

### Beats on all count, drives Guidance Upgrade on growth/profitability

- Infosys reported a revenue growth of 5.3% QoQ in CC terms (DE 3.8%) due to strong execution across verticals and a 5bps QoQ OPM improvement to 25.4% (DE 24%) led by better utilization and offshore shift (about 100bps), Fx (20bps) that covered up for headwinds.
- Strong Q3 also led to upgrade in growth guidance for FY21 to 4.5%-5% in CC terms (up 200bps) and OPM guidance to 24-24.5% (from 23-24%). OPM upgrade came as bigger surprise given expected headwinds in terms of Jr. employee promotions, large deal transitioning etc. in Q3.
- Signed best ever TCV of \$7.1Bn (73% of this is New) taking TTM TCV to \$13.6Bn up 53% on YoY basis. Pipeline remains strong as clients are focusing on digital transformation, cost take-outs and captive monetization and so on.
- Factoring strong performance, robust TCV wins, confident commentary and upgrade in guidance/outlook, we have upgraded our growth estimates by ~1.5% CAGR FY21-23E and have assigned Accumulate view on stock with TP of Rs. 1,500 (27x on FY23E EPS).

### TCV provides growth comfort, margin sustenance holds the key

Infy added Record TCV wins at \$7.1bn (73% of this is Net New – higher than FY last year). Deal wins for 9MFY21 stands at \$12bn out of which \$8bn is net-new. However, based on the transitioning schedule large part of the new deal wins would flow into revenues starting Q2FY22E. Pipeline is still robust across industries and was the performance in the quarter. Overall it won 23 large deal including 18 in FS; 3 in Comms and 1 in Retail-Hitech. On Geo basis it has won 13 deals in America, 7 in Europe, ROW 2. This also includes a largest deal ever by Infosys (probably largest for the Indian IT Industry as per them). Wage hikes are due effective Q4 which along with large deal transition costs and gradually on cost normalisation towards SG&A as company slowly moves towards WFO (97% of employees are WFH). Utilisations were at all-time high levels of 86.3% and onsite efforts at 25.2% is also multi-year low; so potentially this is the most stretched positive profitability for the company and should see some cooling off. Sustenance of the profitability would drive overall re-rating hereon.

### Q3FY21 Result (Rs Mn)

Particulars	Q3FY21	Q3FY20	YoY (%)	Q2FY21	QoQ (%)
Revenue	259,270	230,920	12.3	245,700	5.5
Total Expense	193,380	180,280	7.3	183,420	5.4
EBITDA	74,150	58,010	27.8	70,830	4.7
Depreciation	8,260	7,370	12.1	8,550	(3.4)
EBIT	65,890	50,640	30.1	62,280	5.8
Other Income	5,620	7,850	(28.4)	5,220	7.7
Interest	0	0		0	
EBT	71,510	58,490	22.3	67,500	5.9
Tax	19,360	13,830	40.0	18,920	2.3
RPAT	51,970	44,520	16.7	48,450	7.3
APAT	51,970	44,520	16.7	48,450	7.3
			(bps)		(bps)
Gross Margin (%)	35.3	33.4	186	35.8	(52)
EBITDA Margin (%)	28.6	25.1	348	28.8	(23)
NPM (%)	20.0	19.3	77	19.7	33
Tax Rate (%)	27.1	23.6	343	28.0	(96)
EBIT Margin (%)	25.4	21.9	348	25.3	7

CMP	Rs 1,387
Target / Upside	Rs 1,500 / 8%
NIFTY	14,565

### Scrip Details

Equity / FV	Rs 21,204mn / Rs 5
Market Cap	Rs 5,883bn
	USD 80bn
52-week High/Low	Rs 1,393/ 509
Avg. Volume (no)	10,799,400
Bloom Code	INFO IN

Price Performance	1M	3M	12M
Absolute (%)	19	20	79
Rel to NIFTY (%)	12	(2)	61

### Shareholding Pattern

	Jun'20	Sep'20	Dec'20
Promoters	13.2	13.0	13.2
MF/Banks/FIs	25.4	25.0	25.4
FIIIs	47.8	48.6	47.8
Public / Others	13.6	13.5	13.6

### Valuation (x)

	FY21E	FY22E	FY23E
P/E	30.4	26.7	24.9
EV/EBITDA	20.2	18.4	16.9
ROE (%)	28.2	28.9	28.3
RoACE (%)	26.7	27.6	27.1

### Estimates (Rs mn)

	FY21E	FY22E	FY23E
Revenue	1,006,001	1,136,415	1,265,090
EBITDA	279,397	304,839	327,414
PAT	194,019	216,560	232,118
EPS (Rs.)	45.6	52.0	55.7

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**Exhibit 1: Quarterly performance versus estimates**

(in Rs mn)	Actual	Estimates		% Variation		Comment
		Dolat	Consensus	Dolat	Consensus	
USD Revenue	3,516	3,453	3,447	1.8	2.0	Strong growth across vertical drove overall revenue beat
INR Revenue	2,59,270	2,54,793	2,51,962	1.8	2.9	
EBIT	65,890	61,040	63,036	7.9	4.5	Best ever utilization, offshore mix led OPM beat
EBIT, margin	25.4	24.0	25.0	150 bps	40 bps	
PAT	52,150	49,511	50,245	5.3	3.8	PAT bear was narrowed by lower other income

Source: DART, Company

**Change in Estimates**

Given strong Q3 performance, record TCV signings, guidance upgrade and a confident stance, we have upgraded our top-line estimates by 1.5% CAGR over FY21-FY23. Also given robust growth, strong discretionary cut in cost and no-near term visibility on WFO we have scaled up our OPM Estimates by 140bps-85bps for FY22/FY23E. Factoring in these assumptions we have witnessed about 7%/5% upgrade in our estimates for FY22/23E respectively.

