

Infosys Ltd. is one of the global leaders in consulting, technology, outsourcing and next-generation services, with a workforce of more than 194,000 employees. The company has a diversified geographical presence (in more than 50 countries) with 100 development centers located across India, APAC, the Americas & Europe.

Key Developments

Client base and deal wins:

Infosys continues to witness momentum in large deals with the company witnessing 45% YoY increase in its total contract value (TCV) to USD 2.79 bn in FY16 as compared to USD 1.93 bn in FY15. Further, the company is investing heavily on business development and marketing to acquire new clients and mining its existing clients. This is clearly visible from continuous increase in its client base (CAGR of ~12% over FY11-16).

Balance sheet and return ratios:

Infosys has a strong balance sheet, resilient earnings and healthy cash & cash equivalent of Rs. 34,468 crores (as on 31st March 2016). The company has zero debt on its books. The company has good dividend track record with dividend payout (excluding special dividend) averaging more than 30% over the last 5 years, reflecting its efficient articulation of capital allocation philosophy.

Increased focus on automation:

The company has embarked on a strategy of increasing its emphasis on automation to improve productivity and reduce costs. Infosys has created a service differentiation platform named "Infosys Platform" which consists of Infosys Information Platform (IIP) and Infosys Automation Platform (IAP). These platforms are gaining fast traction with its clients as post the launch the company already having more than 220 engagements with IIP and 125+ engagements with IAP. Further, the acquisition of Panaya is enhancing its automation capabilities in packaged software offerings. The adoption of automation is yielding benefits with the company saving ~3,900 people's effort in FY16.

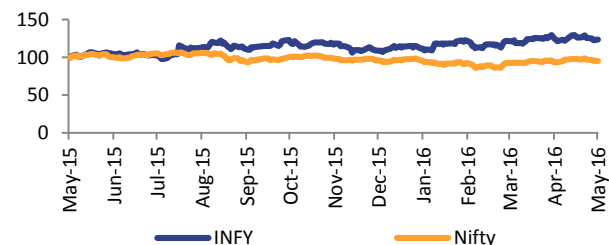
Market Data

CMP (Rs.)	1,267
Face Value	5.0
52 week H/L (Rs.)	1,279/933
Adj. all time High (Rs.)	1,279
Decline from 52WH (%)	1.0
Rise from 52WL (%)	35.8
Beta	1.0
Mkt. Cap (Rs.Cr)	289,832
Enterprise Value(Rs. Cr)	250,774

Fiscal Year Ended

	FY14	FY15	FY16
Total revenue (Rs.cr)	50,133	53,319	62,441
Net Profit (Rs.cr)	10,656	12,372	13,678
Share Capital (Rs.Cr)	286	572	1,144
EPS (Rs.)	186.3	108.1	59.8
P/E (x)	25.8	22.2	20.1
P/BV (x)	6.2	5.4	4.8
ROE (%)	25.8	26.0	25.2

One year Price Chart



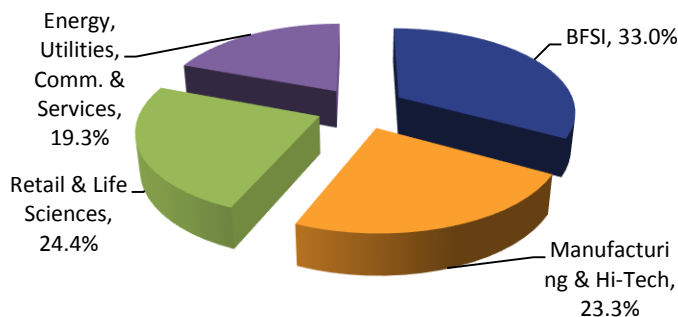
Shareholding	Mar16	Dec15	Diff.
Promoters (%)	12.7	13.1	(0.4)
Public (%)	86.8	86.4	0.4
Others (%)	0.5	-	-

Infosys is India's second largest IT company, with a workforce of more than 194,000 employees.

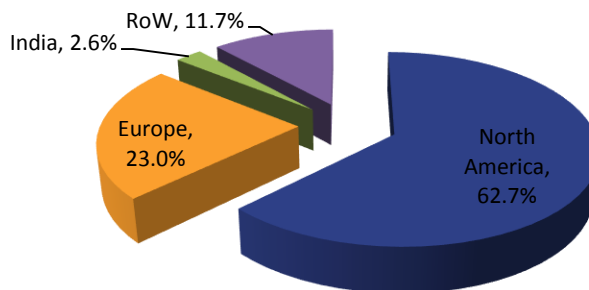
Infosys Ltd: Business overview

Infosys is a global leader in consulting, technology, outsourcing and next-generation services. It provides services across application management, application outsourcing, business applications, business process outsourcing, cloud, digital, engineering, infrastructure management, management consulting, enterprise mobility, among others. The company caters to various industry segments that primarily include Financial Services and Insurance (FSI), Manufacturing (MFG), Energy & Utilities, Communication & Services (ECS), Retail, Consumer packaged goods & Logistics (RCL) and Life Sciences & Healthcare (LSH). Infosys has a diversified geographical presence with 100 development centers spread across India, APAC, the Americas & Europe, and servicing clients in more than 50 countries, thus de-risking its geographic presence. It has a strong workforce of more than 194,000 employees.

