

Clean chit in whistle-blower case removes overhang

Infosys' Q3FY20 results were a modest miss on revenue and EBIT margin. Post 3Q revenue miss, we downgrade Infosys USD revenue growth at 9.2/9.1% for FY20/FY21E (vs 10%/10.2% earlier). Infosys organic USD revenue growth for FY20E would be 7.8% and rest from Stater acquisition. TCS Organic USD revenue growth estimate at 6.3% for FY20E. Hence, Infosys could outpace TCS on organic USD revenue growth for FY20E. Infosys cited that Audit committee found no evidence of financial impropriety. As per the investigation report, all allegations regarding CEO's personal matters are without merit. The detailed release of the investigation report has been uploaded in the exchanges which gives a clear transparency on the matter. Clean chit in whistle-blower issue is key positive and removes overhang on the stock. While Infosys appears to be showing better revenue momentum, we expect TCS' EBIT margin for FY20E at 24.6% which would be ~300bps higher than Infosys EBIT margin (which is 21.6%). Infosys trades at 17.3x FY21E and 16.1x Dec21E EPS and valuations are reasonable. Infosys trades at 26% discount to TCS and we expect this discount to now narrow down to 10% owing to the removal of overhang. Retain TP at Rs850/sh (18.5x Dec21E EPS vs 18.5x Sep21E EPS earlier). Retain BUY.

Modest revenue and EBIT margin miss, lower tax rate drives PAT beat

Revenue came at USD3,243mn were up 1% QoQ but below our estimate (Cent ests: USD3,258mn). Constant currency revenue growth stood at 1% QoQ, below our estimates (Cent ests: 1.3%). EBIT margin came in at 21.9%, up 20bps QoQ and below our estimates (Cent ests: 22.2%). Onsite effort for 3QFY20 stood at 27.7% down 50bps QoQ and down 100bps YoY and remained the key margin lever. However, higher headcount addition (Total Headcount as on 3QFY20 stood at 243,454 employees with net addition of 6,968 employees QoQ) and drop in utilisation rates (excluding trainees) which stood at 84.5% down 50bps QoQ were a headwind for the quarter and restricted margin expansion. We note that onsite effort is at the lowest over the past six years and Infosys appears to have exhausted this margin lever. PAT was 5% above our estimates led by lower tax rate and higher other income.

BFSI continues to remain tepid, Top clients remain soft

BFSI vertical revenues declined by 0.2% QoQ and this the third consecutive quarter of tepid performance in BFSI vertical on organic basis (Ex- Stater acquisition). BFSI revenues grew by 0.3% CQGR organically over 4QFY19-3QFY20. Revenues from Top account were down 5% QoQ and accounted to 3% of total revenues. Revenues from Top 2-10 accounts were up 0.3% QoQ respectively and remained soft. This clearly indicates the pricing pressure in large accounts. However, management attributed the softness in top accounts owing to furloughs. Digital business accounted for 40.6% total revenues up 6.8% QoQ and 40.8% YoY in constant currency. However, Core Business (traditional business) revenues dropped by 5% YoY which indicates pricing pressure. Debtor including unbilled hit 97 days for 3QFY20 which is up 2 days QoQ and 10 days YoY. However, OCF/PAT remained strong at 125% owing to lower trade payables.

TCV signing remains strong; 32% of TCV is net new deals.

Infosys has raised constant currency revenue growth guidance to 10-10.5% for FY20E (vs 9-10% cc for FY20E). Infosys 9MFY20 revenues grew by 11.1% YoY constant currency. Hence, we believe Infosys can comfortable deliver revenue guidance for FY20 as it requires a minimal ask rate for 4QFY20. TCV wins in Q3FY20 stood at USD1813mn (USD1,570mn in Q3FY19). Management cited that 32% of the TCV is renewals and rest is net new deals. Infosys attrition (standalone) stands at 17.6% for 3QFY20 (vs 19.4% in 2QFY20). Moderation in attrition is also positive.

Financial and valuation summary

YE Mar (Rs bn)	Q3FY20	Q2FY20	QoQ (%)	Q3FY19	YoY (%)	FY20E	FY21E	FY22E
Revenue	230.9	226.3	2.0	214.0	7.9	909.4	997.8	1,089.3
EBIT	50.6	49.1	3.1	49.2	3.0	196.5	219.3	245.3
EBIT margin (%)	21.9	21.7	20bps	23.0	(110)bps	21.6	22.0	22.5
Adj. PAT	44.6	40.2	10.9	40.6	9.8	166.2	181.7	202.1
Diluted EPS (Rs)	10.5	9.4	10.9	9.3	12.3	38.9	42.8	47.6
P/E (x)	-	-	-	-	-	19.0	17.3	15.6
EV/EBITDA (x)	-	-	-	-	-	12.8	11.5	10.2
RoE (%)	-	-	-	-	-	26.1	27.9	28.2

Source: Company, Centrum Research estimates

Please see Disclaimer for analyst certifications and all other important disclosures.

Result Update

India IT Services

11 Oct 2019

BUY

Target Price: Rs850

Price: Rs740

Forecast return: 15%

Institutional Research

Market Data

Bloomberg:	INFO IN
52 week H/L:	Rs847/615
Market cap:	Rs3149bn
Shares outstanding:	4259mn
Free float:	75.9%
Avg. daily vol. 3mth:	12852120

Source: Bloomberg

Changes in the report

Rating:	Retain BUY
Target price:	Retain to Rs850
Earnings estimates:	Trimmed by 1.3% for FY21E

Source: Centrum Research

Company relative to Nifty 50



Source: Bloomberg

Shareholding pattern

	Dec-19	Sep-19	Jun-19	Mar-19
Promoter	13.2	13.2	13.0	12.8
FIIIs	31.8	33.5	33.3	34.0
DIIIs	23.8	22.6	22.9	22.7
Public/oth	31.3	30.7	30.8	30.4

Source: BSE



Madhu Babu

Analyst, IT Services

+91 4215 9855

madhu.babu@centrum.co.in



Vaibhav Chechani

Associate, IT Services

+91 4215 9375

Vaibhav.chechani@centrum.co.in

IT Services

Thesis Snapshot

Estimate revisions

YE Mar (Rs bn)	FY20E New	FY20E Old	% chg	FY21E New	FY21E Old	% chg
USD Rev (mn)	12,882	12,965	(0.6)	14,053	14,290	(1.7)
Revenue	909.4	914.6	(0.6)	998	1,007	(1.0)
EBIT	196.5	198.5	(1.0)	219.3	224.7	(2.4)
EBIT margin (%)	21.6	21.7	(10)bps	22.0	22.3	(30)bps
Adj. PAT	165.8	164.3	0.9	182.1	184.4	(1.3)

Source: Centrum Research estimates .

