

Infosys (INFTEC)

₹ 1125

Lowers margin band for FY19E...

- US\$ revenues grew 1.8% QoQ to \$2,805 million, in line with our 1.9% growth and \$2,807 million estimate. Constant currency revenues grew 0.6% QoQ vs. our estimate of 1% QoQ
- Rupee revenues grew 1.6% QoQ to ₹ 18,083 crore, largely in line with our ₹ 18,065.3 crore estimate
- At 24.7%, EBIT margins expanded 40 bps QoQ, above our 24.3% estimate mainly due to lower-than-expected employee expenses (63.9% as a percentage of revenue vs. our estimate of 64.3%)
- Reported PAT of ₹ 3,690 was in line with our ₹ 3,593 crore estimate led by better-than-expected operating performance

Expects revenue growth (CC) of 6-8% for FY19E...

Infosys' revenues grew 1.8% QoQ to \$2,805 million led by volume growth of 1.1%. Vertical wise, transportation, energy & utilities and manufacturing led growth at 21.2%, 4.7% and 2.3% QoQ, respectively. For BFSI, the management maintained its stance for a better CY18 vs. CY17 owing to better client spends. However, they expect a moderate outlook in BFS owing to some softness in US clients while sounding optimistic for insurance vertical for FY19E. On future outlook, Infosys has guided for constant currency revenue in the range of 6-8% for FY19E. It translates to US\$ revenue growth of 7-9% based on March 31, 2018 rates. Overall, we expect \$ revenues to grow at 8.8% CAGR to US\$12.9 billion in FY18-20E.

Margins above expectations, Guidance range lowered for FY19E...

Infosys' EBIT margins expanded 40 bps QoQ to 24.7% owing to cross currency benefit (+20 bps) and a reduction in onsite mix and other expenses (+70 bps) offset by a decline in utilisation, decline in realisation, higher compensation and variable payouts to employees. On the margin outlook front, there was disappointment as Infosys has lowered its EBIT margin range to 22-24% for FY19E from its earlier range of 23-25% for FY18. The management indicated that the revision in guidance was mainly on account of increased focus on digital led growth, additional investments in the US, revitalising sales team and repurposing of talent. We factor in EBIT margin of 23.5%, 23.7% in FY19E, FY20E, respectively.

Digital @25.5% to revenues, indicates focus on investments in digital...

New services & software made up 12.7% of revenues in Q4FY18 (11.6% in Q3) and grew 11.5% sequentially. Digital contribution to overall revenues was at 25.5% to \$2.8 billion in FY18. In line with its strategy and focus on digital led growth, Infosys has acquired WongDoody Holding, a digital creative and consumer insights agency for \$75 million. Moreover, the company's sale of its subsidiaries Skava and Panaya is also based on the strategic review of its portfolio of businesses.

Lowers margin guidance, returning part of excess cash; maintain HOLD...

Infosys lowered its margin guidance band to 22-24% in its Q4FY18 earnings commentary. The management indicated its four pillar strategy of growth and increased investment to focus on digital led growth and localisation. The execution on the same front needs to be closely watched. Furthermore, the announcement on returning additional US\$2 billion (~5% of market cap) cash to shareholders (\$400 million through special dividend, remaining \$1.6 billion to be decided by board through dividend or buyback) could restrict the downside in the stock. We maintain our **HOLD** rating on the stock and maintain our target price of ₹ 1110 (15x FY20E EPS).

Rating matrix	
Rating	: Hold
Target	: ₹ 1110
Target Period	: 12 months
Potential Upside	: -1%

What's Changed?	
Target	Unchanged
EPS FY19E	Changed from ₹ 68.2 to ₹ 67.6
EPS FY20E	Changed from ₹ 73.7 to ₹ 73.8
Rating	Unchanged

Quarterly Performance					
	Q4FY18	Q4FY17	YoY (%)	Q3FY18	QoQ (%)
Revenue	18,083	17,120	5.6	17,794	1.6
EBIT	4,472	4,212	6.2	4,319	3.5
EBIT (%)	24.7	24.6	6.2	24.3	3.5
PAT	3,690	3,603	2.4	5,129	(28.1)

Key Financials				
₹ Crore	FY17	FY18E	FY19E	FY20E
Net Sales	68,485	70,522	76,916	84,203
EBITDA	18,605	19,010	20,075	22,061
Net Profit	14,353	16,029	14,681	16,036
EPS (₹)	62.8	73.8	67.6	73.8

