

Week Gone

- ⇒ In the week ended on Friday, 11 February 2022, the Sensex fell 491.9 points or 0.84% to settle at 58,152.92. The Nifty 50 index decline 141.55 points 0.81% and settle at 17,516.30.
- ⇒ The BSE Mid-Cap index fell 2.02% to settle at 24,250.92.
- ⇒ The BSE Small-Cap index lost 3.4% to settle at 28,691.82.

Week Ahead

- ⇒ Global and domestic macroeconomic data, trend in global stock markets, the movement of rupee against the dollar and crude oil prices will dictate trend on the bourses in the near term.
- ⇒ Investment by foreign portfolio investors (FPIs) and domestic institutional investors (DIIs) will be monitored.
- ⇒ On the macro front, the Industrial production and manufacturing production data for December will be released on Friday, 11 February 2022.

Technical Overview

Index closed with a loss of 0.81% at 17375. Index opened the week with a gap down and remained volatile throughout the week ending the week near opening price with a minor loss. Index has been consolidating near the weekly 20 EMA, till index holds above the same will be a bullish signal, while sustenance below the same would indicate a caution sign for short to medium term. Going forward, the index has an immediate resistance placed around 17480-17630-17800. Whereas on the other hand, support is seen around 17200-17030-16800.



Source: Falcon, BP Equities Research

Weekly Wealth

DOMESTIC INDICES

Index	11-Feb-22	04-Feb-22	Weekly % Chg
Nifty 50	17,374.8	17,516.3	-0.8
Nifty Next 50	41,553.1	41,998.0	-1.1
Nifty 100	17,606.6	17,755.3	-0.8
Nifty 500	14,891.3	15,085.5	-1.3
NIFTY MIDCAP 100	29,729.4	30,441.6	-2.3
S&P BSE SENSEX	58,152.9	58,644.8	-0.8
S&P BSE 100	17,637.7	17,806.2	-0.9
S&P BSE 200	7,513.9	7,590.2	-1.0
S&P BSE 500	23,663.0	23,966.6	-1.3
S&P BSE MidCap	24,250.9	24,750.6	-2.0
S&P BSE SmallCap	28,691.8	29,702.6	-3.4

WORLD INDICES

Index	11-Feb-22	04-Feb-22	Weekly % Chg
Nikkei Index	27,696.1	27,440.0	0.9
Hang Seng Index	24,906.7	24,573.3	1.4
Kospi Index	2,747.7	2,750.3	-0.1
Shanghai SE Composite	3,463.0	3,361.4	3.0
Strait Times Index	3,429.0	3,331.4	2.9
Dow Jones	35,244.7	34,841.5	1.2
NASDAQ	14,106.7	13,932.2	1.3
FTSE	7,661.0	7,509.4	2.0

FOREX

Currency	11-Feb-22	04-Feb-22	Weekly % Chg
US\$ (Rs.)	75.1	74.7	0.5
GBP (Rs.)	102.4	101.6	0.8
Euro (Rs.)	86.2	85.3	1.1
Yen (Rs.) 100 Units	64.0	65.0	-1.5

NIFTY TOP GAINERS (WEEKLY)

Scrip	11-Feb-22	04-Feb-22	Weekly % Chg
Tata Steel	1254.5	1176.3	6.6%
Vedanta	378.1	356.4	6.1%
Coal India	166.5	160.4	3.8%
Hindalco	542.7	525.2	3.3%
Indusind Bank	982.4	956.1	2.8%

FII - ACTIVITY

(INR. Cr.)

