

## Infosys

### Performance highlights

(₹ cr)	1QFY16	4QFY15	% chg (qoq)	1QFY15	% chg (yoy)
<b>Net revenue</b>	<b>14,354</b>	<b>13,411</b>	<b>7.0</b>	<b>12,770</b>	<b>12.4</b>
EBITDA	3,759	3,716	1.1	3,466	8.4
EBITDA margin (%)	26.2	27.8	(160)bp	26.9	(70)bp
<b>PAT</b>	<b>3,030</b>	<b>3,098</b>	<b>(2.2)</b>	<b>2,886</b>	<b>5.0</b>

Source: Company, Angel Research

Infosys' 1QFY2016 results came in well ahead of expectations on the sales front. It posted a 4.5% qoq growth (V/s an expected 4.0% sequential growth) in USD revenues to US\$2,256mn (V/s an expected US\$2,246mn). Growth in Constant currency (CC) terms was around 4.4% during the period, mainly driven by a 5.4% volume growth (highest in the past 19 quarters). EBITDA margins came in below expectation at 26.2% (V/s 27.7% expected), a qoq dip of 160bp. Consequently, the PAT came in at ₹3,030cr (V/s ₹3,227cr expected), a dip of 2.2% qoq. In terms of guidance, the revenue guidance for FY2016 has been retained at 10%-12% in CC terms and has been increased to 7.2%-9.2% in USD terms. **We maintain our Buy rating on the stock with a target price of ₹1,306.**

**Quarterly highlights:** Infosys posted a 4.5% qoq growth (V/s 4.0% sequential growth expected) in USD revenues to US\$2,256mn (V/s US\$2,246mn expected). The CC was around 4.4% during the period, mainly driven by a 5.4% volume growth. EBITDA margins came in below expectation at 26.2% (V/s 27.7% expected), a qoq dip of 160bp. While the utilization improved to 75.1% (including trainees) V/s 72.8% in 4QFY2015, wage hikes and visa cost led the margins to dip in the quarter. Consequently, the PAT came in at ₹3,030cr (V/s ₹3,227cr expected), a dip of 2.2% qoq. On the positive side, quarterly annualized attrition for the company (consolidated) came in at 19.2% in 1QFY2016 compared to 18.4% in 4QFY2015.

**Outlook and valuation:** Company has maintained its future CC revenue growth guidance for FY2016 at 10-12%. By FY2017, the company expects to lead industry growth and reach a milestone of achieving sales of US\$20bn by FY2020. **We maintain our Buy rating on the stock.**

### Key financials (Consolidated, IFRS)

Y/E March (₹ cr)	FY2014	FY2015	FY2016E	FY2017E
<b>Net sales</b>	<b>50,133</b>	<b>53,319</b>	<b>60,250</b>	<b>66,999</b>
% chg	24.2	6.4	13.0	11.2
<b>Adj. net profit</b>	<b>10,867</b>	<b>12,330</b>	<b>13,383</b>	<b>14,629</b>
% chg	15.4	13.5	8.5	9.3
EBITDA margin (%)	27.2	27.9	28.0	28.0
<b>EPS (₹)</b>	<b>47.3</b>	<b>53.7</b>	<b>58.3</b>	<b>63.7</b>
P/E (x)	23.5	20.7	19.1	17.5
P/BV (x)	5.4	4.7	4.0	3.4
RoE (%)	22.9	22.5	20.9	19.7
RoCE (%)	21.5	20.8	20.6	20.2
EV/Sales (x)	4.5	4.2	3.5	3.0
EV/EBITDA (x)	16.5	14.9	12.6	10.8

Source: Company, Angel Research; Note: CMP as of July 21, 2015

## BUY

CMP	₹1,113
Target Price	₹1,306

Investment Period	12 Months
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### Stock Info

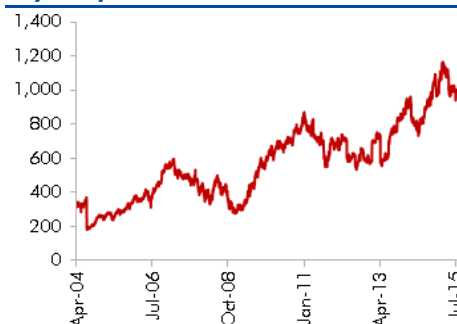
Sector	IT
Market Cap (₹ cr)	255,570
Net Debt (₹ cr)	(30,250)
Beta	0.6
52 Week High / Low	1,168/798
Avg. Daily Volume	159,425
Face Value (₹)	5
BSE Sensex	28,182
Nifty	8,529
Reuters Code	INFY.BO
Bloomberg Code	INFY@IN

### Shareholding Pattern (%)

Promoters	13.1
MF / Banks / Indian Fls	17.0
FII / NRIs / OCBs	57.7
Indian Public / Others	12.2

