

Infosys Technologies - Stock Data

BSE Code	500209
Bloomberg	INFO IS
Price (Rs)	1,230.15
Ave. Volume (2 week)	386,479
Total Shares cr.	57.26
52 Week (Rs)	2,017 / 1,040
High/Low	
M Cap Rs cr.	70,577.78

(As on January 13, 2009)

Brief financials (Rs crores)

Particulars	9M FY09	FY08
Revenue	16,058	16,692
Other Income	221	704
EBITDA	5,304	5,238
PBT	4,992	5,344
PAT	4,375	4,659
EPS (INR)	76.4	81.5
EBITDA %	33.03%	31.38%
PAT %	26.88%	26.78%

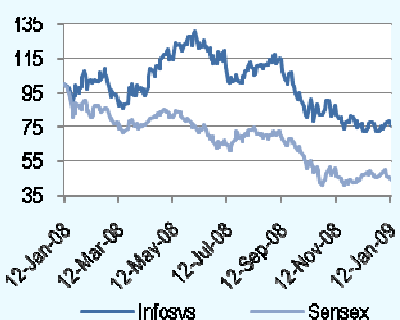
Source: Company and Elara Research

Shareholding pattern (as on 31.12.08)

Category	Number of shares
Promoters (16.5%)	94,495,978
Institutions / Banks (40.5%)	231,576,661
Body Corporate (2.9%)	16,348,351
Public (21.0%)	119,917,746
Shares held by Custodians (19.2%)	109,657,022
Total	571,995,758

Source: BSE website

Rs. 100 invested is worth



Research Analyst

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Key Highlights

Infosys today declared better than expected Q3 FY09 results with consolidated Income of Rs 5,786 crores (up 6.8% QoQ and up 35.5% YoY), EBITDA of Rs 2,031 crores (up 13.2% QoQ and up 45.9% YoY), and PAT of Rs 1,641 crores (up 14.6% QoQ and up 33.3% YoY).

- Growth in Q3 FY09 Income was led by volume increase of 2% QoQ (increase of 3.3% in offshore volumes and decrease of 1% in onsite volumes), currency depreciation (INR / USD) of 11% QoQ and pricing in constant currency terms declined 1.8% QoQ. The company is looking at a portfolio approach for pricing but the management feels that pricing may be under pressure if macro situation remains bad.
- Operating Profit Margins improved 250 bps led by INR / USD depreciation of 11% QoQ, reduction in selling & marketing expenses and General & Administrative expenses as a percentage of sales to 4.74% and 7.02% respectively against 5.6% and 7.94% in Q2 FY09. The management expects to maintain the same level in the next quarter as it believes the same to be sufficient considering existing market situation.
- PAT margins were stable YoY with lower non-operating income (due to high currency fluctuations) getting balanced by higher operating margins. EPS increases to Rs 28.66 in Q3 FY09 from Rs 21.54 in Q3 FY08, YoY growth of 33.1%.

Other Updates

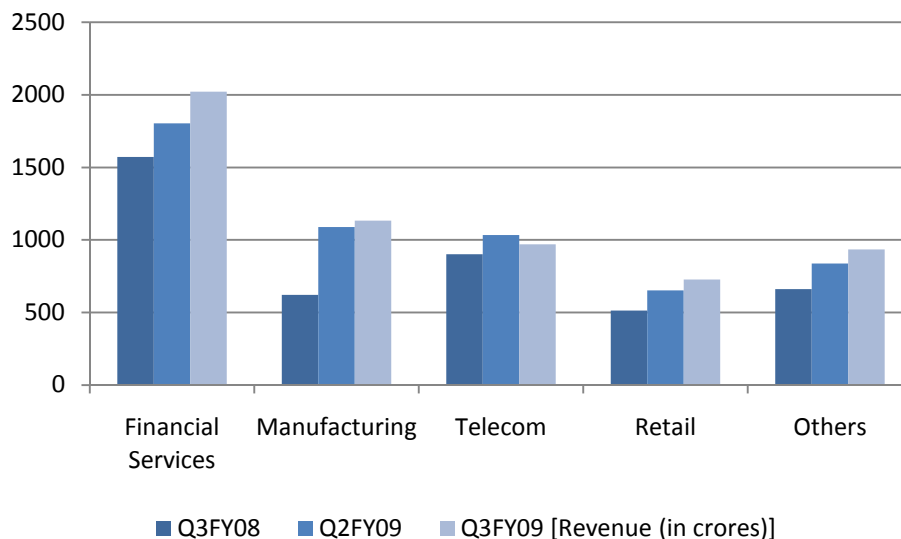
- The company added 30 new clients during the quarter with 4 large deals of more than USD 50mn. The total number of clients for the company now stands at 583. The company got 97.1% as repeat business in the current quarter (Q2 FY09 – 99.8%, Q3 FY08 – 96.3%).
- The velocity of new projects has gone down sharply due to delay in budget finalization and lower spends by big Clients of Infosys. There has been an increase in RFP's (Request for Proposal) but the duration of conversion into contracts has increased. The company has left deals wherein the pricing was unacceptable.
- During the quarter, Infosys and its subsidiaries added 5,997 employees (gross). The net addition during the quarter was 2,772 employees. As at the end of the quarter the total employee strength for Infosys and its subsidiaries stands at 103,078. The company has increased the employee guidance from addition of 25,000 employees to 27,000 employees for the full year. It is looking at hiring further 3,700 employees at gross level in the next quarter.
- The utilization rates have been at 68.5% including trainees and 74.5% excluding trainees, which is down both on YoY and QoQ basis. The utilization rates are further expected to come down post new employee additions. The company has also extended the average training period from 16 weeks to 24 weeks to incorporate learning of an additional language.
- The company has cash and bank balance of Rs 8,463 crores with 67% of it in Indian PSU banks. The company will utilize the cash for acquiring companies.

