

## Infosys

### Performance highlights

(₹ cr)	3QFY17	2QFY17	% chg (qoq)	3QFY16	% chg (yoy)
<b>Net revenue</b>	<b>17,273</b>	<b>17,310</b>	<b>(0.2)</b>	<b>15,902</b>	<b>8.6</b>
EBITDA	4,769	4,724	0.9	4,328	10.2
EBITDA margin (%)	27.6	27.3	31bp	27.2	39bp
<b>PAT</b>	<b>3,708</b>	<b>3,606</b>	<b>2.8</b>	<b>3,465</b>	<b>7.0</b>

Source: Company, Angel Research

The Q3FY2017 result of Infosys was better than expected on the EBIT and Net Profit fronts. The company posted a 1.4% sequential de-growth in USD revenues to US\$2,551mn v/s US\$2,561mn expected. On Constant Currency (CC) terms, de-growth was 0.3%. The volume growth during the quarter was 0.2% qoq. On EBIT front, the company reported an EBIT margin of 25.1% v/s 24.5% expected, up 20bps qoq. Consequently, PAT, came in at ₹3,708cr v/s ₹3,569cr as expected, a growth of 2.8% qoq. On guidance front, FY2017 revenue guidance was revised to 8.4% - 8.8% from 8.0% - 9.0% in constant currency. **We maintain our BUY rating on the stock, with a Target Price of ₹1,249.**

**Quarterly highlights:** In rupee terms, revenues came in at ₹17,273cr v/s ₹17,275cr expected, down 0.2% qoq. In terms, of Industry, the FSI was the only segment which grew by 0.2% qoq on CC terms, while rest of the verticals took a dip. MFG & Hi-Tech, RCL and ECS posted a qoq dip of 0.5%, 0.4% and 0.8% on CC terms respectively. In terms of Geography, on Constant Currency basis, USA dipped by 0.6% qoq, Europe grew by 1.0% qoq, India dipped by 0.1% qoq, while ROW dipped by 1.5% qoq. On EBIT front, the company posted an EBIT of 25.1% v/s 24.5% expected, up 20bps qoq. Consequently, PAT, came in at ₹3,708cr v/s ₹3,569cr expected, recording a growth of 2.8% qoq.

**Outlook and valuation:** Following a soft start to the year, Infosys cut its FY2017 revenue growth guidance to 8.4%-8.8% in CC terms from 8%-9% earlier. It gave a guidance of achieving sales of US\$20bn by FY2020. **Hence, we maintain our BUY rating on the stock with a Target Price of ₹1,249.**

### Key financials (Consolidated, IFRS)

Y/E March (₹ cr)	FY2015	FY2016	FY2017E	FY2018E
<b>Net sales</b>	<b>53,319</b>	<b>62,441</b>	<b>68,350</b>	<b>77,236</b>
% chg	6.4	17.1	9.5	13.0
<b>Adj. net profit</b>	<b>12,330</b>	<b>13,491</b>	<b>14,354</b>	<b>15,928</b>
% chg	13.5	9.4	6.4	11.0
EBITDA margin (%)	27.9	27.4	27.0	27.0
<b>EPS (₹)</b>	<b>53.7</b>	<b>59.0</b>	<b>62.5</b>	<b>69.4</b>
P/E (x)	17.8	16.2	15.3	13.8
P/BV (x)	4.0	3.6	3.3	3.0
RoE (%)	22.5	21.8	21.3	21.6
RoCE (%)	20.8	20.7	21.2	22.2
EV/Sales (x)	3.5	3.0	2.6	2.3
EV/EBITDA (x)	12.6	10.9	9.8	8.5

Source: Company, Angel Research; Note: CMP as of January 16, 2017

## BUY

CMP	₹1,038
Target Price	₹1,249

Investment Period	12 Months
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### Stock Info

Sector	IT
Market Cap (₹ cr)	219,519
Net Debt (₹ cr)	(30,250)
Beta	0.8
52 Week High / Low	1,278/900
Avg. Daily Volume	259,717
Face Value (₹)	5
BSE Sensex	27,288
Nifty	8,413
Reuters Code	INFY.BO
Bloomberg Code	INFY@IN

### Shareholding Pattern (%)

Promoters	12.8
MF / Banks / Indian Fls	18.8
FII / NRIs / OCBs	57.8
Indian Public / Others	10.6

