

## Infosys

### Performance highlights

(₹ cr)	3QFY12	2QFY12	% chg (qoq)	3QFY11	% chg (yoy)
<b>Net revenue</b>	<b>9,298</b>	<b>8,099</b>	<b>14.8</b>	<b>7,106</b>	<b>30.8</b>
EBITDA	3,133	2,514	24.6	2,363	32.6
EBITDA margin (%)	33.7	31.0	265bp	33.3	44bp
<b>PAT</b>	<b>2,372</b>	<b>1,906</b>	<b>24.5</b>	<b>1,780</b>	<b>33.3</b>

Source: Company, Angel Research

For 3QFY2012, Infosys' results came in lower than our as well as street's expectations on the USD revenue front; however, the company exceeded expectations on the INR revenue, margin and bottom-line fronts. The major disappointment came from the lowering of FY2012 USD guidance below our and consensus estimates to 16.4% from earlier 17-19% yoy. In addition, the company gave tepid revenue guidance for 4QFY2012 (almost flat qoq).

**We recommend a Buy rating on the stock.**

**Quarterly highlights:** For 3QFY2012, Infosys reported revenue of US\$1,806mn, up 3.4% qoq, aided by 3.1% qoq volume growth and 0.8% qoq blended pricing growth. In INR terms, revenue came in at ₹9,298cr, up by whopping 14.8% qoq. The company's EBITDA and EBIT margin increased by 265bp and 302bp qoq to 33.7% and 31.2%, respectively, largely gaining from INR depreciation. PAT came in at ₹2,372cr, up 24.5% qoq.

**Outlook and valuation:** Management commentary has turned cautious for the next year's budgets and expects it to be flat to marginally negative. Also, the company is witnessing delays in ramp-ups of the deals being signed. This is clearly reflected in the muted 4QFY2012 and FY2012 guidance given by management. We believe this clearly indicates challenging visibility in business volumes and management's future expectation. We expect the company to record USD revenue growth of 16.4% and 13.1% yoy in FY2012 and FY2013, respectively. We have revised our INR assumption downwards for 4QFY2012 and FY2013 to ₹51.0 and ₹50.0, respectively, following a steep 15% depreciation against USD over the last four months. This has led to INR revenue growth to be higher than USD revenue growth at 24.1% and 16.5% yoy for FY2012 and FY2013, respectively. Over FY2011-13E, we expect a CAGR of 19.2% and 19.0% in EBITDA and PAT, respectively. **We value the company at 18x FY2013E of ₹169.0 and recommend a Buy rating on the stock with a target price of ₹3,047.**

#### Key financials (Consolidated)

Y/E March (₹ cr)	FY2009	FY2010	FY2011	FY2012E	FY2013E
<b>Net sales</b>	<b>21,693</b>	<b>22,742</b>	<b>27,501</b>	<b>34,120</b>	<b>39,767</b>
% chg	30.0	4.8	20.9	24.1	16.5
<b>Net profit</b>	<b>5,990</b>	<b>6,219</b>	<b>6,823</b>	<b>8,358</b>	<b>9,656</b>
% chg	28.6	3.8	9.7	22.5	15.5
EBITDA margin (%)	33.2	34.5	32.6	32.0	32.0
<b>EPS (₹)</b>	<b>104.6</b>	<b>109.5</b>	<b>119.5</b>	<b>146.3</b>	<b>169.0</b>
P/E (x)	24.7	23.6	21.7	17.7	15.3
P/BV (x)	7.7	6.2	5.4	4.4	3.6
RoE (%)	31.2	25.8	25.0	25.1	23.8
RoCE (%)	29.0	25.0	25.9	26.7	25.8
EV/Sales (x)	6.3	5.8	4.8	3.7	3.1
EV/EBITDA (x)	19.1	16.8	14.6	11.6	9.5

Source: Company, Angel Research

## BUY

CMP	₹2,589
Target Price	₹3,047

Investment Period	12 Months
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#### Stock Info

Sector	IT
Market Cap (₹ cr)	153,325
Beta	1.0
52 Week High / Low	3,388/2,169
Avg. Daily Volume	146,052
Face Value (₹)	5
BSE Sensex	16,038
Nifty	4,831
Reuters Code	INFY.BO
Bloomberg Code	INFY@IN

#### Shareholding Pattern (%)

Promoters	16.0
MF / Banks / Indian Fls	17.5
FII / NRIs / OCBs	37.4
Indian Public / Others	29.1

Abs. (%)	3m	1yr	3yr
Sensex	(5.4)	(17.9)	76.0
Infosys	(3.4)	(23.3)	123.8

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**Exhibit 1: 3QFY2012 performance (IFRS, consolidated)**

