

April 27, 2020

Infosys[®]

Current Price: ₹ 658.30

STOCK DATA

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

VALUE PARAMETERS

52 W H/L(Rs)	847.40/511.10
Mkt. Cap.(Rs Cr)	280369.47
Latest Equity(Subscribed)	2129.50
Latest Reserve (cons.)	59258.00
Latest EPS (cons.) -Unit Curr.	38.65
Latest P/E Ratio -cons	17.03
Latest Bookvalue(cons.) -Unit Curr.	144.14
Latest P/BV - cons	4.57
Dividend Yield -%	2.66
Face Value	5.00

SHARE HOLDING PATTERN (%)

Description as on	% of Holding 31/03/2020
Foreign	49.07
Institutions	24.68
Govt Holding	0.00
Non Promoter Corp. Hold.	0.95
Promoters	13.15
Public & Others	12.14

Consolidated Results

	Qtr Ending	Qtr Ending	Var. (%)	Qtr Ending	In Cr. Var. (%)
	Mar. 20	Dec. 19		Mar. 19	
Sales	23267.00	23092.00	1	21539.00	8
OPM (%)	24.40	25.10		23.90	
OP	5676.00	5801.00	-2	5149.00	10
Other inc.	614.00	827.00	-26	665.00	-8
PBIDT	6290.00	6628.00	-5	5814.00	8
Interest	45.00	42.00	7	0.00	
PBDT	6245.00	6586.00	-5	5814.00	7
Dep.	749.00	737.00	2	531.00	41
PBT	5496.00	5849.00	-6	5283.00	4
Tax	1161.00	1383.00	-16	1205.00	-4
PAT	4335.00	4466.00	-3	4078.00	6
MI	14.00	9.00	56	4.00	250
Net Profit	4321.00	4457.00	-3	4074.00	6
EPS (Rs)	10.18	10.50		9.39	

Infosys misses estimates in Q4, refrains from giving FY21 sales guidance

Infosys for the quarter ended Mar 2020 registered a consolidated sales of Rs 23267 crore, a growth of 1% qoq and 8% yoy basis. However on USD terms the revenue for the quarter was down by 1.4% qoq basis and 4.5% yoy basis. On CC basis the growth was -0.8% qoq and +6.4% yoy basis. Eventually the net profit (after MI) was Rs 4321 crore, a growth of -3% qoq basis and +6% yoy basis.

Consolidated performance qoq comparison

Infosys for the quarter ended Mar 2020 registered a consolidated sales of Rs 23267 crore, a growth of 1% compared to a sales of Rs 23092 crore in sequential previous quarter ended Dec 2019. Just a marginal growth in sales was largely on account of flat growth in both Financial Services & Communication, two of three large business verticals of the company in-terms of contribution to topline as well as lower revenue reported by both manufacturing and life sciences. Revenue from financial services segment was flat (up 0%) at Rs 7282 crore (or 31.3% of revenue). Similarly the revenue of communication was flat (up 0%) at Rs 3017 crore (or 13% of revenue). The revenue from retail was up by 3% to Rs 3622 crore (or 15.6% of revenue). While revenue from energy was up by marginal 1% to Rs 2992 crore (or 12.9%) that of manufacturing was down by marginal 1% to Rs 2363 crore (or 10.2% of sales). The revenue from hi-tech was up by 5% to Rs 1831 crore (or 7.9% of sales) but that of life science was down by 5% to Rs 1484 crore (or 6.4% of sales). That of others was up by 4% to Rs 676 crore.

With OPM contract by marginal 70 bps to 24.4% compared to 25.1% in sequential previous quarter, the operating profit was down by modest 2% qoq to Rs 5676 crore. Other income declined by 26% qoq to Rs 614 crore on a high base. Other income of sequential previous quarter include interest on income tax refund of Rs 242 crore (against just Rs 8 crore for the quarter ended Mar 2020). Thus the PBIDT was down by 5% qoq to Rs 6290 crore. The interest was up by 7% to Rs 45 crore and depreciation was up by 2% qoq to Rs 749 crore. Thus the PBT was down by 6% to Rs 5496 crore. The taxation was down by 16% qoq to Rs 1161 crore and thus the PAT was down by 3% qoq to Rs 4335 crore. With minority interest stand higher at Rs 14 crore (up 56% qoq), the net profit (after MI) was down by 3% qoq to Rs 4321 crore.

