

In-line Result, Momentum intact, OPM Guidance slightly disappoints

- Infosys reported a revenue growth of 2.0% QoQ in CC terms (DE 3.3%) lower due to off-shoring mix shift while volume growth was strong at 4.6% QoQ. OPM stood at 24.5% (DE 24%) led by better utilization (82.2%) and lower than expected hike impact (130bps). Announced Dividend of Rs. 15 and Market Buyback of Rs. 9.2Bn.
- Announced guidance for FY22 at 12%-14% in CC terms (inline to consensus) and OPM guidance at 22-24% (FY21: OPM 24.5%) was a slight disappointment as they do not see much upside potential, citing gradual return of discretionary cost as reason for lower OPM Guidance.
- TCV signings were weak at \$2.1Bn (52% of this is Net-New) but TTM TCV is still strong at \$14.1Bn (66% Net-New) and up 56% on YoY basis. Pipeline remains in good shape & commentary on Demand is positive.
- Given in-line results and strong revenue guidance but a slightly disappointing OPM guidance, we largely retain our estimates as gains from Revenue guidance get negated by lower OPM and assign Accumulate view with TP of Rs. 1,520 (27x on FY23E EPS of Rs. 56).

Growth Factors comforting but priced in, Margin key to re-rating

Infy has added record TCV wins at \$14.1Bn in FY21 with 66% of the deals being net-new deals (against FY20 TCV of \$9Bn). The commentary on demand drivers is also strong as clients are ready to invest in tech modernisation around core transformation, cloud-led deals, customer experience, call center tech, etc. Large transformation programs in BFSI have brought solid basis of growth with 25 large deals signed in FY21. Revenue guidance has been inline (as per street) at 10-12% despite large part of deal transitioning from Q2FY22 and 5% CC growth in FY21 is already giving edge to Infy v/s Tier 1 peers. We believe that all these revenues led factors are already priced-in and Margin gains (if any) is likely to act as re-rating factor. Infosys stood strong on its outlook and do not see any upside potential given anticipated headwinds in term of discretionary cost normalization, impact of large deals and supply side factors (surging attrition, another wage hike in July, stretched utilisation) which is slight disappointing. Thus, any uptick here gradually during the year led by Op. leverage gains (given strong growth) and favourable Fx can drive upgrades in H2).

Q4FY21 Result (Rs Mn)

Particulars	Q4FY21	Q4FY20	YoY (%)	Q3FY21	QoQ (%)
Revenue	2,63,110	2,32,670	13.1	2,59,270	1.5
Total Expense	1,98,710	1,83,400	8.3	1,93,380	2.8
EBITDA	72,710	56,760	28.1	74,150	(1.9)
Depreciation	8,310	7,490	10.9	8,260	0.6
EBIT	64,400	49,270	30.7	65,890	(2.3)
Other Income	4,950	5,690	(13.0)	5,620	(11.9)
Interest	0	0		0	
EBT	69,350	54,960	26.2	71,510	(3.0)
Tax	18,570	11,610	59.9	19,360	(4.1)
RPAT	50,760	42,900	18.3	51,970	(2.3)
APAT	50,760	42,900	18.3	51,970	(2.3)
			(bps)		(bps)
Gross Margin (%)	34.8	33.4	139	35.3	(53)
EBITDA Margin (%)	27.6	24.4	324	28.6	(96)
NPM (%)	19.3	18.4	85	20.0	(75)
Tax Rate (%)	26.8	21.1	565	27.1	(30)
EBIT Margin (%)	24.5	21.2	330	25.4	(94)

CMP	Rs 1,397
Target / Upside	Rs 1,520 / 9%
NIFTY	14,505

Scrip Details

Equity / FV	Rs 21,240mn / Rs 5		
Market Cap	Rs 5,925bn		
	USD 79bn		
52-week High/Low	Rs 1,478/ 604		
Avg. Volume (no)	82,16,260		
Bloom Code	INFO IN		
Price Performance	1M	3M	12M
Absolute (%)	2	2	119
Rel to NIFTY (%)	6	4	61

Shareholding Pattern

	Sep'20	Dec'20	Mar'21
Promoters	13.0	13.0	13.0
MF/Banks/FIs	25.0	23.8	23.8
FII	48.6	49.5	49.5
Public / Others	13.5	13.8	13.8

Valuation (x)

	FY21A	FY22E	FY23E
P/E	30.7	26.5	24.8
EV/EBITDA	20.5	18.4	17.0
ROE (%)	27.3	28.8	29.1
RoACE (%)	25.6	27.0	27.3

Estimates (Rs mn)

	FY21A	FY22E	FY23E
Revenue	10,04,730	11,49,129	12,78,887
EBITDA	2,78,900	3,11,769	3,32,483
PAT	1,93,510	2,20,663	2,36,227
EPS (Rs.)	45.5	52.7	56.4

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Exhibit 1: Quarterly performance versus estimates

(in Rs mn)	Actual	Estimates		% Variation		Comment
		Dolat	Consensus	Dolat	Consensus	
USD Revenue	3,613	3,652	3,613	(1.1)	0.0	Revenue miss led by off-shore shift impact while volume growth was strong at 4.6%.
INR Revenue	2,63,110	2,66,475	2,64,312	(1.3)	(0.5)	
EBIT	64,400	63,893	64,271	0.8	0.2	EBIT Margin beat led by lower than expected wage hike impact.
EBIT, margin (%)	24.5	24.0	24.3	50 bps	20 bps	
PAT	50,760	50,529	51,319	0.5	(1.1)	PAT beat slighted negated by lower than expected other income.