(₹ cr)	3QFY12	2QFY12	% chg (qoq)	3QFY11	% chg (yoy)	9MFY12	9MFY11	% chg (yoy)
<b>Net revenue</b>	<b>9,298</b>	<b>8,099</b>	<b>14.8</b>	<b>7,106</b>	<b>30.8</b>	<b>24,882</b>	<b>20,251</b>	<b>22.9</b>
Cost of revenue	5,054	4,511	12.0	3,847	31.4	13,918	11,042	26.0
<b>Gross profit</b>	<b>4,244</b>	<b>3,588</b>	<b>18.3</b>	<b>3,259</b>	<b>30.2</b>	<b>10,963</b>	<b>9,209</b>	<b>19.0</b>
SG&A expenses	1,111	1,074	3.4	896	24.0	3,141	2,569	22.3
<b>EBITDA</b>	<b>3,133</b>	<b>2,514</b>	<b>24.6</b>	<b>2,363</b>	<b>32.6</b>	<b>7,822</b>	<b>6,640</b>	<b>17.8</b>
Depreciation	234	233	0.4	216	8.3	691	640	8.0
<b>EBIT</b>	<b>2,899</b>	<b>2,281</b>	<b>27.1</b>	<b>2,147</b>	<b>35.0</b>	<b>7,132</b>	<b>6,000</b>	<b>18.9</b>
Other income	422	387		290		1,252	796	
<b>PBT</b>	<b>3,321</b>	<b>2,668</b>	<b>24.5</b>	<b>2,437</b>	<b>36.3</b>	<b>8,384</b>	<b>6,796</b>	<b>23.4</b>
Income tax	949	762	24.5	657	44.4	2,384	1,791	33.1
<b>PAT</b>	<b>2,372</b>	<b>1,906</b>	<b>24.5</b>	<b>1,780</b>	<b>33.3</b>	<b>6,000</b>	<b>5,005</b>	<b>19.9</b>
EPS	41.6	33.4	24.5	31.2	33.3	105.0	87.6	19.9
Gross margin (%)	45.6	44.3	134bp	45.9	(22)bp	44.1	45.5	(141)bp
EBITDA margin (%)	33.7	31.0	265bp	33.3	44bp	31.4	32.8	(135)bp
EBIT margin (%)	31.2	28.2	302bp	30.2	96bp	28.7	29.6	(97)bp
PAT margin (%)	24.4	22.5	194bp	24.1	34bp	23.0	23.8	(82)bp

Source: Company, Angel Research

**Exhibit 2: 3QFY2012 – Actual vs. Angel estimates**

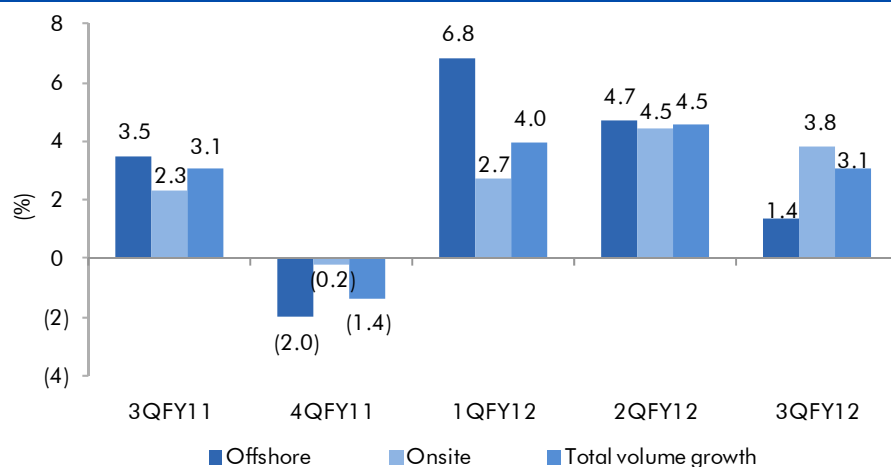
(₹ cr)	Actual	Estimate	% Var.
Net revenue	9,298	9,222	0.8
EBITDA margin (%)	33.7	32.6	106bp
PAT	2,372	2,197	7.9