Date	Purchases	Sales	Net
11-Feb-22	9,754.9	9,646.3	108.5
10-Feb-22	8,660.6	10,393.2	-1,732.6
09-Feb-22	6,152.4	7,045.0	-892.6
08-Feb-22	7,225.1	9,193.0	-1,967.9
07-Feb-22	6,281.5	7,438.8	-1,157.2
<u>MTD</u>	38,074.5	43,716.3	-5,641.8

NIFTY TOP LOSERS (WEEKLY)

Scrip	11-Feb-22	04-Feb-22	Weekly % Chg
Indiabulls Housing	197.9	214.4	-7.7%
Zee Entertainment	261.9	278.3	-5.9%
GAIL India	140.7	146.6	-4.0%
Larsen & Toubro	1871.3	1948.0	-3.9%
TCS	3695.0	3814.9	-3.1%

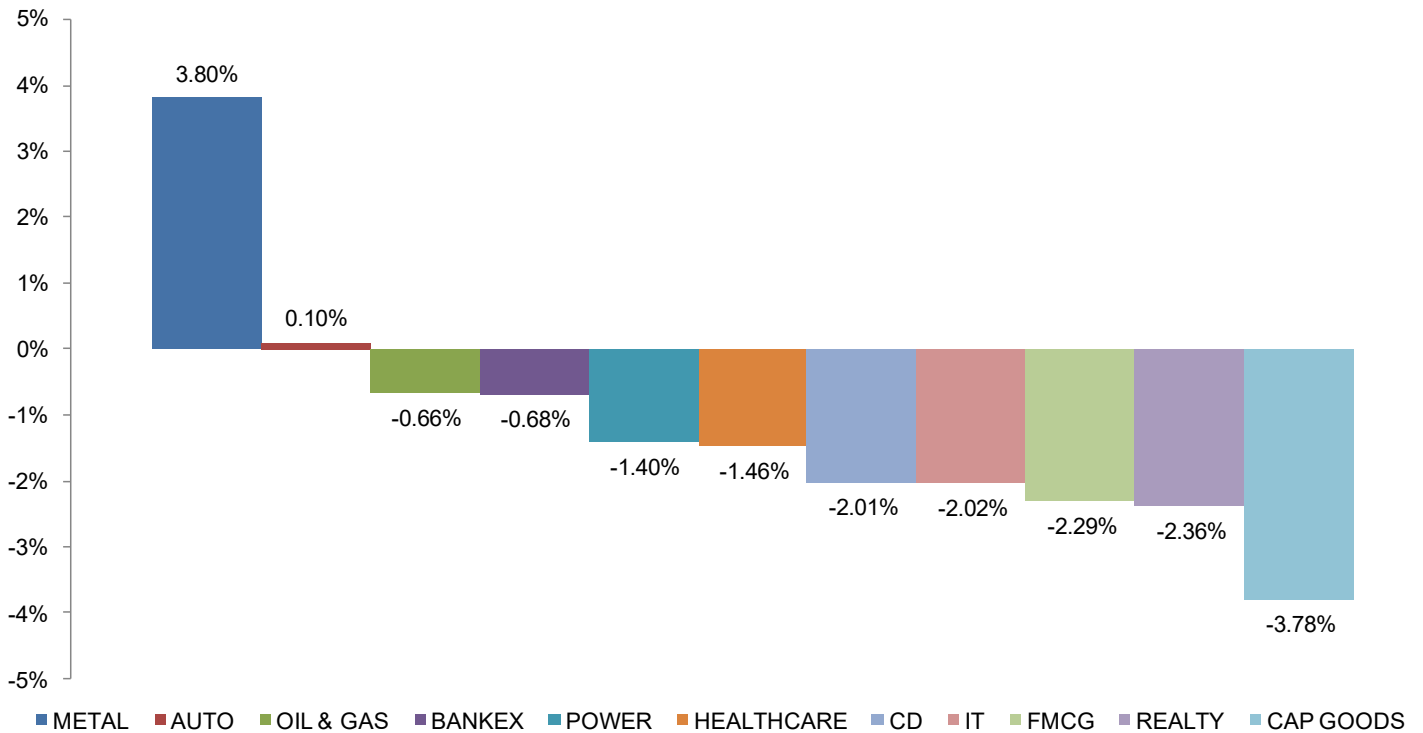
DII - ACTIVITY

(INR. Cr.)