Abs.(%)	3m	1yr	3yr
Sensex	1.8	9.6	64.2
Infosys	3.8	38.8	100.7

### 3-year price chart



Source: Company, Angel Research

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**Exhibit 1: 1QFY2016 performance (IFRS, consolidated)**

(₹ cr)	1QFY16	4QFY15	% chg (qoq)	1QFY15	% chg (yoy)	FY2015	FY2014	% chg (yoy)
<b>Net revenue</b>	<b>14,354</b>	<b>13,411</b>	<b>7.0</b>	<b>12,770</b>	<b>12.4</b>	<b>53,319</b>	<b>50,133</b>	<b>6.4</b>
Cost of revenue	8,812	7,907	11.4	7,791	13.1	32,081	30,767	4.3
Gross profit	5,543	5,504	0.7	4,979	11.3	21,238	19,366	9.7
SG&A expenses	1,784	1,788	(0.2)	1,513	17.9	6,604	5,732	15.2
<b>EBITDA</b>	<b>3,759</b>	<b>3,716</b>	<b>1.1</b>	<b>3,466</b>	<b>8.4</b>	<b>14,634</b>	<b>13,634</b>	<b>7.3</b>
Depreciation	312	267	16.7	255	22.0	802	1,374	(41.6)
EBIT	3,447	3,449	(0.1)	3,211	7.3	13,832	12,260	12.8
Other income	758	881	(14.0)	829	(8.6)	3,427	2,669	
PBT	4,205	4,330	(2.9)	4,040	4.1	17,259	14,929	15.6
Income tax	1,175	1,232	(4.6)	1,154	1.8	4,929	4,062	21.3
Exceptional item	-	(1)		-		(1)	219	
Reported PAT	3,030	3,099	(2.2)	2,886	5.0	12,331	10,648	15.8
<b>Adjusted PAT</b>	<b>3,030</b>	<b>3,098</b>	<b>(2.2)</b>	<b>2,886</b>	<b>5.0</b>	<b>12,330</b>	<b>10,867</b>	<b>13.5</b>
<b>EPS</b>	<b>13.3</b>	<b>13.5</b>	<b>(2.1)</b>	<b>12.6</b>	<b>5.0</b>	<b>54.0</b>	<b>47.6</b>	<b>13.5</b>
Gross margin (%)	38.6	41.0	(243)bp	39.0	(38)bp	39.8	38.6	120bp
EBITDA margin (%)	26.2	27.8	(160)bp	26.9	(70)bp	27.4	27.2	25bp
EBIT margin (%)	24.0	25.7	(170)bp	25.1	(110)bp	25.9	24.5	149bp
PAT margin (%)	21.1	23.1	(200)bp	22.6	(150)bp	23.1	21.7	145bp

Source: Company, Angel Research

**Exhibit 2: 1QFY2016 – Actual vs Angel estimates**

(₹ cr)	Actual	Estimate	% Var.
<b>Net revenue</b>	<b>14,354</b>	<b>14,258</b>	<b>0.7</b>
EBITDA margin (%)	26.2	27.7	(148)bps
<b>PAT</b>	<b>3,030</b>	<b>3,227</b>	<b>(6.1)</b>

Source: Company, Angel Research

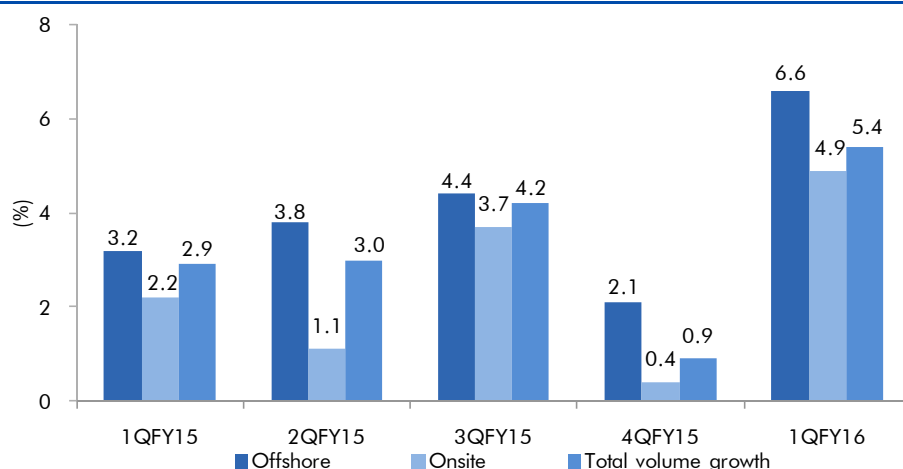
**Revenues slightly ahead of expectation**

Infosys' results came in slightly ahead of our expectations on the sales front. The company posted a 4.5% qoq growth (V/s an expected 4.0% qoq growth) in USD revenues to US\$2,256mn (V/s US\$2,246mn expected). Growth in CC terms was around 4.4% during the period, mainly driven by a 5.4% volume growth (highest in the past 19 quarters). In rupee terms, the revenues came in at ₹14,354cr (V/s ₹14,258cr expected), up 7.0% qoq.