Source: Company, Angel Research

**INR depreciation brings in cheer**

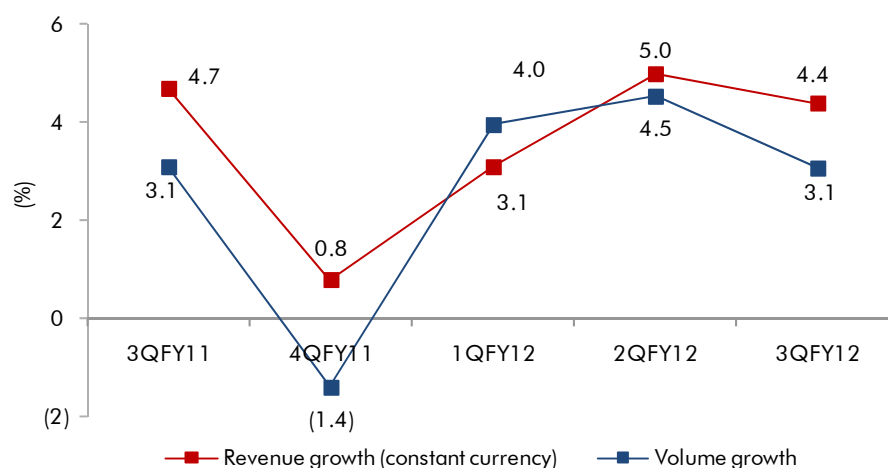
For 3QFY2012, Infosys reported revenue of US\$1,806mn, up 3.4% qoq, on the back of modest 3.1% qoq volume growth and 0.8% qoq blended pricing growth. However, cross-currency movement negatively affected the company's revenue by 1.0% qoq. Revenue in constant currency (CC) terms came in at US\$1,823mn, up 4.4% qoq. Volume growth of 3.1% qoq was driven by 1.4% and 3.8% qoq growth in onsite and offshore volumes, respectively. In INR terms, revenue came in at ₹9,298cr, registering whopping 14.8% qoq growth; INR revenue was aided by steep INR depreciation qoq against the USD in 3QFY2012.

**Exhibit 3: Trend in volume growth (Effort wise)**



Source: Company, Angel Research

**Exhibit 4: Trend in volume and revenue growth (qoq)**



Source: Company, Angel Research

### Modest growth across industries and services

Service wise, revenue from business operations (contributed 64.3% to revenue) grew by 3.4% qoq, majorly led by 9.5% and 8.8% qoq growth in PES and IMS, respectively. Revenue from application development and application maintenance posted 3.4% and 4.4% growth, respectively.

Revenue from consulting and system integration (contributed 30.6% to revenue) grew by 1.4% qoq. Revenue from products, platforms and solutions (contributed 5.1% to revenue), which had declined by 0.5% qoq in 2QFY2012, increased by 17.2% qoq due to an 18.2% qoq increase in revenue from products. This is one of the major focus areas of the company, and the total TCV of this service area currently stands at US\$300mn.

**Exhibit 5: Growth trend in service verticals (Reported basis)**

Particulars	% to revenue	% growth qoq	% growth yoy
<b>Business operations</b>	<b>64.3</b>	<b>3.4</b>	<b>16.9</b>
Application development	17.1	3.4	21.8
Application maintenance	21.8	4.4	12.9
Infrastructure management services (IMS)	6.1	8.8	13.9
Testing services	7.9	(0.3)	23.3
Business process management (BPO)	5.2	(0.4)	5.8
Product engineering services (PES)	3.6	9.5	70.9
Others	2.6	(4.0)	(1.2)
<b>Consulting and systems integration</b>	<b>30.6</b>	<b>1.4</b>	<b>9.6</b>
<b>Products, platforms and solutions</b>	<b>5.1</b>	<b>17.2</b>	<b>0.2</b>
Products	4.8	18.2	1.3
Others	0.3	3.4	(14.5)

Source: Company, Angel Research

Industry wise, revenue of FSI, the company's anchor vertical contributing 35.3% to revenue, grew by 3.4% qoq, led by 7.8% qoq growth in revenue from insurance. Revenue from banking and financial services grew by 2.3% qoq. In CC terms, revenue from FSI grew by 4.0% qoq. Going ahead, the company is seeing traction in this vertical from risk compliance, fraud prevention and regulatory kind of work.

Manufacturing (contributed 20.4% to revenue) emerged as the major growth driver for the company, recording 4.5% qoq revenue growth. In CC terms, revenue from this vertical grew by 5.7% qoq. The company is seeing IT spending coming in the manufacturing industry segment from clients in terms of work related to harmonising processes and transformation to gain cost efficiency and simplicity.

The RCL segment (contributed 23.1% to revenue) registered 4.3% qoq revenue growth, led by whopping 21.7% and 11.6% qoq growth in transport and logistics and lifesciences, respectively. In CC terms, revenue from RCL grew strongly by 5.3% qoq. In this industry segment, retail is gaining good traction on account of spend related to digital commerce, digital marketing and clients targeting to go global. In addition, CPG companies are investing significantly in package implementation-related services.

The ECS segment (contributed 21.2% to revenue) posted merely 1.5% qoq growth in its revenue, led by 8.9% qoq growth in revenue from energy and utilities. In CC terms, revenue from this segment increased by 2.8% qoq. Going ahead, the company expects its deal pipeline to pick up for the telecom industry segment, with more spend coming in from the wireless space during the quarter.

