

**January 12, 2012**

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|                |            |
|----------------|------------|
| Rating         | <b>BUY</b> |
| Price          | Rs2,819    |
| Target Price   | Rs3,160    |
| Implied Upside | 12.1%      |
| Sensex         | 16,176     |
| Nifty          | 4,861      |

*(Prices as on January 11, 2012)*
**Trading data**

|                            |         |
|----------------------------|---------|
| Market Cap. (Rs bn)        | 1,624.6 |
| Shares o/s (m)             | 572.0   |
| 3M Avg. Daily value (Rs m) | 4254.8  |

**Major shareholders**

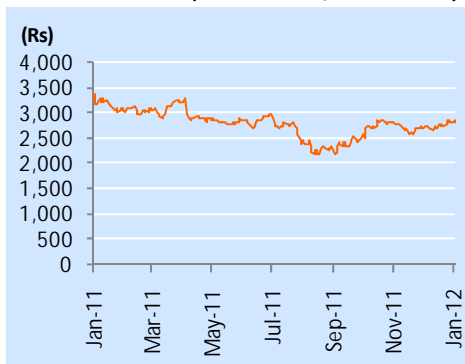
|                |        |
|----------------|--------|
| Promoters      | 16.04% |
| Foreign        | 36.66% |
| Domestic Inst. | 10.71% |
| Public & Other | 36.59% |

**Stock Performance**

| (%)      | 1M  | 6M    | 12M    |
|----------|-----|-------|--------|
| Absolute | 4.0 | (3.5) | (15.2) |
| Relative | 4.2 | 10.1  | 0.5    |

**How we differ from Consensus**

| EPS (Rs) | PL | Cons. | % Diff. |
|----------|----|-------|---------|
| 2012     | —  | —     | —       |
| 2013     | —  | —     | —       |

**Price Performance (RIC: INFY.BO, BB: INFO IN)**


Source: Bloomberg

Infosys reported Q3FY12 results touch lower than our/consensus expectation in a challenging quarter. However, the company lowered guidance for FY12 US\$ revenue below our/consensus estimates. We see result as weaker than consensus expectation. **We see near term pressure on the stock price due to weaker result.**

- Results ahead of our/consensus expectation:** Infosys' revenue grew by 14.8% QoQ to Rs92.98bn for Q3FY12 (Guid.: Rs89.2bn, PLe: Rs92.1bn, Cons: Rs91.4bn) in Indian rupee term, whereas revenue in USD term grew by 3.4% to US\$1,806m (Guid.: \$1,821m, PLe: \$1,812m). The company reported an operating margin expansion of 301bps QoQ to 31.2% (PLe: 30.9%, Cons: 30.4%) due to currency tailwind of 11% QoQ. The company reported EPS of Rs41.51 (Guid: Rs38.86, PLe: Rs39.37, Cons: Rs39.62), growth of RR% QoQ.
- Geography and segments – Europe and Manufacturing shines, NA and Retail disappoints:** Revenue for NA and Europe grew by 0.9% and 14% QoQ, respectively, whereas in terms of vertical, Manufacturing and Retail grew by 4.5% and 0.8% QoQ, respectively. IMS and ADM grew by 8.8% and 4.4% QoQ.
- Pricing – pricing muted in-line with expectation:** The pricing declined marginally by 0.1% QoQ (Onsite: 1.4%, Offshore: -0.6%). It added 49 new clients.
- Outlook – downward revision in US\$ revenue, expect flat Q4FY12:** Infosys has revised its USD revenue growth guidance downward for FY12 to 16.4% YoY growth, (PLe: 17-18%). It has revised its rupee EPS guidance by 2.1% to Rs147.13, a growth of 23.1% YoY. For Q4FY12, Infosys guided for 0.1% QoQ revenue growth to US\$1808mn and EPS of Rs42.12.
- Valuations and Recommendation – See pressure on stock in near terms: We see weakness in the stock price due to weak guidance in near term.** We may revisit our estimates post conference call.

| Key financials (Y/e March) | 2010    | 2011    | 2012E   | 2013E   |
|----------------------------|---------|---------|---------|---------|
| Revenues (Rs m)            | 227,420 | 275,010 | 343,415 | 413,345 |
| Growth (%)                 | 4.8     | 20.9    | 24.9    | 20.4    |
| EBITDA (Rs m)              | 78,610  | 89,640  | 111,435 | 131,611 |
| PAT (Rs m)                 | 62,660  | 68,230  | 84,237  | 100,371 |
| EPS (Rs)                   | 109.5   | 119.3   | 147.3   | 175.5   |
| Growth (%)                 | 4.6     | 8.9     | 23.5    | 19.2    |
| Net DPS (Rs)               | 23.5    | 26.5    | 31.5    | 37.9    |

