

January 15, 2018

Infosys (INFTEC)

₹ 1082

CC revenue guidance intact at 5.5-6.5%...

- US\$ revenues grew 1% QoQ to \$2,755 million, largely in line with our 1.2% growth and \$2,761.4 million estimate. Constant currency revenues grew 0.8% QoQ vs. our estimate of 1.3% QoQ
- Rupee revenues grew 1.3% QoQ to ₹ 17,794 crore, below our ₹ 17,866 crore estimates
- At 24.3%, EBIT margins expanded 10 bps QoQ and were marginally above our 24.2% estimate mainly on account of lower-than-expected general & admin expenses (6.5% as a percentage of revenue vs. our estimate of 7%)
- Reported PAT of ₹ 5,129 crore was above our ₹ 3,611.3 crore estimate led by reversal of income tax expense provision associated with Advance Price Agreement (APA) with the US Internal Revenue Service (IRS) amounting to ₹ 1,432 crore

Expect BFSI to perform better in CY18 compared to CY17...

Infosys' revenues grew 0.8% QoQ in constant currency terms, lower than our expectations owing to higher than anticipated furloughs of Q3 seasonality and slower ramp up of deals mainly in the BFSI segment. BFSI (33.1% of revenue) was soft with 0.1% sequential growth wherein the insurance segment performed well with 7.3% growth QoQ (in reported terms) compared to BFS segment, which witnessed a sequential decline of 1.6%. However, the management sounded confident that CY18 would be a better year compared to CY17 for BFSI owing to better client spends. On the future outlook, the management has retained its FY18E revenue guidance of 5.5-6.5% in constant currency terms, translating to 6.5-7.5% in dollar terms. Overall, we expect Infosys' dollar revenues to grow at 8.5% CAGR to US\$12.8 billion in FY18-20E.

Various factors keep margins in check...

Infosys' EBIT margins expanded 10 bps QoQ to 24.3% owing to cross currency benefit & revenues hedges (+50 bps), operational efficiency (+60 bps) offset by higher compensation and variable payouts to employees (-80 bps) and decline in realisation (-20 bps). Overall, the management has maintained its EBIT margin band at 23-25%. We factor in EBIT margin of 24.1%, 24.0% in FY18, FY19, respectively.

New services, software share inches up, digital ~25% to revenues...

Revenue from new services & software collectively accounted for 11.6% (11% in Q2) to revenues. As depicted, while overall dollar revenues grew 1% sequentially, new services and software together grew at 6.5% on a QoQ basis implying increasing traction towards newer age technologies. In Q3FY18, new services (Cloud Ecosystem, Big Data Analytics, Cyber Security, IoT, etc) accounted for 9.9% and witnessed growth of 6.4% QoQ. Also, the new software (Edge, NIA, Panaya, Skava) contributed 1.7% and grew 7.3% sequentially. New services & software are expected to act as a key catalyst for future growth & margins, going ahead.

To outline strategic priorities in April 2018; maintain HOLD...

Infosys reported Q3FY18 earnings with the operating performance largely in line with our expectations. Newly appointed CEO Salil Parekh highlighted that he would outline his strategic priorities and reconfirm the capital allocation plan by April, 2018. We roll our estimates to FY20E and expect rupee revenue to grow at a CAGR of 9.1% in FY18-20E. We maintain our **HOLD** recommendation on the stock with a revised target price of ₹ 1110 (15x FY20E EPS).

| Rating matrix | | |
|------------------|---|-----------|
| Rating | : | Hold |
| Target | : | ₹ 1110 |
| Target Period | : | 12 months |
| Potential Upside | : | 3% |

| What's Changed? | |
|-----------------|-------------------------------|
| Target | Changed from ₹ 1020 to ₹ 1110 |
| EPS FY18E | Changed from ₹ 63.8 to ₹ 66.1 |
| EPS FY19E | Changed from ₹ 68.0 to ₹ 68.2 |
| EPS FY20E | Introduced at ₹ 73.7 |
| Rating | Unchanged |

| Quarterly Performance | | | | |
|-----------------------|--------|--------|---------|----------------|
| | Q3FY18 | Q3FY17 | YoY (%) | Q2FY18 QoQ (%) |
| Revenue | 17,794 | 17,273 | 3.0 | 17,567 1.3 |
| EBIT | 4,319 | 4,334 | (0.3) | 4,246 1.7 |
| EBIT (%) | 24.3 | 25.1 | (0.3) | 24.2 1.7 |
| PAT | 5,129 | 3,708 | 38.3 | 3,726 37.7 |

| Key Financials | | | | |
|----------------|--------|--------|--------|--------|
| ₹ Crore | FY17 | FY18E | FY19E | FY20E |
| Net Sales | 68,485 | 70,149 | 76,487 | 83,505 |
| EBITDA | 18,605 | 18,590 | 20,193 | 22,129 |
| Net Profit | 14,353 | 14,352 | 14,823 | 16,014 |
| EPS (₹) | 62.8 | 66.1 | 68.2 | 73.7 |

| Valuation summary | | | | |
|-------------------|------|-------|-------|-------|
| | FY17 | FY18E | FY19E | FY20E |
| P/E | 17.2 | 16.4 | 15.9 | 14.7 |
| Target P/E | 17.7 | 16.8 | 16.3 | 15.1 |
| EV / EBITDA | 11.7 | 12.1 | 10.9 | 9.6 |
| P/BV | 3.6 | 3.7 | 3.3 | 3.0 |
| RoNW (%) | 20.8 | 22.7 | 20.9 | 20.4 |
| RoCE (%) | 28.8 | 31.6 | 29.4 | 28.6 |

