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Rating Information	
Price (Rs)	684
Target Price (Rs)	757
Target Date	31st Mar '20
Target Set On	12th Jan '19
Implied yrs of growth (DCF)	20
Fair Value (DCF)	732
Fair Value (DDM)	504
Ind Benchmark	SPBSITIP
Model Portfolio Position	NA

Stock Information	
Market Cap (Rs Mn)	29,85,971
Free Float (%)	87.18 %
52 Wk H/L (Rs)	755/522
Avg Daily Volume (1yr)	94,92,172
Avg Daily Value (Rs Mn)	5,949
Equity Cap (Rs Mn)	21,843
Face Value (Rs)	5
Bloomberg Code	INFO IN

Ownership	Recent	3M	12M
Promoters	12.8 %	0.0 %	-0.1 %
DII	22.6 %	0.4 %	-3.0 %
FII	34.5 %	-0.6 %	-0.5 %
Public	30.1 %	0.2 %	3.6 %

Price %	1M	3M	12M
Absolute	1.3 %	1.5 %	28.1 %
Vs Industry	3.4 %	4.0 %	8.0 %
TCS	-7.9 %	-6.9 %	32.1 %
Wipro	0.2 %	5.0 %	2.4 %

Consolidated Quarterly EPS forecast				
Rs/Share	1Q	2Q	3Q	4Q
EPS (18A)	8.0	8.6	11.8	8.5
EPS (19A/E)	8.3	9.4	8.3	9.5

# Infosys Ltd.

3QFY19Result: Estimate (↓), PT (↑), Rating (↑)

Regular Coverage

Absolute: LONG

Relative: BENCHMARK

12% ATR in 15 months

Hoping for many more to come – Upgrade from ADD

IT Services

Infosys' (INFO) 3QFY19 earnings were good on revenue but not so on margins. Commentary was encouraging with the company raising FY19e revenue growth guidance to 8.5%-9% (6-8% earlier) led by 9-month performance and deal activity (~US\$ 4.7bn in TCV in 9MFY19; US\$ 1.6bn+ in 3Q). Margin performance outside of one-time impact (40bps) was unencouraging but management commentary that sales investments are unlikely to reoccur, could moderate FY20e headwinds. We tweak estimates and upgrade the stock to LONG with a Mar'20 TP of Rs. 757 (Rs. 716 earlier) set at 19x (18x) Mar'20 TTM EPS of Rs.39.8. Capital allocation and rising growth trajectory leads to increase in PER by a turn. Material weakness in Europe BFSI and feeble margin performance are key risk to estimates.

**Good 3Q along with raise in guidance:** Constant currency revenues grew 2.7% qoq, ahead of our 1.8% estimate, while EBITM declined 118bps qoq to 22.6% vs. 23.5% EE. CC growth was broad based, except Retail and Communication, and was led by the Europe (3.8%), US (2.6%), India (5.2%), Manufacturing (7.6%), EN&U (7.4%), FSI (3.6%). Hi-Tech (0.6%) was soft, while Others (-1.3%), Communication (-0.5%) and Retail (-0.1%) were weak. We are adjusting our US\$ revenue growth estimate and now model 7.8% yoy growth vs. 7% yoy.

**One-offs weigh but EBITm performance could have been better:** EBITm were 93bps lower than EE (-118bps qoq) as headwinds from lower utilisation & higher onsite mix (-80bps), planned compensation changes (-30bps), new acquisitions (-20bps), continued investment (-30bps) and additional depreciation (-40bps) weighed on tailwinds from rupee appreciation (50bps) and operational efficiency (40bps). Though management expects headwinds from rupee appreciation, higher compensation & investments, and large deal transitions in 4q, sales investments are unlikely to reoccur and could moderate FY20e headwinds. That said, we trim our FY19e/FY20e EBITM assumption by 106/58bps yoy to 23.2%/23.4%.

**Top customer softness a key monitorable in 4q:** Client additions were strong in 3Q (29 net vs. 18 in 1H19) while mining improved in other than US\$ 100mn+ band (US\$ 50mn+/10mn+/1mn+ band increased by 1/9/18 qoq). Top customer softness was surprising (-10.9% qoq/8.4% yoy) while top 10 customers were better (1.2% /8.4%).

**Upgrade to LONG from ADD:** Large deal TCV has aided FY19e performance while exit rate could reset FY20e estimates to high single digit growth. Expected recovery in large verticals bodes well, while capital allocation could partially alleviate EBITM compression concerns. Weakness in Europe BFSI and feeble margins are key risk.

## Estimate Revision

	Forecasts		% Change	
	FY19E	FY20E	FY19E	FY20E
Sales (\$ Mn)	11,791	12,791	0.8%	1.7%
Sales	8,27,133	8,95,376	1.2%	1.7%
EBITDA	2,12,851	2,32,813	-0.7%	0.5%
EBIT	1,92,235	2,09,337	-3.2%	-0.7%
PAT	1,54,682	1,73,361	-4.5%	0.0%
EPS	35.5*	39.8	-6.1%	0.0%

\*FY19e EPS includes one-time impact in 3Q

## Consolidated Financials

Rs. Mn YE Mar	FY18A	FY19E	FY20E	FY21E
Sales	7,05,220	8,27,133	8,95,376	9,56,026
EBITDA	1,90,100	2,12,851	2,32,813	2,49,932
Depreciation	18,620	20,616	23,476	23,994
Interest Expense	710	0	0	0
Other Income	31,930	29,244	24,935	25,063
Reported PAT	1,60,280	1,54,682	1,73,361	1,85,741
Recurring PAT	1,60,280	1,61,892	1,73,361	1,85,741
Total Equity	6,49,240	6,13,161	6,63,429	7,15,598
Gross Debt	8,610	10,170	10,170	10,170
Cash	2,62,250	1,97,179	2,49,527	2,86,839
Rs Per Share	FY18A	FY19E	FY20E	FY21E
Earnings	36.8	35.5	39.8	42.7
Book Value	149	141	152	164
Dividends	44.2	29.7	23.5	25.5
FCFF	57.7	39.6	42.1	41.3
P/E (x)	18.6	19.2	17.2	16.0
P/B (x)	4.6	4.9	4.5	4.2
EV/EBITDA (x)	14.4	13.2	11.8	10.9
ROE (%)	24 %	26 %	27 %	27 %
Core ROIC (%)	34 %	33 %	35 %	37 %
EBITDA Margin (%)	27 %	26 %	26 %	26 %
Net Margin (%)	23 %	20 %	19 %	19 %

**Exhibit 1: Segment specific growth (US\$)**

Revenue growth by Verticals	2Q18	3Q18	4Q18	1Q19	2Q19	3Q19
BFSI	3.2%	0.1%	1.5%	-2.7%	4.5%	3.2%
-BFS	2.5%	-1.6%	1.4%	-	-	-
-Insurance	6.2%	7.3%	1.8%	-	-	-
Manufacturing	2.0%	0.1%	2.3%	-55.8%	3.2%	7.6%
Retail & CPG	0.0%	3.2%	-4.0%	26.0%	4.4%	-0.2%
Trans & Logistics	8.3%	6.0%	21.2%	-100%	NA	NA
Life Sciences and HC	6.0%	-3.5%	3.4%	0.9%	0.1%	-0.9%
Energy & Utilities	8.8%	6.5%	3.6%	112.1%	2.3%	6.4%
Telecom	2.9%	2.0%	4.7%	18.7%	-0.1%	-1.1%
HiTech	-	-	-	-	4.6%	-0.5%
Others	1.2%	1.0%	0.1%	-51.2%	3.2%	-1.3%

\*Reporting changes explained below on page 6 and 9

Source: Company, Equirus Research

**Exhibit 2: Annualised consolidated attrition moderates but remains at elevated levels**

Particulars	2Q18	3Q18	4Q18	1Q19	2Q19	3Q19
Annualized Consolidated	21.4%	18.7%	19.5%	23%	22.2%	19.9%
Absolute HC Attrition	10,627	-	-	-	-	-
% change qoq in absolute HC attrition	1.6%	-	-	-	-	-
Annualised Calculated Attrition	18.1%	-	-	-	-	-