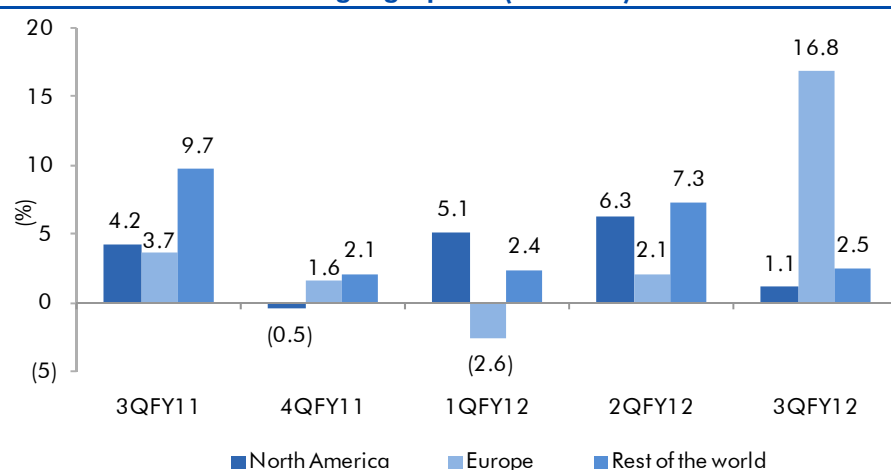
The company closed five large deals in this quarter – one was a transformational deal, while the others were all business operations deals.

**Exhibit 6: Growth trend in industry segments (Reported basis)**

Particulars	% to revenue	% growth qoq	% growth yoy
<b>FSI</b>	<b>35.3</b>	<b>3.4</b>	<b>11.1</b>
Banking and financial services	27.9	2.3	14.1
Insurance	7.4	7.8	0.8
<b>Manufacturing</b>	<b>20.4</b>	<b>4.5</b>	<b>18.7</b>
<b>RCL</b>	<b>23.1</b>	<b>4.3</b>	<b>25.9</b>
Retail and CPG	15.2	0.8	19.5
Transport and logistics	2.0	21.7	25.2
Life Sciences	4.1	11.6	30.2
Healthcare	1.8	3.4	102.7
<b>ECS</b>	<b>21.2</b>	<b>1.5</b>	<b>3.7</b>
Energy and utilities	6.0	8.9	12.1
Communication and services	9.8	(2.5)	(10.5)
Others	5.4	1.6	30.8

Source: Company, Angel Research

In terms of geographies, revenue growth was led by Europe, which posted 16.8% qoq growth in CC terms. Revenue from North America and Rest of the World grew by 1.1% and 2.5% qoq in CC terms, respectively. The company added 14 new clients in Europe in 3QFY2012 across industries, such as FSI, manufacturing and retail and logistics.

**Exhibit 7: Growth trend in geographies (CC basis)**


Source: Company, Angel Research

**Hiring intact**

Infosys added 9,655 gross employees in 3QFY2012, of which only 3,863 were lateral additions. The net addition number for the quarter stood at 3,266. Attrition, on LTM basis, declined slightly to 15.4% in 3QFY2012 from 15.6% in 2QFY2012. The company maintained its gross hiring target of 45,000 employees in FY2012. In addition, the company made 23,000 campus offers for FY2013 (27,000 for FY2012).

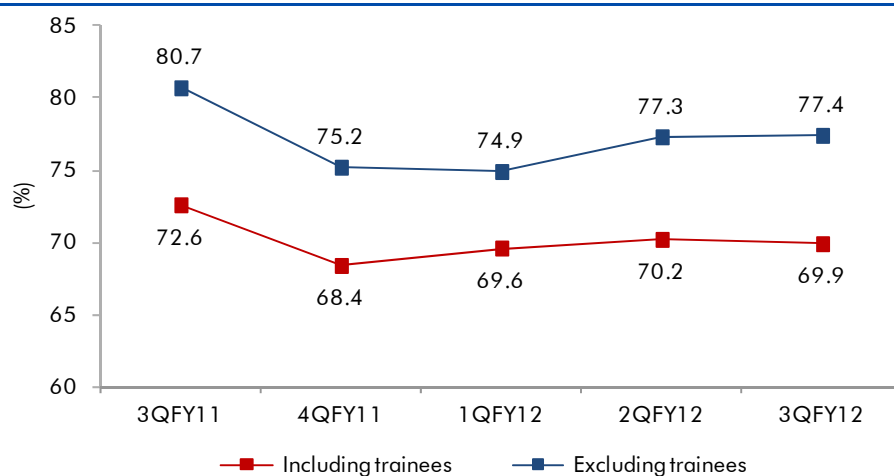
### Exhibit 8: Employee metrics

	3QFY11	4QFY11	1QFY12	2QFY12	3QFY12
Gross addition	11,067	8,930	9,922	15,352	9,655
Net addition	5,311	3,041	2,740	8,262	3,266
Lateral employees	5,212	3,591	4,044	2,318	3,863
Attrition – LTM basis (%)	17.5	17.0	15.8	15.6	15.4

Source: Company, Angel Research

Utilization rate, including trainees, declined by 30bp qoq to 69.9, while utilization rate, excluding trainees, increased by merely 10bp qoq to 77.4% during the quarter.

