



Result update: Infosys – Q2FY12

12th October, 2011

CMP: 2,672

FV: Rs. 5

Market Capitalization: Rs. 1,539bn

Q1FY12 results were above street expectations. 4.5% QoQ growth in US\$-revenues came ahead of Infosys' own guidance.

Q2FY12 Results – Key highlights

- 1) The company reported dollar revenue growth of 4.5% QoQ for Q2FY12. Volumes grew 4.5% QoQ; and pricing was up 1% in constant currency. Pricing was up 1% QoQ on a blended basis CC driven by improvement in offshore (+3.5% CC), reported attrition was at 15.6%, flat QoQ (15.8% in Q1FY12) and net addition was higher at 8,262 (2,740 in Q1FY12), utilisation (IT - incl. trainees) increased to 70.2% (69.5% in Q1), Europe saw growth of 2% CC QoQ growth, while Americas grew 6.3% CC.
- 2) The total headcount of Infosys and its subsidiaries stood at 1,41,822 employees as on September 30, 2011.
- 3) North America which accounted 60.9% of Q2FY12 revenues witnessed QoQ growth of 18.6% to Rs. 52.9 bn.
- 4) Top 5 and Top 10 client contribution to revenues was unchanged at 15.9% and 25.2% respectively. Top client contributed 4.6% to revenues in Q2FY12 (4.5% in Q1FY12).
- 5) EBITA margins were up by 200bps on QoQ basis to touch 31%.
- 6) Net profit stood at Rs19.06bn, up by 10.6 percent.
- 7) As on September 30, 2011, Infosys' cash and cash-equivalents, including investments in available-for-sale financial assets and certificates of deposits, stood at Rs. 186 bn.

Financial highlights (Rs. in mn.)

Particulars	Q2FY12	Q1FY12	%QoQ	Q2FY11	%YoY
Revenues	80,990	74,860	8.19	69,470	16.6
EBITDA	25,140	21,740	15.6	23,150	8.6
EBITDA (%)	31	29	200 bps	33.3	(230) bps
Adjusted PAT	19,060	17,220	10.6	17,370	9.7
NPM (%)	23.5	23	50 bps	25	(150) bps
EPS (Rs.)	33.36	30.14	10.6	30.4	296 bps

FY12 guidance: US\$ revenue guidance has witnessed a cut to 17.1-19.1% growth on YoY basis on account of company expecting the IT budgets to be freezed in December 2012. In rupee terms, EPS guidance has been revised upwards by 2.3-8.9% to Rs.143-145.3 on YoY basis registering a growth of 19.8-21.6%. For Q3FY12E, Infosys has guided for revenue of US\$ 1,802 mn to US\$ 1,840 mn, implying 3.2%-5.4% QoQ growth.

Q3FY12 guidance: For Q3FY12, the company expects revenue to grow at 13.7-16.1% to US\$1.80-1.84 billion and an earnings is expected to grow 14.5-15.9% on YoY basis in rupee terms. The company expects revenue to rise at 24.2-26.8% to Rs. 88.26- 90.12 bn and Q3FY12 EPS at Rs.38.51-39.20 in rupee terms.

Outlook: In Q2FY12, the company has added 45 new clients, out of which 10 are from Europe. According to the management, there has been no change in volume and pricing assumptions for FY12. The management does not see project cancellations or budget cuts. However, a better clarity on client budgets is likely to be seen by January 2012. Infosys numbers were above street estimates and the EPS guidance of Rs 143-145 is very positive and encouraging. We believe the company has executed well in terms of its guidance and street estimates. Considering the strong performance given by the company, it would lead to rerating of the stock. We maintain our BUY rating on the stock at CMP.

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