Source: DART, Company

Change in Estimates

Given inline result and strong revenue growth guidance at 12-14% we have upgraded our growth estimates marginally for FY22/23E by 62bps/14bps. However, given its stern stance on OPM band of 22-24% we have curtailed our profitability estimate for FY22E by 18bps resulting in 1% cut in our earnings estimate (street would see steeper cut).

Exhibit 2: Change in Estimates

(Rs mn)	FY21A			FY22E			FY23E		
	Old	Actual	% chg	Old	New	% chg	Old	New	% chg
USD Revenue	13,601	13,562	(0.3)	15,381	15,422	0.3	16,761	16,827	0.4
YoY growth, %	6.4	6.1 (30 bps)		13.1	13.7	62 bps	9.0	9.1	14 bps
INR Revenue	10,08,095	10,04,730	(0.3)	11,46,056	11,49,129	0.3	12,73,843	12,78,887	0.4
YoY growth, %	11.0	10.7 (37 bps)		13.7	14.4	69 bps	11.2	11.3	14 bps
EBIT	2,45,713	2,46,220	0.2	2,77,465	2,76,101	(0.5)	2,89,451	2,95,258	2.0
EBIT mgns, %	24.4	24.5	13 bps	24.2	24.0 (18 bps)		22.7	23.1	36 bps
Net profits	1,93,279	1,93,510	0.1	2,21,795	2,20,663	(0.5)	2,31,439	2,36,227	2.1
EPS (Rs)	45.5	45.5	0.1	53.2	52.7	(1.0)	55.5	56.4	1.6

Source: DART, Company

Exhibit 3: Dolat V/s Consensus

Rs mn	FY22			FY23		
	Dolat	Consensus	Diff (%)	Dolat	Consensus	Diff (%)
USD Revenue	15,422	15,472	0.3	16,827	17,428	3.6
INR Revenue	11,49,129	11,60,000	0.9	12,78,887	13,07,000	2.2
EBIT Margin (%)	24.0	24.2	19 bps	23.2	24.3	119 bps
Net Profit	2,20,663	2,25,308	2.1	2,36,227	2,55,248	8.1

Source: DART, Company

Exhibit 4: Key Assumptions in our estimates

Key Assumptions	FY20A	FY21A	FY22E	FY23E
USD Revenue growth	8.3	6.1	13.7	9.1
USD/INR	71.0	74.1	74.5	76.0
INR growth	9.8	10.7	14.4	11.3
EBIT Margins	21.3	24.5	24.0	23.1
EPS growth (%)	10.3	16.5	15.8	7.1

Source: Company, DART

Exhibit 5: Key Revenue Growth Matrix

YoY Growth	FY21	Q1FY21	Q2FY21	Q3FY21	Q4FY21
CC Growth	5.0	1.5	2.2	6.6	9.6
USD Growth	6.1	-0.3	3.2	8.4	13.0
INR Growth	10.7	8.5	8.6	12.3	13.1

Source: DART, Company

Exhibit 6: Quarterly and FY Trend

Rs mn	Q4FY20	Q1FY21	Q2FY21	Q3FY21	Q4FY21	YoY (%)	QoQ (%)	FY20	FY21	YoY (%)
USD Revenue	3,197	3,121	3,312	3,516	3,613	13.0	2.8	12,781	13,562	6.1
INR Revenue	2,32,670	2,36,650	2,45,700	2,59,270	2,63,110	13.1	1.5	9,07,910	10,04,730	10.7
Operating Expenses	1,83,400	1,83,000	1,83,420	1,93,380	1,98,710	8.3	2.8	7,14,170	7,58,510	6.2
Cost of revenues	1,55,010	1,57,030	1,57,710	1,67,770	1,71,640	10.7	2.3	6,07,320	6,54,150	7.7
as % of sales	66.6	66.4	64.2	64.7	65.2 (139 bps)		53 bps	66.9	65.1 (179 bps)	
SG&A expenses	28,390	25,970	25,710	25,610	27,070	(4.6)	5.7	1,06,850	1,04,360	(2.3)
as % of sales	12.2	11.0	10.5	9.9	10.3 (191 bps)		41 bps	11.8	10.4 (138 bps)	
EBITDA	56,760	61,210	70,830	74,150	72,710	28.1	(1.9)	2,22,680	2,78,900	25.2
Depreciation	7,490	7,560	8,550	8,260	8,310	10.9	0.6	28,940	32,680	12.9
EBIT	49,270	53,650	62,280	65,890	64,400	30.7	(2.3)	1,93,740	2,46,220	27.1
Other Income	5,690	4,270	5,220	5,620	4,950	(13.0)	(11.9)	26,340	20,060	(23.8)
PBT	54,960	57,920	67,500	71,510	69,350	26.2	(3.0)	2,20,080	2,66,280	21.0
Tax	11,610	15,200	18,920	19,360	18,570	59.9	(4.1)	53,680	72,050	34.2
PAT	43,350	42,720	48,580	52,150	50,780	17.1	(2.6)	1,66,400	1,94,230	16.7
MI	140	390	130	180	20	(85.7)	(88.9)	450	720	60.0
Reported PAT	43,210	42,330	48,450	51,970	50,760	17.5	(2.3)	1,65,950	1,93,510	16.6
EPS	10.2	10.0	11.4	12.2	11.9	17.2	(2.4)	39.0	45.5	16.9
Margins (%)						(bps)	(bps)			(bps)
EBIDTA	24.4	25.9	28.8	28.6	27.6	324	(96)	21.3	24.5	317
EBIT	21.2	22.7	25.3	25.4	24.5	330	(94)	21.3	24.5	317
EBT	23.6	24.5	27.5	27.6	26.4	274	(122)	24.2	26.5	226
PAT	18.6	17.9	19.7	20.0	19.3	72	(75)	7.5	9.5	198
Effective Tax rate	21.1	26.2	28.0	27.1	26.8	565	(30)	24.4	27.1	267

Source: DART, Company

What to expect next quarter

We expect sequential growth of 2.8% in in US\$ revenues lead by broad based traction across all verticals. OPM expected to remain stable for Q1 sequentially.

