

Infosys Technologies Limited

CMP Rs. 1230.0
Accumulate

Result Update
Q3FY09

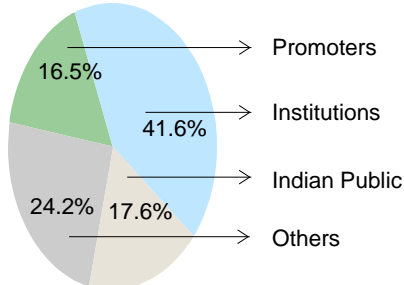
Stock Data

Bloomberg	: INFO.IN
Reuters	: INFY.BO
BSE Code	: 500209
NSE Code	: INFOSYSTCH
BSE Group	: A

Stock Codes

Benchmark	: Sensex
52 Week High	: 2017.0
52 Week Low	: 1040.0
Mkt Cap	: Rs. 70,356 Mn
Face Value	: Rs. 5.0

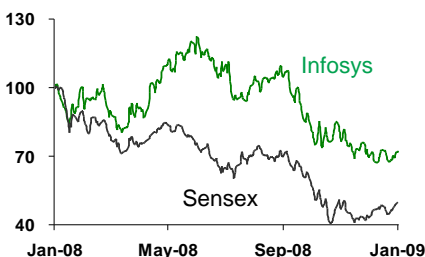
Shareholding Pattern (as on Dec '08)



Stock Returns

	1 Mth	3 Mths	6 Mths
Infosys	1.28	-11.39	-33.48
Sensex	15.29	-12.42	-23.18

Price Comparison



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Credible... or Incredible!

Infosys did what it always does, again & again. Reporting good results just when the markets are expecting something to go wrong, is probably a way of life for the IT bellwether. The company reported ~15% Q-Q profit growth & over 33% annual growth for the third quarter for the FY09 fiscal. It also added 30 new clients.

Key Points

- Infosys hired 5997 (higher than expected) employees during the quarter and plans to hire 3700 entry level employees in Q409. The management also intends to keep its word for the 20,000 odd offers made for the next fiscal. However, these would be in piecemeal & would be most involved in the training process. The management has expended the training period from 16 weeks to 24 weeks to incorporate one more language skills and not to add any pressure on bench.
- Most importantly, Infosys witnessed growth in the two most slowdown-hit segments of BFSI & Retail. It saw a 4.1% & 2.9% growth in BFSI & Retail respectively in constant currency terms.
- Cross currency impacts & lower non-operating incomes were offset by reduction in SG&A expenses and some tax reversals.
- Pricing pressure is a reality but at lower single digits, it is not so much a worry.
- The company's cash position improved with a tight control on debtor days. Infosys intends to hold cash for the sake of possible acquisition opportunities.
- Sharply fluctuating currency prices is now the biggest risk to the reported earnings of IT companies like Infosys.

We perceive that Infosys could emerge as a key beneficiary of the recent troubles with other IT companies. Infosys' stance on the Satyam employees issue & its offer to the new recruits for next year will go a long way in further strengthening its credibility.

Infosys earns over 25% Net margins. Even if the scenario worsens & margins take a decent hit, Infosys will still deliver excellent returns on shareholder's money. However, a possible de-rating on an earnings drop may have a negative impact on the share price. We continue to maintain our overall positive stance on Infosys. Post results, the share price has improved by 6% today. At Rs. 1,230/-, the scrip trades at a P/E of ~12x. We recommend ACCUMULATE.

Data Points

Client Data

Particulars	Dec-08	Sep-08	Jun-08	Mar-08	Dec-07
Active Clients	583	586	567	538	530
Added during the quarter	30	40	49	40	47
Number of million dollar client*	323	325	325	310	305
Number of 5 million + dollar clients*	150	151	146	141	128
Number of 10 million + dollar clients*	102	94	91	89	81
Number of 20 million + dollar clients*	58	56	53	47	45
Number of 30 million + dollar clients*	37	34	33	32	30
Number of 40 million + dollar clients*	26	26	25	22	22
Number of 50 million + dollar clients*	20	20	18	18	17
Clients accounting for > 5% revenues	1	1	1	1	1
Revenue - Top client %	6.2	7.6	7.9	10.3	9.5
Revenue - Top 5 clients %	17.3	18.6	19.9	22	21.6
Revenue - top 10 clients %	27.2	28.0	30.1	32	32.5
Repeat business %	97.1	99.8	99.6	95	96.3
Account receivables - LTM(in days)	62	60	69	72	60

"LTM" - Last Twelve Months

* LTM Revenues

Revenue by Geographical Segment

Particulars (%)	Dec-08	Sep-08	Jun-08	Mar-08	Dec-07
North America	64.5	61.5	62.6	60.7	62.3
Europe	25.5	28.1	27.3	29.3	28.6
India	1.2	1.3	1.3	1.3	1.2
Rest of World	8.8	9.1	8.8	8.7	7.9
Total	100.0	100.0	100.0	100.0	100.0

