

Infosys

BUY

CMP Rs1,399

Target Rs1,560

Upside 11.6%

Result Highlights

- ✓ Reported revenue of \$3,613mn (up 2.8% QoQ reported and up 2% QoQ in CC terms). In INR terms, it reported revenue Rs 263.bn (up 1.5% QoQ), a slight miss on consensus estimate. It is to be noted that there was adverse impact of INR appreciation in reported INR revenue for the quarter; and also the revenue growth for the quarter was impacted by some time being taken in ramping up large deals. Digital revenue now accounts for 51.5% of revenue compared to 50.1% in Q3FY21 and grew 34.4%YoY in cc terms.
- ✓ EBIT margin declined by 94 bps QoQ to 24.5% on expected lines, led by wage hike in the quarter
- ✓ Large deals win came in at \$2.1bn (highest deal booking in 4th quarter over the last 3 years), led by strong traction in digital, cloud and data related technologies
- ✓ LTM attrition came in at 15.2% vs 10% in Q3FY21 due to higher demand for talent in the market
- ✓ Announced final dividend of Rs 15/share, which along with interim dividend of Rs 12/share, comes to be Rs 27/share for FY21 (54% increase over FY20)
- ✓ Also announced share buyback of equity shares amounting to Rs 92bn, at a price not exceeding Rs 1,750/share
- ✓ **FY22 guidance:** Strong revenue guidance of 12-14% revenue growth in cc terms with operating margin band of 22-24%

Our view: While the revenue performance was less than expected in the quarter, but robust deal booking and deal pipeline in digital, cloud and data offers strong revenue growth visibility for FY22 and ahead. It should be able to achieve stable operating margin for FY22, supported by positive operating leverage, even though, it faces headwind in terms of increased cost such as salary hikes and increased travel expense. Share buyback would restrict downside risk in the near term. The stock trades at 22.8x on FY23 earnings. Initiate coverage on the stock with Buy Rating

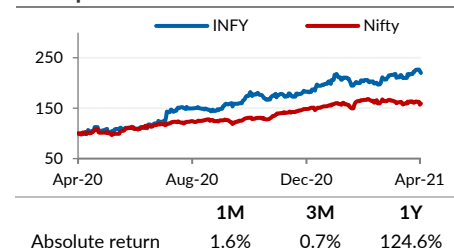
Exhibit 1: Result table

Particulars (Rs mn)	Mar-21	Mar-20	yoy%	Dec-20	qoq%
Sales (\$ mn)	3,613	3,197	13.0	3,516	2.8
Sales (Rs mn)	263,110	232,670	13.1	259,270	1.5
EBITDA	72,710	56,760	28.1	74,150	(1.9)
EBITDA %	27.6	24.4	324 bps	28.6	(96) bps
Depreciation	8,310	7,490	10.9	8,260	0.6
EBIT	64,400	49,270	30.7	65,890	(2.3)
EBIT Margin %	24.5	21.2	330 bps	25.4	(94) bps
Other income	5,450	6,140	(11.2)	6,110	(10.8)
Interest	(500)	(450)	0.0	(490)	0.0
PBT	69,350	54,960	26.2	71,510	(3.0)
Tax	18,570	11,610	59.9	19,360	(4.1)
PAT	50,780	43,350	17.1	52,150	(2.6)
NPM (%)	19.3	18.6	67 bps	20.1	(81) bps
EPS	12.0	10	17.5	12	(2.3)

Stock data (as on Apr 14, 2021)

Nifty	14,505
52 Week h/l (Rs)	1,478 / 604
Market cap (Rs/USD mn)	5,952,782 / 79,312
Outstanding Shares	4,261
6m Avg t/o (Rs mn)	11,829
Div yield (%)	1.5
Bloomberg code:	INFO IN
NSE code:	INFY

Stock performance



Shareholding pattern (As of Dec'20 end)