Source: Company, Equirus Research

**Exhibit 3: Mining continues to improve in other than US\$ 100mn+ bucket**

Particulars	2Q18	3Q18	4Q18	1Q19	2Q19	3Q19
\$ 50 mn+	55	56	57	56	58	59
\$ 100 mn+	19	20	20	24	23	23
\$ 200 mn+	NA	NA	NA	NA	NA	NA
\$ 300 mn+	NA	NA	NA	NA	NA	NA

Source: Infosys stopped reporting \$ 200mn+/\$ 300mn+ clients, Company, Equirus Research

**Exhibit 4: Deal wins robust but lower sequentially**

Quarter	Deal Wins	TCV (in US\$ Mn)
2QFY18	5	731
3QFY18	8	779
4QFY18	10	905
1QFY19	8	1116
2QFY19	12	2029
3QFY19	14	1570

Source: Company, Equirus Research

**Exhibit 5: Revenue classification by offerings**

Particulars	3QFY18	4QFY18	1QFY19	2QFY19	3QFY19
Revenue by offering	94.6%	95.1%	95.2%	94.9%	94.5%
Digital	24.2%	25.3%	26.7%	28.9%	29.3%
Core	70.4%	69.8%	68.5%	66.0%	65.2%
Revenue by products and platforms	5.4%	4.9%	4.8%	5.1%	5.5%
Digital	1.9%	1.5%	1.7%	2.1%	2.2%
Core	3.5%	3.4%	3.1%	3.0%	3.3%
Total	100.0%	100.0%	100.0%	100.0%	100.0%
Digital	26.1%	26.8%	28.4%	31.0%	31.5%
Core	73.9%	73.2%	71.6%	69.0%	68.5%

Source: Company, Equirus Research

## Earnings call takeaways

### Outlook

- INFO revised its FY19e CC revenue growth guidance upwards to 8.5%-9.0% but retained its EBIT margin guidance (22-24%).

### Key takeaways

- Revenues grew 2.7%/10.1% qoq/yoy in CC terms. In rupee terms, revenue grew 3.8% qoq/20.3% yoy to Rs 214,000mn and 2.2% qoq/8.4% yoy in US\$ terms to US\$ 2,987mn.
- Digital offerings grew 5.0% qoq/33.1% yoy to US\$ 942mn with digital revenues now contributing ~31.5% of total revenues.
- Volume grew 2.6% qoq in a seasonally weak quarter.
- Gross employee additions were at 18,773 while net stood at 7,762.
- INFO signed 14 large deals worth US\$ 1.57bn in TCV. 10 in the US, 3 in Europe, and 1 in RoW. About 30% of deals wins are net new. 4 deals each were in FSI and Manufacturing, 2 in Telecom and 1 each in Retail, Lifescience, Energy & Utility and other vertical. 9MFY18 deal wins at US\$ 4.7bn, doubled yoy.
- Commentary across Financial Services:
  - Sustained momentum & ramp-up across markets. Robust market share gains. Acquiring new wins and expanding accounts already opened.
  - Europe impacted by furloughs.
- Manufacturing
  - Discretionary spends higher on digital, automation, e-commerce and cloud.
- Retail and CPG
  - Seasonally weak quarter. Continued investment in digital, analytics, cloud, cyber securities and other new technology domains.
- Communication:
  - Sector under pressure with sector specific headwinds and seasonally soft quarter.

- Increased traction in areas like cyber security, customer experience, 5G, analytics and cloud computing.
- Energy and Utilities:
  - Strong momentum and ramp up across North America and Europe.
  - Client spends strong. Segment however impacted by lower crude and commodity prices
- Lifescience and Healthcare:
  - Flattish quarter with weakness in few clients.
- Utilization lower led by furloughs.
- Hedge book at US\$ 2.1bn.
- Cash from operating activities was at US\$ 610mn. Free cash flows at US\$ 534mn.
- DSO for the quarter was stable at 67 days.
- INFO declared buyback program not exceeding amount/per share of Rs. 8.3bn/Rs. 800.
- INFO declared an interim dividend of Rs 4/share.
- Continued investment in sales, agile, localization and rescaling.
- Sale of Panaya not possible by March '19 and thus classified out of 'Held for sale'.
- Standalone attrition down 2.1% qoq to 17.8% while consolidated declined 2.3% qoq to 19.9%.
- 7,600 locals hired till date (10,000 target). 5 hubs opened of the 6 announced and 2000+ school grads hired.
- 1% appreciation in rupee likely to impact margins by 25bps. However, no major change is visible in longer term.

**Exhibit 6: Quarterly performance, consolidated**

Rs Mn	3QFY 19	3QFY 19E	2QFY 19	3QFY 18	% Change			Comments
					3QFY 19E	2QFY 19	3QFY 18	
Net Sales (\$ Mn)	2,987	2,955	2,921	2,755	1.1%	2.3%	8.4%	
Net Sales (Rs Mn)	2,14,000	2,13,055	2,06,090	1,77,940	0.4%	3.8%	20.3%	
COGS (Excl. Depr.)	1,34,360	1,33,159	1,28,180	1,09,520	0.9%	4.8%	22.7%	
Selling & Marketing Expenses	11,560	11,292	10,880	8,770	2.4%	6.3%	31.8%	
General & Administration Expenses	13,980	13,849	13,460	11,480	0.9%	3.9%	21.8%	
<b>Total Expenditures</b>	<b>1,59,900</b>	<b>1,58,300</b>	<b>1,52,520</b>	<b>1,29,770</b>	<b>1.0%</b>	<b>4.8%</b>	<b>23.2%</b>	
<b>EBITDA</b>	<b>54,100</b>	<b>54,755</b>	<b>53,570</b>	<b>48,170</b>	<b>-1.2%</b>	<b>1.0%</b>	<b>12.3%</b>	
Depreciation	5,800	4,687	4,630	4,980	23.7%	25.3%	16.5%	
<b>EBIT</b>	<b>48,300</b>	<b>50,068</b>	<b>48,940</b>	<b>43,190</b>	<b>-3.5%</b>	<b>-1.3%</b>	<b>11.8%</b>	
Other Income	7,530	4,675	7,390	9,620	61.1%	1.9%	-21.7%	
<b>PBT</b>	<b>55,830</b>	<b>54,743</b>	<b>56,330</b>	<b>52,810</b>	<b>2.0%</b>	<b>-0.9%</b>	<b>5.7%</b>	
Tax	15,220	14,801	15,230	1,520	2.8%	-0.1%	901.3%	
<b>Recurring PAT</b>	<b>40,610</b>	<b>39,942</b>	<b>41,100</b>	<b>51,290</b>	<b>1.7%</b>	<b>-1.2%</b>	<b>-20.8%</b>	
Extraordinaries	4,510	0	0	0				
<b>Reported PAT</b>	<b>36,100</b>	<b>39,942</b>	<b>41,100</b>	<b>51,290</b>	<b>-9.6%</b>	<b>-12.2%</b>	<b>-29.6%</b>	
EPS (Rs)	8.3	9.2	9.4	11.8	-9.6%	-12.2%	-29.6%	
EBITDA Margin	25.3%	25.7%	26.0%	27.1%	-42 bps	-71 bps	-179 bps	
EBIT Margin	22.6%	23.5%	23.7%	24.3%	-93 bps	-118 bps	-170 bps	
PBT Margin	26.1%	25.7%	27.3%	29.7%	39 bps	-124 bps	-359 bps	
PAT Margin	16.9%	18.7%	19.9%	28.8%	-188 bps	-307 bps	-1196 bps	
Tax Rate	27.3%	27.0%	27.0%	2.9%	22 bps	22 bps	2438 bps	