**Exhibit 2: Change in Estimates**

(Rs mn)	FY20	FY21E			FY22E			FY23E		
		Actual	Old	New % chg	Old	New % chg		Old	New % chg	
USD Revenue	12,781		13,391	13,571 1.3	14,951	15,252 2.0		16,438	16,646 1.3	
YoY growth, %	8.3		4.8	6.2 141	11.7	12.4 73		9.9	9.1 -80	
INR Revenue	9,07,910		9,95,719	1,006,001 1.0	1,121,333	1,136,415 1.3		1,249,283	1,265,090 1.3	
EBIT	1,93,740		2,33,685	246,727 5.6	250,944	270,439 7.8		276,098	290,364 5.2	
EBIT mgns, %	21.3		23.5	24.5 106	22.4	23.8 142		22.1	23.0 85	
Net profits	1,65,950		1,85,988	194,019 4.3	204,804	216,560 5.7		225,005	232,118 3.2	
EPS (Rs)	39.1		43.8	45.6 4.3	48.2	52.0 7.8		53.0	55.7 5.2	

Source: DART, Company

**Exhibit 3: Key Assumptions in our estimates**

Key Assumptions	FY20A	FY21E	FY22E	FY23E
USD Revenue	12,781	13,571	15,252	16,646
USD Revenue growth	8.3	6.2	12.4	9.1
USD/INR	71.0	74.1	74.5	76.0
INR growth	9.8	10.8	13.0	11.3
EBIT Margins	21.3	24.5	23.8	23.0
EPS growth (%)	10.3	16.9	13.8	7.2

Source: Company, DART

**Exhibit 4: Key Revenue Growth Matrix**

YoY Growth	FY20	Q1FY20	Q2FY20	Q3FY20	Q4FY20	FY21	Q1FY21	Q2FY21	Q3FY21
CC Growth	9.9	12.4	11.4	9.5	6.4	9.9	1.5	2.2	5.3
USD Growth	8.3	10.6	9.9	8.6	4.5	8.3	(0.3)	3.2	8.4
INR Growth	9.8	14.0	9.8	7.9	8.0	9.8	8.5	8.6	12.3

Source: DART, Company

### Exhibit 5: Quarterly and YTD Trend

Rs mn	Q2FY20	Q3FY20	Q4FY20	Q1FY21	Q2FY21	Q3FY21	YoY (%)	QoQ (%)	YTD FY20	YTD FY21	YoY (%)
<b>USD Revenue</b>	<b>3,210</b>	<b>3,243</b>	<b>3,197</b>	<b>3,121</b>	<b>3,312</b>	<b>3,516</b>	<b>8.4</b>	<b>6.2</b>	<b>9,584</b>	<b>9,949</b>	<b>3.8</b>
INR Revenue	2,26,290	2,30,920	2,32,670	2,36,650	2,45,700	2,59,270	12.3	5.5	6,75,240	7,41,620	9.8
Operating Expenses	1,77,170	1,80,280	1,83,400	1,83,000	1,83,420	1,93,380	7.3	5.4	5,30,770	5,59,800	5.5
Cost of revenues	1,50,790	1,53,730	1,55,010	1,57,030	1,57,710	1,67,770	9.1	6.4	4,52,310	4,82,510	6.7
as % of sales	66.6	66.6	66.6	66.4	64.2	64.7			67.0	65.1	
SG&A expenses	26,380	26,550	28,390	25,970	25,710	25,610	(3.5)	(0.4)	78,460	77,290	(1.5)
as % of sales	11.7	11.5	12.2	11.0	10.5	9.9			11.6	10.4	
<b>EBITDA</b>	<b>56,390</b>	<b>58,010</b>	<b>56,760</b>	<b>61,210</b>	<b>70,830</b>	<b>74,150</b>	<b>27.8</b>	<b>4.7</b>	<b>1,65,920</b>	<b>2,06,190</b>	<b>24.3</b>
Depreciation	7,270	7,370	7,490	7,560	8,550	8,260	12.1	(3.4)	21,450	24,370	13.6
<b>EBIT</b>	<b>49,120</b>	<b>50,640</b>	<b>49,270</b>	<b>53,650</b>	<b>62,280</b>	<b>65,890</b>	<b>30.1</b>	<b>5.8</b>	<b>1,44,470</b>	<b>1,81,820</b>	<b>25.9</b>
Other Income	5,840	7,850	5,690	4,270	5,220	5,620	(28.4)	7.7	20,650	15,110	(26.8)
<b>PBT</b>	<b>54,960</b>	<b>58,490</b>	<b>54,960</b>	<b>57,920</b>	<b>67,500</b>	<b>71,510</b>	<b>22.3</b>	<b>5.9</b>	<b>1,65,120</b>	<b>1,96,930</b>	<b>19.3</b>
Tax	14,590	13,830	11,610	15,200	18,920	19,360	40.0	2.3	42,070	53,480	27.1
<b>PAT</b>	<b>40,370</b>	<b>44,660</b>	<b>43,350</b>	<b>42,720</b>	<b>48,580</b>	<b>52,150</b>	<b>16.8</b>	<b>7.3</b>	<b>1,23,050</b>	<b>1,43,450</b>	<b>16.6</b>
MI	180	90	140	390	130	180	100.0	38.5	310	700	125.8
<b>Reported PAT</b>	<b>40,190</b>	<b>44,570</b>	<b>43,210</b>	<b>42,330</b>	<b>48,450</b>	<b>51,970</b>	<b>16.6</b>	<b>7.3</b>	<b>1,22,740</b>	<b>1,42,750</b>	<b>16.3</b>
<b>EPS</b>	<b>9.4</b>	<b>10.5</b>	<b>10.2</b>	<b>10.0</b>	<b>11.4</b>	<b>12.2</b>	<b>16.3</b>	<b>7.2</b>	<b>28.8</b>	<b>33.6</b>	<b>16.7</b>
<b>Margins (%)</b>							<b>(bps)</b>	<b>(bps)</b>			<b>(bps)</b>
EBIDTA	24.9	25.1	24.4	25.9	28.8	28.6	348	-23	21.4	24.5	312
EBIT	21.7	21.9	21.2	22.7	25.3	25.4	348	7	21.4	24.5	312
EBT	24.3	25.3	23.6	24.5	27.5	27.6	225	11	24.5	26.6	210
PAT	17.8	19.3	18.6	17.9	19.7	20.0	74	33	7.9	9.6	163
Effective Tax rate	26.5	23.6	21.1	26.2	28.0	27.1	343	(96)	25.5	27.2	168

Source: DART, Company

### What to expect next quarter

We expect sequential growth of 3 % in in US\$ revenues lead by strong performance in BFSI vertical (added strong deal wins) and traction in other verticals led by client spends towards digital transformation. OPM margins should decline by 86bps due to impending wage hike.