Centrum estimates vs Actual results

YE Mar (Rs bn)	Centrum Q3FY20	Actual Q3FY20	Variance (%)
Revenue	232.3	230.9	(0.6)
EBIT	51.6	50.6	(1.9)
EBIT margin (%)	22.2	21.9	(0.28)
Adj. PAT	42.5	44.7	5.1

Source: Bloomberg Centrum Research estimates

Infosys versus NIFTY 50

	1m	6m	1 year
INFO IN	3.5	3.1	9.4
NIFTY 50	3.4	6.6	13.3

Source: Bloomberg, NSE

Key assumptions

YE Mar (Rs bn)	FY20	FY21E	FY22E
USD revenue growth (%)	9.2%	9.1%	9.2%
Average rate (USD vs INR)	70.6	71	71
EBIDTA margin (%)	24.8%	24.9%	25.3%
EBIT margin (%)	21.6%	22.0%	22.5%

Source: Centrum Research estimates

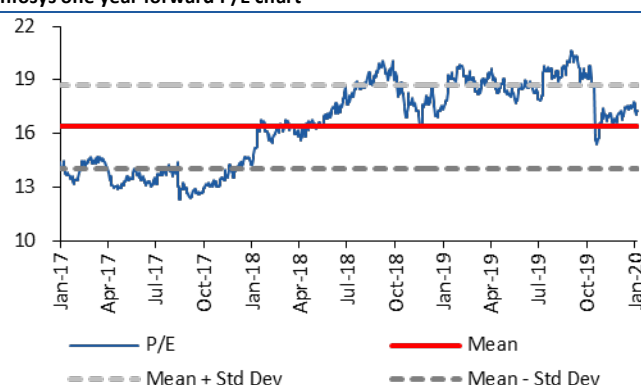
Valuations

We value Infosys at 18.5x Dec 21E EPS, which yields a target price of Rs850/sh.

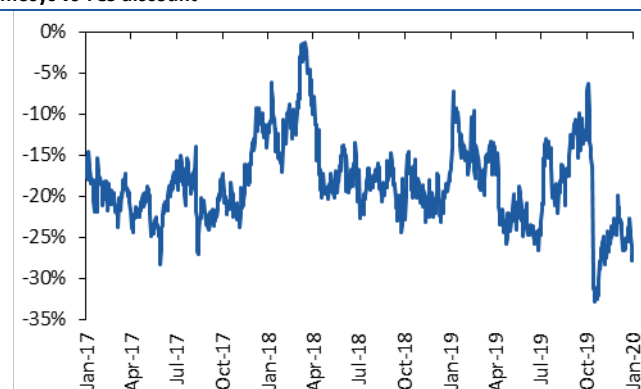
Valuations

EPS for Dec 21E (Rs)	45.8
P/E multiple (x)	18.5
Target price (Rs)	850

Infosys one year forward P/E chart



Infosys vs TCS discount



Source: Bloomberg, Centrum Research estimates

Peer comparison

Company	Mkt Cap Rs bn	Price	CAGR FY19-FY21E (%)			PE (x)			RoE (%)		
			Sales (USD)	EBIT	PAT	FY19	FY20E	FY21E	FY19	FY20E	FY21E
Infosys	3,164.2	740	9.1	9.1	8.7	20.9	19.2	17.2	23.7	26.1	28.1
TCS	8,305.4	2,213	7.2	6.5	6.5	26.6	25.3	23.3	35.2	35.6	37.7
Wipro	1,440.2	252	3.0	3.7	7.4	13.6	14.7	13.9	17.2	18.0	16.9
HCL Tech	1,578.8	580	12.7	13.4	8.6	15.9	15.3	13.2	25.9	23.0	22.7

Source: Company, Centrum Research estimates

Fig 1: Key Concall takes and Metrics

Centrum Quarterly Monitor	3QFY20	2QFY20	Our Comments
Revenue growth Commentary	Raised revenue growth guidance to 10-10.5% for FY20	Revenue growth guidance at 9-10% YoY for FY20	We believe the initial guidance given by Infosys at the start of the year was conservative and company has been gradually raising the guidance
Vertical Specific commentary	BFSI continues to remain soft	Retail & communication vertical saw weakness in the quarter sequentially.	BFSI continues to struggle on an organic basis in FY20
TCV of deals signed	USD1,800mn TCV led by large deal wins. Management guided that 68% of the TCV is renewal and 32% is net new	USD2,847mn which is a record TCV led by large deal wins. Management cited that 90% of TCV is renewals	TCV signing remains steady
EBIT margin	Retains guidance at 21-23%	Retains guidance at 21-23%	
Digital	40.6% of total revenues, up 40.8% YoY in cc terms.	38.4% of total revenues up 38% YoY in cc terms	

Source: Centrum Research

Quarterly results analysis

Fig 2: Q3FY20: Modest Revenues and Margin miss

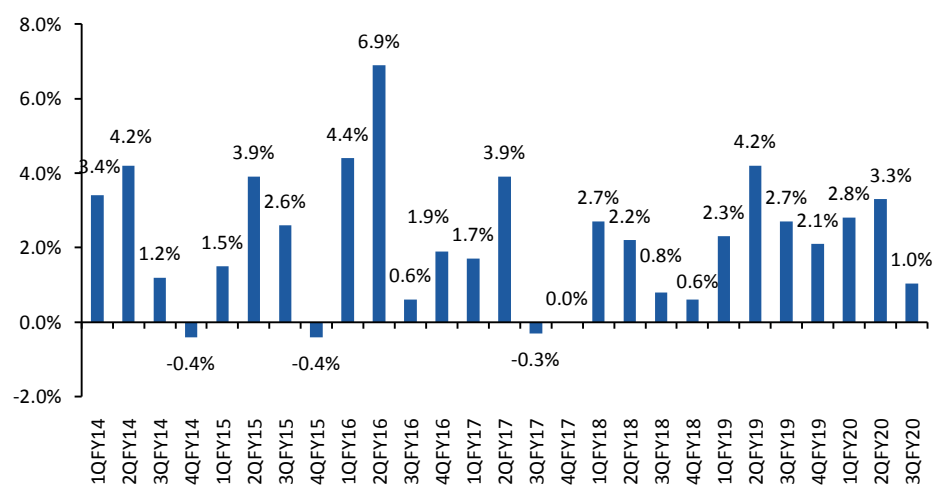
Rs mn	Q3FY20	Q2FY20	QoQ (%)	Q3FY19	YoY (%)	Estimate	Variance
Rev (USD mn)	3,243	3,210	1.0	2,987	8.5	3,258	(0.5)
Net Sales	2,30,920	2,26,290	2.0	2,14,000	7.9	2,32,306	(0.6)
EBIT	50,640	49,120	3.0	49,171	2.9	51,572	(1.8)
EBIT margin (%)	21.9	21.7	22bps	22.9	(105)bps	22.2	(27)bps
APAT	44,660	40,370	10.6	40,601	10.0	42,451	5.2

Source: Company, Centrum Research estimates

- Constant currency revenue growth stood at 1.0% QoQ (Cen ests: 1.3% CC growth). Management guided that furloughs were higher in the Europe geography in the current quarter which also weighed on growth. BFSI vertical and top accounts revenues remained soft for the quarter. Digital revenues accounted for 40.6% of revenues up 6.8% QoQ and 40.8% YoY in cc and continues to remain strong.