| Stock data | |
|---------------------------------|------------|
| Particular | Amount |
| Market Capitalization (₹ Crore) | 247,293.7 |
| Total Debt | - |
| Cash and Investments (FY17) | 29,007.0 |
| EV (₹ Crore) | 218,286.7 |
| 52 week H/L | 1092 / 862 |
| Equity capital | 1,144.0 |
| Face value | ₹ 5 |

| Price performance (%) | | | |
|-----------------------|------|------|------|
| | 3M | 6M | 12M |
| TCS | 10.0 | 14.9 | 20.6 |
| Infosys | 15.8 | 10.4 | 10.8 |
| Wipro | 11.1 | 23.6 | 36.9 |
| HCL Tech | 0.9 | 8.2 | 10.9 |

| Research Analysts | |
|----------------------|-------------------------------------|
| Deepak Purswani, CFA | deepak.purswani@icicisecurities.com |
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Variance analysis

| | Q3FY18 | Q3FY18E | Q3FY17 | YoY (%) | Q2FY18 | QoQ (%) | Comments |
|---------------------------|--------|---------|--------|----------|--------|---------|--|
| Revenue | 17,794 | 17,866 | 17,273 | 3.0 | 17,567 | 1.3 | Infosys' dollar revenue grew 1% sequentially largely in line with our 1.2% growth expectation |
| Employee expenses | 10,952 | 10,952 | 10,407 | 5.2 | 10,771 | 1.7 | |
| Gross Profit | 6,842 | 6,914 | 6,866 | -0.3 | 6,796 | 0.7 | |
| Gross margin (%) | 38.5 | 38.7 | 39.7 | -130 bps | 38.7 | -24 bps | |
| Selling & marketing costs | 877 | 875 | 885 | -0.9 | 846 | 3.7 | |
| G&A expenses | 1,148 | 1,251 | 1,214 | -5.4 | 1,248 | -8.0 | |
| EBITDA | 4,817 | 4,788 | 4,767 | 1.0 | 4,702 | 2.4 | |
| EBITDA Margin (%) | 27.1 | 26.8 | 27.6 | -53 bps | 26.8 | 30 bps | |
| Depreciation | 498 | 465 | 433 | 15.0 | 456 | 9.2 | |
| EBIT | 4,319 | 4,324 | 4,334 | -0.3 | 4,246 | 1.7 | |
| EBIT Margin (%) | 24.3 | 24.2 | 25.1 | -82 bps | 24.2 | 10 bps | EBIT margin came in marginally above our expectation due to lower-than-expected G&A expenses |
| Other income | 962 | 692 | 820 | 17.3 | 883 | 8.9 | |
| PBT | 5,281 | 5,016 | 5,154 | 2.5 | 5,129 | 3.0 | |
| Tax paid | 152 | 1,404 | 1,446 | -89.5 | 1,403 | -89.2 | |
| PAT | 5,129 | 3,611 | 3,708 | 38.3 | 3,726 | 37.7 | PAT was above our expectation led by reversal of income tax expense provision amounting to ₹ 1,432 crore |

Key Metrics

| | | | | | | | |
|-------------------------------|---------|---------|---------|---------|---------|----------|--------------------------------------|
| Closing employees | 201,691 | 200,000 | 199,763 | 1.0 | 198,440 | 1.6 | |
| LTM attrition-standalone (%) | 15.8 | 16.5 | 14.9 | 90 bps | 17.2 | -140 bps | |
| Utilisation - IT Services (%) | 84.9 | 84.5 | 81.9 | 300 bps | 84.7 | 20 bps | Utilisation records an all time high |
| Average \$/₹ | 64.6 | 64.7 | 67.7 | -4.6 | 64.4 | 0.3 | |

Source: Company, ICICIdirect.com Research

Change in estimates

| | FY18E | | | FY19E | | | FY20E | Comments |
|-----------------|--------|--------|----------|--------|--------|----------|------------|-----------------------------|
| (₹ Crore) | Old | New | % Change | Old | New | % Change | Introduced | |
| Revenue | 70,420 | 70,149 | -0.4 | 76,988 | 76,487 | -0.7 | 83,505 | |
| EBIT | 16,971 | 16,906 | -0.4 | 18,631 | 18,357 | -1.5 | 20,041 | |
| EBIT Margin (%) | 24.1 | 24.1 | -5 bps | 24.2 | 24.0 | -25 bps | 24.0 | Introducing FY20E estimates |
| PAT | 13,869 | 14,352 | 3.5 | 14,773 | 14,823 | 0.3 | 16,014 | |
| EPS (₹) | 63.8 | 66.1 | 3.5 | 68.0 | 68.2 | 0.3 | 73.7 | |

Source: Company, ICICIdirect.com Research

Assumptions

| | FY16 | FY17 | Current FY18E | Earlier FY18E | Current FY19E | Earlier FY19E | Introduced FY20E | Comments |
|-------------------------------|---------|---------|------------------|------------------|------------------|------------------|---------------------|---|
| Closing employees | 194,044 | 200,364 | 210,303 | 198,305 | 208,757 | 198,559 | 221,618 | |
| Utilisation - IT Services (%) | 71.2 | 68.3 | 73.1 | 76.3 | 76.8 | 81.2 | 79.8 | |
| Average \$/₹ | 65.7 | 67.1 | 64.3 | 64.7 | 65.0 | 66.0 | 65.0 | Tweaked exchange rate for FY18E and FY19E |

Source: Company, ICICIdirect.com Research

Company Analysis

Maintains CC revenue guidance of 5.5-6.5% for FY18E...

