

## Infosys Technologies Limited

CMP Rs. 1370.80

Result Update  
Q4FY09

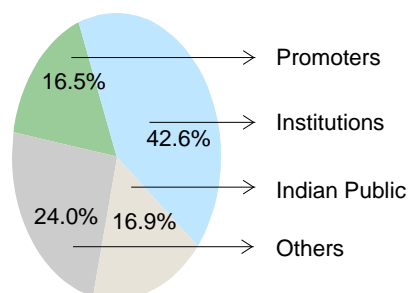
### Stock Data

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. 78,409 Mn
Face Value	: Rs. 5.0

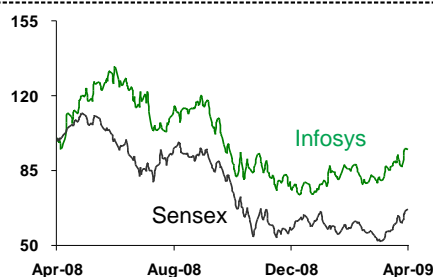
### Shareholding Pattern (as on Mar '09)



### Stock Returns

	1 Mth	3 Mths	6 Mths
Infosys	16.01	21.14	7.33
Sensex	26.53	1.92	-10.73

### Price Comparison



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Infosys reported near expected results for the quarter, but the guidance for the year is fairly dismal.

### Result Highlights

#### For Q409 :

- Revenue at Rs. 5635 Crs grew 24% Y-Y & declined by 2.6% Q-Q
- PAT at Rs. 1613 Crs grew 29% Y-Y & declined by 1.7% Q-Q

#### For FY09 :

- Revenue at Rs. 21,693 Crs grew 30% Y-Y
- Adjusted PAT at Rs. 5880 Crs grew 30% Y-Y

While the reported numbers look fine on reported terms, thanks to the benign currency, the company saw a second continual Q-Q decline in business in \$ terms. But the key worry factor the the company is reflected in the guidance, which even after factoring a favourable currency is expecting a negative growth for the current fiscal.

### Guidance

#### Guidance for fiscal year ending March 31, 2010 :

- Income is expected to be in the range of Rs. 22,066 crore and Rs. 22,928 crore; YoY growth of 1.7% – 5.7%
- Earnings per share is expected to be in the range of Rs. 96.65 and Rs. 101.18; YoY decline of 7.6% - 3.3%

#### Guidance for quarter ending June 30, 2009 :

- Income is expected to be in the range of Rs. 5,379 crore and Rs. 5,480 crore; YoY growth of 10.8% – 12.9%
- Earnings per share is expected to be Rs. 23.55; YoY growth of 3.5%

This is a fairly muted guidance, given the conversion rate is assumed at 1\$=Rs. 50.72.

There has been a visible decline in the applications business and percentage of fixed price contracts seem to be on the upward trend. More importantly, the share of the top client has significantly reduced to 5.7% from 6.2% in the previous quarter & 10.3% a year ago.

The management has specified during the concall, its expectation of ~300 bps decline in the margins (~200 bps at the PAT level) on account of price cuts (~6% for the year) and increasing selling costs. The management expects 80% conversion for the 20,000 job offers that it intends to honour, i.e. ~ 16000 gross addition of freshers + ~2000 experienced staff to join in during the current fiscal. But the net hiring after assuming a 10% normal attrition may be in the range of 6-8000 people, much of which would not be available for a good part of the year.

Overall the pricing pressure & its impact on margins is making its presence felt. Given a flattish revenue & negative earnings growth outlook on account of margin contraction, coupled with the risks of currency & cross-currency fluctuations, the outlook appears to be fairly dull. At the current price of Rs. 1371, the scrip trades at over 13.7 times its FY10E earnings and does not offer much to the investors.

Post Infosys' guidance, the expectations from other firms may go down further in terms of revenue growth, pricing pressure & margins. We would recommend a switch to stocks like Mphasis where despite some of such margin related negatives, the growth should be good enough to generate some meaningful returns for the investors.

