

## INFOSYS LTD

### Result Update

CMP	1140
Target Price	1265
Previous Target Price	1265
Upside	11%
Change from Previous	-

### Market Data

BSE Code	500209
NSE Symbol	INFY
52wk Range H/L	1219/933
Mkt Capital (Rs Cr)	215,453
Av. Volume	2562
Nifty	7048

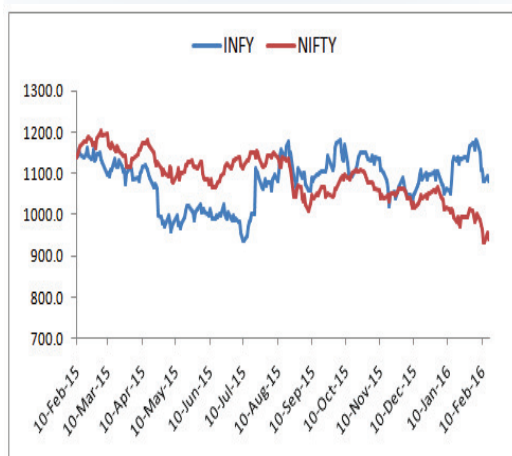
### Stock Performance

	1Month	3 Month	1Year
Absolute	-5%	-5%	22%
Rel.to Nifty	0%	12%	39%

### Share Holding Pattern-%

	2QFY16	1QFY16	4QFY15
Promoters	13.1	13.1	13.1
FII	39.9	41.0	38.0
DII	17.2	16.1	15.1
Others	29.9	29.8	33.9

### Company Vs NIFTY



Infosys reported better than expected earnings with robust revenue growth, sharp expansion in margin, healthy increased in realization, lighter TCV and beat net profit expectation than our/consensus estimate. Company raised its annual revenue guidance to 12.8-13.2 percent, from 10-12 percent earlier for FY16 and while it increased USD revenue guidance from 7.2%-9.2% earlier to 8.9%-9.3%. Further announcement of revision in guideline, better utilization of cash balances, better deal win, consistent client traction and revenue momentum would help the company to rivals. At a CMP of Rs 1140, it trades at 9.2x times of FY16E earnings. We retain our "BUY" rating with unchanged price target of Rs. 1265/share.

### Q3FY16\_Result Update

The revenue grew by 0.6% QoQ US dollar term to \$2380 million in Q3FY16 and 1.1% in constant currency term and 1.7 % in Q2FY16 that also beat the street estimate. This is driven by 3.1% volume growth. EBIT margins improved by 24.9% in 2QFY16 versus 25.5% in 1QFY16. Realization fell 2.5% on a QoQ basis and by 1.5% if one excludes one-off revenue in 2QFY16. Infosys is target margin range of 25% for FY16E. PAT was reported Rs 3,465 crore VS 3465 Crore in Q2FY16.

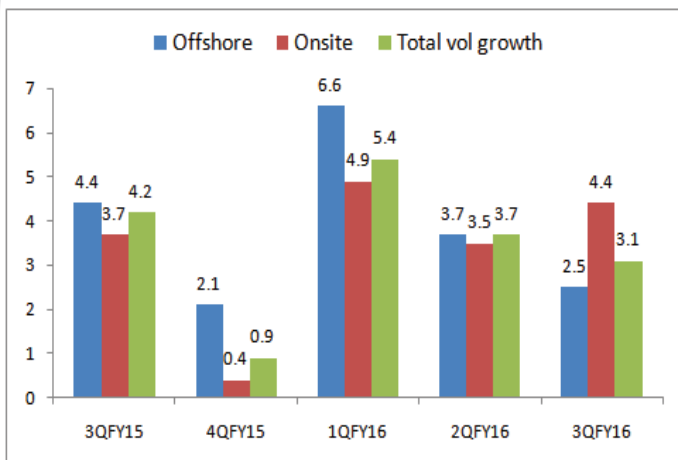
### Concall

1. Infosys raised its constant currency revenue guidance for FY16 from 10.0%-12.0% earlier to 12.8-13.2%, while it increased USD revenue guidance from 7.2%-9.2% earlier to 8.9%-9.3%.
2. Revenues have started showing from new areas and Vishal Sikka is confident of achieving USD 20 billion revenue and 30 percent margin by 2022.
3. The raised in visa cost will impact company's margins by 30bps-35bps in FY17E.
4. The company maintained its margin guidance band of 24%-26% for FY16.
5. Company has improved the number of engagements with its platforms including Infosys Information Platform - IIP (more than 200 engagements), Infosys Automation Platform - IAP (121 engagements), Panaya, and Skava. All these innovations resulted in significant savings in efforts for the company which helped it to free 1,100 odd people in 3QFY16.

