

Infosys Ltd.

₹ 630



Oct 26, 2018

*Timing is everything...!!!***Accumulate****Company Background**

Infosys is a public limited & India's second largest software exporter. Company was incorporated in the year 1981 as Infosys Consultants Pvt Ltd by Mr.N.R.Narayana Murthy at Karnataka. It was started by seven people with the investment of \$ 250. Company became a public limited company in the year 1992. It was the first Indian company to be listed on the NASDAQ in the year 1999, also forms a part of the NASDAQ-100 index. It is a global technology services firm that defines, designs and delivers information technology (IT) enabled business solutions to it's clients. Company provides end-to-end business solutions that leverage technology for clients, including technical consulting, design, development, product engineering, maintenance, systems integration, package-enabled consulting & implementation and infrastructure management services. It also provides software products to the banking industry. Infosys has developed Finacle, a universal banking solution to large and medium size banks across India and overseas. Infosys BPO is a majority owned subsidiary. Through Infosys BPO, the company provides business process management services, such as offsite customer relationship management, finance and accounting, administration & sales order processing. It has marketing & technical alliance with FileNet, IBM, Intel, Microsoft, Oracle & System Application Products.

Key Highlights

- ➔ Operating Income improved by 4.5% to ₹ 6,19,410 million, operating profit rose by 5.2% to ₹ 2,13,160 million and finally the net profit also jumped by 16.9% to ₹ 1,61,550 million on yearly basis for FY18.
- ➔ It's primary geographic markets are North America, Europe, Rest of the World & India, which generated 60.4%, 23.7%, 12.7% & 3.2%, respectively of it's consolidated revenues in the year ended March 31, 2018.
- ➔ During the FY18, company has invested additionally ₹ 240 crore in it's five subsidiaries, for the purpose of operations & expansion.
- ➔ During the Q1FY19 it entered into an agreement to acquire WongDoody Holding company Inc., a US-based agency for a total consideration of ₹ 489 crore including contingent consideration & retention payouts.

Key Financials

Year Ended 31 st	Mar 16	Mar 17	Mar 18
Revenue (INR mn)	5,69,890.0	6,23,510.0	6,59,600.0
Rev. growth (%)	11.64	9.41	5.79
EBITDA (INR mn)	1,87,150.0	2,02,690.0	2,13,160.0
Net profit (INR mn)	1,26,930.0	1,38,180.0	1,61,550.0
Shares outstanding (mn)	2,296.0	2,296.0	2,184.0
EPS (INR)	49.7	60.2	74.0
EPS growth (%)	(48.70)	20.99	0.00
P/E (x)	12.24	0.00	7.67
RONW (%)	23.26	21.41	24.57
ROCE (%)	32.22	29.31	30.21

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Info Codes

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

Market Data

52 Wk Range (₹)	: 459/755
Shares in Issue (mn)	: 2,184
Market. Cap (bn)	: 2767
BSE 2 Wk Avg Vol	: 7,56,000

Share Holding Pattern (%)

Promoters Holding	: 12.82
Public & Others	: 10.61
Corporate Holding	: 01.70
Foreign Institution	: 52.71
Institutions	: 22.16
Govt Holding	: 00.00

Investment Theme

Revenue growth on standalone basis was 4.5% the growth was on account of an increase in the volume & expansion in the operations. During the FY18, its 97% of revenue was from exports and 3% of revenue from domestic, which was the same as the previous year. It's revenues are segmented into onsite and offshore, onsite was contributed 53.1% while offshore was contributed 46.9% of total revenue for FY18. Revenue break-up by Services & Products were ₹ 6,19,100 million & ₹ 310 million respectively for the FY18. It invested ₹ 1,823 cr as capital expenditure, it comprises ₹ 1,422 crore on infrastructure development, ₹ 396 crore on computer equipment and ₹ 5 crore on vehicles. On yearly basis the capital expenditure was grew by 0.33% for FY18. Improvement in Capital Expenditure shows the management interest on growth.