Abs.(%)	3m	1yr	3yr
Sensex	(1.4)	11.6	28.3
Infosys	(7.0)	(16.2)	2.6

### 3-year price chart



Source: Company, Angel Research

### Sarabjit kour Nangra

+91 22-39357800 Ext: 6806

sarabjit@angelbroking.com

**Exhibit 1: 3QFY2017 performance (IFRS, consolidated)**

(₹ cr)	3QFY17	2QFY17	% chg (qoq)	3QFY16	% chg (yoy)	9MFY17	9MFY16	% chg (yoy)
<b>Net revenue</b>	<b>17,273</b>	<b>17,310</b>	<b>(0.2)</b>	<b>15,902</b>	<b>8.6</b>	<b>51,365</b>	<b>45,891</b>	<b>11.9</b>
Cost of revenue	10,405	10,547	(1.3)	9,621	8.2	31,230	27,797	12.4
Gross profit	6,868	6,763	1.5	6,281	9.3	20,135	18,094	11.3
SG&A expenses	2,099	2,039	2.9	1,953	7.5	6,192	5,654	9.5
<b>EBITDA</b>	<b>4,769</b>	<b>4,724</b>	<b>0.9</b>	<b>4,328</b>	<b>10.2</b>	<b>13,943</b>	<b>12,440</b>	<b>12.1</b>
Depreciation	435	415	4.6	369	17.8	1,253	1,040	20.5
EBIT	4,334	4,309	0.6	3,959	9.5	12,690	11,400	11.3
Other income	820	760	7.9	802	2.2	2,333	2,353	(0.8)
PBT	5,154	5,069	1.7	4,761	8.3	15,023	13,753	9.2
Income tax	1,446	1,460	(1.0)	1,296	11.6	4,268	3,857	10.7
Exceptional item	-	3		-		(2)	-	
Reported PAT	3,708	3,606	2.8	3,465	7.0	10,757	9,896	8.7
<b>Adjusted PAT</b>	<b>3,708</b>	<b>3,606</b>	<b>2.8</b>	<b>3,465</b>	<b>7.0</b>	<b>10,755</b>	<b>9,896</b>	<b>8.7</b>
<b>EPS</b>	<b>16.2</b>	<b>15.8</b>	<b>2.8</b>	<b>15.2</b>	<b>6.7</b>	<b>47.1</b>	<b>43.3</b>	<b>8.7</b>
Gross margin (%)	39.8	39.1	69bp	39.5	26bps	39.2	39.4	(23)bp
EBITDA margin (%)	27.6	27.3	31bp	27.2	39bps	27.1	27.1	4bp
EBIT margin (%)	25.1	24.9	19bp	24.9	19bps	24.7	24.8	(14)bp
PAT margin (%)	21.5	20.8	64bp	21.8	(32)bp	20.9	21.6	(63)bp

Source: Company, Angel Research

**Exhibit 2: 3QFY2017 – Actual Vs Angel estimates**

(₹ cr)	Actual	Estimate	% Var.
<b>Net revenue</b>	<b>17,273</b>	<b>17,275</b>	<b>(0.0)</b>
EBITDA margin (%)	27.6	26.9	71
<b>PAT</b>	<b>3,708</b>	<b>3,569</b>	<b>3.9</b>

Source: Company, Angel Research

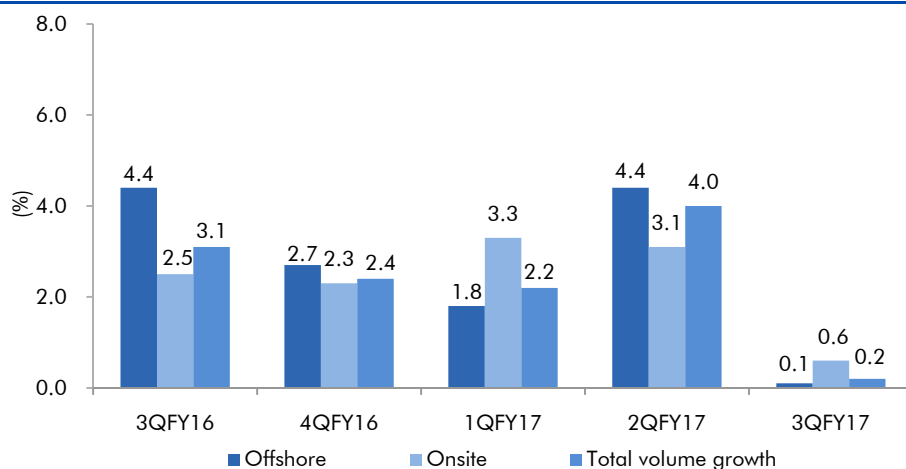
**Revenues just in-line with expectation**

Infosys, posted results better than expected on the EBIT and Net Profit fronts. The company posted a 1.4% sequential de-growth in USD revenues to US\$2,551mn v/s US\$2,561mn expected. On Constant Currency terms, de-growth was 0.3% sequentially. The volume growth during the quarter was 0.2% qoq. In rupee terms, revenues came in at ₹17,273cr v/s ₹17,275cr expected, down 0.2% qoq.