Fig 3: Infosys constant currency QoQ growth (%)

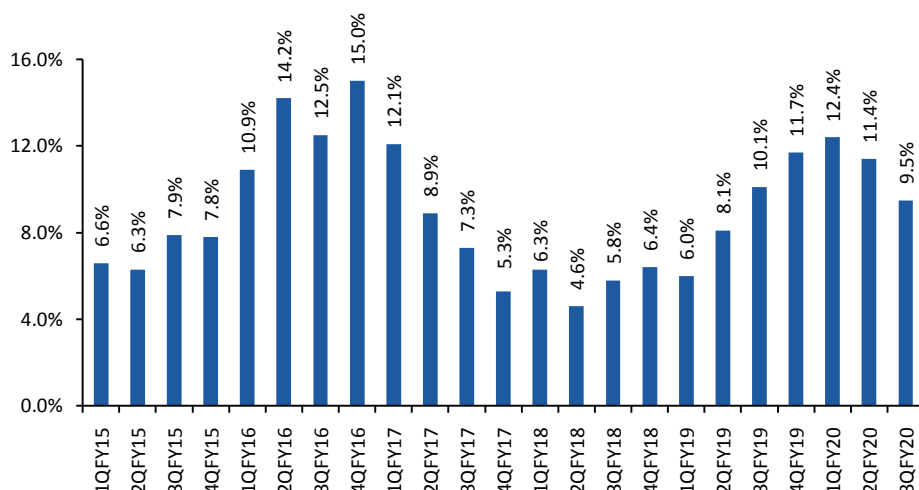
Infosys delivered 1% constant currency growth (vs Cen ests 1.3%).



Source: Company, Centrum Research

Fig 4: Infosys constant currency YoY growth (%)

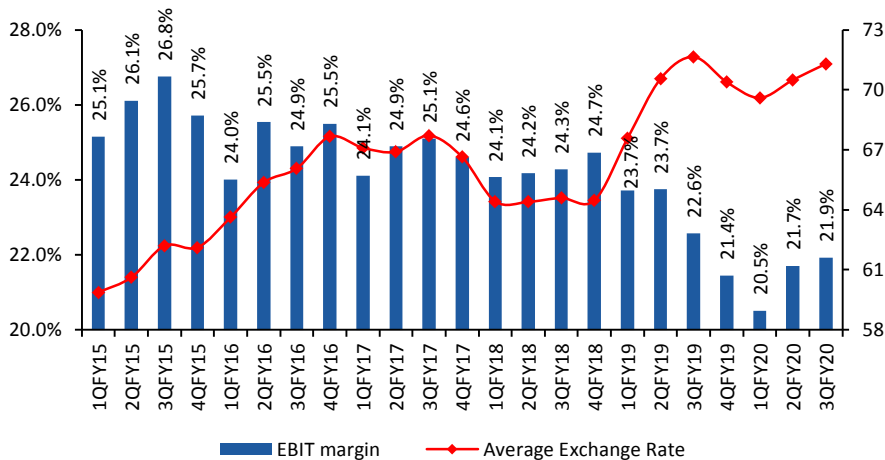
For 9MFY20, Infosys revenue grew by 11.1% YoY in constant currency



Source: Company, Centrum Research

- Margin miss estimates:** EBIT margin at 21.9% were up 20bps QoQ and below our estimates (Cen ests: 22. 2%). Rupee appreciation by 1% was partially negated by revenue hedge loss leading to tailwind of 10bps. Offshore effort shift also contributed to a tailwind of 50bps. However, Headwinds for the margin was the drop in utilisation rates which impacted margins by 40bps. Hence, overall EBIT margins improved by 20bps for the quarter. Management retained EBIT margin guidance band of 21-23%.

Fig 5: EBIT margin vs average exchange rate

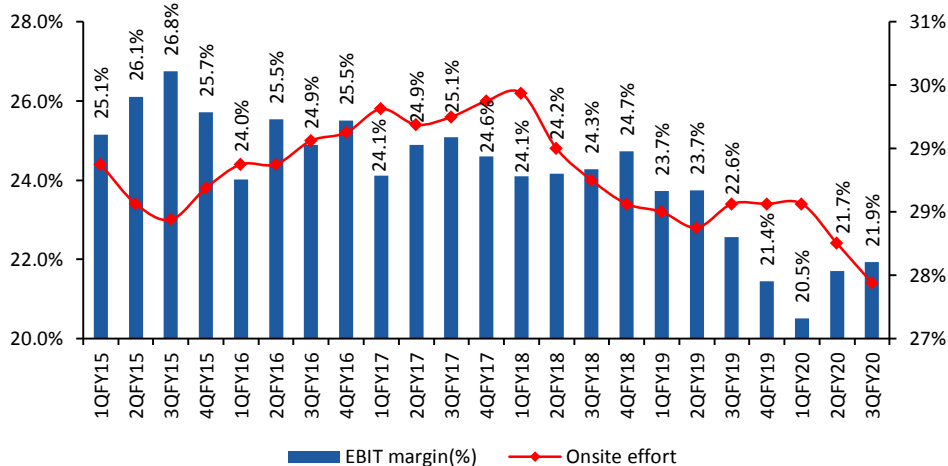


Source: Company, Centrum Research estimates

Onsite effort reduction: Infosys continues to show steep reduction in onsite effort which came at 27.7% down 50bps QoQ and 100bps YoY was the key driver for margins.

With digital remaining the key growth driver, we believe Infosys might find it difficult to continue to shift more work offshore (As select Digital projects tend to have higher onsite). **Hence, we believe that Infosys appears have to have completely utilized this lever.**

Fig 6: Effort mix from onsite and EBIT margin (%)

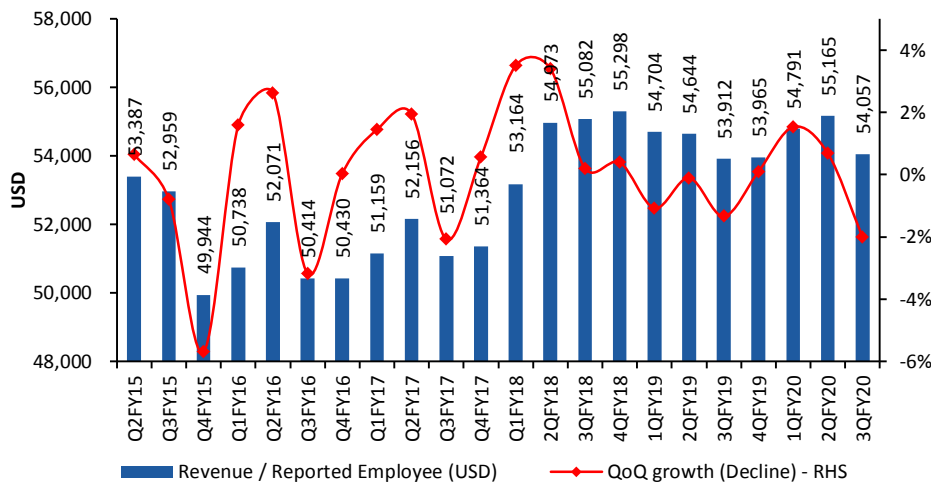


Source: Company, Centrum Research estimates

Revenue productivity of Infosys remains range bound

Infosys’ revenue per reported employee (quarterly annualised) stood at USD 54,057 as on Q3FY20 which represents a steep reduction of 2% QoQ. This we believe is on account of higher hiring.

