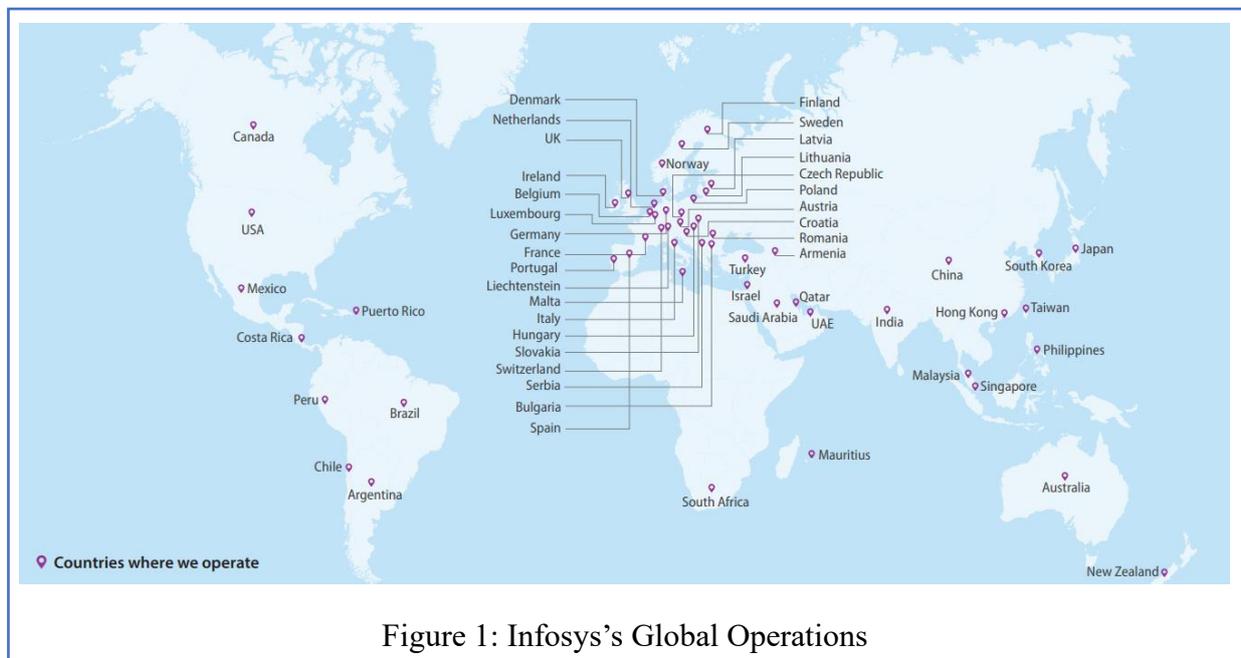


Figure 1: Infosys’s Global Operations

While Infosys operates on a global scale, it most of its employees are Indians. As of 2016, a **significant 89% of its employees were based in India**. Unfortunately, more recent data on the geographic distribution of its workforce has not been released.

On the monetary front, most of Infosys’s revenues come from the developed markets, with North America & Europe being the largest constituents, as indicated in Fig 2.

Regions	2022-23
North America	61.8%
Europe	25.7%
Rest of the World	9.9%
India	2.6%

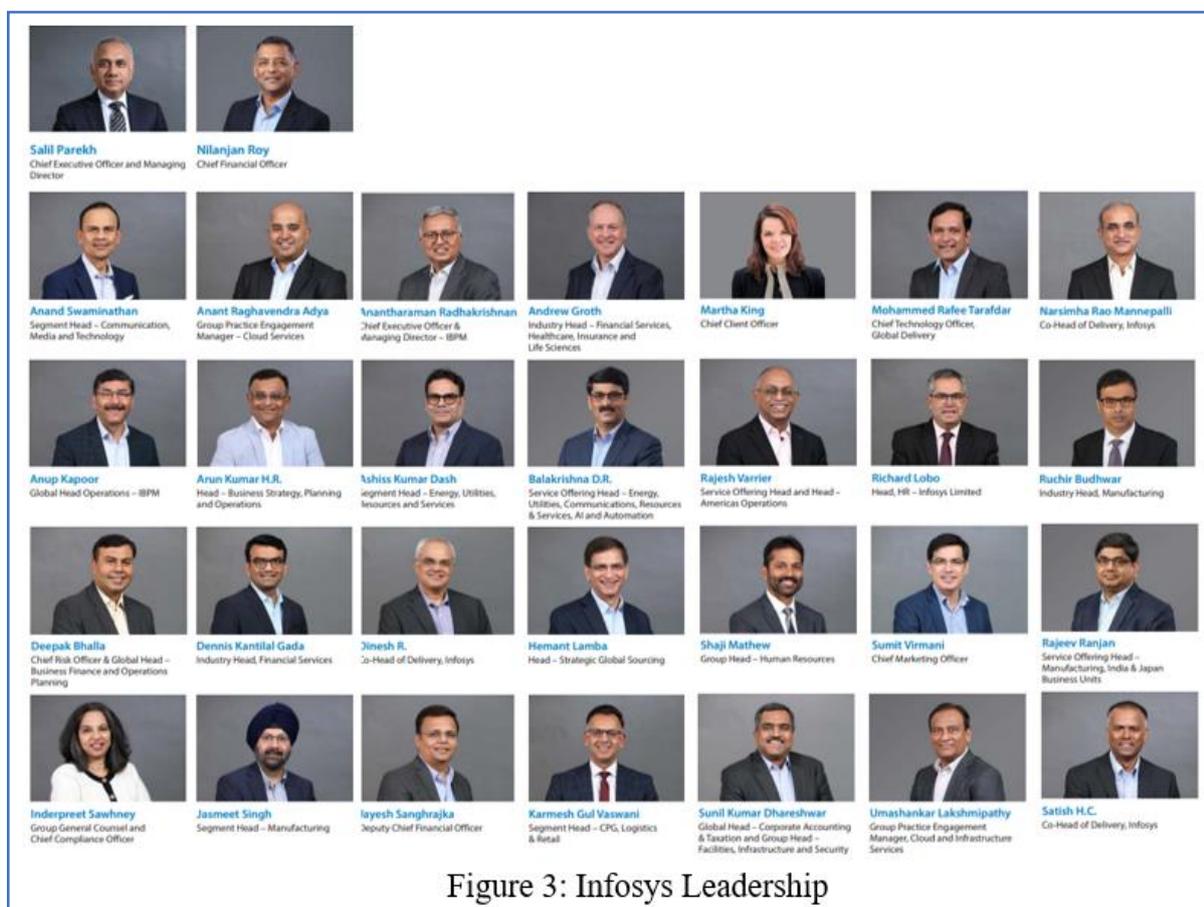
Figure 2: Revenue by Geography

## Organizational Structure and Leadership

Infosys' organizational structure is **composed of business divisions to delivering specialized solutions to specific industries**. Each business division is led by industry and domain experts, ensuring a tailored understanding of diverse sectors.