Consolidated Quarterly Result yoy comparison

Revenue for the quarter was up by 8% to Rs 23267 crore. The high single digit growth was driven by growth in all major business verticals. The financial services which account for 32% of overall sales was up by 7% yoy and that of retail which account for 15.6% of sales was up by 6%. The communication and energy verticals registered a growth of 3% and 9% respectively. Manufacturing that account for 10.2% of sales was up by 9% yoy. Similarly hi-tech, life sciences and others registered a growth of 11% yoy, 15% yoy and 22% yoy respectively.

But with OPM expand by 50 bps to 24.4%, the growth at operating profit was higher at 10% to Rs 5676 crore facilitated by both higher sales and higher margin.

Other income stood lower by 8% to Rs 614 crore powered by interest on income tax refund of Rs 8 crore (against nil in Q4Y19) and thus the PBIDT was up by 8% to Rs 6290 crore. However the growth at PBT was restricted further at 4% to Rs 5496 crore, hit by higher interest cost and higher depreciation.

Taxation in absolute terms stood lower by 4% to Rs 1161 crore and the tax rate too was down to 21.1% compared to 22.8% in corresponding previous period. Thus the PAT was up by 6% to Rs 4335 crore. Eventually the net profit (after MI) was up by 6% to Rs 4321 crore with MI stand higher at Rs 14 crore, a jump of 250%.

Annual performance

Sale for the period was up by 10% to Rs 90791 crore compared to Rs 82675 crore in the corresponding previous period. But with OPM nearly stay flat at 24.5% (up marginal 10 bps from 24.4%), the growth at operating profit was 10% to Rs 22267 crore. The PBT was up by 5% to Rs 22007 crore hit by lower OI (down 3% to Rs 2803 crore), higher interest cost and higher depreciation (up 44% to Rs 2893 crore).

The taxation was down by 5% to Rs 5368 crore and thus gained the PAT was up by 8% to Rs 16639 crore. MI was Rs 45 crore compared to marginal Rs 6 crore in corresponding previous period. Thus the net profit (after MI) was up by 8% to Rs 16594 crore.

Suspends providing guidance

Considering the business uncertainty emanating from COVID-19, the company is unable to provide guidance on revenues and margins for FY 21 at this stage. The company will provide guidance after visibility improves.

COVID-19 update

As the world comes together to manage the impact of the crisis caused by COVID-19, Infosys is making every effort to tackle the turbulence. The company is prioritizing employee well-being, assuring services for business continuity and strategizing offerings to improve business resilience for its clients, while also supporting community initiatives.

Over 93% of the workforce of the company is enabled to work from home, in countries still under lockdown, and from the company's offices, wherever possible – are all in sync with the company's priorities and working tirelessly to help make sure clients are running their businesses and preparing for a future of resilience.

Update on whistleblower matters

The Audit Committee appointed an external legal counsel to conduct an independent investigation into the whistleblower allegations which have been previously disclosed to stock exchanges on October 22, 2019 and to the Securities Exchange Commission (SEC) on Form 6-K on the same date. As previously disclosed on January 10, 2020 the outcome of the investigation has not resulted in restatement of previously issued financial statements. The Company cooperated with an investigation by the SEC regarding the same matters. In March 2020, the

Company received notification from the SEC that the SEC has concluded its investigation and the Company does not anticipate any further action by the SEC on this matter. The Company is responding to all the inquiries received from the Indian regulatory authorities and will continue to cooperate with the authorities for any additional requests for information. Additionally, in October 2019, a shareholder class action lawsuit was filed in the United States District Court for the Eastern District of New York against the Company and certain of its current and former officers for alleged violations of the US federal Securities Laws. The Company is presently unable to predict the scope, duration or the outcome of these matters.

Other developments

To pay a final dividend of Rs 9.50 per equity share of Rs 5 face value each for FY19-20.

Management Comment

Salil Parekh, CEO and MD commenting on performance said, "I am proud of the Infosys team that has worked exceptionally well to achieve 93% remote working today and ensuring consistent service delivery for our clients in this rapidly changing environment. Our focus on the health of our employees and our commitment to our clients helped us navigate the past few weeks". He further added, "We had an exceptional year in financial year 2020 with growth of 9.8% and operating margin of 21.3%. While the immediate short-term will be challenging, looking ahead, we can see that there is a strong interest to consolidate with partners with high-quality and agile service delivery and strong financial resilience. I am confident we will emerge from this stronger."