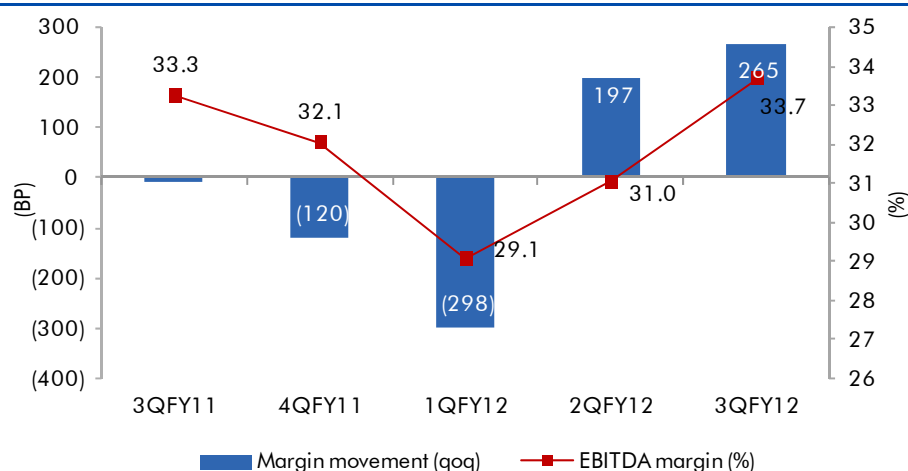
### Exhibit 9: Trend in utilization



Source: Company, Angel Research

### Margins enhance

The company's EBITDA and EBIT margins improved by 265bp and 302bp qoq to 33.7% and 31.2%, respectively, largely gaining from INR depreciation. EBIT margin gain of 302bp qoq came on the back of 1) a 440bp qoq gain from INR depreciation and 2) 140bp qoq negative impact due to cost increases on account of promotions given during the quarter.

**Exhibit 10: Trend in EBITDA margin**


Source: Company, Angel Research

### Client pyramid enhances

Infosys added 49 new clients during the quarter, of which six are Fortune 500 clients. The client pyramid of Infosys saw qualitative movement with two clients from US\$20mn-50mn shifting to higher revenue brackets of US\$50mn-100mn and US\$100mn-200mn each. The company's client base in the US\$10mn-20mn revenue bracket increased by six. The active client base of the company increased to 665 in 3QFY2012 from 647 in 2QFY2012.

**Exhibit 11: Client metrics**

Particulars	3QFY11	4QFY11	1QFY12	2QFY12	3QFY12
Top client (% of revenue)	4.6	4.7	4.5	4.6	4.1
Client addition	40	34	26	45	49
Active client	612	620	628	647	665
US\$1mn-5mn	170	179	191	200	198
US\$5mn-10mn	59	61	58	60	59
US\$10mn-20mn	53	53	45	48	54
US\$20mn-50mn	39	45	48	45	41
US\$50mn-100mn	18	17	21	24	26
US\$100mn-200mn	9	9	9	9	11
US\$200mn-300mn	2	2	2	1	1
US\$300mn plus	-	-	-	1	1

Source: Company, Angel Research

### Guidance disappoints

Management has reduced its FY2012 USD revenue growth guidance to 16.4% yoy to US\$7,029mn-7,033mn from 17.1-19.1% yoy, mainly on account of delays in decision making from the clients' side. In addition, management has given tepid revenue guidance of almost flat qoq at US\$1,806mn-1,1810mn for 4QFY2012. We believe this clearly indicates challenging visibility in business volumes and management's future expectation. In addition, the company decreased its USD EPS guidance to US\$3.0 from US\$3.02-3.06 given during 2QFY2012 results, 14.5% yoy growth vs. the previous guidance of 15.3-16.8% yoy growth.

**Exhibit 12: 4QFY2012 and FY2012 guidance**

Guidance (IFRS)	4QFY2012	FY2012-Previous (As on 2QFY2012)	FY2012-Revised (As on 3QFY2012)
Revenue (₹ cr)	9,391-9,412	33,501-34,088	34,273-34,294
EPS (₹)	42.12	143.02-145.26	147.13
Revenue (US\$bn)	1.806-1.810	7.08-7.20	7.029-2.033
Basic EPADS (US\$)	0.81	3.02-3.06	3.0

Source: Company, Angel Research

**Outlook and valuation**

Management commentary has turned cautious for the next year's budgets and expects it to be flat to marginally negative. Also, the company is witnessing delays in ramp-ups of the deals being signed. This is clearly reflected in management's 4QFY2012 guidance. In addition to this, cross-currency volatility has increased over the past few months. During 3QFY2012, currencies such as AUD, GBP and Euro depreciated by 3.6%, 2.4% and 4.6%, qoq, respectively, against USD. Hence, taking all this into account, management has cut the annual revenue guidance for FY2012 to 16.4% yoy from 17.1-19.1% yoy previously. Hence, we have assumed moderation in demand going forward in FY2013 and have built in a revenue CQGR of 3.0% over 4QFY2012-4QFY2013 vis-à-vis 4.1% in 9MFY2012, owing to the expected deferment in IT spending.

