



CAUTIOUS OUTLOOK!!

13th January, 2016

CMP: Rs.972
Target Price: Rs.1,110
Recommendation: ACCUMULATE

Stock Info

BSE Group	A
BSE Code	500209
NSE Symbol	INFOSYSTCH
Bloomberg	INFO IN
Reuters	INFY.BO
BSE Sensex	27,335
NSE Nifty	8,398

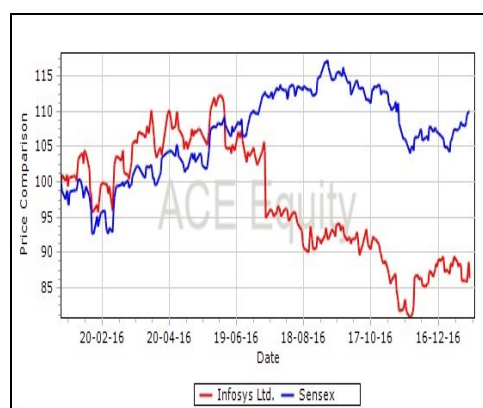
Market Info

Market Capital	Rs.2,70,086 cr
Equity Capital	Rs. 1148 cr
Avg. Trading Vol	37,10,320
52 Wk High/ Low	1278/996
Face Value	Rs.5

Shareholding Pattern (%) (SEP, 2016)

Promoters	12.76
Domestic Institutions	18.10
Foreign Institutions	39.5
Public & Others	29.7

Price Vs Sensex Chart



■ Dollar Revenue decreased by 1.4% QoQ:

Top-line growth of Infosys has dropped by 1.4% qoq to \$2,551mn. Rupee revenue decreased 0.2% qoq to Rs 17,273cr. Operating profit has increased by 0.6% on qoq to Rs 4,334cr and Net Profit has increased by 2.8% to Rs3,708cr.

■ Segmental share improved marginally:

Revenue mix among verticals more or less remained constant with BFSI and RCL (Retail & Life Sciences) segments contributing 33.3% and 23.5% to top line. ECS (Energy, Utilities Communication & Services) segment's share in total revenue was at 20.7%. Geographical share remained more or less stable with share of North America, Europe, India and RoW contributing 62.0%, 22.2%, 3.4% and 12.4% respectively.

■ Client Additions:

Infosys added 1 client to over \$100 million, category taking total count to 18 such Clients. 56.5% revenue comes from onsite and 43.5% comes from offshore.

■ FY17 Revenue growth guidance:

Infosys slipped dollar revenue to 1.4% to \$2,531 million compared with previous quarter; this was mainly due to cancellation of RBS deal. Company has given currency revenue guidance for third time, to 8.4%-8.8%. Its upper end of revenue guidance reduced to 8.8% from 9% but lower end of guidance raised to 8.4% from 8%. Accordingly, the IT major lowered its full year dollar revenue guidance to 7.2%-7.6% from 7.5%-8.5% earlier and rupee revenue guidance to 10.0%-10.4% from 10.9%-11.9%. Company has set target to achieve \$20 billion revenue and 30% margin levels by 2020.

Outlook:

We believe Infosys will improve its performance with consistent client wins and we are cautious about global scenario. Company is trying to bring the best of human potential for software platform to drive the digital transformation. In Q3, Infosys strengthened relationships with key clients, including renewing existing large scale contracts, opening new accounts and signing four large deals.

We have assigned a PE of 15x to its FY18E earnings and have arrived at fair value of Rs 1,110 per share. At CMP Rs 1,035 stock trades at 13(x) its FY18E earnings. We have **ACCUMULATE** rating on the stock.

