

**Infosys Ltd.****₹ 3007****Return of the Phantom****Accumulate**

Aug 02, 2013

**Company Background**

Infosys Ltd, is a global technology Services Company headquartered in India. It is the second largest IT exporter in India. Today, Infosys is a global leader in the "next generation" of IT and consulting with revenues of USD 7.4 bn. It takes pride in building strategic long-term client relationships. 98% of revenues come from existing customers (FY13). Infosys defines designs & delivers techn-enabled business solutions for Global 2000 companies. It provides a complete range of services through its domain & business expertise & strategic alliances with leading technology providers. It is the pioneer of Global Delivery Model, which emerged as a disruptive force in industry leading to offshore outsourcing.

**Key Highlights**

- ➔ CareFirst BlueCross BlueShield awarded the Company a 3 year managed services contract to create a cost-effective delivery model and drive efficiencies in application support. Infosys will set up a secure facility within its newly established delivery center in Rockville, Maryland to service it and help CareFirst to consolidate IT support services currently managed by multiple vendors.
- ➔ Infosys announced a partnership with IPsoft to offer autonomics-based managed IT service to clients. IPsoft and Infosys will set up an Autonomics Center of Excellence & an Autonomics Lab at Infosys Global Education Center.
- ➔ The Cloud and Big Data business has executed over 100 engagements. Over the last quarter, Infosys won over 15 engagements across Cloud services and Big Data. Infosys was also invited to join the global Open Data Center Alliance (ODCA) as a contributing member to help define and strengthen worldwide industry standards to support enterprise cloud and big data requirements.
- ➔ The US District of Columbia awarded Infosys Public Services, a 1 year contract valued at USD 49.5 mn to develop its new health benefit exchange, a crucial component of the Affordable Care Act.
- ➔ During the first quarter, Infosys applied for 18 patent applications in India and U.S. It has now 528 patent applications at various stages in approval process in all jurisdictions, has been granted 106 patents by the United States Patent and Trademark Office and three patents by the Luxembourg patent office.

**Key Financials**

Year Ended 31 <sup>st</sup>	Mar 11	Mar 12	Mar 13
Revenue (INR mn)	265,320.0	336,610.0	390,650.0
Rev. growth (%)	18.31	26.87	16.05
EBITDA (INR mn)	95,650.0	125,300.0	134,310.0
Net profit (INR mn)	64,430.0	84,700.0	91,160.0
Shares outstanding (mn)	574.2	574.2	574.2
EPS (INR)	112.2	147.5	158.7
EPS growth (%)	10.97	31.44	7.63
P/E (x)	28.8	19.4	18.2
RONW (%)	27.7	31.2	27.7
ROCE (%)	27.7	31.2	27.7

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**Info Codes**

Reuters	: INFY.BO
Bloomberg	: INFO@IN
NSE	: INFY
BSE	: 500209

**Market Data**

52 Wk Range (₹)	: 3020 / 2186
Shares in Issue (mn)	: 574.2
Mkt. Cap (₹ bn)	: 1726.6
BSE 2 Wk Avg Vol	: 93000

**Share Holding Pattern (%)**

Promoters	: 16.04
DII's	: 18.28
FII's	: 39.55
Others	: 26.13

**Investment Theme**

Due to Healthy onsite volume growth Infosys Ltd's 1QFY14 revenue beat expectations, signifying good project starts. High employee utilisation rate & rupee depreciation offset the impact of residual wage hikes, leading to flattish margins. This aided net profit to rise 5.7 % 2.1% above estimates, respectively. While the management continues to be cautious regarding business environment, it is believed that key positive signs have emerged over the past couple of quarters, notably a strong YoY increase in on-site volume and rise in employee utilisation rate. It is expected that Infosys will start showing more consistency in its results going forward, given the above-stated positive factors. The street has adjusted to the "higher revenue growth at the cost of margins" theme that Infosys will have to focus on and do not expect this to impact the valuation.

