

Bloomberg Code	INFO IN
No of share O/S (in crs)	425.94
Market Cap (in Rs. crs)	4,73,838.2
Face Value (in Rs.)	5
Dividend Yield (%)	1.54
52 Wk High/Low	1165/511.1

### Key Highlights

Infosys Ltd (INFY) reported YoY constant currency (CC) growth of 2.2% and 4% on a QoQ basis in Q2FY21 to USD 3,312 mn. This was mainly driven by strong growth in the digital revenue segment, which grew by 25.4% YoY (CC) and now constitutes 47.3% of the total revenue. Operating Margin showed a growth of 270 bps sequentially to 25.4%. The expanded margins were explained as follows, 100 bps improvement due to increase in RPP, 80 bps due to increase in utilization and 80 bps due to improvement in onsite offshore mix. As some of the margin improvement had arisen due to temporary cost deferrals. The company expects the margins to shrink as it rollouts promotions and salary hikes for employees, commences hiring across the organization along with increased travel and overhead costs.

Shareholding (%)	
Promoters	13.15
Institutional	56.12
Public	30.73
Total	100

Employee benefit expenses during the quarter stood at Rs. 13,400 cr, which is down by 1.5% on a QoQ basis. This was mainly on account of onsite offshore mix, which is expected to be a temporary effect on account of travel restrictions imposed. PAT for the quarter grew by 20.3% YoY and 13.7% QoQ to Rs. 4,858 cr.

### Business Segment Highlights:

Business Segment-wise on a YoY basis, the BFSI segment, which is the highest revenue contributor, grew by 2.9% (CC). The business growth was aided by banks investing in areas such as mortgage servicing, call-centre technology and operations, lending services and digital transformation programs. The communication segment declined by 1.8% (CC) on account of weaker spends in media, entertainment, advertising and OEM segments. Energy, Utilities, Resources & Services vertical declined by 3.7% (CC) due to constrained spending in the oil and gas, travel and hospitality and resources sector. The company is experiencing some momentum returning in retail with increased volumes in the current quarter and a ramp up of earlier deal wins.



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## Con-call Highlights

- On the basis of strong performance in H1FY21, Infosys has increased its guidance on revenue for FY21 to 2-3% (in cc terms) from the previously announced 0-2%. It has also increased the margin guidance for the year from 21-23% to 23-24%.
- The company, during the quarter, recorded the highest ever deal wins of USD 3.5 bn. It won 16 large deals in Q2FY21, out of which, 6 deals were in financial services, 3 deals in retail, 2 deals each in communication and high-tech and 1 deal each in energy utility resources services, manufacturing and others.
- Voluntary attrition for IT services declined to 7.8%, which was significantly lower than the company's comfort band of 14% to 15%.
- The company, to recognize the stellar efforts of its employees, has decided to effect a salary increase across all levels, effective 1<sup>st</sup> January 2021. It is also paying 100% variable pay for Q2FY21 along with the special incentive, which will be paid to employees at lower levels.
- To mitigate the risk under the new H-1B visa rules, the company announced plans to hire an additional 12,000 U.S. workers over the next 2 years, bringing its hiring commitment in the U.S. to 25,000 over 5 years.
- The board declared an interim dividend of Rs. 12 per share.

## Valuation

At the CMP of Rs. 1,112.45 the stock is trading at a forward P/E 21.9x with estimated FY22 adjusted EPS of Rs. 50.7.

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## Financial Summary

Revenue grew by 8.6% on a YoY basis and 3.8% on a QoQ basis on the back of strong Q1 aided by strong growth in the digital segment.

Employee cost declined by 1.5% QoQ, mainly due to the onsite offshore mix, which is expected to have a temporary effect on account of travel restrictions imposed.

EBITDA margins improved during the quarter to 28.8%.