Among key geographies, the USA grew by 5.1% qoq in USD CC terms. Other regions like Europe and ROW posted a growth of 0.7% qoq and 9.9% qoq, respectively, in USD CC terms. In terms of domains, the FSI (Financial Services and Insurance) grew by 2.6% qoq, Manufacturing grew by 5.5% qoq, ECS (Electricity, Communications and Services) grew by 2.5% qoq and RCL (Retail, CPG, Logistics and Life Sciences) grew by 7.3% qoq, all in USD CC terms.

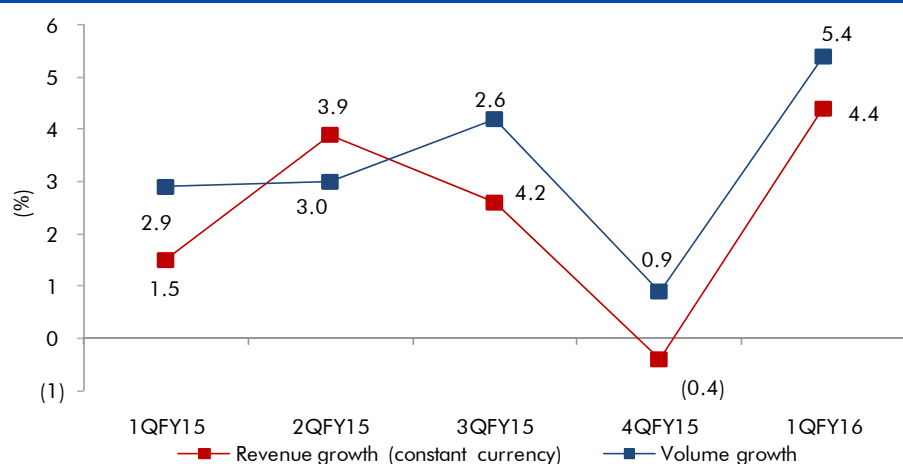
Overall, the IT services volume growth for the quarter came in at 5.4% qoq driven by a 6.6% qoq growth in on site volume, along with a 4.9% qoq growth in offshore volume.

**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, the revenue from Financial Services and Insurance, the company's anchor vertical which contributed by 33.1% to revenues, grew by 2.9% qoq, In CC terms, revenue from FSI grew by 2.6% qoq. The Manufacturing industry vertical, which contributed by 24.0% to revenues, grew by 5.4% qoq. In CC terms, the revenue from this vertical grew by 5.5% sequentially.

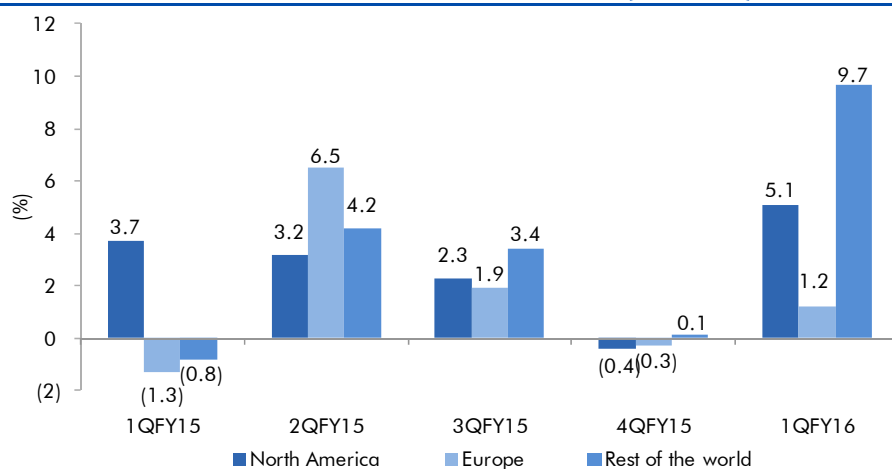
The Retail, CPG and Logistics segment (RCL; contributed by 24.1% to revenue) reported a 7.2% qoq growth in revenue. In CC terms, the revenue from RCL grew by 7.3% qoq. The Energy Utilities, Communications & Services segment (contributed by 18.8% to revenue) reported a growth of 2.9% qoq in revenue, with Energy and Utilities posting the biggest fall among verticals of 2.5% qoq.