Adding a more conventional touch, the **organization also has leaders for various functions**, including the Chief Technology Officer (CTO), Chief Human Resources Officer (CHRO), Chief Marketing Officer (CMO), and more.

By having dedicated leaders for specific functions & industries, Infosys can effectively navigate the unique challenges and opportunities within each domain.



## Company Analysis - Infosys

Infosys also has a domain-wise-diverse board of directors, with all but one independent director having no shareholding in the company. The expertise of the board ranges from global business and leadership to sales, marketing, finance, and M&A. Noteworthy, the annual report states ‘diversity’ as a skillset for all directors.

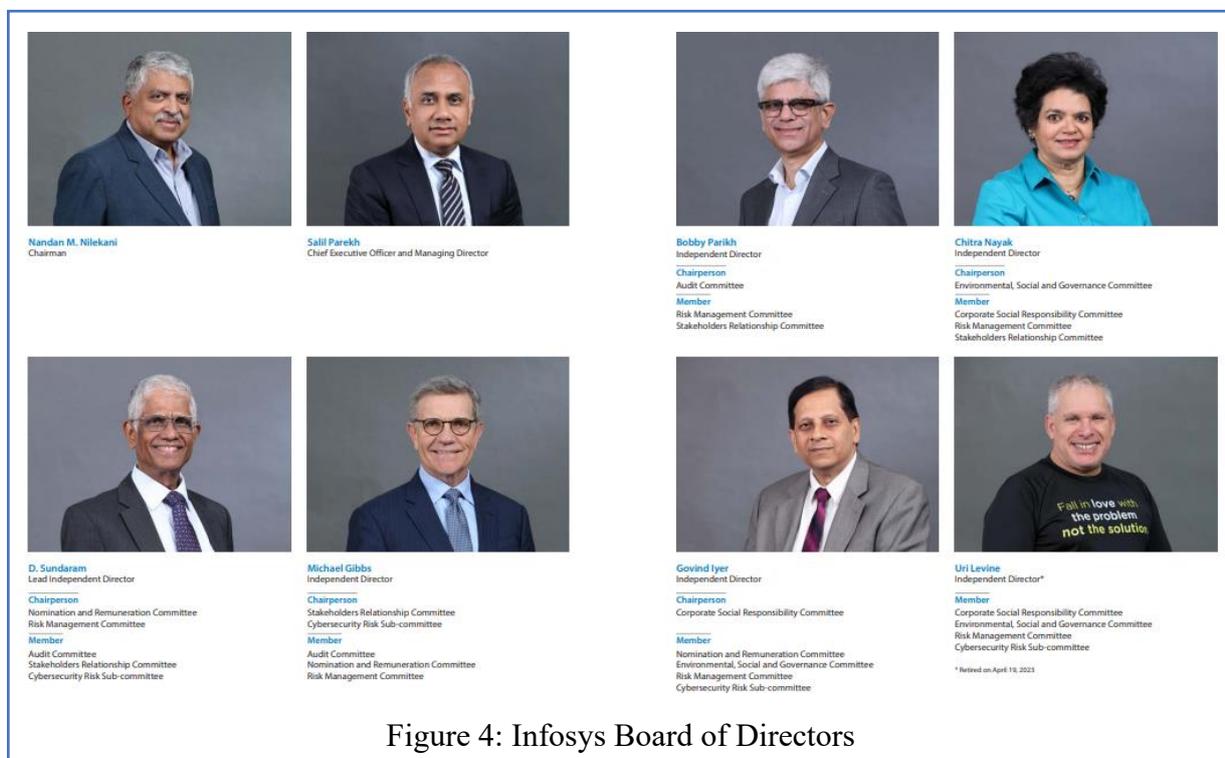


Figure 4: Infosys Board of Directors

Noteworthy, Infosys has been rated ‘CGR 1’ – **the highest Corporate Governance Rating** by The Investment Information and Credit Rating Agency (ICRA).

## Shareholding Pattern

Infosys, like many publicly traded companies, has a **diverse shareholder base**. Shareholding in Infosys represents a mix of institutional investors, individual investors, and promoters. The largest individual shareholders are among the promotor group, with the Murthy family & Nilekani family controlling 2.71% and 4.15% of the company respectively.

Noteworthy, **the promotor group is mostly composed of all but 2 of Infosys’s co-founders and their family members**. For reasons unknown, A. Arora, N. S. Raghavan, and their families are not a part of the promotor group.

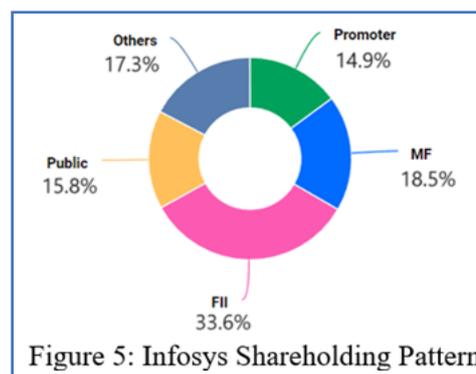


Figure 5: Infosys Shareholding Pattern

## Company Analysis - Infosys



Figure 6: Infosys co-founders

Infosys has also been a favoured stock among institutional investors including major Mutual Funds and Insurance companies. Noteworthy, **domestic institutional investors have significantly increased their shareholding** in Infosys indicating trust for long term growth prospects of the company.