Financials:

Y/E March (Rs. In Crore)	FY15	FY16	FY17E	FY18E
Net Revenue	53319	62441	68308	75041
Growth %	6%	17%	8%	11%
EBIT	14871	17120	16928	20486
EBIT Margin	27.9%	27.4%	24.8%	27.3%
Net Profit	12373	13682	14397	16959
Growth %	16%	11%	-6%	21%
EPS	54	60	63	74
P/E	20.5	20.4	18.4	15.3
ROE	24.4	23.7	23.3	24.6

Source: Company data, Arianth Research



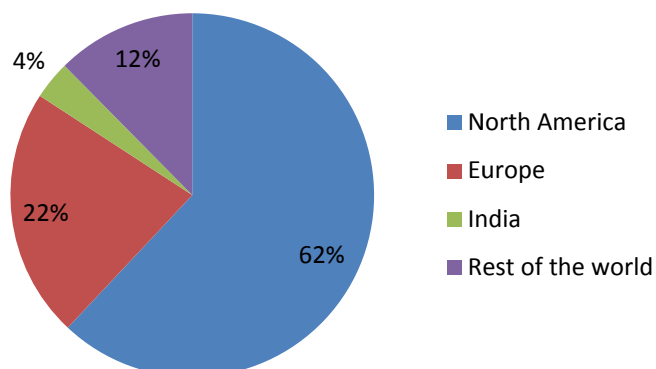
Quarterly Results:

IFRS	Quarter Ended				
Particulars (Rs. Cr)	Q3 FY17	Q2 FY17	Q-O-Q (%)	Q3FY16	Y-O-Y (%)
Revenues	17,273	17,310	-0.2%	15,902	8.6%
Cost of services	10,840	10,962	-1.1%	9,990	8.5%
Gross Profits	6,433	6,348	1.3%	5,912	8.8%
S&M,G&A. Expenses	2,099	2,039	2.9%	1,953	7.5%
EBIT	4,334	4,309	0.6%	3,959	9.5%
Other Income	820	760	7.9%	802	2.2%
Share in associate's profit/(loss)	-	(3)		-	
PBT	5,154	5,066	1.7%	4,761	8.3%
Income tax expense	1,446	1,460	-1.0%	1,296	11.6%
Net PAT	3,708	3,606	2.8%	3,465	7.0%
EPS	16.2	15.8	2.9%	15.2	7.0%

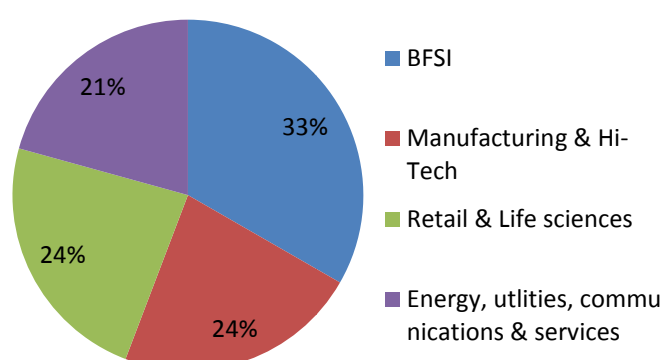
Break-up of Markets

Domain Break-up

Q3FY17



Q3FY17





Profit and Loss statement

Particulars (Rs. In Crore)	FY15	FY16	FY17 E	FY18 E
Income	53,319	62,441	68,308	75,041
Software development expenses	33,017	39,223	40,930	45,024
Gross Profit	20,302	23,218	27,378	30,016
Sales and development expenses	2,532	2,822	4,500	4,502
General and administrative expenses	2,899	3,276	5,950	5,028
EBIT	14,871	17,120	16,928	20,486
EBIT Margin	27.9	27.4	24.8	27.3
Interest	0	0	0	0
Other Income	3,430	3,128	3,350	2,650
PBT	17,284	18,982	20,278	23,136
Tax	4,911	5,300	5,881	6,177
PAT	12,373	13,682	14,397	16,959
Growth (%)	16%	11%	5%	18%
EPS	54	60	63	74

Balance Sheet

Particulars (Rs. In Crore)	FY15	FY16	FY17 E	FY18 E
Shareholder's funds				
Share Capital*	572	1,144	1,144	1,144
Reserves & Surplus	50,164	56,682	60,552	67,857
Total	50,736	57,826	61,696	69,001
Minority Interest	0	0	0	0
Total Non Current Liabilities	50	126	164	180
Total Current Liabilities	15,503	17,189	18,887	18,247
Total Liabilities	66,289	75,141	80,746	87,428
Net Block	11,346	13,180	15,469	18,029
Capital Work-in-Progress	776	960	1,160	1,324
Total Non Current Assets	6,925	9,248	10,557	12,197
Cash and bank balance	30,367	32,697	32,781	33,298
Total Current Assets	16,875	19,056	20,279	22,079
Total Assets	66,289	75,141	80,246	86,928

