

# Pick of the Week

## Pick of the Week

- In an ever-changing business environment, some of our investment ideas seem more convincing than others due to better earning visibility and/or attractive valuation. Every Monday, we bring you such fundamental stock ideas through our “Pick of the Week” report.
- **Investment Horizon:** Though the ideal investment horizon for such ideas remain 6-9 months, our picks may provide some profit-making opportunities even to short-term investors.
- **Risk-Return Profile:** Pick of the week ideas are the best high return research ideas at this point in time.

Scrip	Mcap (Rs Cr)	CMP (Rs)	Target Price *	Potential Upside (%)	Reco
Infosys	332,280	780	860	10%	BUY

\* Note: Investment horizon Approx. 6-9 months., CMP as on 1<sup>st</sup> February, 2019.

# Infosys

CMP (Rs)	Target (Rs)
780	860

## MARKET DATA

No. of Shares	: 425.6 cr
Market Cap	: Rs 332,280 Cr
52-week High / Low	: Rs 847/615
BSE Code	: 500209
NSE Code	: INFY

## Investment Rationale

- ❑ **Strong revenue growth, healthy deal wins in Q3FY20:** Infosys Ltd. reported strong top line growth and healthy deal wins in Q3FY20. Infosys posted revenue growth of 9.5% on YoY basis and 1.0% on QoQ basis in constant currency terms for the period of Q3FY20. Infosys reported steady deal wins (14 large deals) with a TCV of \$1.8bn despite Q3 being a seasonally weak quarter. Operating margins have improved by 22 bps to 21.9% sequentially. The operating margins were in line with the guided range of 21%-23%.
- ❑ **Digital Strong broad based growth across verticals** Infosys posted strong broad based growth across verticals. In Q3 FY20, Manufacturing and Hi-tech showed a strong growth of 3% QoQ and 1% QoQ respectively, Communication vertical also showed growth of 0.3% QoQ, Life sciences showed a robust growth of 5.8%QoQ, Financial services decline marginally by 0.2%QoQ.. Geography-wise, North America showed grew of 10.1% YoY, Europe grew 12% YoY, and India business also showed sturdy growth of 18% YoY, while ROW showed marginal growth of 0.2% YoY. Digital business reported robust growth of 40% on YoY basis in Q3FY20, while core business has decline by 5% sequentially. Digital contribution to the top line remained healthy at 40.6% with Cloud, IoT and Cyber data analytics witnessing strong growth.
- ❑ **Independent audit committee issued a clean chit:** Infosys appointed audit committee on whistle blower complaints with the help of two external agencies. The audit committee does not found any wrong doing and evidence of financial impropriety or any misconduct. The committee said the complaints are without merit and issues a clean chit to the Infosys management. So the major concerns are fully addressed on corporate governance
- ❑ **Healthy hiring for timely delivery:** Infosys continued with the strong hiring, Infosys has added 6,938 employees during Q3 FY20 taking total headcount at 2, 43,454 at the end of Q3 FY20. Attrition rate has reduced to 17.6% in Q3 FY20 from 19.4% in Q2 FY20.
- ❑ We reiterate **Buy** with target price of Rs 860.

## Financial Summary

Y/E March	Revenue (Rs Cr)	EBITDA (Rs Cr)	PAT (Rs Cr)	EPS (Rs)	P/E (x)	RoE (%)	RoCE (%)	DPS (Rs)
FY19	82,675	21,241	15,404	35.4	20.1	23.7	33.0	26.0
FY20E	90,990	22,588	16,542	38.7	19.1	25.9	29.9	22.8
FY21E	99,966	25,262	18,776	43.0	17.2	28.0	32.4	26.9
FY22E	109,405	27,577	20,184	46.8	15.8	28.7	32.8	29.7

Source: Axis Securities, Consensus Estimates

# Performance

## No of Stocks Matrix

<i>No of Stocks</i>	9m	15m
Met Target	20	38
Not Met Target	20	28

## Performance Matrix

<i>% Return</i>	9m	15m
Met Target	13.02	12.44
Not Met Target	(6.77)	(12.06)

## Benchmark Performance Matrix

<i>% Return</i>	9m	15m
Met Target	1.51	2.90
Not Met Target	3.92	6.67

Note : Performance of the pick of the week is calculated for stocks recommended from Apr-19 to Dec-19 for 9 Months and from Oct-18 to Dec-19 for 15 Months.

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Sr. No	Name	Designation	E-mail
1	Pankaj Bobade	Research Analyst	pankaj.bobade@axissecurities.in
2	Suvarna Joshi	Research Analyst	suvarna.joshi@axissecurities.in
3	Siji Philip	Research Analyst	Siji.Philip@axissecurities.in
4	Omkar Tanksale	Research Analyst	omkar.tanksale@axissecurities.in
5	Vishal Advani	Research Analyst	vishal.advani@axissecurities.in
6	Ankit Suchanti	Research Associate	ankit.suchanti@axissecurities.in
7	Hiren Trivedi	Research Associate	hiren.trivedi@axissecurities.in
8	Kumar Nihal	Research Associate	kumar.nihal@axissecurities.in
9	Tanvi Shetty	Research Associate	Tanvi.Shetty@axissecurities.in

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