Source: Company Data; PL Research

| Profitability & Valuation | 2010 | 2011 | 2012E | 2013E |
|---------------------------|------|------|-------|-------|
| EBITDA margin (%)         | 34.6 | 32.6 | 32.4  | 31.8  |
| RoE (%)                   | 30.3 | 27.8 | 29.2  | 28.1  |
| RoCE (%)                  | 30.1 | 27.8 | 29.2  | 28.1  |
| EV / sales (x)            | 6.6  | 5.3  | 4.1   | 3.3   |
| EV / EBITDA (x)           | 19.2 | 16.3 | 12.7  | 10.3  |
| PE (x)                    | 25.7 | 23.6 | 19.1  | 16.1  |
| P / BV (x)                | 7.0  | 6.2  | 5.1   | 4.1   |
| Net dividend yield (%)    | 0.8  | 0.9  | 1.1   | 1.3   |

Source: Company Data; PL Research

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**Exhibit 1: Q2FY12 Results – Ahead of expectation (Rs m)**

|                               | Q3FY12       | Q2FY12       | Q3FY11(PL e) | Consensus    | QoQ            | Q3FY11       | YoY            | Variance (PL e VS ACTUAL) |
|-------------------------------|--------------|--------------|--------------|--------------|----------------|--------------|----------------|---------------------------|
| INR/US\$ (Average)            | 51.48        | 46.39        | 50.83        |              | 11.0%          | 44.83        | 14.8%          |                           |
| Total Operating Income (US\$) | 1,806.0      | 1,746.0      | 1,811.5      |              | 3.4%           | 1,585.0      | 13.9%          | -0.3%                     |
| Total Operating Income        | 92,980       | 80,990       | 92,080       | 91,412       | 14.8%          | 71,060       | 30.8%          | 1.0%                      |
| Operating Profit              | 28,990       | 22,810       | 28,453       | 27,828       | 27.1%          | 21,470       | 35.0%          | 1.9%                      |
| <i>EBITDA Margin</i>          | <i>31.2%</i> | <i>28.2%</i> | <i>30.9%</i> | <i>30.4%</i> | <i>301 bps</i> | <i>30.2%</i> | <i>96 bps</i>  | <i>28 bps</i>             |
| Pre Tax Income                | 33,210       | 26,680       | 31,673       | 31,244       | 24.5%          | 24,370       | 36.3%          | 4.9%                      |
| Tax                           | 9,490        | 7,620        | 9,185        | 8,622        | 24.5%          | 6,570        | 44.4%          | 3.3%                      |
| <i>Tax Rate</i>               | <i>28.6%</i> | <i>28.6%</i> | <i>29.0%</i> | <i>27.6%</i> | <i>2 bps</i>   | <i>27.0%</i> | <i>162 bps</i> | <i>-42 bps</i>            |
| PAT                           | 23,720       | 19,060       | 22,488       | 22,622       | 24.4%          | 17,800       | 33.3%          | 5.5%                      |
| EPS (Rs)                      | 41.51        | 33.36        | 39.37        | 39.62        | 24.4%          | 31.15        | 33.3%          | 5.4%                      |