2021		2023	
<b>Domestic Mutual Funds</b>	%	<b>Domestic Mutual Funds</b>	%
SBI	2.67	Aditya Birla Sun Life	1.16
ICICI Prudential	1.54	SBI	4.5
HDFC	1.38	ICICI Prudential	2.56
UTI	1.14	HDFC	1.71
<b>Domestic Insurance Companies</b>		UTI	1.67
LIC	5.87	<b>Domestic Insurance Companies</b>	
ICICI Prudential	1.23	SBI Life	1.19
<b>Key Foreign Portfolio Investors</b>		LIC	8.19
Singapore Gov	1.47	ICICI Prudential	1.3
Vanguard (2 Index Funds)	2.16	<b>Provident Funds</b>	
Gov. Pension Fund Global	1.16	NPS Trust	1.78
<b>Overseas Depository</b>		<b>Key Foreign Portfolio Investors</b>	
DEUTSCHE BANK TRUST COMPANY AMERICAS	17.19	Singapore Gov	2.61
		Vanguard (2 Index Funds)	1.64
		Gov. Pension Fund Global	1.44
		<b>Overseas Depository</b>	
		DEUTSCHE BANK TRUST COMPANY AMERICAS	17.19

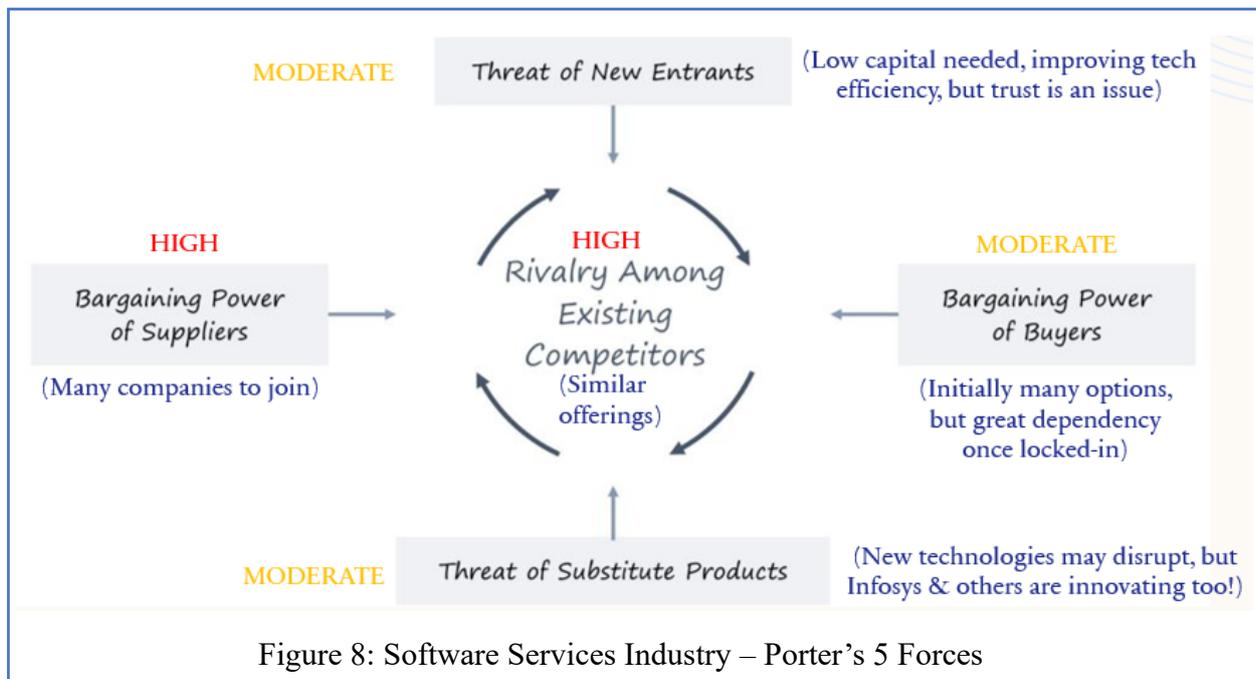
Figure 7: Infosys' Key Institutional Investors

## Industry Review

The software service industry is a **moderately attractive industry**. A Porter's analysis (Figure 8) reveals moderate threat of new entrants, substitutes, and buyer power. The supplier power and competitive rivalry are high.

The industry works across different sectors and has a robust Compound Annual Growth Rate (CAGR) in the high single digits or low double digits.

## Company Analysis - Infosys



## Business

### Business Model

Infosys operates on a 2-legged business model, providing two types of services – Core & Digital.

### Core Services

Infosys excels in providing foundational IT services, encompassing application development, maintenance, infrastructure management, and traditional IT consulting. **These are the classic IT/ software related solutions.**

### Digital Services

Complementing its core offerings, Infosys delivers innovative solutions in areas through its 'digital' offering. Infosys's Digital Services are designed for complex legacy landscapes to quickly sense changing marketing trends and continuously evolve in response.