Exhibit 7: Key metrics over the quarters

	Sep-16	Dec-16	Mar-17	Jun-17	Sep-17	Dec-17	Mar-18	Jun-18	Sep-18	Dec-18
Net Sales (\$ Mn)	2,587	2,551	2,569	2,651	2,728	2,755	2,805	2,831	2,921	2,987
Growth (%)	3.4%	-1.4%	0.7%	3.2%	2.9%	1.0%	1.8%	0.9%	3.2%	2.2%
Net Sales (Rs. Mn)	173,100	172,730	171,200	170,780	175,670	177,940	180,830	191,280	206,090	214,000
Growth (%)	3.1%	-0.2%	-0.9%	-0.2%	2.9%	1.3%	1.6%	5.7%	7.7%	3.8%
<b>EBIT Margin</b>	<b>24.9%</b>	<b>25.1%</b>	<b>24.6%</b>	<b>24.1%</b>	<b>24.2%</b>	<b>24.3%</b>	<b>24.7%</b>	<b>23.7%</b>	<b>23.7%</b>	<b>22.6%</b>
USD-INR realized rate	66.9	67.7	66.6	64.4	64.4	64.6	64.5	67.5	70.6	71.6
<b>Volume change (QoQ)</b>	<b>4.0%</b>	<b>0.2%</b>	<b>2.0%</b>	<b>1.7%</b>	<b>1.6%</b>	<b>1.6%</b>	<b>1.1%</b>	<b>2.6%</b>	<b>2.8%</b>	<b>2.6%</b>
Onsite realization change (QoQ)	1.2%	-3.5%	-0.4%	-0.4%	-0.4%	-0.8%	1.6%	NA	NA	NA
Offshore realization change (QoQ)	-0.3%	-0.8%	-0.5%	-0.5%	-0.5%	0.6%	1.1%	NA	NA	NA
Blended realization change (QoQ)	0.2%	-2.2%	-1.0%	1.8%	1.3%	-0.7%	1.0%	NA	NA	NA
Blended realization change (YoY)	-3.6%	-3.3%	-3.2%	-0.5%	0.7%	2.2%	3.5%	NA	NA	NA
<b>Effort Mix</b>	<b>Sep-16</b>	<b>Dec-16</b>	<b>Mar-17</b>	<b>Jun-17</b>	<b>Sep-17</b>	<b>Dec-17</b>	<b>Mar-18</b>	<b>Jun-18</b>	<b>Sep-18</b>	<b>Dec-18</b>
Onsite	29.7%	29.8%	29.2%	29.2%	29.4%	29.0%	28.7%	28.6%	28.4%	28.7%
Offshore	70.3%	70.2%	70.8%	70.8%	70.6%	71.0%	71.3%	71.4%	71.6%	71.3%
<b>Utilization (Overall)</b>	<b>Sep-16</b>	<b>Dec-16</b>	<b>Mar-17</b>	<b>Jun-17</b>	<b>Sep-17</b>	<b>Dec-17</b>	<b>Mar-18</b>	<b>Jun-18</b>	<b>Sep-18</b>	<b>Dec-18</b>
Excluding Trainees	82.5%	81.9%	81.9%	84.0%	84.7%	84.9%	84.7%	85.7%	85.6%	83.8%
Including Trainees	77.7%	77.8%	77.8%	80.2%	81.8%	82.1%	80.8%	81.5%	80.2%	79.8%
<b>Contract Type</b>	<b>Sep-16</b>	<b>Dec-16</b>	<b>Mar-17</b>	<b>Jun-17</b>	<b>Sep-17</b>	<b>Dec-17</b>	<b>Mar-18</b>	<b>Jun-18</b>	<b>Sep-18</b>	<b>Dec-18</b>
Fixed Price	47.1%	49.5%	49.4%	49.3%	50.4%	51.4%	52.2%	51.8%	52.0%	53.0%
Time & Materials	52.9%	50.5%	50.6%	50.7%	49.6%	48.6%	47.8%	48.2%	48.0%	47.0%

Source: Company, Equirus Research



## Exhibit 8: Incremental US\$ revenues (qoq)

Revenue by Service Line (US\$ Mn)	Sep-16	Dec-16	Mar-17	Jun-17	Sep-17	Dec-17	Mar-18	Jun-18*	Sep-18*	Dec-18*
Application development and maintenance	24	-43	-4	26	11	9	2	NA	NA	NA
Application development	43	-8	-2	15	17	-1	11	NA	NA	NA
Application maintenance	-19	-35	-2	11	-6	10	-9	NA	NA	NA
Infrastructure Management	10	2	-1	4	23	-3	18	NA	NA	NA
Testing Services	10	-6	-1	15	10	3	16	NA	NA	NA
Business Process Management	4	-2	6	2	7	7	5	NA	NA	NA
Product Engineering Services	8	4	3	6	3	-2	2	NA	NA	NA
Others (in Biz IT Ops)	7	2	6	-0	2	-7	10	NA	NA	NA
Consulting Services and Package Implementation	28	-4	11	27	22	17	5	NA	NA	NA
Product, Platform and Solutions	-6	11	-2	2	-1	4	-9	NA	NA	NA
<b>Total</b>	<b>86</b>	<b>-36</b>	<b>18</b>	<b>82</b>	<b>77</b>	<b>27</b>	<b>50</b>	NA	NA	NA
Revenue by Vertical (US\$ Mn)	Sep-16	Dec-16	Mar-17	Jun-17	Sep-17	Dec-17	Mar-18	Jun-18	Sep-18	Dec-18
BFSI	36	-7	11	22	28	1	14	-25	40	30
Insurance	7	8	1	8	10	13	3	NA**	-	-
Banking & Fin. Svcs	29	-15	10	15	18	-12	10	NA**	-	-
Manufacturing	12	-8	1	13	12	0	14	-343	9	21
Retail & CPG	-2	-13	-10	14	0	12	-15	97	21	-1
Telecom	8	-11	22	21	8	6	14	57	-0	-4
Energy & Utilities	7	3	1	9	12	10	6	186	8	23
Transportation & logistics	2	2	0	-1	4	3	12	-70	-	-
Life Sciences & Healthcare	3	3	-6	5	11	-6	6	2	0	-2
HiTech	-	-	-	-	-	-	-	209	10	-1
Others	21	-5	-1	-3	2	2	0	-86	3	-1
<b>Total</b>	<b>86</b>	<b>-36</b>	<b>18</b>	<b>82</b>	<b>77</b>	<b>27</b>	<b>50</b>	<b>26</b>	<b>90</b>	<b>66</b>
Revenue by Geography (US\$ Mn)	Sep-16	Dec-16	Mar-17	Jun-17	Sep-17	Dec-17	Mar-18	Jun-18	Sep-18	Dec-18
US	40	-9	19	19	33	11	2	32	63	43
Europe	7	-16	1	26	39	39	23	-8	13	22
India	20	-1	-5	13	-5	-7	-4	-5	-1	5
Rest of World	18	-10	2	23	10	-16	29	6	15	-3
<b>Total</b>	<b>86</b>	<b>-36</b>	<b>18</b>	<b>82</b>	<b>77</b>	<b>27</b>	<b>50</b>	<b>26</b>	<b>90</b>	<b>66</b>
Revenue by Customer Type (US\$ Mn)	Sep-16	Dec-16	Mar-17	Jun-17	Sep-17	Dec-17	Mar-18	Jun-18	Sep-18	Dec-18
Top client	1	-11	6	3	5	1	7	4	9	-12
Top 2-5	-4	-14	-6	-	-	-	-	-	-	-
Top 6-10	12	-26	7	-	-	-	-	-	-	-
Repeat business	51.3	-55.5	4.6	163.7	57.4	15.6	29.5	79.2	51.6	6.8
New Business	34.7	19.5	13.4	-81.7	19.6	11.4	20.5	-53.2	38.4	-1.0