Valuation summary				
	FY17	FY18E	FY19E	FY20E
P/E	17.9	15.2	16.6	15.2
Target P/E	17.7	15.0	16.4	15.0
EV / EBITDA	12.3	12.5	11.6	10.4
P/BV	3.7	4.0	3.7	3.4
RoNW (%)	20.8	26.4	22.2	22.4
RoCE (%)	28.8	33.3	31.3	31.5

Stock data	
Particular	Amount
Market Capitalization (₹ Crore)	257,121.5
Total Debt	-
Cash and Investments (FY17)	29,007.0
EV (₹ Crore)	228,114.5
52 week H/L	1220 / 862
Equity capital	1,144.0
Face value	₹ 5

Price performance (%)				
	1M	3M	6M	12M
TCS	(2.4)	10.8	21.8	23.0
Infosys	(5.0)	11.3	22.4	18.1
Wipro	(1.5)	(7.5)	(0.1)	13.5
HCL Tech	0.3	7.8	6.9	16.5

Research Analysts	
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Variance analysis

	Q4FY18	Q4FY18E	Q4FY17	YoY (%)	Q3FY18	QoQ (%)	Comments
Revenue	18,083	18,065	17,120	5.6	17,794	1.6	US\$ revenues grew 1.8% QoQ to \$2,805 million, in line with our 1.9% growth and \$2,807 million estimate
Employee expenses	11,096	11,110	10,324	7.5	10,952	1.3	
Gross Profit	6,987	6,955	6,796	2.8	6,842	2.1	
Gross margin (%)	38.6	38.5	39.7	-106 bps	38.5	19 bps	
Selling & marketing costs	947	885	889	6.5	877	8.0	
G&A expenses	1,110	1,174	1,249	-11.1	1,148	-3.3	
EBITDA	4,930	4,896	4,658	5.8	4,817	2.3	
EBITDA Margin (%)	27.3	27.1	27.2	6 bps	27.1	19 bps	
Depreciation	458	506	446	2.7	498	-8.0	
EBIT	4,472	4,390	4,212	6.2	4,319	3.5	
EBIT Margin (%)	24.7	24.3	24.6	13 bps	24.3	46 bps	EBIT margin came in above our expectation due to lower-than-expected employee expenses and G&A expenses
Other income	534	601	746	-28.4	962	-44.5	
PBT	5,006	4,990	4,958	1.0	5,281	-5.2	
Tax paid	1,316	1,397	1,330	-1.1	152	765.8	
PAT	3,690	3,593	3,603	2.4	5,129	-28.1	PAT was above our expectation led by a better-than-expected operating performance partly offset by lower other income

Key Metrics

Closing employees	204,107	200,000	200,364	1.9	201,691	1.2	
LTM attrition-standalone (%)	16.6	16.5	13.5	310 bps	15.8	80 bps	
Utilisation - IT Services (%)	84.7	84.5	82.0	270 bps	84.9	-20 bps	Utilisation declines 20 bps
Average \$/₹	64.5	64.4	66.6	-3.2	64.6	-0.2	

Source: Company, ICICIdirect.com Research

Change in estimates

(₹ Crore)	FY19E			FY20E			Comments
	Old	New	% Change	Old	New	% Change	
Revenue	76,487	76,916	0.6	83,505	84,203	0.8	
EBIT	18,357	18,075	-1.5	20,041	19,956	-0.4	
EBIT Margin (%)	24.0	23.5	-55 bps	24.0	23.7	-35 bps	We revise our margin estimates based on revision in EBIT margin guidance
PAT	14,573	14,681	0.7	15,746	16,036	1.8	
EPS (₹)	67.1	67.6	0.7	72.5	73.8	1.8	

Source: Company, ICICIdirect.com Research

Assumptions

	FY17	Current FY18E	Current FY19E	Earlier FY19E	Current FY20E	Earlier FY20E
Closing employees	200,364	204,107	208,490	208,757	217,216	221,618
Utilisation - IT Services (%)	68.3	70.8	75.0	76.8	79.1	79.8
Average \$/₹	67.1	64.5	65.0	65.0	65.0	65.0