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

Particulars	% to revenue	% growth qoq	% growth yoy
<b>FSI</b>	<b>33.1</b>	<b>2.9</b>	<b>4.8</b>
Banking and financial services	27.1	4.1	4.6
Insurance	6.0	(2.0)	5.8
<b>Manufacturing</b>	<b>24.0</b>	<b>5.4</b>	<b>9.4</b>
<b>RCL</b>	<b>24.1</b>	<b>7.2</b>	<b>7.1</b>
Retail and CPG	15.0	3.8	0.4
Transport and logistics	1.5	(2.0)	5.8
Life Sciences	5.6	14.7	28.8
Healthcare	2.0	22.9	11.3
<b>ECS</b>	<b>18.8</b>	<b>2.9</b>	<b>1.4</b>
Energy and utilities	4.2	(2.5)	(12.9)
Communication and services	8.4	5.8	2.1
Others	6.2	2.8	13.1

Source: Company, Angel Research

In terms of geographies, revenues from North America grew by 5.1% qoq in CC terms, while other geographies such as Europe grew by 0.7% qoq and RoW grew by 9.9% qoq (both in CC terms). India posted a 4.3% qoq dip in CC terms.

**Exhibit 6: USD Growth trend in geographies qoq (CC basis)**


Source: Company, Angel Research

## Hiring and utilization

Infosys added 11,889 gross employees in 1QFY2016, of which 5,886 were lateral additions. The net addition number for the quarter stood at 3,336. Attrition (for standalone entity) remained persistently high in 1QFY2016; it increased to 19.2% (LTM), up from 18.4% in 4QFY2015. The levels of attrition in the company have been on a continuous rise. During 1QFY2015, the attrition rate was around 19.5%. The Management indicated that hiring going ahead will be based on business needs and the company is currently more focused towards improving the utilization level. The company is trying to inch up its utilization level, which could act as one of the margin levers.

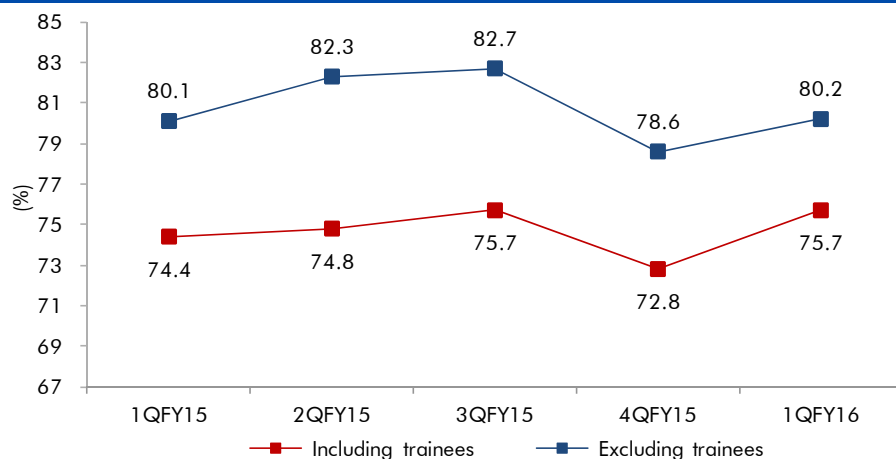
### Exhibit 7: Employee metrics

	1QFY15	2QFY15	3QFY15	4QFY15	1QFY16
Gross addition	11,506	14,255	13,154	14,471	11,889
Net addition	879	4,127	4,227	6,549	3,336
Gross lateral emp. addition	3,954	4,774	6,094	8,334	5,886
Attrition – LTM basis (%)*	19.5	20.1	20.4	18.4	19.2

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

With the company focusing on improving its utilization level, the utilization rate including trainees grew by 130bp qoq to 75.7% (higher than 74.4% as in 1QFY2015); while excluding trainees, it grew by 10bp qoq to 80.2%.

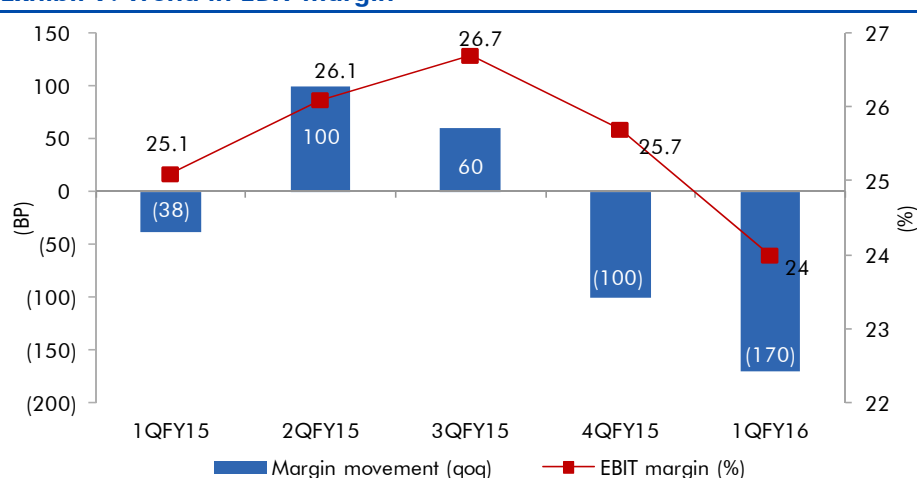
### Exhibit 8: Trend in utilization (Services and consulting + Projects)