Source: Company, Equirus Research

\*Company discontinued giving service line data from Q1FY19

\*\*Company discontinued giving insurance and BFS separate data from Q1FY19



Exhibit 9a: Service line performance

Service line split of revenues (%)	Sep-16	Dec-16	Mar-17	Jun-17	Sep-17	Dec-17	Mar-18	Jun-18*	Sep-18*	Dec-18*
Application development and maintenance	33.7%	32.5%	32.1%	32.1%	31.6%	31.6%	31.1%	NA	NA	NA
Application development	15.6%	15.5%	15.3%	15.4%	15.6%	15.4%	15.5%	NA	NA	NA
Application maintenance	18.1%	17.0%	16.8%	16.7%	16.0%	16.2%	15.6%	NA	NA	NA
Infrastructure Management	8.4%	8.6%	8.5%	8.4%	9.0%	8.8%	9.3%	NA	NA	NA
Testing Services	9.2%	9.1%	9.0%	9.3%	9.4%	9.4%	9.8%	NA	NA	NA
Business Process Management	4.9%	4.9%	5.1%	5.0%	5.1%	5.3%	5.4%	NA	NA	NA
Product Engineering Services	3.7%	3.9%	4.0%	4.1%	4.1%	4.0%	4.0%	NA	NA	NA
Others (in Biz IT Ops)	2.9%	3.0%	3.2%	3.1%	3.1%	2.8%	3.1%	NA	NA	NA
Consulting & System Integration	32.1%	32.4%	32.6%	32.6%	32.5%	32.8%	32.4%	NA	NA	NA
Product, Platform & Solutions	5.1%	5.6%	5.5%	5.4%	5.2%	5.3%	4.9%	NA	NA	NA
Revenue by Service Line (US\$Mn)	Sep-16	Dec-16	Mar-17	Jun-17	Sep-17	Dec-17	Mar-18	Jun-18*	Sep-18*	Dec-18*
Application development and maintenance	872	829	825	851	862	871	872	NA	NA	NA
Application development	404	395	393	408	426	424	435	NA	NA	NA
Application maintenance	468	434	432	443	436	446	438	NA	NA	NA
Infrastructure Management	217	219	218	223	246	242	261	NA	NA	NA
Testing Services	238	232	231	247	256	259	275	NA	NA	NA
Business Process Management	127	125	131	133	139	146	151	NA	NA	NA
Product Engineering Services	96	99	103	109	112	110	112	NA	NA	NA
Others (in Biz IT Ops)	75	77	82	82	85	77	87	NA	NA	NA
Consulting Services and Package Implementation	830	827	837	864	887	904	909	NA	NA	NA
Product, Platform and Solutions	132	143	141	143	142	146	137	NA	NA	NA

Source: Company, Equirus Research

\*Company discontinued giving service line data from Q1FY19



Exhibit 9b: Service line performance

yoy growth by Service Line (%)	Sep-16	Dec-16	Mar-17	Jun-17	Sep-17	Dec-17	Mar-18	Jun-18*	Sep-18*	Dec-18*
Application development and maintenance	8.5%	3.7%	0.9%	0.4%	-1.1%	5.0%	5.8%	NA	NA	NA
Application development	20.5%	16.5%	17.3%	13.4%	5.5%	7.3%	10.6%	NA	NA	NA
Application maintenance	-0.1%	-5.7%	-10.4%	-9.2%	-6.8%	2.9%	1.4%	NA	NA	NA
Infrastructure Management	4.4%	21.5%	11.6%	7.3%	13.0%	10.5%	19.5%	NA	NA	NA
Testing Services	10.6%	4.8%	5.0%	8.3%	7.7%	11.6%	18.9%	NA	NA	NA
Business Process Management	8.2%	6.0%	7.1%	8.2%	9.8%	16.8%	15.6%	NA	NA	NA
Product Engineering Services	21.3%	21.6%	23.6%	24.2%	16.9%	10.8%	9.2%	NA	NA	NA
Others (in Business IT Ops)	12.0%	6.0%	20.0%	21.7%	12.7%	0.8%	5.8%	NA	NA	NA
Consulting Services and System Integration	5.8%	1.6%	3.1%	7.6%	6.8%	9.3%	8.5%	NA	NA	NA
Product, Platform and Solutions	12.6%	18.7%	11.1%	4.1%	7.5%	2.2%	-2.7%	NA	NA	NA
qoq growth by Service Line (%)	Sep-16	Dec-16	Mar-17	Jun-17	Sep-16	Dec-17	Mar-18	Jun-18*	Sep-18*	Dec-18*
Application development and maintenance	2.8%	-4.9%	-0.5%	3.2%	1.3%	1.0%	0.2%	NA	NA	NA
Application development	12.1%	-2.0%	-0.6%	3.9%	4.2%	-0.3%	2.5%	NA	NA	NA
Application maintenance	-4.0%	-7.4%	-0.5%	2.6%	-1.4%	2.3%	-2.0%	NA	NA	NA
Infrastructure Management	4.7%	1.0%	-0.5%	2.0%	10.3%	-1.3%	7.6%	NA	NA	NA
Testing Services	4.6%	-2.5%	-0.4%	6.6%	4.0%	1.0%	6.1%	NA	NA	NA
Business Process Management	3.4%	-1.4%	4.8%	1.2%	5.0%	5.0%	3.7%	NA	NA	NA
Product Engineering Services	9.3%	3.9%	3.3%	5.8%	2.9%	-1.5%	1.8%	NA	NA	NA
Others (in Business IT Ops)	11.1%	2.0%	7.4%	0.0%	2.9%	-8.8%	12.7%	NA	NA	NA
Consulting Services and System Integration	3.4%	-0.5%	1.3%	3.2%	2.6%	1.9%	0.6%	NA	NA	NA
Product, Platform and Solutions	-4.1%	8.3%	-1.1%	1.3%	-0.9%	2.9%	-5.9%	NA	NA	NA

Source: Company, Equirus Research

\*Company discontinued giving service line data from Q1FY19



**Exhibit 10a: Vertical performance**

Vertical split of revenues (%)	Sep-16	Dec-16	Mar-17	Jun-17	Sep-17	Dec-17	Mar-18	Jun-18*	Sep-18*	Dec-18*
BFSI	33.1%	33.3%	33.5%	33.3%	33.4%	33.1%	33.0%	31.8%	32.2%	32.5%
<i>Insurance</i>	5.7%	6.1%	6.1%	6.2%	6.4%	6.8%	6.8%	0.0%	0.0%	0.0%
<i>Banking &amp; Fin. Svcs</i>	27.4%	27.2%	27.4%	27.1%	27.0%	26.3%	26.2%	0.0%	0.0%	0.0%
Manufacturing	22.5%	22.5%	22.4%	22.2%	22.0%	21.8%	21.9%	9.6%	9.6%	10.1%
Retail & CPG	14.9%	14.6%	14.1%	14.2%	13.8%	14.1%	13.3%	16.6%	16.8%	16.4%
Transportation & logistics	1.9%	2.0%	2.0%	1.9%	2.0%	2.1%	2.5%	0.0%	0.0%	0.0%
Life Sciences & Healthcare	6.7%	6.9%	6.6%	6.6%	6.8%	6.5%	6.6%	6.6%	6.4%	6.2%
Energy & Utilities	4.8%	5.0%	5.0%	5.2%	5.5%	5.8%	5.9%	12.4%	12.3%	12.8%
Telecom	9.4%	9.1%	9.9%	10.4%	10.4%	10.5%	10.8%	12.7%	12.3%	11.9%
HiTech	-	-	-	-	-	-	-	7.4%	7.5%	7.3%
Others	6.7%	6.6%	6.5%	6.2%	6.1%	6.1%	6.0%	2.9%	2.9%	2.8%
Revenue by Vertical (US\$Mn)	Sep-16	Dec-16	Mar-17	Jun-17	Sep-17	Dec-17	Mar-18	Jun-18*	Sep-18*	Dec-18*
BFSI	856	849	861	883	911	912	926	900	941	971
<i>Insurance</i>	147	156	157	164	175	187	191	-	-	-
<i>Banking &amp; Fin. Svcs</i>	709	694	704	718	737	725	735	-	-	-
Manufacturing	582	574	575	589	600	601	614	272	280	302
Retail & CPG	385	372	362	376	376	388	373	470	491	490
Transportation & logistics	49	51	51	50	55	58	70	360	-	-
Life Sciences & Healthcare	173	176	170	175	186	179	185	351	187	185
Energy & Utilities	124	128	128	138	150	160	165	-	359	382
Telecom	243	232	254	276	284	289	303	187	359	355
HiTech	-	-	-	-	-	-	-	209	219	218
Others	173	168	167	164	166	168	168	82	85	84

Source: Company, Equirus Research

\*From Q1FY19, following changes have been made:

- (1) Financial services include enterprises in Financial Services and Insurance
- (2) Retail include enterprises in Retail, Consumer Packaged Goods and Logistics
- (3) Communication include enterprises in Communication, Telecom OEM and Media
- (4) Life Sciences include enterprises in Life Sciences and Health care
- (5) Others include operating segments of businesses in India, Japan, China, Infosys Public Services & other enterprises in public services



## Exhibit 10b: Vertical performance

yoy growth by Vertical (%)	Sep-16	Dec-16	Mar-17	Jun-17	Sep-16	Dec-17	Mar-18	Jun-18*	Sep-18*	Dec-18*
BFSI	9.1%	5.3%	7.3%	7.6%	6.4%	7.3%	7.6%	NM	NM	NM
Insurance	10.1%	9.6%	18.6%	17.4%	18.4%	20.4%	21.7%	NM	NM	NM
Banking & Fin. Svcs	8.9%	4.4%	5.0%	5.6%	3.9%	4.4%	4.4%	NM	NM	NM
Manufacturing	2.2%	4.6%	3.6%	3.2%	3.1%	4.6%	6.7%	NM	NM	NM
Retail & CPG	8.2%	5.3%	-1.3%	-2.9%	-2.3%	4.3%	3.0%	NM	NM	NM
Transportation & logistics	8.2%	11.6%	16.7%	6.0%	11.0%	13.4%	36.5%	NM	NM	NM
Life Sciences & Healthcare	-7.1%	-5.0%	-10.0%	2.9%	7.0%	1.7%	9.2%	NM	NM	NM
Energy & Utilities	10.5%	3.9%	1.0%	17.3%	20.8%	25.3%	28.8%	NM	NM	NM
Telecom	28.7%	20.6%	20.9%	17.3%	16.7%	24.6%	19.1%	NM	NM	NM
HiTech	-	-	-	-	-	-	-	NM	NM	NM
Others	16.9%	11.0%	10.1%	7.7%	-4.0%	-0.2%	0.8%	NM	NM	NM
qoq growth by Vertical (%)	Sep-16	Dec-16	Mar-17	Jun-17	Sep-16	Dec-17	Mar-18	Jun-18*	Sep-18	Dec-18
BFSI	4.4%	-0.8%	1.3%	2.6%	3.2%	0.1%	1.5%	NM	4.5%	3.2%
Insurance	5.3%	5.5%	0.7%	4.9%	6.2%	7.3%	1.8%	NM	NA	NA
Banking & Fin. Svcs	4.2%	-2.1%	1.4%	2.1%	2.5%	-1.6%	1.4%	NM	NA	NA
Manufacturing	2.1%	-1.4%	0.3%	2.3%	2.0%	0.1%	2.3%	NM	3.2%	7.6%
Retail & CPG	-0.6%	-3.4%	-2.7%	3.9%	0.0%	3.2%	-4.0%	NM	4.4%	-0.2%
Transportation & logistics	3.4%	3.8%	0.7%	-2.0%	8.3%	6.0%	21.2%	NM	NA	NA
Life Sciences & Healthcare	1.9%	1.6%	-3.7%	3.2%	6.0%	-3.5%	3.4%	NM	0.1%	-0.9%
Energy & Utilities	5.6%	2.7%	0.7%	7.3%	8.8%	6.5%	3.6%	NM	2.3%	6.4%
Telecom	3.4%	-4.5%	9.6%	8.4%	2.9%	2.0%	4.7%	NM	-0.1%	-1.1%
HiTech								NM	4.6%	-0.5%
Others	13.6%	-2.9%	-0.8%	-1.6%	1.2%	1.0%	0.1%	NM	3.2%	-1.3%

Source: Company, Equirus Research

NM- Not Meaningful

\*From Q1FY19, following changes have been made:

- (1) Financial services include enterprises in Financial Services and Insurance
- (2) Retail include enterprises in Retail, Consumer Packaged Goods and Logistics
- (3) Communication include enterprises in Communication, Telecom OEM and Media
- (4) Life Sciences include enterprises in Life Sciences and Health care
- (5) Others include operating segments of businesses in India, Japan, China, Infosys Public Services & other enterprises in public services

**Exhibit 11: Geographical performance**

Geographical split of revenues (%)	Sep-16	Dec-16	Mar-17	Jun-17	Sep-17	Dec-17	Mar-18	Jun-18	Sep-18	Dec-18
North America	61.5%	62.0%	62.3%	61.1%	60.6%	60.4%	59.4%	60.0%	60.3%	60.4%
Europe	22.5%	22.2%	22.1%	22.4%	23.2%	24.4%	24.8%	24.3%	24.0%	24.2%
India	3.4%	3.4%	3.2%	3.6%	3.3%	3.0%	2.8%	2.6%	2.5%	2.6%
Rest of World	12.6%	12.4%	12.4%	12.9%	12.9%	12.2%	13.0%	13.1%	13.2%	12.8%
Revenue by Geography (US\$Mn)	Sep-16	Dec-16	Mar-17	Jun-17	Sep-17	Dec-17	Mar-18	Jun-18	Sep-18	Dec-18
US	1,591	1,582	1,600	1,620	1,653	1,664	1,666	1,699	1,761	1,804
Europe	582	566	568	594	633	672	696	688	701	723
India	88	87	82	95	90	83	79	74	73	78
Rest of World	326	316	319	342	352	336	365	371	386	382
yoy growth by Geography (%)	Sep-16	Dec-16	Mar-17	Jun-17	Sep-17	Dec-17	Mar-18	Jun-18	Sep-18	Dec-18
US	5.1%	5.1%	5.7%	4.5%	3.9%	5.2%	4.1%	4.9%	6.5%	8.4%
Europe	6.3%	1.4%	-0.8%	3.2%	8.7%	18.7%	22.5%	15.8%	10.8%	7.5%
India	59.9%	28.7%	12.0%	41.3%	2.3%	-4.7%	-4.5%	-22.9%	-18.9%	-6.0%
Rest of World	18.5%	14.3%	11.3%	11.2%	8.0%	6.3%	14.5%	8.4%	9.6%	13.8%
qoq growth by Geography (%)	Sep-16	Dec-16	Mar-17	Jun-17	Sep-17	Dec-17	Mar-18	Jun-18	Sep-18	Dec-18
US	2.6%	-0.6%	1.2%	1.2%	2.1%	0.7%	0.1%	1.9%	3.7%	2.4%
Europe	1.2%	-2.7%	0.3%	4.6%	6.6%	6.2%	3.5%	-1.1%	1.9%	3.1%
India	30.3%	-1.4%	-5.2%	16.1%	-5.7%	-8.2%	-5.0%	-6.3%	-0.8%	6.3%
Rest of World	6.0%	-3.0%	0.7%	7.4%	2.9%	-4.5%	8.5%	1.7%	4.0%	-0.8%