Source: Company, ICICIdirect.com Research

Conference Call Highlights

- a. **Revenue Guidance-** Giving the outlook for FY19E, Infosys has guided for constant currency revenue to be in the range of 6-8%. It translates to US\$ revenue growth of 7-9% based on March 31, 2018 rates. The management highlighted that the revenue impact from divestment from Skava and Panaya would have a negligible impact on its guidance. Its guidance also does not consider its impact from newly acquired WongDoody company
- b. **Margin Outlook:** In terms of operating profit (EBIT) guidance, there was disappointment as Infosys has lowered its EBIT margin range to 22-24% from its earlier range of 23-25%. The management indicated that the revision in guidance was mainly on account of increased focus on digital led growth, additional investments in the US, revitalising sales team and repurposing of talent
- c. **Strategy around four pillars-** The management indicated that its strategy would be around four pillars of- Scaling agile digital business (current run rate- US\$2.8 billion in revenue), energising the client's core technology landscape via AI and automation, reskilling its employees, and expanding localisation in markets such as the US, Europe and Australia
- d. **Acquisition-** The company has entered into a definitive agreement to acquire WongDoody Holding Company, Inc, a US-based digital creative and consumer insights agency for a consideration of up to \$75 million. The acquisition is on the lines of its focus on digital led growth
- e. **Capital allocation policy-** The company has come out with a revised capital allocation policy with payment of \$2 billion cash to shareholders (\$400 million through special dividend, remaining \$1.6 billion to be decided by board through dividend or buyback) along with continuity of returning 70% of FCF to shareholders
- f. **Sale of subsidiaries of Skava, Panaya-** A noteworthy highlight of the result was the announcement of the sale of its subsidiaries Skava and Panaya. The company indicated that based on the strategic review of its portfolio of businesses, the company has initiated identification and evaluation of potential buyers for its subsidiaries of Skava and Panaya
- g. **TCV:** Infosys has signed 10 new deals with six in the US, three in Europe and one in RoW. TCV was at US\$905 million, growth of 16.2% sequentially
- h. **Employee Update:** The employee count in FY18 was at 204,107, with net addition of 3,743 employees over FY17. Attrition (consolidated) increased 80 bps QoQ to 19.5% while blended utilisation (ex-trainees) declined 20 bps sequentially to 84.7%

Company Analysis

Exhibit 1: Geography wise break-up

	Q3FY17	Q4FY17	Q1FY18	Q2FY18	Q3FY18	Q4FY18
<u>Revenue by geography (%)</u>						
North America	62.0	62.3	61.1	60.6	60.4	59.4
Europe	22.2	22.1	22.4	23.2	24.4	24.8
India	3.4	3.2	3.6	3.3	3.0	2.8
ROW	12.4	12.4	12.9	12.9	12.2	13.0
<u>Growth QoQ (%)</u>						
North America	-0.6	1.2	1.2	2.1	0.7	0.1
Europe	-2.7	0.3	4.6	6.6	6.2	3.5
India	-1.4	-5.2	16.1	-5.7	-8.2	-5.0
ROW	-3.0	0.7	7.4	2.9	-4.5	8.5

Source: Company, ICICIdirect.com Research

Exhibit 2: Vertical-wise break-up

	Q3FY17	Q4FY17	Q1FY18	Q2FY18	Q3FY18	Q4FY18
<u>Revenue by verticals (%)</u>						
BFS	27.2	27.4	27.1	27.0	26.3	26.2
Insurance	6.1	6.1	6.2	6.4	6.8	6.8
Manufacturing	22.5	22.4	22.2	22.0	21.8	21.9
Retail & CPG	14.6	14.1	14.2	13.8	14.1	13.3
Transportation & Logistics	2.0	2.0	1.9	2.0	2.1	2.5
Lifesciences	4.6	4.6	4.6	4.8	4.6	4.7
Healthcare	2.3	2.0	2.0	2.0	1.9	1.9
Communication and Services	9.1	5.0	5.2	5.5	5.8	5.9
Energy and Utilities	5.0	9.9	10.4	10.4	10.5	10.8
Others	6.6	6.5	6.2	6.1	6.1	0.0
<u>Growth QoQ (%)</u>						
BFS	-2.1	1.4	2.1	2.5	-1.6	1.4
Insurance	5.5	0.7	4.9	6.2	7.3	1.8
Manufacturing	-1.4	0.3	2.3	2.0	0.1	2.3
Retail & CPG	-3.4	-2.7	3.9	0.0	3.2	-4.0
Transportation & Logistics	3.8	0.7	-2.0	8.3	6.0	21.2
Lifesciences	0.8	0.7	3.2	7.4	-3.2	4.0
Healthcare	3.1	-12.4	3.2	2.9	-4.1	1.8
Communication and Services	-4.5	-44.7	7.3	8.8	6.5	3.6
Energy and Utilities	2.7	99.4	8.4	2.9	2.0	4.7
Others	10.4	-3.7	-1.6	-74.8	2.2	1.1