Date	Purchases	Sales	Net
11-Feb-22	5,537.2	6,234.1	-696.9
10-Feb-22	7,853.2	5,125.9	2,727.2
09-Feb-22	7,021.4	5,228.0	1,793.4
08-Feb-22	6,674.2	5,559.2	1,115.0
07-Feb-22	4,644.5	6,021.0	-1,376.5
<u>MTD</u>	31,730.4	28,168.2	3,562.2

Weekly Wealth

BSE WEEKLY SECTORAL PERFORMANCE



Source: BSE, BP Equities Research

TOP OPEN INTEREST GAINERS (WEEKLY)

SCRIP NAME	04/02/22	11/02/22	Weekly % Chg	03/12/21	26/11/21	Weekly % Chg
	Share Price (Rs.)			Open Interest		
TVSMOTOR	646.9	660.7	2.1	7053200	9893800	40.3
HINDCOPPER	138.2	139.2	0.7	14263100	19014600	33.3
ABB	2341.9	2177.2	-7.0	196250	256250	30.6
POWERGRID	207.6	202.8	-2.3	24697123	31699352	28.4
INTELLECT	743.4	687.2	-7.6	297750	374250	25.7

TOP OPEN INTEREST LOSERS (WEEKLY)

SCRIP NAME	03/12/21	26/11/21	Weekly % Chg	03/12/21	26/11/21	Weekly % Chg
	Share Price (Rs.)			Open Interest		
FEDERALBNK	99.0	102.9	3.9	95260000	75970000	-20.2
SYNGENE	569.6	587	3.1	1098200	889950	-19.0
TITAN	2472.3	2441.8	-1.2	5889375	4939500	-16.1
GUJGASLTD	683.6	635.4	-7.1	2152500	1812500	-15.8
HDFCBANK	1524.6	1517.4	-0.5	31299400	26357650	-15.8

Company Background

Infosys Limited is an Indian IT services company offering digital and traditional IT services. Digital services include revenue from emerging segments such as artificial intelligence-based analytics and big data, engineering digital products and Internet of Things (IoT), application program interface, microservices and modernization of legacy technology systems. Traditional IT services include application development and management services, product engineering and management and infrastructure management services. It caters to industry verticals such as financial services, retail, communication, manufacturing, hi-tech, life sciences, energy, utilities, resources & services. As of Q3FY22, Infosys had 1,738 active clients and a presence in over 50 countries.

Investment Rationale

Leading player in IT services with a healthy operating efficiency

Infosys is the 2nd largest listed Indian IT services company in terms of revenue and has a diverse range of offerings across service segments and industry verticals. Infosys's revenues grew 7% QoQ and 21.5% YoY in constant currency terms. Its business risk profile is supported by its leading market position, large operations with a skilled resource base of 292,067 employees (as of Q3FY22), proven project execution skills, and strong offshore delivery capability. The company also recruited 12,450 employees in the quarter, which has been their highest recruitment ever. The utilization was at an all-time high of 88.5%. The company's profitability remains among the best in the industry, supported by its superior revenue mix, cost optimization measures, and delivery effectiveness.

Strong financial risk profile with a large scale of operations

Infosys has a strong financial risk profile, driven by its healthy annual cash-generating ability and debt-free balance sheet. Financial flexibility is strong, supported by robust liquidity in the form of cash and investments at USD 4.28bn, after the pay-out of a dividend amounting to USD 840mn over the quarter. Return on equity increased further to 30.4%, an increase of 3% over Q3 of the prior year driven by robust performance and consistent capital returns through share buyback and increased dividend pay-out. Their operating margin was at 23.5%, and the EPS for Q3 grew 13.1% YoY. Infosys had large deal wins of USD 2.5 bn, 25 deals in Q3, making their pipeline comfortable for the medium term.