Source: Company, Angel Research

## Margins dip

On the operating front, the EBITDA margin came in at 26.2% (V/s 27.8% expected), a dip of 160bp qoq, on account of wage hikes (200bp adverse impact), increase in visa expenses (60bp), and pressure on blended revenue productivity. Currency cushioned the dip during the quarter to the extent of 60bp qoq. The EBIT margins came in at 24.0%, a 170bp dip qoq. In addition, the Management indicated that the EBIT margin for FY2016 is expected to be in the range of 24-26%.

**Exhibit 9: Trend in EBIT margin**


Source: Company, Angel Research

**Client pyramid**

Infosys added 79 new clients (gross additions) during the quarter, taking its total active client base to 987. The client addition was across the board. In terms of client additions, the company added 2 clients in the US\$200mn bracket. Also, the company bagged 6 large deals in 1QFY2016 with TCV of US\$688mn.

**Exhibit 10: Client metrics**

Particulars	1QFY15	2QFY15	3QFY15	4QFY15	1QFY16
Top client (% of revenue)	3.4	3.4	3.2	3.5	3.7
Gross Client addition	61	49	59	52	79
Active client	910	912	932	950	987
US\$1mn–5mn	285	289	292	285	287
US\$5mn–10mn	87	99	86	85	87
US\$10mn–20mn	35	67	71	76	78
US\$20mn–50mn	19	40	37	36	34
US\$50mn–100mn	12	16	17	18	21
US\$100mn–200mn	9	14	15	14	14
US\$200mn–300mn	2	10	10	11	8
US\$300mn plus	1	1	0	0	1

Source: Company, Angel Research

**Concall Highlights**

- Infosys won 6 large deals in the quarter ended June 2015 worth TCV of US\$688mn, which include two deals in Europe, and 3 deals with TCV of US\$100mn+.
- Quarterly annualized attrition has increased by 90bp qoq to 19.2% in the June 2015 quarter (partly due to seasonal factors). However, as per the company, attrition is now within manageable levels. The company expects further moderation in the next couple of quarters.
- The company guided for an effective tax rate range of 29-30% going ahead V/s 27.9% in June 2015 quarter and V/s 28.6% in FY2015, as a

couple of company's SEZ facilities move to 50% tax exemption (V/s 100% tax exemption earlier) and higher statutory tax rate in India.

- The company reiterated its target EBIT margins band of 24-26% for the medium term while citing continued need for calibrated investments in the business.

### Investment arguments

**Guidance – to achieve a 10-12% CC growth in FY2016:** Infosys has reinforced its USD revenue growth guidance of 10-12% on CC basis in FY2016; it has increased the growth guidance to 7.2%-9.2% in USD terms. We expect the company to post ~10.7% USD revenue growth in FY2016. By FY2017, the company expects to lead the industry growth and reach a milestone of achieving sales of US\$20bn by FY2020. Currently we have factored in a very moderate growth for FY2017 (INR and USD growth of 11.2%).

**Aims to be US\$20bn in 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 commoditised services, necessitating 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, up from US\$8.7bn now, as it focuses on acquisitions and win more new technology services, implying a 14% CAGR over the period. Over the near term, we expect Infosys to post a 7.7% USD revenue growth in FY2016. Over FY2015-17E, we expect USD and INR revenue to grow at a CAGR of 10.7% and 11.2%, respectively. The Management expects to lead industry growth from FY2017 onwards.

**Operating margin likely to be range bound:** The Management maintained its stance that the company is right now focused on growth (at least for the next couple of quarters) and this may lead to sacrifice in margins in the near term. The operating margin is subject to tailwinds on a stable rupee, further improvement in utilization rates and cost optimization drive running in the company, though it has headroom to increase its utilization level by ~300bp to be comparable with peers and this, in turn, will assist in increasing operating margins further. Going ahead, given a stable rupee, higher S&M spends, and wage hikes in FY2016, we expect the EBIT margin to remain at 26.0% in FY2016 and FY2017 from 25.9% in FY2015. Over FY2015-17E, we expect an EBIT CAGR of 12.2%.