Exhibit 7: What to expect next quarter

(Rs Mn)	Q1FY22E	Q4FY21	Q1FY21	QoQ (%)	YoY (%)
USD Revenue	3,716	3,613	3,121	2.8	19.1
INR Revenue	2,74,967	2,63,110	2,36,650	4.5	16.2
EBIT	67,673	64,400	53,650	5.1	26.1
PAT	53,813	50,760	42,330	6.0	27.1
EPS (Rs)	12.8	11.9	10.0	6.8	28.0
EBIT Margin (%)	24.6	24.5	22.7	13 bps	194 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 27times) on FY23E

Earnings of Rs. 56.4 (earlier Rs. 55) with TP of Rs. 1,520 per share (from Rs. 1,500) and RETAIN our Rating to **Accumulate**.

Key Highlights from the earnings call

- **Revenue:** USD Revenue stood at \$3,613Mn with QoQ CC growth of 2.0% and USD growth of 2.8% implying 80bps favorable CC gains. INR Revenue were up by 1.5% at Rs. 263.1Bn. The volume growth strong at 4.6% QoQ implying business momentum while the overall growth is lower due to higher off-shore effort mix (90bps higher QoQ), lower contribution from third-party deals. Digital Revenues grew by 5.6% QoQ and contributed 51.5% of Revenue. FY21 CC growth stood at 5%.
- **EBIT:** EBIT stood at Rs. 64.4Bn (down 2.3%) taking EBIT Margin to 24.5% (down 94 bps QoQ) v/s Esti of 24.0%. The beat was largely led by lower than expected salary hike impact as Employee Cost under Software development expenses grew only 2.3% QoQ. **EBIT Margin Walk:** 130bps impact due to wage hike, 30bps impact due G&A costs which were negated by improved operating parameters and cost optimization. Infy has highlighted that next salary hike cycle will start from July'21. Utilization is near peak at 82.2% and Infy highlighted that this will gradually decline as they scale up hiring (almost 20K hires in H2FY21 already and plans to hire 26k in FY22).
- **Supply Side:** The supply situation is tightening. This was visible is attrition which inched up to 15.2% from 10.0% QoQ (wage hike was effective Jan) and increase in Sub-con cost (Cost of technical sub-contractors in Soft. Development Expenses) as a % of Revenue to 7.5% from 7.1% last quarter and 7.3% last year same quarter. Infy has highlighted some supply side pressure but plans to hire fresh and laterals to meet the demand.
- **Guidance:** Infosys has announced its' FY22 CC growth guidance band for Revenue to 12-14% and for OPM at 22-24%. Infy some costs to return in FY22 (COVID led cost saving in FY21 and some uptick in Travel costs) and some transition impact of large deals. The commentary around demand is still strong and it is witnessing good traction on transformation and AI, Cyber Security components. However, Infy didn't offer a commentary over multi-year outlook as it believes that outlook is partly a function of Macro (GDP).
- **Vertical Commentary: Financial services** (33% of Rev) with 2.4% QoQ growth in USD terms has witnessed significant uptick in last few quarters as banks had to significantly invest in post COVID set of customer experience transformation trend to back digitization, core transformation, call center technology and operations lending services as well. With higher investments in large end to end digital transformation programs, Infy won 25 large deals in FY21 and 6 in Q4. **Retail** (15% of Revenue) grew 3.5% and has witnessed improvement in deal activity. Opportunities in Retail are visible in infra and apps modernization, adoption of micro services architecture, cloud strategy and workload migration and cyber security despite some weakening in select sub-segment. Infy is positive about Retail vertical for FY22 given strong deal wins in H2FY21. **Communications** (12% of Revenue) weaken slightly with 0.6% QoQ de-growth but with healthy deal wins, Infy expects improved performance in next quarter. **ENU** (12% of Revenue) is witnessing some signs of stability after soft FY21 with new account openings and new deal wins. Infy has strong deal pipeline here and sees some cost takeout and vendor consolidation opportunity. **Manufacturing** (10% of Revenue) has been impacted the most but company has built pipeline and is confident of gaining market share hereon.

Exhibit 8: Vertical Trend for Q4FY21

Vertical	Amount (\$ mn)	Mix (%)	QoQ (%)	YoY (%) (CC)	Incremental Revenue (\$ mn)	% Contribution of Incremental Revenue
Financial Services	1,192	33	2.4	15.6	28	29
Retail	535	15	3.5	4.5	18	18
Communication & Media	434	12	(0.6)	(0.8)	(2)	(2)
ENU	444	12	1.1	4.9	5	5
Manufacturing	347	10	6.1	3.4	20	20
Hi Tech	293	8	1.5	15.5	4	4
Life Sciences	246	7	(1.6)	18.3	(4)	(4)
Others	123	3	29.4	25.8	28	29
Total	3,613	100	2.8	9.6	97	100

Source: DART, Company

- **Geography Commentary:** Revenue in North America grew 2.8% QoQ. While Revenue in European region grew by 4.5%. India region witnessed strong growth of 18.6% QoQ.