Source: Company, ICICIdirect.com Research

India continues its decline for a third straight quarter and declined 5% sequentially

Management expects a moderate outlook in BFS owing to softness in US clients while sounding optimistic on insurance vertical for FY19E

Exhibit 3: Service offerings break-up

	Q3FY17	Q4FY17	Q1FY18	Q2FY18	Q3FY18	Q4FY18
Revenue by service offerings (%)						
Application Development	15.5	15.3	15.4	15.6	15.4	15.5
Application Maintenance	17.0	16.8	16.7	16.0	16.2	15.6
Infrastructure Management Services	8.6	8.5	8.4	9.0	8.8	9.3
Testing Services	9.1	9.0	9.3	9.4	9.4	9.8
BPM	4.9	4.0	5.0	5.1	5.3	5.4
PES	3.9	5.1	4.1	4.1	4.0	4.0
Others	3.0	3.2	3.1	3.1	2.8	3.1
Consulting & Systems Integration	32.4	32.6	32.6	32.5	32.8	32.4
Products, Platforms and Solutions	5.6	5.5	5.4	5.2	5.3	4.9

IMS, testing services and BPM led the growth

Growth QoQ (%)

Application Development	-2.0	-0.6	3.9	4.2	-0.3	2.5
Application Maintenance	-7.4	-0.5	2.6	-1.4	2.3	-2.0
Infrastructure Management Services	1.0	-0.5	2.0	10.3	-1.3	7.6
Testing Services	-2.5	-0.4	6.6	4.0	1.0	6.1
BPM	-1.4	-17.8	29.0	5.0	5.0	3.7
PES	3.9	31.7	-17.0	2.9	-1.5	1.8
Others	2.0	7.4	0.0	2.9	-8.8	12.7
Consulting & Systems Integration	-0.5	1.3	3.2	2.6	1.9	0.6
Products, Platforms and Solutions	8.3	-1.1	1.3	-74.4	2.0	-3.1

Source: Company, ICICIdirect.com Research

Exhibit 4: Human resources metrics

	Q3FY17	Q4FY17	Q1FY18	Q2FY18	Q3FY18	Q4FY18
Client metrics						
5 Million \$ clients	275	282	279	286	290	295
25 Million \$ clients	90	91	97	100	101	105
50 Million \$ clients	54	56	56	55	56	57
75 Million \$ clients	32	31	31	31	34	35
100 Million \$ clients	18	19	18	19	20	20

Utilisation declined 20 bps QoQ to 84.7%. Attrition remains at elevated levels and increased 80 bps to 16.6%

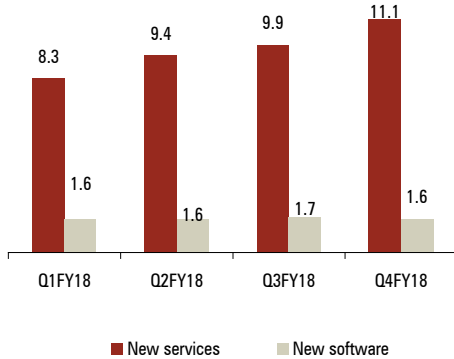
Headcount, Utilization & Attrition

Total Employees	199763	200364	198553	198440	201691	204107
Utilization (Excluding trainees)	80.6	82.0	84.0	84.7	84.9	84.7
LTM Attrition (Standalone)	13.6	13.5	16.9	17.2	15.8	16.6