In terms, of Industry, the FSI was the only segment which grew by 0.2% qoq on CC terms, while rest of the verticals took a dip. MFG & Hi-Tech, RCL and ECS posted a qoq dip of 0.5%, 0.4% and 0.8% on CC terms respectively.

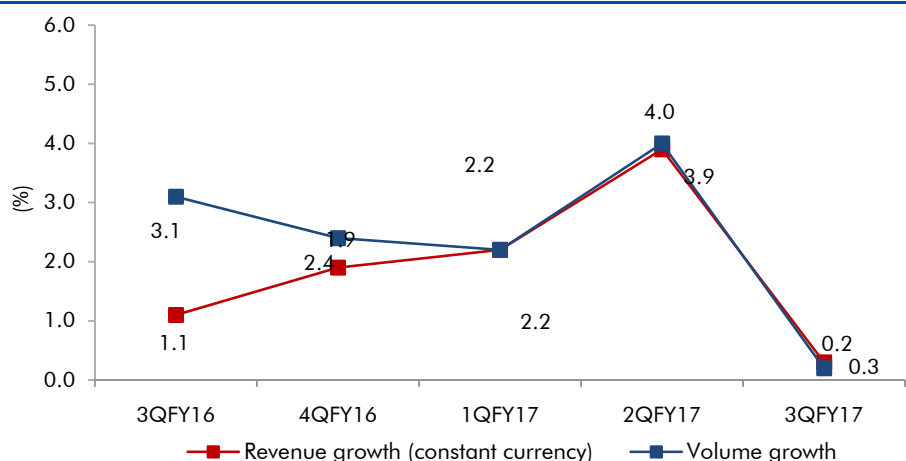
In terms of Geography, USA dipped by 0.6% qoq on CC basis, Europe grew by 1.0% qoq on CC basis, India dipped by 0.1% qoq on CC basis, while ROW dipped by 1.5% qoq on CC basis.

**Exhibit 3: Trend in volume growth qoq (Effort wise)**



Source: Company, Angel Research

**Exhibit 4: Trend in volume and USD revenue growth (QoQ)**



Source: Company, Angel Research

Industry-wise, revenue from FSI, the company's anchor vertical, which contributed 33.3% to revenues, de-grew by 0.6% qoq; in CC terms, revenue from FSI grew by 0.2% qoq. The Manufacturing industry vertical, which contributed 22.5% to revenues, de-grew by 1.5% qoq. In CC terms, the revenue from this vertical de-grew by 0.5% sequentially.

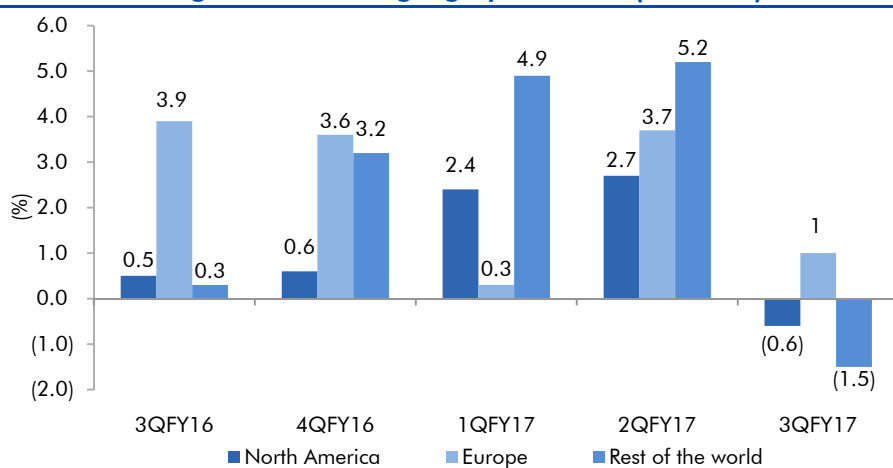
The Retail, CPG and Logistics segment (RCL; contributed by 23.5% to revenues) reported a 1.5% qoq de-growth. In CC terms, the revenue from RCL de-grew by 0.4% qoq. The Energy Utilities and Communications & Services segment contributed 20.7% to revenue, reporting a de-growth of 2.1% qoq in revenue and 0.8% qoq on CC basis.