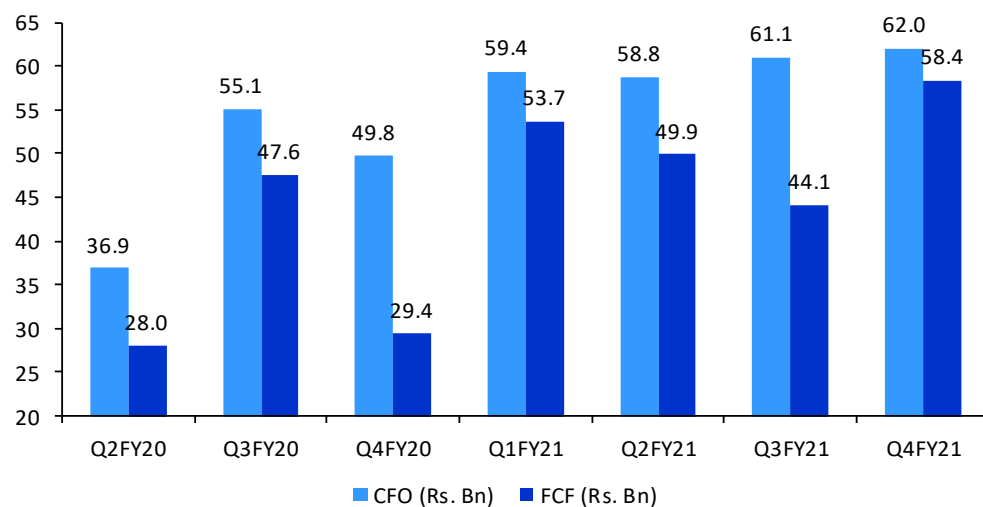
Exhibit 9: Geographical Trend for Q4FY21

Geography	Amount (\$ mn)	Mix (%)	QoQ (%)	YoY (%) (CC)	Incremental Revenue (\$ mn)	% Contribution of Incremental Revenue
North America	2,226	62	2.8	12.3	60	62
Europe	882	24	4.5	5.1	38	39
India	108	3	18.6	30.8	17	17
ROW	397	11	(4.2)	(0.9)	(17)	(18)
Total	3,613	100	2.8	9.6	97	100

Source: DART, Company

- **TCV / Deals:** The TCV wins were slightly weaker at \$2.1Bn but TTM TCV remains strong at \$14.1Bn. There were 23 large deals during the quarter. Deal mix: Six in BFSI and Retail each, three in life sciences and two deals in communication, manufacturing and energy utility resources and services and high-tech segments. Region wise, 16 were from Americas, six were from Europe and one from rest of the world.
- **New ESG Committee:** Infy has formed a new Committee on ESG. It will be headed by Kiran Mazumdar-Shaw as Chairperson. Independent Directors - Chitra Nayak and Uri Levine - have been appointed as members of the ESG Committee. The ESG Committee will meet periodically and guide the Board in discharging its oversight responsibility on matters related to organization-wide ESG initiatives, priorities, and leading ESG practices. Recently, Infy had announced that it has turned carbon neutral 30 years ahead of 2050, the timeline set by the Paris Agreement.
- **Dividend & Buyback:** Dividend for the quarter stood at Rs.15. Open market purchase Buyback announced of about Rs. 9.2Bn in size and at maximum price of Rs. 1,750.
- **Cash Flow & DSO:** The CFO stood at Rs.62.0Bn and FCF stood at 58.4Bn. The FCF to PAT ratio stood at 115%. DSO declined to 71 days from 73 days QoQ.

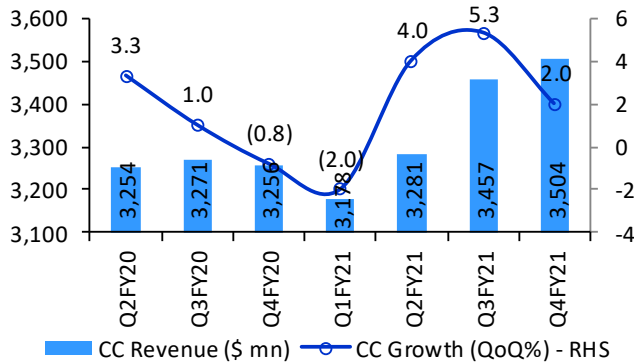
Exhibit 10: CFO and FCF Trend



Source: DART, Company

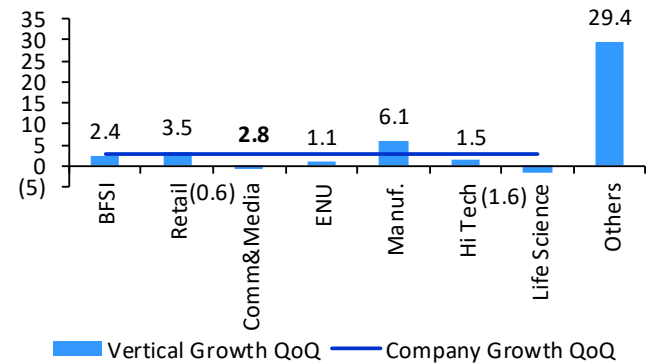
Key Trends in Charts

Exhibit 11: Revenue grew by 2.0% CC QoQ led by ...