Source: Company, ICICIdirect.com Research

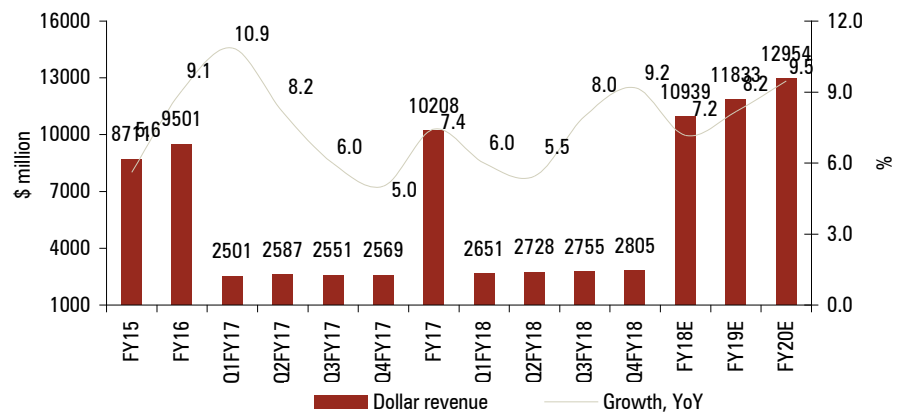
Financial story in charts

New services & software contribution



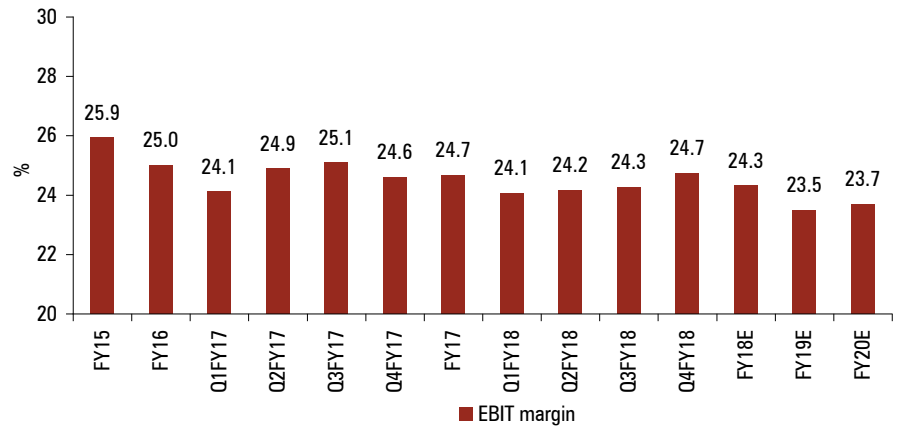
Source: Company, ICICIdirect.com Research

Exhibit 5: Dollar revenues may grow at 8.8% CAGR in FY18-20E



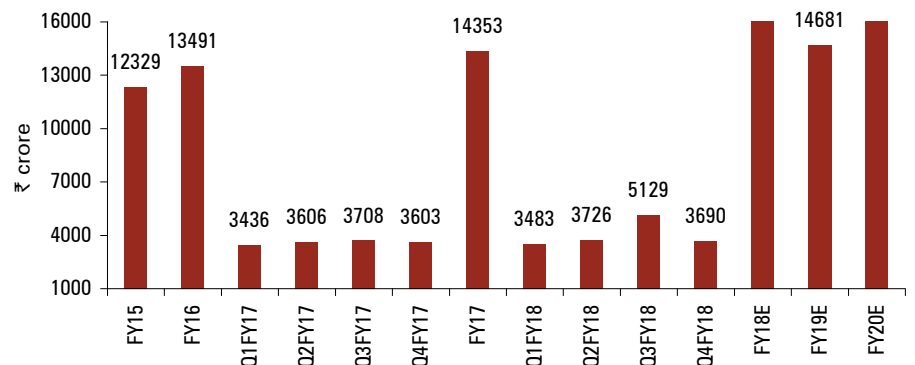
Source: Company, ICICIdirect.com Research

Exhibit 6: Change in margin estimates for FY19E, FY20E



Source: Company, ICICIdirect.com Research

Exhibit 7: PAT trend



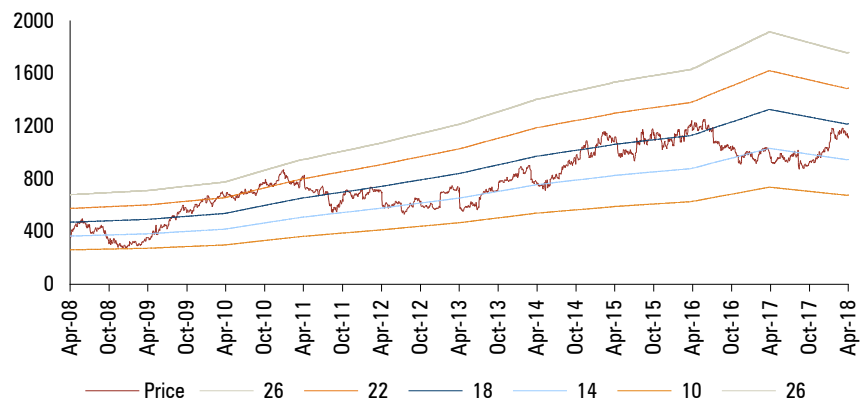
Source: Company, ICICIdirect.com Research

Outlook and valuation

Infosys reported Q4FY18 earnings with revenues in line with our expectations while posting a better-than-expected performance on the margin front. Providing their outlook for FY19E, Infosys has guided for constant currency revenue to be in the range of 6%-8%. However, there was disappointment on the margin guidance front as Infosys lowered its EBIT margin range to 22-24% from its earlier range of 23-25%. Besides this, the company has come out with a revised capital allocation policy with payment of \$2 billion out of the cash on the balance sheet along with continuity of returning 70% of FCF to shareholders.