Fig 7: Revenue per reported employee quarterly annualised (USD) and growth (QoQ)

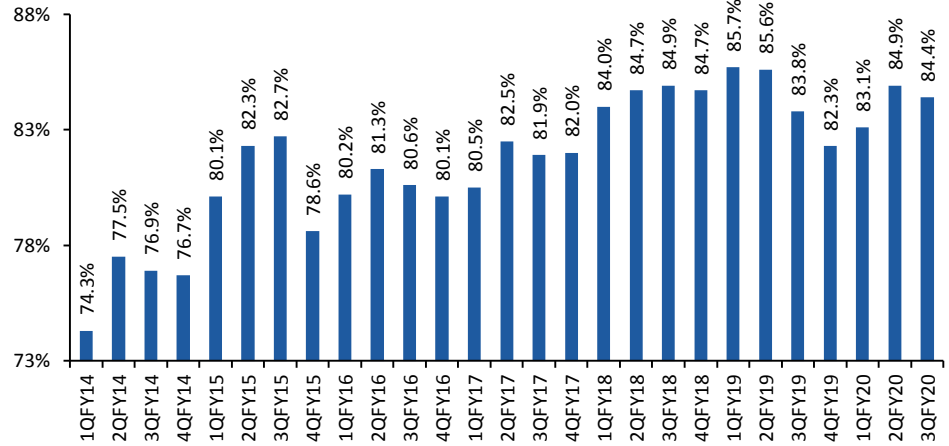


Source: Company, Centrum Research estimates

Utilisation moderates sequentially

IT Services utilisation (excluding trainees) came in at 84.4% for Q3FY20 showing a modest reduction of 50bps QoQ. We see scope for only a modest improvement in utilization from hereon. Peak utilisation over the recent quarters stood at 85.7% (in 1QFY19).

Fig 8: IT Services utilisation (excluding trainees)



Source: Company, Centrum Research estimates

Steady TCV wins, 9M TCV up 56% YoY.

TCV wins for the quarter remained steady and stood at USD1,813mn aided by healthy large deal wins. Management guided that 32% of the TCV is net new (vs 10% net new TCV in 2QFY20). Infosys cited of winning 14 deals in the quarter. For 9MFY20, Infosys TCV stood at USD7.3bn up 56% YoY.

Fig 9: TCV wins

USD mn	Q2FY17	Q3FY17	Q4FY17	Q1FY18	Q2FY18	Q3FY18	Q4FY18	Q1FY19	Q2FY19	Q3FY19	Q4FY19	Q1FY20	2QFY20	3QFY20
TCV	1,209	664	806	657	731	779	905	1,116	2,029	1,567	1,570	2,714	2,847	1,813

Source: Company, Centrum Research estimates

Conference call takeaways

- Management cited that the attrition rate has been reduced to 17.6% which is down by 210bps QoQ. Voluntary attrition for the quarter was further lower at ~15.6%. Moderation in attrition is positive
- Rupee appreciation by 1% was partially negated by revenue hedge loss leading to tailwind of 10bps. Offshore effort shift was also a tailwind of 50bps for margins for the quarter. However, Headwinds for the margin was the drop in utilisation rates which impacted margins by 40bps. Hence, overall EBIT margins improved by 20bps for the quarter. Management cited continued focus on improving operational parameters, like rationalizing pyramid both onshore and offshore, reducing onsite mix, Automation and other cost optimization measures.
- Infosys cited that Digital Services market for Enterprises is growing at 15% and Infosys is growing at a much higher pace (3QFY20 Digital business grew by 40% YoY). Within Digital, Infosys cited that Experience, Data and Cloud sub segments are seeing robust traction.
- Net cash on balance sheet stands at Rs244bn (~7.7% of Mcap) as on 3QFY20.

Operating Metrics

Fig 10: Geography mix of revenues (%)

(%)	Q3FY17	Q4FY17	Q1FY18	Q2FY18	Q3FY18	Q4FY18	Q1FY19	Q2FY19	Q3FY19	Q4FY19	Q1FY20	Q2FY20	Q3FY20
North America	62.0	62.3	61.1	60.6	60.4	59.4	60.0	60.3	60.4	61.2	61.6	61.4	61.3
Europe	22.2	22.1	22.4	23.2	24.4	24.8	24.3	24.0	24.2	24.0	23.6	24.1	24.4
India	3.4	3.2	3.6	3.3	3	2.8	2.6	2.5	2.6	2.3	2.3	2.7	2.8
Rest of the world	12.4	12.4	12.9	12.9	12.2	13	13.1	13.2	12.8	12.5	12.5	11.8	11.5

Source: Company, Centrum Research estimates

BFSI vertical continues to struggle showing de-growth 0.2% QoQ.

Fig 11: Vertical-wise revenues and growth (%)

Growth by Vertical (USD mn)	Q3FY20	Q2FY20	QoQ growth (%)	Q3FY19	YoY growth (%)
Financial Services	1,022	1,024	(0.2)	971	5.2
Retail	496	488	1.7	490	1.3
Communication	422	421	0.3	355	18.6
Energy, Utilities, Resources & services	415	421	(1.3)	382	8.6
Manufacturing	334	324	3.0	302	10.7
Hi tech	246	244	1.0	218	13.0
Life Sciences	217	205	5.8	185	17.3
Others	91	83	8.8	84	8.6
Total Revenues	3,243	3,210	1.0	2,987	8.6

Source: Company, Centrum Research estimates

Strong hiring continues, Attrition moderates

Infosys continues to show strong hiring with net addition of 6,968 employees in Q3FY20. Attrition continues to moderate gradually. Management cited that Standalone voluntary attrition stood at 15.6% for the quarter.

Fig 12: Employee metrics

Particulars	Q1FY18	Q2FY18	Q3FY18	Q4FY18	Q1FY19	Q2FY19	Q3FY19	Q4FY19	Q1FY20	Q2FY20	Q3FY20
Total Employees	198,553	198,440	201,691	204,107	209,905	217,739	225,501	228,123	229,029	2,36,486	2,43,454
Gross Addition	8,645	10,514	12,622	12,329	17,709	19,721	18,773	14,203	N.A	N.A.	N.A.
Net Addition	(1,811)	(113)	3,251	2,416	5,798	7,834	7,762	2,622	906	7,457	6,968
Attrition (Employee leaving per quarter)	10,456	10,627	9,371	9,913	11,911	11,887	11,011	11,581	N.A	N.A.	N.A.
Attrition % (standalone)	16.9	17.2	15.8	16.6	20.6	19.9	17.8	18.3	21.5	19.4	17.6
Attrition % Consolidated (Annualized)	21.0	21.4	18.7	19.5	23.0	22.2	19.9	20.4	23.4	21.7	19.6