### Exhibit 6: What to expect next quarter

(Rs Mn)	Q4FY21E	Q3FY21	Q2FY20	QoQ (%)	YoY (%)
Sales (US\$ mn)	3,622	3,516	3,243	3.0	11.7
Sales	264,381	259,270	230,920	2.0	14.5
EBIT	64,907	65,890	50,640	(1.5)	28.2
PAT	51,419	52,150	44,660	(1.4)	15.1
EPS (Rs)	12.1	12.2	10.5	(1.3)	14.7
EBIT Margin (%)	24.6	25.4	21.9	-86 bps	262 bps

Source: DART, Company

### Valuation

We believe INFY and other Tier I IT companies would continue to deliver strong revenue momentum over next 5-6 quarters (translating into double digit revenue growth in FY22E) and thus would sustain current valuations of 25x-30x which implies over 2.5x on PEG basis. We currently value INFY at 27x (from 24times) on FY23E Earnings of Rs. 55.7 (earlier Rs. 53) with TP of Rs. 1,500 per share (from Rs. 1,270) and RETAIN our Rating to **Accumulate**.

## Key Highlights from the earnings call

- **Revenue:** USD Revenue stood at \$3,516Mn (up 6.2%) v/s Esti of \$3,453Mn (QoQ CC growth of 5.3% v/s estm of 3.8%). INR Revenue were up by 5.5% at Rs. 259.2Bn - Growth led by BFSI vertical that registered 10% QoQ growth.
- **Digital revenues** were up 33% YoY, crossed 50% of revenue mark, and its differentiated capabilities here is driving its revenue momentum and growth confidence. Core (Traditional) revenues declined by 8.8% on YoY basis
- **OPM:** EBIT stood at Rs. 65.9Bn (up 5.8%) v/s Esti of Rs. 61.0Bn taking EBIT Margin to 25.4% (up 5 bps) v/s Esti of 24.0%. The utilisations were at all-time high levels of 86.3% and onsite efforts at 25.2% is also multi-year low which offsets the other impacts on sub-con or large deal impacts.
- **Cost headwinds:** Wage hikes are effective Q4 (Variable pay paid 100% in Q2), and will also feature promotions hike cycle for across employee base. Apart from this large deal transition costs and gradually on cost normalisation towards SG&A as company slowly moves towards WFO. Currently, 97% of employees still continue to WFH (98.3% for India). So potentially this is the most stretched positive profitability for the company and should see some cooling off hereon. RPP declined during the quarter due to furloughs and lower working days. Sub-con was up by 40bps QoQ as growth picked up sharply.
- **Outlook:** Infosys believes the IT Budgets are on track for client across vertical and Deal pipeline remains healthy for the company that includes captive monetisation and market share gains opportunities. WFH may continue for bit longer as it has not witnessed any SLA breach – rather confidence of clients on off-shoring is improving.
- **Guidance:** Infosys has upgraded its' FY21 CC growth guidance band for Revenues to 4.5-5% (up 200bps) and for OPM to 24-24.5% for FY21 (up 50bps on top end).
- **Vertical Commentary: Financial services** (32% of Rev) witnessed significant traction with 9.8% growth QoQ across DT agenda, past deals ramp-up and new client addition across buckets. Manufacturing did well and is adding momentum led by Digital data, cloud security led opportunities. Life Sciences and Hi-Tech vertical continue to deliver strong performance. Only challenges remain in Energy, Publishing, Education and Media segments. Telecom is doing well overall, with healthy pipeline – but Teleco volume has gone up in last few quarters but has not translated into revenues for these companies, this may eventually add up to potential.

**Exhibit 7: Vertical Trend for Q3FY21**

Vertical	Amount (\$ mn)	Mix (%)	QoQ (%)	YoY (%) (CC)	Incremental Revenue (\$ mn)	% Contribution of Incremental Revenue
Financial Services	1,164	33	9.8	12.0	104	51
Retail	517	15	4.7	2.0	23	11
Communication & Media	436	12	4.5	0.8	19	9
ENU	440	13	7.9	4.9	32	16
Manufacturing	327	9	8.5	(4.1)	26	13
Hi Tech	288	8	(4.3)	17.4	(13)	(6)
Life Sciences	250	7	10.8	11.0	24	12
Others	95	3	(10.4)	2.7	(11)	(5)
<b>Total</b>	<b>3,516</b>	<b>100</b>	<b>6.2</b>	<b>6.6</b>	<b>204</b>	<b>100</b>

Source: DART, Company

- **Geography Commentary:** Revenues in North America grew 7.7% QoQ. While revenues in European region grew by 4.8% (also marked very strong deal wins in this region during the quarter).