Revenue by Industry

Particulars (%)	Dec-08	Sep-08	Jun-08	Mar-08	Dec-07
Transportation	2.2	2.3	2.4	2.8	2.4
Telecom	16.7	19.0	19.7	22.5	21.1
Services	5.4	5.1	5.5	5.5	6.0
Retail	12.6	12.1	12.2	11.9	12.0
Manufacturing	19.6	20.1	18.4	16.4	14.6
Insurance banking & financial	34.9	33.4	34.5	33.9	36.8
Energy & Utilities	6.2	5.5	5.4	5.2	5.2
Others	2.4	2.5	1.9	1.8	1.9
Total	100.0	100.0	100.0	100.0	100.0

Employee Metrics

Particulars	Dec-08	Sep-08	Jun-08	Mar-08	Dec-07
Total Employee	103,078	100,306	94,379	91,187	88,601
Net Addition	2,772	5,927	3,192	2,586	8,100
Q-Q growth	2.76%	6.28%	3.50%	2.92%	10.06%
Y-Y growth	16.34%	24.60%	24.23%	26.23%	27.61%

Infosys: Quarterly Financials

Earnings Statement

YE March (Rs. Mn.)	Q3FY09	Q2FY09	Q-Q(%)	Q3FY08	Y-Y(%)	FY08	FY07	Y-Y(%)
Net Revenues	5,786.0	5,418.0	6.79%	4,271.0	35.47%	16,692.0	13,893.0	20.15%
Direct Expenses	3,075.0	2,891.0	6.36%	2,325.0	32.26%	9,207.0	7,458.0	23.45%
Gross Profit	2,711.0	2,527.0	7.28%	1,946.0	39.31%	7,485.0	6,435.0	16.32%
Selling & Marketing expenses	274.0	303.0	-9.57%	205.0	33.66%	916.0	929.0	-1.40%
General & Admin Expenses	406.0	430.0	-5.58%	349.0	16.33%	1,331.0	1,115.0	19.37%
Total Expenditure	3,755.0	3,624.0	3.61%	2,879.0	30.43%	11,454.0	9,502.0	20.54%
Operating Profit	2,031.0	1,794.0	13.21%	1,392.0	45.91%	5,238.0	4,391.0	19.29%
OPM (%)	35.10%	33.11%	6.01%	32.59%	7.70%	31.38%	31.61%	-0.71%
Other Income	38.0	66.0	-42.42%	158.0	-75.95%	704.0	370.0	90.27%
EBITDA	2,069.0	1,860.0	11.24%	1,550.0	33.48%	5,942.0	4,761.0	24.81%
Depreciation	187.0	177.0	5.65%	153.0	22.22%	598.0	514.0	16.34%
EBIT	1,882.0	1,683.0	11.82%	1,397.0	34.72%	5,344.0	4,247.0	25.83%
Interest	0.0	0.0		0.0		0.0	0.0	
PBT	1,882.0	1,683.0	11.82%	1,397.0	34.72%	5,344.0	4,247.0	25.83%
Tax	241.0	251.0	-3.98%	166.0	45.18%	685.0	386.0	77.46%
PAT Before MI	1,641.0	1,432.0	14.59%	1,231.0	33.31%	4,659.0	3,861.0	20.67%
Minority Interest	0.0	0.0		0.0		0.0	11.0	-100.00%
PAT	1,641.0	1,432.0	14.59%	1,231.0	33.31%	4,659.0	3,850.0	21.01%
EPS	28.6	25.0	14.66%	21.5	33.03%	81.5	67.3	21.01%

Ratio Analysis

YE March (Rs. Mn.)	Q3FY09	Q2FY09	Q-Q(bps)	Q3FY08	Y-Y(bps)	FY08	FY07	Q-Q(bps)
OPM (%)	35.10%	33.11%	199.0	32.59%	251.0	31.38%	31.61%	(22.6)
EBITDA (%)	35.76%	34.33%	142.9	36.29%	(53.3)	35.60%	34.27%	132.9
PBIT (%)	32.53%	31.06%	146.4	32.71%	(18.2)	32.02%	30.57%	144.6
PAT (%)	28.36%	26.43%	193.1	28.82%	(46.1)	27.91%	27.71%	20.0
Tax Rate (%)	12.81%	14.91%	(210.8)	11.88%	92.3	12.82%	9.09%	372.9