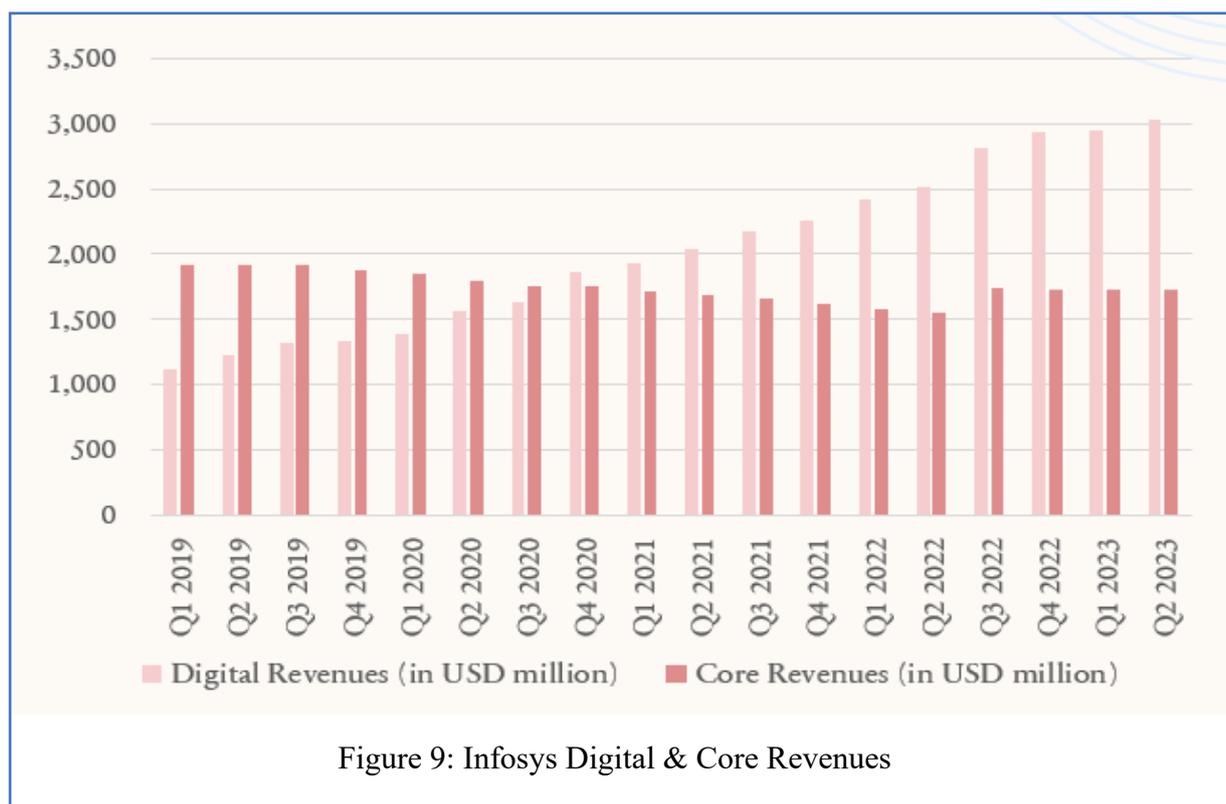
The digital services drive clients towards cutting-edge technological advancements and include cloud computing, data analytics, and customer experience – **it is heavily AI (Artificial Intelligence) based.**

The digital services offering set is based on the following legs:

## Company Analysis - Infosys

1. **Experience:** Deliver design-led delightful experiences built on a deep empathy for Infosys's customers' customers to make CX (Customer Experience) a competitive advantage.
2. **Insight:** Leveraging data, enterprise knowledge, micro-feedback to pre-emptively get ready for the next opportunity, next pitfall, and the next threat.
3. **Innovate:** Drive innovation and bridge the gap between the physical and digital worlds of business through software and platforms.
4. **Accelerate:** Modernize core systems & build digital infrastructure to tackle high-frequency decision making.
5. **Assure:** To be the catalyst for growth by solving complex cybersecurity problems, minimizing risks and building cyber resilience.

Over the years, the share of core services in Infosys' revenue has decreased, while that of digital has increased, even surpassing core services, as evident in Figure 9.



### Clientele

Infosys serves **183 out of the Fortune 500 companies** in the world and has a wide base of clients across industries. This **broad client base** showcases Infosys's ability to tailor its services to meet the unique needs and challenges of various sectors, displaying the company's adaptability and expertise across different industries.

## Company Analysis - Infosys

Noteworthy, the largest sector-wise contributor to Infosys's revenues is 'financial services' at 27.5%, however investors need not worry since this is a common theme amongst other IT services companies as well.



## ESG Considerations

Infosys performs **exceedingly well on the Environmental-Social-Governance aspects** as it has been carbon neutral since 2019 (in all 3 scopes).

Infosys was honoured at the Asset ESG Corporate Awards 2022 with a 'Platinum Award for excellence in ESG'. Infosys topped the charts in the CRISIL ESG Leadership Rankings and was featured in the CRISIL Sustainability Yearbook, 2022 for the second consecutive year. Infosys also secured an '**AA**' rating on MSCI ESG Assessment and was recognized by EcoVadis with a Gold medal for the seventh year in a row. It must also be mentioned that Infosys's goals are aligned to Science Based Targets (SBTi).

Infosys invests in education, healthcare, destitute care, and rural development by being a patron to Infosys Science Foundation (ISF), multiple hospitals, and infrastructure projects being carried out by private as well as government bodies.

Going ahead, as part of Infosys's ESG Vision 2030, they aim to achieve a commendable 45% female representation in their workforce by the year 2030. They are also continuing their commitment to maintaining carbon neutrality across all scopes every year. It also maintains its assurance to the Climate Pledge, with the ultimate goal of a Net Zero planet by 2040. Finally, they are aligned with 10 specific UN SDG (Sustainable Development Goals) as shown in Figure 11.



Figure 11: SDGs That Infosys Aligns With

## Key Performance Variables

The key variables can be used to analyse Infosys’s (and other IT services companies’) performance:

### Number of USD 100 Million Clients

The dynamics of Infosys' client portfolio have witnessed notable shift. In the last 5 years, the number of **USD 100 Million clients for Infosys has gone up by 60%** from 25 to 40 (Figure 12). On the other hand, the number of USD 1 Million clients has come down by 21%, from 937 to 729.

It's crucial to recognize the strategic impact, where servicing a \$100 million client is easier than handling the workload of 100 \$1 million clients, consolidating efforts and resources.

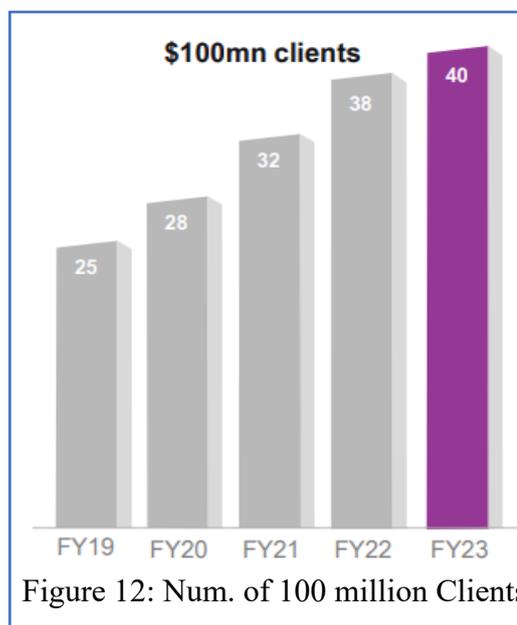


Figure 12: Num. of 100 million Clients

### Percent of Repeat Business

Infosys has a **high repeat business rate**. This indicates that the company maintained a healthy relationship with its clients.