### Infosys: Quarterly Financials

Earnings Statement								
YE March (Rs. Mn.)	Q4FY09	Q3FY09	Q-Q(%)	Q4FY08	Y-Y(%)	FY09	FY08	Y-Y(%)
<b>Net Revenues</b>	<b>5,635.0</b>	<b>5,786.0</b>	<b>-2.61%</b>	<b>4,542.0</b>	<b>24.06%</b>	<b>21,693.0</b>	<b>16,692.0</b>	<b>29.96%</b>
Direct Expenses	3,045.0	3,075.0	-0.98%	2,482.0	22.68%	11,765.0	9,207.0	27.78%
Gross Profit	2,590.0	2,711.0	-4.46%	2,060.0	25.73%	9,928.0	7,485.0	32.64%
Selling & Marketing expenses	270.0	274.0	-1.46%	223.0	21.08%	1,104.0	916.0	20.52%
General & Admin Expenses	429.0	406.0	5.67%	359.0	19.50%	1,629.0	1,331.0	22.39%
<b>Total Expenditure</b>	<b>3,744.0</b>	<b>3,755.0</b>	<b>-0.29%</b>	<b>3,064.0</b>	<b>22.19%</b>	<b>14,498.0</b>	<b>11,454.0</b>	<b>26.58%</b>
<b>Operating Profit</b>	<b>1,891.0</b>	<b>2,031.0</b>	<b>-6.89%</b>	<b>1,478.0</b>	<b>27.94%</b>	<b>7,195.0</b>	<b>5,238.0</b>	<b>37.36%</b>
OPM (%)	33.56%	35.10%	-4.40%	32.54%	3.13%	33.17%	31.38%	5.69%
Other Income	252.0	38.0	563.16%	139.0	81.29%	473.0	704.0	-32.81%
EBITDA	2,143.0	2,069.0	3.58%	1,617.0	32.53%	7,668.0	5,942.0	29.05%
Depreciation	228.0	187.0	21.93%	157.0	45.22%	761.0	598.0	27.26%
EBIT	1,915.0	1,882.0	1.75%	1,460.0	31.16%	6,907.0	5,344.0	29.25%
Interest	0.0	0.0		0.0		0.0	0.0	
PBT	1,915.0	1,882.0	1.75%	1,460.0	31.16%	6,907.0	5,344.0	29.25%
Tax	302.0	241.0	25.31%	211.0	43.13%	1,027.0	806.0	27.42%
PAT Before MI	1,613.0	1,641.0	-1.71%	1,249.0	29.14%	5,880.0	4,538.0	29.57%
Minority Interest	0.0	0.0		0.0		0.0	0.0	#DIV/0!
PAT	1,613.0	1,641.0	-1.71%	1,249.0	29.14%	5,880.0	4,538.0	29.57%
EPS	28.1	28.6	-1.75%	21.8	29.16%	104.4	79.3	31.63%
<b>Ratio Analysis</b>								
YE March (Rs. Mn.)	Q4FY09	Q3FY09	Q-Q(bps)	Q4FY08	Y-Y(bps)	FY09	FY08	Q-Q(bps)
OPM (%)	33.56%	35.10%	(154.4)	32.54%	101.7	33.17%	31.38%	178.7
EBITDA (%)	38.03%	35.76%	227.1	35.60%	242.9	35.35%	35.60%	(25.0)
PBIT (%)	33.98%	32.53%	145.7	32.14%	184.0	31.84%	32.02%	(17.6)
PAT (%)	28.62%	28.36%	26.3	27.50%	112.6	27.11%	27.19%	(8.1)
Tax Rate (%)	15.77%	12.81%	296.5	14.45%	131.8	14.87%	15.08%	(21.3)

### Data Points

Client Data					
Particulars	Mar-09	Dec-08	Sep-08	Jun-08	Mar-08
Active Clients	579	583	586	567	538
Added during the quarter	37	30	40	49	40
Number of million dollar client*	327	323	325	325	310
Number of 5 million + dollar clients*	151	150	151	146	141
Number of 10 million + dollar clients*	101	102	94	91	89
Number of 20 million + dollar clients*	59	58	56	53	47
Number of 30 million + dollar clients*	39	37	34	33	32
Number of 40 million + dollar clients*	30	26	26	25	22
Number of 50 million + dollar clients*	20	20	20	18	18
Clients accounting for > 5% revenues	1	1	1	1	1
Revenue - Top client %	5.7	6.2	7.6	7.9	10.3
Revenue - Top 5 clients %	17.2	17.3	18.6	19.9	22
Revenue - top 10 clients %	26.8	27.2	28.0	30.1	32
Repeat business %	95.9	97.1	99.8	99.6	95
Account receivables - LTM(in days)	62	62	60	69	72

"LTM" - Last Twelve Months

\* LTM Revenues

Revenue by Geographical Segment					
Particulars (%)	Mar-09	Dec-08	Sep-08	Jun-08	Mar-08
North America	64.6	64.5	61.5	62.6	60.7
Europe	24.3	25.5	28.1	27.3	29.3
India	1.6	1.2	1.3	1.3	1.3
Rest of World	9.5	8.8	9.1	8.8	8.7
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

Revenue by Industry					
Particulars (%)	Mar-09	Dec-08	Sep-08	Jun-08	Mar-08
Transportation	2.3	2.2	2.3	2.4	2.8
Telecom	16.7	16.7	19.0	19.7	22.5
Services	5.0	5.4	5.1	5.5	5.5
Retail	13.5	12.6	12.1	12.2	11.9
Manufacturing	20.8	19.6	20.1	18.4	16.4
Insurance banking & financial	33.0	34.9	33.4	34.5	33.9
Energy & Utilities	5.9	6.2	5.5	5.4	5.2
Others	2.8	2.4	2.5	1.9	1.8
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

Employee Metrics					
Particulars	Mar-09	Dec-08	Sep-08	Jun-08	Mar-08
Total Employee	104,850	103,078	100,306	94,379	91,187
Net Addition	1,772	2,772	5,927	3,192	2,586
Q-Q growth	1.72%	2.76%	6.28%	3.50%	2.92%
Y-Y growth	14.98%	16.34%	24.60%	24.23%	26.23%



# Disclaimer

## 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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