**Exhibit 5: Growth trend in industry segments (Reported basis)**

Particulars	% to revenue	% growth QoQ	% growth YoY
<b>FSI</b>	<b>33.3</b>	<b>(0.8)</b>	<b>5.3</b>
Banking and financial services	27.2	(2.1)	4.4
Insurance	6.1	5.5	9.6
<b>Manufacturing</b>	<b>22.5</b>	<b>(1.4)</b>	<b>4.6</b>
<b>RCL</b>	<b>23.5</b>	<b>(1.4)</b>	<b>2.5</b>
Retail and CPG	14.6	(3.4)	5.3
Transport and logistics	2.0	3.8	11.6
Life Sciences	4.6	0.8	(15.9)
Healthcare	2.3	3.1	28.3
<b>ECS</b>	<b>20.7</b>	<b>(2.3)</b>	<b>13.1</b>
Energy and utilities	5.0	2.7	3.9
Communication and services	9.1	(4.5)	20.6
Others	6.6	(2.9)	11.0

Source: Company, Angel Research

In terms of geographies, revenue from North America de-grew by 0.6% qoq in CC terms, while other geographies such as Europe grew by 1.0% qoq and RoW de-grew by 1.5% qoq (both in CC terms). India posted a 0.1% qoq de-growth in CC terms.

**Exhibit 6: USD growth trend in geographies QoQ (CC basis)**


Source: Company, Angel Research

## Hiring and utilization

Infosys added 9,120 gross employees in 3QFY2017, of which 4,000 were lateral additions. The net reduction number for the quarter stood at 66. Attrition (for standalone entity) cooled down in 3QFY2017; it came down to 18.4% (LTM) v/s 20.0% in 2QFY2017.

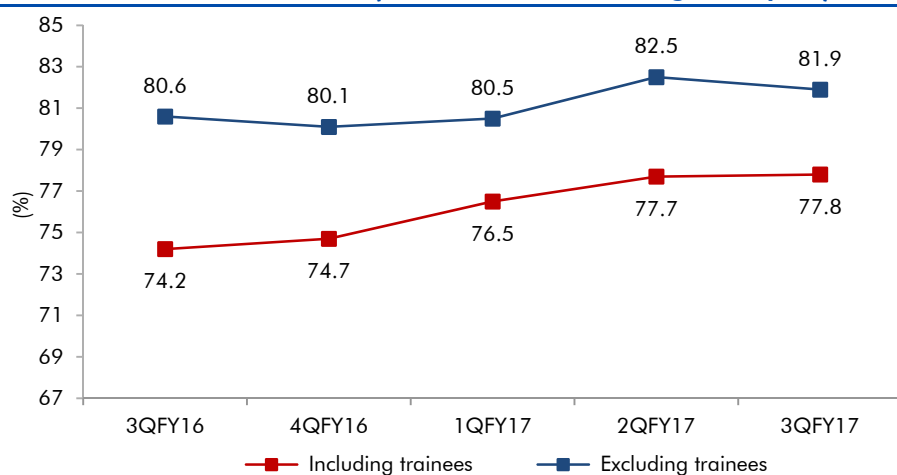
### Exhibit 7: Employee metrics

	3QFY16	4QFY16	1QFY17	2QFY17	3QFY17
Gross addition	14,027	9,034	13,268	12,717	9,120
Net addition	8,620	661	3,006	2,779	(66)
Gross lateral emp. addition	6,115	5,266	5,260	5,752	4,000
Attrition – LTM basis (%)*	18.1	17.3	21.0	20.0	18.4

Source: Company, Angel Research, Note- \* excluding subsidiaries

The utilization rate including trainees grew by 100bps qoq to 77.8% (higher than 77.7% as in 2QFY2017); while excluding trainees, it de-grew by 60bps qoq to 81.9%.

