

**Key Highlights**

Infosys Ltd (INFY) reported YoY constant currency (CC) growth of 16.9% and 4.8% on a QoQ basis with 20bps higher offshore effort mix in Q1FY22 to USD 3,782 mn. This growth was organic and essentially in the area of digital transformation. 7 industry segments reported strong double digit growth including the largest ones, financial services and retail, growing more than 20% YoY. INFY grew in market share during the pandemic across all sectors in automatic, aerospace and industrial. Operating Margin showed a growth of 70 bps on a YoY basis to 26.6%. It declined by 100bps sequentially, largely due to a 10bps benefit from currency movements and 40bps from utilization. These were offset by a 50bps impact from 3<sup>rd</sup> party and other costs, primarily related to employee hiring and promotions. Employee benefit expenses during the quarter stood at Rs. 15,230 cr, which was up by 5.5% on a QoQ basis. This was on account of an addition in the number of net employees by 8,334 during the quarter. PAT for the quarter grew by 21.7% YoY and 2.4% QoQ to Rs. 5,201 cr.

**Business Segment Highlights:**

Financial Services grew by 22%, Retail by 22%, Life Sciences by 21% and Manufacturing by 18%. The North American geography grew by 21%. Industry leading performance in financial services continued with a steady increase in growth momentum led by the US, especially in the banking, mortgages, wealth and retirement services sub-segment. Performance of the retail segment grew meaningfully due to new deal wins as well as a ramp-up of previous deal wins. The performance of the Communications segment improved compared to the previous quarter on the back of improving deployment of 5G across the world. Energy Utility Resources and Services grew in strong double digits along with increased deal wins during the quarter. The overall outlook is improving across the company's subsectors and geographies. Growth in Manufacturing received strong tailwinds from deal wins in the past 3 quarters. The Life Sciences segment also continued to grow at a strong double digit rate. Recent offerings like personalized medicine solution, the commercial insights and digital health platforms will help in accelerating digital adoption across the pharma value chain.

Bloomberg Code	INFO IN
No of share O/S (in crs)	425.91
Market Cap (in Rs. crs)	6,67,824
Face Value (in Rs.)	5
Dividend Yield (%)	1.71
52 Wk High/Low	1597/795
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Shareholding (%)	
Promoters	12.95
Institutional	55.37
Public	30.32
Total	100.00



## Concall Highlights

- The digital business grew by 42.1% YoY in Q1, representing 53.9% of the overall business. Digital capabilities continue to expand especially with Infosys Cobalt cloud portfolio.
- There were 22 large deal won during the quarter, totaling to USD2.6 bn. Of these, 9 were in financial services, 4 each in retail and energy utility resources and services, 3 in manufacturing and 1 each in the communication, Hi- Tech and Life Sciences segments. Geographically, 14 were from America, 5 from Europe and 2 from rest of the world and 1 from India. The share of new deals in Q1 was 30%.
- Utilization increased further to an all time high of 88.5% and the On-shore effort mix reduced further to a new low of 24.1%.
- Client metrics increased meaningfully with the 100-million client count increasing to 34 (increase of 9 YoY). The company added 113 new clients in the last quarter.
- Voluntary attrition for the last 12 months improved slightly from the previous quarter by 200bps to 13.9% in Q1 and is expected to be high in the near future due to strong demand. 8,334 employees were also added during the quarter. Salary revision for FY22 will start from July for a majority of the employees.
- On the back of a good number of large deals in Q1 and a strong pipeline, the company has increased guidance of full year growth in CC terms for FY22 to between 14-16%. However, operating margins guidance remains unchanged at 22-24%.
- The company has started its share buyback program through the open market route from June 25, 2021 and till date it has bought back 9.8 mn shares worth Rs 1,542 cr at an average price of approx. Rs 1,569/share (compared to the maximum buyback price of Rs 1,750/share).

## Valuation

At the CMP of Rs. 1,587, the stock is trading at a forward P/E 30.0x with estimated FY22 adjusted EPS of Rs. 52.9.