Infosys lowered its margin guidance band to 22-24% in its Q4FY18 earnings commentary. The management indicated its four pillar strategy of growth and increased investment to focus on digital led growth and localisation. The execution on the same front needs to be closely watched. Furthermore, the announcement on returning additional US\$2 billion (~5% of market cap) cash to shareholders (\$400 million through special dividend, remaining \$1.6 billion to be decided by board through dividend or buyback) could restrict the downside in the stock. We maintain our HOLD rating on the stock and maintain our target price of ₹ 1110 (15x FY20E EPS).

Exhibit 8: One year forward rolling PE



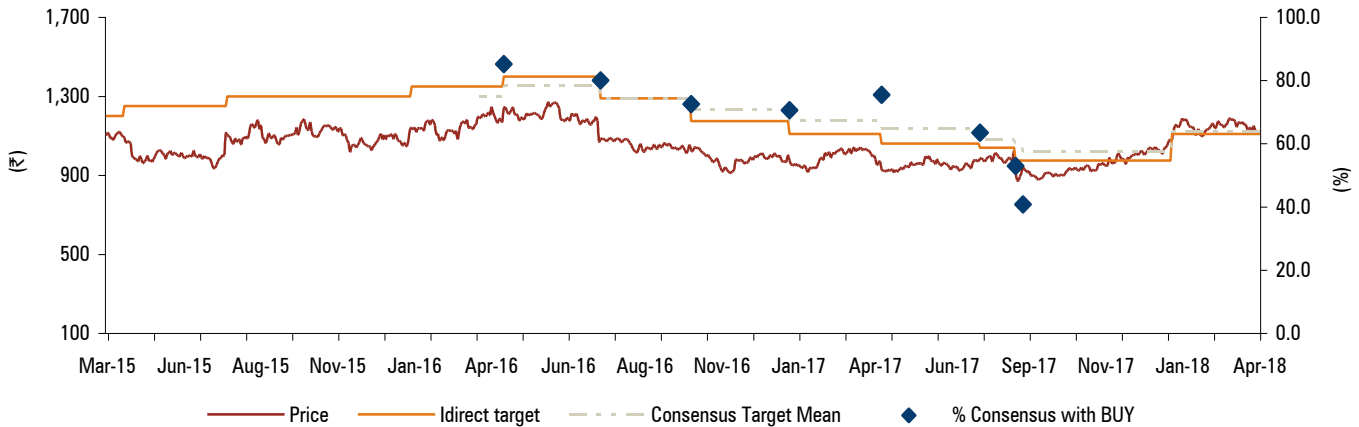
Source: Company, ICICIdirect.com Research

Exhibit 9: Valuation

	Sales (₹ cr)	Growth (%)	EPS (₹)	Growth (%)	PE (x)	EV/EBITDA (x)	RoNW (%)	RoCE (%)
FY16	62,441	17.1	59.0	9.4	19.1	13.0	21.8	30.2
FY17	68,485	9.7	62.8	6.4	17.9	12.3	20.8	28.8
FY18E	70,522	3.0	73.8	17.5	15.2	12.5	26.4	33.3
FY19E	76,916	9.1	67.6	(8.4)	16.6	11.6	22.2	31.3
FY20E	84,203	9.5	73.8	9.2	15.2	10.4	22.4	31.5

Source: Company, ICICIdirect.com Research

Recommendation History vs. Consensus



Source: Bloomberg, Company, ICICIdirect.com Research

Key events

Date	Event
Aug-17	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
Jan-18	Infosys enters into a strategic partnership with the AS Watson Group (ASW), the world's largest international health and beauty retailer, to accelerate ASW's digital transformation initiatives. Infosys appointed as an official technology partner by the AS Watson Group to provide technology services across data science and artificial intelligence
Apr-18	Infosys enters into a strategic multi-year partnership with Calix to accelerate communications service provider (CSP) adoption of AXOS, its Software Defined Access (SDA) platform. Calix and Infosys will jointly invest to co-create new services and value-added offerings on the AXOS platform