Source: Company, Centrum Research estimates

Debtor Including Unbilled spurts

Infosys has been seeing a steady rise in Debtor including unbilled days. As on 3QFY20, DSO+ Unbilled days stood at 97 days up 10days YoY. However, OCF/PAT for 3QFY20 remained steady at 124% owing to lower trade payables

Fig 13: Debtors including unbilled days

	1QFY19	2QFY19	3QFY19	4QFY19	1QFY20	2QFY20	3QFY20
Debtor days	65	65	66	65	68	65	72
Unbilled days	22	23	21	23	28	30	26
Debtor+ Unbilled	87	87	87	88	96	95	97

Source: Centrum Research

Fig 14: Quarterly financials

(Rs mn)	Q3FY18	Q4FY18	Q1FY19	Q2FY19	Q3FY19	Q4FY19	Q1FY20	Q2FY20	Q3FY20
USD revenues (USD mn)	2,755	2,805	2,831	2,921	2,987	3,060	3,131	3,210	3,243
Net sales	177,940	180,830	191,280	206,090	214,000	2,15,390	2,18,030	2,26,290	2,30,920
Cost of revenue	109,520	110,960	118,520	128,170	134,369	137,520	140,980	143,520	146,360
Sales and marketing	8,770	9,470	10,050	10,880	11,560	12,260	11,740	11,620	12,040
G&A expenses	11,480	11,100	12,980	13,460	13,980	14,120	13,790	14,760	14,510
EBITDA	48,170	49,300	49,730	53,580	54,091	51,490	51,520	56,390	58,010
Depreciation	4,980	4,580	4,360	4,640	5,800	5,310	6,810	7,270	7,370
EBIT	43,190	44,720	45,370	48,940	48,291	46,180	44,710	49,120	50,640
Other income	9,620	5,340	7,260	7,390	7,530	6,650	7,360	6,260	8,270
Interest							(400)	(420)	-420
PBT	52,810	50,060	52,630	56,330	55,821	52,830	51,670	54,960	58,490
Tax	1,520	13,160	13,810	15,230	15,220	12,050	13,650	14,590	13,830
Exceptional expense/(income)	-	-	2,700	-	4,510	0	0	0	0
Minority interest	-	-	-	-	-	0	40	180	90
Reported PAT	51,290	36,900	36,120	41,100	36,091	40,780	37,980	40,190	44,570
Adjusted PAT	51,290	36,900	38,820	41,100	40,601	40,780	37,980	40,190	44,570
Adj EPS (Rs)	11.3	8.5	8.9	9.4	9.3	9.4	8.9	9.4	10.5
QoQ growth (%)									
USD revenues	1.0	1.8	0.9	3.2	2.3	2.4	2.3	2.5	1.0
Revenue	1.3	1.6	5.8	7.7	3.8	0.6	1.2	3.8	2.0
EBITDA	2.4	2.3	0.9	7.7	1.0	(4.8)	0.1	9.5	2.9
PBT	3.0	(5.2)	5.1	7.0	(0.9)	(5.4)	(2.2)	6.4	6.4
Adj PAT	37.7	(28.1)	5.2	5.9	(1.2)	0.4	(6.9)	5.8	10.9
Margin (%)									
EBITDA	27.1	27.3	26.0	26.0	25.3	23.9	23.6	24.9	25.1
EBIT	24.3	24.7	23.7	23.7	22.6	21.4	20.5	21.7	21.9
PBT	29.7	27.7	27.5	27.3	26.1	24.5	23.7	24.3	25.3
Adj PAT	28.8	20.4	20.3	19.9	19.0	18.9	17.4	17.8	19.3

Source: Company, Centrum Research estimates

Fig 15: Consolidated model sheet of Infosys

YE Mar (Rs mn)	FY15	FY16	FY17	FY18	FY19	FY20E	FY21E	FY22E
Total revenues USD mn	8,711	9,501	10,208	10,939	11,799	12,882	14,053	15,343
Growth (%)	5.6	9.1	7.4	7.2	7.9	9.2	9.1	9.2
Constant Currency growth (%)	7.1	13.3	8.3	5.8	9.0	10.6	9.1	9.2
Average exchange rate	61.2	65.7	67.1	64.5	70.04	70.58	71.00	71.00
% Change	0.8	7.3	2.1	-3.9	8.6	0.8	0.6	0.0
Total revenues (Rs mn)	5,33,190	6,24,410	6,84,850	7,05,220	8,26,760	9,09,407	9,97,791	10,89,350
Growth (%)	6.4	17.1	9.7	3.0	17.2	10.0	9.7	9.2
EBIDTA	1,49,028	1,70,780	1,86,050	1,90,100	2,08,891	2,25,164	2,48,735	2,75,242
EBIT	1,38,338	1,56,190	1,69,020	1,71,480	1,88,781	1,96,455	2,19,316	2,45,297
PAT	1,23,328	1,34,900	1,43,530	1,60,280	1,54,091	1,65,768	1,82,083	2,02,437
Margins								
EBIDTA margins (%)	28.0	27.4	27.2	27.0	25.3	24.8	24.9	25.3
EBIT margin (%)	25.9	25.0	24.7	24.3	22.8	21.6	22.0	22.5
PBT (%)	32.4	30.0	29.2	28.8	26.3	24.7	24.9	25.4
NPM	23.1	21.6	21.0	22.7	18.6	18.2	18.2	18.6
Tax rate	28.6	28.0	28.0	20.9	25.9	25.9	27.0	27.0
Diluted EPS	27	30	31	35.5	35.4	38.9	42.8	47.6
EPS growth (%)	15.8	9.4	6.4	13.1	-0.3	10.0	9.8	11.2
P/E	27.4	25.1	23.6	20.8	20.9	19.0	17.3	15.6
P/S	5.7	5.5	4.8	4.6	3.9	3.5	3.1	2.9
EV/EBITDA	18.2	18.0	15.6	15.3	13.9	12.8	11.5	10.2
RoE (%)	24.1	23.2	22.0	23.9	23.7	26.1	27.9	28.2
RoCE (%)	24.1	23.2	22.0	23.9	23.7	26.0	27.9	28.2
RoIC (%)	48.8	47.3	43.8	45.0	40.2	41.1	42.1	44.2
Consol. Balance sheet (R mn)								
Net cash on BS (a-b)	3,25,860	3,45,830	3,89,770	3,19,810	3,08,290	2,52,950	2,86,306	3,33,779
Net cash per share (Rs)	71	76	85	73	71	60	67	79
Net cash/share as a % of stock price(%)	5.4	10.1	11.8	9.0	8.7	8.0	9.1	10.6
Consol. cash flow (Rs mn)								
Cash flow from operations	1,07,520	1,22,430	1,40,630	1,45,590	1,58,440	1,69,918	1,76,432	2,04,083
Capex + acquisitions	35,290	34,700	27,600	20,250	32,010	32,080	22,000	22,000
Free cash flow	72,230	87,730	1,13,030	1,25,340	1,26,430	1,37,838	1,54,432	1,82,083
FCF/EBITDA (%)	48.5	51.4	60.8	65.9	60.5	61.2	62.1	66.2
FCF yield (%)	2.4	2.6	3.4	3.9	3.9	4.4	4.9	5.8