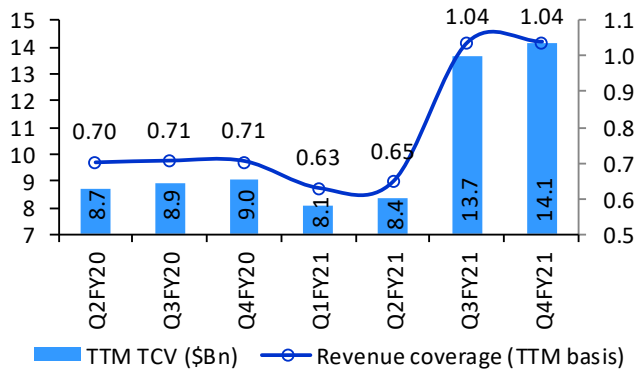
Source: DART, Company

Exhibit 12: ...Broad-based growth across verticals



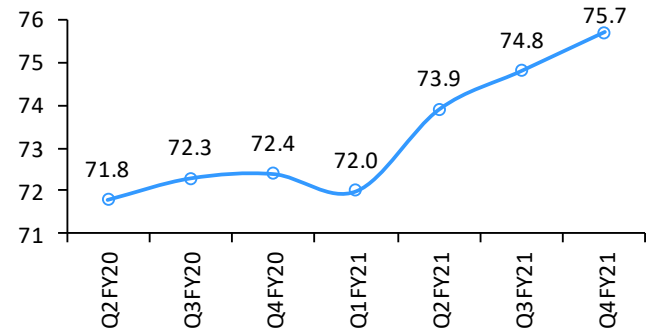
Source: DART, Company

Exhibit 13: Added TCV of \$2.1Bn (52% Net-New), taking total TTM TCV to \$14.1Bn (up 56% YoY)



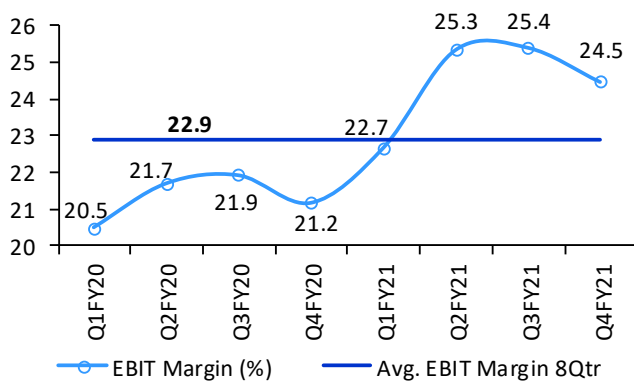
Source: DART, Company

Exhibit 14: Share of Off-shore in Effort Mix up by 90bps impacting pricing during the quarter



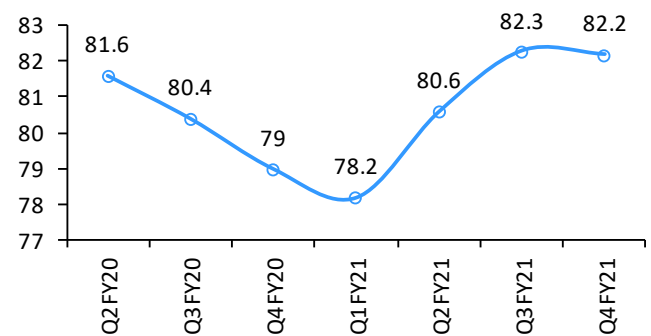
Source: DART, Company

Exhibit 15: OPM declined by 93bps due to salary hike



Source: DART, Company

Exhibit 16: Utilizations remains high (down 10bps)



Source: DART, Company

Exhibit 17: Operating Metrics

Particulars	Q3FY19	Q4FY19	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21	Q2FY21	Q3FY21	Q4FY21
CC growth (%) (QoQ)	2.7	2.1	2.8	3.3	1.0	(0.8)	(2.0)	4.0	5.3	2.0
CC growth (%) (YoY)	10.1	11.7	12.4	11.4	9.5	6.4	1.5	2.2	6.6	9.6
OPM (%)	22.6	21.4	20.5	21.7	21.9	21.2	22.7	25.3	25.4	24.5
Revenue Type (\$ mn)										
Traditional Revenue	2,046	2,026	2,013	1,981	1,926	1,857	1,732	1,745	1,754	1,752
Digital Revenue	941	1,034	1,118	1,229	1,317	1,340	1,389	1,568	1,761	1,859
Revenue Type Growth (YoY) (CC)										
Traditional Revenue	NA	NA	0.6	(0.7)	(5.0)	(6.6)	(11.8)	(12.1)	(10.3)	(8.3)
Digital Revenue	33.1	41.1	41.9	38.4	40.8	31.7	25.5	25.4	31.3	34.4
Vertical Amount (\$ mn)										
Financial Services	971	967	983	1,024	1,022	1,001	983	1,060	1,164	1,192
Retail	490	487	495	488	496	496	446	493	517	535
Communication & Media	355	413	432	421	422	416	418	417	436	434
Energy, Utilities, Resources	382	389	407	421	415	412	399	407	440	444
Manufacturing	302	306	301	324	334	323	296	301	327	347
Hi Tech	218	236	241	244	246	253	272	301	288	293
Life Sciences	185	184	191	205	217	205	209	225	250	246
Others	84	80	81	83	91	93	97	106	95	123
Vertical Growth (YoY) (CC)										
Financial Services	9.4	8.5	11.3	10.3	6.2	5.7	2.1	2.9	12.0	15.6
Retail	10.6	11.4	6.9	1.1	2.5	4.2	(7.4)	(0.3)	2.0	4.5
Communication & Media	5.9	18.0	22.6	19.2	20.6	3.1	(0.7)	(1.8)	0.8	(0.8)
Energy, Utilities, Resources	17.3	18.4	17.7	19.1	8.9	7.3	(0.2)	(3.7)	4.9	4.9
Manufacturing	16.2	17.4	12.8	16.9	11.8	7.4	0.3	(8.2)	(4.1)	3.4
Hi Tech	10.8	13.4	14.6	11.7	12.2	7.7	13.4	24.4	17.4	15.5
Life Sciences	3.7	(1.0)	4.3	10.9	17.7	11.9	7.7	7.4	11.0	18.3
Others	(3.3)	0.5	(1.1)	0.3	11.5	21.1	24.4	24.8	2.7	25.8
Vertical EBIT Margin (%)										
Financial Services	26.2	25.3	25.0	25.9	25.6	25.6	26.8	30.0	27.3	25.8
Retail	29.6	29.8	30.0	30.1	30.7	29.2	30.9	35.6	36.4	35.5
Communication & Media	23.8	19.8	20.7	21.0	20.6	18.6	19.6	21.4	25.0	22.5
Energy, Utilities, Resources	25.1	23.1	25.6	27.6	27.7	28.6	28.1	27.3	29.0	28.8
Manufacturing	23.5	21.8	19.7	22.2	24.4	23.6	22.4	29.2	28.8	27.9
Hi Tech	23.4	22.8	22.0	22.9	23.5	23.5	29.0	29.8	29.5	26.3
Life Sciences	27.3	25.1	20.7	27.0	26.7	23.2	30.2	33.8	31.1	30.5
Others	4.4	6.7	0.9	1.2	2.3	5.5	2.7	6.0	6.5	21.8
Geography Amount (\$ mn)										
North America	1,804	1,873	1,929	1,971	1,988	1,969	1,919	2,010	2,166	2,226
Europe	723	734	739	774	791	780	749	805	844	882
India	78	70	72	87	91	83	91	99	91	108
ROW	382	383	391	379	373	364	362	397	415	397
Geography Growth (YoY) (CC)										
North America	8.7	12.6	13.5	11.9	10.1	5.5	0.0	1.9	8.8	12.3
Europe	9.8	11.6	11.4	14.6	12.0	9.6	4.4	0.6	1.3	5.1
India	(1.7)	(5.9)	1.2	17.9	18.4	22.3	32.8	20.4	4.3	30.8
ROW	20.3	11.6	11.0	1.9	0.2	1.8	(2.0)	3.7	6.1	(0.9)