High repeat business is all the more important in service businesses; it is a direct indication of client satisfaction and loyalty, and directly affects the long-term outlook of the business.

Fiscal Year	Repeat Business
2019	99.40%
2020	98.50%
2021	99.00%
2022	98.00%
2023	98.10%

Figure 13: Infosys Repeat Business

## Dependence on Top 5/10/25 Accounts

Despite the increase in the number of USD 100 million+ clients and the reduction in the number of USD 1 million clients, Infosys’s revenue dependence on top 5/10/25 contacts has remained **constantly healthy since the last 5 years.**

Companies often strive to achieve a balance between having key strategic clients for stability and diversifying their client base to reduce risk. A moderate dependence on a few key clients indicates a more diversified client base, like in Infosys’s case. This is beneficial for mitigating risks associated with the potential loss or downturn of any single account.

Fiscal Year	Top 5	Top 10	Top 25
2019	13.10%	20.50%	35.30%
2020	12.00%	20.20%	35.90%
2021	11.80%	19.40%	35.40%
2022	12.00%	20.20%	35.90%
2023	12.60%	20.50%	35.30%

Figure 14: Infosys Repeat Business

## Voluntary Attrition

Employees are the single largest ‘assets’ for service companies, as a result, it is crucial to maintain healthy retention levels. An attrition of 15% is acceptable, 20% is worrisome, and anything over 25% is cause for major concern.

**Infosys’s performance has been poor in this department.** Among the large IT services companies, it had the highest level of employee attrition in 2021-2022, going near 30% at times – one out of every 3 employees was leaving the company!

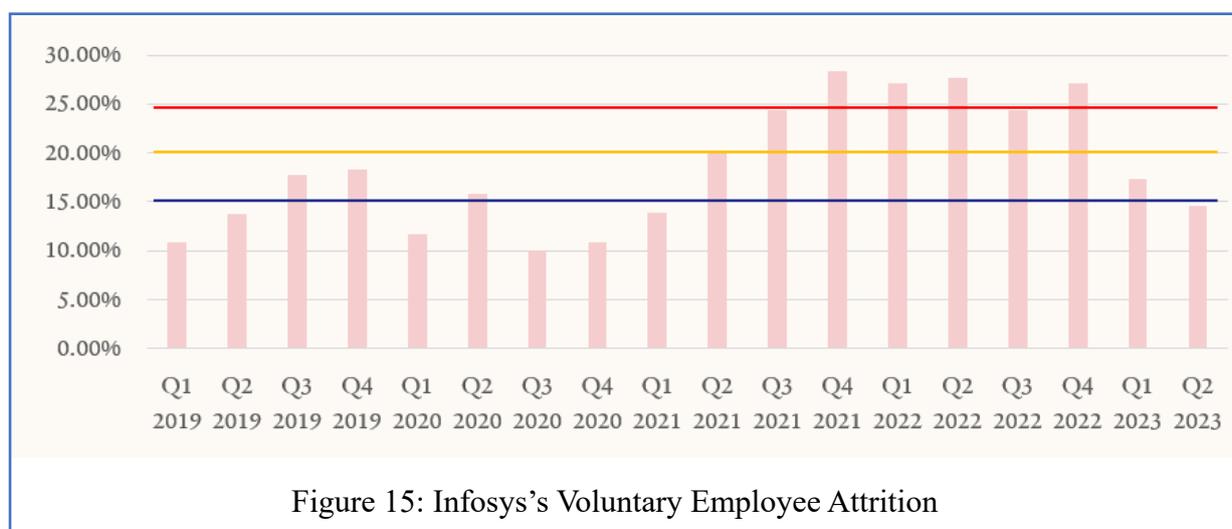
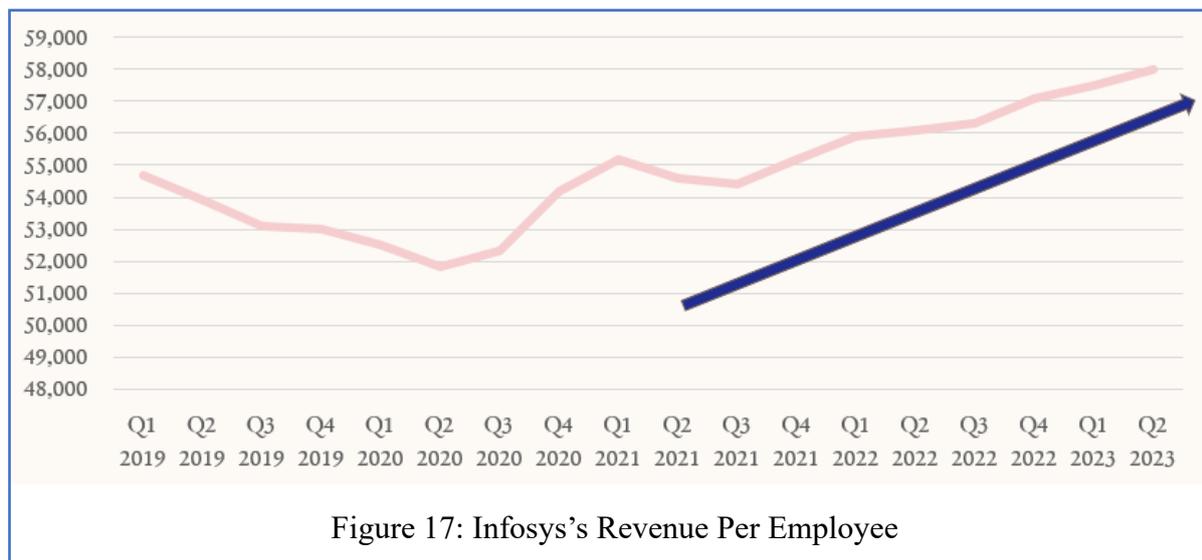
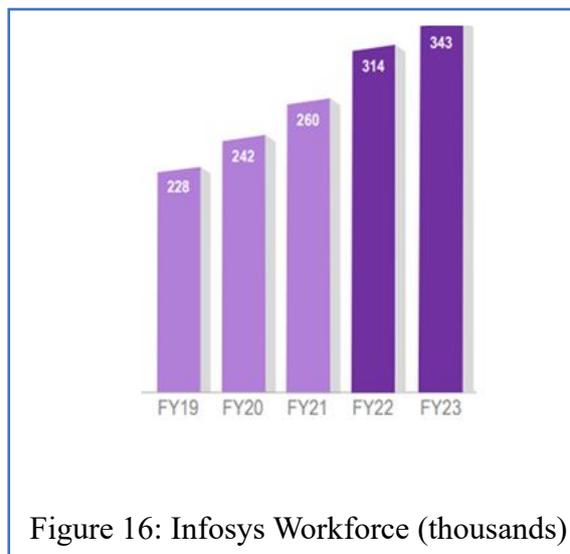