We expect the company to record USD revenue growth of 16.4% and 13.1% yoy in FY2012 and FY2013, respectively. We have revised our INR assumption downwards for 4QFY2012 and FY2013 to ₹51.0 and ₹50.0, respectively, following a steep 15% depreciation against USD over the last four months. This has led to INR revenue growth to be higher than USD revenue growth at 24.1% and 16.5% yoy for FY2012 and FY2013, respectively. On the EBIT margin front, for FY2012, we have revised our expectations upwards for FY2012 and FY2013 to 29.3% and 29.1%, respectively, majorly due to INR depreciation. Over FY2011-13E, we expect a CAGR of 19.2% and 19.0% in EBITDA and PAT, respectively. At the CMP of ₹2,589, the stock is trading at 17.7x FY2012E and 15.3x FY2013E EPS. **We value the company at 18x FY2013E (10% discount to its five-year average of 20x and at a PEG of 0.95x) of ₹169.0 and recommend a Buy rating on the stock with a target price of ₹3,047.**

**Exhibit 13: Key assumptions**

Parameters	FY2012	FY2013
Revenue growth – USD terms (%)	16.4	13.1
USD-INR rate	48.5	50.0
Revenue growth – INR terms (%)	24.1	16.5
EBITDA margin (%)	32.0	32.0
Tax rate (%)	28.5	28.5
EPS growth (%)	22.5	15.5

Source: Company, Angel Research

**Exhibit 14: Change in estimates**

Parameter (₹ cr)	FY2012			FY2013		
	Earlier estimates	Revised estimates	Variation (%)	Earlier estimates	Revised estimates	Variation (%)
Net revenue	34,327	34,120	(0.6)	40,726	39,767	(2.4)
EBITDA	10,807	10,933	1.2	12,769	12,732	(0.3)
Other income	1,549	1,680	8.5	1,933	1,946	0.7
PBT	11,336	11,683	3.1	13,481	13,505	0.2
Tax	3,223	3,324	3.1	3,775	3,849	2.0
<b>PAT</b>	<b>8,113</b>	<b>8,358</b>	<b>3.0</b>	<b>9,706</b>	<b>9,671</b>	<b>(0.5)</b>

Source: Company, Angel Research

**Exhibit 15: One-year forward PE (x)**


Source: Company, Angel Research

**Exhibit 16: Recommendation summary**

Company	Reco	CMP (₹)	Tgt. price (₹)	Upside (%)	Target P/E (x)	FY2013E EBITDA (%)	FY2013E P/E (x)	FY2011-13E EPS CAGR (%)	FY2013E RoCE (%)	FY2013E RoE (%)
HCL Tech	Buy	388	531	36.9	13.0	18.4	9.5	29.2	21.7	23.2
Hexaware	Buy	75	96	28.0	11.0	18.7	8.6	74.1	21.4	19.8
<b>Infosys</b>	<b>Buy</b>	<b>2,589</b>	<b>3,047</b>	<b>17.7</b>	<b>18.0</b>	<b>32.0</b>	<b>15.3</b>	<b>18.9</b>	<b>25.8</b>	<b>23.8</b>
Infotech Enterprises	Accumulate	109	120	10.1	8.0	15.8	7.0	11.3	15.6	12.9
KPIT Cummins	Accumulate	146	163	11.6	10.0	15.4	8.9	19.9	19.5	16.9
Mahindra Satyam	Buy	65	82	26.2	11.0	14.8	8.7	33.0	11.7	13.8
MindTree	Accumulate	397	453	14.1	10.0	14.7	8.8	34.8	20.3	16.4
Mphasis	Buy	300	368	22.7	11.5	16.6	8.1	(3.1)	14.0	14.2
NIIT	Buy	36	55	52.8	6.9	16.3	4.5	19.3	11.0	15.6
Persistent	Neutral	329	324	(1.5)	9.0	22.4	9.6	(1.1)	20.0	14.0
TCS	Accumulate	1,161	1,294	11.5	20.0	29.0	17.9	20.5	31.1	31.9
Tech Mahindra	Buy	573	666	16.2	9.0	16.8	6.9	29.9	14.6	20.0
Wipro	Neutral	399	413	3.5	15.3	19.7	14.8	11.6	14.6	20.0