Valuation and Outlook

Infosys is a key beneficiary of multi-year growth in digital technologies. An improved demand environment, traction in large deals, increase in outsourcing in the US and Europe and vendor consolidation opportunities are expected to drive revenues in the long term. Margins are likely to expand given currently low utilization, the possibility of expeditious offshore execution, and higher contribution from the non-linear business. Strong organic growth, consistent financials, industry-leading margins and healthy capital allocation policy prompt us to be positive on the stock. We valued the company based on 27x of its FY24e earnings and arrived at a target price of INR 2149 (25% upside from CMP) with a 12 months' investment horizon.

Stock Rating

BUY	HOLD	SELL
> 15%	-5% to 15%	< -5%

Sector Outlook

Positive

Stock

CMP (INR)	1,721
Target Price (INR)	2,149
NSE Symbol	INFY
BSE Code	500209
Bloomberg	INFO IN
Reuters	INFY.BO

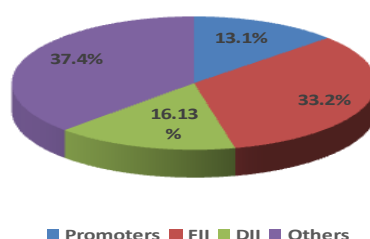
Key Data

Nifty	17,374
52WeekH/L(INR)	1,723/1,244
O/s Shares (Mn)	4,205
Market Cap (INR bn)	7,239
Face Value (INR)	5

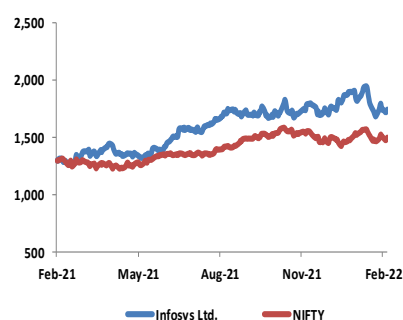
Average volume

3 months	5,999,070
6 months	6,252,640
1 year	6,777,790

Share Holding Pattern (%)



Relative Price Chart



Weekly Wealth

Key Financials

YE March (Rs. Billions)	FY19	FY20	FY21	FY22E	FY23E	FY24E
Revenue	827	908	1,005	1,224	1,449	1,656
<i>Revenue Growth (Y-o-Y)</i>	17.2%	9.8%	10.7%	21.8%	18.4%	14.3%
EBIDTA	202	218	275	332	401	467
<i>EBIDTA Growth (Y-o-Y)</i>	6.8%	7.9%	26.6%	20.4%	21.0%	16.4%
Net Profit	154	166	194	228	281	335
<i>Net Profit Growth (Y-o-Y)</i>	(3.9%)	7.7%	16.6%	17.6%	23.5%	19.0%
Diluted EPS	36.6	39.5	46.04	54.2	66.9	79.6
<i>Diluted EPS Growth (Y-o-Y)</i>	(3.9%)	7.7%	16.6%	17.6%	23.5%	19.0%

Key Ratios

EBIDTA margin (%)	24.4%	24.0%	27.4%	27.1%	27.7%	28.2%
NPM (%)	18.6%	18.3%	19.3%	18.6%	19.4%	20.2%
RoE (%)	23.7%	25.4%	25.3%	27.7%	31.4%	34.0%
RoCE (%)	31.1%	33.2%	36.1%	40.3%	44.9%	47.4%

Valuation Ratios

P/E (x)	47.0x	43.6x	37.4x	31.8x	25.7x	21.6x
EV/EBITDA	34.9x	32.4x	25.4x	21.2x	17.5x	15.0x
P/BV (x)	11.1x	11.1x	9.5x	8.8x	8.1x	7.3x
Market Cap. / Sales (x)	8.7x	8.0x	7.2x	5.9x	5.0x	4.4x

Source: Company, BP Equities Research



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Analyst (s) holding in the Stock : Nil**Analyst (s) Certification:**

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