Figure 15: Infosys’s Voluntary Employee Attrition

## Revenue Per Employee

After a brief downfall in the beginning of COVID, **Infosys's revenue per employee has gone up consistently since Q2 2020.**

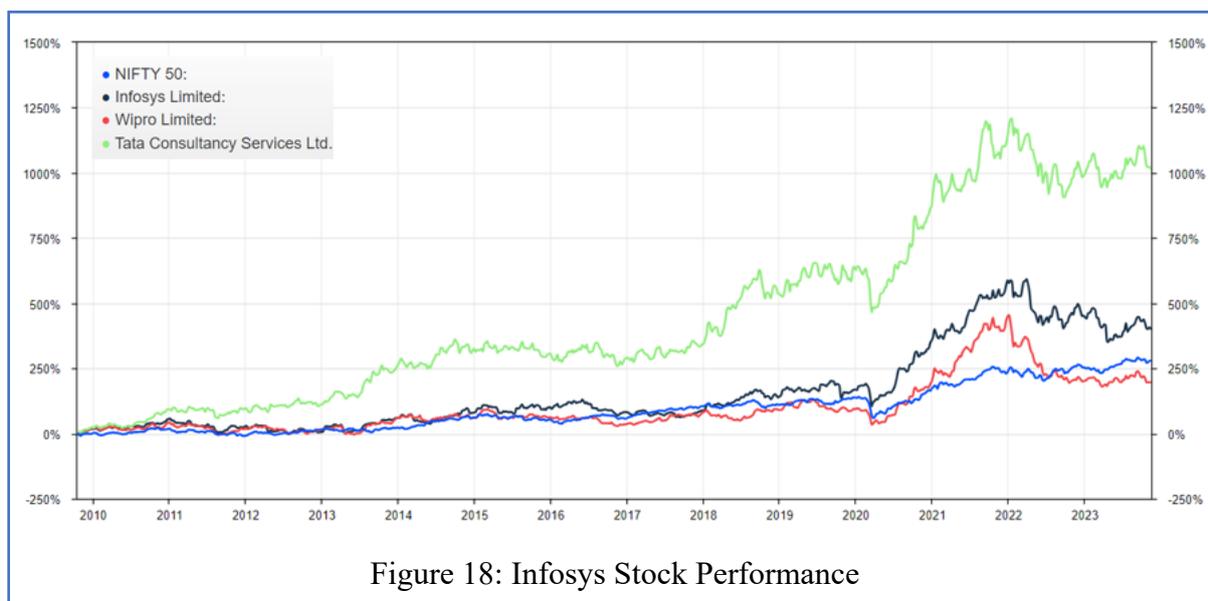
It must be noted that this is not a result of workforce layoffs, rather the company has been on a continuous hiring spree, increasing its workforce by 50% in the last 5 years! **The increase in the revenue per employee is the result of greater efficiency from of AI-based productivity tools.**



## Stock Performance

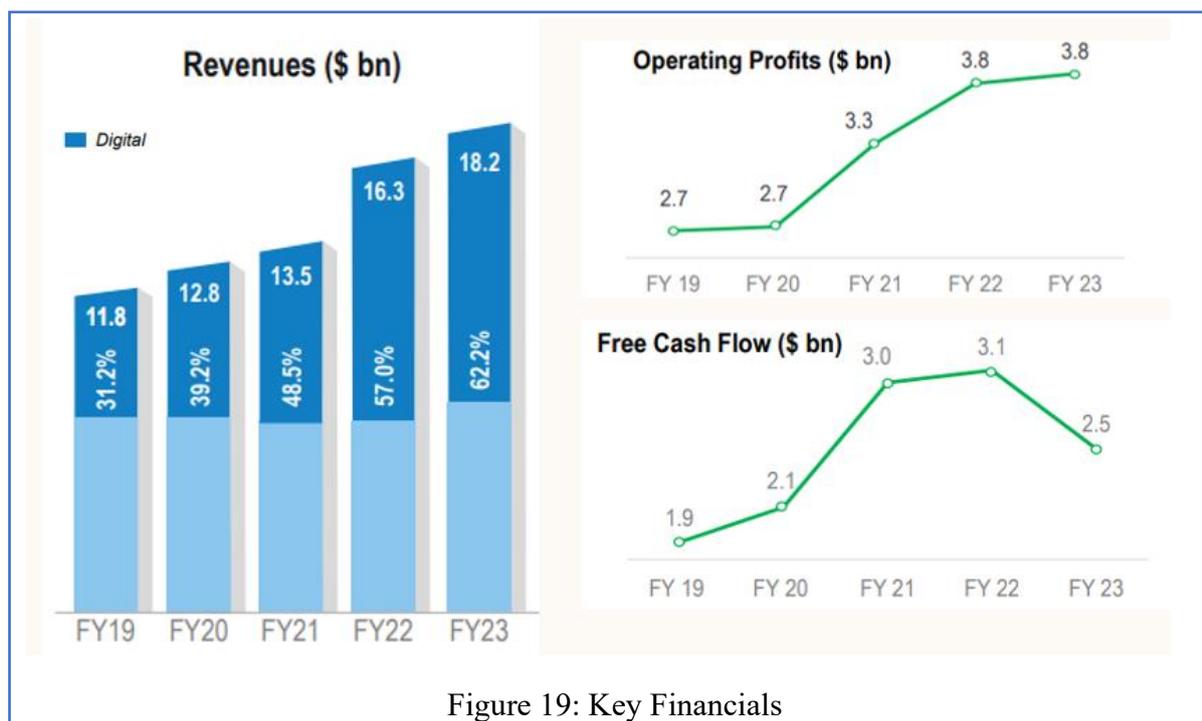
Infosys outperforms NIFTY 50 and has **grown by 370% since 2010.** Among its competition in India, Infosys's performance is **secondly only to TCS** – this can be seen clearly in Figure 18 below.