### Exhibit 8: Trend in utilization (Services and Consulting + Projects)

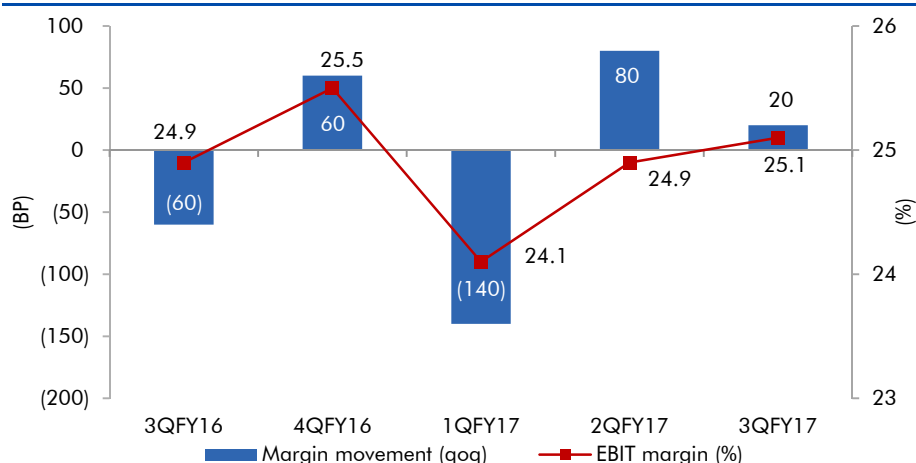


Source: Company, Angel Research

## Margins expand

On the operating front, EBDITA and EBIT margins expanded by ~31bps qoq and ~19bps qoq to 27.6% v/s an expected 26.9% and 25.1% respectively. Pressure on margins because of a decline in realization was offset by employee cost savings. The drivers for this were - lower variable payout, lower leave costs with lapsing of leaves taken in the holiday season and adjustment of interest rates in the US leading to lower liabilities.

**Exhibit 9: Trend in EBIT margin**



Source: Company, Angel Research

**Client pyramid**

Infosys added 77 new clients (gross additions) during the quarter, taking its total active client base to 1,136. The client addition was across the board. The company bagged New deals with TCV of US\$664mn, during the quarter. TCV of deal wins on LTM basis is US\$3.4bn, which is 39% higher.

**Exhibit 10: Client metrics**

Particulars	3QFY16	4QFY16	1QFY17	2QFY17	3QFY17
Top client (% of revenue)	3.5	3.6	3.6	3.5	3.1
Gross Client addition	75	89	95	78	77
Active client	1045	1092	1126	1136	1152
US\$1mn–5mn	294	290	306	300	316
US\$5mn–10mn	90	91	88	91	80
US\$10mn–20mn	82	89	93	97	97
US\$20mn–50mn	23	32	35	35	36
US\$50mn–100mn	15	17	21	24	22
US\$100mn–200mn	7	8	11	12	14
US\$200mn–300mn	5	5	6	5	5
US\$300mn plus	1	1	1	1	1

Source: Company, Angel Research

**Concall Highlights**

- Infosys won deals worth TCV of US\$664mn during the quarter.
- Changes in the regulatory landscape around visa usage are anticipated. However, the company has been driving local hiring, and reducing dependency on H1B visas.
- Infosys maintained its guidance of EBIT margin band of 24-26% for the medium term.

## Investment arguments

**Revenue guidance tinkered for FY2017:** The Management has lowered its revenue growth guidance for FY2017. The company has issued 8.4%-8.8% CC growth v/s 8%-9% qoq CC growth guidance earlier. This implies 4QFY2017, CC revenue growth of 0.3-1.8% qoq. In 2QFY2017, the guidance was reduced to factor the impact of ramp-down in RBS, softness/uncertainty in some other clients, and slower growth than anticipated in some service lines. In USD terms, the guidance is given at 10.0%-10.4% on the basis of exchange rate as on December 31, 2016.

For FY2016, the company posted a 13.3% growth in CC terms v/s a guidance of 12.8%-13.2% growth (in CC terms). We expect the company to post ~9.0% USD revenue growth in FY2017. The company expects to lead industry growth and reach a milestone of achieving sales of US\$20bn by FY2020. Currently, we have factored in moderate growth for FY2017 (INR and USD growth of 9.5% and 9.0% respectively).

**Aims to be US\$20bn company by FY2020:** The Management believes the traditional IT services model is dying and a structural change is taking place in the industry. Pricing pressure is being witnessed in commoditized services, thus necessitating the company to pursue newer growth avenues, including acquisitions in areas like automation. The outsourcing services provider is therefore looking to ramp up its productivity through automation and is looking for acquisitions to boost growth. Infosys' cash and cash equivalents were at US\$5.2bn as at the end of March 2015.

The company expects its revenue to rise to US\$20bn by FY2020, from US\$8.7bn now, as it focuses on acquisitions and on winning more new technology services, implying a 14% CAGR over the period. In the near term, we expect Infosys to post a 12.5% USD revenue growth in FY2017. Over FY2016-18E, we expect USD and INR revenue to grow at a CAGR of 9.0% and 9.5%, respectively.

**Operating margin likely to be range bound in near term:** Going ahead, given a stable rupee, higher S&M spends, and wage hikes in FY2017, we expect the EBIT margin to remain at 24.6% in FY2017 and FY2018 (v/s 25.0% in FY2016). Over FY2016-18E, we expect an EBIT CAGR of 10.3%. However, as part of its 'Vision 2020' (target to have US\$20bn revenues at 30% operating margins and US\$80,000 per employee revenue productivity by CY2020), the Management expects acceleration in revenue growth and margin improvement to reflect ahead of the increase in revenue productivity.

