

20 July 2010

## Infosys

### Key takeaways from the analyst meet; maintain Hold

- Business outlook.** US corporates have started spending on IT, with strong traction seen in the BFSI, Manufacturing, Retail and IMS segments. Infosys is seeing some growth in demand in the Consulting and Enterprise Applications space. It plans to recruit 9,000-10,000 laterals this fiscal (~3,000 in 2Q). Infosys plans building a team of 4,000-5,000 consultants over the next 3-4 years in the US\$100-150/hr billing scale.
- Themes for 'building tomorrow's enterprise.** Management has aligned its business verticals to various themes. We believe this will help Infosys realize its full potential for imminent opportunities and make technological breakthroughs in existing ecosystems.
- Long-term growth to be driven by new engagement models.** Infosys is investing in IP-based, platform-based and outcome-based pricing models. Collectively, these models are expected to contribute ~33% of the company's revenue in the long term. This is complemented by continuing focus on transformational deals, which are capable of generating significant revenue.
- Valuation.** We maintain our target FY11e earnings of 24x for Infosys; also, our FY11 & FY12 estimates remain unchanged. Hence, we maintain our target price at Rs2,930 and our Hold rating.

Rating: **Hold**

Target Price: Rs2,930

Share Price: Rs2,770

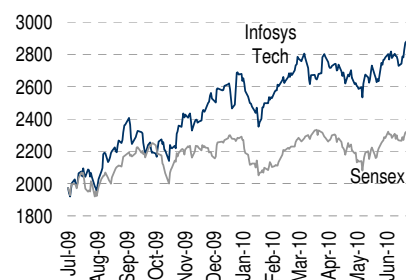
Key data	INFO IN / INFY.BO
52-week high/low	Rs2,912/ Rs1,870
Sensex/Nifty	17928/5985
3-m average volume	US\$65.9m
Market cap	Rs1589bn / US\$33.8bn
Shares outstanding	574m
Free float	84.0%
Promoters	16.1%
Foreign Institutions	54.5%
Domestic Institutions	8.2%
Public	21.3%

### Key financials

Year end 31 Mar	FY08	FY09	FY10	FY11e	FY12e
Sales (Rsm)	166,920	216,930	227,420	265,894	314,996
Net profit (Rsm)	46,590	59,880	62,090	68,553	79,865
EPS (Rs)	81.5	104.5	108.2	119.5	139.2
Growth (%)	20.8	28.3	3.5	10.4	16.5
PE (x)	34.0	26.5	25.6	23.2	19.9
PBV (x)	11.6	8.8	7.0	5.7	4.7
RoE (%)	37.2	37.4	30.1	26.8	25.8
RoCE (%)	42.7	43.1	38.2	35.8	34.5
Dividend yield (%)	1.2	0.8	0.9	1.0	1.2
Net gearing (%)	(51.3)	(53.5)	(62.4)	(70.3)	(73.0)

Source: Company, Anand Rathi Research

### Relative price performance



Source: Capitaline

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## Appendix 1

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Analysts' ratings and the corresponding expected returns take into account our definitions of Large Caps (>US\$1bn) and Mid/Small Caps (<US\$1bn) as described in the Ratings Table below.

#### Ratings Guide

	Buy	Hold	Sell
Large Caps (>US\$1bn)	>20%	5-20%	<5%
Mid/Small Caps (<US\$1bn)	>30%	10-30%	<10%

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	Buy	Hold	Sell
Anand Rathi Research stock coverage (114)	66%	14%	20%
% who are investment banking clients	8%	0%	0%

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