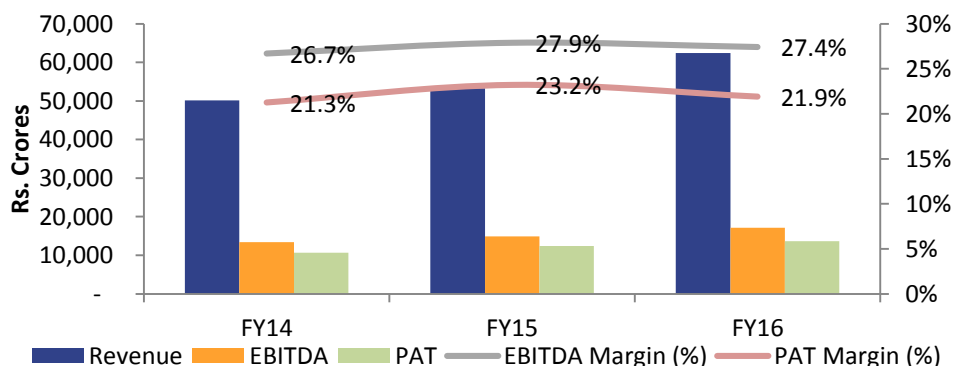
Segment mix



Geographic mix



Financial snapshot of Infosys Ltd.

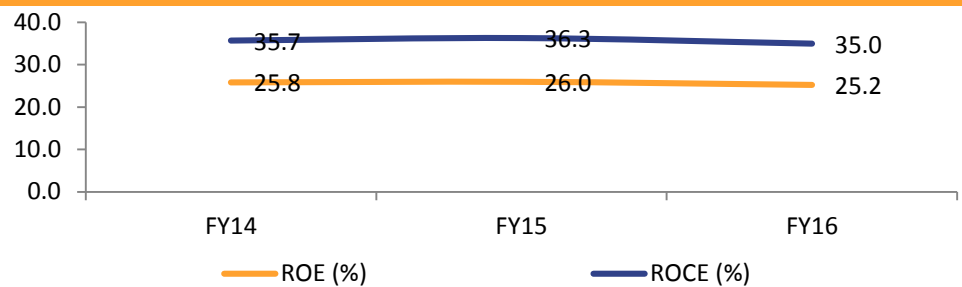


Source: Company, In-house research

Infosys has spent ~USD 29 million from its USD 500 million innovation fund that the company had set up for investing in new technologies.

The client addition remained robust as the company has added 325 new clients in FY16, taking the total client base to 1,092.

Return ratios trend



Source: Company, In-house research

Banking big on digital

Infosys has sensed the opportunity in the digital space and has made strong inroads into SMAC (social, mobility, analytics and cloud) and digital transformation through inorganic route. In early FY16, Infosys acquired Kallidus Inc. (doing business as Skava). The acquisition of Skava helped the company to deliver new digital retail shopping experience to its large retail clients. The acquisition of Panaya enabled the company to provide higher-margin automation solutions to its clients.

Besides, the company is betting big on funding start-ups which are focused on new-age technologies. Infosys has spent ~USD 29 million from its USD 500 million innovation fund that the company had set up for investing in new technologies.

Build deep and impactful client relationship

Infosys' client centric approach and high level of execution excellence continues to provide a high level of client satisfaction. This is clearly visible from its repeat business which is generating ~97% of its revenue. Infosys along with its subsidiaries have added 325 new clients in FY16, taking the total client base to 1,092 at the end of FY16. Further, to augment revenue share from existing clients, Infosys has outlined a strategy to engage with its clients on their large transformative programs, both in traditional IT areas as well as their new digital business initiatives. Further, it is broadening the set of end-to-end service offerings for its clients. Apart from mining its existing clients, the company is investing heavily on business development and marketing to acquire new clients. This is clearly visible from continuous increase in its client base (CAGR of ~12% over FY11-16).

Clients matrix

Clients	2014	2015	2016
1 mn dollar+	501	529	558
5 mn dollar+	232	244	268
10 mn dollar+	148	159	177
25 mn dollar+	78	83	88
50 mn dollar+	42	47	52
75 mn dollar+	24	29	31
100 mn dollar+	13	15	14
200 mn dollar+	3	4	6
300 mn dollar+	1	-	1

Source: Company, In-house research

Infosys Information Platform (IIP) has completed more than 220+ engagements and that of Infosys Automation Platform (IAP) has 125+ engagements.

Large deal wins TCV rose 45% YoY in FY16 to USD 2.79 bn in as compared to USD 1.93 bn in FY15.