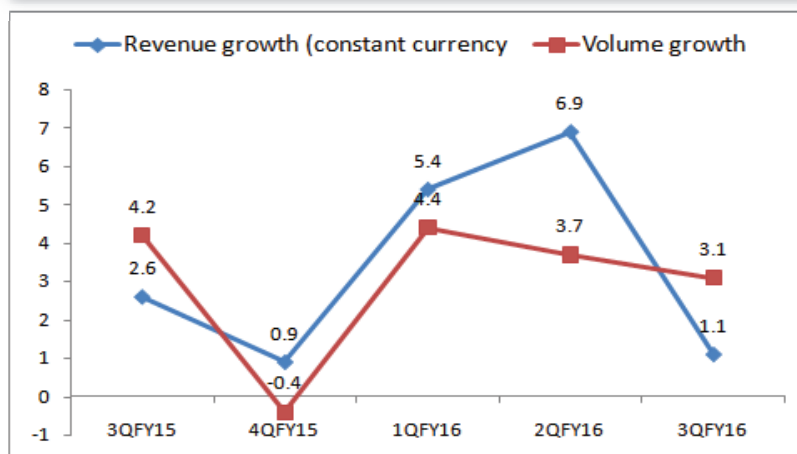
Financials	2012	2013	2014	2015	2016E
Sales	33614	40228	50027	53209	58800
EBITDA	10603	11409	13275	14761	16532
Net Profit	8212	9305	10550	12263	13763
EBITDA%	31.5%	28.4%	26.5%	27.7%	28.1%
NPM%	24.4%	23.1%	21.1%	23.0%	23.4%

(Source: Company/Eastwind)

## Trend in Volume growth



## Trend in volume and USD revenue growth (qoq)



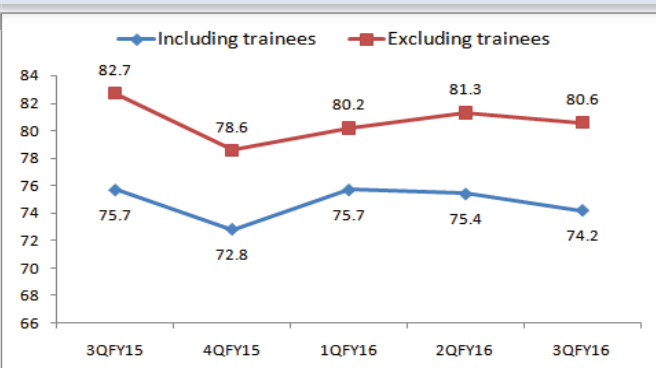
## Growth trend in industry segments

	% to revenue	% growth qoq	% growth yoy
FSI	33.5	2.8	9.8
Banking and financial services	27.6	2.1	11.8
Insurance	5.9	6	1.6
Manufacturing	22.8	-3.6	5.7
RCL	24.3	-0.6	12.2
Retail and CPG	14.7	-0.7	7.1
Transport and logistics	1.9	0.6	37.5
Life sciences	5.8	-1.1	23.4
Healthcare	1.9	0.6	3.1
ECS	19.4	3.8	5.3
Energy and utilities	5.1	9.2	13
Communication and services	8	1.9	-0.2
Others	6.3	2.3	6.8

