

Infosys

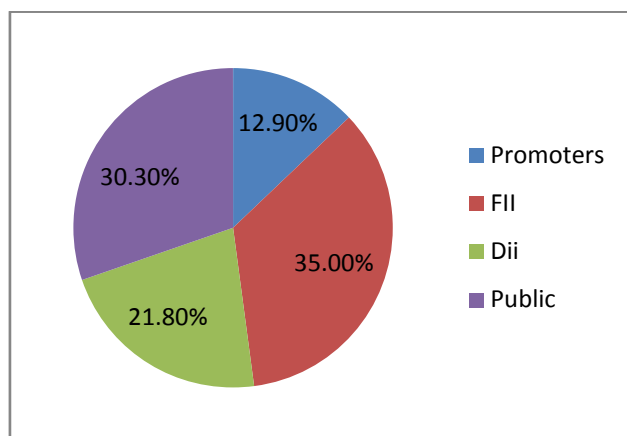
BUY

Target: Rs 1238

Value Parameters -

BSE Code	500209
NSE Symbol	INFOSYSTECH
CMP (As on 01 st Feb, 2018)	Rs 1144
Face Value	Rs 5
52 Week High/Low	1221/860
Market Cap (Rs cr)	249,953
EPS (TTM)	72.99
PE Ratio (x)	15.06

Shareholding Pattern % (Dec '17)



Company Overview

Infosys Limited, formerly Infosys Technologies Limited, provides business consulting, technology, engineering and outsourcing services. Its end-to-end business solutions include consulting and systems integration comprising consulting, enterprise solutions, systems integration and advanced technologies; business information technology (IT) services consisting application development and maintenance, independent validation services, infrastructure management, engineering services comprising

product engineering and life cycle solutions and business process management; products, business platforms and solutions, including Finacle, its banking product, which offers solutions to address core banking, mobile banking and e-banking needs of retail, corporate and universal banks globally, and areas, such as cloud computing, enterprise mobility and sustainability. On January 4, 2012, Infosys BPO Limited acquired Portland Group Pty Ltd. In October 2012, it acquired Lodestone Holding AG..The company also in the business segment of Financial Services, Energy and utilities, Life Sciences and Healthcare, Consumer packaged goods and Logistics.

Investment Rationale

Strong demand for digitalisation, 8 large wins, 79 client additions in Q3FY18 are very good positives for Infosys going ahead. Growth is expected to pickup in FY19. Utilization increased from 81.9% to 84.9%. Infosys has concluded an Advance Pricing Agreement (APA) with the U.S. Internal Revenue Service (IRS). Under the APA, Infosys and the IRS have agreed on the methodology to allocate revenues and compute the taxable income of the Company's U.S. operations. This agreement covers financial years from 2011 to 2021. The APA will enhance predictability of Infosys' tax obligations in respect of its U.S. operations. In accordance with the APA, Infosys has reversed tax provisions of approximately Rs 1,432 crore made in previous periods which are no longer required (both under International Financial Reporting Standards and Indian Accounting Standards). Further, on account of the APA methodology, Infosys expects its overall effective tax rate to be lower by about 100 basis points for future periods covered under the APA. This will increase Net Profit for Infosys.

Outlook & Valuation

Even in weak Q3FY18 and after lot of head winds, new management of Infosys has maintained its good and stable run by maintaining its margins. We expect Infosys to perform well in the coming quarter under the new management and have assigned a PE of 16.5x to its FY19E EPS of Rs 75 and have arrived at fair value of Rs 1,238 per share.

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