Source: DART, Company

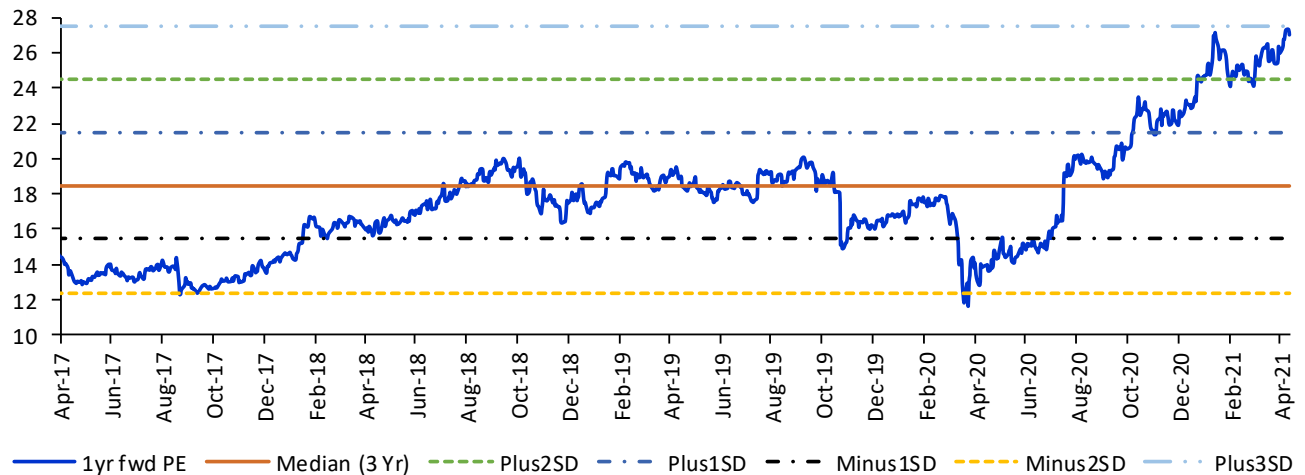
Exhibit 18: Operating Metrics 2

Particulars	Q3FY19	Q4FY19	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21	Q2FY21	Q3FY21	Q4FY21
TCV Data										
TCV Data (\$ mn)	1,570	1,568	2,714	2,847	1,813	1,650	1,740	3,150	7,130	2,100
Growth (YoY) (%)	101.5	73.3	143.2	40.3	15.5	5.2	(35.9)	10.6	293.3	27.3
TTM basis (\$ mn)	5,620	6,283	7,881	8,699	8,942	9,024	8,050	8,353	13,670	14,120
Growth (YoY) (%)	89.0	104.5	123.2	80.1	59.1	43.6	2.1	(4.0)	52.9	56.5
Revenue Coverage (TTM)	0.49	0.53	0.65	0.70	0.71	0.71	0.63	0.65	1.04	1.04
Client Revenue (\$ mn)										
Top 5 client			379	369	366	361	368	374	380	394
Top 6-10 client			247	247	246	237	234	245	271	267
Top 11-25 client	439	468	467	494	496	492	478	513	566	574
Non Top 25 client	1,974	1,989	2,038	2,099	2,134	2,107	2,041	2,179	2,299	2,377
Client Revenue Growth (YoY)										
Top 5 client							(2.8)	1.4	3.6	9.0
Top 6-10 client							(5.4)	(0.8)	9.8	13.0
Top 11-25 client	(1.0)	3.0	5.0	10.6	13.0	5.2	2.4	3.8	14.1	16.7
Non Top 25 client	10.8	9.8	10.6	10.1	8.1	5.9	0.1	3.8	7.8	12.8
Client Metrics										
>US\$1 million	651	662	680	693	705	718	729	745	761	779
>US\$10 million	214	222	228	228	232	234	236	242	246	252
>US\$50 million	59	60	59	61	61	61	60	60	60	59
>US\$100 million	23	25	27	27	28	28	25	30	29	32
Number of active clients	1,251	1,279	1,336	1,364	1,384	1,411	1,458	1,487	1,562	1,626
New clients added (Gross)	101	101	112	96	84	84	110	96	139	130
New Customers Business (\$mn)	102	147	31	61	91	131	31	66	172	238
Old Customers Business (\$mn)	2,885	2,913	3,100	3,149	3,152	3,066	3,090	3,246	3,344	3,375
Revenue Area (\$ mn)										
Onsite	857	878	899	905	898	882	874	864	886	878
Offshore	2,130	2,182	2,232	2,305	2,345	2,315	2,247	2,448	2,630	2,735
Revenue Area Growth (YoY)										
Onsite	7.3	9.1	11.0	9.1	4.8	0.5	(2.8)	(4.5)	(1.4)	(0.5)
Offshore	8.9	9.1	10.4	10.2	10.1	6.1	0.7	6.2	12.2	18.2
Employee Data										
Total Employees	225,501	228,123	229,029	236,486	243,454	242,371	239,233	240,208	2,49,312	2,59,619
