

"Well begun though not yet half done.."

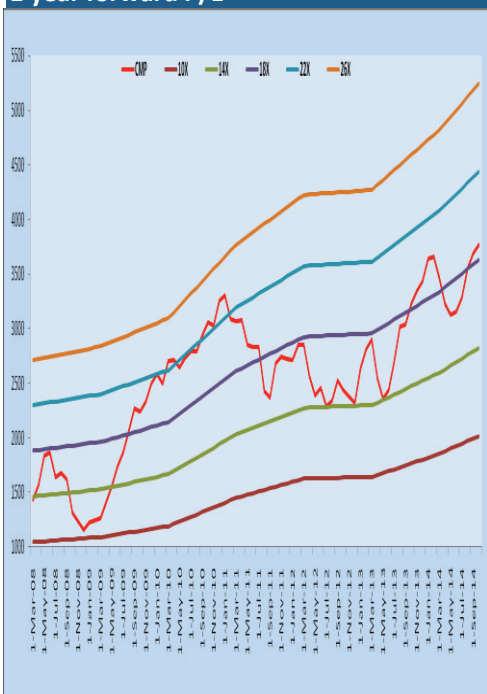
Result update	BUY
CMP	3889
Target Price	4200
Previous Target Price	3900
Upside	8%
Change from Previous	8%

Market Data	
BSE Code	500209
NSE Symbol	INFY
52wk Range H/L	3909/2894
Mkt Capital (Rs Crores)	223318
Average Daily Volume	1240448
Nifty	7860

Stock Performance			
	1M	1yr	YTD
Absolute	4.1	25.1	45.5
Rel. to Nifty	7.7	-5.7	14.1

Share Holding Pattern-%			
	Current	4QFY14	3QFY14
Promoters	15.94	15.94	15.94
FII	41.58	42.1	40.65
DII	14.08	13.66	15.35
Others	28.4	28.3	28.06

1 year forward P/E



Beats the street on all counts, new leader promising fundamental transformation; After several quarters earlier, Infy reported healthy numbers than streets expectation. Revenue grew by 3.2%(QoQ) in USD term, 3.9% (QoQ) in Cross currency term and 4.5% (QoQ) in INR term led by 3% (QoQ) volume growth and 0.6%(QoQ) pricing growth.

PAT was up by 7.3% (QoQ) consolidated with higher other income and burden free with Visa cost and wage hike factors.

At first inning at Infy, Vishal Sikka(New CEO, MD) expects to revive its growth through renewing its products and services by incorporating innovation, automation, and artificial intelligence. In addition, the company expects to reap benefits from the partnerships and alliances it entered during the last quarter.

The Company has maintained its revenue guidance conservatively at 7-9% in USD term (growth of 6.7-8.7% in INR terms, if USD1= INR61) for FY15E, slightly better than street expectation although not anywhere close to the 13-15% (NASSCOM guidance) export growth forecast for the industry as a whole. A part of this, we revise our EPS from Rs 206.2/217.4 to Rs213.3/228.7 for FY15E/FY16E and revise our target price from Rs3900 to Rs 4200.

Margin ramping up: During the quarter, EBIT margin was better than expectation and ramped up by 100bps (QoQ) to 26.1%, consolidated with positive currency benefit by 30bps and effective improvement on utilization. Management expects EBIT margin at 25%(±1%) for whole year and targets to see 25-38% for long term.

Healthy volume growth with stable Pricing: The volume growth in 2QFY15 was better than previous 3 quarters, 3% (QoQ) growth with 0.6%(QoQ) pricing growth. We expect it to be improving more in the coming quarters.

Healthy deal pipeline: Overall, Infosys has been announcing new deal wins for the last several quarters, but they are not visible in its revenue growth. In 2QFY15, it won 7 new deals(5 from US) worth \$511mn. Now Infosys is coming to its mojo and focus on execution. Management expects deal pipeline is looking good.