Source: Company, Equirus Research

**Exhibit 12: Top client performance**

Top client revenue contribution (%)	Sep-16	Dec-16	Mar-17	Jun-17	Sep-17	Dec-17	Mar-18	Jun-18	Sep-18	Dec-18
Top client (%)	3.5%	3.1%	3.3%	3.3%	3.4%	3.4%	3.6%	3.7%	3.9%	3.4%
Top 5 (%)1	13.1%	12.3%	12.2%	-	-	-	-	-	-	-
Top 10 (%)	21.8%	20.1%	20.2%	20.0%	19.5%	19.2%	19.2%	19.2%	19.4%	19.2%
Top 2-5 (%)	9.6%	9.2%	8.9%	-	-	-	-	-	-	-
Top 6-10 (%)	8.7%	7.8%	8.0%	-	-	-	-	-	-	-
Revenue by Top clients (US\$Mn)	Sep-16	Dec-16	Mar-17	Jun-17	Sep-17	Dec-17	Mar-18	Jun-18	Sep-18	Dec-18
Top client	91	79	85	87	93	94	101	105	114	102
Top 5 client	339	314	313	-	-	-	-	-	-	-
Top 10 client	564	513	519	530	532	529	539	544	567	574
Top 2-5 client	248	235	229	-	-	-	-	-	-	-
Top 6-10 client	225	199	206	-	-	-	-	-	-	-
yoy growth by Top clients (%)	Sep-16	Dec-16	Mar-17	Jun-17	Sep-17	Dec-17	Mar-18	Jun-18	Sep-18	Dec-18
Top client	2.3%	-6.1%	-3.7%	-2.8%	2.4%	18.4%	19.1%	19.7%	22.8%	8.4%
Top 5 client	1.2%	-6.2%	-6.5%	-	-	-	-	-	-	-
Top 10 client	3.4%	-5.7%	-2.7%	-4.5%	-5.7%	3.2%	3.8%	2.5%	6.5%	8.4%
Top 2-5 client	0.8%	-6.2%	-7.5%	-	-	-	-	-	-	-
Top 6-10 client	6.9%	-5.0%	3.7%	-	-	-	-	-	-	-
qoq growth by Top clients (%)	Sep-16	Dec-16	Mar-17	Jun-17	Sep-17	Dec-17	Mar-18	Jun-18	Sep-18	Dec-18
Top client	0.6%	-12.7%	7.2%	3.2%	6.0%	1.0%	7.8%	3.7%	8.8%	-10.9%
Top 5 client	-1.1%	-7.4%	-0.1%	-	-	-	-	-	-	-
Top 10 client	1.6%	-9.1%	1.2%	2.2%	0.3%	-0.6%	1.8%	0.9%	4.3%	1.2%
Top 2-5 client	-1.7%	-5.5%	-2.6%	-	-	-	-	-	-	-
Top 6-10 client	5.9%	-11.6%	3.3%	-	-	-	-	-	-	-

Source: Company, Equirus Research

## Company Snapshot

### How we differ from Consensus

		Equirus	Consensus	% Diff	Comment
EPS	FY19E	35.5	37.5	-5 %	We adjust margin trajectory for FY19e/FY20e post earnings commentary, Consensus before earnings
	FY20E	39.8	41.6	-4 %	
Sales	FY19E	8,27,133	8,25,749	0 %	
	FY20E	8,95,376	9,14,018	-2 %	
PAT	FY19E	1,61,892	1,63,322	-1 %	
	FY20E	1,73,361	1,80,703	-4 %	

### Our Key Investment arguments:

- Top management changes have been managed without business disruption.
- Recovery in key verticals including retail.

Key parameters	FY18A	FY19E	FY20E	FY21E
Overall Revenue (Rs. Mn)	705220	827133	895376	956026
Overall Revenue (US\$Mn)	10939	11791	12791	13658
USD-INR rate	64.5	70.1	70.0	70.0
EBIT Margin (%)	24.3%	23.2%	23.4%	23.6%
PBT Margin (%)	28.7%	26.8%	26.2%	26.3%
PAT Margin (%)	22.7%	18.7%	19.4%	19.4%

### Risk to Our View:

- BFS weakness could persists and drag the company's average growth.
- Margins compression led by attrition could be key risk to estimates.

### Key triggers

- Rupee depreciation, large deal wins, faster automation impact

Comparable valuation		Mkt Cap		Price	Target	EPS			P/E			BPS	P/B		RoE			Div Yield	
Company	Reco.	CMP	Rs. Mn.	Target	Date	FY18A	FY19E	FY20E	FY18A	FY19E	FY20E	FY18A	FY19E	FY18A	FY19E	FY20E	FY18A	FY19E	
Infosys	LONG	684	29,85,971	757	31st Mar '20	36.8	35.5	39.8	18.6	19.2	17.2	149.2	4.9	24 %	26 %	27 %	6.5 %	4.4 %	
TCS	REDUCE	1,842	69,11,705	1,930	31st Mar '20	67.5	82.5	87.9	27.3	22.3	21.0	222.0	9.5	30 %	39 %	43 %	2.7 %	3.0 %	
Wipro	ADD	329	14,86,696	329	31st Mar '20	17.7	18.9	19.4	18.6	17.4	17.0	99.0	3.2	16 %	18 %	19 %	0.3 %	5.5 %	

Sensitivity to Key Variables	% Change	% Impact on EPS
Rupee Appreciation	1 %	-137 bps
Utilization	1 %	+193 bps
-	-	-

### DCF Valuations & Assumptions

Rf	Beta	Ke	Term. Growth	Debt/IC in Term. Yr
7.5 %	0.9	10.4 %	4.0 %	0.0 %

	FY19E	FY20E	FY21-28E	FY29-33E	FY34-38E
Sales Growth	17 %	8 %	6 %	7 %	7 %
NOPAT Margin	17 %	17 %	17 %	17 %	17 %
IC Turnover	1.85	2.01	1.96	2.42	2.80
RoIC	32.7 %	34.7 %	34.5 %	40.6 %	49.2 %

	1	2	10	15	20
Years of strong growth					
Valuation as on date (Rs)	496	530	558	621	649
Valuation as of 31 <sup>st</sup> March20	560	598	629	700	732

Based on DCF, assuming 20 years of 7% CAGR growth and 49% average ROIC, we derive our current fair value of Rs 649 and a 31 Mar'20 fair value of Rs 732.

### Company Description:

Infosys is the one of the largest Indian IT services provider and has been regarded as one of the most ethical companies in India.

