

October 15, 2020

Infosys®

Current Price: ₹ 1136.10

STOCK DATA

BSE Code	500209
NSE Symbol	INFY
Reuters	INFY.BO
Bloomberg	INFO IN

VALUE PARAMETERS

52 W H/L(Rs)	1165.85/511.10
Mkt. Cap.(Rs Cr)	483911.78
Latest Equity(Subscribed)	2129.71
Latest Reserve (cons.)	59881.00
Latest EPS (cons.) -Unit Curr.	39.90
Latest P/E Ratio -cons	28.47
Latest Bookvalue(cons.) -Unit Curr.	145.59
Latest P/BV - cons	7.80
Dividend Yield -%	1.54
Face Value	5

SHARE HOLDING PATTERN (%)

Description as on	% of Holding 30/06/2020
Foreign	48.49
Institutions	25.43
Non Promoter Corp. Hold.	0.85
Promoters	13.15
Public & Others	12.08

Consolidated Results

	In Cr.				
	Qtr Ending Sept. 20	Qtr Ending Jun. 20	Var. (%)	Qtr Ending Sept. 19	Var. (%)
Sales	24570.00	23665.00	4	22629.00	9
OPM (%)	28.80	25.90		24.90	
OP	7083.00	6121.00	16	5639.00	26
Other inc.	570.00	475.00	20	626.00	-9
PBIDT	7653.00	6596.00	16	6265.00	22
Interest	48.00	48.00	0	42.00	14
PBDT	7605.00	6548.00	16	6223.00	22
Dep.	855.00	756.00	13	727.00	18
PBT	6750.00	5792.00	17	5496.00	23
Tax	1892.00	1520.00	24	1459.00	30
PAT	4858.00	4272.00	14	4037.00	20
MI	13.00	39.00	-67	18.00	-28
Net Profit	4845.00	4233.00	14	4019.00	21
EPS (Rs)	11.42	9.98		9.46	

Infosys Q2 beats estimates with 14.4% profit growth; company raises full year revenue, margin guidance

Infosys for the quarter ended Sep 2020 registered a consolidated sales of Rs 24570 crore, a growth of 4% QoQ and 9% yoy basis. On USD terms the revenue for the quarter was up by 6.1% QoQ basis and 3.2% yoy basis. On CC basis the USD revenue growth was 2.2% YoY. Eventually the net profit (after MI) was Rs 4845 crore, a growth of 14% QoQ basis and +21% yoy basis.

Consolidated quarterly performance QoQ comparison

Consolidated sales was up by 4% to Rs 24570 crore, a growth of 4%QoQ. On USD terms the revenue was up by 6.1% to USD 3312 million with digital revenue up by 13%QoQ to 1568 million and accounted about 47/3% of the total revenue. However the core was up by marginal 1%QoQ to USD 1744 million.

Higher revenue for the quarter was largely due to growth in revenue in all verticals barring communications and manufacturing. While the revenue of financial services was up by 6%QoQ, that of retail and hitech was up by 8% QoQ and 9% QoQ respectively. Similarly the revenue of life sciences and others was up by 6% QoQ and 5% QoQ respectively. While the vertical revenue of energy/utilities was flat at Rs 3027 crore, that of communications and manufacturing was down by 2% QoQ and 1% QoQ respectively.

With OPM expand by 290 bps to 28.8% (compared to 25.9% in sequential previous quarter), the operating profit was up by 16%qoq to Rs 7083 crore. Other income was up by 20%qoq to Rs 570 crore. Thus the PBIDT was up by 16%qoq to Rs 7653 crore. The interest was up by 0% to Rs 48 crore and depreciation was up by 13%qoq to Rs 855 crore. Thus the PBT was up by 17% to Rs 6750 crore.

The taxation was up by 24%qoq to Rs 1892 crore and thus the PAT was up by 14%qoq to Rs 4858 crore. With minority interest stand lower at Rs 13 crore (down 67%qoq), the net profit (after MI) was up by 14%qoq to Rs 4845 crore.

Consolidated Quarterly Result YoY comparison

Revenue for the quarter was up by 9% to Rs 24570 crore. The high single digit growth was driven by growth in all major business verticals barring manufacturing. The financial services revenue was up 9% to Rs 7871 crore, communication was up 4% to Rs 3093 crore, energy was up 2% to Rs 3027 crore, retail was up 6% to Rs 3651 crore, hitech was up 31% to Rs 2244 crore, life science was up 15% to Rs 1672 crore and that of others was up 31% to Rs 771 crore. However the revenue of manufacturing was down by 2% to Rs 3027 crore.

But with OPM expand by 390 bps to 28.8%, the growth at operating profit was higher by 26% to Rs 7083 crore facilitated by both higher sales and higher margin.