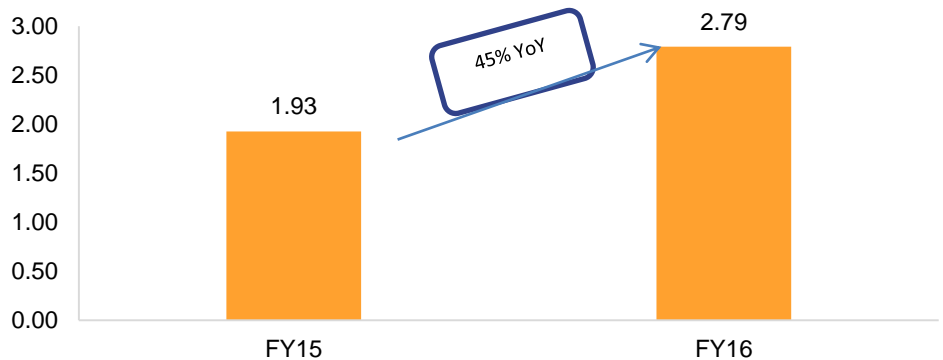
Increased focus on automation

The company has embarked on a strategy of increasing its emphasis on automation to improve productivity and reduce costs. Infosys has created a service differentiation platform named “Infosys Platform” which consists of Infosys Information Platform (IIP) and Infosys Automation Platform (IAP). These platforms are gaining fast traction with its clients as post the launch the company is already having more than 220 engagements with IIP and 125+ engagements with IAP. Further, the acquisition of Panaya is enhancing its automation capabilities in packaged software offerings. The adoption of automation is yielding benefits with the company saving ~3,900 people’s effort in FY16. The company’s Zero Distance programme is also driving innovation across projects as currently it has more than 8,000 Zero distance projects.

Client base and deal wins

Infosys revenue has grown at a CAGR of ~18% over FY11-16. The company continues to witness strong momentum in large deals with 45% YoY increase to USD 2.79 bn in its total contract value (TCV) of large deals as compared to USD 1.93 bn in FY15. Further, the company is focusing more on design thinking, solutions in artificial intelligence and intellectual property led businesses.

Large deal wins gaining traction - TCV (USD bn)



Source: Company, In-house research

Balance Sheet (Consolidated)

(Rs.Cr)	FY14	FY15	FY16
Share Capital	286	572	1,144
Reserve and surplus	44,244	50,164	56,682
Net Worth	44,530	50,736	57,826
Minority Interest	-	-	-
Total Debt	-	-	-
Other non-current liabilities	405	50	126
Total Equity & Liabilities	44,935	50,786	57,952
Net Fixed Assets	6,134	7,751	8,704
Capital WIP	961	776	960
Goodwill	2,244	3,595	4,476
Investments	4,331	2,270	1,892
Net current assets	28,023	30,867	34,489
Deferred tax assets (net)	629	536	533
Other non-current assets	2,613	4,991	6,898
Total Assets	44,935	50,786	57,952

Cash Flow (Consolidated)

Y/E (Rs. Cr)	FY14	FY15	FY16
Net profit/loss before tax& extraordinary items	14,728	17,283	18,979
Net cashflow from operating activities	9,825	8,353	9,863
Net cash used in investing activities	(2,563)	999	(720)
Net cash used from financing activities	(3,144)	(4,935)	(6,813)
Net inc/dec in cash and cash equivalents	4,118	4,417	2,330

Financial performance snapshot

Net sales of the company stood at Rs. 62,441 Crores in FY16, a growth of 17.1% as compared to Rs. 53,319 Crores in FY15. The operating expenses of the company increased by 17.9% YoY to Rs. 45,321 Crores from Rs. 38,448 Crores during the year. The company's EBITDA grew by 15.1% YoY to Rs. 17,120 Crores in FY16 from Rs. 14,871 Crores in FY15. EBITDA margins contracted by 47bps to 27.4% in FY16 from 27.9% in FY15. Net profit increased by 10.6% to Rs. 13,678 Crores in FY16 from Rs. 12,372 Crores in FY15. The NPM contracted by 130 bps to 21.9% from 23.2% during the above period.

Profit & Loss Account (Consolidated)

(Rs.Cr)	FY14	FY15	FY16
Net revenue	50,133	53,319	62,441
Expenses	36,752	38,448	45,321
EBITDA	13,381	14,871	17,120
Depreciation	1,317	1,017	1,266
EBIT	12,064	13,854	15,854
Interest cost	-	-	-
Other Income	2,664	3,430	3,128
Profit Before Tax	14,728	17,284	18,982
Tax	4,072	4,911	5,301
Profit After Tax	10,656	12,373	13,681
Minority Interest	-	-	-
P/L from Associates	-	(1)	(3)
Adjusted PAT	10,656	12,372	13,678
E/o expense / (income)	-	-	-
Reported Profit	10,656	12,372	13,678

Key Ratios (Consolidated)

	FY14	FY15	FY16
EBITDA Margin (%)	26.7	27.9	27.4
EBIT Margin (%)	24.1	26.0	25.4
NPM (%)	21.3	23.2	21.9
ROCE (%)	35.7	36.3	35.0
ROE (%)	25.8	26.0	25.2
EPS (Rs.)	186.3	108.1	59.8
P/E (x)	25.8	22.2	20.1
BVPS(Rs.)	194.6	221.7	252.7
P/BVPS (x)	6.2	5.4	4.8
EV/EBITDA (x)	18.0	16.2	14.0



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