**Indian Rupee sat on a Wall...**

## Financial Statements

### Income Statement

(₹ mn)

Year end	Mar 11	Mar 12	% Chg	Mar 13	% Chg
Total Sales + Excise	253850.0	312540.0	23.12	367650.0	17.63
Other Income	11470.0	24070.0	109.85	23000.0	(4.45)
Change in Stocks	0.0	0.0	-	0.0	-
Raw Material Con.	230.0	240.0	4.35	220.0	(8.33)
Employee Exp.	124590.0	154730.0	24.19	199320.0	28.82
Indirect Taxes	480.0	510.0	6.25	690.0	35.29
Other Exp.	49440.0	62350.0	26.11	65090.0	4.39
Operating Exp.	174740.0	217830.0	24.66	265320.0	21.80
Operating Profit	79110.0	94710.0	19.72	102330.0	8.05
Total Interest	10.0	20.0	100.00	30.0	50.00
Gross Profit	90570.0	118760.0	31.13	125300.0	5.51
Net Dep.	2360.0	2020.0	(14.41)	1730.0	(14.36)
Total Taxation	23780.0	32040.0	34.74	32410.0	1.15
Net Profit/Loss	64430.0	84700.0	31.46	91160.0	7.63

### 4 Years Balance Sheet

(₹ mn)

Balance Sheet as on 31 <sup>st</sup>	Mar 10	Mar 11	Mar 12	Mar 13
<b>SOURCES OF FUNDS</b>	<b>220,360.0</b>	<b>245,010.0</b>	<b>297,570.0</b>	<b>360,590.0</b>
Equity Share capital	2,870.0	2,870.0	2,870.0	2,870.0
Share Application Money	0.0	0.0	0.0	0.0
Preference Share Capital	0.0	0.0	0.0	0.0
Reserves & Surplus	217,490.0	242,140.0	294,700.0	357,720.0
Long Term Loans	0.0	0.0	0.0	0.0
Short Term Loans	0.0	0.0	0.0	0.0
<b>USES OF FUNDS</b>	<b>220,360.0</b>	<b>245,010.0</b>	<b>297,570.0</b>	<b>360,590.0</b>
Gross Block	63,570.0	69,340.0	71,730.0	80,600.0
Less : Revaluation Reserves	0.0	0.0	0.0	0.0
Less : Accumulated Depreciation	25,780.0	28,780.0	31,120.0	36,070.0
Net Block	37,790.0	40,560.0	40,610.0	44,530.0
Capital Work in Progress	4,090.0	2,490.0	5,880.0	11,350.0
Investments	34,460.0	13,250.0	14,090.0	43,440.0
Current Assets	185,320.0	234,830.0	301,070.0	334,430.0
Less : Current Liabilities	41,300.0	46,120.0	64,080.0	73,160.0
Total Net Current Assets	144,020.0	188,710.0	236,990.0	261,270.0
Misc. Expenses not written	0.0	0.0	0.0	0.0
<b>NOTE</b>				
Bk Val Unquoted Investments	11,290.0	13,250.0	14,040.0	24,560.0
Mkt Val. Quoted Investments	23,170.0	0.0	50.0	18,970.0
Contingent Liabilities	23,770.0	34,910.0	51,430.0	73,090.0
Dividend (%)	500	1200	940	840

Quarterly Income Sheets

(₹ mn)

Quarter Ended	Sep 12	Dec 12	Mar 13	Jun 13
Net Sales	91,290.00	93,980.00	93,290.00	99,590.00
Cost Of Sales	63,640.00	65,810.00	66,980.00	71,960.00
Operating Profit	27,650.00	28,170.00	26,310.00	27,630.00
Recurring Income	6,970.00	4,810.00	6,470.00	5,630.00
Adjusted PBDIT	34,620.00	32,980.00	32,780.00	33,260.00
Financial Expenses	0.00	0.00	0.00	0.00
Depreciation	2,380.00	2,480.00	2,560.00	2,500.00
Other Write Offs	0.00	0.00	0.00	0.00
Adjusted PBT	32,240.00	30,500.00	30,220.00	30,760.00
Tax Charges	8,820.00	7,850.00	7,170.00	8,260.00
Adjusted PAT	23,420.00	22,650.00	23,050.00	22,500.00
Non Recurring Items	0.00	0.00	0.00	0.00
Other Non Cash Adjust	0.00	0.00	0.00	0.00
Net Profit	23,420.00	22,650.00	23,050.00	22,500.00