Source: Company, Centrum Research estimates * Total Cash = (Cash & Cash equivalents + Current investments + Assets available for sale)

P&L					
YE March (Rs bn)	FY18	FY19	FY20E	FY21E	FY22E
Revenues	705.2	826.8	909.4	997.8	1,089.3
Cost of Revenue	432.7	518.6	578.4	636.1	688.8
% of revenues	61.4	62.7	63.6	63.7	63.2
S,G&A expenses	82.4	99.3	105.9	113.0	125.3
% of revenues	11.7	12.0	11.6	11.3	11.5
EBITDA	190.1	208.9	225.2	248.7	275.2
EBITDA margin (%)	27.0	25.3	24.8	24.9	25.3
Depreciation & Amortisation	18.6	20.1	28.7	29.4	29.9
EBIT	171	189	196	219	245
Interest expenses	-	-	(1.66)	(1.68)	(1.68)
PBT from operations	171	189	195	218	244
Other income	31.9	28.8	29.4	31.3	33.2
Exceptional items expenses/(income)	-	7.2	-	-	-
PBT	203.4	210.4	224.2	248.9	276.8
Taxes	42.4	56.3	58.0	67.2	74.7
Effective tax rate (%)	20.9	25.9	25.9	27.0	27.0
PAT	161.0	154.1	166.2	181.7	202.1
Share from Associates	(1)	-	0	0	0
Reported PAT	160.3	154.1	166.6	182.1	202.4
Adjusted PAT	161.0	161.3	166.2	181.7	202.1
PAT margin (%)	22.7	18.6	18.2	18.2	18.6

Ratios					
YE March	FY18	FY19	FY20E	FY21E	FY22E
Growth (%)					
Revenue	3.0	17.2	10.0	9.7	9.2
EBITDA	2.2	9.9	7.8	10.5	10.7
Adjusted PAT	11.9	0.2	3.0	9.4	11.2
Margin (%)					
Gross Margin	38.6	37.3	36.4	36.3	36.8
EBITDA	27.0	25.3	24.8	24.9	25.3
Adjusted PAT	22.7	18.6	18.2	18.2	18.6
Return (%)					
ROE	23.9	23.7	26.1	27.9	28.2
ROCE	23.9	23.7	26.0	27.9	28.2
ROIC	45.0	40.2	41.1	42.1	44.2
Turnover (days)					
Debtors	67.1	64.6	66.0	66.0	66.0
Unbilled	22.1	23.7	20.0	20.0	20.0
Total Debtor + Unbilled	89.1	88.3	86.0	86.0	86.0
Solvency (x)					
Net debt-equity	(0.40)	(0.40)	(0.33)	(0.35)	(0.38)
Per share (Rs)					
Adjusted EPS	35.5	35.4	38.9	42.8	47.6
Reported EPS	35.5	35.4	38.9	42.8	47.6
CEPS	39.6	40.0	45.7	49.7	54.6
Book Value	143.8	149.2	146.2	160.6	176.5
DPS	16.7	21.2	21.4	23.5	26.2
Dividend payout (%)	56.8	72.5	66.5	66.5	66.5
Valuation (x)					
P/E	20.8	20.9	19.0	17.3	15.6
P/CEPS	18.7	18.5	16.2	14.9	13.6
EV/EBITDA	15.3	13.9	12.8	11.5	10.2
EV/Sales	4.1	3.5	3.2	2.9	2.6
Dividend yield (%)	2.3	2.9	2.9	3.2	3.5

Source: Company, Centrum Research estimates

Balance sheet					
YE March (Rs bn)	FY18	FY19	FY20E	FY21E	FY22E
Equity share capital	10.9	21.7	21.2	21.2	21.2
Reserves & surplus	638.4	627.8	601.2	662.2	730.1
Shareholders' fund	649.2	649.5	622.4	683.4	751.3
Total debt	-	-	-	-	0
Def tax liab. (net)	5.4	6.7	6.7	6.7	6.7
Minority Interest	0.0	0.6	0.6	0.6	0.6
Total liabilities	654.7	656.8	629.7	690.7	760.0
Net block	121.4	133.6	136.7	129.3	121.3
Capital WIP	-	-	-	-	1.0
Goodwill	22.1	35.4	35.4	35.4	35.4
Intangibles	2.5	6.9	6.9	6.9	6.9
Investments	-	-	-	-	-
Trade Receivables	131.4	148.3	164.4	180.4	197.0
Unbilled revenue	42.6	53.7	54.6	64.9	70.8
Cash & Liquid Investments	319.8	308.3	253.0	286.3	333.8
Other current assets	159.1	161.2	167.2	173.2	179.2
Total current asset	652.9	671.5	639.2	704.8	781.8
Trade payables	6.9	16.6	14.6	12.6	10.6
Other current liab.	132.4	168.3	168.7	167.9	170.1
Provisions	4.9	5.8	5.8	5.8	5.8
Net current assets	508.6	480.9	450.1	518.6	595.3
Total assets	654.7	656.8	629.1	690.1	760.0

Cash flow					
YE March (Rs bn)	FY18	FY19	FY20E	FY21E	FY22E
Op profit bef WC changes	214.9	232.7	252.5	278.7	307.1
Changes in Current assets	(19.0)	(37.2)	(23.0)	(32.3)	(28.5)
Changes in Current liab.	17.9	31.3	(1.6)	(2.8)	0.2
Net Change – WC	(1.1)	(5.9)	(24.6)	(35.1)	(28.3)
Direct taxes	68.3	68.3	58.0	67.2	74.7
Net cash from operations	145.6	158.4	169.9	176.4	204.1
Capital expenditure	(20.0)	(24.5)	(31.9)	(22.0)	(22.0)
Acquisitions, net	(0.3)	(7.6)	-	-	-
Others	51.4	16.2	-	-	-
Net cash from investing	31.1	(15.8)	(31.9)	(22.0)	(22.0)
FCF	125.3	126.4	138.1	154.4	182.1
Issue of share capital	(130.4)	(8.1)	(82.6)	-	-
Increase/(decrease) in debt	-	-	-	-	-
Dividend paid	(74.6)	(137.1)	(110.2)	(121.1)	(134.6)
Net cash from financing	(205.1)	(145.1)	(192.8)	(121.1)	(134.6)
Effect of Changes in Exchange rates	0.8	(0.6)	-	-	-
Net change in cash	(27.5)	(3.0)	(54.8)	33.4	47.5

Source: Company, Centrum Research estimates

Disclaimer

Centrum Broking Limited ("Centrum") is a full-service, Stock Broking Company and a member of The Stock Exchange, Mumbai (BSE) and National Stock Exchange of India Ltd. (NSE). Our holding company, Centrum Capital Ltd, is an investment banker and an underwriter of securities. As a group Centrum has Investment Banking, Advisory and other business relationships with a significant percentage of the companies covered by our Research Group. Our research professionals provide important inputs into the Group's Investment Banking and other business selection processes.

