

- ❑ The company reported good set of numbers for the quarter under review as it grew at the fastest pace in Q1 in a decade. Revenue from operations improved by 17.9% year-on-year to ₹278,960 million on a reported basis. In Constant currency, revenue increased by 16.9% YoY led by digital offerings which grew by 42.1% YoY. However, revenue from core offerings declined by 3.0%. Revenue from digital offerings constituted 53.9% of the total revenue and the balance 46.1% from core offerings .
- ❑ Business segment wise, the company reported healthy revenue growth led by all business segments. Financial Services, Retail, Communication, Energy Utilities, Manufacturing, Hi-Tech, Life sciences & Other verticals which grew YoY by 22.6%, 22.2%, 4.6%, 10.5%, 18.5%, 14.8%, 21.2% & 10.2% respectively in constant currency.
- ❑ On profitability front, the EBITDA from operations for the quarter improved by 21.4% year-on-year at ₹74,320 million with a margin of 26.6%. The company achieved the reported PAT of ₹52,010 million, a growth of 21.7% year-on-year with a net margin of 18.6% translating into EPS of ₹12.24 per share for the quarter.
- ❑ The company achieved 22 large deals in Q1, totaling \$2.6 billion with nine in financial services, four each in retail and energy, utilities, resources and services, two in manufacturing and one each in communications, high-tech and life sciences segments.
- ❑ The generated free cash flow of \$863 million, 18.5% higher than the same quarter in the previous year. The company bought back 9.8 million shares at an average price of ₹1568 per share through open market out of the total 52.5 million shares authorised for buyback.
- ❑ The company continues to gain significant market share with this growth being essentially organic and especially in the area of digital transformation. As the demand for digital talent explodes, rising attrition in the industry poses a near-term challenge. The company plans to meet this demand by expanding its hiring program of college graduates for FY 22 to ~35,000 globally.
- ❑ The company has given revenue growth and operating margin guidance band of 14%-16% and 22%-24% respectively on the back of continued strong performance for FY22. With continuity of robust growth in digital services, strong large deals and higher revenue and stable margin guidance, we maintain our **BUY** rating on the stock with a revised target price of **₹1800 per share**.

**Financials:**

<b>(In ₹ mn)</b>	<b>Q1-FY22</b>	<b>Q1-FY21</b>	<b>Chg</b>	<b>3M-FY22</b>	<b>3M-FY21</b>	<b>Chg</b>
Net Sales	278,960	236,650	17.9%	278,960	236,650	17.9%
Operating Expense	204,640	175,440	16.6%	204,640	175,440	16.6%
EBITDA	74,320	61,210	21.4%	74,320	61,210	21.4%
Other Income	6,220	4,750	30.9%	6,220	4,750	30.9%
Depreciation	8,290	7,560	9.7%	8,290	7,560	9.7%
EBIT	72,250	58,400	23.7%	72,250	58,400	23.7%
Interest	490	480	2.1%	490	480	2.1%
PBT	71,760	57,920	23.9%	71,760	57,920	23.9%
Tax	19,750	15,200	29.9%	19,750	15,200	29.9%
Exceptional Items	-	-		-	-	
PAT	52,010	42,720	21.7%	52,010	42,720	21.7%
Minority /Other Adj.	(60)	(390)		(60)	(390)	
Consolidated PAT	51,950	42,330	22.7%	51,950	42,330	22.7%

<b>Margins</b>	<b>Q1-FY22</b>	<b>Q1-FY21</b>	<b>Chg BPS</b>	<b>3M-FY22</b>	<b>3M-FY21</b>	<b>Chg BPS</b>
Operating Margin %	26.6%	25.9%	78	26.6%	25.9%	78
Net Margin %	18.6%	18.1%	59	18.6%	18.1%	59



## Consolidated Financials:

(In ₹ mn)	FY-20	FY-21	FY-22E	FY-23E
Net Sales	907,910	1,004,720	1,167,065	1,321,650
Operating Expense	690,350	729,290	847,130	959,338
EBITDA	217,560	275,430	319,935	362,312
Other Income	33,140	25,470	29,585	33,504
Depreciation	28,930	32,670	35,882	40,635
EBIT	221,770	268,230	313,638	355,181
Interest	1,700	1,950	-	-
Misc. items	-	-	-	-
PBT	220,070	266,280	313,638	355,181
Tax	53,680	72,050	84,864	96,105
Minority Interest	(450)	(720)	-	-
PAT	165,940	193,510	228,774	259,076

Margins	FY-20	FY-21	FY-22E	FY-23E
Sales Growth %	9.8%	10.7%	16.2%	13.2%
Operating Margin %	24.0%	27.4%	27.4%	27.4%
Net Margin %	18.3%	19.3%	19.6%	19.6%

(In ₹ mn)	FY-20	FY-21	FY-22E	FY-23E
<b>Liabilities</b>				
Equity Share Capital	24,190	24,960	24,697	24,697
Reserves & Surplus	630,310	738,550	886,101	1,145,177
Total Shareholder's Funds	654,500	763,510	910,798	1,169,874
Minority Interest	3,940	4,310	4,310	4,310
Long-Term Liabilities	-	-	-	-
Other Long-term Liabilities	51,000	68,640	68,640	68,640
Deferred Tax Liability	(7,760)	(2,230)	(2,230)	(2,230)
Short-term Liabilities	208,560	238,650	257,565	291,681
<b>Total</b>	<b>910,240</b>	<b>1,072,880</b>	<b>1,239,083</b>	<b>1,532,275</b>
<b>Assets</b>				
Net Fixed Assets	247,430	264,270	270,675	292,607
Long-Term L&A	68,180	75,910	75,910	75,910
Non Current Investments	41,370	118,630	118,630	118,630
Other Non-Current Assets	7,500	6,740	6,740	6,740
Current Asset	545,760	607,330	767,128	1,038,388
<b>Total</b>	<b>910,240</b>	<b>1,072,880</b>	<b>1,239,083</b>	<b>1,532,275</b>

Key Ratios	FY-20	FY-21	FY-22E	FY-23E
EPS (₹)	39.0	45.4	54.4	61.6
P/E (x)	39.8	34.1	28.5	25.2
P/B (x)	10.1	8.6	7.2	5.6
ROE	25.4%	25.3%	25.1%	22.1%

Source: Company, Anand Rathi Research

## Key Risks:

- US H1-B Visa Regulations.
- Foreign Currency Fluctuations.
- Employee Attrition.



## Rating and Target Price history:

### INFY's rating history & price chart



### INFY's rating details

Date	Rating	Target Price (₹)	Share Price (₹)
17-Dec-20	Buy	1385	1165
19-Jan-21	Buy	1450	1317
19-Apr-21	Buy	1510	1363
17-Jul-21	Buy	1800	1550

Source: Bloomberg, Anand Rathi Research

NOTE: Prices are as on 20 July 2021 close.

Source: Bloomberg, Anand Rathi Research

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