Source: Company, ICICIdirect.com Research

Top 10 Shareholders

Rank	Name	Latest Filing Date	% O/S	Position (m)	Change (m)
1	Life Insurance Corporation of India	31-Dec-17	7.4%	160.9	-7.9
2	Gopalakrishnan (Sudha)	31-Dec-17	3.2%	68.6	-2.2
3	HDFC Asset Management Co., Ltd.	31-Jan-18	2.9%	63.2	0.5
4	BlackRock Institutional Trust Company, N.A.	31-Mar-18	2.6%	57.1	-0.4
5	The Vanguard Group, Inc.	27-Dec-17	2.5%	55.0	-6.3
6	ICICI Prudential Asset Management Co. Ltd.	27-Dec-17	1.7%	37.6	4.3
7	ICICI Prudential Life Insurance Company Ltd.	31-Dec-17	1.4%	30.6	-1.5
8	Murty (Rohan)	31-Dec-17	1.4%	30.4	-1.4
9	SBI Funds Management Pvt. Ltd.	28-Feb-18	1.4%	29.6	0.5
10	Invest AD	31-Dec-17	1.1%	23.7	-2.7

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
Manchanda (Gaurav)	154.2m	8.6m	Shibulal (Shruti)	-221.6m	-12.3m
Manchanda (Milan Shibulal)	138.8m	7.7m	Shibulal (S D)	-142.9m	-7.9m
Franklin Mutual Advisers, LLC	80.9m	5.0m	Life Insurance Corporation of India	-128.4m	-7.9m
ICICI Prudential Asset Management Co. Ltd.	70.7m	4.3m	The Vanguard Group, Inc.	-103.6m	-6.3m
Shibulal (Bhairavi Madhusudhan)	71.5m	4.0m	BlackRock Investment Management, LLC	-85.0m	-4.7m

Source: Reuters, ICICIdirect.com Research

Financial summary

Profit and loss statement		₹ Crore			
(Year-end March)	FY17	FY18E	FY19E	FY20E	
Total operating Income	68,485	70,522	76,916	84,203	
Growth (%)	9.7	3.0	9.1	9.5	
COGS (employee expenses)	41,550	43,269	47,304	51,785	
Admin expenses	4,739	4,685	5,384	5,894	
S&M expenses	3,591	3,558	4,153	4,463	
Total Operating Expenditure	49,880	51,512	56,841	62,142	
EBITDA	18,605	19,010	20,075	22,061	
Growth (%)	8.9	2.2	5.6	9.9	
Depreciation	1,703	1,862	2,000	2,105	
Other Income	3,079	3,193	2,677	2,708	
PBT	19,951	20,270	20,678	22,586	
Total Tax	5,598	4,242	5,997	6,550	
PAT	14,353	16,029	14,681	16,036	
Growth (%)	6.4	11.7	(8.4)	9.2	
EPS (₹)	62.8	73.8	67.6	73.8	
Growth (%)	6.4	17.5	(8.4)	9.2	

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	59,553	64,930	70,523	
Total Shareholders funds	68,982	60,640	66,018	71,611	
Employee benefit obligations	-	-	-	-	
Debt	-	-	-	1	
Deferred Tax Liability	207	207	207	207	
Other non current liabilities	153	153	153	153	
Total Liabilities	69,342	61,000	66,378	71,972	
Assets	-	-	-	-	
Property, plant and equipment	11,716	12,354	12,854	13,249	
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	13,274	16,985	20,853	
Investment in CD	-	-	-	-	
Trade receivables	12,322	12,689	13,839	15,150	
Unbilled revenue	3,648	3,757	4,097	4,485	
Prepayment & O.fin.assets	4,856	5,000	5,454	5,971	
Other current assets	10,254	10,254	10,254	10,254	
Total Current Assets	53,705	44,973	50,628	56,713	
Trade payables	367	378	412	451	
Unearned revenue	1,777	1,830	1,996	2,185	
OCL & provisions	11,869	12,053	12,631	13,289	
Total Current Liabilities	14,013	14,261	15,039	15,925	
Net Current Assets	39,692	30,712	35,590	40,788	
Application of Funds	69,342	61,000	66,378	71,972	