## Outlook and valuation

The company has downgraded its USD revenue growth guidance for FY2017 to 8-9% on CC basis. We expect the company to post ~9.0% USD revenue growth in FY2017. It aims to reach a milestone of achieving sales of US\$20bn by FY2020. Also, the company plans to utilize cash properly through increased dividends and acquisitions, so that it can increase its capital efficiency. The stock currently trades at a valuation of 15.0x its FY2018E earnings. **We recommend a BUY on the stock with a Target Price of ₹1,249.**

**Exhibit 11: Key assumptions**

Parameters	FY2017E	FY2018E
Revenue growth – USD terms (%)	9.0	10.0
USD-INR rate	66.0	66.0
Revenue growth – INR terms (%)	9.5	13.0
EBITDA margin (%)	27.0	27.0
Tax rate (%)	28.0	28.0
EPS growth (%)	6.4	11.0

Source: Company, Angel Research

**Exhibit 12: One-year forward PE (x)**


Source: Company, Angel Research

**Exhibit 13: Recommendation summary**

Company	Reco	CMP (₹)	Tgt. price (₹)	Upside (%)	FY2018E EBITDA (%)	FY2018E P/E (x)	FY2016-18E EPS CAGR (%)	FY2018E EV/Sales (x)	FY2018E RoE (%)
HCL Tech	Buy	831	1,000	20.4	20.5	13.0	9.6	1.8	17.9
<b>Infosys</b>	<b>Buy</b>	<b>956</b>	<b>1,249</b>	<b>30.7</b>	<b>27.0</b>	<b>13.8</b>	<b>8.4</b>	<b>2.3</b>	<b>21.6</b>
TCS	Buy	2,259	2,620	16.0	27.6	15.5	8.5	3.1	33.1
Tech Mahindra	Buy	487	600	23.2	17.0	12.2	11.4	1.1	20.7
Wipro	Buy	483	590	22.1	18.1	12.1	5.3	1.7	19.3

Source: Company, Angel Research

**Company Background**

Infosys is the second largest IT company in India, employing over 1,94,044 professionals (as of FY2016). The company services more than 1,000 clients across various verticals, such as financial services, manufacturing, telecom, retail and healthcare. Infosys has the widest portfolio of service offerings amongst Indian IT companies, spanning across the entire IT service value chain - from traditional Application Development and Maintenance to Consulting and Package Implementation to Products and Platforms.



**Profit and loss statement (IFRS, consolidated)**

Y/E March (₹ cr)	FY2013	FY2014	FY2015	FY2016	FY2017E	FY2018E
<b>Net sales</b>	<b>40,352</b>	<b>50,133</b>	<b>53,319</b>	<b>62,441</b>	<b>68,350</b>	<b>77,236</b>
Cost of revenue	24,158	30,767	31,817	37,595	35,542	40,163
Gross profit	16,194	19,366	21,502	24,846	26,998	30,508
% of net sales	40.1	38.6	40.3	39.8	39.5	39.5
Selling and mktg exp.	2,034	2,625	2,941	3,431	3,759	4,248
% of net sales	5.0	5.2	5.5	5.5	5.5	5.5
General and admin exp.	2,609	3,107	3,663	4,292	4,785	5,407
% of net sales	6.5	6.2	6.9	6.9	7.0	7.0
<b>EBITDA</b>	<b>11,551</b>	<b>13,634</b>	<b>14,898</b>	<b>17,123</b>	<b>18,455</b>	<b>20,854</b>
% of net sales	28.6	27.2	27.9	27.4	27.0	27.0
Dep and amortization	1,122	1,374	1,066	1,503	1,640	1,854
% of net sales	2.8	2.7	2.0	2.4	2.4	2.4
<b>EBIT</b>	<b>10,429</b>	<b>12,260</b>	<b>13,832</b>	<b>15,620</b>	<b>16,814</b>	<b>19,000</b>
% of net sales	25.8	24.5	25.9	25.0	24.6	24.6
Other income	2,359	2,669	3,427	3,122	3,122	3,122
Profit before tax	12,788	14,929	17,259	18,742	19,936	22,122
Provision for tax	3,367	4,062	4,929	5,251	5,582	6,194
% of PBT	26.3	27.2	28.6	28.0	28.0	28.0
<b>PAT</b>	<b>9,421</b>	<b>10,648</b>	<b>12,330</b>	<b>13,491</b>	<b>14,354</b>	<b>15,928</b>
Exceptional item	-	219	-	-	-	-
<b>Adj. PAT</b>	<b>9,421</b>	<b>10,867</b>	<b>12,330</b>	<b>13,491</b>	<b>14,354</b>	<b>15,928</b>
<b>EPS (₹)</b>	<b>41.0</b>	<b>47.3</b>	<b>53.7</b>	<b>59.0</b>	<b>62.5</b>	<b>69.4</b>