**Consolidated Quarterly Earnings Forecast and Key Drivers**

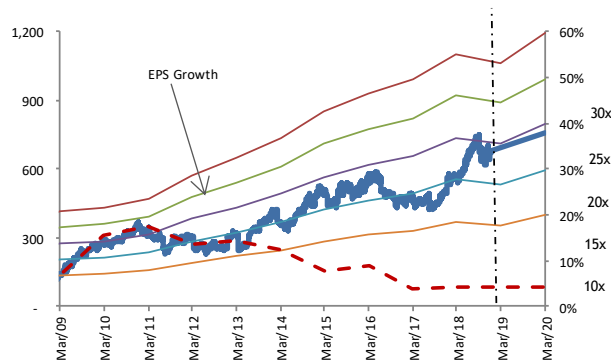
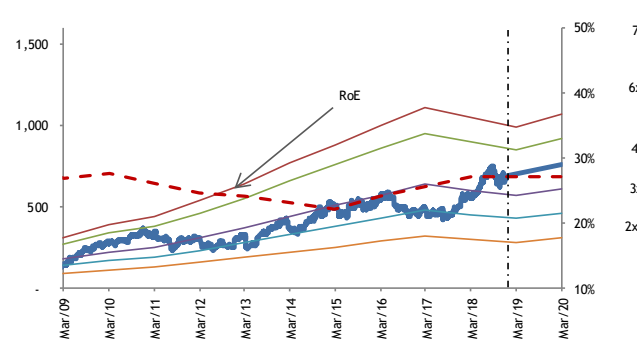
Rs in Mn	1Q18A	2Q18A	3Q18A	4Q18A	1Q19A	2Q19A	3Q19A	4Q19E	1Q20E	2Q20E	3Q20E	4Q20E	FY18A	FY19E	FY20E	FY21E
Revenue	1,70,780	1,75,670	1,77,940	1,80,830	1,91,280	2,06,090	2,14,000	2,15,763	2,18,212	2,23,893	2,25,266	2,28,006	7,05,220	8,27,133	8,95,376	9,56,026
Cost of revenues	1,04,500	1,07,710	1,09,520	1,10,960	1,18,520	1,28,180	1,34,360	1,34,852	1,37,474	1,39,485	1,40,115	1,41,363	4,32,690	5,15,912	5,58,438	5,97,947
Selling & Marketing Expenses	8,880	8,460	8,770	9,470	10,050	10,880	11,560	11,651	11,565	11,642	11,826	11,970	35,580	44,141	47,004	48,874
General & Administration Expenses	11,790	12,480	11,480	11,100	12,980	13,460	13,980	13,809	13,966	14,329	14,417	14,410	46,850	54,229	57,122	59,274
EBITDA	45,610	47,020	48,170	49,300	49,730	53,570	54,100	55,451	55,208	58,436	58,907	60,262	1,90,100	2,12,851	2,32,813	2,49,932
Depreciation	4,500	4,560	4,980	4,580	4,360	4,630	5,800	5,826	5,848	5,866	5,879	5,883	18,620	20,616	23,476	23,994
EBIT	41,110	42,460	43,190	44,720	45,370	48,940	48,300	49,625	49,360	52,570	53,028	54,379	1,71,480	1,92,235	2,09,337	2,25,938
Interest	710	0	0	0	0	0	0	0	0	0	0	0	710	0	0	0
Other Income	7,430	8,830	9,620	5,340	7,260	7,390	7,530	7,064	5,154	6,386	6,265	7,130	31,930	29,244	24,935	25,063
PBT	47,830	51,290	52,810	50,060	52,630	56,330	55,830	56,689	54,514	58,956	59,292	61,509	2,02,700	2,21,479	2,34,272	2,51,001
Tax	13,710	14,030	1,520	13,160	13,810	15,230	15,220	15,327	14,174	15,329	15,416	15,992	42,420	59,587	60,911	65,260
PAT bef. MI & Assoc.	34,120	37,260	51,290	36,900	38,820	41,100	40,610	41,362	40,340	43,628	43,876	45,517	1,60,280	1,61,892	1,73,361	1,85,741
Minority Interest	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Profit from Assoc.	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Recurring PAT	34,120	37,260	51,290	36,900	38,820	41,100	40,610	41,362	40,340	43,628	43,876	45,517	1,60,280	1,61,892	1,73,361	1,85,741
Extraordinaries	0	0	0	0	2,700	0	4,510	0	0	0	0	0	0	7,210	0	0
Reported PAT	34,120	37,260	51,290	36,900	36,120	41,100	36,100	41,362	40,340	43,628	43,876	45,517	1,60,280	1,54,682	1,73,361	1,85,741
EPS (Rs)	8.00	8.56	11.79	8.48	8.30	9.44	8.29	9.50	9.27	10.02	10.08	10.46	36.83	35.54	39.83	42.67
<b>Key Drivers</b>																
\$revenue growth (sequential)	3.2%	2.9%	1.0%	1.8%	0.9%	3.2%	2.3%	2.2%	2.1%	2.6%	0.6%	1.2%	7.2%	7.8%	8.5%	6.8%
Average \$-Rs exchange rate	64.42	64.40	64.59	64.47	67.57	70.55	71.60	70.70	70.00	70.00	70.00	70.00	64.47	70.12	70.00	70.00
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Sequential Growth (%)</b>																
Revenue	0 %	3 %	1 %	2 %	6 %	8 %	4 %	1 %	1 %	3 %	1 %	1 %	-	-	-	-
Cost of revenues	1 %	3 %	2 %	1 %	7 %	8 %	5 %	0 %	2 %	1 %	0 %	1 %	-	-	-	-
EBITDA	-2 %	3 %	2 %	2 %	1 %	8 %	1 %	2 %	0 %	6 %	1 %	2 %	-	-	-	-
EBIT	-2 %	3 %	2 %	4 %	1 %	8 %	-1 %	3 %	-1 %	7 %	1 %	3 %	-	-	-	-
Recurring PAT	-5 %	9 %	38 %	-28 %	5 %	6 %	-1 %	2 %	-2 %	8 %	1 %	4 %	-	-	-	-
EPS	-3 %	7 %	38 %	-28 %	-2 %	14 %	-12 %	15 %	-2 %	8 %	1 %	4 %	-	-	-	-
<b>Yearly Growth (%)</b>																
Revenue	2 %	1 %	3 %	6 %	12 %	17 %	20 %	19 %	14 %	9 %	5 %	6 %	3 %	17 %	8 %	7 %
EBITDA	2 %	-1 %	1 %	6 %	9 %	14 %	12 %	12 %	11 %	9 %	9 %	9 %	2 %	12 %	9 %	7 %
EBIT	2 %	-1 %	0 %	6 %	10 %	15 %	12 %	11 %	9 %	7 %	10 %	10 %	1 %	12 %	9 %	8 %
Recurring PAT	-1 %	3 %	38 %	2 %	14 %	10 %	-21 %	12 %	4 %	6 %	8 %	10 %	12 %	1 %	7 %	7 %
EPS	1 %	3 %	38 %	2 %	4 %	10 %	-30 %	12 %	12 %	6 %	22 %	10 %	12 %	-4 %	12 %	7 %
<b>Margin (%)</b>																
EBITDA	27 %	27 %	27 %	27 %	26 %	26 %	25 %	26 %	25 %	26 %	26 %	26 %	27 %	26 %	26 %	26 %
EBIT	24 %	24 %	24 %	25 %	24 %	24 %	23 %	23 %	23 %	23 %	24 %	24 %	24 %	23 %	23 %	24 %
PBT	28 %	29 %	30 %	28 %	28 %	27 %	26 %	26 %	25 %	26 %	26 %	27 %	29 %	27 %	26 %	26 %
PAT	20 %	21 %	29 %	20 %	20 %	20 %	19 %	19 %	18 %	19 %	19 %	20 %	23 %	20 %	19 %	19 %

**Consolidated Financials**

P&L (Rs Mn)	FY18A	FY19E	FY20E	FY21E
Revenue	7,05,220	8,27,133	8,95,376	9,56,026
Op. Expenditure	5,15,120	6,14,282	6,62,564	7,06,094
EBITDA	1,90,100	2,12,851	2,32,813	2,49,932
Depreciation	18,620	20,616	23,476	23,994
EBIT	1,71,480	1,92,235	2,09,337	2,25,938
Interest Expense	710	0	0	0
Other Income	31,930	29,244	24,935	25,063
PBT	2,02,700	2,21,479	2,34,272	2,51,001
Tax	42,420	59,587	60,911	65,260
PAT bef. MI & Assoc.	1,60,280	1,61,892	1,73,361	1,85,741
Minority Interest	0	0	0	0
Profit from Assoc.	0	0	0	0
Recurring PAT	1,60,280	1,61,892	1,73,361	1,85,741
Extraordinares	0	7,210	0	0
Reported PAT	1,60,280	1,54,682	1,73,361	1,85,741
FDEPS (Rs)	36.8	35.5	39.8	42.7
DPS (Rs)	44.2	29.7	23.5	25.5
CEPS (Rs)	82.2	46.0	45.2	48.2
FCFPS (Rs)	123.9	53.6	31.9	38.4
BVPS (Rs)	149.2	140.9	152.4	164.4
EBITDAM (%)	27 %	26 %	26 %	26 %
PATM (%)	23 %	19 %	19 %	19 %
Tax Rate (%)	21 %	27 %	26 %	26 %
Sales Growth (%)	3 %	17 %	8 %	7 %
FDEPS Growth (%)	12 %	-4 %	12 %	7 %

Balance Sheet (Rs Mn)	FY18A	FY19E	FY20E	FY21E
Equity Capital	10,880	21,760	21,760	21,760
Reserve	6,38,360	5,91,401	6,41,669	6,93,838
Networth	6,49,240	6,13,161	6,63,429	7,15,598
Long Term Debt	0	0	0	0
Other non-Current Liabilities	8,610	10,170	10,170	10,170
Minority Interest	0	0	0	0
Account Payables	6,940	7,067	7,650	8,191
Other Curr Liabi	1,34,110	1,43,849	1,55,718	1,66,265
Total Liabilities & Equity	7,98,900	7,74,248	8,36,966	9,00,225
Net Fixed Assets	1,46,010	1,60,109	1,74,184	1,88,355
Capital WIP	0	0	0	0
Others	1,52,720	1,51,435	1,35,885	1,20,720
Inventory	0	0	0	0
Account Receivables	1,31,420	1,35,967	1,47,185	1,57,155
Other Current Assets	1,06,500	1,29,557	1,30,185	1,47,157
Cash	2,62,250	1,97,179	2,49,527	2,86,839
Total Assets	7,98,900	7,74,248	8,36,966	9,00,225
Non-cash Working Capital	96,870	1,14,608	1,14,003	1,29,855
Cash Conv Cycle	50.1	50.6	46.5	49.6
WC Turnover	7.3	7.2	7.9	7.4
FA Turnover	4.8	5.2	5.1	5.1
Net D/E	-0.4	-0.3	-0.4	-0.4
Revenue/Capital Employed	1.0	1.3	1.4	1.4
Capital Employed/Equity	1.0	1.0	1.0	1.0