Ideas for Life...!!!

Financial Statements

Income Statement

(₹ mn)

Year end	Mar 16	Mar 17	% Chg	Mar 18	% Chg
Operating Income	5,39,830.0	5,92,890.0	9.8	6,19,410.0	4.5
Other Income	30,060.0	30,620.0	1.9	40,190.0	31.3
Change in Stocks	0.0	0.0	0.0	0.0	0.0
Raw Material Con.	0.0	0.0	0.0	0.0	0.0
Employee Exp.	2,82,070.0	3,09,440.0	9.7	3,24,720.0	4.9
Indirect Taxes	0.0	0.0	0.0	0.0	0.0
Other Exp.	1,00,670.0	1,11,380.0	10.6	1,21,720.0	9.3
Operating Exp.	3,82,740.0	4,20,820.0	9.9	4,46,440.0	6.1
Operating Profit	1,87,150.0	2,02,690.0	8.3	2,13,160.0	5.2
Total Interest	0.0	0.0	0.0	0.0	0.0
Gross Profit	1,87,150.0	2,02,690.0	8.3	2,13,160.0	5.2
Net Dep.	11,150.0	13,310.0	19.4	14,080.0	5.8
Total Taxation	49,070.0	51,200.0	4.3	37,530.0	0.0
Net Profit/Loss	1,26,930.0	1,38,180.0	8.9	1,61,550.0	16.9

4 Years Balance Sheet

(₹ mn)

Balance Sheet as on 31 st	Mar 15	Mar 16	Mar 17	Mar 18
SOURCES OF FUNDS	4,80,980.0	6,11,440.0	6,80,990.0	6,37,100.0
Equity Share capital	5,740.0	11,480.0	11,480.0	10,920.0
Equity Application Money	0.0	0.0	0.0	0.0
Equity Share Warrants	0.0	0.0	0.0	0.0
Reserves & Surplus	4,74,940.0	5,99,340.0	6,68,690.0	6,24,100.0
Secured Loans	0.0	0.0	0.0	0.0
Unsecured Loans	300.0	620.0	820.0	2,080.0
USES OF FUNDS	4,80,980.0	6,11,440.0	6,80,990.0	6,37,100.0
Gross Block	1,28,690.0	1,47,090.0	1,62,400.0	1,81,430.0
Less : Revaluation Reserves	0.0	0.0	0.0	0.0
Less : Accumulated Depreciation	55,220.0	64,610.0	76,350.0	89,860.0
Net Block	73,470.0	82,480.0	86,050.0	91,570.0
Capital Work in Progress	7,690.0	9,340.0	12,470.0	14,420.0
Investments	68,570.0	1,10,780.0	2,49,770.0	1,78,990.0
Current Assets	4,20,030.0	4,60,950.0	3,80,390.0	3,81,840.0
Less : Current Liabilities	1,37,150.0	1,15,880.0	1,17,860.0	1,16,620.0
Total Net Current Assets	2,82,880.0	3,45,070.0	2,62,530.0	2,65,220.0
Misc. Expenses not writtenoff	48,370.0	63,770.0	70,170.0	86,900.0
NOTE				
Book Value of Unquoted Investments	7,490.0	20.0	96,430.0	59,060.0
Market Value of Quoted Investments	56,540.0	71,210.0	79,260.0	92,630.0
Contingent Liabilities	0.0	0.0	0.0	0.0
Dividend (%)	1,190.0	485.0	515.0	870.0

Quarterly Income Sheets

(₹ mn)