Infosys' revenues grew 0.8% QoQ in constant currency terms, lower than our expectations owing to higher than anticipated furloughs of Q3 seasonality and slower ramp up of deals mainly in the BFSI segment. However, the management sounded confident that CY18 would be a better year compared to CY17 for BFSI owing to better client spends. Infosys had eight large deal wins in the quarter with TCV of \$779 million.

In its first investor conference call, newly appointed CEO Salil Parekh indicated he would outline his views on strategy and give further updates in April 2018. On the future outlook, the management has retained its FY18E revenue guidance of 5.5-6.5% in constant currency terms, translating to 6.5-7.5% in dollar terms. Overall, we expect Infosys' dollar revenues to grow at 8.5% CAGR to US\$12.8 billion in FY18-20E.

Exhibit 1: Dollar revenues may grow at 8.5% CAGR in FY18E-20E

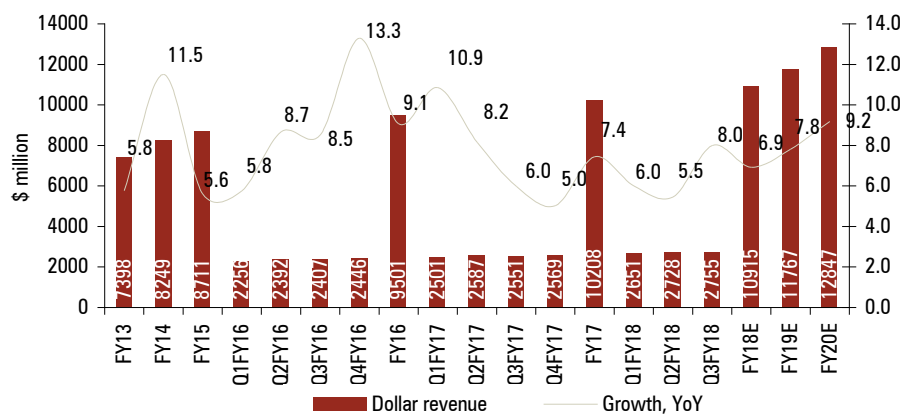
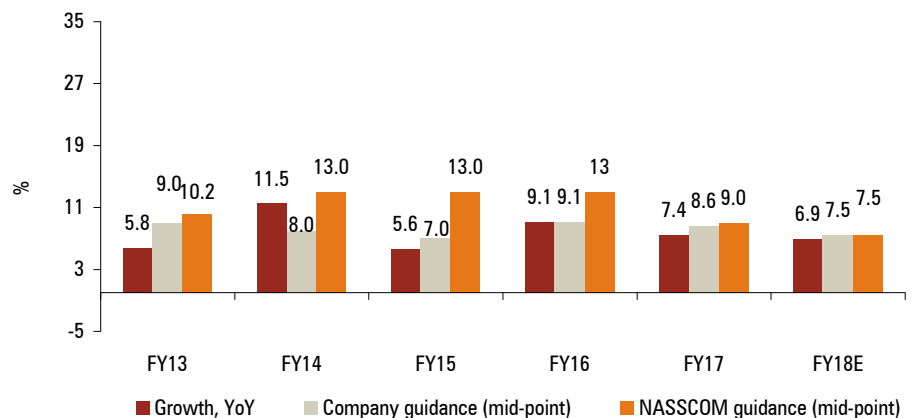


Exhibit 2: Infosys growth vs. Nasscom guidance



Source: Company, ICICIdirect.com Research

Expect BFSI to perform better in CY18 compared to CY17...

Among geographies, Europe (24.4% of revenue) grew 4.7% QoQ in CC terms while North America (60.4% of revenue) was soft with 0.7% growth. India (3.0%) and RoW (12.2%) declined 5.9% and 4.0% respectively on QoQ basis. India continued its decline for a second

straight quarter after declining 5.1% in CC terms in the prior quarter. Among industry segments, growth was led by energy, utilities, communications and services (22.4% of revenues), which grew 2.5% on a CC basis followed by retail and lifesciences (22.7%), which grew 1.2% QoQ. Financial services (33.1% of revenue) was soft with 0.1% growth while manufacturing (21.8%) was weak with 0.1% decline. In BFSI, the insurance segment performed well with 7.3% growth QoQ (in reported terms) compared to the BFS segment, which witnessed a sequential decline of 1.6%. The management sounded confident that CY18 could be a better year compared to CY17 for BFSI owing to better spend from clients.

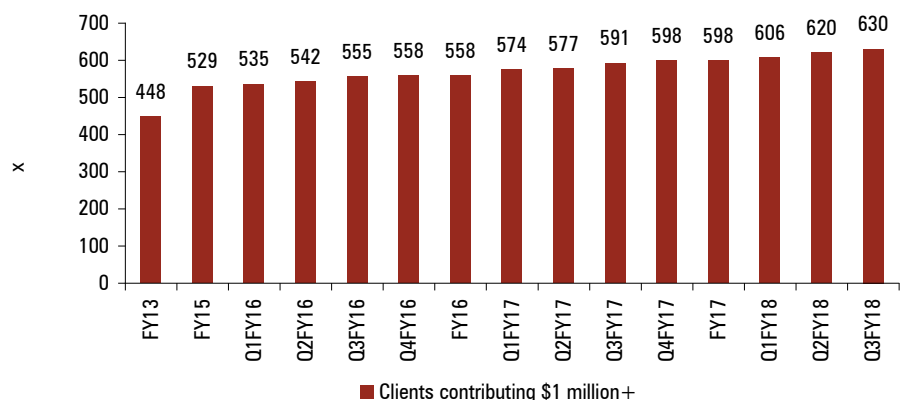
New services, software contribution up-ticks...