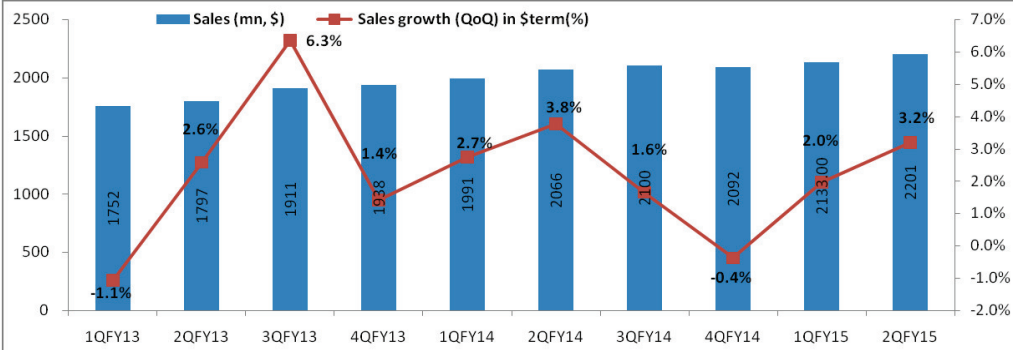
On Client metrics: During the quarter, it added 49 clients against the 61 clients(1QFY15) and USD 100 million clients increased to 13 from 12 sequentially. Active clients were 912, increased from 910(1QFY15) and 873(2QFY14).

View and Valuation: Infosys seems to be on its way to rediscovering its healthy performance as before with revenue momentum kicking and margin improvement. **With new hand of Vishal Sikka, further announcement of strategic acquisitions, better utilization of cash balances, better deal win, consistent client traction and revenue momentum would help the company to bridge the gap with rivals such as TCS.** At a CMP of Rs 3889, it trades at 18.2x FY15E earnings. We retain our "BUY" view on the stock with a target price of target price of Rs 4200(revised from Rs 3900). Considering USD/INR at Rs 60 and Rs 59.5 for FY15E and FY16E, respectively.

Financials

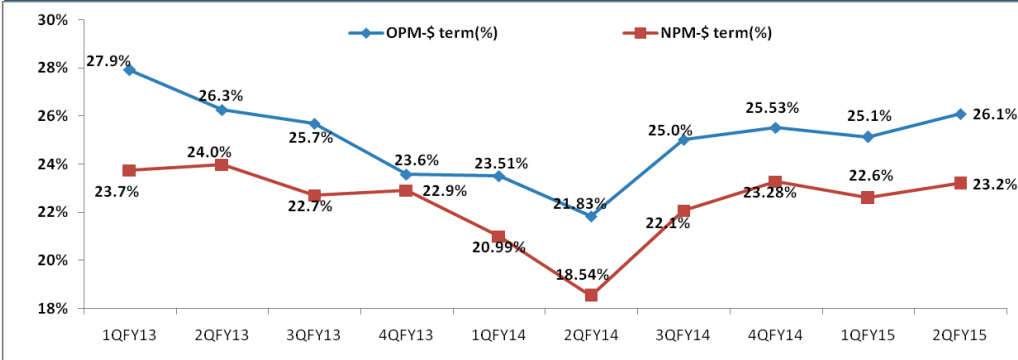
	Rs, Crore				
	2QFY15	1QFY15	(QoQ)-%	2QFY14	(YoY)-%
Revenue	13342	12770	4.48	12965	2.9
EBIT	3483	3211	8.47	2837	22.8
PAT	3096	2886	7.28	2407	28.6
EBIT Margin	26.1%	25.1%	100bps	21.9%	420bps
PAT Margin	23.2%	22.6%	60bps	18.6%	460bps

Revenue growth in USD term-(QoQ)



(Source: Company/Eastwind)

Margin-%



(Source: Company/Eastwind)