Net Additions	7,762	2,622	906	7,457	6,968	(1,083)	(3,138)	975	9,104	10,307
Breakup of Employees										
<u>S/W professionals</u>	177,136	214,727	215,412	222,851	229,658	228,449	225,167	226,067	2,34,829	2,45,037
Net Additions	5,582	37,591	685	7,439	6,807	(1,209)	(3,282)	900	8,762	10,208
<u>Support and sales</u>	10,947	13,396	13,617	13,635	13,796	13,922	14,066	14,141	14,483	14,582
Net Additions	479	2,449	221	18	161	126	144	75	342	99
Attrition (IT Services) (Quarterly)	19.9	20.4	20.2	21.7	19.6	15.3	11.7	7.8	10.0	15.2
Utilization										
Including trainees	79.8	78.9	80.3	81.6	80.4	79.0	78.2	80.6	82.3	82.2
Excluding trainees	83.8	82.3	83.1	84.9	84.4	83.5	81.2	83.6	86.3	87.7
DSO Reported	67	66	68	66	73	69	71	69	73	71

Source: DART, Company

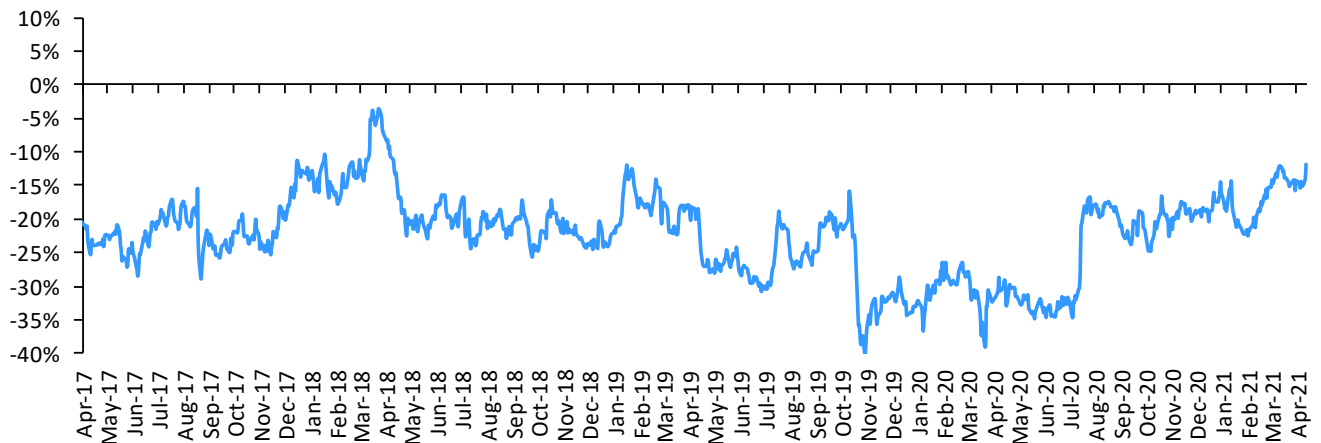
View: Given superlative growth performance (better by ~600bps) in current fiscal, reducing OPM gap and better traction on TCV wins we do not see any significant reason for Infosys to trade at 10-15% discount to TCS and expect this to narrow down to zero over time.

Exhibit 19: INFY Band Chart: INFY is trading slightly BELOW Median Plus3SD with PER of 26.5x



Source: DART, Company

Exhibit 20: INFY discount over TCS to narrow further



Source: DART, Company

Profit and Loss Account

(Rs Mn)	FY20A	FY21A	FY22E	FY23E
Revenue	9,07,910	10,04,730	11,49,129	12,78,887
Total Expense	7,14,170	7,58,510	8,73,028	9,83,628
COGS	6,07,320	6,54,150	7,44,344	8,34,585
Employees Cost	0	0	0	0
Other expenses	1,06,850	1,04,360	1,28,685	1,49,043
EBIDTA	2,22,680	2,78,900	3,11,769	3,32,483
Depreciation	28,940	32,680	35,668	37,225
EBIT	1,93,740	2,46,220	2,76,101	2,95,258
Interest	0	0	0	0
Other Income	26,340	20,060	22,700	24,265
Exc. / E.O. items	0	0	0	0
EBT	2,20,080	2,66,280	2,98,801	3,19,523
Tax	53,680	72,050	77,688	83,076
RPAT	1,65,950	1,93,510	2,20,663	2,36,227
Minority Interest	450	720	450	220
Profit/Loss share of associates	0	0	0	0
APAT	1,65,950	1,93,510	2,20,663	2,36,227