Cash Flow (Rs Mn)	FY18A	FY19E	FY20E	FY21E
PBT	2,02,700	2,21,479	2,34,272	2,51,001
Depreciation	18,620	20,616	23,476	23,994
Others	0	0	0	0
Taxes Paid	42,420	59,587	60,911	65,260
Change in WC	1,060	-17,738	605	-15,852
Operating C/F	1,79,960	1,64,770	1,97,442	1,93,882
Capex	-19,980	-14,099	-14,075	-14,171
Change in Invest	52,110	0	0	0
Others	-1,020	-19,331	-7,925	-8,829
Investing C/F	31,110	-14,099	-14,075	-14,171
Change in Debt	0	0	0	0
Change in Equity	-1,30,410	0	0	0
Others	-74,640	-1,96,411	-1,23,094	-1,33,571
Financing C/F	-2,05,050	-1,96,411	-1,23,094	-1,33,571
Net change in cash	6,020	-45,740	60,274	46,140
RoE (%)	24 %	26 %	27 %	27 %
RoIC (%)	24 %	25 %	27 %	27 %
Core RoIC (%)	34 %	33 %	35 %	37 %
Div Payout (%)	72 %	88 %	71 %	72 %
P/E	18.6	19.2	17.2	16.0
P/B	4.6	4.9	4.5	4.2
P/FCFF	5.5	12.7	21.4	17.8
EV/EBITDA	14.4	13.2	11.8	10.9
EV/Sales	3.9	3.4	3.1	2.8
Dividend Yield (%)	6.5 %	4.4 %	3.4 %	3.7 %

**TTM P/E vs. 2 yr forward EPS growth**

**TTM P/B vs. 2 yr forward RoE**


**Historical Consolidated Financials**

P&L (Rs Mn)	FY15A	FY16A	FY17A	FY18A
Revenue	5,33,190	6,24,410	6,84,850	7,05,220
Op. Expenditure	3,84,180	4,53,750	4,98,753	5,15,120
EBITDA	1,49,010	1,70,660	1,86,097	1,90,100
Depreciation	10,690	14,460	17,077	18,620
EBIT	1,38,320	1,56,200	1,69,020	1,71,480
Interest Expense	0	10	150	710
Other Income	34,269	31,220	30,490	31,930
PBT	1,72,589	1,87,410	1,99,360	2,02,700
Tax	49,290	52,520	55,980	42,420
PAT bef. MI & Assoc.	1,23,299	1,34,890	1,43,380	1,60,280
Minority Interest	0	0	0	0
Profit from Assoc.	0	0	0	0
Recurring PAT	1,23,299	1,34,890	1,43,380	1,60,280
Extraordinaires	0	0	0	0
Reported PAT	1,23,299	1,34,890	1,43,380	1,60,280
EPS (Rs)	28.3	31.0	32.9	36.8
DPS (Rs)	53.0	24.3	25.7	44.2
CEPS (Rs)	117.1	65.3	70.1	82.2
FCFPS (Rs)	53.6	31.9	38.4	57.7
BVPS (Rs)	125.8	142.0	158.5	149.2
EBITDAM (%)	28 %	27 %	27 %	27 %
PATM (%)	23 %	22 %	21 %	23 %
Tax Rate (%)	29 %	28 %	28 %	21 %
Sales growth (%)	6 %	17 %	10 %	3 %
FDEPS growth (%)	16 %	9 %	6 %	12 %

Balance Sheet (Rs Mn)	FY15A	FY16A	FY17A	FY18A
Equity Capital	5,720	11,440	11,440	10,880
Reserve	5,41,890	6,06,350	6,78,380	6,38,360
Networth	5,47,610	6,17,790	6,89,820	6,49,240
Long Term Debt	0	0	0	0
Def Tax Liability	2,060	3,710	3,600	8,610
Minority Interest	0	0	0	0
Account Payables	1,400	3,860	3,670	6,940
Other Curr Liabi	1,12,430	1,28,530	1,36,460	1,34,110
Total Liabilities & Equity	6,63,500	7,53,890	8,33,550	7,98,900
Net Fixed Assets	1,28,540	1,52,790	1,61,440	1,46,010
Capital WIP	0	0	0	0
Others	63,020	84,150	1,35,060	1,52,720
Inventory	0	0	0	0
Account Receivables	97,130	1,13,300	1,23,220	1,31,420
Other Current Assets	62,420	75,930	87,880	1,06,500
Cash	3,12,390	3,27,720	3,25,950	2,62,250
Total Assets	6,63,500	7,53,890	8,33,550	7,98,900
Non-cash Working Capital	45,720	56,840	70,970	96,870
Cash Conv Cycle	31.3	33.2	37.8	50.1
WC Turnover	11.7	11.0	9.6	7.3
FA Turnover	4.1	4.1	4.2	4.8
Net D/E	-0.6	-0.5	-0.5	-0.4
Revenue/Capital Employed	1.0	1.1	1.0	1.0
Capital Employed/Equity	1.0	1.0	1.0	1.0

Cash Flow (Rs Mn)	FY15A	FY16A	FY17A	FY18A
PBT	1,72,589	1,87,410	1,99,360	2,02,700
Depreciation	10,690	14,460	17,077	18,620
Others	-23,540	-23,620	-23,140	-8,510
Taxes Paid	67,510	58,650	56,530	68,290
Change in WC	-8,420	-19,460	-21,560	1,060
Operating C/F	83,809	1,00,140	1,15,207	1,45,580
Capex	-22,470	-27,230	-27,600	-19,980
Change in Invest	7,840	-5,610	-1,45,350	52,110
Others	25,510	23,830	27,530	-1,020
Investing C/F	10,880	-9,010	-1,45,420	31,110
Change in Debt	0	0	0	0
Change in Equity	0	0	0	-1,30,410
Others	-50,240	-67,970	-70,610	-74,640
Financing C/F	-50,240	-67,970	-70,610	-2,05,050
Net change in cash	44,449	23,160	-1,00,823	-28,360
RoE (%)	24 %	23 %	22 %	24 %
RoIC (%)	24 %	23 %	22 %	24 %
Core RoIC (%)	44 %	40 %	35 %	34 %
Div Payout (%)	58 %	48 %	49 %	72 %
P/E	24.1	22.1	20.7	0.0
P/B	5.4	4.8	4.3	0.0
P/FCFF	12.7	12.7	12.7	12.7
EV/EBITDA	18.0	15.6	14.3	0.0
EV/Sales	5.0	5.0	5.0	5.0
Dividend Yield (%)	7.8 %	3.5 %	3.5 %	6.5 %



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**Rating & Coverage Definitions:**

**Absolute Rating**

- LONG : Over the investment horizon, ATR >= Ke for companies with Free Float market cap >Rs 5 billion and ATR >= 20% for rest of the companies
- ADD: ATR >= 5% but less than Ke over investment horizon
- REDUCE: ATR >= negative 10% but <5% over investment horizon
- SHORT: ATR < negative 10% over investment horizon

**Relative Rating**

- OVERWEIGHT: Likely to outperform the benchmark by at least 5% over investment horizon
- BENCHMARK: likely to perform in line with the benchmark
- UNDERWEIGHT: likely to under-perform the benchmark by at least 5% over investment horizon

**Investment Horizon**

Investment Horizon is set at a minimum 3 months to maximum 18 months with target date falling on last day of a calendar quarter.

Lite vs. Regular Coverage vs. Spot Coverage

We aim to keep our rating and estimates updated at least once a quarter for Regular Coverage stocks. Generally, we would have access to the company and we would maintain detailed financial model for Regular coverage companies. We intend to publish updates on Lite coverage stocks only an opportunistic basis and subject to our ability to contact the management. Our rating and estimates for Lite coverage stocks may not be current. Spot coverage is meant for one-off coverage of a specific company and in such cases, earnings forecast and target price are optional. Spot coverage is meant to stimulate discussion rather than provide a research opinion.

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