Source: Company, ICICIdirect.com Research

Cash flow statement		₹ Crore			
(Year-end March)	FY17	FY18E	FY19E	FY20E	
Profit after Tax	14,353	16,029	14,681	16,036	
Add: Depreciation	1,703	1,862	2,000	2,105	
(Inc)/dec in Current Assets	(2,214)	(619)	(1,945)	(2,216)	
Inc/(dec) in CL and Provisions	270	248	778	886	
Taxes paid	(5,653)	(4,242)	(5,997)	(6,550)	
CF from operating activities	14,063	14,326	12,837	14,103	
(Inc)/dec in Investments*	(9,976)	3,193	2,677	2,708	
(Inc)/dec in Fixed Assets	(2,760)	(2,500)	(2,500)	(2,500)	
CF from investing activities	(17,074)	693	177	208	
Dividend paid & dividend tax	(6,939)	(11,371)	(9,304)	(10,443)	
Others	-	-	-	-	
CF from financing activities	(6,939)	(24,371)	(9,304)	(10,443)	
Net Cash flow	(9,950)	(9,352)	3,711	3,868	
Exchange difference	(122)	-	-	-	
Opening Cash	32,697	22,625	13,274	16,985	
Closing Cash	22,625	13,274	16,985	20,853	

Source: Company, ICICIdirect.com Research

Key ratios		₹ Crore			
(Year-end March)	FY17	FY18E	FY19E	FY20E	
Per share data (₹)					
EPS	63	74	68	74	
Cash EPS	70	82	77	83	
BV	302	279	304	330	
DPS	25.8	43.5	35.5	39.9	
Cash Per Share	99	61	78	96	
Operating Ratios (%)					
EBIT Margin	25	24	24	24	
PBT Margin	29.1	28.7	26.9	26.8	
PAT Margin	21	23	19	19	
Debtor days	66	66	66	66	
Unbilled revenue	18	19	19	19	
Creditor days	2	2	2	2	
Return Ratios (%)					
RoE	21	26	22	22	
RoCE	29	33	31	31	
RoIC	46	45	46	49	
Valuation Ratios (x)					
P/E	18	15	17	15	
EV / EBITDA	12	12	12	10	
EV / Net Sales	3	3	3	3	
Market Cap / Sales	4	4	3	3	
Price to Book Value	4	4	4	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)	650	600	Hold	7,318	30.5	35.7	37.5	21.3	18.2	17.4	13.4	10.8	9.4	19.7	20.6	20.3	16.2	17.0	16.2
Eclerx (ECLSER)	1,462	1,220	Sell	6,027	86.4	71.0	77.3	16.9	20.6	18.9	11.6	14.0	12.8	34.5	26.8	26.7	29.1	21.4	21.2
Firstsource (FIRSOU)	42	50	Buy	2,936	4.1	4.5	4.7	10.3	9.2	8.9	8.4	7.5	6.3	11.7	11.8	12.6	13.8	13.3	12.1
HCL Tech (HCLTEC)	1,016	1,000	Hold	143,429	60.0	61.9	65.7	16.9	16.4	15.5	13.7	12.2	10.4	29.0	28.9	28.2	25.3	25.0	23.3
Infosys (INFTEC)	1,125	1,110	Hold	257,121	62.8	73.8	67.6	17.9	15.2	16.6	12.3	12.5	11.6	28.8	33.3	31.3	20.8	26.4	22.2
KPIT Tech (KPISYS)	212	200	Hold	4,218	10.6	12.1	13.6	19.9	17.5	15.5	11.7	11.0	9.4	14.5	15.8	16.4	15.1	13.6	13.6
Mindtree (MINCON)	770	600	Hold	12,930	24.9	32.0	33.9	30.9	24.1	22.7	17.3	16.9	13.4	21.2	24.9	24.3	16.2	20.0	18.9
NIIT Technologies (NIITEC)	907	775	Hold	3,250	40.8	44.8	52.2	20.3	20.2	17.4	5.2	4.7	3.7	29.8	31.5	36.4	14.8	14.6	15.0
Persistent (PSYS)	790	875	Buy	6,319	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)	3,200	2,750	Hold	626,784	133.4	132.5	144.4	24.0	24.1	22.1	18.0	18.1	15.8	38.0	37.9	34.9	29.8	29.5	27.1
Tech Mahindra (TECMAH)	604	640	Hold	59,355	31.7	38.6	40.9	19.1	15.6	14.8	13.2	11.5	9.2	19.4	20.0	19.1	17.1	18.1	16.9
Wipro (WIPRO)	313	360	Buy	154,528	17.5	18.6	20.6	17.9	16.8	15.2	11.6	12.9	10.8	16.8	17.4	17.1	16.3	17.4	16.5

Source: Company, ICICIdirect.com Research

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