Revenue from new services & software collectively accounts for 11.6% (11% in Q2) of revenues. New services (Cloud Ecosystem, Big Data Analytics, Cyber Security, IoT, etc) accounted for 9.9% and witnessed growth of 6.4% QoQ. New software (Edge, NIA, Panaya, Skava) contributed 1.7% and grew 7.3% QoQ. New services & software are expected to act as a key catalyst for future growth & margins, going ahead.

Client transitions across bands healthy...

In terms of client matrix, Infosys added 79 clients during the quarter taking the active client base to 1,191. Across bands, one client transitioned to the \$100 million+ bucket taking the total to 20, three to the \$75 million+ and one to the \$50 million+ bucket. One client transitioned to the \$25 million+ bucket. Overall, \$1 million+ customers increased by 10 to 630. Top client revenue contribution was at 3.4% and grew 1% sequentially & 18.4% on a yearly basis.

Exhibit 3: Client contributing \$1 million+ increases by 10 QoQ to 630 in Q3FY18

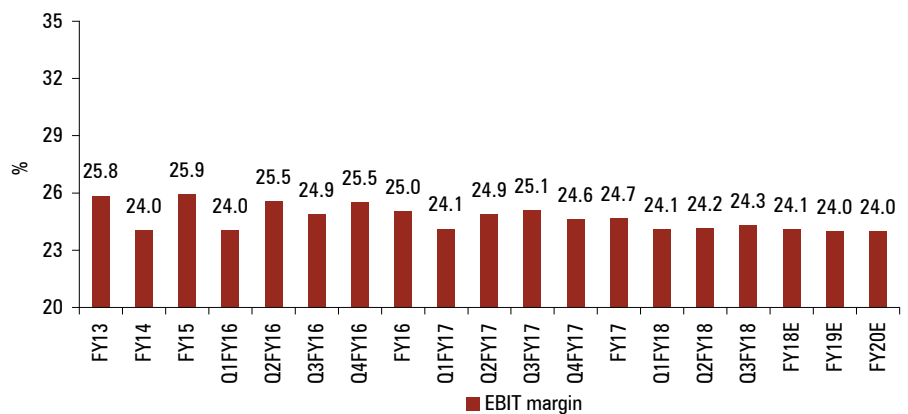


Source: Company, ICICIdirect.com Research

EBIT margin guidance for FY18E intact...

Infosys' EBIT margins expanded 10 bps QoQ to 24.3% mainly on account of lower-than-expected general & admin expenses (6.5% as a percentage of revenue vs. our estimate of 7%). Moreover, cross currency benefit & revenue hedges (up 50 bps), operational efficiency (up 60 bps) was offset by higher compensation and variable payouts to employees (down 80 bps) and decline in realisation (-20 bps) also played out. Overall, the management has maintained its EBIT margin band at 23-25%. We factor in EBIT margin of 24.1%, 24.0% in FY18, FY19, respectively.

Exhibit 4: Maintains FY18E margins at 24.1%

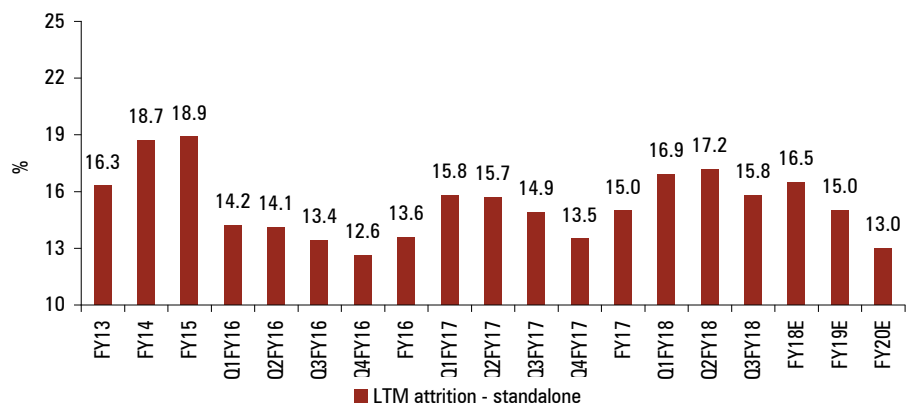


Source: Company, ICICIdirect.com Research

Utilisation continues its improvement trajectory in last four quarters...

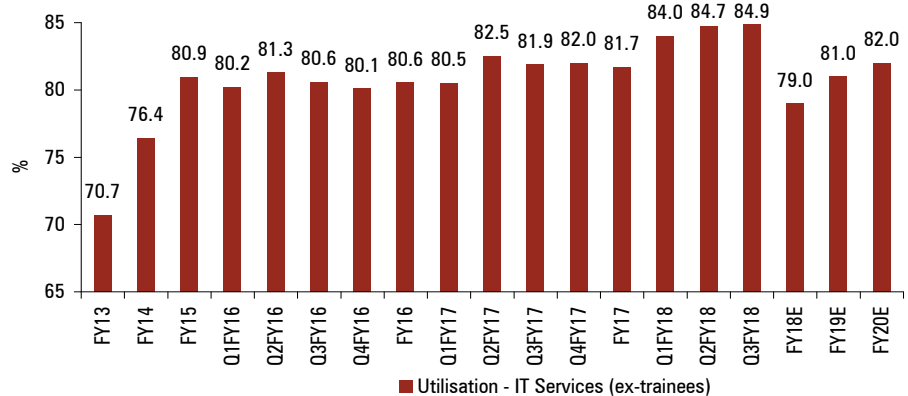
Attrition (annualised consolidated) declined to 18.7%, down 270 bps in the quarter. Utilisation (ex-trainees) once again recorded the highest ever level achieved by the company and increased 20 bps QoQ and 300 bps YoY to 84.9% in Q3 and was one of the parameters that aided margins. Going ahead, we expect utilisation at ~81%, 82% in FY19E, FY20E, respectively.

