



INFOSYS

Another exit: Temporary hiccup

India Equity Research | IT

Mr. Sandeep Dadlani, President & Global Head—Manufacturing and Retail, CPG & Logistics (RCL), Infosys, has put in his papers. The exit, post brief stability in the company's higher management, comes as a surprise as Mr. Dadlani had been recently handed additional responsibility of generating more business from the company's new software solutions, including the AI platform Nia. Though this yet again raises the stability issue as well portends risk of more exits, we believe induction of several high profile executives over the past will help the company seamlessly fill the void. We reiterate that Infosys, equipped with ample margin levers, will outpace peers on the earnings growth front. Maintain 'BUY' with target price of INR1,173.

Unexpected exit

Mr. Dadlani was an integral part of Infosys for the past 16 plus years and his exit is clearly a setback given his strategic portfolio holding and the current headwinds in the IT sector. To take over Mr. Dadlani's roles, while Mr. Karmesh Vaswani, EVP of Manufacturing & RCL, has been promoted as the Global Head of Retail, CPG & Logistics, Mr. Nitesh Banga, SVP of Products & Platforms, will take over as the Global Head of Manufacturing. We believe, Mr. Vaswani and Mr. Banga, by virtue of having held strategic positions in Infosys for about a decade, will ably handle their new roles.

Outlook and valuations: Stability crucial; maintain 'BUY'

With the Indian IT industry undergoing transition, we believe stability within senior leadership is crucial. While Mr. Dadlani's exit may hamper short-term momentum in Manufacturing and the already struggling CPG verticals, we believe lateral promotions of Mr. Vaswani and Mr. Banga along with assistance of other senior executives, will help Infosys tide over the exit. While we will closely monitor the developments in the company, we continue to maintain 'BUY/SO with a target price of INR1,173. The stock is currently trading at INR952.

EDELWEISS 4D RATINGS

Absolute Rating	BUY
Rating Relative to Sector	Outperform
Risk Rating Relative to Sector	Low
Sector Relative to Market	Overweight

MARKET DATA (R: INFY.BO, B: INFO IN)

CMP	: INR 952
Target Price	: INR 1,173
52-week range (INR)	: 1,215 / 900
Share in issue (mn)	: 2,296.9
M cap (INR bn/USD mn)	: 2,187/ 33,835
Avg. Daily Vol.BSE/NSE('000)	: 3,980.6

SHARE HOLDING PATTERN (%)

	Current	Q3FY17	Q2FY17
Promoters *	12.7	12.7	12.7
MF's, FI's & BK's	20.3	18.9	18.0
FII's	38.3	39.0	39.6
Others	28.6	29.4	29.7

* Promoters pledged shares : NIL
(% of share in issue)

PRICE PERFORMANCE (%)

	Stock	Nifty	EW Technology Index
1 month	0.1	1.4	(0.2)
3 months	(5.9)	5.4	(4.0)
12 months	(20.0)	16.7	(12.0)

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Financials

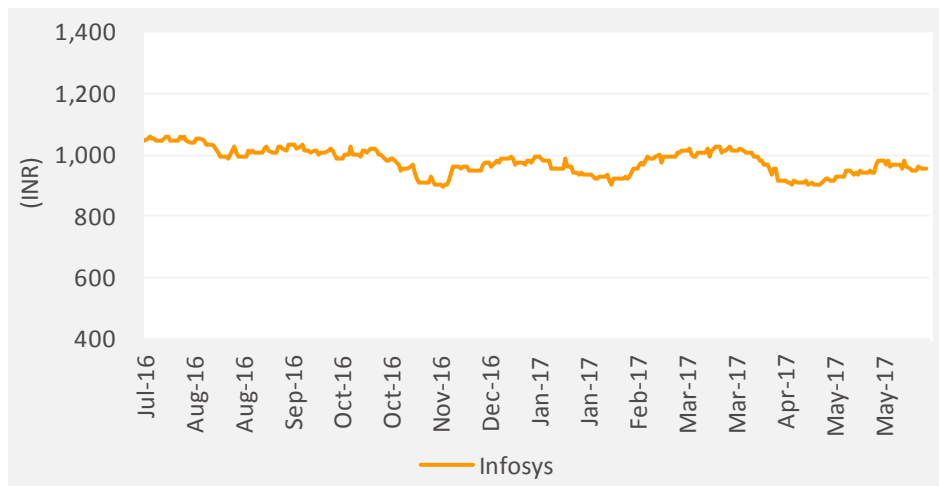
(INR mn)

Year to March	FY16	FY17E	FY18E	FY19E
Net revenue	624,410	684,850	741,980	812,446
Rev. growth (%)	17.1	9.7	8.3	9.5
EBITDA	170,780	186,025	202,234	226,825
Adjusted Profit	134,900	143,530	153,597	167,532
Basic shares outstanding (mn)	2,286	2,286	2,286	2,286
Adjusted diluted EPS (INR)	59.0	62.8	67.2	73.3
EPS Growth (%)	9.4	6.4	7.0	9.1
Diluted P/E (x)	16.1	15.2	14.2	13.0
EV/EBITDA (x)	10.8	9.9	9.1	7.9
ROAE (%)	23.2	22.0	21.6	22.0

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One year price chart



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