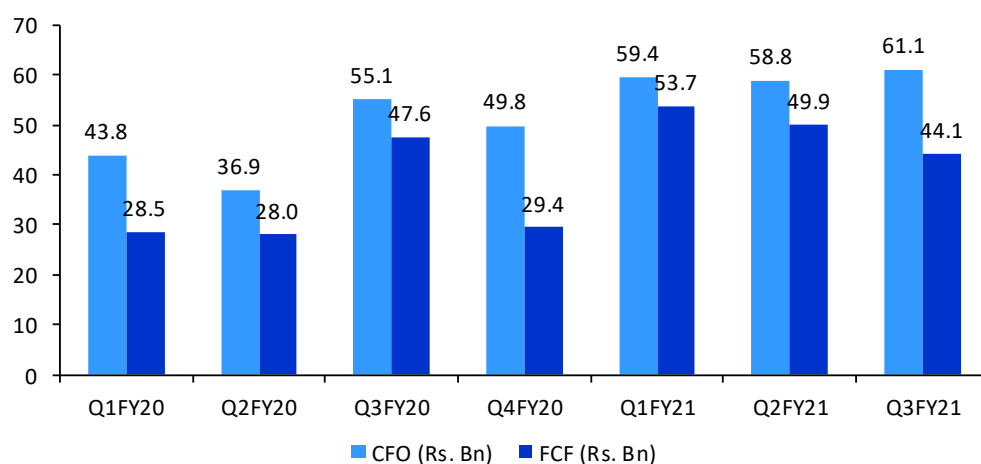
**Exhibit 8: Geographical Trend for Q3FY21**

Geography	Amount (\$ mn)	Mix (%)	QoQ (%)	YoY (%) (CC)	Incremental Revenue (\$ mn)	% Contribution of Incremental Revenue
North America	2,166	62	7.7	8.8	155	76
Europe	844	24	4.8	1.3	39	19
India	91	3	(8.0)	4.3	(8)	(4)
ROW	415	12	4.4	6.1	17	9
<b>Total</b>	<b>3,516</b>	<b>100</b>	<b>6.2</b>	<b>6.6</b>	<b>204</b>	<b>100</b>

Source: DART, Company

- **TCV / Deals:** Infosys won record TCV wins at \$7.1bn (73% of this is Net New – higher than FY last year). Deal wins for 9MFY21 stands at \$12bn out of which \$8bn is net-new. However, Large part of the new deal wins would flow in revenues starting Q2FY22 onwards due to transition gaps.
- **Cashflows:** CFO/FCF may improve goin forward as Lower Capex (as employees are at home and repurposed some capex to technology) is helping in cash flow gains. The CFO stood at Rs.61.1Bn and FCF stood at 44.1Bn. The FCF to PAT ratio stood at 85%.

**Exhibit 9: CFO and FCF Trend**

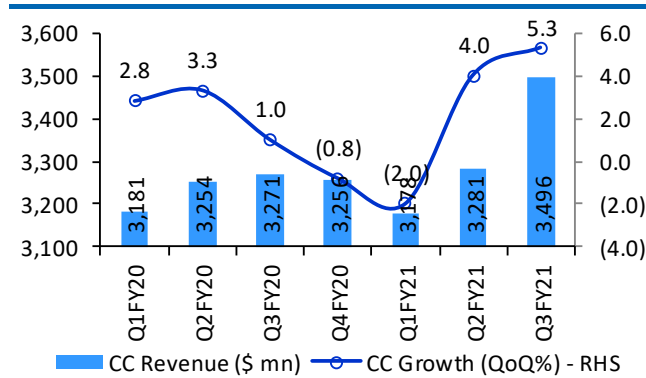


Source: DART, Company

- **Dividend:** No Dividend was announced for the quarter.