Exhibit 5: Attrition (standalone) declines 140 bps QoQ to 15.8%



Source: Company, ICICIdirect.com Research

Exhibit 6: Utilisation at record high



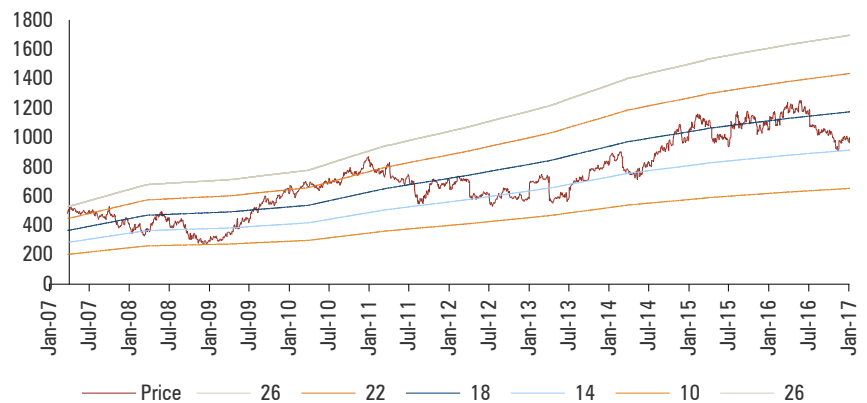
Source: Company, ICICIdirect.com Research

Outlook and valuation

Infosys reported its Q3FY18 earnings with the operating performance largely in line with our expectations. As expected, the company has retained its FY18E revenue guidance of 5.5-6.5% in constant currency terms. It has also maintained its EBIT margin range of 23-25%. In terms of geography performance, revenue growth was led by Europe, which grew 4.7% QoQ in CC terms while India declined 5.9% QoQ and North America was soft with 0.7% growth. Among verticals, growth was led by energy & utilities (2.5% in CC terms) while financial services were weak with 0.1% growth in constant currency.

Infosys reported Q3FY18 earnings with the operating performance largely in line with our expectations. Newly appointed CEO Salil Parekh highlighted that he would outline his strategic priorities and reconfirm the capital allocation plan by April, 2018. We roll our estimates to FY20E and expect rupee revenue to grow at a CAGR of 9.1% in FY18-20E. We maintain our HOLD rating on the stock with a revised target price of ₹ 1110 (15x FY20E EPS).

Exhibit 7: One year forward rolling PE



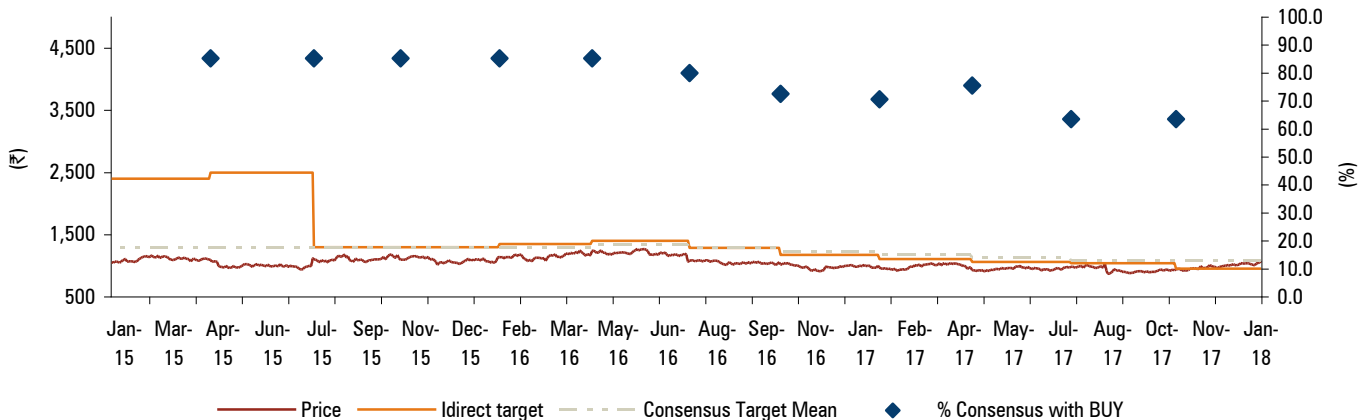
Source: Company, ICICIdirect.com Research

Exhibit 8: Valuation

| | Sales (₹ cr) | Growth (%) | EPS (₹) | Growth (%) | PE (x) | EV/EBITDA (x) | RoNW (%) | RoCE (%) |
|-------|-----------------|---------------|------------|---------------|-----------|------------------|-------------|-------------|
| FY16 | 62,441 | 17.1 | 59.0 | 9.4 | 18.3 | 12.5 | 21.8 | 30.2 |
| FY17 | 68,485 | 9.7 | 62.8 | 6.4 | 17.2 | 11.7 | 20.8 | 28.8 |
| FY18E | 70,149 | 2.4 | 66.1 | 5.2 | 16.4 | 12.1 | 22.7 | 31.6 |
| FY19E | 76,487 | 9.0 | 68.2 | 3.3 | 15.9 | 10.9 | 20.9 | 29.4 |
| FY20E | 83,505 | 9.2 | 73.7 | 8.0 | 14.7 | 9.6 | 20.4 | 28.6 |

