



## Good set of numbers-Increased guidance positive

**CMP:** Rs.3549  
**Target Price:** Rs.3816  
**Recommendation:** HOLD

### Stock Info

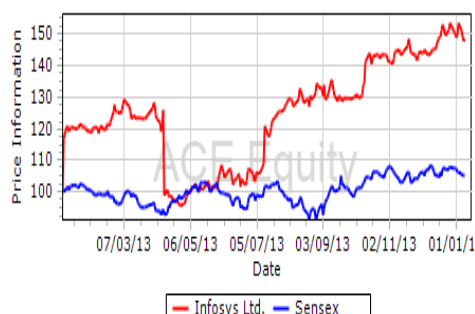
|            |            |
|------------|------------|
| BSE Group  | A          |
| BSE Code   | 500209     |
| NSE Symbol | INFOSYSTCH |
| Bloomberg  | INFO IN    |
| Reuters    | INFY.BO    |
| BSE Sensex | 20713      |
| NSE Nifty  | 6168       |

### Market Info

|                            |                   |
|----------------------------|-------------------|
| Market Capital             | Rs.197956cr       |
| Equity Capital             | Rs.287cr          |
| Avg. Trading Vol.(BSE+NSE) | 1,302,000 (Qtly.) |
| 52 Wk High/ Low            | 3581/2190         |
| Face Value                 | Rs.5              |

### Shareholding Pattern (%) (30<sup>th</sup> Sep 2013)

|                       |      |
|-----------------------|------|
| Promoters             | 16.0 |
| Domestic Institutions | 16.6 |
| Foreign Institutions  | 39.9 |
| Public & Others       | 27.5 |



10<sup>th</sup> Jan, 2014

#### Revenues up by 1.6% QoQ:

Infosys has delivered its results with a top line growth of 1.6% QoQ at \$ 2100mn. In rupee terms revenue growth has been flat at 0.5% qoq. Company reported 0.7% qoq growth in volume and of this offshore segment reported 2.6% growth, while onshore segment reported 3.4% decline QoQ. Utilization levels (ex-trainees) declined 60bps to 78.1%. Company saw net attrition of 1823 employees.

#### Segmental share remain fairly stable

Revenue mix among verticals more or less remained constant with FSI and RCL segments contributed 33.5% and 24.6% to topline. ECS segment's share in total revenues was at 19.1%. Notably, management has highlighted continued weakness in telecom vertical, while it has reiterated improved business confidence in financial, energy and manufacturing sectors.

#### Operating profits increased by 14.9%:

Company has recorded an operating profit of Rs 3259cr; up by 14.9% QoQ due to contract wins and higher volumes. EBIT Margins jumped qoq by 314bps to 25%. Margins have improved on higher volumes and lower operating expenses. Sales and marketing expenses as % of sales declined 90bps to 4.9%.

#### Guidance increased:

Company once again increased its FY14 revenue guidance. Revenue growth guidance has been increased to 11.5-12% from 9-10% earlier. Notably, during 2QFY14 company increased its growth guidance for FY14 to 9-10% from 8-9% earlier. Company has indicated increased traction in areas of cloud computing, mobile technology, energy. Company has added 54 new clients (15on net basis) during the quarter. Management has indicated improving demand condition in US, while in Europe it is witnessing initial signs of revival. Company has also undertaken number of productivity improvement measures which are expected to contribute positively in next 2-3 quarter.

#### Outlook:

Infosys's increased guidance for FY14 signifies the likely accrual of benefits coming from productively improvement measures it has taken in recent times. We firmly believe that weak currency will continue to benefit Infy. Tailwinds include retrenchment of non-performers, scope for effort mix shift and improvement in utilization rates (expected to go up to 82%) should impart long term benefits. We strongly believe that Infosys will continue to post healthy operating performance going forward. Accordingly, we have upped our FY14 and FY15 EPS estimates by 6% and 9% respectively. We have valued stock on P/E(x) of 18.0x its FY15E earnings and have arrived at fair value of Rs 3816 per share. At CMP Rs 3549, stock trades at 19.4(x) and 16.7(x) on FY14 and FY15 earnings respectively.

**We maintain Hold rating on stock.**

#### Financials:

| Y/E March, (Rs. in Cr) | FY12  | FY13  | FY14E | FY15E |
|------------------------|-------|-------|-------|-------|
| Net Revenue            | 33734 | 40352 | 50697 | 56275 |
| Growth %               | 22.7  | 19.6  | 25.6  | 11.0  |
| Net Profit             | 8316  | 9421  | 10444 | 12109 |
| Growth %               | 24.7  | 23.3  | 20.6  | 21.5  |
| EPS                    | 145.6 | 164.9 | 182.8 | 212.0 |
| P/E(x)                 | 24.4  | 21.5  | 19.4  | 16.7  |
| ROANW                  | 28.0  | 26.3  | 25.6  | 26.1  |
| ROACE                  | 29.3  | 36.1  | 35.6  | 35.7  |

Source: Arian Research



## Quarterly Results:

| IFRS<br>Particulars (Rs. cr) | Quarter Ended |        |           |        |           |
|------------------------------|---------------|--------|-----------|--------|-----------|
|                              | 3QFY14        | 2QFY14 | Q-O-Q (%) | 3QFY13 | Y-O-Y (%) |
| USD Revenues (\$mn)          | 2100          | 2066   | 1.6       | 1911   | 9.9       |
| Revenues                     | 13026         | 12965  | 0.5       | 10424  | 25.0      |
| Cost of services             | 8321          | 8384   | -0.8      | 6566   | 26.7      |
| Gross Profits                | 4705          | 4581   | 2.7       | 3858   | 22.0      |
| S&M,G&A. Expenses            | 1446          | 1744   | -17.1     | 1181   | 22.4      |
| EBIT                         | 3259          | 2837   | 14.9      | 2677   | 21.7      |
| Other Income                 | 731           | 510    | 43.3      | 503    | 45.3      |
| PBT                          | 3990          | 3347   | 19.2      | 3180   | 25.5      |
| Income tax expense           | 1115          | 940    | 18.6      | 811    | 37.5      |
| PAT                          | 2875          | 2407   | 19.4      | 2369   | 21.4      |
| Minority interest            | 0             | 0      |           | 0      |           |
| Net Income                   | 2875          | 2407   | 19.4      | 2369   | 21.4      |
| Equity Capital               | 287           | 287    | -         | 287    |           |
| EPS                          | 50.3          | 42.1   | 19.4      | 41.5   | 21.4      |
| EBIT Margins (%)             | 25.0          | 21.9   |           | 25.7   |           |
| Net Margins (%)              | 22.1          | 18.6   |           | 22.7   |           |
| Tax Rate (%)                 | 27.9          | 28.1   |           | 25.5   |           |