- The Tax incentives provided to IT companies has been extended by one year to FY10. In the current quarter the average rate of tax for the company increased to 16% against 15% in last quarter. The tax rate is likely to go up to 20% post the FY10.
- The company has lowered its guidance in dollar terms due to fluctuations in the currency. The details of the revised guidance for full-year FY09 and Q4 FY09 is as follows:

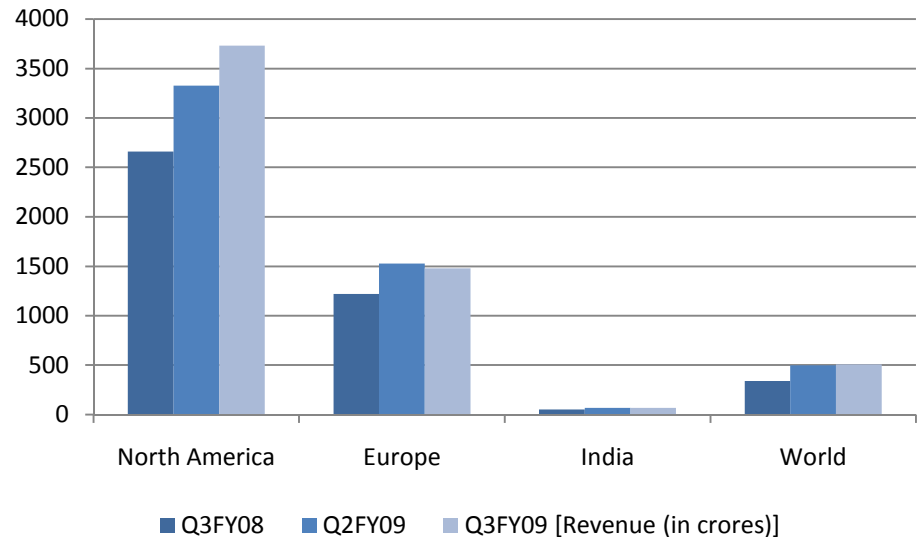
	INR (crores)		USD (mn)	
	Old Guidance	Revised Guidance	Old Guidance	Revised Guidance
Full-Year FY09				
Income	21,309-21,731	21,552-21,757	4,720-4,810	4,670-4,710
YoY Growth (%)	27.7 to 30.2	29.1 to 30.3	13.1 to 15.2	11.8 to 12.8
EPS (per share)	101.06	102.92	2.24	2.23
YoY Growth (%)	24	26.2	10.3	9.9
Q4 FY09				
Income		5,494-5,699		1,128-1,170
YoY Growth (%)		21.0 to 25.5		(1.2) to 2.5
EPS (per share)		26.49		0.55
YoY Growth (%)		21.4		same as last year

The average rate of conversion has also been revised to Rs 48.71 per USD as against earlier conversion rate of Rs 46.97 per USD. The company has a net mark-to-market exposure of USD 576 mn in Q3 FY09 against USD 932 mn in Q2 FY09.

- The company has increased the proportion of fixed price contracts in order to cope with pressures on billing and try and ensure stability of income. About 36.3% of its revenue was generated from fixed-price contracts during October-December quarter, up from some 34% in the previous quarter.
- The growth in the various segments Industry wise is as follows: BFSI grew by 1.0% sequentially; 4.1% in constant currency, Manufacturing declined by 6.0% sequentially; 3.7% in constant currency, Retail grew by 0.3% sequentially; 2.9% in constant currency, Telecom declined by 15.3% sequentially; 3.4% in constant currency, Others grew by 0.6% sequentially; 4.3% in constant currency.



- The growth in the various segments geographically is as follows: North America grew by 1.1% sequentially; 1.5% in constant currency, Europe declined by 12.5% sequentially; 1.2% in constant currency, Rest of the world declined by 6.4% sequentially; grew by 5.8% in constant currency.



Financial Performance (Consolidated)

Particulars (Rs crores)	Q3 FY09	Q3 FY08	% change	Q2 FY09	% change	FY08
Income	5,786	4,271	35.5%	5,418	6.8%	16,692
Expenditure						
- Software development expenses	3,075	2,325	32.3%	2,891	6.4%	9,207
- Selling & Marketing expenses	274	205	33.7%	303	-9.6%	916
- General & Administration expenses	406	349	16.3%	430	-5.6%	1,331
Total Expenditure	3,755	2,879	30.4%	3,624	3.6%	11,454
EBITDA	2,031	1,392	45.9%	1,794	13.2%	5,238
EBITDA Margins (%)	35.1%	32.6%		33.1%		31.4%
Other Income	38	158	-75.9%	66	-42.4%	704
Depreciation	187	153	22.2%	177	5.6%	598
PBT	1,882	1,397	34.7%	1,683	11.8%	5,344
Tax	241	166	45.2%	251	-4.0%	685
PAT	1,641	1,231	33.3%	1,432	14.6%	4,659
PAT Margins (%)	28.2%	27.8%		26.1%		26.8%
Equity shares (in crores)	57.3	57.1		57.2		57.2
EPS	28.7	21.5	33.0%	25.0	14.6%	81.5

Our View

Considering current uncertain business conditions with significant doubts of a faster improvement in the business environment with volumes growth declining and pricing pressures mounting, we believe Infosys with its strong business model will come out with decent growth going forward with more clients trust following its high corporate governance standards. We expect the macro factors to remain weak in the near-term but we do expect it to improve post February as IT budgets get closed for major clients. The stock currently trades at Rs 1,230 which is 15x FY08 earnings and 12.5x TTM earnings.

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