Source: Company, ICICIdirect.com Research

Recommendation History vs. Consensus



Source: Bloomberg, Company, ICICIdirect.com Research

Key events

| Date | Event |
|--------|--|
| Jul-17 | Infosys executive vice-president Ritika Suri resigns from the company. Ms Suri was in charge of getting large deals and merger & acquisitions and was one of the people CEO Vishal Sikka brought with him from previous organisation SAP |
| Jul-17 | Infosys products and platforms unit EdgeVerve top executive Anirban Dey resigns from the company. The EdgeVerve business, which includes its core banking platform Finacle accounted for 5.4% of Infosys's revenue for the quarter ended June 2017 |
| Aug-17 | The Infosys board approves the proposal for buyback of 11.30 crore shares (~4.9% of its paid-up capital) at ₹ 1,150 per share aggregating to ₹ 13,000 crore, through the tender offer route |
| Sep-17 | Infosys would hire 6,000 engineers annually over the next year or two. In FY17, the company saw a net addition of 6,320 and expects to maintain similar kind of additions over the next year or two. Infosys starts ramping up its hiring process in the US and European markets to tap increasing opportunities from these geographies and mitigate the impact of visa related issues |
| Sep-17 | Infosys Senior Vice-President and head of design and research Sanjay Rajagopalan resigns from his post. Rajagopalan was among the executives whom Sikka had brought in from SAP and joined Infosys in 2014 |
| Oct-17 | Infosys selected by KONE, a leading player in the global elevator and escalator industry. Infosys would support its IT transformation and also establish its first design and innovation centre in Helsinki, consolidate its presence in the market as well as strengthen its position in the Nordics region. No financial details of the deal were disclosed. |
| Nov-17 | Infosys and leading global HR Solutions provider 'Adecco Group', are in together to transform the staffing industry by bringing together the power of data, domain, technology and speed to create a brand new business in the world of staffing |
| Jan-18 | Infosys selected by Proximus, the largest telecommunications company in Belgium, to implement Excite – a business transformation program. Infosys entrusted with joint overall responsibility and ownership of the Greenfield Excite program, aimed at simplifying and remodelling the company's portfolio of products for the professional services market and digitising business transactions |

Source: Company, ICICIdirect.com Research

Top 10 Shareholders

| Rank | Name | Latest Filing Date | % O/S | Position (m) | Change (m) |
|------|--|--------------------|-------|--------------|------------|
| 1 | Deutsche Asset Management Investment GmbH | 30-Jun-17 | 16.8% | 383.3 | 0.0 |
| 2 | Life Insurance Corporation of India | 30-Jun-17 | 7.1% | 161.4 | 0.0 |
| 3 | BlackRock Institutional Trust Company, N.A. | 30-Sep-17 | 2.4% | 55.2 | -0.4 |
| 4 | OppenheimerFunds, Inc. | 31-Aug-17 | 2.4% | 55.1 | -0.3 |
| 5 | Gopalakrishnan (Sudha) | 30-Jun-17 | 2.2% | 49.2 | -21.6 |
| 6 | GIC Private Limited | 30-Jun-17 | 2.1% | 48.6 | -4.1 |
| 7 | HDFC Asset Management Co., Ltd. | 30-Jun-17 | 2.0% | 45.8 | 7.5 |
| 8 | ICICI Prudential Asset Management Co. Ltd. | 30-Jun-17 | 1.5% | 34.3 | 1.0 |
| 9 | Murthy (Rohan) | 30-Jun-17 | 1.4% | 31.8 | 0.0 |
| 10 | ICICI Prudential Life Insurance Company Ltd. | 30-Jun-17 | 1.3% | 30.6 | -0.3 |

Source: Reuters, ICICIdirect.com Research

Shareholding Pattern

| (in %) | Jun-17 | Sep-17 | Dec-17 |
|----------|--------|--------|--------|
| Promoter | 12.75 | 12.75 | 12.90 |
| Public | 86.76 | 86.78 | 86.61 |
| Others | 0.49 | 0.47 | 0.49 |
| Total | 100.00 | 100.00 | 100.00 |

Recent Activity

| Buys | | | Sells | | |
|---------------------------------------|--------|--------|---------------------------------------|---------|--------|
| Investor name | Value | Shares | Investor name | Value | Shares |
| HDFC Asset Management Co., Ltd. | 108.9m | 7.5m | Gopalakrishnan (Sudha) | -313.1m | -21.6m |
| Franklin Advisers, Inc. | 81.6m | 5.7m | Aberdeen Asset Management (Asia) Ltd. | -160.4m | -11.2m |
| Florida State Board of Administration | 86.8m | 5.5m | Invest AD | -153.7m | -10.6m |
| Aditya Birla Sun Life AMC Limited | 43.3m | 3.1m | T. Rowe Price International (UK) Ltd. | -117.7m | -8.5m |
| Nomura Asset Management Co., Ltd. | 37.9m | 2.4m | APG Asset Management | -120.5m | -7.6m |