**Balance sheet (IFRS, consolidated)**

Y/E March (₹ cr)	FY2013	FY2014	FY2015	FY2016	FY2017E	FY2018E
<b>Current assets</b>						
Cash and cash equivalents	21,832	25,950	30,367	32,697	38,249.6	42,480.2
Available for sale fin. assets	1,739	2,197	874	75	75	75
Invest. in certificates of deposit	-	859	93	103	103	103
Trade receivables	7,083	8,351	9,713	11,330	11,483	12,976
Unbilled revenue	2,435	2,811	2,845	3,029	3,029	3,029
Derivative financial instrum.	101	215	101	116	116	116
Prepayments and other CA	2,123	2,636	3,296	4,448	3,964	4,480
<b>Total current assets</b>	<b>35,313</b>	<b>43,019</b>	<b>47,289</b>	<b>51,798</b>	<b>57,020</b>	<b>63,258</b>
<b>Non-current assets</b>						
Property, plant and equipm.	6,468	7,887	9,125	10,530	10,730	10,930
Goodwill	1,976	2,157	3,091	3,764	2,157	2,157
Intangible assets	368	342	638	985	342	342
Available for sale fin. Assets	394	1,252	1,345	1,811	1,252	1,252
Deferred income tax assets	503	656	537	536	656	656
Income tax assets	1,092	1,522	4,089	5,230	5,230	5,230
Other non-current assets	237	220	238	735	1,876	1,793
<b>Total non-current assets</b>	<b>11,038</b>	<b>14,036</b>	<b>19,063</b>	<b>23,591</b>	<b>22,243</b>	<b>22,360</b>
<b>Total assets</b>	<b>46,351</b>	<b>57,055</b>	<b>66,352</b>	<b>75,389</b>	<b>79,262</b>	<b>85,618</b>
<b>Current liabilities</b>						
Trade payables	189	173	140	386	173	173
Derivative financial instrum.	-	-	3	5	-	-
Current income tax liabilities	1,329	2,187	2,818	3,410	3,787	3,787
Client deposits	36	40	27	28	40	40
Unearned revenue	823	660	1,052	1,332	660	660
Employee benefit obligations	614	954	1,069	1,341	954	954
Provisions	213	379	478	512	379	379
Other liabilities	3,082	4,745	5,796	6,225	5,545	5,545
<b>Total current liabilities</b>	<b>6,286</b>	<b>9,138</b>	<b>11,383</b>	<b>13,239</b>	<b>11,538</b>	<b>11,538</b>
<b>Non-current liabilities</b>						
Deferred income tax liabilities	119	64	160	256	64	64
Employee benefit obligations	149	323	46	115	323	323
Other liabilities	-	-	-	-	-	-
<b>Total non-current liabilities</b>	<b>268</b>	<b>387</b>	<b>206</b>	<b>371</b>	<b>387</b>	<b>387</b>
<b>Total liabilities</b>	<b>6,554</b>	<b>9,525</b>	<b>11,589</b>	<b>13,610</b>	<b>11,925</b>	<b>11,925</b>
<b>Equity</b>						
Share capital	286	286	572	1,144	1,144	1,144
Share premium	3,090	3,090	3,090	2,241	2,241	2,241
Retained earnings	36,114	43,584	50,531	57,655	63,382	69,737
Other components of equity	307	570	570	739	570	571
<b>Total equity</b>	<b>39,797</b>	<b>47,530</b>	<b>54,763</b>	<b>61,779</b>	<b>67,337</b>	<b>73,693</b>
<b>Total liabilities and equity</b>	<b>46,351</b>	<b>57,055</b>	<b>66,352</b>	<b>75,389</b>	<b>79,262</b>	<b>85,618</b>