## Financial Summary

Revenue growth in INR terms was 17.9% on a YoY basis and 6.0% on a QoQ basis to Rs 27,896 cr with 7 segments showing double digit growth

Employee cost increased 12.0% YoY and 5.5% QoQ on account of net employee additions

EBITDA in Q1FY22 stood at Rs. 7,432 cr with a margin of 26.6% (+70bps/-100 bps YoY/QoQ)

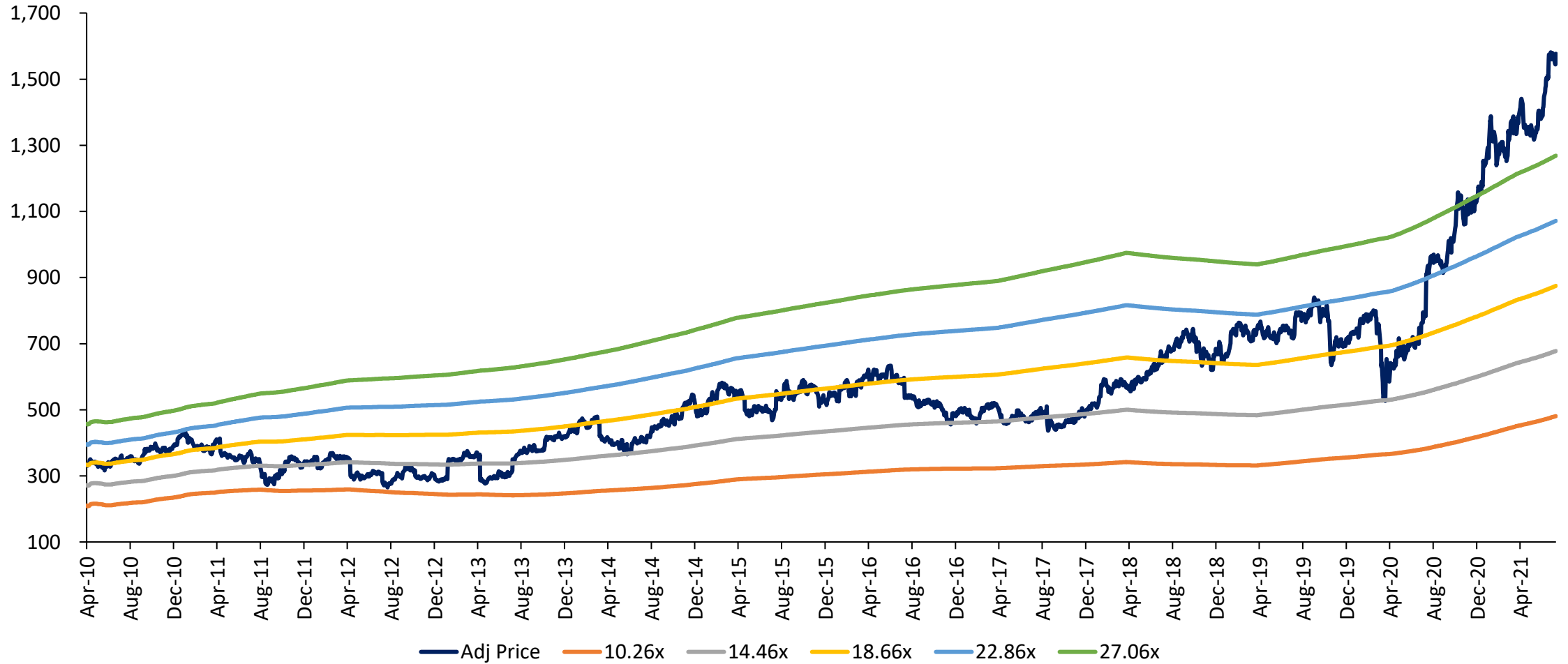
Net Profit for the quarter grew by 22.7% YoY and 2.3% QoQ to Rs. 5,195 cr. PAT Margin stood at 18.6% (+70bps/-70bps YoY/QoQ)

