



CAUTIOUS OUTLOOK!!

13th April, 2017

CMP: Rs.931
Target Price: Rs.1,022
Recommendation: HOLD

■ **Dollar Revenue Increased by 0.7% QoQ:**

Top-line growth of Infosys has increased by 0.7% qoq to \$2,569mn. Rupee revenue decreased 0.9% qoq to Rs 17,120cr. Operating profit declined by 2.8% on qoq to Rs 4,212cr and Net Profit declined by 2.8% to Rs3,603cr.

■ **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 22.4% to top line. ECS (Energy, Utilities Communication & Services) segment's share in total revenue was at 21.4%. Geographical share remained more or less stable with share of North America, Europe, India and RoW contributing 62.3%, 22.1%, 3.2% and 12.4% respectively.

■ **Client Additions:**

Infosys added 1 client to over \$100 million, category taking total count to 19 such Clients. 56.7% revenue comes from onsite and 43.3% comes from offshore.

■ **FY17 Revenue growth guidance:**

Company has given currency revenue guidance about 6.5% to 8.5% which is marginally below our estimate of 7% to 9% which implies a CQGR of 2.2-3.0%. Company has laid down dividend payout policy of 70% of FCF is similar to existing payout of 50% of PAT. (goes up to 55% based on FY17 PAT to FCF conversion). EBIT margin guidance for FY18E at 23-25%, lowered from the earlier target range of 24-26%. The company intends to return \$2billion to shareholders in FY18. Company has added 71 clients with major additions in the \$50mn and \$100mn category. 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 with respect to visa regulation. Company is trying to bring the best of human potential for software platform to drive the digital transformation. In Q4, 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 14x to its FY19E earnings and have arrived at fair value of Rs 1,022 per share. At CMP Rs 931 stock trades at 13(x) its FY19E earnings. We have **HOLD** rating on the stock.

Financials:

Y/E March (Rs. In Crore)	FY16	FY17E	FY18E	FY19E
Net Revenue	62441	68484	76241	85390
Growth %	17%	10%	11%	12%
EBIT	17120	16901	18186	19855
EBIT Margin	27.4%	24.7%	23.9%	23.3%
Net Profit	13682	14353	14659	16629
Growth %	11%	5%	2%	13%
EPS	60	63	64	73
P/E	20	15	15	13
ROE	23.7	20.8	20.6	19.5

Source: Company data, Arianth Research

Stock Info

BSE Group	A
BSE Code	500209
NSE Symbol	INFOSYSTCH
Bloomberg	INFO IN
Reuters	INFY.BO
BSE Sensex	29,461
NSE Nifty	9,150

Market Info

Market Capital	Rs.2,13,937 cr
Equity Capital	Rs. 1148 cr
Avg. Trading Vol	38,83,500
52 Wk High/ Low	1278/900
Face Value	Rs.5

Shareholding Pattern (%) (Dec, 2016)

Promoters	12.7
Domestic Institutions	18.8
Foreign Institutions	39.0
Public & Others	29.5

Price Vs Sensex Chart





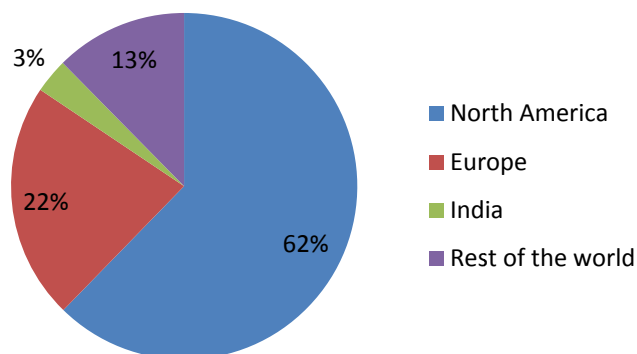
Quarterly Results:

IFRS		Quarter Ended			
Particulars (Rs. Cr)	Q4 FY17	Q3 FY17	Q-O-Q (%)	Q4FY16	Y-O-Y (%)
Revenues	17,120	17,273	-0.9%	16,550	3%
Cost of services	10,770	10,840	-0.6%	10,262	5%
Gross Profits	6,350	6,433	-1.3%	6,288	1%
S&M,G&A. Expenses	2,138	2,099	1.9%	2,068	3%
EBIT	4,212	4,334	-2.8%	4,220	0%
Other Income	746	820	-9.0%	772	-3%
Share in associate's profit/(loss)	(25)	-		(1)	
PBT	4,933	5,154	-4.3%	4,991	-1%
Income tax expense	1,330	1,446	-8.0%	1,394	-5%
Net PAT	3,603	3,708	-2.8%	3,597	0%
EPS	15.8	16.2	-2.8%	15.7	0%

