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Research Summary

Infosys Limited



Infosys Limited is an Indian multinational company. It deals with information technology, Consulting and Outsourcing. The company is headquartered in Bangalore, Karnataka in India. The company was incorporated on 2 July 1981. The founders are N. R. Narayana Murthy, Nandan Nilekani, S. Gopalakrishnan, S. D. Shibulal, K. Dinesh, N. S. Raghavan and Ashok Arora.

The company was started with an initial investment of \$250 in 1981 in Maharashtra, later it was relocated to Bangalore. It has its operation worldwide. The shares are traded on BSE, NSE and NYSE. Infosys has its major presence in India, United States, China, Australia, Japan, Middle East and Europe. As per the records submitted in 2021 the company has a total workforce of 259,619 employees. In Q3FY22 the attrition has risen to 25.5%, from 20.1% in the September quarter. The company plans to hire 55,000, freshers for FY22 as part of its global graduate hiring program.

Industry Analysis

Infosys is a leading IT brand in India. It is constantly performing well to gain momentum in the IT industry. The mission of this company is "To achieve our objectives in an environment of fairness, honesty and courtesy towards our clients, employees, vendors and society at large." The values of this company include integrity, transparency, fairness, excellence and leadership.

In terms of attrition, I think, it's a larger industry issue. It's not peculiar to us. And fundamentally, I think, it's largely stemming from that the volume increase for this industry fundamentally has to come from freshers, right? Otherwise, it's a zero-sum game in terms of somebody else's attrition is my backfill and my attrition is somebody else's backfill. So as long as the fresher intake starts increasing because, first, they have to come into training, then they go into production after three or four months, and that will take time for this industry to start absorbing.

Nilanjan Roy, CFO

Key Financials

Key Metrics (In \$ Millions)	Dec 31, 2021	Dec 31, 2020
Revenues	4,250	3,516
Cost of sales	2,856	2,275
Gross profit	1,394	1,241

- Revenues in CC terms increased by 21.5% YoY and 7.0% QoQ
- Reported revenues about 22.9% YoY to 31,867 crores
- Digital revenues at 58.5% of total revenues, YoY CC grew 42.6%
- Operating margin is 23.5%, decreased by 1.9% YoY and 0.1% QoQ
- Basic EPS at 13.86, grew 13.1% YoY.
- FCF at 5,399 crore, YoY decreased by 5.0%; FCF conversion at 92.7% of net profit

Management Team

- Nandan M. Nilekani, Co-founder and Chairman of the Board
- Salil Parekh, Chief Executive Officer and Managing Director
- Kiran Mazumdar-Shaw, Lead Independent director
- D. Sundaram- Independent Director
- Michael Gibbs- Independent Director



Business Segment Analysis

- Digital business grew by 42.6% and is now 58.5% of our overall revenues.
- Revenues at \$4.25 billion grew 21.5% year on year and 7% sequentially in constant currency.
- Operating margin's strong at 23.5%
- Financial services grew at 15.5% in constant currency.
- The retail segment increased by 19.8% in constant currency.
- Energy, utilities, resources and services vertical grew by 13.6% constant-currency growth.
- Hi-tech increased by 18.9% in constant currency.
- North America, grew at 21.4%.
- Europe accelerated to an impressive 27.2% year on year in constant-currency terms.

Competitors

- Capgemini
- Tata Consultancy Services
- Cognizant
- Accenture
- HCL Technologies

We also see the cloud capability faster growing than our digital capability. So yes, we are well-positioned to benefit from this. In addition to that, we have a strong set of capabilities in automation, in modernization. We've even seen our core services, which is now stable this quarter in terms of growth, it's not shrinking. So our view is that our set of capabilities and portfolio are reflecting what our client expectation, demand are. And we have the ability to meet all of those from the capability perspective.

Nilanjan Roy, CFO



Key Developments

Infosys has entered into a partnership with the Australian Open (AO) until the end of 2026.

Infosys has announced the retirement of COO Pravin Rao.

Infosys has decided to transfer Daimlers HPC workloads to green data centre in Norway

Madison Square Garden Sports Corp has entered into a partnership with Infosys who will act as digital innovation partner.

Infosys has entered into a strategic collaboration with the Financial Times.

Infosys extends its strategic collaboration with Proximus, leading digital services and communications solutions in Belgium.

Infosys integrated its flagship human-centric digital commerce platform, Infosys Equinox, with Packable IQ.

Infosys entered into a contract with bp to develop and pilot an energy as a service (EaaS) solution, which will aim to help businesses improve the energy efficiency of infrastructure and help meet their decarbonization goals.

Major Stockholders

- GQG Partners LLC (1.37%)
- Capital Research & Management (0.48%)
- FIL Investment Advisors (UK) Ltd. (0.48%)
- JPMorgan Asset Management (UK) (0.46%)
- JPMorgan Investment Management (0.42%)
- Fisher Asset Management LLC (0.38%)
- UBS Asset Management (Americas) (0.38%)
- Ninety One UK Ltd. (0.37%)

Our large deals in this quarter were also very strong. We continue to see a good large deal pipeline. We have seen a steady expansion of our clients over \$50 million, \$100 million, \$200 million and so on. And so, we see that expansion within clients is working very well as well. And also, our new client wins, new accounts, are working well. So overall, we have the various elements of continuing this demand environment strongly. But we don't have a specific guidance yet for April 1, '22 -- year starting in April 1, '22.

Salil Parekh, MD & CEO



SWOT Analysis

Strength

- Infosys enjoys cost benefit due to its presence in India
- It has entered into strategic partnership with other technological company to deliver a collaborative service
- The financial figures depict that the company has a huge ROI which has helped in business expansion

Weakness

- Revenue is solely dependent on North America and Europe
- High attrition rate of employees
- Raising wage inflation affecting the India market

Opportunities

- The company is moving to cloud based computing
- Infosys should focus on emerging markets

Threat

- Change in government policies in USA
- Prevailing immigration law Law also impacting the IT industry
- Competition from other IT firms
- Infosys is greatly affected due to volatility in the market



Excerpts from the conference call Q&A

Analyst questioned on the incremental margin. It was answered by Mr Salil Parekh, CEO and Managing director that the cloud business did really well. There has been a strong growth of 7%, and therefore the overall guidance jumping up by 3%. Regarding the question on outlook it was answered that the company has 25 large deals, each over \$50 million for a total of \$2.5 billion, and 44% of these are net new contracts in the pipeline.

Regarding the question on offshore labor incremental cost it was answered that they operate at sort of an 85%, 86%. It was emphasized that large labor markets are available in India and will open up a lot more offshoring opportunities. Analysts even question about the attrition rate. It was answered that it is still there and inching up. The company even emphasized on adding more freshers as a new hire for business.

Outlook

EPS Trend	Current Qtr. (Mar 2022)	Next Qtr. (Jun 2022)
Current Estimate	0.19	0.19

- Anticipates annual revenue growth guidance of 16.5% to 17.5%
- Anticipates annual revenue growth guidance of 19.5% to 20% in constant currency



Bay Area, San Francisco, CA