Source: Reuters, ICICIdirect.com Research

Financial summary

| Profit and loss statement | | ₹ Crore | | | |
|-----------------------------|--------|---------|--------|--------|--|
| (Year-end March) | FY17 | FY18E | FY19E | FY20E | |
| Total operating Income | 68,485 | 70,149 | 76,487 | 83,505 | |
| Growth (%) | 9.7 | 2.4 | 9.0 | 9.2 | |
| COGS (employee expenses) | 41,550 | 42,931 | 46,810 | 51,105 | |
| Admin expenses | 4,739 | 4,770 | 5,354 | 5,845 | |
| S&M expenses | 3,591 | 3,858 | 4,130 | 4,426 | |
| Total Operating Expenditure | 49,880 | 51,560 | 56,294 | 61,376 | |
| EBITDA | 18,605 | 18,590 | 20,193 | 22,129 | |
| Growth (%) | 8.9 | (0.1) | 8.6 | 9.6 | |
| Depreciation | 1,703 | 1,684 | 1,836 | 2,088 | |
| Other Income | 3,079 | 3,200 | 2,557 | 2,553 | |
| PBT | 19,951 | 20,073 | 20,878 | 22,554 | |
| Total Tax | 5,598 | 5,721 | 6,055 | 6,541 | |
| PAT | 14,353 | 14,352 | 14,823 | 16,014 | |
| Growth (%) | 6.4 | (0.0) | 3.3 | 8.0 | |
| EPS (₹) | 62.8 | 66.1 | 68.2 | 73.7 | |
| Growth (%) | 6.4 | 5.2 | 3.3 | 8.0 | |

Source: Company, ICICIdirect.com Research

| Balance sheet | | ₹ Crore | | | |
|-------------------------------|--------|---------|--------|--------|--|
| (Year-end March) | FY17 | FY18E | FY19E | FY20E | |
| Equity Capital | 1,144 | 1,088 | 1,088 | 1,088 | |
| Reserve and Surplus | 67,838 | 62,224 | 69,736 | 77,512 | |
| Total Shareholders funds | 68,982 | 63,312 | 70,823 | 78,599 | |
| Employee benefit obligations | - | - | - | - | |
| Debt | - | - | - | 1 | |
| Deferred Tax Liability | 207 | 207 | 207 | 207 | |
| Other non current liabilities | 153 | 153 | 153 | 153 | |
| Total Liabilities | 69,342 | 63,672 | 71,183 | 78,960 | |
| Assets | - | - | - | - | |
| Property, plant and equipment | 11,716 | 12,532 | 13,197 | 13,609 | |
| Goodwill | 3,652 | 3,652 | 3,652 | 3,652 | |
| Intangibles | 776 | 776 | 776 | 776 | |
| Available for sale assets | 6,382 | 6,382 | 6,382 | 6,382 | |
| Other assets | 7,124 | 7,124 | 7,124 | 7,124 | |
| Cash | 22,625 | 15,835 | 21,526 | 27,609 | |
| Investment in CD | - | - | - | - | |
| Trade receivables | 12,322 | 12,621 | 13,762 | 15,024 | |
| Unbilled revenue | 3,648 | 3,737 | 4,074 | 4,448 | |
| Prepayment & O.fin.assets | 4,856 | 4,974 | 5,423 | 5,921 | |
| Other current assets | 10,254 | 10,254 | 10,254 | 10,254 | |
| Total Current Assets | 53,705 | 47,421 | 55,039 | 63,257 | |
| Trade payables | 367 | 376 | 410 | 447 | |
| Unearned revenue | 1,777 | 1,820 | 1,985 | 2,167 | |
| OCL & provisions | 11,869 | 12,019 | 12,592 | 13,226 | |
| Total Current Liabilities | 14,013 | 14,215 | 14,986 | 15,840 | |
| Net Current Assets | 39,692 | 33,206 | 40,053 | 47,417 | |
| Application of Funds | 69,342 | 63,672 | 71,183 | 78,960 | |

Source: Company, ICICIdirect.com Research

| Cash flow statement | | ₹ Crore | | | |
|--------------------------------|----------|----------|---------|---------|--|
| (Year-end March) | FY17 | FY18E | FY19E | FY20E | |
| Profit after Tax | 14,353 | 14,352 | 14,823 | 16,014 | |
| Add: Depreciation | 1,703 | 1,684 | 1,836 | 2,088 | |
| (Inc)/dec in Current Assets | (2,214) | (506) | (1,927) | (2,134) | |
| Inc/(dec) in CL and Provisions | 270 | 202 | 771 | 854 | |
| Taxes paid | (5,653) | (5,721) | (6,055) | (6,541) | |
| CF from operating activities | 14,063 | 12,532 | 12,945 | 14,268 | |
| (Inc)/dec in Investments* | (9,976) | 3,200 | 2,557 | 2,553 | |
| (Inc)/dec in Fixed Assets | (2,760) | (2,500) | (2,500) | (2,500) | |
| CF from investing activities | (17,074) | 700 | 57 | 53 | |
| Dividend paid & dividend tax | (6,939) | (7,022) | (7,312) | (8,237) | |
| Others | - | - | - | - | |
| CF from financing activities | (6,939) | (20,022) | (7,312) | (8,237) | |
| Net Cash flow | (9,950) | (6,790) | 5,691 | 6,083 | |
| Exchange difference | (122) | - | - | - | |
| Opening Cash | 32,697 | 22,625 | 15,835 | 21,526 | |
| Closing Cash | 22,625 | 15,835 | 21,526 | 27,609 | |