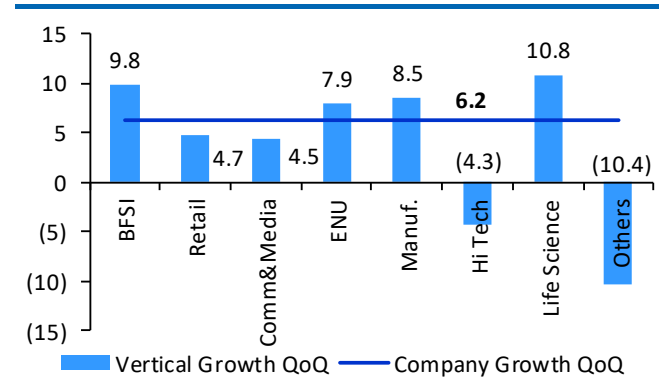
## Key Trends in Charts

**Exhibit 10: CC Revenue grew by 5.3% QoQ led by ...**



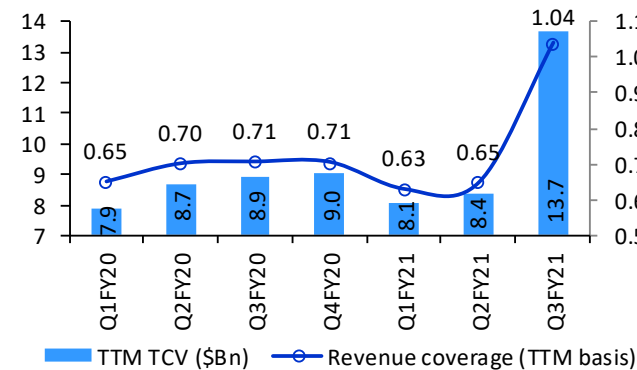
Source: DART, Company

**Exhibit 11: ...Broad-based growth across most key verticals**



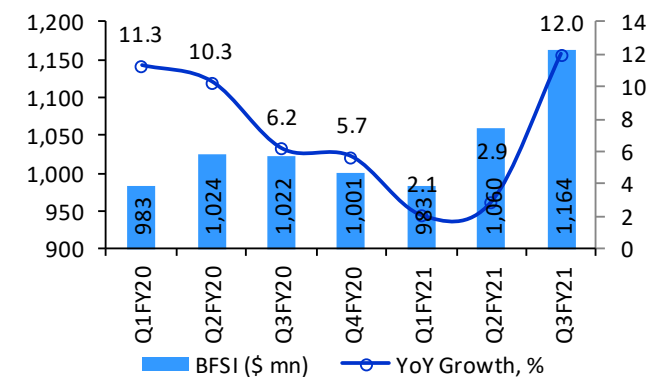
Source: DART, Company

**Exhibit 12: Added TCV of \$7.1Bn (73% Net-New), taking total TTM TCV to \$13.7Bn (up 53% YoY).**



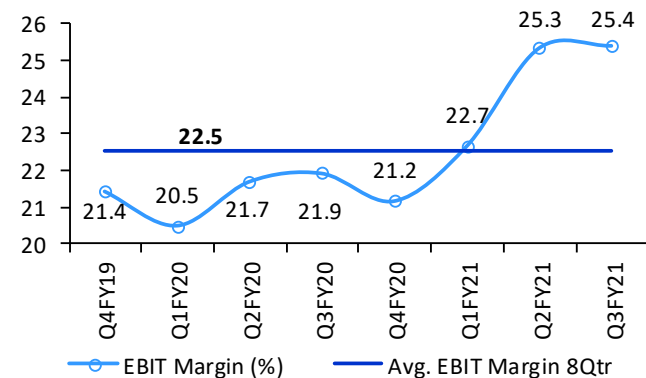
Source: DART, Company

**Exhibit 13: BFSI vertical grew by 12% YoY in CC terms led by improved spends across IT activities.**



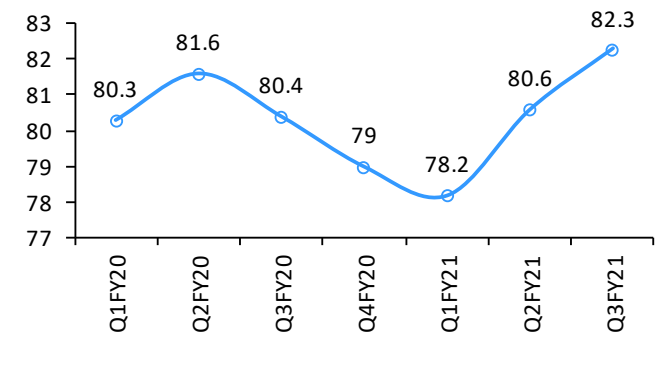
Source: DART, Company

**Exhibit 14: Utilization improved by 240bps QoQ driving further OPM expansion to 25.2%**



Source: DART, Company

**Exhibit 15: Offshore mix improved by 190bps QoQ to contributing ~100bps in OPM gains**



Source: DART, Company



**Exhibit 16: Operating Metrics 1**

Particulars	Q2FY19	Q3FY19	Q4FY19	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21	Q2FY21	Q3FY21
CC growth (%) (QoQ)	4.2	2.7	2.1	2.8	3.3	1.0	(0.8)	(2.0)	4.0	5.3
CC growth (%) (YoY)	8.1	10.1	11.7	12.4	11.4	9.5	6.4	1.5	2.2	6.6
OPM (%)	23.7	22.6	21.4	20.5	21.7	21.9	21.2	22.7	25.3	25.4
<b>Revenue Type (\$ mn)</b>										
Traditional Revenue	2,015	2,046	2,026	2,013	1,981	1,926	1,857	1,732	1,745	1,754
Digital Revenue	906	941	1,034	1,118	1,229	1,317	1,340	1,389	1,568	1,761
<b>Revenue Type Growth (YoY) (CC)</b>										
Traditional Revenue	NA	NA	NA	0.6	(0.7)	(5.0)	(6.6)	(11.8)	(12.1)	(10.3)
Digital Revenue	33.5	33.1	41.1	41.9	38.4	40.8	31.7	25.5	25.4	31.3
<b>Vertical Amount (\$ mn)</b>										
Financial Services	941	971	967	983	1,024	1,022	1,001	983	1,060	1,164
Retail	491	490	487	495	488	496	496	446	493	517
Communication & Media	359	355	413	432	421	422	416	418	417	436
Energy, Utilities, Resources	360	382	389	407	421	415	412	399	407	440
Manufacturing	280	302	306	301	324	334	323	296	301	327
Hi Tech	219	218	236	241	244	246	253	272	301	288
Life Sciences	187	185	184	191	205	217	205	209	225	250
Others	85	84	80	81	83	91	93	97	106	95
<b>Vertical Growth (YoY) (CC)</b>										
Financial Services	5.4	9.4	8.5	11.3	10.3	6.2	5.7	2.1	2.9	12.0
Retail	13.7	10.6	11.4	6.9	1.1	2.5	4.2	(7.4)	(0.3)	2.0
Communication & Media	7.6	5.9	18.0	22.6	19.2	20.6	3.1	(0.7)	(1.8)	0.8
Energy, Utilities, Resources	12.8	17.3	18.4	17.7	19.1	8.9	7.3	(0.2)	(3.7)	4.9
Manufacturing	10.7	16.2	17.4	12.8	16.9	11.8	7.4	0.3	(8.2)	(4.1)
Hi Tech	11.0	10.8	13.4	14.6	11.7	12.2	7.7	13.4	24.4	17.4
Life Sciences	1.8	3.7	(1.0)	4.3	10.9	17.7	11.9	7.7	7.4	11.0
Others	(6.1)	(3.3)	0.5	(1.1)	0.3	11.5	21.1	24.4	24.8	2.7
<b>Vertical EBIT Margin (%)</b>										
Financial Services	26.7	26.2	25.3	25.0	25.9	25.6	25.6	26.8	30.0	27.3
Retail	29.8	29.6	29.8	30.0	30.1	30.7	29.2	30.9	35.6	36.4
Communication & Media	26.1	23.8	19.8	20.7	21.0	20.6	18.6	19.6	21.4	25.0
Energy, Utilities, Resources	23.6	25.1	23.1	25.6	27.6	27.7	28.6	28.1	27.3	29.0
Manufacturing	23.4	23.5	21.8	19.7	22.2	24.4	23.6	22.4	29.2	28.8
Hi Tech	27.2	23.4	22.8	22.0	22.9	23.5	23.5	29.0	29.8	29.5
Life Sciences	28.5	27.3	25.1	20.7	27.0	26.7	23.2	30.2	33.8	31.1
Others	5.6	4.4	6.7	0.9	1.2	2.3	5.5	2.7	6.0	6.5
<b>Geography Amount (\$ mn)</b>										
North America	1,761	1,804	1,873	1,929	1,971	1,988	1,969	1,919	2,010	2,166
Europe	701	723	734	739	774	791	780	749	805	844
India	73	78	70	72	87	91	83	91	99	91
ROW	386	382	383	391	379	373	364	362	397	415
<b>Geography Growth (YoY) (CC)</b>										
North America	6.7	8.7	12.6	13.5	11.9	10.1	5.5	0.0	1.9	8.8
Europe	10.8	9.8	11.6	11.4	14.6	12.0	9.6	4.4	0.6	1.3
India	(11.8)	(1.7)	(5.9)	1.2	17.9	18.4	22.3	32.8	20.4	4.3
ROW	14.7	20.3	11.6	11.0	1.9	0.2	1.8	(2.0)	3.7	6.1

