

October 18, 2013

Infosys Ltd.

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Infosys Ltd. (INFY) Infosys is a global leader in consulting, technology and outsourcing solutions. The company enable clients, in more than 30 countries, to stay a step ahead of emerging business trends and outperform the competition. Infosys and its subsidiaries have added 68 clients during the quarter. The employees' addition remains robust with gross addition of 12,168 employees (net addition of 2,964) for the quarter by Infosys and its subsidiaries.

Investor's Rationale

Revenues surge 31.5% while net profit rose merely 1.6%– Infosys Ltd, the IT major, has posted a growth of 31.5%YoY in consolidated revenue at ₹129.7 bn in Q2FY'14 as against ₹98.6 bn in Q2 FY13 as the depreciating rupee bolstered revenues. While, the net profit rose 1.6% YoY to ₹24.1 bn. While in dollar terms, the company posted consolidated revenue of USD 2066 million in Q1FY'14, up 3.76% from the previous quarter when revenue stood at USD 1,991 mn. Growth was broad based across geographies with Europe posting 5.2% growth sequentially and 3.8% in constant currency followed by US with 3.9% sequential and constant currency growth and Rest of World with 1.8% sequentially and 6% in constant currency while India declined 2.5% (+6.2% in CC).

Operating performance remained muted – Infosys reported 4.4% decline in operating profit at USD 451 mn in Q2FY'14 from USD 472 mn during the corresponding quarter of previous fiscal. The operating margins of Infosys at the end of second quarter of FY'14 remained flat at 23.5% and the company said that the operating margins during the quarter came under pressure as it made a provision of USD 35 mn towards visa related matters.

Signed five large deals during the quarter; Client additions rose marginally to 873 - Infosys Ltd during Q2FY'14 added 68 new clients as against just 39 clients added during the year ago period. The company signed five large deals worth USD 450 mn total contract value in Q2FY'14. Most of the new clients were added in 'USD 1 mn- USD 20 mn' bracket while there was no addition at all in USD 80 mn plus category. Besides, Infosys and its subsidiaries Gross addition of employees stood at 12,168 (net addition of 2,964).

Infosys raises its revenue outlook – Buoyed by its Q2 performance, Infosys has raised the lower end of its revenue guidance for 2013-14 to 9-10% from 6-10%, but it's operating margin-including visa provisions fell for the sixth quarter in a row. The 3.8% revenue growth in dollar terms was well above street estimates of about 3%.

Market Data

Rating	BUY	
CMP (₹)	3,314	
Target Price	3,620	
Stop Loss	3,300	
Duration	Short-term	
52-week High-Low (₹)	3,367/2,186	
Rise from 52WL (%)	51.8	
Correction from 52WH (%)	1.7	
Beta	0.3	
1 year Average Volume (mn)	1.2	
Stock Return (%)	3M-	20.7
	6M-	45.1
	1Y-	43.9
Market Cap (₹bn)	1,903.3	
Book Value (₹)	627.5	

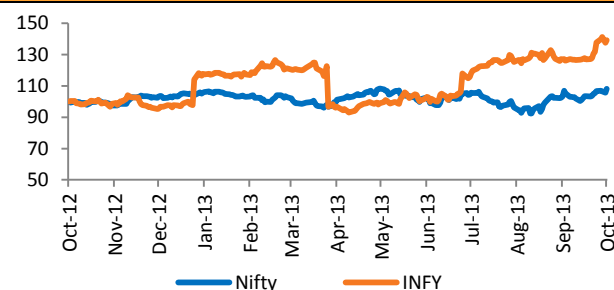
Shareholding Pattern

	Jun'13	Mar'13	Chg
Promoters (%)	15.94	16.04	(0.10)
FII (%)	39.93	39.55	0.38
DII (%)	16.16	18.28	(2.12)
Public & Others (%)	27.97	26.13	1.84

Quarterly Performance (Consolidated)

(₹mn)	Q2 FY'14	Q2 FY'13	Q1 FY'14	YoY Change(%)	QoQ Change(%)
Sales	129.7	98.6	112.7	31.5	15.1
Op. exp	101.3	72.6	86.0	39.5	17.7
EBITDA	28.4	26.0	26.6	9.2	6.5
OPM (%)	21.9	26.3	23.6	(446)	(176.2)
Net profit	24.1	23.7	23.7	1.6	1.4
NPM (%)	17.9	22.4	20.0	(456.3)	(218.1)
EPS (₹)	42.1	41.5	41.5	1.6%	1.4%

One Year Price Chart





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