Source: Company, ICICIdirect.com Research

| Key ratios | | ₹ Crore | | | |
|----------------------|------|---------|-------|-------|--|
| (Year-end March) | FY17 | FY18E | FY19E | FY20E | |
| Per share data (₹) | | | | | |
| EPS | 63 | 66 | 68 | 74 | |
| Cash EPS | 70 | 74 | 77 | 83 | |
| BV | 302 | 291 | 326 | 362 | |
| DPS | 25.8 | 26.8 | 27.9 | 31.5 | |
| Cash Per Share | 99 | 73 | 99 | 127 | |
| Operating Ratios (%) | | | | | |
| EBIT Margin | 25 | 24 | 24 | 24 | |
| PBT Margin | 29.1 | 28.6 | 27.3 | 27.0 | |
| PAT Margin | 21 | 20 | 19 | 19 | |
| Debtor days | 66 | 66 | 66 | 66 | |
| Unbilled revenue | 18 | 19 | 19 | 19 | |
| Creditor days | 2 | 2 | 2 | 2 | |
| Return Ratios (%) | | | | | |
| RoE | 21 | 23 | 21 | 20 | |
| RoCE | 29 | 32 | 29 | 29 | |
| RoIC | 46 | 45 | 46 | 49 | |
| Valuation Ratios (x) | | | | | |
| P/E | 17 | 16 | 16 | 15 | |
| EV / EBITDA | 12 | 12 | 11 | 10 | |
| EV / Net Sales | 3 | 3 | 3 | 3 | |
| Market Cap / Sales | 4 | 4 | 3 | 3 | |
| Price to Book Value | 4 | 4 | 3 | 3 | |
| Solvency Ratios | | | | | |
| Debt/EBITDA | - | - | - | 0 | |
| Debt / Equity | - | - | - | 0 | |
| Current Ratio | 3 | 3 | 3 | 3 | |
| Quick Ratio | 2.7 | 2.7 | 2.7 | 2.7 | |

Source: Company, ICICIdirect.com Research

ICICIdirect.com coverage universe (IT)

| Sector / Company | CMP | | | M Cap (₹ Cr) | EPS (₹) | | | P/E (x) | | | EV/EBITDA (x) | | | RoCE (%) | | | RoE(%) | | |
|----------------------------|-------|-------|--------|-----------------|---------|-------|-------|---------|-------|-------|---------------|-------|-------|----------|-------|-------|--------|-------|-------|
| | (₹) | TP(₹) | Rating | | FY17 | FY18E | FY19E | FY17 | FY18E | FY19E | FY17 | FY18E | FY19E | FY17 | FY18E | FY19E | FY17 | FY18E | FY19E |
| Cyient (INFENT) | 582 | 545 | Hold | 6,553 | 30.5 | 35.7 | 41.4 | 19.1 | 16.3 | 14.1 | 11.9 | 9.4 | 8.0 | 19.7 | 21.0 | 21.4 | 16.2 | 17.0 | 17.6 |
| Eclerx (ECLSER) | 1,528 | 1,125 | Sell | 6,299 | 86.4 | 74.8 | 88.4 | 17.7 | 20.4 | 17.3 | 12.1 | 14.0 | 12.2 | 34.5 | 28.1 | 28.9 | 29.1 | 22.4 | 23.9 |
| Firstsource (FIRSOU) | 46 | 47 | Buy | 3,034 | 4.1 | 4.3 | 4.7 | 11.1 | 10.7 | 9.7 | 8.6 | 7.8 | 6.6 | 11.7 | 11.9 | 12.7 | 13.8 | 12.5 | 12.2 |
| HCL Tech (HCLTEC) | 916 | 930 | Hold | 129,312 | 60.0 | 60.1 | 66.2 | 15.3 | 15.3 | 13.8 | 12.4 | 11.5 | 9.7 | 29.0 | 29.0 | 28.9 | 25.3 | 24.4 | 23.5 |
| Infosys (INFTEC) | 1,082 | 1,110 | Hold | 247,294 | 62.8 | 66.1 | 68.2 | 17.2 | 16.4 | 15.9 | 11.7 | 12.1 | 10.9 | 28.8 | 31.6 | 29.4 | 20.8 | 22.7 | 20.9 |
| KPIT Tech (KPISYS) | 204 | 160 | Hold | 4,059 | 10.6 | 11.7 | T | 19.2 | 17.5 | 14.3 | 11.2 | 10.9 | 8.7 | 14.5 | 15.3 | 17.1 | 15.1 | 13.2 | 14.2 |
| Mindtree (MINCON) | 627 | 495 | Hold | 10,521 | 24.9 | 26.4 | 32.9 | 25.2 | 23.8 | 19.0 | 13.9 | 14.8 | 11.0 | 21.2 | 21.9 | 24.5 | 16.2 | 17.0 | 19.0 |
| NIIT Technologies (NIITEC) | 702 | 660 | Hold | 2,515 | 40.8 | 43.4 | 50.9 | 15.7 | 16.2 | 13.8 | 3.7 | 3.3 | 2.4 | 29.8 | 31.3 | 36.3 | 14.8 | 14.2 | 14.8 |
| Persistent (PSYS) | 765 | 730 | Buy | 6,119 | 37.6 | 47.9 | 38.8 | 16.9 | 16.4 | 13.7 | 9.9 | 9.0 | 7.1 | 20.7 | 19.4 | 21.4 | 15.9 | 14.6 | 16.0 |
| TCS (TCS) | 2,756 | 2,750 | Hold | 539,818 | 133.4 | 132.5 | 144.4 | 20.7 | 20.8 | 19.1 | 15.3 | 15.4 | 13.4 | 38.0 | 37.9 | 34.9 | 29.8 | 29.5 | 27.1 |
| Tech Mahindra (TECMAH) | 552 | 505 | Hold | 54,245 | 31.7 | 37.5 | 39.3 | 17.4 | 14.7 | 14.0 | 12.0 | 10.8 | 8.5 | 19.4 | 19.8 | 18.8 | 17.1 | 17.7 | 16.4 |
| Wipro (WIPRO) | 319 | 350 | Buy | 157,490 | 17.5 | 19.1 | 20.7 | 18.3 | 16.7 | 15.4 | 11.9 | 12.7 | 10.8 | 16.8 | 18.1 | 17.2 | 16.3 | 17.8 | 16.5 |

Source: Company, ICICIdirect.com Research

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