Promoter	12.95%
FII+DII	56.01%
Others	13.39%

Financial Summary

(Rs mn)	FY21	FY22E	FY23E
Net Revenue	1,004,730	1,136,530	1,279,175
YoY Growth	10.7%	13.1%	12.6%
EBIDTA	278,900	313,895	366,129
YoY Growth	25.3%	12.5%	16.6%
PAT	194,230	221,045	260,118
YoY Growth	16.7%	13.8%	17.7%
ROE	28.4%	29.6%	31.1%
EPS	46	52	61
P/E	30.6	26.9	22.8
BV	167	184	210
P/BV	8.4	7.6	6.7

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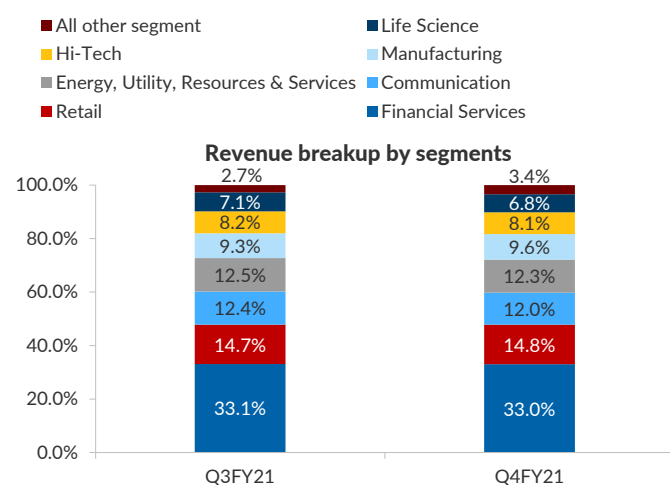
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CON-CALL HIGHLIGHTS

- ✓ Demand environment continues to be robust led by deals in digital, cloud and data. It is reflected in robust deal booking and deal pipeline that would help to achieve 12-14% revenue growth guidance in CC terms.
- ✓ Financial services segment continues to show strong recovery.
- ✓ Salary hikes for FY22 would be done in phased manner beginning July2021.
- ✓ Strong demand for talent has led to this 500 bps QoQ increase in LTM attrition.
- ✓ Employee utilization which is running at all time high at 87.7% is expected to come down led by increased employee hiring (~25,000 employees) in FY22.
- ✓ The company faces cost-wise headwinds such as coming salary hike and increase travel expenses in the latter part of FY22 and that have been considered in the operating margin guidance of 22-24%
- ✓ Dividend has been increased by 54% YoY in FY21 , as part of its dividend policy to pay back 80-85% of FCF over five year period.

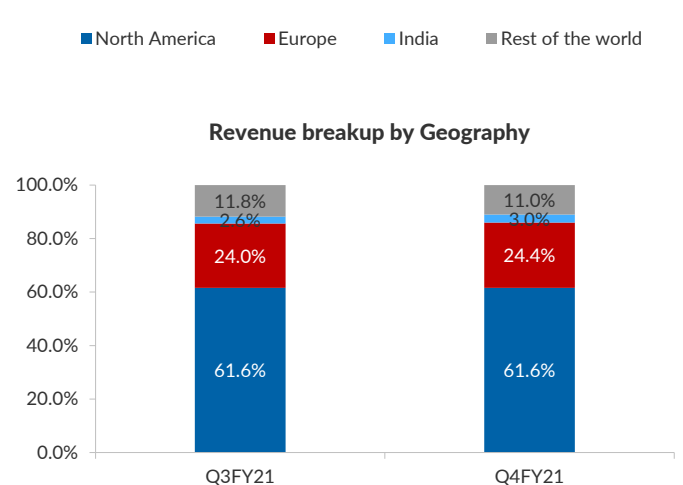
CHARTS

Exhibit 2: Financial Services reports robust growth



Source: Company, YES Sec – Research

Exhibit 3: Recovery visible in European business



Source: Company, YES Sec – Research

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