Other income stood lower by 9% to Rs 570 crore and thus the PBIDT was up by 22% to Rs 7653 crore. However the growth at PBT was 23% to Rs 6750 crore after accounting for higher interest cost and higher depreciation.

Taxation in absolute terms stood higher by 30% to Rs 1892 crore and the tax rate was up at 28% compared to 26.6% in corresponding previous period. Thus the PAT was up by 20% to Rs 4858 crore. Eventually the net profit (after MI) was up by 21% to Rs 4845 crore with MI stand higher at Rs 13 crore, a fall of 28%.

Half yearly performance

Sale for the period was up by 9% to Rs 48234 crore compared to Rs 44432 crore in the corresponding previous period. But with OPM expand by 310 bps to 27.4%, the growth at operating profit was 22% to Rs 13204 crore. The PBT was up by 18% to Rs 12543 crore hit by lower OI (down 23% to Rs 1046 crore), higher interest cost and higher depreciation (up 14% to Rs 1611 crore).

The taxation was up by 21% to Rs 3412 crore and thus the PAT was up by 16% to Rs 9131 crore. MI was Rs 53 crore (up 141%) and thus the net profit (after MI) was up by 16% to Rs 9078 crore.

Guidance

FY21 Revenue growth guidance was revised upwardly to 2-3% (compared to earlier stated 0%-2%) in constant currency.

Operating margin for FY 21 to be in the range of 23-24% revised upwardly from earlier stated 21%-23%.

Other developments

Large deal signings in Q2FY21 stood higher at USD 3.15 billion (compared to USD 1.74 billion in Q1FY21).

Voluntary attrition for IT services declined to 11.7% from 20.2% in Q1FY20.

Digital revenues at USD 1568 million (47.3% of total revenues) registered a 25.4%YoY in CC.

Declared interim dividend of Rs 12 per share.

On October 9, 2020, Infosys Nova Holdings LLC (a wholly owned subsidiary of Infosys Limited) acquired 100% of voting interests in Kaleidoscope Animations, Inc. a US based Product Design and Development firm, for a total consideration of up to \$ 42 million (approximately Rs 310 crore), comprising of cash consideration, contingent consideration and retention payouts, payable to the employees of Kaleidoscope Animations, Inc over the next three years, subject to their continuous employment with the group along with achievement of set targets for respective years. The payment of contingent consideration to sellers of Kaleidoscope

Animations, Inc is dependent upon the achievement of certain financial targets by Kaleidoscope Animations, Inc.

On October 1, 2020, Infy Consulting Company Limited (Wholly-owned subsidiary of Infosys Consulting Holding AG) acquired 100% of voting interests in GuideVision s.r.o , a ServiceNow Elite Partners in Europe for a total consideration of up to Euro 30 million (approximately Rs 259 crore), comprising of cash consideration, contingent consideration and retention payouts payable to the employees of GuideVision s.r.o over the next three years, subject to their continuous employment with the group. The payment of contingent consideration to sellers of GuideVision s.r.o is dependent upon the achievement of certain financial targets by GuideVision s.r.o.

On October 8, 2020 Infosys Nova Holdings LLC (a wholly owned subsidiary of Infosys Limited) entered into a definitive agreement to acquire Blue Acorn iCi, a US based Adobe platinum partner and a digital customer experience company, for a total consideration of up to \$125 million (approximately Rs 922 crore) including bonuses, subject to fulfillment of customary closing conditions.

Management Comment

Salil Parekh, CEO and MD said, "Our second quarter performance is a clear reflection of our ability to help clients on their digital transformation journeys. Our digital and cloud capabilities combined with intense client relevance are helping us achieve differentiated results in the market as is visible in 2.2% year on year overall revenue growth and 25.4% growth from digital offerings, which now are at 47.3% of revenues". He further added that "Increase in revenue and margin outlook for FY 21 is due to the continued trust clients have in us. I am extremely proud of our team for achieving these results in challenging business conditions globally."

Pravin Rao, COO said, "The strength and resilience of Infosys was fully visible in Q2 with operating metrics witnessing a healthy increase, broad-based growth, highest ever large deal TCV at \$ 3.15 bn and attrition reducing to single digits". "Employees have been critical part of our success. As a recognition of their stellar performance, we are giving 100% variable pay along with a special incentive for Q2. Additionally, we are rolling out salary increases and promotions across all levels effective Jan 1st."

Nilanjan Roy, CFO said, "Our relentless efforts on cost optimization and strengthening operational efficiencies helped by certain cost deferrals led to 270 bps sequential improvement in operating margin to 25.4% and a 300 bps improvement in H1 margins". "Free Cash Flows grew significantly in H1 driven by our consistent focus on liquidity and cash management. Consequently, we are increasing our interim dividend per share by 50% to ` 12."

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