Infosys: Financials

Earnings Statement					Balance Sheet				
YE March (Rs. Mn.)	FY07	FY08	FY09E	FY10E	YE March (Rs. Mn.)	FY07	FY08	FY09E	FY10E
Net Sales	13,893.0	16,692.0	21,835.2	22,963.0	Equity Capital	286.0	286.0	286.0	286.0
Software Dvlp. Expenses	7,458.0	9,207.0	11,938.4	12,779.4	Reserves	10,969.0	13,509.0	17,867.8	22,048.4
Gross Profit	6,435.0	7,485.0	9,896.9	10,183.6	Shareholders Funds	11,255.0	13,795.0	18,153.8	22,334.4
Total Expenditure	9,502.0	11,454.0	14,806.9	15,796.1	Pref Shares by Subsidiary	-	-	-	-
Operating Profit	4,391.0	5,238.0	7,028.3	7,166.9	Minority Interest	4.0	-	-	-
Other Income	370.0	704.0	632.0	853.9	Total Liabilities	11,259.0	13,795.0	18,153.8	22,334.4
EBITDA	4,761.0	5,942.0	7,660.3	8,020.7	Fixed Assets	3,771.0	4,777.0	5,189.7	5,761.4
Depreciation	514.0	598.0	763.3	928.3	Investments	25.0	72.0	72.0	72.0
EBIT	4,247.0	5,344.0	6,897.0	7,092.5	Current Assets				
Interest	-	-	-	-	Sundry Debtors	2,436.0	3,297.0	4,486.7	4,718.4
PBT	4,247.0	5,344.0	6,897.0	7,092.5	Loans & Advances	1,214.0	2,771.0	3,589.4	3,774.7
Tax	386.0	685.0	1,034.5	1,241.2	Cash & Bank Balance	5,871.0	6,950.0	9,415.4	13,055.4
PAT	3,856.0	4,659.0	5,862.4	5,851.3	Current Liabilities				
					Sundry Creditors	1,469.0	1,912.0	2,213.4	2,327.8
					Provisions	681.0	2,279.0	2,538.1	2,911.8
					Net Current Assets	7,371.0	8,827.0	12,739.9	16,308.9
					Deferred Tax Assets	92.0	119.0	152.2	192.1
					Total Assets	11,259.0	13,795.0	18,153.8	22,334.4
Ratio Analysis					Cash Flow				
YE March (Rs. Mn.)	FY07	FY08	FY09E	FY10E	Particulars	FY07	FY08	FY09E	FY10E
OPM (%)	31.6%	31.4%	32.2%	31.2%	Opening Cash & Bank	3,429.0	5,871.0	6,950.0	9,415.4
EBITDA (%)	34.3%	35.6%	35.1%	34.9%	Profit After Tax	3,856.0	4,659.0	5,862.4	5,851.3
PBIT (%)	30.6%	32.0%	31.6%	30.9%	Less : Invt Income	(370.0)	(704.0)	(632.0)	(853.9)
PAT (%)	27.7%	27.9%	26.8%	25.5%	Depreciation	514.0	598.0	763.3	928.3
EPS (Rs.)	67.3	81.5	102.5	102.3	Deferred Taxation	(27.0)	(22.0)	(33.2)	(39.9)
P/E (x)	18.3	15.1	12.0	12.0	Others	(6.0)	(453.0)	0.0	0.0
P/BV (x)	6.3	5.1	3.9	3.2	Change in Working Cap	(941.0)	(377.0)	(1,447.5)	70.9
BVPS (Rs.)	196.8	241.2	317.4	390.5	CF - Operating Activities	3,026.0	3,701.0	4,513.0	5,956.7
Market Cap (Rs. Mn.)	70,356.0	70,356.0	70,356.0	70,356.0	Change in Fixed Assets	(2,053.0)	(1,156.0)	(1,176.0)	(1,500.0)
M Cap/Sales (x)	5.1	4.2	3.2	3.1	Change in Investments	730.0	(47.0)	0.0	0.0
EV (Rs. Mn.)	70,356.0	70,356.0	70,356.0	70,356.0	Investment Income	370.0	704.0	632.0	853.9
EV/EBITDA (x)	16.0	13.4	10.0	9.8	CF - Investing Activities	(953.0)	(499.0)	(544.0)	(646.1)
EV/Sales (x)	5.1	4.2	3.2	3.1	Increase in Equity	1,189.0	106.0	0.0	(0.0)
ROCE (%)	37.7%	38.7%	38.0%	31.8%	Changes in Borrowings	0.0	0.0	0.0	0.0
RONW (%)	34.2%	33.8%	32.3%	26.2%	Dividend Paid	(756.0)	(2,225.0)	(1,503.6)	(1,670.7)
Debtors T/o Days	64.0	72.1	75.0	75.0	CF - Financing Activities	369.0	(2,123.0)	(1,503.6)	(1,670.7)
Advances T/o Days	31.9	60.6	60.0	60.0	Net Change in Cash	2,442.0	1,079.0	2,465.4	3,639.9
Creditors T/o Days	38.6	41.8	37.0	37.0	Closing Cash & Bank Bal	5,871.0	6,950.0	9,415.4	13,055.4
Working Cap T/o Days	193.7	193.0	213.0	259.2					
Fixed Assets T/o (Gross)	3.0	3.1	3.1	2.7					
DPS (Rs.)	11.4	33.3	22.5	25.0					
Dividend Payout (%)	17.0%	40.8%	22.0%	24.4%					
Dividend Yield (%)	0.9%	2.7%	1.8%	2.0%					

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Disclosure of Interest Statement

1. Analyst Ownership of the scrip
2. PPFAS ownership of the scrip
3. PMS ownership of the scrip

Infosys Technologies

YES
NO
NO

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