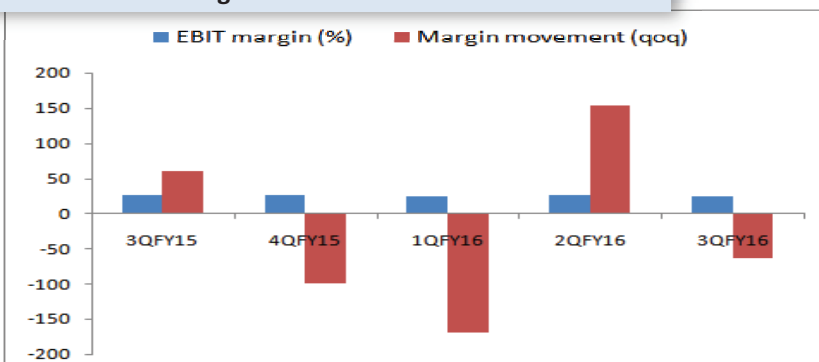
## Employee metrics

	3QFY15	4QFY15	1QFY16	2QFY16	3QFY16
Gross addition	13,154	14,471	11,889	17,595	14,027
Net addition	4,227	6,549	3,336	8,453	8,620
Gross lateral emp. Addition	6,094	8,334	5,886	7,452	6,115
Attrition	20	18	19	20	18

## Trend in utilization (Services and consulting + Projects)



## Trend in EBIT margin



## Financials Snap Shot

INCOME STATEMENT					RATIOS				
	FY13	FY14	FY15	FY16E		FY13	FY14	FY15	FY16E
Revenue (Net of Excise D	2362	3032	3562	5249	EPS	162.0	183.7	106.8	119.8
Other Income	35	50	84	118	Book Value	661.6	775.5	441.8	519.7
Total Revenue	2397	3081	3645	5367	DPS	54.4	54.8	43.0	41.9
COGS	0	0	0	0	Payout	34%	30%	40%	35%
GPM	0.0%	0.0%	0.0%	0.0%	<b>Valuation(x)</b>				
Other Expenses	482	640	778	0	P/E	17.8	17.8	20.8	0.0
EBITDA	452	610	709	992	Price / Book Value	4.4	4.2	5.0	0.0
EBITDA Margin (%)	0	0	0	0	Dividend Yield (%)	1.88%	1.67%	1.94%	
Depreciation	62	81	102	122	<b>Profitability Ratios</b>				
EBIT	390	529	607	870	RoE	24%	24%	24%	23%
Interest	1	0	0	0	RoCE	27%	27%	27%	26%
PBT	424.00	578.30	690.80	988.21	<b>Turnover Ratios</b>				
Tax	85	128	155	222	Asset Turnover (x)	0.9	0.9	0.8	0.8
Tax Rate (%)	0	0	0	0	Debtors (No. of Days)	64.3	60.9	66.6	66.6
Reported PAT	339	451	536	766	Inventory (No. of Days)	0.0	0.0	0.0	0.0
Dividend Paid	25	52	142	203	Creditors (No. of Days)	1.7	1.3	1.0	1.0
No. of Shares	4	4	8	8	Net Debt/Equity (x)	0.0	0.0	0.0	0.0

Source: Eastwind/Company

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BALANCE SHEET					0				
	FY13	FY14	FY15	FY16E		FY13	FY14	FY15	FY16E
Share Capital	42	42	84	84	OP/(Loss) before Tax	12799	14728	17283	19063
Reserves	1272	1599	1929	2491	Depreciation	1099	1317	1017	1144
Net Worth	1314	1641	2013	2575	Interest	0	0	0	0
Long term Debt	3	3	2	2	Direct Taxes Paid	(3293)	(3874)	(6751)	(5300)
Short term Debt	22	0	0	0	(Inc)/Dec in Wkg Cap	(787)	55	19	102
Deferred Tax	0	0	0	0	CF from Op. Activity	7373	9825	8353	14183
Total Capital Employed	1317	1643	2015	2577	Trade receivables	(989)	(1406)	(1475)	(1021)
Net Fixed Assets	316	393	591	843	Loans and advances and c	(1138)	(1060)	(221)	(981)
Capital WIP	57	50	35	0	CF from Inv. Activity	(3020)	(2577)	1088	(3144)
Debtors	451	600	696	1021	capital expenditure	(2095)	(2748)	(2255)	(3144)
Cash & Bank Balances	125	118	376	499	Dividends paid	(3122)	(3144)	(4935)	(4817)
Trade payables	19	8	54	72	Interest and dividend rece	1970	2379	2551	2665
Total Provisions	111	161	206	241	CF from Fin. Activity	(3210)	(3144)	(4935)	(4817)
Net Current Assets	803	1029	1246	1583	Inc/(Dec) in Cash	1241	4118	4417	6221
Total Assets	1691	2099	2655	3476					

Source: Eastwind/Company

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