Source: Company, Angel Research

**Profit and loss statement (IFRS, consolidated)**

Y/E March (₹ cr)	FY2009	FY2010	FY2011	FY2012E	FY2013E
<b>Net sales</b>	<b>21,693</b>	<b>22,742</b>	<b>27,501</b>	<b>34,120</b>	<b>39,767</b>
Cost of revenue	11,765	12,078	15,054	18,900	21,936
Gross profit	9,928	10,664	12,447	15,220	17,831
% of net sales	45.8	46.9	45.3	44.6	44.8
Selling and marketing expenses	1,104	1,184	1,512	1,776	2,177
% of net sales	5.1	5.2	5.5	5.2	5.5
General and admin expenses	1,629	1,628	1,971	2,510	2,922
% of net sales	7.5	7.2	7.2	7.4	7.3
<b>EBITDA</b>	<b>7,195</b>	<b>7,852</b>	<b>8,964</b>	<b>10,933</b>	<b>12,732</b>
% of net sales	33.2	34.5	32.6	32.0	32.0
Dep. and amortization	761	942	862	931	1,173
% of net sales	3.5	4.1	3.1	2.7	2.9
<b>EBIT</b>	<b>6,434</b>	<b>6,910</b>	<b>8,102</b>	<b>10,002</b>	<b>11,559</b>
% of net sales	29.7	30.4	29.5	29.3	29.1
Other income	475	990	1,211	1,680	1,946
Profit before tax	6,909	7,900	9,313	11,683	13,505
Provision for tax	919	1,681	2,490	3,324	3,849
% of PBT	13.3	21.3	26.7	28.5	28.5
<b>PAT</b>	<b>5,990</b>	<b>6,219</b>	<b>6,823</b>	<b>8,358</b>	<b>9,656</b>
Minority interest	-	-	-	-	-
<b>Adj. PAT</b>	<b>5,990</b>	<b>6,219</b>	<b>6,823</b>	<b>8,358</b>	<b>9,656</b>
EPS (₹)	104.6	109.5	119.5	146.3	169.0

**Balance sheet (IFRS, consolidated)**

Y/E March (₹ cr)	FY2009	FY2010	FY2011	FY2012E	FY2013E
<b>Current assets</b>					
Cash and cash equivalents	10,993	12,111	16,666	21,280	26,571
Available for sale financial assets	-	2,556	21	20	30
Investment in certificates of deposit	-	1,190	123	25	50
Trade receivables	3,672	3,494	4,653	5,403	6,319
Unbilled revenue	750	841	1,243	1,496	1,743
Derivative financial instruments	-	95	66	70	110
Prepayments and other current assets	411	641	917	1,194	1,392
<b>Total current assets</b>	<b>15,826</b>	<b>20,928</b>	<b>23,689</b>	<b>29,488</b>	<b>36,215</b>
<b>Non-current assets</b>					
Property, plant and equipment	4,665	4,439	4,844	5,113	5,140
Goodwill	692	829	825	830	830
Intangible assets	35	56	48	60	60
Available for sale financial assets	-	-	23	23	23
Deferred income tax assets	447	356	378	400	570
Income tax assets	274	667	993	1,000	1,200
Other non-current assets	262	347	463	587	779
<b>Total non-current assets</b>	<b>6,375</b>	<b>6,694</b>	<b>7,574</b>	<b>8,013</b>	<b>8,602</b>
<b>Total assets</b>	<b>22,201</b>	<b>27,622</b>	<b>31,263</b>	<b>37,501</b>	<b>44,817</b>
<b>Current liabilities</b>					
Trade payables	27	10	44	50	50
Derivative financial instruments	114	-	-	-	-
Current income tax liabilities	581	724	817	850	900
Client deposits	5	8	22	25	20
Unearned revenue	331	531	518	528	540
Employee benefit obligations	104	131	140	140	140
Provisions	92	82	88	90	90
Other liabilities	1,471	1,707	2,012	2,135	2,135
<b>Total current liabilities</b>	<b>2,725</b>	<b>3,193</b>	<b>3,641</b>	<b>3,818</b>	<b>3,875</b>
<b>Non-current liabilities</b>					
Deferred income tax liabilities	39	124	-	-	-
Employee benefit obligations	187	171	259	260	260
Other liabilities	56	61	60	61	61
<b>Total non-current liabilities</b>	<b>282</b>	<b>356</b>	<b>319</b>	<b>321</b>	<b>321</b>
<b>Total liabilities</b>	<b>3,007</b>	<b>3,549</b>	<b>3,960</b>	<b>4,139</b>	<b>4,196</b>
<b>Equity</b>					
Share capital	286	286	286	286	286
Share premium	2,944	3,047	3,082	3,120	3,120
Retained earnings	15,972	20,668	23,826	29,847	37,165
Other components of equity	(8)	72	109	109	50
<b>Total equity</b>	<b>19,194</b>	<b>24,073</b>	<b>27,303</b>	<b>33,362</b>	<b>40,621</b>
<b>Total liabilities and equity</b>	<b>22,201</b>	<b>27,622</b>	<b>31,263</b>	<b>37,501</b>	<b>44,817</b>