52 Week Index Relative Percentage Appreciation



Infosys vs SENSEX vs IT vs SENSEX

Points to Ponder

- The Metro Atlanta Chamber presented the 2013 Global Impact Award to Infosys BPO in the Foreign Direct Investment category for its plans to invest in education and training.
- Golomt Bank, Mongolia's largest private banking and financial services provider, has selected Infosys Finacle to power its technology transformation. The bank is looking to adapt to a rapidly changing business environment in Central Asia and manage their expanding customer base.
- Infosys is collaborating with SAP on development of mobile applications for the retail industry. These efforts are focused on giving consumer packaged goods (CPG) companies anytime, anywhere access to sales representatives and merchandisers, enabling them to capture information from the field to make them more competitive and agile.
- Finacle™ sustained its business momentum in the last quarter with 15 new wins and 14 banks going live on Finacle™ across the Middle East, Africa, Asia and Central America. This includes the first Finacle™ customer in Mongolia and the first successful core banking implementation in recent times in Turkey.
- Union National Bank (UNB), Abu Dhabi has implemented Infosys Finacle to power its Treasury and Capital Markets business. Finacle Treasury will help integrate the bank's trading, risk management and back office operations.
- British Telecom's Seamless Desktop program powered by the Infosys AssistEdge was awarded the prestigious Global Telecoms Business Innovation Award for 2013 in the Consumer Service Innovation category.
- Infosys announced that Robinsons Bank, a commercial bank in the Philippines, has selected Infosys Finacle as its transformation partner to support its branch network expansion and business growth.



Infosys is a global leader in consulting, technology and outsourcing solutions. As a proven partner focused on building tomorrow's enterprise, Infosys enables clients in more than 30 countries to outperform the competition and stay ahead of the innovation curve. Ranked in the top tier of Forbes' 100 most innovative companies, Infosys – with USD 7.4bn in annual revenues and 155,000+ employees – provides enterprises with strategic insights on what lies ahead, helping them transform and thrive in a changing world through strategic consulting, operational leadership and the co-creation of breakthrough solutions, including those in mobility, sustainability, big data and cloud computing. Infosys has a global footprint with 67 offices and 69 development centers in US, India, China, Australia, Japan, Middle East, UK, Germany, France, Switzerland, Poland, Netherlands, Canada and many other countries. Infosys and its subsidiaries have 1,57,263 employees as on June 30, 2013. The Company's offerings span business & technology consulting, services, systems, product engineering, custom software development, maintenance, re-engineering, independent testing & validation services, IT infrastructure services & BPO. Infosys won the IBM Smarter Commerce Business Partner of the Year Award for Australia and New Zealand. Infosys has been recognized as a winner in the 2013 Simulating Reality contest, organized by MSC Software. Infosys has been named a '2013 Environmental Tracking (ET) Carbon Ranking Leader' for its greenhouse gas emissions and disclosure practices. It also finds a mention in one of the fastest grown IT Companies in the world. After the current management change the company is poised to be back on track.

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## Rating Interpretation

<b>Buy</b>	: Expected to appreciate 20% or more over 12-months	<b>Reduce</b>	: Expected to depreciate up to 10% over 12-months
<b>Accumulate</b>	: Expected to appreciate 10% to 20% over 12-months	<b>Sell</b>	: Expected to depreciate 10% or more over 12-months
<b>Trade Buy</b>	: Expected to appreciate more than 10% over 45-days	<b>Trade Sell</b>	: Expected to depreciate more than 10% over 45-days

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