## Company Analysis - Infosys



## Overall Financial Performance

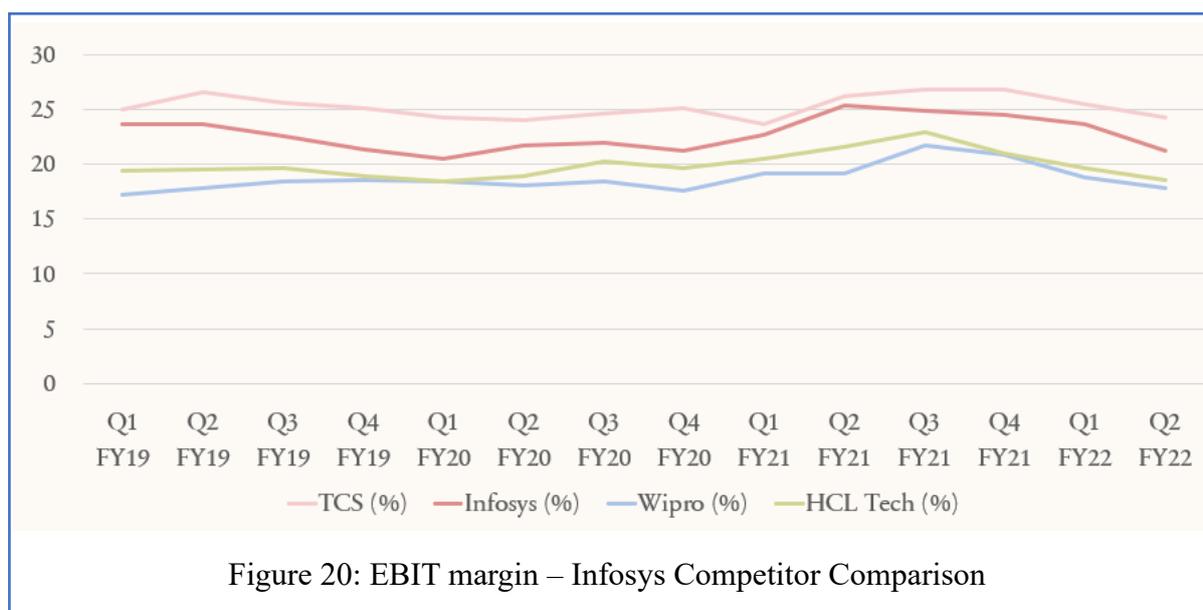
Infosys revenue has grown consistently up to INR 18.2 billion, albeit at a slower pace. Its operating profits and free cash flow are at healthy levels.



## Competitive Benchmarking

Among the competition, Infosys has consistently had a **good EBIT margin**, next only to TCS.

## Company Analysis - Infosys



Comparing crucial financial ratios of Infosys to its key competitors shows the following:

1. P/E: INFY stock **fairly priced**
2. EPS: The **Earnings Per Share is average** (average of TCS, Infosys, HCL Tech, Wipro)
3. ROCE: **Extremely efficient** capital utilization
4. EV/ EBITDA: **Premium valuation** (EV/EBITA of 15 is fair value for a product based technology company, but is slightly premium for a software services company)

COMPANY	P/E	EPS Rs.	ROCE %	EV/EBITDA
TCS	29.68	114.43	69.39	20.57
<b>Infosys</b>	<b>23.94</b>	<b>58.58</b>	<b>46.41</b>	<b>15.92</b>
HCL Tech.	29.82	42.75	35.29	19.33
Wipro	21.88	17.86	19.85	13.64

Figure 21: EBIT margin – Infosys Competitor Comparison

### Latest Highlights:

These are the key highlights from Infosys's latest quarterly report:

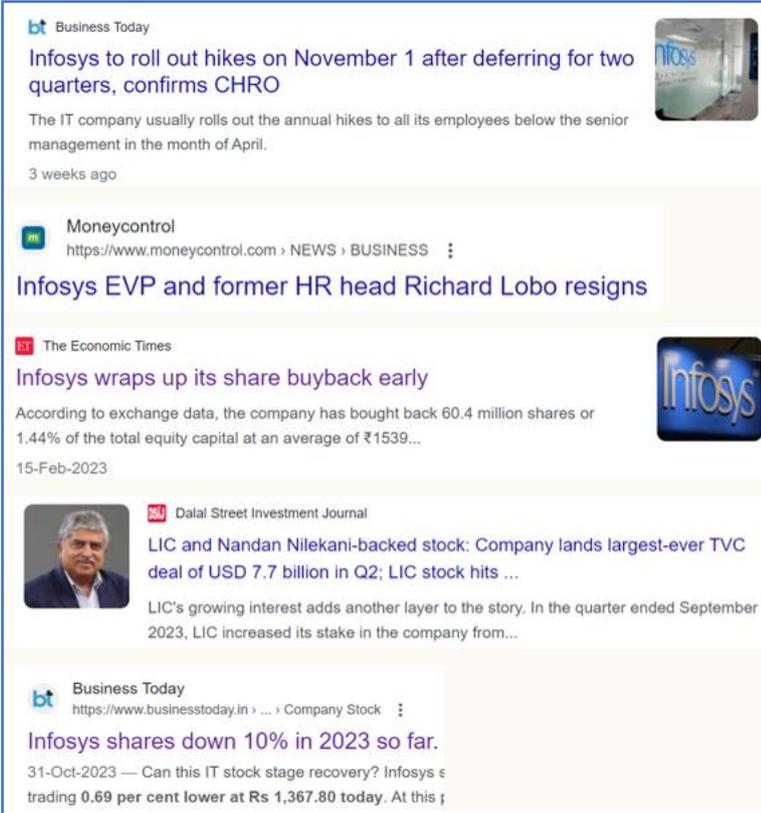
## Company Analysis - Infosys

1. **Muted FY24 revenue guidance:** Management gave low single digit revenue growth guidance of 1%-2.5% in CC growth.
2. **EBIT Margin decrease:** 50 bps decrease in Q4 2023 (QoQ).
3. **Strong Deal Pipeline:** Large deal (100 million+) TCVs for the quarter was at \$2.1 billion out of which 21% were net new.
4. **North American Revenues Hit:** North America revenues down by 3.8% (QoQ) due to macro headwinds, gradual recovery expected.

## News Updates

Key takeaways from recent news incidents related to Infosys:

1. **Positive sign:** Infosys has finally rolled out salary hikes after waiting for 6 months.
2. **Negative sign:** Two resignations from top leadership.
3. **Positive sign:** Infosys conducted a share buyback, purchasing 1.44% of its total equity.
4. **Positive sign:** Largest every deal with a total contract value of USD 7.7 billion indicating deal pipeline strength.
5. **Negative sign:** Infosys share down by 10% in 2023 due to macroeconomic headwinds.



The figure displays five news snippets related to Infosys:

- Business Today:** "Infosys to roll out hikes on November 1 after deferring for two quarters, confirms CHRO". The IT company usually rolls out the annual hikes to all its employees below the senior management in the month of April. 3 weeks ago.
- Moneycontrol:** "Infosys EVP and former HR head Richard Lobo resigns".
- The Economic Times:** "Infosys wraps up its share buyback early". According to exchange data, the company has bought back 60.4 million shares or 1.44% of the total equity capital at an average of ₹1539... 15-Feb-2023.
- Dalal Street Investment Journal:** "LIC and Nandan Nilekani-backed stock: Company lands largest-ever TVC deal of USD 7.7 billion in Q2; LIC stock hits ...". LIC's growing interest adds another layer to the story. In the quarter ended September 2023, LIC increased its stake in the company from...
- Business Today:** "Infosys shares down 10% in 2023 so far". 31-Oct-2023 — Can this IT stock stage recovery? Infosys s trading 0.69 per cent lower at Rs 1,367.80 today. At this p

Figure 22: Infosys News

## Management Interviews

In recent management interviews, Infosys leaders have outlined a forward-looking strategy. The discussions highlight a heightened emphasis on AI and Gen AI, importance of flexible work arrangements in employee retention, and successful implementations of AI.

## Company Analysis - Infosys

The interviews highlight the company's ambition to become an "AI-first" organization and navigate environmental challenges.

### **EVP & Service Offering Head**

Date: 09-Nov-2023

Takeaways:

1. Increased AI activity will lead to higher cloud spending.
2. Infosys is moving beyond storage & cost-cutting to new technological capabilities.
3. With Gen AI and MLOps (Machine Learning Operations), Infosys is shifting to fully integrated AI systems.



Figure 23: EVP & Service Offering Head

### **EVP & Head, Digital**

Date: 21-Feb-2023

Key takeaways:

1. Infosys has identified a strong link b/w retention & flexible work and is working towards hybrid work to reduce attrition.
2. AI as an augmentation to employee productivity has been successfully implemented.



Figure 24: EVP & Head, Digital

## MD & CEO

Date: 13-Jan-2023

Key takeaways:

1. Infosys to become an “AI first” company.
2. Strong deal pipeline despite environmental & industry changes.
3. Introduced new policies to combat attrition.



Figure 25: MD & CEO

## CTO

Date: 11-Aug-2023

Key takeaways:

1. Infosys is building core IP by developing own AI models.
2. Infosys’s AI = ‘Responsible by design’; they are big on regulatory compliance, privacy, safety etc.
3. Talent is an important pillar in Infosys’s AI strategy and there is no need for AI-anxiety in employees.



Figure 26: CTO

## Risks

Risk	Controllability	Mitigating strategy
Regulatory visa norms (in North America & Europe) could have an impact on employee expenses	Low	Big tech is already lobbying & Infosys is opening up ‘talent centres’ in developed countries with domestic talent
Any instability in leadership; additional exits at senior management level	Medium	Deliberate re-hiring and root cause analysis to determine reason for exit.
Rupee appreciation and/or adverse cross-currency movements	High	Continue to hedge
Increasing attrition rate	Medium	Hire deliberately and pay well. Currently, Infosys’ average pay falls

## Company Analysis - Infosys

		short by INR 1.45 Lakh for top 3 jobs as compared to TCS.
Disruptive emerging technologies (especially advances in AI)	Medium	Continue innovation and extent partnerships with key tech players like Open AI, Microsoft, Google, Amazon.

### Concluding Remarks

In conclusion, Infosys emerges as a strong player in the IT services industry, showcasing a commitment to innovation, digital transformation, diversity, and ESG.

While the company faces challenges such as high voluntary attrition rates and potential macroeconomic headwinds affecting specific regions, its strategic shifts toward digital & AI-driven solutions position it well for future growth.

The focus on regulatory compliance, financial resilience, and the ability to secure significant deals demonstrate Infosys's adaptability and strategic agility. The evolving client portfolio, with a notable increase in USD 100 million clients, reflects positive momentum.

Investors should carefully monitor the effectiveness of employee retention strategies, global expansion efforts, leadership stability, top account dependence, and repeat business.

Overall, Infosys's emphasis on innovation, diverse clientele, and sustained financial performance make it an intriguing prospect for investors, though vigilance is advised in navigating potential risks in the evolving IT landscape.