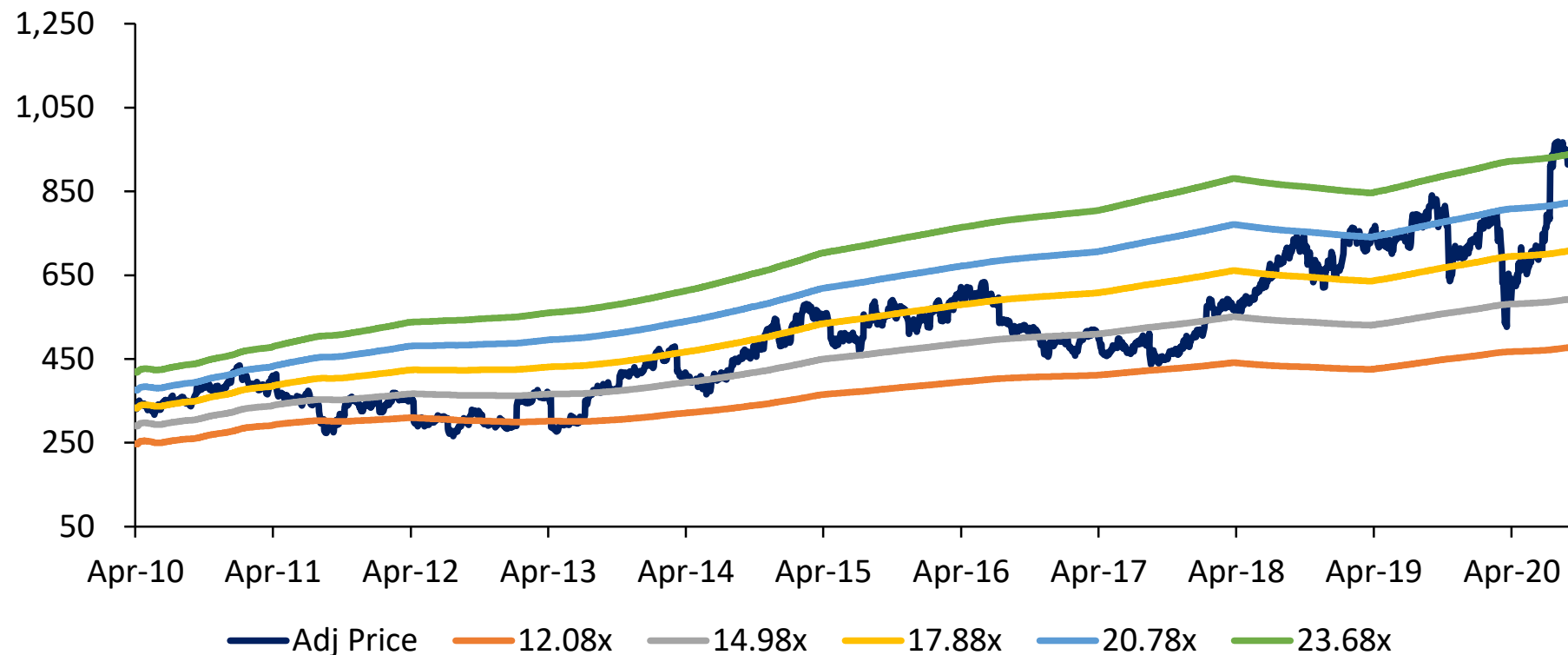
PAT for the quarter grew by 20.3% YoY and 13.7% QoQ to Rs. 4,858 cr.