Source: DART, Company

**Exhibit 17: Operating Metrics 2**

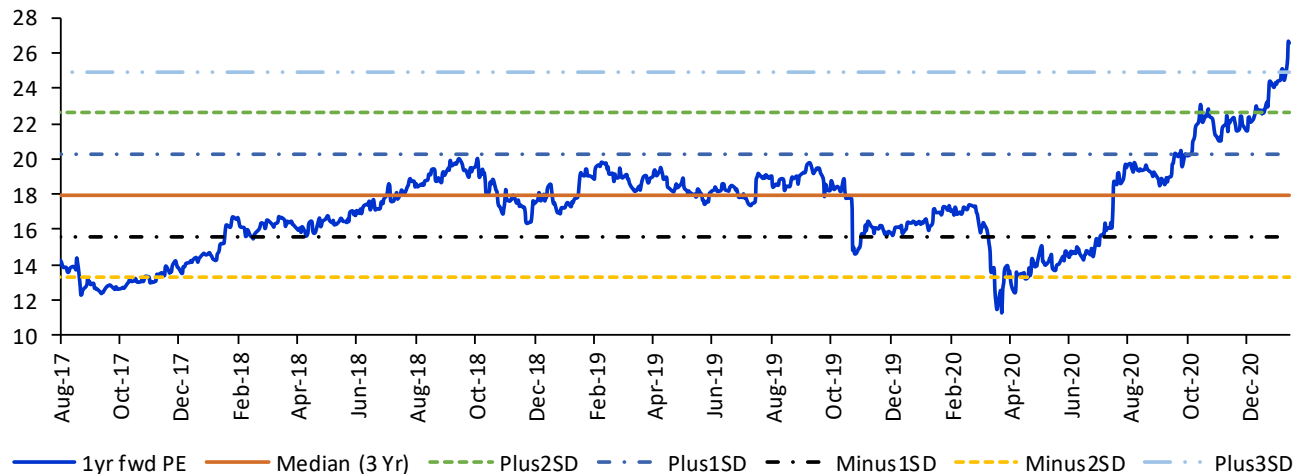
Particulars	Q2FY19	Q3FY19	Q4FY19	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21	Q2FY21	Q3FY21
<b>TCV Data</b>										
aTCV Data (\$ mn)	2,029	1,570	1,568	2,714	2,847	1,813	1,650	1,740	3,150	7,130
Growth (YoY) (%)	177.6	101.5	73.3	143.2	40.3	15.5	5.2	(35.9)	10.6	293.3
TTM basis (\$ mn)	4,829	5,620	6,283	7,881	8,699	8,942	9,024	8,050	8,353	13,670
Growth (YoY) (%)	69.0	89.0	104.5	123.2	80.1	59.1	43.6	2.1	(4.0)	52.9
Revenue Coverage (TTM)	0.43	0.49	0.53	0.65	0.70	0.71	0.71	0.63	0.65	1.04
<b>Client Revenue (\$ mn)</b>										
Top 5 client				379	369	366	361	368	374	380
Top 6-10 client				247	247	246	237	234	245	271
Top 11-25 client	447	439	468	467	494	496	492	478	513	566
Non Top 25 client	1,907	1,974	1,989	2,038	2,099	2,134	2,107	2,041	2,179	2,299
<b>Client Revenue Growth (YoY)</b>										
Top 5 client								(2.8)	1.4	3.6
Top 6-10 client								(5.4)	(0.8)	9.8
Top 11-25 client	(0.7)	(1.0)	3.0	5.0	10.6	13.0	5.2	2.4	3.8	14.1
Non Top 25 client	9.2	10.8	9.8	10.6	10.1	8.1	5.9	0.1	3.8	7.8
<b>Client Metrics</b>										
>US\$1 million	633	651	662	680	693	705	718	729	745	761
>US\$10 million	205	214	222	228	228	232	234	236	242	246
>US\$50 million	58	59	60	59	61	61	61	60	60	60
>US\$100 million	23	23	25	27	27	28	28	25	30	29
Number of active clients	1,222	1,251	1,279	1,336	1,364	1,384	1,411	1,458	1,487	1,562
New clients added (Gross)	73	101	101	112	96	84	84	110	96	139
New Customers Business (\$mn)	53	102	147	31	61	91	131	31	66	172
Old Customers Business (\$mn)	2,868	2,885	2,913	3,100	3,149	3,152	3,066	3,090	3,246	3,344
<b>Revenue Area (\$ mn)</b>										
Onsite	830	857	878	899	905	898	882	874	864	886
Offshore	2,091	2,130	2,182	2,232	2,305	2,345	2,315	2,247	2,448	2,630
<b>Revenue Area Growth (YoY)</b>										
Onsite	3.4	7.3	9.1	11.0	9.1	4.8	0.5	(2.8)	(4.5)	(1.4)
Offshore	8.6	8.9	9.1	10.4	10.2	10.1	6.1	0.7	6.2	12.2
<b>Employee Data</b>										
Total Employees	217,739	225,501	228,123	229,029	236,486	243,454	242,371	239,233	240,208	2,49,312
Net Additions	7,834	7,762	2,622	906	7,457	6,968	(1,083)	(3,138)	975	9,104
<b>Breakup of Employees</b>										
<u>S/W professionals</u>	171,554	177,136	214,727	215,412	222,851	229,658	228,449	225,167	226,067	2,34,829
Net Additions	6,437	5,582	37,591	685	7,439	6,807	(1,209)	(3,282)	900	8,762
<u>Support and sales</u>	10,468	10,947	13,396	13,617	13,635	13,796	13,922	14,066	14,141	14,483
Net Additions	338	479	2,449	221	18	161	126	144	75	342
Attrition (IT Services) (Quarterly)	22.2	19.9	20.4	20.2	21.7	19.6	15.3	11.7	7.8	10.0
<b>Utilization</b>										
Including trainees	80.2	79.8	78.9	80.3	81.6	80.4	79.0	78.2	80.6	82.3
Excluding trainees	85.6	83.8	82.3	83.1	84.9	84.4	83.5	81.2	83.6	86.3
DSO Reported	66	67	66	68	66	73	69	71	69	73