Source: Company Data, Bloomberg, PL Research

**Exhibit 2: Guidance – Ahead of consensus estimates, in-line with our estimates**

|                 |                             |              |              |              |
|-----------------|-----------------------------|--------------|--------------|--------------|
|                 | <i>YoY growth (FY11)</i>    | <i>20.9%</i> |              |              |
| FY Rev (INR)    | PL E (FY12)                 | 343,415      |              |              |
|                 | Street E (FY12)             | 341,644      |              |              |
|                 | Guidance (FY12)             | 342,835      | 342,730      | 342,940      |
|                 | <i>YoY growth</i>           | <i>24.7%</i> | <i>24.6%</i> | <i>24.7%</i> |
|                 | <i>Guidance Revision</i>    | <i>1.4%</i>  |              |              |
| FY Rev (USD)    | Actual FY11                 | 6,041        |              |              |
|                 | <i>YoY growth</i>           | <i>25.7%</i> |              |              |
|                 | PL E (FY12)                 | 7,117        |              |              |
|                 | Guidance (FY12)             | 7,031        | 7,029        | 7,033        |
|                 | <i>YoY growth</i>           | <i>16.4%</i> | <i>16.4%</i> | <i>16.4%</i> |
|                 | <i>Guidance Revision</i>    | <i>-1.5%</i> |              |              |
| FY EPS (INR)    | Actual FY11                 | 119.5        |              |              |
|                 | <i>YoY growth</i>           | <i>9.6%</i>  |              |              |
|                 | PL E (FY12)                 | 147.48       |              |              |
|                 | Street E (FY12)             | 148.98       |              |              |
|                 | Guidance (FY12)             | 147.1        | 147.1        | 147.1        |
|                 | <i>YoY growth</i>           | <i>23.1%</i> | <i>23.1%</i> | <i>23.1%</i> |
|                 | <i>Guidance revision %</i>  | <i>2.1%</i>  |              |              |
| FY EPS (USD)    | Actual FY11                 | 2.62         |              |              |
|                 | <i>YoY growth</i>           | <i>13.9%</i> |              |              |
|                 | Guidance (FY12)             | 3.00         | 3.00         | 3.00         |
|                 | <i>YoY growth</i>           | <i>14.5%</i> | <i>14.5%</i> | <i>14.5%</i> |
|                 | <i>Guidance revision %</i>  | <i>-1.3%</i> |              |              |
| Next Q guidance | INR revenue guidance next Q | 94,015       | 93,910       | 94,120       |
|                 | <i>QoQ growth</i>           | <i>1.1%</i>  | <i>1.0%</i>  | <i>1.2%</i>  |
|                 | USD revenue guidance next Q | 1,808        | 1,806        | 1,810        |
|                 | <i>QoQ growth</i>           | <i>0.1%</i>  | <i>0.0%</i>  | <i>0.2%</i>  |
|                 | INR EPS guidance next Q     | 42.12        | 42.12        | 42.12        |
|                 | <i>QoQ growth</i>           | <i>1.5%</i>  |              |              |

Source: Company Data, PL Research

**Exhibit 3: Revenue break-up by Geography**

| By Geography         | Q3FY12       | Q2FY12       | QoQ         | Q3FY11       | YoY          |
|----------------------|--------------|--------------|-------------|--------------|--------------|
| North America        | 1,150        | 1,140        | 0.9%        | 1,025        | 12.2%        |
| Europe               | 408          | 358          | 14.0%       | 346          | 18.1%        |
| India                | 38           | 38           | -1.3%       | 35           | 8.8%         |
| Rest of World        | 209          | 210          | 0.0%        | 179          | 17.0%        |
| <b>Total</b>         | <b>1,806</b> | <b>1,746</b> | <b>3.4%</b> | <b>1,585</b> | <b>13.9%</b> |
| <b>as % of Total</b> |              |              |             |              |              |
| North America        | 63.7%        | 65.3%        | -160 bps    | 64.7%        | -100 bps     |
| Europe               | 22.6%        | 20.5%        | 210 bps     | 21.8%        | 80 bps       |
| India                | 2.1%         | 2.2%         | -10 bps     | 2.2%         | -10 bps      |
| Rest of World        | 11.6%        | 12.0%        | -40 bps     | 11.3%        | 30 bps       |