Recipients of this report should assume that our Group is seeking or may seek or will seek Investment Banking, advisory, project finance or other businesses and may receive commission, brokerage, fees or other compensation from the company or companies that are the subject of this material/report. Our Company and Group companies and their officers, directors and employees, including the analysts and others involved in the preparation or issuance of this material and their dependants, may on the date of this report or from, time to time have "long" or "short" positions in, act as principal in, and buy or sell the securities or derivatives thereof of companies mentioned herein. Centrum or its affiliates do not own 1% or more in the equity of this company. Our sales people, dealers, traders and other professionals may provide oral or written market commentary or trading strategies to our clients that reflect opinions that are contrary to the opinions expressed herein, and our proprietary trading and investing businesses may make investment decisions that are inconsistent with the recommendations expressed herein. We may have earlier issued or may issue in future reports on the companies covered herein with recommendations/ information inconsistent or different those made in this report. In reviewing this document, you should be aware that any or all of the foregoing, among other things, may give rise to or potential conflicts of interest. We and our Group may rely on information barriers, such as "Chinese Walls" to control the flow of information contained in one or more areas within us, or other areas, units, groups or affiliates of Centrum. Centrum or its affiliates do not make a market in the security of the company for which this report or any report was written. Further, Centrum or its affiliates did not make a market in the subject company's securities at the time that the research report was published.

This report is for information purposes only and this document/material should not be construed as an offer to sell or the solicitation of an offer to buy, purchase or subscribe to any securities, and neither this document nor anything contained herein shall form the basis of or be relied upon in connection with any contract or commitment whatsoever. This document does not solicit any action based on the material contained herein. It is for the general information of the clients of Centrum. Though disseminated to clients simultaneously, not all clients may receive this report at the same time. Centrum will not treat recipients as clients by virtue of their receiving this report. It does not constitute a personal recommendation or take into account the particular investment objectives, financial situations, or needs of individual clients. Similarly, this document does not have regard to the specific investment objectives, financial situation/circumstances and the particular needs of any specific person who may receive this document. The securities discussed in this report may not be suitable for all investors. The securities described herein may not be eligible for sale in all jurisdictions or to all categories of investors. The countries in which the companies mentioned in this report are organized may have restrictions on investments, voting rights or dealings in securities by nationals of other countries. The appropriateness of a particular investment or strategy will depend on an investor's individual circumstances and objectives. Persons who may receive this document should consider and independently evaluate whether it is suitable for his/ her/their particular circumstances and, if necessary, seek professional/financial advice. Any such person shall be responsible for conducting his/her/their own investigation and analysis of the information contained or referred to in this document and of evaluating the merits and risks involved in the securities forming the subject matter of this document.

The projections and forecasts described in this report were based upon a number of estimates and assumptions and are inherently subject to significant uncertainties and contingencies. Projections and forecasts are necessarily speculative in nature, and it can be expected that one or more of the estimates on which the projections and forecasts were based will not materialize or will vary significantly from actual results, and such variances will likely increase over time. All projections and forecasts described in this report have been prepared solely by the authors of this report independently of the Company. These projections and forecasts were not prepared with a view toward compliance with published guidelines or generally accepted accounting principles. No independent accountants have expressed an opinion or any other form of assurance on these projections or forecasts. You should not regard the inclusion of the projections and forecasts described herein as a representation or warranty by or on behalf of the Company, Centrum, the authors of this report or any other person that these projections or forecasts or their underlying assumptions will be achieved. For these reasons, you should only consider the projections and forecasts described in this report after carefully evaluating all of the information in this report, including the assumptions underlying such projections and forecasts.

The price and value of the investments referred to in this document/material and the income from them may go down as well as up, and investors may realize losses on any investments. Past performance is not a guide for future performance. Future returns are not guaranteed and a loss of original capital may occur. Actual results may differ materially from those set forth in projections. Forward-looking statements are not predictions and may be subject to change without notice. Centrum does not provide tax advice to its clients, and all investors are strongly advised to consult regarding any potential investment. Centrum and its affiliates accept no liabilities for any loss or damage of any kind arising out of the use of this report. Foreign currencies denominated securities are subject to fluctuations in exchange rates that could have an adverse effect on the value or price of or income derived from the investment. In addition, investors in securities such as ADRs, the value of which are influenced by foreign currencies effectively assume currency risk. Certain transactions including those involving futures, options, and other derivatives as well as non-investment-grade securities give rise to substantial risk and are not suitable for all investors. Please ensure that you have read and understood the current risk disclosure documents before entering into any derivative transactions.

This report/document has been prepared by Centrum, based upon information available to the public and sources, believed to be reliable. No representation or warranty, express or implied is made that it is accurate or complete. Centrum has reviewed the report and, in so far as it includes current or historical information, it is believed to be reliable, although its accuracy and completeness cannot be guaranteed. The opinions expressed in this document/material are subject to change without notice and have no obligation to tell you when opinions or information in this report change.

This report or recommendations or information contained herein do/does not constitute or purport to constitute investment advice in publicly accessible media and should not be reproduced, transmitted or published by the recipient. The report is for the use and consumption of the recipient only. This publication may not be distributed to the public used by the public media without the express written consent of Centrum. This report or any portion hereof may not be printed, sold or distributed without the written consent of Centrum.

The distribution of this document in other jurisdictions may be restricted by law, and persons into whose possession this document comes should inform themselves about, and observe, any such restrictions. Neither Centrum nor its directors, employees, agents or representatives shall be liable for any damages whether direct or indirect, incidental, special or consequential including lost revenue or lost profits that may arise from or in connection with the use of the information.

This document does not constitute an offer or invitation to subscribe for or purchase or deal in any securities and neither this document nor anything contained herein shall form the basis of any contract or commitment whatsoever. This document is strictly confidential and is being furnished to you solely for your information, may not be distributed to the press or other media and may not be reproduced or redistributed to any other person. The distribution of this report in other jurisdictions may be restricted by law and persons into whose possession this report comes should inform themselves about, and observe any such restrictions. By accepting this report, you agree to be bound by the foregoing limitations. No representation is made that this report is accurate or complete.

The opinions and projections expressed herein are entirely those of the author and are given as part of the normal research activity of Centrum Broking and are given as of this date and are subject to change without notice. Any opinion estimate or projection herein constitutes a view as of the date of this report and there can be no assurance that future results or events will be consistent with any such opinions, estimate or projection.

This document has not been prepared by or in conjunction with or on behalf of or at the instigation of, or by arrangement with the company or any of its directors or any other person. Information in this document must not be relied upon as having been authorized or approved by the company or its directors or any other person. Any opinions and projections contained herein are entirely those of the authors. None of the company or its directors or any other person accepts any liability whatsoever for any loss arising from any use of this document or its contents or otherwise arising in connection therewith.

Centrum and its affiliates have not managed or co-managed a public offering for the subject company in the preceding twelve months. Centrum and affiliates have not received compensation from the companies mentioned in the report during the period preceding twelve months from the date of this report for service in respect of public offerings, corporate finance, debt restructuring, investment banking or other advisory services in a merger/acquisition or some other sort of specific transaction.

