

January 15, 2021

Infosys[®]

Current Price: ₹ 1370.6

STOCK DATA

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

VALUE PARAMETERS

| | |
|-------------------------------------|----------------|
| 52 W H/L(Rs) | 1392.70/511.10 |
| Mkt. Cap.(Rs Cr) | 583819.31 |
| Latest Equity(Subscribed) | 2129.79 |
| Latest Reserve (cons.) | 65422 |
| Latest EPS (cons.) -Unit Curr. | 43.66 |
| Latest P/E Ratio -cons | 31.39 |
| Latest Bookvalue(cons.) -Unit Curr. | 158.59 |
| Latest P/BV - cons | 8.64 |
| Dividend Yield -% | 1.28 |
| Face Value | 5 |

SHARE HOLDING PATTERN (%)

| Description as on | % of Holding 31/12/2020 |
|--------------------------|----------------------------|
| Foreign | 50.19 |
| Institutions | 23.75 |
| Non Promoter Corp. Hold. | 0.91 |
| Promoters | 12.95 |
| Public & Others | 12.19 |

Consolidated Results

| | Qtr Ending | | Var. (%) | Qtr Ending | |
|------------|------------|----------|-------------|------------|----------|
| | Dec. 20 | Sept. 20 | | Dec. 19 | Var. (%) |
| Sales | 25927.00 | 24570.00 | 6 | 23092.00 | 12 |
| OPM (%) | 28.60 | 28.80 | | 25.10 | |
| OP | 7415.00 | 7083.00 | 5 | 5801.00 | 28 |
| Other inc. | 611.00 | 570.00 | 7 | 827.00 | -26 |
| PBIDT | 8026.00 | 7653.00 | 5 | 6628.00 | 21 |
| Interest | 49.00 | 48.00 | 2 | 42.00 | 17 |
| PBBDT | 7977.00 | 7605.00 | 5 | 6586.00 | 21 |
| Dep. | 826.00 | 855.00 | -3 | 737.00 | 12 |
| PBT | 7151.00 | 6750.00 | 6 | 5849.00 | 22 |
| Tax | 1936.00 | 1892.00 | 2 | 1383.00 | 40 |
| PAT | 5215.00 | 4858.00 | 7 | 4466.00 | 17 |
| MI | 18.00 | 13.00 | 38 | 9.00 | 100 |
| Net Profit | 5197.00 | 4845.00 | 7 | 4457.00 | 17 |
| EPS (Rs) | 12.24 | 11.41 | | 10.50 | |

Infosys reported healthy set of Q3FY21 numbers, above estimates.

Infosys for the quarter ended Dec 2020 registered a consolidated sales of Rs 25927 crore, a growth of 6%QoQ and 12%yoy basis. On USD terms the revenue for the quarter was up by 6.2%QoQ basis and 8.4%YoY basis. On CC basis the USD revenue growth was 5.3%QoQ and 6.6%YoY. Eventually the net profit (after MI) was Rs 5197 crore, a growth of 7%QoQ basis and +17%YoY basis.

Consolidated quarterly performance QoQ comparison

Consolidated sales was up by 6% to Rs 25927 crore, a growth of 6%QoQ. On USD terms the revenue was up by 6.2% to USD 3516 million with digital revenue up by 12%QoQ to USD 1761 million and accounted about 50.1% of the total revenue. However the core was up by marginal 1%QoQ to USD 1755 million.

Higher revenue for the quarter was largely due to growth in revenue in all verticals barring Hitech and others. While the revenue of financial services was up by 9%QoQ, that of retail and communication was up by 4% QoQ and 4% QoQ respectively. Similarly the revenue of energy/utilities and manufacturing was up by 7% QoQ and 8% QoQ respectively. The revenue of life sciences was up by 9%QoQ. However the revenue of hitech and others was down by 5%QoQ and 8%QoQ respectively.

With OPM contract by 20 bps to 28.6% (compared to 28.8% in sequential previous quarter), the operating profit was up by 5%qoq to Rs 7415 crore. Other income was up by 7%qoq to Rs 611 crore. Thus the PBIDT was up by 5%qoq to Rs 8026 crore. The interest was up by 2% to Rs 49 crore and depreciation was down by 3%qoq to Rs 826 crore. Thus the PBT was up by 6% to Rs 7151 crore.

The taxation was up by 2%qoq to Rs 1936 crore and thus the PAT was up by 7%qoq to Rs 5215 crore. With minority interest stand higher by 38% to Rs 18 crore, the net profit (after MI) was up by 7%qoq to Rs 5197 crore.

Consolidated Quarterly Result YoY comparison

Revenue for the quarter was up by 12% to Rs 25927 crore. The early teen growth in revenue was driven by growth in all major business verticals. The core financial services revenue was up 18% to Rs 8578 crore. Similarly the retail and communication vertical was up by 8% and 7% respectively.

But with OPM expand by 350 bps to 28.6%, the growth at operating profit was higher by 28% to Rs 7415 crore facilitated by both higher sales and higher margin.

Other income stood lower by 26% to Rs 611 crore and thus the PBIDT was up by 21% to Rs 8026 crore. However the growth at PBT was 22% to Rs 7151 crore after accounting for higher interest cost and higher depreciation.

Taxation in absolute terms stood higher by 40% to Rs 1936 crore and thus the PAT was up by 17% to Rs 5215 crore. Eventually the net profit (after MI) was up by 17% to Rs 5197 crore with MI stand double at Rs 18 crore.