Balance Sheet

(Rs Mn)	FY20A	FY21A	FY22E	FY23E
Sources of Funds				
Equity Capital	21,220	21,240	20,903	20,903
Minority Interest	3,940	4,310	4,760	4,980
Reserves & Surplus	6,33,280	7,42,270	7,45,964	8,36,090
Net Worth	6,54,500	7,63,510	7,66,867	8,56,993
Total Debt	46,330	53,250	50,750	49,750
Net Deferred Tax Liability	(7,760)	(2,230)	(1,904)	(2,192)
Total Capital Employed	6,97,010	8,18,840	8,20,473	9,09,531

Applications of Funds

Net Block	2,47,430	2,64,270	2,71,912	2,65,487
CWIP	0	0	0	0
Investments	48,740	1,30,040	1,30,611	1,30,970
Current Assets, Loans & Advances	6,14,070	6,78,570	7,01,672	8,20,770
Inventories	0	0	0	0
Receivables	1,84,870	1,92,940	2,20,381	2,41,762
Cash and Bank Balances	1,86,490	2,47,140	2,27,320	3,09,782
Loans and Advances	2,390	1,590	1,590	1,590
Other Current Assets	1,93,770	2,13,480	2,28,961	2,44,216
Less: Current Liabilities & Provisions	2,13,230	2,54,040	2,83,721	3,07,696
Payables	28,520	26,450	35,878	40,423
Other Current Liabilities	1,84,710	2,27,590	2,47,843	2,67,272
<i>sub total</i>				
Net Current Assets	4,00,840	4,24,530	4,17,951	5,13,074
Total Assets	6,97,010	8,18,840	8,20,473	9,09,531

E – Estimates

Important Ratios

Particulars	FY20A	FY21A	FY22E	FY23E
(A) Margins (%)				
Gross Profit Margin	33.1	34.9	35.2	34.7
EBIDTA Margin	24.5	27.8	27.1	26.0
EBIT Margin	21.3	24.5	24.0	23.1
Tax rate	24.4	27.1	26.0	26.0
Net Profit Margin	18.3	19.3	19.2	18.5
(B) As Percentage of Net Sales (%)				
COGS	66.9	65.1	64.8	65.3
Employee	0.0	0.0	0.0	0.0
Other	11.8	10.4	11.2	11.7
(C) Measure of Financial Status				
Gross Debt / Equity	0.1	0.1	0.1	0.1
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	10	11	12
Working Capital days	161	154	133	146
FA T/O	3.7	3.8	4.2	4.8
(D) Measures of Investment				
AEPS (Rs)	39.1	45.5	52.7	56.4
CEPS (Rs)	46.0	53.2	61.2	65.3
DPS (Rs)	25.0	26.9	29.9	34.9
Dividend Payout (%)	63.9	59.2	56.8	61.9
BVPS (Rs)	154.3	179.6	183.1	204.6
RoANW (%)	25.5	27.3	28.8	29.1
RoACE (%)	24.8	25.6	27.0	27.3
RoAIC (%)	40.5	45.5	47.4	49.5
(E) Valuation Ratios				
CMP (Rs)	1397	1397	1397	1397
P/E	35.7	30.7	26.5	24.8
Mcap (Rs Mn)	59,24,968	59,24,968	59,24,968	59,24,968
MCap/ Sales	6.5	5.9	5.2	4.6
EV	57,38,258	57,07,658	57,24,979	56,41,517
EV/Sales	6.3	5.7	5.0	4.4
EV/EBITDA	25.8	20.5	18.4	17.0
P/BV	9.1	7.8	7.6	6.8
Dividend Yield (%)	1.8	1.9	2.1	2.5
(F) Growth Rate (%)				
Revenue	9.8	10.7	14.4	11.3
EBITDA	6.6	25.2	11.8	6.6
EBIT	2.6	27.1	12.1	6.9
PBT	4.6	21.0	12.2	6.9
APAT	4.6	16.6	14.0	7.1
EPS	7.3	16.3	15.8	7.1

Cash Flow

(Rs Mn)	FY20A	FY21A	FY22E	FY23E
CFO	1,85,570	2,41,270	2,21,166	2,36,458
CFI	(17,930)	(83,590)	(21,181)	(6,894)
CFE	(1,75,910)	(97,860)	(2,19,806)	(1,47,102)
FCFF	1,33,550	2,06,160	1,77,856	2,05,658
Opening Cash	1,95,680	1,86,490	2,47,140	2,27,320
Closing Cash	1,86,490	2,47,140	2,27,320	3,09,782

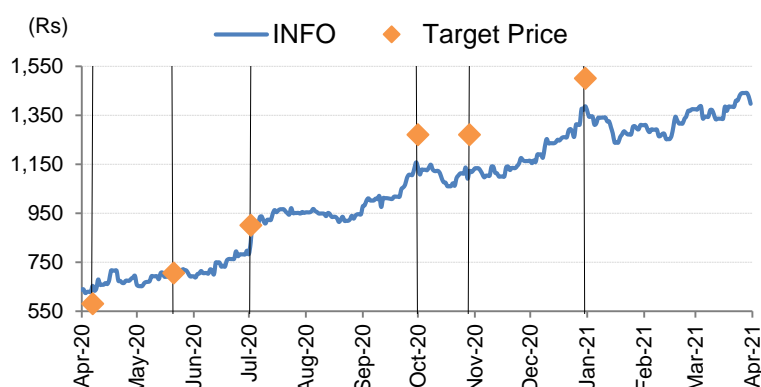
E – Estimates

DART RATING MATRIX

Total Return Expectation (12 Months)

Buy	> 20%
Accumulate	10 to 20%
Reduce	0 to 10%
Sell	< 0%

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
Jan-21	Accumulate	1,500	1,387

*Price as on recommendation date

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