Source: DART, Company



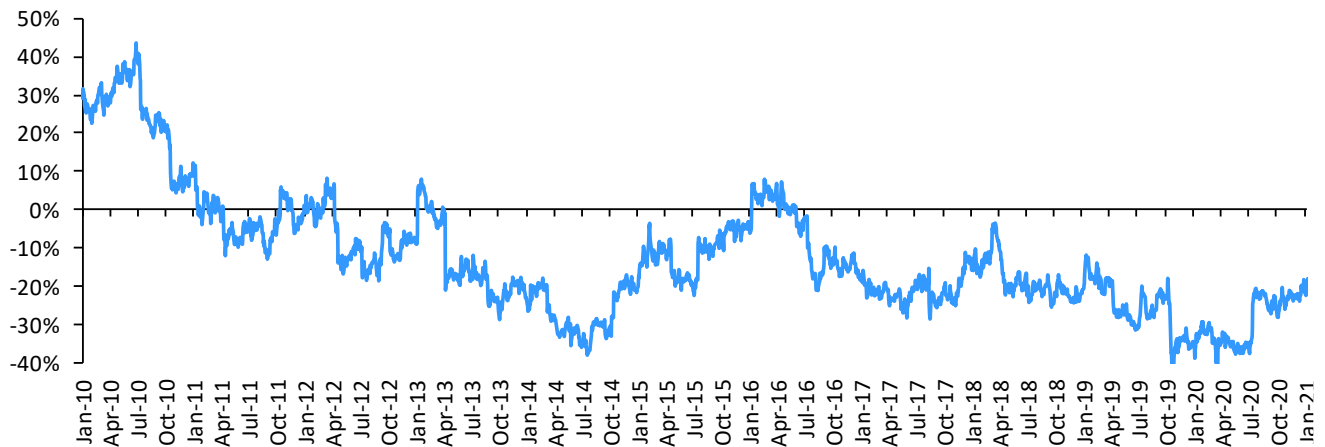
**View:** Given superlative growth performance (better by ~600bps) in current fiscal, reducing OPM gap and better traction on TCV wins we do not see any significant reason for Infosys to trade at 10-15% discount to TCS and expect this to narrow down to zero over time.

**Exhibit 18: INFY Band Chart: INFY is trading slightly ABOVE Median Plus2SD with PER of ~26.9x**



Source: DART, Company

**Exhibit 19: INFY discount over TCS should narrow over next few quarters**



Source: DART, Company

### Profit and Loss Account

(Rs Mn)	FY20A	FY21E	FY22E	FY23E
<b>Revenue</b>	<b>907,910</b>	<b>1,006,001</b>	<b>1,136,415</b>	<b>1,265,090</b>
<b>Total Expense</b>	<b>714,170</b>	<b>759,274</b>	<b>865,976</b>	<b>974,726</b>
COGS	607,320	654,754	741,811	829,681
Employees Cost	0	0	0	0
Other expenses	106,850	104,520	124,165	145,045
<b>EBIDTA</b>	<b>222,680</b>	<b>279,397</b>	<b>304,839</b>	<b>327,414</b>
Depreciation	28,940	32,670	34,400	37,050
<b>EBIT</b>	<b>193,740</b>	<b>246,727</b>	<b>270,439</b>	<b>290,364</b>
Interest	0	0	0	0
Other Income	26,340	20,710	20,850	21,500
Exc. / E.O. items	0	0	0	0
<b>EBT</b>	<b>220,080</b>	<b>267,437</b>	<b>291,289</b>	<b>311,864</b>
Tax	53,680	72,568	74,279	79,525
RPAT	165,950	194,019	216,560	232,118
Minority Interest	450	850	450	220
<b>Profit/Loss share of associates</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>APAT</b>	<b>165,950</b>	<b>194,019</b>	<b>216,560</b>	<b>232,118</b>

### Balance Sheet

(Rs Mn)	FY20A	FY21E	FY22E	FY23E
<b>Sources of Funds</b>				
Equity Capital	21,220	21,204	20,829	20,829
Minority Interest	3,940	4,790	5,240	5,460
Reserves & Surplus	633,280	700,926	756,279	842,816
<b>Net Worth</b>	<b>654,500</b>	<b>722,130</b>	<b>777,107</b>	<b>863,644</b>
Total Debt	46,330	41,954	39,454	38,454
Net Deferred Tax Liability	(7,760)	(8,148)	(8,047)	(8,673)
<b>Total Capital Employed</b>	<b>697,010</b>	<b>760,726</b>	<b>813,754</b>	<b>898,885</b>

