

- ❑ The company reported good set of numbers for the quarter under review. Revenue from operations improved by 12.3% year-on-year to ₹25,927 crores on a reported basis. In Constant currency, revenue increased by 6.6% YoY led by digital offerings which grew by 31.3%. However, revenue from core offerings declined by 10.3%.
- ❑ Business segment wise, the company reported healthy revenue growth led by Financial Services, Retail, Communication, Energy Utilities, Hi-Tech, Life sciences & Other verticals which grew YoY by 12%, 2%, 0.8%, 4.9%, 17.4%, 11% & 2.7% respectively in constant currency. However, Manufacturing vertical declined YoY by 4.1%.
- ❑ On profitability front, the EBITDA from operations for the quarter improved by 27.8% year-on-year at ₹7,415 crores with a margin of 28.6%. The company achieved the reported PAT of ₹5,197 crores, a growth of 16.8% year-on-year with a net margin of 20.1% translating into EPS of ₹12.23 per share for the quarter.
- ❑ Infosys further enhanced its digital investments in Infosys Cobalt - the cloud services, platforms and solutions portfolio launched last quarter. The company expanded the Infosys Cobalt portfolio by unveiling Infosys Modernization Suite to help enterprises modernize their legacy systems and Infosys Live Enterprise Application Management Platform to deliver cloud-powered, managed services for IT operations. The company Applied AI converges the power of AI, analytics and cloud to deliver new business solutions and perceptive experiences.
- ❑ The company achieved record large deals of \$7.13bn in Q3 with 73% being net new and revenues from digital offerings now form more than 50% of the total revenue as it grew by 31.3% YoY in constant currency terms. Voluntary attrition for IT services declined to 10.0% from 15.8% in Q3 20.
- ❑ The company has increased the revenue and margin guidance band to 4.5%-5.0% and 24.0%-24.5% respectively on the back of continued strong performance.
- ❑ With continuity of robust growth in digital services, record large deals and increased revenue and margin guidance, we maintain our **BUY** rating on the stock with a target price of **₹1450 per share**.

Financials:

(In ₹ mn)	Q3-FY21	Q3-FY20	Chg	9M-FY21	9M-FY20	Chg
Net Sales	259,270	230,920	12.3%	741,620	675,240	9.8%
Operating Expense	185,120	172,910	7.1%	535,430	509,320	5.1%
EBITDA	74,150	58,010	27.8%	206,190	165,920	24.3%
Other Income	6,110	8,270	-26.1%	16,560	21,890	-24.3%
Depreciation	8,260	7,370	12.1%	24,370	21,450	13.6%
EBIT	72,000	58,910	22.2%	198,380	166,360	19.2%
Interest	490	420	16.7%	1,450	1,240	16.9%
PBT	71,510	58,490	22.3%	196,930	165,120	19.3%
Tax	19,360	13,830	40.0%	53,480	42,070	27.1%
Exceptional Items	-	-		-	-	
PAT	52,150	44,660	16.8%	143,450	123,050	16.6%
Minority /Other Adj.	(180)	(90)		(700)	(41)	
Consolidated PAT	51,970	44,570	16.6%	142,750	123,009	16.0%

Margins	Q3-FY21	Q3-FY20	Chg BPS	9M-FY21	9M-FY20	Chg BPS
Operating Margin %	28.6%	25.1%	348	27.8%	24.6%	323
Net Margin %	20.1%	19.3%	77	19.3%	18.2%	112



Consolidated Financials:

(In ₹ mn)	FY-19	FY-20	FY-21E	FY-22E
Net Sales	826,750	907,910	1,013,854	1,232,028
Operating Expense	625,050	690,350	765,345	930,043
EBITDA	201,700	217,560	248,508	301,985
Other Income	28,820	33,140	37,007	44,971
Depreciation	20,110	28,930	27,982	34,004
EBIT	210,410	221,770	257,533	312,952
Interest	-	1,700	-	-
Misc. items	-	-	-	-
PBT	210,410	220,070	257,533	312,952
Tax	56,310	53,680	62,818	76,336
Minority Interest	(60)	(450)	-	-
PAT	154,040	165,940	194,715	236,616

Margins	FY-19	FY-20	FY-21E	FY-22E
Sales Growth %	17.2%	9.8%	11.7%	21.5%
Operating Margin %	24.4%	24.0%	24.5%	24.5%
Net Margin %	18.6%	18.3%	19.2%	19.2%

(In ₹ mn)	FY-19	FY-20	FY-21E	FY-22E
Liabilities				
Equity Share Capital	23,970	24,190	24,190	24,190
Reserves & Surplus	625,510	630,310	697,880	779,990
Total Shareholder's Funds	649,480	654,500	722,070	804,180
Minority Interest	580	3,940	3,940	3,940
Long-Term Liabilities	-	-	-	-
Other Long-term Liabilities	4,220	51,000	51,000	51,000
Deferred Tax Liability	(7,000)	(7,760)	(7,760)	(7,760)
Short-term Liabilities	186,380	208,560	223,752	271,902
Total	833,660	910,240	993,002	1,123,262
Assets				
Net Fixed Assets	170,980	247,430	206,892	252,655
Long-Term L&A	80,690	68,180	68,180	68,180
Non Current Investments	46,340	41,370	41,370	41,370
Other Non-Current Assets	6,870	7,500	7,500	7,500
Current Asset	528,780	545,760	669,060	753,558
Total	833,660	910,240	993,002	1,123,262

Key Ratios	FY-19	FY-20	FY-21E	FY-22E
EPS (₹)	36.2	39.0	45.7	55.5
P/E (x)	36.4	33.8	28.8	23.7
P/B (x)	8.6	8.6	7.8	7.0
ROE	23.7%	25.4%	27.0%	29.4%

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

Source: Bloomberg, Anand Rathi Research

NOTE: Prices are as on 19 January 2021 close.

Source: Bloomberg, Anand Rathi Research

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Ratings Guide (12 months)	Buy	Hold	Sell
Large Caps (>₹300Bn.)	15%	5%-10%	Below 5%
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