### Outlook and valuation

Going forward, the company has maintained its future USD revenue growth guidance for FY2016 at 10-12% on CC basis. We expect the company to post ~10.7% USD revenue growth in FY2016. By FY2017, the company expects to lead industry growth and 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. Currently we have built in

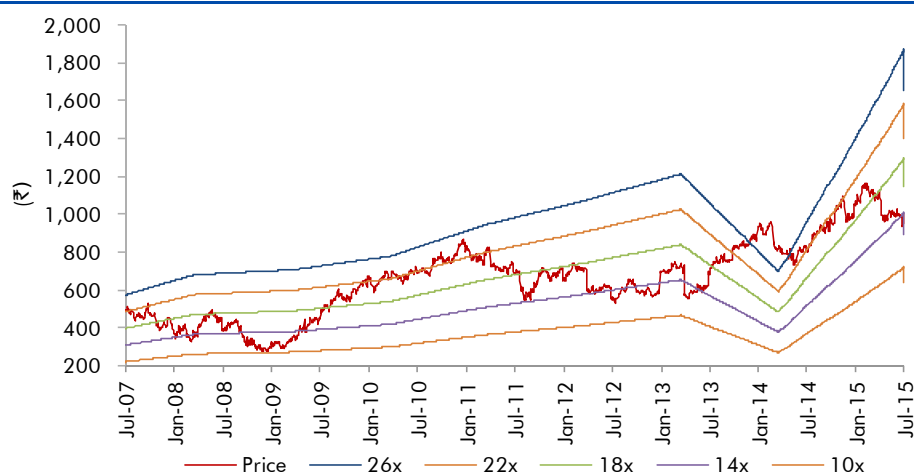
a conservative growth for FY2017. The stock trades at current valuations of 17.5x FY2017E earnings. **We recommend a Buy on the stock with a price target of ₹1,306.**

### Exhibit 11: Key assumptions

Parameters	FY2016E	FY2017E
Revenue growth – USD terms (%)	10.7	11.2
USD–INR rate	62.5	62.5
Revenue growth – INR terms (%)	13.0	11.2
EBITDA margin (%)	28.0	28.0
Tax rate (%)	29.0	29.0
EPS growth (%)	8.5	9.3

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 (%)	FY2017E EBITDA (%)	FY2017E P/E (x)	FY2015-17E EPS CAGR (%)	FY2017E EV/Sales (x)	FY2017E RoE (%)
HCL Tech	Accumulate	974	1,100	12.9	23.4	15.9	10.5	2.7	17.7
<b>Infosys</b>	<b>Buy</b>	<b>1,113</b>	<b>1,306</b>	<b>17.4</b>	28.0	17.5	8.9	3.0	19.7
TCS	Buy	2,563	3,168	23.6	28.7	17.8	13.9	3.7	41.8
Tech Mahindra	Buy	509	646	26.9	20.0	13.4	17.9	3.5	20.9
Wipro	Buy	577	753	30.5	23.8	13.1	12.0	1.8	18.8

Source: Company, Angel Research

### Company Background

Infosys is the second largest IT company in India, employing over 1,76,187 professionals (as of FY2015). The company services more than 900 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)	FY2012	FY2013	FY2014	FY2015	FY2016E	FY2017E
<b>Net sales</b>	<b>33,733</b>	<b>40,352</b>	<b>50,133</b>	<b>53,319</b>	<b>60,250</b>	<b>66,999</b>
Cost of revenue	18,877	24,158	30,767	31,817	42,034	34,839
Gross profit	14,856	16,194	19,366	21,502	24,100	26,799
% of net sales	44.0	40.1	38.6	40.3	40.0	40.0
Selling and mktg exp.	1,757	2,034	2,625	2,941	3,314	3,685
% of net sales	5.2	5.0	5.2	5.5	5.5	5.5
General and admin exp.	2,390	2,609	3,107	3,663	3,916	4,355
% of net sales	7.1	6.5	6.2	6.9	6.5	6.5
<b>EBITDA</b>	<b>10,709</b>	<b>11,551</b>	<b>13,634</b>	<b>14,898</b>	<b>16,870</b>	<b>18,760</b>
% of net sales	31.7	28.6	27.2	27.9	28.0	28.0
Dep and amortization	931	1,122	1,374	1,066	1,205	1,340
% of net sales	2.8	2.8	2.7	2.0	2.0	2.0
<b>EBIT</b>	<b>9,778</b>	<b>10,429</b>	<b>12,260</b>	<b>13,832</b>	<b>15,665</b>	<b>17,420</b>
% of net sales	29.0	25.8	24.5	25.9	26.0	26.0
Other income	1,904	2,359	2,669	3,427	3,184	3,184
Profit before tax	11,683	12,788	14,929	17,259	18,849	20,604
Provision for tax	3,368	3,367	4,062	4,929	5,466	5,975
% of PBT	28.8	26.3	27.2	28.6	29.0	29.0
<b>PAT</b>	<b>8,315</b>	<b>9,421</b>	<b>10,648</b>	<b>12,330</b>	<b>13,383</b>	<b>14,629</b>
Exceptional item	-	-	219	-	-	-
<b>Adj. PAT</b>	<b>8,315</b>	<b>9,421</b>	<b>10,867</b>	<b>12,330</b>	<b>13,383</b>	<b>14,629</b>
<b>EPS (₹)</b>	<b>36.2</b>	<b>41.0</b>	<b>47.3</b>	<b>53.7</b>	<b>58.3</b>	<b>63.7</b>