### Applications of Funds

Net Block	<b>247,430</b>	<b>259,534</b>	<b>263,134</b>	<b>256,884</b>
CWIP	0	0	0	0
Investments	48,740	49,109	49,495	49,739
<b>Current Assets, Loans &amp; Advances</b>	<b>614,070</b>	<b>678,767</b>	<b>751,539</b>	<b>865,515</b>
Inventories	0	0	0	0
Receivables	184,870	192,932	217,943	239,154
Cash and Bank Balances	186,490	230,554	262,920	340,660
Loans and Advances	2,390	2,462	2,536	2,612
Other Current Assets	193,770	206,270	221,591	236,539
<b>Less: Current Liabilities &amp; Provisions</b>	<b>213,230</b>	<b>226,684</b>	<b>250,414</b>	<b>273,253</b>
Payables	28,520	31,203	35,588	40,057
Other Current Liabilities	184,710	195,481	214,826	233,195
<i>sub total</i>				
Net Current Assets	400,840	452,083	501,125	592,262
<b>Total Assets</b>	<b>697,010</b>	<b>760,726</b>	<b>813,754</b>	<b>898,885</b>

E – Estimates

### Important Ratios

Particulars	FY20A	FY21E	FY22E	FY23E
<b>(A) Margins (%)</b>				
Gross Profit Margin	33.1	34.9	34.7	34.4
EBIDTA Margin	24.5	27.8	26.8	25.9
EBIT Margin	21.3	24.5	23.8	23.0
Tax rate	24.4	27.1	25.5	25.5
Net Profit Margin	18.3	19.3	19.1	18.3
<b>(B) As Percentage of Net Sales (%)</b>				
COGS	66.9	65.1	65.3	65.6
Employee	0.0	0.0	0.0	0.0
Other	11.8	10.4	10.9	11.5
<b>(C) Measure of Financial Status</b>				
Gross Debt / Equity	0.1	0.1	0.1	0.0
Interest Coverage				
Inventory days	0	0	0	0
Debtors days	74	70	70	69
Average Cost of Debt	0.0	0.0	0.0	0.0
Payable days	11	11	11	12
Working Capital days	161	164	161	171
FA T/O	3.7	3.9	4.3	4.9
<b>(D) Measures of Investment</b>				
AEPS (Rs)	39.1	45.6	52.0	55.7
CEPS (Rs)	46.0	53.3	60.2	64.6
DPS (Rs)	25.0	29.9	10.0	35.0
Dividend Payout (%)	63.9	65.6	19.2	62.8
BVPS (Rs)	154.3	169.9	186.5	207.2
RoANW (%)	25.5	28.2	28.9	28.3
RoACE (%)	24.8	26.7	27.6	27.1
RoAIC (%)	40.5	47.4	50.0	52.4
<b>(E) Valuation Ratios</b>				
CMP (Rs)	1387	1387	1387	1387
P/E	35.4	30.4	26.7	24.9
Mcap (Rs Mn)	5,882,561	5,882,561	5,882,561	5,882,561
MCap/ Sales	6.5	5.8	5.2	4.6
EV	5,695,851	5,647,411	5,612,545	5,533,804
EV/Sales	6.3	5.6	4.9	4.4
EV/EBITDA	25.6	20.2	18.4	16.9
P/BV	9.0	8.2	7.4	6.7
Dividend Yield (%)	1.8	2.2	0.7	2.5
<b>(F) Growth Rate (%)</b>				
Revenue	9.8	10.8	13.0	11.3
EBITDA	6.6	25.5	9.1	7.4
EBIT	2.6	27.3	9.6	7.4
PBT	4.6	21.5	8.9	7.1
APAT	4.6	16.9	11.6	7.2
EPS	7.3	16.6	13.8	7.2

### Cash Flow

(Rs Mn)	FY20A	FY21E	FY22E	FY23E
CFO	185,570	199,261	213,986	233,866
CFI	(17,930)	(24,432)	(17,537)	(9,544)
CFF	(175,910)	(130,765)	(164,083)	(146,581)
FCFF	133,550	154,487	175,986	203,066
Opening Cash	195,680	186,490	230,554	262,920
Closing Cash	186,490	230,554	262,920	340,660

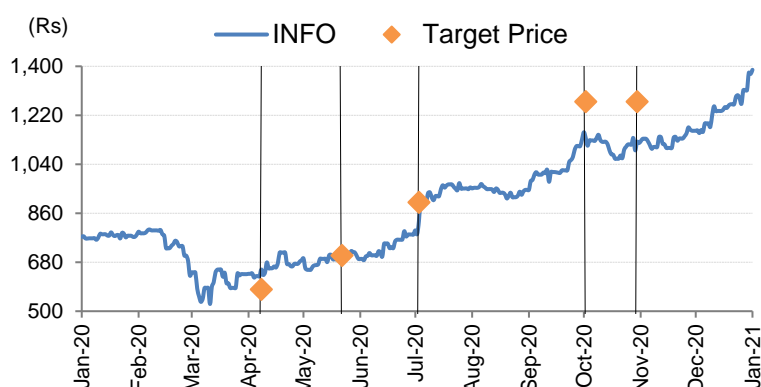
E – Estimates

### DART RATING MATRIX

Total Return Expectation (12 Months)

<b>Buy</b>	<b>&gt; 20%</b>
<b>Accumulate</b>	<b>10 to 20%</b>
<b>Reduce</b>	<b>0 to 10%</b>
<b>Sell</b>	<b>&lt; 0%</b>

### Rating and Target Price History



Month	Rating	TP (Rs.)	Price (Rs.)
Apr-20	Sell	580	653
Jun-20	Reduce	705	702
Jul-20	Accumulate	900	831
Oct-20	Accumulate	1,270	1,137
Nov-20	Accumulate	1,270	1,123

\*Price as on recommendation date

### DART Team

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