Quarter Ended	Dec 17	Mar 18	Jun 18	Sep 18
Net Sales	1,56,310.0	1,59,840.0	1,70,560.0	1,82,970.0
Cost Of Sales	1,11,660.0	1,12,780.0	1,23,510.0	1,33,980.0
Operating Profit	44,650.0	47,060.0	47,050.0	48,990.0
Other Income	18,110.0	6,360.0	7,160.0	7,420.0
Adjusted PBDIT	62,760.0	53,420.0	54,210.0	56,410.0
Financial Expenses	0.0	0.0	0.0	0.0
Depreciation	3,540.0	3,630.0	3,740.0	3,900.0
Other Write Offs	0.0	5,890.0	2,650.0	0.0
Adjusted PBT	59,220.0	43,900.0	47,820.0	52,510.0
Tax Charges	(820.0)	12,330.0	12,790.0	13,720.0
Reported Profit	60,040.0	31,570.0	35,030.0	38,790.0
Extra Ordinary Items	0.0	0.0	0.0	0.0
Other Non Cash Adjust	0.0	0.0	0.0	0.0
Adjusted Net Profit	60,040.0	31,570.0	35,030.0	38,790.0

52 Week Index Relative Percentage Appreciation



Infosys vs SENSEX

Risks Associated

- The sluggishness of the economy, political instability or any other factors may affect the economic health of US, UK, EU and Australia where the company revenues are concentrated.
- Company's large part of revenues dependent on few big clients, if any one big client loss, that could impact the business significantly.

Scope of Growth

- Recently it won two IT outsourcing deals worth up to \$1 billion. The first deal comprises of \$700 million from US telecom company Verizon to deal in application development and management & business process management services. Another deal worth of \$300 million from Microsoft, pipping Germany IT service provider Arvato.
- Company announced recently, to open its next Technology & Innovation Hub in the State of Arizona. It will help Infosys to work even more closely with clients in the region to develop cross-functional solutions. So far it has two such Hubs.
- It has invested an additional amount of ₹ 11 crore in US-based TidalScale Inc., the total investment in TidalScale has now increased to \$3 million. TidalScale offers software-defined servers.
- Infosys has agreed to acquire Finland company Fluidio for \$76 million to strengthen its enterprise cloud capabilities & presence in Europe. The acquisition strengthens Infosys' position as a leading Salesforce enterprise cloud services provider and enhances its ability to provide clients cloud-first transformation.
- Recently it has formed a joint venture with Singapore state investor Temasek as it expands its presence in Southeast Asia. Infosys will take a 60% stake in the joint venture & Temasek will hold 40%. The joint venture will integrate teams from Infosys & the operations of Temasek's unit in Singapore.



In a Nutshell

Infosys is a global technology services firm that defines, designs and delivers information technology (IT) enabled business solutions to its clients. The company provides end-to-end business solutions that leverage technology for clients, including technical consulting, design, development, product engineering, maintenance, systems integration, package-enabled consulting & implementation and infrastructure management services. For FY18 it has twenty direct subsidiaries and twenty six step-down subsidiaries, during the year it had incorporated three direct subsidiaries. Company added 2.04 million sq.ft of physical infrastructure space during the year. The total space available for FY18 is stands at 46.57 million sq.ft. It has total 126 development centers in 27 countries, 82 sales offices in 35 countries. It has the presence in 45 countries on end of FY18. During the FY18, company augmented the capacity of Solar installations. Currently it has the capacity of around 46.2 MW across all its campuses. At present the company consumption of renewables energy is 43% and also it reduced per capita consumption by 3%. The R&D expenditure was improved by 6.55% to ₹ 374 crore, it is 0.6% of its sales revenue for FY18. Recently it won two IT outsourcing deals worth up to \$1 billion. The first deal comprises of \$700 million from US telecom company Verizon to deal in application development & management services & business process management services. Another deal worth of \$300 million from Microsoft, pipping Germany IT service provider Arvato. Indian IT services companies can see improvement in margins in the coming quarters, as the rupee depreciating against the US dollar.

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Rating Interpretation

Buy : Expected to appreciate 20% or more over 12-months

Accumulate : Expected to appreciate 10% to 20% over 12-months

Trade Buy : Expected to appreciate more than 10% over 45-days

Reduce : Expected to depreciate up to 10% over 12-months

Sell : Expected to depreciate 10% or more over 12-months

Trade Sell : Expected to depreciate more than 10% over 45-days

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