Figures are in Rs Cr	Q1FY21	Q2FY20	YoY (%)	Q1FY21	QoQ (%)	FY19	FY20	YoY (%)
Net Sales	24,570	22,629	8.6	23,665	3.8	82,675	90,791	9.8
Raw Material Cost	2,742	2,331	17.6	2,519	8.9	8,586	9,417	9.7
<b>RM Cost to Sales (%)</b>	<b>11.2</b>	<b>10.3</b>		<b>10.6</b>		<b>10.4</b>	<b>10.4</b>	
Employee Cost	13,400	12,675	5.7	13,604	-1.5	45,315	50,887	12.3
<b>Employee Cost to Sales (%)</b>	<b>54.5</b>	<b>56.0</b>		<b>57.5</b>		<b>54.8</b>	<b>56.0</b>	
Operating Expenses	1,345	1,984	-32.2	1,421	-5.3	8,604	8,220	-4.5
<b>OPEX to Sales (%)</b>	<b>5.5</b>	<b>8.8</b>		<b>6.0</b>		<b>10.4</b>	<b>9.1</b>	
EBITDA	7,083	5,639	25.6	6,121	15.7	20,170	22,267	10.4
<b>EBITDA Margin (%)</b>	<b>28.8</b>	<b>24.9</b>		<b>25.9</b>		<b>24.4</b>	<b>24.5</b>	
Depreciation	855	727	17.6	756	13.1	2,011	2,893	43.9
Interest	48	42	14.3	48	0.0	0	170	
<b>TTM Interest Coverage</b>	<b>130</b>	<b>224</b>		<b>112</b>			<b>114</b>	
Other Income	570	626	-8.9	475	20.0	2,882	2,803	-2.7
<b>Other Income to Sales (%)</b>	<b>2.3</b>	<b>2.8</b>		<b>2.0</b>		<b>3.5</b>	<b>3.1</b>	
Exceptional Income / Expenses	0	0		0		0		
Profit Before Tax	6,750	5,496	22.8	5,792	16.5	21,041	22,007	4.6
<b>Tax Rate (%)</b>	<b>28.0</b>	<b>26.5</b>		<b>26.2</b>		<b>26.8</b>	<b>24.4</b>	
Profit After Tax	4,858	4,037	20.3	4,272	13.7	15,410	16,639	8.0
<b>PAT Margin (%)</b>	<b>19.8</b>	<b>17.8</b>		<b>18.1</b>		<b>18.6</b>	<b>18.3</b>	
Adjusted EPS	11	10		11		36	39	
Shareholder's Funds	71,000	60,521				64,948	65,450	
BV per share	167.2	142.6				149.6	154.2	
Net Debt	-26,011	-19,991				-26,195	-23,304	
Net Debt to Equity	-0.4	-0.3				-0.4	-0.4	
Net Debt to EBITDA	-3.7	-3.5				-1.3	-1.0	
CAPEX						2,445	3,307	
RoE	6.8	6.7				23.7	25.4	
RoCE	13.8	12.1				46.9	46.0	
P/E						31.4	29.1	
P/B						7.5	7.4	
EV/EBITDA	64.6	82.3				22.7	20.7	

## Segmental Performance

Year ending Mar (Rs Cr)	Q3FY19	Q4FY19	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21	Q2FY21	FY19	FY20
<b>Geographical Revenue Breakup (%)</b>										
North America	60.4	61.2	61.6	61.4	61.3	61.6	61.5	60.7	61.2	61.6
Europe	24.2	24.0	23.6	24.1	24.4	24.4	24.0	24.3	24.0	24.4
Rest of the World	15.4	14.8	14.8	14.5	14.3	14.0	14.5	15.0	14.8	14.3
<b>Revenue by Offerings (\$ Mn)</b>										
Digital	942	1,035	1,119	1,230	1,318	1,341	1,389	1,568	3,685	5,008
Core	2,045	2,025	2,012	1,980	1,925	1,856	1,732	1,744	8,114	7,773
<b>Verticalwise Break Up (%)</b>										
Financial Services	32.5	31.6	31.4	31.9	31.5	31.3	31.5	32.0	31.6	31.5
Retail	16.4	15.9	15.8	15.2	15.3	15.5	14.3	14.9	15.9	15.5
Communication	11.9	13.5	13.8	13.1	13.0	13.0	13.4	12.6	13.5	13.0
Energy, Utilities, Res & Services	12.8	12.7	13.0	13.1	12.8	12.9	12.8	12.3	12.7	12.9
Others	26.4	26.3	26.0	26.7	27.4	27.3	28.0	28.2	26.3	27.3
<b>Clientwise Break up (%)</b>										
\$1 Mn+	651	662	680	693	705	718	729	745	662	718
\$10 Mn+	214	222	228	228	232	234	236	242	222	234
\$50 Mn+	59	60	59	61	61	61	60	60	60	61
\$100 Mn+	23	25	27	27	28	28	25	30	25	28
<b>Headcount Breakup (%)</b>										
Total	2,25,501	2,28,123	2,29,029	2,36,486	2,43,454	2,42,371	2,39,233	2,40,208	2,28,123	2,42,371
Software	2,12,358	2,14,727	2,15,412	2,22,851	2,29,658	2,28,449	2,25,167	2,26,067	2,14,727	2,28,449
Sales	13,143	13,396	13,617	13,635	13,796	13,922	14,066	14,141	13,396	13,922

## 1 year forward P/E band chart



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