**Balance sheet (IFRS, consolidated)**

Y/E March (₹ cr)	FY2012	FY2013	FY2014	FY2015	FY2016E	FY2017E
<b>Current assets</b>						
Cash and cash equivalents	20,591	21,832	25,950	30,367	38,454	48,926
Available for sale financial assets	32	1,739	2,197	874	2,197	2,197
Investment in certificates of deposit	345	-	859	93	859	859
Trade receivables	5,882	7,083	8,351	9,713	10,122	11,256
Unbilled revenue	1,873	2,435	2,811	2,845	3,434	3,434
Derivative financial instruments	-	101	215	101	215	215
Prepayments and other current assets	1,523	2,123	2,636	3,296	3,497	3,886
<b>Total current assets</b>	<b>30,246</b>	<b>35,313</b>	<b>43,019</b>	<b>47,289</b>	<b>58,778</b>	<b>70,773</b>
<b>Non-current assets</b>						
Property, plant and equipment	5,409	6,468	7,887	9,125	9,325	9,525
Goodwill	993	1,976	2,157	3,091	2,157	2,157
Intangible assets	173	368	342	638	342	342
Available for sale financial assets	12	394	1,252	1,345	1,252	1,252
Deferred income tax assets	316	503	656	537	656	656
Income tax assets	1,037	1,092	1,522	4,089	1,722	1,722
Other non-current assets	162	237	220	238	1,632	1,632
<b>Total non-current assets</b>	<b>8,102</b>	<b>11,038</b>	<b>14,036</b>	<b>19,063</b>	<b>17,086</b>	<b>15,507</b>
<b>Total assets</b>	<b>38,348</b>	<b>46,351</b>	<b>57,055</b>	<b>66,352</b>	<b>75,864</b>	<b>86,280</b>
<b>Current liabilities</b>						
Trade payables	23	189	173	140	173	173
Derivative financial instruments	42	-	-	3	-	-
Current income tax liabilities	1,054	1,329	2,187	2,818	3,787	3,787
Client deposits	15	36	40	27	40	40
Unearned revenue	545	823	660	1,052	660	660
Employee benefit obligations	498	614	954	1,069	954	954
Provisions	133	213	379	478	379	379
Other liabilities	2,456	3,082	4,745	5,796	5,545	5,545
<b>Total current liabilities</b>	<b>4,766</b>	<b>6,286</b>	<b>9,138</b>	<b>11,383</b>	<b>11,538</b>	<b>11,538</b>
<b>Non-current liabilities</b>						
Deferred income tax liabilities	12	119	64	160	64	64
Employee benefit obligations	109	149	323	46	323	323
Other liabilities	-	-	-	-	-	-
<b>Total non-current liabilities</b>	<b>121</b>	<b>268</b>	<b>387</b>	<b>206</b>	<b>387</b>	<b>387</b>
<b>Total liabilities</b>	<b>4,887</b>	<b>6,554</b>	<b>9,525</b>	<b>11,589</b>	<b>11,925</b>	<b>11,925</b>
<b>Equity</b>						
Share capital	286	286	286	572	1,148	1,148
Share premium	3,089	3,090	3,090	3,090	3,090	3,090
Retained earnings	29,816	36,114	43,584	50,531	59,130	69,547
Other components of equity	270	307	570	570	570	570
<b>Total equity</b>	<b>33,461</b>	<b>39,797</b>	<b>47,530</b>	<b>54,763</b>	<b>63,939</b>	<b>74,355</b>
<b>Total liabilities and equity</b>	<b>38,348</b>	<b>46,351</b>	<b>57,055</b>	<b>66,352</b>	<b>75,864</b>	<b>86,280</b>