Figures are in Rs Cr	Q1FY22	Q1FY21	YoY (%)	Q4FY21	QoQ (%)	FY20	FY21	YoY (%)
Net Sales	27,896	23,665	17.9	26,311	6.0	90,791	1,00,473	10.7
Raw Material Cost	3,743	2,519	48.6	3,057	22.4	9,417	11,307	20.1
<b>RM Cost to Sales (%)</b>	<b>13.4</b>	<b>10.6</b>		<b>11.6</b>		<b>10.4</b>	<b>11.3</b>	
Employee Cost	15,230	13,604	12.0	14,440	5.5	50,887	55,541	9.1
<b>Employee Cost to Sales (%)</b>	<b>54.6</b>	<b>57.5</b>		<b>54.9</b>		<b>56.0</b>	<b>55.3</b>	
Operating Expenses	1,491	1,421	4.9	1,543	-3.4	8,220	5,735	-30.2
<b>OPEX to Sales (%)</b>	<b>5.3</b>	<b>6.0</b>		<b>5.9</b>		<b>9.1</b>	<b>5.7</b>	
EBITDA	7,432	6,121	21.4	7,271	2.2	22,267	27,890	25.3
<b>EBITDA Margin (%)</b>	<b>26.6</b>	<b>25.9</b>		<b>27.6</b>		<b>24.5</b>	<b>27.8</b>	
Depreciation	829	756	9.7	831	-0.2	2,893	3,268	13.0
Interest	49	48	2.1	50	-2.0	170	195	
Other Income	622	475	30.9	545	14.1	2,803	2,201	-21.5
<b>Other Income to Sales (%)</b>	<b>2.2</b>	<b>2.0</b>		<b>2.1</b>		<b>3.1</b>	<b>2.2</b>	
Profit Before Tax	7,176	5,792	23.9	6,935	3.5	22,007	26,628	21.0
<b>Tax Rate (%)</b>	<b>27.5</b>	<b>26.2</b>		<b>26.8</b>		<b>24.4</b>	<b>27.1</b>	
Profit After Tax	5,201	4,272	21.7	5,078	2.4	16,639	19,423	16.7
Minority Int/ Share of Associates	-6	-39		-2		-45	-72	
Net Profit	5,195	4,233	22.7	5,076	2.3	16,594	19,351	
<b>Net Profit Margin (%)</b>	<b>18.6</b>	<b>17.9</b>		<b>19.3</b>		<b>18.3</b>	<b>19.3</b>	
Adjusted EPS	12.2	10.0		11.9		39.2	45.4	
Shareholder's Funds						65,450	76,351	
BV per share						154.2	179.9	
Net Debt						-23,304	-27,056	
Net Debt to Equity						-0.4	-0.4	
Net Debt to EBITDA						-1.0	-1.0	
CAPEX						5173	3,486	
RoE						25.4	25.3	
ROIC						33.8	36.4	
P/E	33.2	18.3		29.9		16.4	30.0	
P/B						9.0	7.6	
EV/EBITDA						25.5	19.8	

# Segmental Performance

Year ending Mar (Rs Cr)	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21	Q2FY21	Q3FY21	Q4FY21	Q1FY22	FY19	FY20	FY21
<b>Geographical Revenue Breakup (%)</b>												
North America	61.6	61.4	61.3	61.6	61.5	60.7	61.6	61.6	61.7	61.2	61.6	61.6
Europe	23.6	24.1	24.4	24.4	24.0	24.3	24.0	24.4	24.2	24.0	24.4	24.4
Rest of the World	14.8	14.5	14.3	14.0	14.5	15.0	14.4	14.0	14.1	14.8	14.0	14.0
<b>Revenue by Offerings (\$ Mn)</b>												
Digital	1,119	1,230	1,318	1,341	1,389	1,568	1,761	1,859	2,040	3,685	5,008	6,577
Core	2,012	1,980	1,925	1,856	1,732	1,744	1,755	1,754	1,742	8,114	7,773	6,985
<b>Verticalwise Break Up (%)</b>												
Financial Services	31.4	31.9	31.5	31.3	31.5	32.0	33.1	33.0	33.0	31.6	31.3	33.0
Retail	15.8	15.2	15.3	15.5	14.3	14.9	14.7	14.8	15.0	15.9	15.5	14.8
Communication	13.8	13.1	13.0	13.0	13.4	12.6	12.4	12.0	12.2	13.5	13.0	12.0
Energy, Utilities, Res & Services	13.0	13.1	12.8	12.9	12.8	12.3	12.5	12.3	12.1	12.7	12.9	12.3
Others	26.0	26.7	27.4	27.3	28.0	28.2	27.3	27.9	27.7	26.3	27.3	27.9
<b>Clientwise Break up</b>												
\$1 Mn+	680	693	705	718	729	745	761	779	805	662	718	779
\$10 Mn+	228	228	232	234	236	242	246	252	264	222	234	252
\$50 Mn+	59	61	61	61	60	60	60	59	59	60	61	59
\$100 Mn+	27	27	28	28	25	30	29	32	34	25	28	32
<b>Headcount Breakup (%)</b>												
Total	2,29,029	2,36,486	2,43,454	2,42,371	2,39,233	2,40,208	2,49,312	2,59,619	2,67,953	2,28,123	2,42,371	2,59,619
Software	2,15,412	2,22,851	2,29,658	2,28,449	2,25,167	2,26,067	2,34,829	2,45,037	2,53,493	2,14,727	2,28,449	2,45,037
Sales	13,617	13,635	13,796	13,922	14,066	14,141	14,483	14,582	14,460	13,396	13,922	14,582

# 1 year forwarded valuation band chart



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