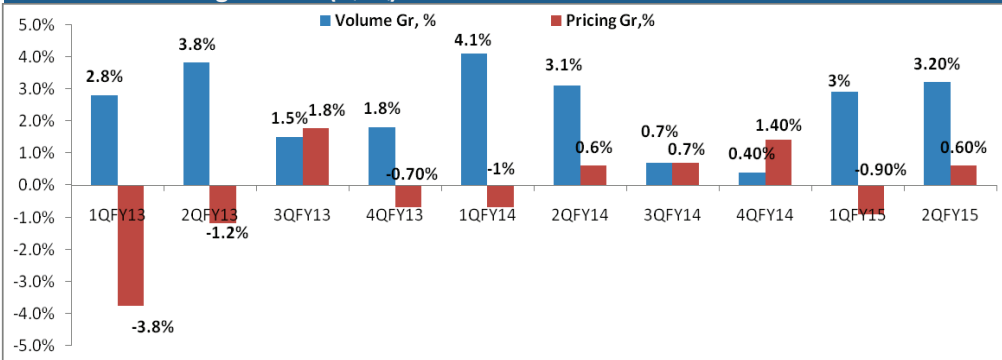
Segmental Performance:

On segmental front: Infosys has reported teen set of growth in all segments;

Segments	Sales contribution-%	Sales Growth-%		Margin-%
		QoQ	Yearly	
BFSI	32.8%	2.60%	1.06%	25.7%
Manufacturing	23.3%	4.93%	3.35%	23.9%
Energy&Utilities	20.5%	9.28%	9.88%	23.6%
Retail, Logis-&Life sc-	23.4%	2.72%	-0.49%	21.4%

(Source: Company/Eastwind)

Volume and Pricing Growth (QoQ)-%



(Source: Company/Eastwind)

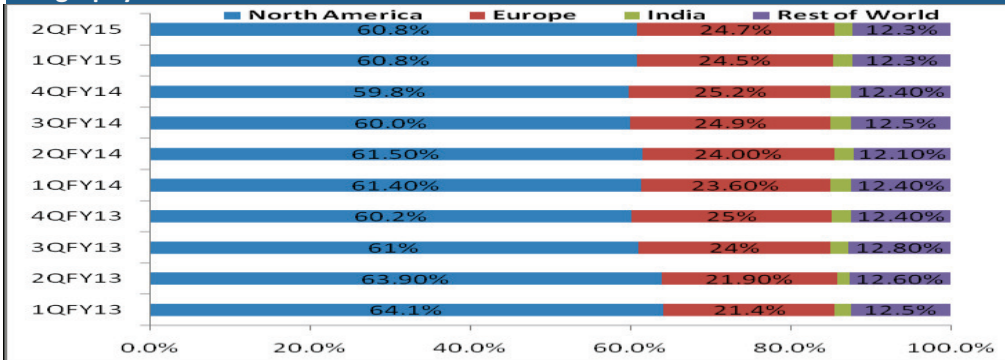
In USD term, revenue up by 3.2%(QoQ) in USD term 3.9% (QoQ) in Cross currency term and 4.5% (QoQ) in INR term led by 3% (QoQ) volume growth and 0.6%(QoQ) pricing growth. Mgt has given a revenue growth guidance at 7-9% for FY15E and 15-18% for long time horizon.

EBIT margin improved by 100 bps (QoQ) to 26.1%. Mgt expects to see margin at 25% (±1%). For long term horizon, targets 25-38%.

On QoQ, BFSI increased 1.3%, Manufacturing by 3.6%, Energy and Utilities by 7.9% and Retail by 1.5% in USD term.

Volume growth by 3.2% (QoQ) growth with 0.6%(QoQ) pricing growth. We expect volume to be improving more in the coming quarters and expects to see stability in pricing.

Geography wise revenue contribution-



(Source: Company/Eastwind)

During the quarter, company has reported flattish revenue growth from Euro regions, which contributes 25.2% of sales. While revenue from US and RoW declined by 1.5% and 1.9% on QoQ basis, contributes 60% and 12% of Sales.