"We completed a satisfying year on multiple counts – growth in all verticals and geographies, significant increase in large deal wins, good client mining and operational discipline", **said Pravin Rao, COO.** "The impact caused by COVID-19 since last few weeks of March has led to significant displacement in the operating model while severely testing business continuity plans of companies. We demonstrated what a 'Live Enterprise' truly is by improving the infrastructure and technology enablement for our employees in a short time span and ensuring business continuity for clients."

"We continue to remain focused on execution excellence in a period of high uncertainty. Our relentless focus on liquidity will be supported by our strong Balance Sheet of \$3.6 billion cash, backed by accelerated cost take-outs and operational rigor", **said Nilanjan Roy, CFO.**

E-mail: smc.care@smcindiaonline.com



Moneywise. Be wise.

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

SMC Global Securities Ltd. (hereinafter referred to as "SMC") is regulated by the Securities and Exchange Board of India ("SEBI") and is licensed to carry on the business of broking, depository services and related activities. SMC is a registered member of National Stock Exchange of India Limited, Bombay Stock Exchange Limited, MSEI (Metropolitan Stock Exchange of India Ltd) and M/s SMC Comtrade Ltd is a registered member of National Commodity and Derivative Exchange Limited and Multi Commodity Exchanges of India and other commodity exchanges in India. SMC is also registered as a Depository Participant with CDSL and NSDL. SMC's other associates are registered as Merchant Bankers, Portfolio Managers, NBFC with SEBI and Reserve Bank of India. It also has registration with AMFI as a Mutual Fund Distributor.

SMC is a SEBI registered Research Analyst having registration number INH100001849. SMC or its associates has not been debarred/ suspended by SEBI or any other regulatory authority for accessing /dealing in securities market. SMC or its associates or its Research Analyst or his relatives do not hold any financial interest in the subject company interest at the time of publication of this Report. SMC or its associates or its Research Analyst or his relatives do not hold any actual/beneficial ownership of more than 1% (one percent) in the subject company, at the end of the month immediately preceding the date of publication of this Report. SMC or its associates its Research Analyst or his relatives does not have any material conflict of interest at the time of publication of this Report.

SMC or its associates/analyst has not received any compensation from the subject company covered by the Research Analyst during the past twelve months. The subject company has not been a client of SMC during the past twelve months. SMC or its associates has not received any compensation or other benefits from the subject company covered by analyst or third party in connection with the present Research Report. The Research Analyst has not served as an officer, director or employee of the subject company covered by him/her and SMC has not been engaged in the market making activity for the subject company covered by the Research Analyst in this report.

The views expressed by the Research Analyst in this Report are based solely on information available publicly available/internal data/ other reliable sources believed to be true. SMC does not represent/ provide any warranty expressly or impliedly to the accuracy, contents or views expressed herein and investors are advised to independently evaluate the market conditions/risks involved before making any investment decision. The research analysts who have prepared this Report hereby certify that the views /opinions expressed in this Report are their personal independent views/opinions in respect of the subject company.

Disclaimer: This Research Report is for the personal information of the authorized recipient and doesn't construe to be any investment, legal or taxation advice to the investor. It is only for private circulation and use. The Research Report is based upon information that we consider reliable, but we do not represent that it is accurate or complete, and it should not be relied upon as such. No action is solicited on the basis of the contents of this Research Report. The Research Report should not be reproduced or redistributed to any other person(s) in any form without prior written permission of the SMC. The contents of this material are general and are neither comprehensive nor inclusive. Neither SMC nor any of its affiliates, associates, representatives, directors or employees shall be responsible for any loss or damage that may arise to any person due to any action taken on the basis of this Research Report. It does not constitute personal recommendations or take into account the particular investment objectives, financial situations or needs of an individual client or a corporate/s or any entity/s. All investments involve risk and past performance doesn't guarantee future results. The value of, and income from investments may vary because of the changes in the macro and micro factors given at a certain period of time. The person should use his/her own judgment while taking investment decisions. Please note that SMC its affiliates, Research Analyst, officers, directors, and employees, including persons involved in the preparation or issuance of this Research Report: (a) from time to time, may have long or short positions in, and buy or sell the securities thereof, of the subject company(ies) mentioned here in; or (b) be engaged in any other transaction involving such securities and earn brokerage or other compensation or act as a market maker in the financial instruments of the subject company(ies) discussed herein or may perform or seek to perform investment banking services for such company(ies) or act as advisor or lender/borrower to such subject company(ies); or (c) may have any other potential conflict of interest with respect to any recommendation and related information and opinions.

All disputes shall be subject to the exclusive jurisdiction of Delhi High court.