**Cash flow statement (IFRS, consolidated)**

Y/E March (₹ cr)	FY2013	FY2014	FY2015	FY2016	FY2017E	FY2018E
Pre tax profit from operations	10,429	12,260	13,832	15,620	16,814	19,000
Depreciation	1,122	1,374	1,066	1,503	1,640	1,854
Pre tax cash from operations	11,551	13,634	14,898	17,123	18,455	20,854
Other income/prior period ad	2,359	2,669	3,427	3,122	3,122	3,122
Net cash from operations	13,910	16,303	18,325	20,245	21,577	23,976
Tax	3,367	4,062	4,929	5,251	5,582	6,194
<b>Cash profits</b>	<b>10,543</b>	<b>12,241</b>	<b>13,396</b>	<b>14,994</b>	<b>15,994</b>	<b>17,781</b>
(Inc)/dec in current assets	(2,464)	(2,271)	(1,942)	(2,968)	331	(2,008)
Inc/(dec) in current liabilities	1,520	2,852	2,245	1,856	(1,701)	-
(Inc)/dec in net trade WC	(944)	581	303	(1,112)	(1,370)	(2,008)
<b>Cashflow from operating actv.</b>	<b>9,599</b>	<b>12,822</b>	<b>13,699</b>	<b>13,882</b>	<b>14,624</b>	<b>15,773</b>
(Inc)/dec in fixed assets	(2,181)	(2,793)	(2,304)	(2,908)	(1,840)	(2,054)
(Inc)/dec in investments	(1,362)	(1,317)	2,089	789	-	-
(inc)/dec in sale of financial assets	(382)	(858)	(93)	(466)	559	-
(Inc)/dec in deferred tax assets	(242)	(583)	(2,448)	(1,140)	(120)	-
Inc/(dec) in other non current liab.	147	119	(181)	165	16	-
(Inc)/dec in other non current ass.	(1,253)	(138)	(1,248)	(1,517)	1,110	83
<b>Cashflow from investing actv.</b>	<b>(5,273)</b>	<b>(5,570)</b>	<b>(4,185)</b>	<b>(5,077)</b>	<b>(276)</b>	<b>(1,971)</b>
Inc/(dec) in debt	-	-	-	-	-	-
Inc/(dec) in equity/premium	(280)	1,099	450	889	(1,101)	(1,048)
Dividends	2,805	4,233	5,547	7,364	7,695	8,523
<b>Cashflow from financing actv.</b>	<b>(3,085)</b>	<b>(3,134)</b>	<b>(5,097)</b>	<b>(6,475)</b>	<b>(8,796)</b>	<b>(9,572)</b>
<b>Cash generated/(utilised)</b>	<b>1,241</b>	<b>4,118</b>	<b>4,417</b>	<b>2,330</b>	<b>5,553</b>	<b>4,231</b>
Cash at start of the year	20,591	21,832	25,950	30,367	32,697	38,250
Cash at end of the year	21,832	25,950	30,367	32,697	38,250	42,480

**Key ratios**

Y/E March	FY2013	FY2014	FY2015	FY2016	FY2017E	FY2018E
<b>Valuation ratio (x)</b>						
P/E	23.3	20.2	17.8	16.2	15.3	13.8
P/CEPS	20.8	17.9	16.4	14.6	13.7	12.3
P/BVPS	5.5	4.6	4.0	3.6	3.3	3.0
Dividend yield (%)	1.1	1.7	1.9	2.6	3.3	3.6
EV/Sales	4.9	3.8	3.5	3.0	2.6	2.3
EV/EBITDA	17.0	14.0	12.6	10.9	9.8	8.5
EV/Total assets	4.2	3.3	2.8	2.5	2.3	2.1
<b>Per share data (₹)</b>						
EPS	41	47	54	59	63	69
Cash EPS	46	53	58	65	70	77
Dividend	11	16	19	25	31	35
Book value	173	207	239	269	293	321
<b>Dupont analysis</b>						
Tax retention ratio (PAT/PBT)	0.7	0.7	0.7	0.7	0.7	0.7
Cost of debt (PBT/EBIT)	1.2	1.2	1.2	1.2	1.2	1.2
EBIT margin (EBIT/Sales)	0.3	0.2	0.3	0.3	0.2	0.2
Asset turnover ratio (Sales/Assets)	0.9	0.9	0.8	0.8	0.9	0.9
Leverage ratio (Assets/equity)	1.2	1.2	1.2	1.2	1.2	1.2
Operating ROE	23.7	22.4	22.5	21.8	21.3	21.6
<b>Return ratios (%)</b>						
RoCE (pre-tax)	22.5	21.5	20.8	20.7	21.2	22.2
Angel RoIC	45.8	43.7	39.5	36.7	41.2	44.2
RoE	23.7	22.9	22.5	21.8	21.3	21.6
<b>Turnover ratios(x)</b>						
Asset turnover (fixed assets)	6.2	6.2	6.4	5.8	5.9	6.4
Receivables days	84	86	81	86	84	77

Research Team Tel: 022 - 39357800

 E-mail: [research@angelbroking.com](mailto:research@angelbroking.com)

 Website: [www.angelbroking.com](http://www.angelbroking.com)

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4. Broking relationship with company covered under Research	No

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Buy (> 15%)

Accumulate (5% to 15%)  
Reduce (-5% to -15%)

Neutral (-5 to 5%)  
Sell (< -15)