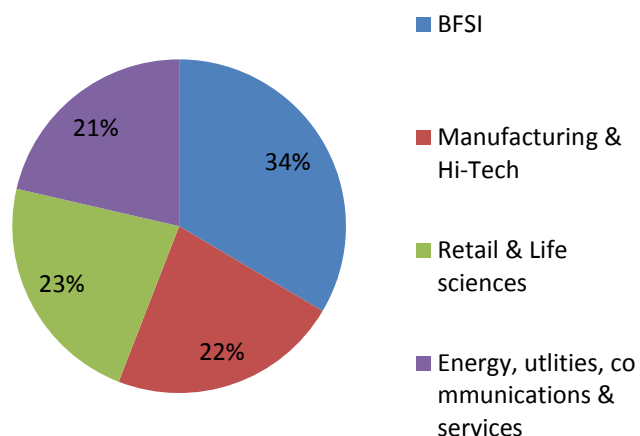
Break-up of Markets

Domain Break-up

Q4FY17



Q4FY17





Profit and Loss statement

Particulars (Rs. In Crore)	FY16	FY17	FY18 E	FY19 E
Income	62,441	68,484	76,241	85,390
Software development expenses	39,223	43,253	46,524	52,834
Gross Profit	23,218	25,231	29,716	32,556
Sales and development expenses	2,822	3,591	5,502	5,123
General and administrative expenses	3,276	5,239	6,028	7,577
EBIT	17,120	16,901	18,186	19,855
EBIT Margin	27.4	24.7	23.9	23.3
Interest	0	0	0	0
Other Income	3,128	3,050	2,650	2,700
PBT	18,982	19,951	20,836	22,555
Tax	5,300	5,598	6,177	5,926
PAT	13,682	14,353	14,659	16,629
Growth (%)	11%	5%	2%	13%
EPS	60	63	64	73

Balance Sheet

Particulars (Rs. In Crore)	FY16	FY17	FY18 E	FY19 E
Shareholder's funds				
Share Capital*	1,144	1,144	1,144	1,144
Reserves & Surplus	56,682	67,838	69,966	84,266
Total	57,826	68,982	71,110	85,410
Minority Interest	0	0	0	0
Total Non Current Liabilities	126	360	186	211
Total Current Liabilities	17,189	14,013	16,545	9,189
Total Liabilities	75,141	83,355	87,841	96,353
Net Block	13,180	15,344	18,029	19,002
Capital Work-in-Progress	960	800	1,324	1,489
Total Non Current Assets	9,248	13,506	13,861	15,233
Cash and bank balance	32,697	22,625	21,140	21,858
Total Current Assets	19,056	31,080	33,486	38,771
Total Assets	75,141	83,355	87,841	96,353

Cash Flow Statement

Particulars (Rs. In Crore)	FY16	FY17	FY18 E	FY19 E
Profit before taxes	18,982	19,951	20,836	22,555
Add:- Depreciation	1,266	1,703	1,273	1,390
Change in Working Capital	-2,146	-2,124	-5,218	-5,108
Cash generated from operations	15,731	19,661	14,124	16,070
Taxes paid	-5,865	-5,598	-6,177	-5,926
Net cash flow from operating activities	9,866	14,063	7,947	10,144
Purchase of fixed assets and Capital Expenditure	-2,723	-2,760	-4,000	-3,500
Others	2,751	-14,398	3,149	2,966
Net cash flow from investing activities	-686	-17,074	-1,836	-1,519
Proceeds long term borrowings	0	0	1,072	500
Dividend paid, including dividend tax	-6,813	-6,939	-7,561	-7,873
Net cash used in financing activities	-6,813	-6,939	-7,561	-7,873
Exchange fluctuations	-34	-122	-35	-35
Net Cash Flow	2,333	-9,950	-1,485	717
Opening Cash balance	30,368	32,697	22,625	21,140
Closing Cash balance	32,697	22,625	21,140	21,858

Key Ratios

Particulars	FY16	FY17	FY18 E	FY19 E
EPS	59.8	62.8	64.1	72.7
Book Value	252.7	301.8	310.8	373.3
DPS	24	30	40	40
Payout %	41	48	62	55
Dividend Yield %	2.0	3.2	4.3	4.3
P/E	20.4	14.8	14.5	12.8
EBIT Margin	27.4%	24.7%	23.9%	23.3%
PBT Margin	30%	29%	27%	26%
PAT Margin	22%	21%	19%	19%
Debt/Equity	0.0	0.0	0.0	0.0
Current Ratio	1.11	2.22	2.02	4.22
ROE	23.7	20.8	20.6	19.5
ROCE	29.1	25.2	24.3	22.6

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Stock Rating Scale

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

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