Cash Flow Statement

Particulars (Rs. In Crore)	FY15	FY16	FY17 E	FY18 E
Profit before taxes	17,284	18,982	20,278	23,136
Add:- Depreciation	1,017	1,266	1,150	1,434
Change in Working Capital	-842	-2,146	-3,757	-5,218
Cash generated from operations	15,105	15,731	14,941	16,585
Taxes paid	-6,751	-5,865	-5,257	-6,177
Net cash flow from operating activities	8,354	9,866	9,684	10,408
Purchase of fixed assets and Capital Exp	-2,247	-2,723	-3,500	-4,000
Others	4,554	2,751	3,450	2,690
Net cash flow from investing activities	1,088	-686	-1,035	-2,295
Proceeds long term borrowings	0	0	-1,352	1,072
Dividend paid, including dividend tax	-4,935	-6,813	-8,534	-7,561
Net cash used in financing activities	-4,935	-6,813	-8,534	-7,561
Exchange fluctuations	-89	-34	-35	-35
Net Cash Flow	4,418	2,333	80	517
Opening Cash balance	25,950	30,368	32,701	32,781
Closing Cash balance	30,368	32,701	32,781	33,298

Key Ratios

Particulars	FY15	FY16	FY17 E	FY18 E
EPS	54.1	59.8	62.9	74.1
Book Value	221.7	252.7	269.7	301.6
DPS	60	24	30	40
Payout%	110	41	48	54
Dividend Yield %	5.4	2.0	2.9	3.9
P/E	20.5	20.4	18.4	15.3
EBIT Margin	27.9%	27.4%	24.8%	27.3%
PBT Margin	32%	30%	30%	31%
PAT Margin	23%	22%	21%	23%
Debt/Equity	0.0	0.0	0.0	0.0
Current Ratio	1.09	1.11	1.07	1.21
ROE	24.4	23.7	23.3	24.6
ROCE	31.1	29.1	28.8	28.4

**Arihant Research Desk**E. research@arihantcapital.com

T. 022-42254800

Head Office

#1011, Solitaire Corporate park ,
Building No. 10, 1st Floor,
Andheri Ghatkopar Link Road
Chakala, Andheri (E).
Mumbai – 400093
Tel: (91-22) 42254800
Fax: (91-22) 42254880

Registered Office

Arihant House
E-5 Ratlam Kothi
Indore - 452003, (M.P.)
Tel: (91-731) 3016100
Fax: (91-731) 3016199

Stock Rating Scale

	Absolute Return
BUY	>20%
ACCUMULATE	12% to 20%
HOLD	5% to 12%
NEUTRAL	-5% to 5%
REDUCE	<-5%

**Research Analyst
Registration No.****INH000002764****Contact****SMS: 'Arihant' to 56677****Website**www.arihantcapital.com**Email Id**research@arihantcapital.com**Disclaimer:**

This document has been prepared by Arihant Capital Markets Ltd. This document does not constitute an offer or solicitation for the purchase and sale of any financial instrument by Arihant. This document has been prepared and issued on the basis of publicly available information, internally developed data and other sources believed to be reliable. Whilst meticulous care has been taken to ensure that the facts stated are accurate and opinions given are fair and reasonable, neither the analyst nor any employee of our company is in any way is responsible for its contents and nor is its accuracy or completeness guaranteed. This document is prepared for assistance only and is not intended to be and must not alone be taken as the basis for an investment decision. The user assumes the entire risk of any use made of this information. Arihant may trade in investments, which are the subject of this document or in related investments and may have acted upon or used the information contained in this document or the research or the analysis on which it is based, before its publication. This is just a suggestion and Arihant will not be responsible for any profit or loss arising out of the decision taken by the reader of this document. Affiliates of Arihant may have issued other reports that are inconsistent with and reach different conclusion from the information presented in this report. No matter contained in this document may be reproduced or copied without the consent of the firm.

ARIHANT capital markets ltd.

1011, Solitaire Corporate park , Building No. 10, 1st Floor,
Andheri Ghatkopar Link Road Chakala, Andheri (E) Mumbai - 400093
Tel. 022-42254800 Fax. 022-42254880
www.arihantcapital.com