Clients Metrics

Clients Concentration:

Clients Category	1QFY13	2QFY13	3QFY13	4QFY13	1QFY14	2QFY14	3QFY14	4QFY14	1QFY15	2QFY15
Top clients	4.1%	4%	3.60%	3.6%	3.9%	4%	3.70%	3.6%	3.4%	3.4%
Top 5 clients	16.2%	16%	15%	14.7%	14.9%	15%	14%	14.1%	13.7%	13.6%
Top 10 clients	25.3%	25.40%	23.90%	24.0%	24.0%	24.5%	23.5%	23.4%	22.9%	22.9%

Total Clients and Clients Addition:

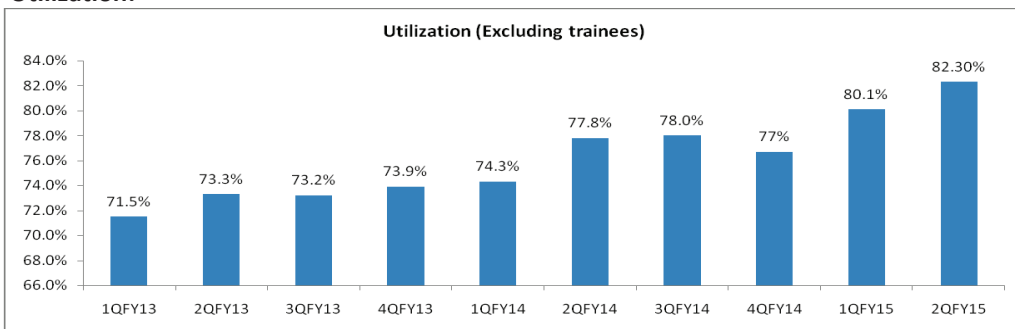
Clients, number	1QFY13	2QFY13	3QFY13	4QFY13	1QFY14	2QFY14	3QFY14	4QFY14	1QFY15	2QFY15
Active clients,nos	711	715	776	798	836	873	888	890	910	912
New clients	51	39	89	56	66	68	54	50	61	49

(Source: Company/Eastwind)

Headcount Metrics:

Employee's	1QFY13	2QFY13	3QFY13	4QFY13	1QFY14	2QFY14	3QFY14	4QFY14	1QFY15	2QFY15
Total Employees (Cons-)	151,151	153,761	155,629	156,688	157,263	160,227	158,404	160,405	161,284	165,411
Net additions	1,157	2,610	1,868	1,059	575	2,964	-1,823	2,001	879	4,127
Laterals hired	5,233	3,656	4,351	3,545	3,008	3,806	3,333	2,100	3,954	4,774
LTM Attrition (Stand-)	14.9%	15.0%	15.1%	16%	16.9%	17.3%	18.10%	18.70%	19.50%	20.10%

Utilization:



(Source: Company/Eastwind)

Utilization (excluding Trainee) is at 82.3%, while management expects that there is room for further improvement in utilization. Even in near term could touch about 80% and the trend of revenue pan out is more important in this regard.

we expect that growth from US as well as Europe would prove a milestone for the company ahead because of healthy demand environment and optimistic tempo of clients expanding. During the quarter, domestic growth was weak. US and Europe grew by 4.5%(QoQ) and 5.3%(QoQ), and Domestic revenue down by 4.2%(QoQ) in USD term.

The company has added 49 new clients in the quarter and In 2QFY15, it won 7 new deals(5 from US) worth \$511 million.

Its attrition increased to 20.1% from 19.1%(1QFY15) on LTM basis, the highest among large software companies. However, on MoM basis it is declining. We hope that the recent 100% salary bonus announcement across the board will bring down the attrition levels going forward.

We expect that Infy's improving utilization despite higher attrition compare to its nearest bellwethers is good sign for its future growth story.

