INFOSYS LIMITED
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CORPORATE PARTICIPANTS

Rajiv Bansal
Chief Financial Officer

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Good Afternoon, Everyone. When we entered FY15, we were faced with multiple challenges; we had below industry growth, our margins were declining, there were leadership changes, leadership attrition, low employee morale because of low variable pay to the employees, and fewer promotions. In the last one year, your company has put a lot of these things behind and is now fully focused on delivering the “Vision of 2020” which Vishal just spoke about in his address.

During the year, our revenues grew by 6.4% in rupee terms and 5.6% in US dollar terms. We delivered a 15.8% growth in EPS – one of the best in the industry. This is after having invested in multiple employee initiatives; during the year, we reinforced our commitments to employees through various initiatives, we have increased variable payout from 64% to 86%, and announced quarterly promotions. We are probably one of the only companies in the country to give quarterly promotions to our employees, promoted 25,000 employees during the year, compensation reviews in line with the market, we also did a mid-year increase for employees because of the skill set mismatch, and we also increased employee engagement activities including training. We trained over 25,000 employees in Design Thinking initiatives that Vishal mentioned in addition to the normal training activities. In spite of all of that, we were able to improve our operating margins by 190 basis points. A lot of this was possible because of the operational efficiency that we show during the year. Our utilization excluding trainees was over 80% – the highest in 11-years. Our offshore effort mix was over 70% – the highest in the last 4-years. Employee addition of 53,386 employees gross and 15,782 in net, 221 clients added during the year.

We also made a few strategic acquisitions or investments during the year:

We acquired Panaya for US$225 mn. Panaya is a leading provider of automation technology for enterprise software management. Panaya will enable us to enhance the competitiveness and productivity of our current services by leveraging technology. We also closed acquisition of Skava for US$120 mn. Skava is a leading provider of digital experience solution, including mobile commerce and in-store shopping screens for large retailers.

Our cash and cash equivalents were Rs.32,585 crores as at March 31, 2015. We also articulated our capital allocation philosophy which led to the dividend payout increase from 40% to 50%, a year back, this was about 30%, in the last year, year and a half, we have been able to increase our dividend payout from 30% to 40% to 50%. As Vishal mentioned, we also announced 1:1 bonus in October which was effected in December and in June.

If you look at summary of the Financial Performance – our gross profit grew by 12.8% in US dollar terms and 13.6% in rupee terms, our net profit up by 15.8%, EPS growth of 15.8% in rupee terms. USD/INR average rate did not change much though there was a lot of volatility in the currencies during the latter part of the year. Our balance sheet of Rs.66,352 crores, cash and cash equivalents of Rs.31,241 crores, trade receivables almost at 15% of the balance sheet size. So if you look at this balance sheet, we have Rs.55,000 crores in the shareholders equity, debt-free, it is one of the best balance sheets that you would probably see in any company. We continue to balance liquidity and return. We have set ourselves a threshold of at least 2x of cost of capital for return on capital employed and 3x of cost of capital for return on invested capital. Our ROCE is today at 2.6x of cost of capital and ROIC is at 4.4x, our ROIC is 61.1%. Dividend – increase if you look at FY13, it was 30%, last year increased to 40%, this year up to 50%.

We saw broad-based growth; we saw growth across all our verticals and our geography segments. Manufacturing grew by 8.1%, Energy, Utilities, Communication, and Services grew by 8.2%, Retail continues to see some challenges at 4% growth. North America grew by 8%, Europe growth was slightly muted because of cross-currency impacts that we took during the latter part of the year.

This was one of the important metrics Mr. Murthy had set out for us when he came back that the employee cost as a percentage of revenue has to continue declining and we have to become more and more efficient in the way we do things and we demonstrated through increased utilization, bringing down the offshore mix, and employee cost has come down from 61.4% in FY14 to 59.9% including subcontractors and 57.5% to 55.8% during the year.

Our volume growth of 9.3% overall but if you look at the offshore volume growth, it was 12.1% – probably the highest that we have seen in the last 3-years. The onsite volume growth was 2.9% – two reasons; one is because of the slowness that we saw in terms of start-up project, but also because of our initiatives to bring back work offshore and our offshore mix has actually improved by almost 250 basis points during the year. Realization continues to be a challenge. Traditional business is seeing a lot of pricing challenges, a lot of commoditization, and this is something that what Vishal articulated in terms of Renew and New, is targeted towards. The Renew and New strategy would help us improve our realizations per employee and that is what Vishal has set out as 80,000 is target for 2020. Utilization of 80.9% as I said is the highest in the last 11-years, the offshore mix of 71.2%, the highest in the last 4-years. Other income of Rs.2,892 crores, up from Rs.2,380 crores, exchange gain of Rs.475 crores. We continue to have about a billion dollar of hedges, we have seen a lot of volatility in the currency markets, we believe that our strategy of taking short-term hedges has paid good dividends in the past and we continue to follow the same strategy, we continue to hedge for short-term, we gave the hedge for about two quarters of net assets and we will continue to do that.

The global currencies were very volatile. If you look at the latter part of the year, we get about 69% of the revenues in US dollars, about 7.6% in Australian dollars and about 10.2% in Euros. The average rate if you look at it as in the USD/INR, the USD actually appreciated against Australian dollar by about 6.5% on an average against Euro by 6.7%. However, if you look at the period ended volatility, and this is what impacted the reported numbers and our guidance for the next year, the GBP actually has moved down from 1.7 to 1.48 from Q1 of FY15 to Q4 of FY15, the Euro from 1.37 to 1.08 and AUD from 0.94 to 0.76. This impacts the reported revenue growth for the company because when you bill the client in any of these currencies when you translate into dollars, you use the latest exchange rate which starts impacting the reported numbers. However, although US dollar was appreciating against all the currencies, against the US dollar it was very-very volatile, so if you look at the movement against the US dollar, it has actually been stable over the last couple of months, but it has been highly volatile for INR against the US dollar. Because of the volatility that you are seeing, we gave a constant currency guidance of 10-12% which in reported basis would mean 6.2 to 8.2%, as of March 31st rate, there was an impact of 3.8% on the growth because of cross-currency movement that I just spoke up on the previous slide, in INR revenue terms that will be a growth of 8.4% to 10.4%, and as it was articulated by Mr. Murthy and reiterated by us, we expect to grow in line with the industry in FY17. Thank you.