As per the declarations given by them, Mr. Madhu Babu and Mr. Vaibhav Chechani, research analyst and and/or any of their family members do not serve as an officer, director or any way connected to the company/companies mentioned in this report. Further, as declared by them, they are not received any compensation from the above companies in the preceding twelve months. They do not hold any shares by them or through their relatives or in case if holds the shares then will not to do any transactions in the said scrip for 30 days from the date of release such report. Our entire research professionals are our employees and are paid a salary. They do not have any other material conflict of interest of the research analyst or member of which the research analyst knows of has reason to know at the time of publication of the research report or at the time of the public appearance.

While we would endeavour to update the information herein on a reasonable basis, Centrum, its associated companies, their directors and employees are under no obligation to update or keep the information current. Also, there may be regulatory, compliance or other reasons that may prevent Centrum from doing so.

Non-rated securities indicate that rating on a particular security has been suspended temporarily and such suspension is in compliance with applicable regulations and/or Centrum policies, in circumstances where Centrum is acting in an advisory capacity to this company, or any certain other circumstances.

This report is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation or which would subject Centrum Broking Limited or its group companies to any registration or licensing requirement within such jurisdiction. Specifically, this document does not constitute an offer to or solicitation to any U.S. person for the purchase or sale of any financial instrument or as an official confirmation of any transaction to any U.S. person unless otherwise stated, this message should not be construed as official confirmation of any transaction. No part of this document may be distributed in Canada or used by private customers in United Kingdom. The information contained herein is not intended for publication or distribution or circulation in any manner whatsoever and any unauthorized reading, dissemination, distribution or copying of this communication is prohibited unless otherwise expressly authorized. Please ensure that you have read "Risk Disclosure Document for Capital Market and Derivatives Segments" as prescribed by Securities and Exchange Board of India before investing in Indian Securities Market.

Ratings definitions

Our ratings denote the following 12-month forecast returns:

- Buy – The stock is expected to return above 15%.
- Add – The stock is expected to return 5-15%.
- Reduce – The stock is expected to deliver -5-+5% returns.
- Sell – The stock is expected to deliver <-5% returns.

Infosys price chart



Source: Bloomberg

Disclosure of Interest Statement

1	Business activities of Centrum Broking Limited (CBL)	Centrum Broking Limited (hereinafter referred to as "CBL") is a registered member of NSE (Cash, F&O and Currency Derivatives Segments), MCX-SX (Currency Derivatives Segment) and BSE (Cash segment), Depository Participant of CDSL and a SEBI registered Portfolio Manager.	
2	Details of Disciplinary History of CBL	CBL has not been debarred/ suspended by SEBI or any other regulatory authority from accessing /dealing in securities market.	
3	Registration status of CBL:	CBL is registered with SEBI as a Research Analyst (SEBI Registration No. INH000001469)	
			Infosys
4	Whether Research analyst's or relatives' have any financial interest in the subject company and nature of such financial interest		No
5	Whether Research analyst or relatives have actual / beneficial ownership of 1% or more in securities of the subject company at the end of the month immediately preceding the date of publication of the document.		No
6	Whether the research analyst or his relatives has any other material conflict of interest		No
7	Whether research analyst has received any compensation from the subject company in the past 12 months and nature of products / services for which such compensation is received		No
8	Whether the Research Analyst has received any compensation or any other benefits from the subject company or third party in connection with the research report		No
9	Whether Research Analysts has served as an officer, director or employee of the subject company		No
10	Whether the Research Analyst has been engaged in market making activity of the subject company.		No
11	Whether it or its associates have managed or co-managed public offering of securities for the subject company in the past twelve months;		No
12	Whether it or its associates have received any compensation for investment banking or merchant banking or brokerage services from the subject company in the past twelve months;		No
13	Whether it or its associates have received any compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company in the past twelve months;		No

Member (NSE and BSE). Member MSEI (Inactive)

Single SEBI Regn No.: INZ000205331

Depository Participant (DP)

CDSL DP ID: 120 – 12200

SEBI REGD NO. : CDSL : IN-DP-CDSL-661-2012

PORTFOLIO MANAGER

SEBI REGN NO.: INP000004383

Research Analyst

SEBI Registration No. INH000001469

Mutual Fund Distributor

AMFI REGN No. ARN- 147569

Website: www.centrum.co.in

Investor Grievance Email ID: investor.grievances@centrum.co.in

Compliance Officer Details:

Ashok D Kadambi

(022) 4215 9937; Email ID: compliance@centrum.co.in

Centrum Broking Ltd. (CIN :U67120MH1994PLC078125)	
<p>Registered Office Address Bombay Mutual Building , 2nd Floor, Dr. D. N. Road, Fort, Mumbai - 400 001</p>	<p>Corporate Office & Correspondence Address Centrum House 6th Floor, CST Road, Near Vidya Nagari Marg, Kalina, Santacruz (E), Mumbai 400 098. Tel: (022) 4215 9000 Fax: +91 22 4215 9344</p>

Centrum Broking Institutional Equities Team Details

Centrum Broking Institutional Equities Team Details			
Nischal Maheshwari	CEO	nischal.maheshwari@centrum.co.in	+91-22-4215 9841
Research Analyst	Sector	E-mail	Phone number
Sneha Prashant	Auto & Auto Ancillary	sneha.prashant@centrum.co.in	+91-22-4215 9928
Cyrus Dadabhoy	BFSI	cyrus.dadabhoy@centrum.co.in	+91-22-4215 9980
Gaurav Jani	BFSI	gaurav.jani@centrum.co.in	+91-22-4215 9110
Milind Suresh Raginwar	Cement & Metals	milind.raginwar@centrum.co.in	+91-22-4215 9201
Shirish Pardeshi	FMCG	shirish.pardeshi@centrum.co.in	+91-22-4215 9634
Ashish Shah	Infra & Aviation	shah.ashish@centrum.co.in	+91-22-4215 9021
Madhu Babu	IT	madhu.babu@centrum.co.in	+91-22-4215 9855
Probal Sen	Oil & Gas	Probal.sen@centrum.co.in	+91-22-4215 9001
Cyndrella Carvalho	Pharma	cyndrella.carvalho@centrum.co.in	+91-22-4215 9643
Sparsh Chhabra	Economist	sparsh.chhabra@centrum.co.in	+91-22-4215 9035
Joaquim Fernandes	Quant	Joaquim.Fernandes@centrum.co.in	+91-22-4215 9363
Equity Sales	Designation	Email	Phone number
Rajesh Makharia	Director	rajesh.makharia@centrum.co.in	+91-22-4215 9854
Paresh Shah	MD	paresh.shah@centrum.co.in	+91-22-4215 9617
Anil Chaurasia	Sr. VP	anil.chaurasia@centrum.co.in	+91-22-4215 9631
Himani Sanghavi	AVP	himani.sanghavi@centrum.co.in	+91-22-4215 9082
Saahil Harwani	Associate	saahil.harwani@centrum.co.in	+91-22-4215 9623