Key facts from Conference Call;

- The Company maintained its revenue guidance at 7-9% in USD term for FY15E. It forecast an increase in IT spending by its US and European clients. For long term horizon (roughly 2-3 years) targets to report 15-18% revenue growth in USD term.
- The North America as well as Europe's demand environment is stable and the pipeline is also stable. The focus will be to continue to grow all markets.
- The Company expects to revive its growth through renewing its products and services by incorporating innovation, automation, and artificial intelligence.
- The company expects to reap benefits from the partnerships and alliances it has entered during the last quarter.
- Management expects to see margin at 25% (±1%). For long term horizon, it targets 25-38%. It plans to invest in the business as the growth in the top priority as cost effectiveness will be key strategy to manage its margin lever.

Financials

Rs in Cr	FY10	FY11	FY12	FY13	FY14	FY15E	FY16E
Sales (incl Lodestone), USD	4804	6041	6994	7398	8249.0	8917.2	9987.2
Sales, INR	22742	27501	33734	40352	50133.0	53503.0	59424.0
Employee Cost	12085	14856	18340	22565	28926.7	30710.7	34168.8
Other expenses	2792	3677	4671	6254	7697.5	7757.9	8616.5
Total Expenses	14877	18533	23011	28819	36624.2	38468.7	42785.3
EBITDA	7865	8968	10723	11533	13508.8	15034.3	16638.7
Depreciation	905	854	928	1099	1467.5	1385.5	1538.9
Other Income	982	1211	1904	2365	2669.0	3477.7	3268.3
EBIT	7942	9325	11699	12799	14710.3	17126.5	18368.2
Interest Cost	0	0	0	0	0.0	0.0	0.0
PBT	7942	9325	11699	12799	14710.3	17126.5	18368.2
Tax	1681	2490	3367	3370	4062.0	4881.1	5234.9
PAT	6261	6835	8332	9429	10648.3	12245.5	13133.3
Growth-%							
Sales, USD	3.0%	25.7%	15.8%	5.8%	11.5%	8.1%	12.0%
Sales, INR	4.8%	20.9%	22.7%	19.6%	24.2%	6.7%	11.1%
EBITDA	9.3%	14.0%	19.6%	7.6%	17.1%	11.3%	10.7%
PAT	4.6%	9.2%	21.9%	13.2%	12.9%	15.0%	7.2%
Margin -%							
EBITDA	34.6%	32.6%	31.8%	28.6%	26.9%	28.1%	28.0%
EBIT	34.9%	33.9%	34.7%	31.7%	29.3%	32.0%	30.9%
PAT	27.5%	24.9%	24.7%	23.4%	21.2%	22.9%	22.1%
Expenses on Sales-%							
Employee Cost	53.1%	54.0%	54.4%	55.9%	57.7%	57.4%	57.5%
Other expenses	12.3%	13.4%	13.8%	15.5%	15.4%	14.5%	14.5%
Tax rate	21.2%	26.7%	28.8%	26.3%	27.6%	28.5%	28.5%
Valuation							
CMP	2615.1	2765.1	2865.0	2400.0	3278.9	3889	3889
No of Share	57.4	57.4	57.4	57.4	57.4	57.4	57.4
NW	23049.0	25976.0	31332.0	37994.0	47530.0	54401.3	61488.8
EPS	109.1	119.0	145.1	164.2	185.4	213.3	228.7
BVPS	401.7	452.4	545.6	661.7	827.8	947.4	1070.9
RoE-%	27.2%	26.3%	26.6%	24.8%	22.4%	22.5%	21.4%
Dividen Payout ratio	25.1%	45.9%	24.0%	28.5%	39.6%	32.8%	31.6%
P/BV	6.5	6.1	5.3	3.6	4.0	4.1	3.6
P/E	24.0	23.2	19.7	14.6	17.7	18.2	17.0

(Source: Company/Eastwind)