Nine month performance

Sale for the period was up by 10%YoY to Rs 74161 crore. But with OPM expand by 320 bps to 27.8%, the growth at operating profit was 24% to Rs 20618 crore. The PBT was up by 19% to Rs 19694 crore hit by lower OI, higher interest cost and higher depreciation. The taxation was up by 27% to Rs 5349 crore and thus the PAT was up by 17% to Rs 14345 crore. MI was up by 126% to Rs 70 crore and thus the net profit (after MI) was up by 16% to Rs 14275 crore.

Guidance

FY21 revenue growth guidance increases to 4.5-5% in constant currency.

FY21 operating margin guidance increases to 24-24.5%.

Other developments

Large deal TCV was at all time high of \$7.13bn with 73% being net new.

Q3FY21 voluntary attrition for IT services declined to 10.0% from 15.8% in Q3FY20

Other developments

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 services focused primarily on medical devices, for a total consideration of upto \$43 million (approximately ₹320 crore), comprising cash consideration of \$30 million (approximately ₹224 crore), contingent consideration upto \$12 million (approximately ₹91 crore) and retention payouts upto \$1 million (approximately ₹5 crore), to the employees of Kaleidoscope Animations, Inc over the next three years, subject to their continued employment with the group along with achievement of set targets for the respective years. This acquisition is expected to strengthen Infosys digital offerings at the intersection of new software technologies, consumer products and medical devices. The excess of the purchase consideration paid over the fair value of net assets acquired has been attributed to goodwill amounting to ₹164 crore.

On October 27, 2020, Infosys Nova Holdings LLC (a wholly owned subsidiary of Infosys Limited) acquired 100% of voting interests in Beringer Commerce Inc. and Beringer Capital Digital Group Inc., collectively known as Blue Acorn iCi, an Adobe Platinum partner in the US, and a leader in digital customer experience, commerce and analytics for a cash consideration of \$121

million (approximately ₹899 crore) , adjusted for closing cash and customary closing adjustments and retention bonus upto \$9 million (approximately ₹67 crore) payable to the employees of Blue Acorn iCi over the next two to three years, subject to their continued employment with the group along with achievement of set targets for the respective years. Blue Acorn iCi brings to Infosys, crosstechnology capabilities through the convergence of customer experience, digital commerce, analytics, and experience driven commerce services. The excess of the purchase consideration paid over the fair value of net assets acquired has been attributed to goodwill amounting to ₹490 crore.

On October 11, 2019, the Board of Directors of Infosys authorized the Company to execute a Business Transfer Agreement and related documents with its wholly-owned subsidiaries, Kallidus Inc. and Skava Systems Private Limited (together referred to as "Skava"), to transfer the business of Skava to Infosys Limited for a consideration based on an independent valuation. The company entered into a business transfer agreement to transfer the business of Kallidus Inc. and Skava Systems Private Limited for a consideration of ₹171 crore and ₹66 crore respectively on securing the requisite regulatory approvals. The transaction was between a holding company and a wholly owned subsidiary and therefore was accounted for at carrying values and did not have any impact on the consolidated financial statement. Subsequently, the Board of Skava has approved voluntary winding up of the entity.

Management Comment

Salil Parekh, CEO and MD said, "The Infosys team has delivered another quarter of excellent results. Execution of client relevant strategy focused on digital transformation continues to drive superior growth, well ahead of the industry. The scale of new client partnerships with leading global companies such as Vanguard, Daimler and Rolls-Royce demonstrate the depth of digital and cloud capabilities of Infosys. The commitment and skills of our employees to support and drive the digital journey of clients are matters of great pride for me". He further added "With the intense focus on client needs and the comprehensive foundation built on differentiated capabilities, I remain confident about the future."

Pravin Rao, COO said, "The resilience of Infosys has been severely tested over the past several quarters and I am delighted with our response marked by strong revenue performance, large deal wins, healthy operating metrics and continued low attrition". He further added, "This outstanding performance has been made possible by reimagining Infosys, over the last three years, as a live enterprise with fully transformed digital infrastructure – Infosys Lex for learning, InfyMe for employee engagement, Infosys Meridian for collaboration, and Infosys DevSecOps platform to empower application teams to rapidly build and deploy new features. These highly differentiated systems and processes, redesigned for a digital-first world, are built on a strong foundation of robust connectivity to customer networks and fully secured personal devices. Not only does this give us an advantage in these times of distributed working but also a distinct long-term lead into the future."

"Navigating your next strategy coupled with razor sharp focus on our operating model and efficiencies continues to deliver superior shareholder value creation", **said Nilanjan Roy, CFO.** "I am also delighted with the announcement of Infosys ESG vision 2030 simultaneously with our climate neutrality achievement, a journey we had embarked on ten years ago. As a responsible corporate citizen, Infosys is committed to its vision of shaping and sharing solutions that serve the development of businesses and communities."

E-mail: smc.care@smcindiaonline.com



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Corporate Office:

11/6B, Shanti Chamber,
Pusa Road, New Delhi - 110005
Tel: +91-11-30111000
www.smcindiaonline.com

Mumbai Office:

Lotus Corporate Park, A Wing 401 / 402, 4th Floor,
Graham Firth Steel Compound, Off Western
Express Highway, Jay Coach Signal, Goreagon
(East) Mumbai - 400063
Tel: 91-22-67341600, Fax: 91-22-67341697

Kolkata Office:

18, Rabindra Sarani, Poddar Court, Gate No-4,
5th Floor, Kolkata - 700001
Tel.: 033 6612 7000/033 4058 7000
Fax: 033 6612 7004/033 4058 7004

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