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

Y/E March (₹ cr)	FY2012	FY2013	FY2014	FY2015	FY2016E	FY2017E
Pre tax profit from operations	9,778	10,429	12,260	13,832	15,665	17,420
Depreciation	931	1,122	1,374	1,066	1,205	1,340
Pre tax cash from operations	10,709	11,551	13,634	14,898	16,870	18,760
Other income/prior period ad	1,904	2,359	2,669	3,427	3,184	3,184
Net cash from operations	12,614	13,910	16,303	18,325	20,054	21,944
Tax	3,368	3,367	4,062	4,929	5,466	5,975
<b>Cash profits</b>	<b>9,246</b>	<b>10,543</b>	<b>12,241</b>	<b>13,396</b>	<b>14,588</b>	<b>15,969</b>
(Inc)/dec in current assets	(2,399)	(2,464)	(2,271)	(1,942)	(1,313)	(1,523)
Inc/(dec) in current liabilities	1,125	1,520	2,852	2,245	155	-
(Inc)/dec in net trade WC	(1,274)	(944)	581	303	(1,158)	(1,523)
<b>Cashflow from operating actv.</b>	<b>7,972</b>	<b>9,599</b>	<b>12,822</b>	<b>13,699</b>	<b>13,430</b>	<b>14,446</b>
(Inc)/dec in fixed assets	(1,496)	(2,181)	(2,793)	(2,304)	(1,405)	(1,540)
(Inc)/dec in investments	(233)	(1,362)	(1,317)	2,089	(2,089)	-
(inc)/dec in sale of financial assets	11	(382)	(858)	(93)	93	-
(Inc)/dec in deferred tax assets	18	(242)	(583)	(2,448)	2,248	-
Inc/(dec) in other non current liab.	(198)	147	119	(181)	181	-
(Inc)/dec in other non current ass.	8	(1,253)	(138)	(1,248)	(164)	-
<b>Cashflow from investing actv.</b>	<b>(1,890)</b>	<b>(5,273)</b>	<b>(5,570)</b>	<b>(4,185)</b>	<b>(1,136)</b>	<b>(1,540)</b>
Inc/(dec) in debt	-	-	-	-	-	-
Inc/(dec) in equity/premium	(1,155)	(280)	1,077	(885)	4	748
Dividends	1,002	2,805	4,211	4,212	4,212	3,182
<b>Cashflow from financing actv.</b>	<b>(2,157)</b>	<b>(3,085)</b>	<b>(3,134)</b>	<b>(5,097)</b>	<b>(4,208)</b>	<b>(2,434)</b>
<b>Cash generated/(utilised)</b>	<b>3,925</b>	<b>1,241</b>	<b>4,118</b>	<b>4,417</b>	<b>8,087</b>	<b>10,472</b>
Cash at start of the year	16,666	20,591	21,832	25,950	30,367	38,454
Cash at end of the year	20,591	21,832	25,950	30,367	38,454	48,926

**Key ratios**

Y/E March	FY2012	FY2013	FY2014	FY2015	FY2016E	FY2017E
<b>Valuation ratio (x)</b>						
P/E	30.7	27.1	23.5	20.7	19.1	17.5
P/CEPS	27.6	24.2	20.9	19.1	17.5	16.0
P/BVPS	7.6	6.4	5.4	4.7	4.0	3.4
Dividend yield (%)	0.3	0.9	1.4	1.4	1.4	1.4
EV/Sales	6.9	5.7	4.5	4.2	3.5	3.0
EV/EBITDA	21.8	19.9	16.5	14.9	12.6	10.8
EV/Total assets	6.1	5.0	3.9	3.4	2.8	2.3
<b>Per share data (₹)</b>						
EPS	36	41	47	54	58	64
Cash EPS	40	46	53	58	64	70
Dividend	4	10	16	16	16	16
Book value	146	173	207	239	278	324
<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	0.3	0.2	0.3	0.3	0.3
Asset turnover ratio (Sales/Assets)	0.9	0.9	0.9	0.8	0.8	0.8
Leverage ratio (Assets/equity)	1.1	1.2	1.2	1.2	1.2	1.2
Operating ROE	24.9	23.7	22.4	22.5	20.9	19.7
<b>Return ratios (%)</b>						
RoCE (pre-tax)	25.5	22.5	21.5	20.8	20.6	20.2
Angel RoIC	56.3	45.8	43.7	39.5	45.6	50.8
RoE	24.9	23.7	22.9	22.5	20.9	19.7
<b>Turnover ratios(x)</b>						
Asset turnover (fixed assets)	4.2	3.7	3.6	2.8	3.5	4.3
Receivables days	84	86	81	86	82	80

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Disclosure of Interest Statement	Infosys
1. Analyst ownership of the stock	No
2. Angel and its Group companies ownership of the stock	No
3. Angel and its Group companies' Directors ownership of the stock	Yes
4. Broking relationship with company covered	No

*Note: We have not considered any Exposure below ₹1 lakh for Angel, its Group companies and Directors*

**Ratings (Based on expected returns over 12 months investment period):**

Buy (> 15%)

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

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