

Pick of the Week

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- **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	2,78,339	654	720	10%	BUY

* Note: Investment horizon Approx. 6-9 months., CMP as on 27th March, 2020

Infosys

CMP (Rs)	Target (Rs)
654	720

MARKET DATA

No. of Shares	: 425.6 cr
Market Cap	: Rs 2,78,339 Cr
52-week High / Low	: Rs 847/511
BSE Code	: 500209
NSE Code	: INFY

Infosys is India's second largest IT exporter (on the basis of revenue), multinational corporation that provides business consulting, information technology and outsourcing services. The company has a comprehensive list of Fortune 500 clients across different verticals and geographies.

Investment Rationale

- May see minimal impact of COVID -19 outbreak:** Infosys may see short term impact of COVID 19 outbreak but company can efficiently manage from remote systems to ensure timely delivery of the outsourced business. The COVID impact has been seen majorly on consulting business while outsourcing business still remains robust. Direct exposure to the COVID19 affected regions and verticals is sub 1% and it has not seen any meaningful delivery disruption either. The large deal TCV data has been very healthy for 9MFY20 at \$7.3bn up 56% on YoY basis, which gives comfort to growth in near term.
- Digital playbook intact for Infosys even in global lockdown:** IT service provider's engagement with its partner network has expanded beyond certifications into setup of co-innovation centers, building industry solutions, ISV partnerships and joint sourcing of deals. These partnerships play a significant role in implementation, rollouts & upgrades, validation and support services. Recent deal trend continues to be healthy for Infosys and is reflective of traction in Manufacturing/Industrial and Retail & CPG verticals. Infosys also received various digital transformational deals worth more than \$1.8bn in recent quarter. We believe that COVID outbreak will create huge opportunity across geographies for Infosys to post strong organic growth over different verticals.
- 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%.
- We re-iterate a **Buy** with target price of Rs 720.

Financial Summary

Y/E	Sales (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

No of Stocks	9m	15m
Met Target	23	43
Not Met Target	17	23

Performance Matrix

% Return	9m	15m
Met Target	13.50	12.84
Not Met Target	(13.09)	(15.81)

Benchmark Performance Matrix

% Return	9m	15m
Met Target	1.81	3.04
Not Met Target	(4.87)	(3.39)

Note : Performance of the pick of the week is calculated for stocks recommended from Dec-18 to Feb-20 for 15 Months and from Jun-19 to Feb-20 for 9 Months.

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