**Cash flow statement (IFRS, consolidated)**

Y/E March (₹ cr)	FY2009	FY2010	FY2011	FY2012E	FY2013E
Pre-tax profit from operations	6,434	6,910	8,102	10,002	11,559
Depreciation	761	942	862	931	1,173
Pre tax cash from operations	7,195	7,852	8,964	10,933	12,732
Other income/prior period ad	475	990	1,211	1,680	1,946
Net cash from operations	7,670	8,842	10,175	12,614	14,677
Tax	919	1,681	2,490	3,324	3,849
<b>Cash profits</b>	<b>6,751</b>	<b>7,161</b>	<b>7,685</b>	<b>9,289</b>	<b>10,828</b>
(Inc)/dec in current assets	(664)	(238)	(1,808)	(1,284)	(1,401)
Inc/(dec) in current liabilities	547	468	448	177	57
(Inc)/dec in net trade WC	(117)	230	(1,360)	(1,107)	(1,344)
<b>Cashflow from operating activities</b>	<b>6,635</b>	<b>7,391</b>	<b>6,325</b>	<b>8,182</b>	<b>9,484</b>
(Inc)/dec in fixed assets	(1,372)	(716)	(1,267)	(1,200)	(1,200)
(Inc)/dec in investments	71	(3,746)	3,602	99	(35)
(inc)/dec in sale of financial assets	-	-	(23)	-	-
(Inc)/dec in deferred tax assets	(213)	(302)	(348)	(29)	(370)
Inc/(dec) in other non-current liab.	115	74	(37)	2	-
(Inc)/dec in other non-current ass.	(77)	(243)	(104)	(141)	(192)
<b>Cashflow from investing activities</b>	<b>(1,475)</b>	<b>(4,933)</b>	<b>1,823</b>	<b>(1,269)</b>	<b>(1,797)</b>
Inc/(dec) in debt	-	-	-	-	-
Inc/(dec) in equity/premium	(758)	333	(1,256)	38	(59)
Dividends	1,574	1,673	2,337	2,337	2,337
<b>Cashflow from financing activities</b>	<b>(2,331)</b>	<b>(1,340)</b>	<b>(3,593)</b>	<b>(2,299)</b>	<b>(2,396)</b>
<b>Cash generated/(utilized)</b>	<b>2,829</b>	<b>1,118</b>	<b>4,555</b>	<b>4,614</b>	<b>5,291</b>
Cash at start of the year	8,164	10,993	12,111	16,666	21,280
Cash at end of the year	10,993	12,111	16,666	21,280	26,571

**Key ratios**

Y/E March	FY2009	FY2010	FY2011	FY2012E	FY2013E
<b>Valuation ratio (x)</b>					
P/E	24.7	23.6	21.7	17.7	15.3
P/CEPS	21.9	20.7	19.3	15.9	13.7
P/BVPS	7.7	6.2	5.4	4.4	3.6
Dividend yield (%)	0.9	1.0	1.3	1.3	1.3
EV/Sales	6.3	5.8	4.8	3.7	3.1
EV/EBITDA	19.1	16.8	14.6	11.6	9.5
EV/Total assets	6.2	4.8	4.2	3.4	2.7
<b>Per share data (₹)</b>					
EPS	105	109	119	146	169
Cash EPS	118	125	134	162	189
Dividend	23.5	25.0	34.9	34.9	34.9
Book value	336	421	477	583	710
<b>DuPont analysis</b>					
Tax retention ratio (PAT/PBT)	0.9	0.8	0.7	0.7	0.7
Cost of debt (PBT/EBIT)	1.1	1.1	1.1	1.2	1.2
EBIT margin (EBIT/sales)	0.3	0.3	0.3	0.3	0.3
Asset turnover ratio (sales/assets)	1.0	0.8	0.9	0.9	0.9
Leverage ratio (assets/equity)	1.2	1.1	1.1	1.1	1.1
Operating ROE	31.2	25.8	25.0	25.1	23.8
<b>Return ratios (%)</b>					
RoCE (pre-tax)	29.0	25.0	25.9	26.7	25.8
Angel RoIC	57.4	58.7	56.1	61.8	63.6
RoE	31.2	25.8	25.0	25.1	23.8
<b>Turnover ratios (x)</b>					
Asset turnover (fixed assets)	3.4	3.4	3.6	4.3	4.6
Receivables days	74	70	78	74	74

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### Disclosure of Interest Statement

### Infosys

1. Analyst ownership of the stock	No
2. Angel and its Group companies ownership of the stock	No
3. Angel and its Group companies' Directors ownership of the stock	No
4. Broking relationship with company covered	No

Note: We have not considered any Exposure below ₹1 lakh for Angel, its Group companies and Directors

### Ratings (Returns):

Buy (&gt; 15%)

Reduce (-5% to 15%)

Accumulate (5% to 15%)

Sell (&lt; -15%)

Neutral (-5 to 5%)