Source: Company Data, PL Research

**Exhibit 4: Revenue break-up by Service Offerings**

| By Service Offerings                  | Q3FY12       | Q2FY12       | QoQ         | Q3FY11       | YoY          |
|---------------------------------------|--------------|--------------|-------------|--------------|--------------|
| Application Development               | 309          | 299          | 3.4%        | 247          | 24.9%        |
| Application Maintenance               | 394          | 377          | 4.4%        | 357          | 10.4%        |
| Business Process Management           | 94           | 94           | -0.4%       | 89           | 5.8%         |
| Consulting and Package Implementation | 444          | 431          | 3.0%        | 411          | 8.2%         |
| Infrastructure Management             | 110          | 101          | 8.8%        | 95           | 15.8%        |
| Product Engineering Services          | 65           | 59           | 9.5%        | 41           | 57.8%        |
| System Integration                    | 108          | 105          | 3.4%        | 89           | 22.1%        |
| Testing Services                      | 143          | 143          | -0.3%       | 120          | 18.4%        |
| Others                                | 52           | 63           | -16.7%      | 52           | 0.1%         |
| Total (excl. Products)                | 1,667        | 1,610        | 3.5%        | 1,449        | 15.1%        |
| Products                              | 87           | 73           | 18.2%       | 84           | 3.2%         |
| <b>Total</b>                          | <b>1,806</b> | <b>1,746</b> | <b>3.4%</b> | <b>1,585</b> | <b>13.9%</b> |
| <b>as % of Total</b>                  |              |              |             |              |              |
| Application Development               | 17.1%        | 17.1%        | 0 bps       | 15.6%        | 150 bps      |
| Application Maintenance               | 21.8%        | 21.6%        | 20 bps      | 22.5%        | -70 bps      |
| Business Process Management           | 5.2%         | 5.4%         | -20 bps     | 5.6%         | -40 bps      |
| Consulting and Package Implementation | 24.6%        | 24.7%        | -10 bps     | 25.9%        | -130 bps     |
| Infrastructure Management             | 6.1%         | 5.8%         | 30 bps      | 6.0%         | 10 bps       |
| Product Engineering Services          | 3.6%         | 3.4%         | 20 bps      | 2.6%         | 100 bps      |
| System Integration                    | 6.0%         | 6.0%         | 0 bps       | 5.6%         | 40 bps       |
| Testing Services                      | 7.9%         | 8.2%         | -30 bps     | 7.6%         | 30 bps       |
| Others                                | 2.9%         | 3.6%         | -70 bps     | 3.3%         | -40 bps      |
| Total (excl. Products)                | 95.2%        | 95.8%        | -60 bps     | 94.7%        | 50 bps       |
| Products                              | 4.8%         | 4.2%         | 60 bps      | 5.3%         | -50 bps      |

Source: Company Data, PL Research

**Exhibit 5: FPP v/s Time and Material**

| Revenue by Project Type   | Q3FY12        | Q2FY12        | QoQ          | Q3FY11        | YoY          |
|---------------------------|---------------|---------------|--------------|---------------|--------------|
| Fixed Price               | 38,029        | 30,533        | 24.5%        | 29,277        | 29.9%        |
| Time & Material           | 54,951        | 50,457        | 8.9%         | 41,783        | 31.5%        |
| <b>Total</b>              | <b>92,980</b> | <b>80,990</b> | <b>14.8%</b> | <b>71,060</b> | <b>30.8%</b> |
| <b>% of Total Revenue</b> |               |               |              |               |              |
| Fixed Price               | 40.9%         | 37.7%         | 320 bps      | 41.2%         | -30 bps      |
| Time & Material           | 59.1%         | 62.3%         | -320 bps     | 58.8%         | 30 bps       |

Source: Company Data, PL Research

**Exhibit 6: Revenue break-up by Segments**

| By Segment           | Q3FY12       | Q2FY12       | QoQ         | Q3FY11       | YoY          |
|----------------------|--------------|--------------|-------------|--------------|--------------|
| Financial Services   | 638          | 616          | 3.4%        | 574          | 11.1%        |
| Manufacturing        | 368          | 353          | 4.5%        | 311          | 18.6%        |
| Telecom              | 177          | 182          | -2.5%       | 198          | -10.7%       |
| Retail               | 275          | 272          | 0.8%        | 230          | 19.4%        |
| Others               | 349          | 323          | 7.9%        | 273          | 27.9%        |
| <b>Total</b>         | <b>1,806</b> | <b>1,746</b> | <b>3.4%</b> | <b>1,585</b> | <b>13.9%</b> |
| <b>as % of Total</b> |              |              |             |              |              |
| Financial Services   | 35.3%        | 35.3%        | 0 bps       | 36.2%        | -90 bps      |
| Manufacturing        | 20.4%        | 20.2%        | 20 bps      | 19.6%        | 80 bps       |
| Telecom              | 9.8%         | 10.4%        | -60 bps     | 12.5%        | -270 bps     |
| Retail               | 15.2%        | 15.6%        | -40 bps     | 14.5%        | 70 bps       |
| Others               | 19.3%        | 18.5%        | 80 bps      | 17.2%        | 210 bps      |

Source: Company Data, PL Research

**Exhibit 7: Employee Metrics**

| Employee metrics        | Q3FY12         | Q2FY12         | QoQ         | Q3FY11         | YoY          |
|-------------------------|----------------|----------------|-------------|----------------|--------------|
| <b>Total employees</b>  | <b>145,088</b> | <b>141,822</b> | <b>2.3%</b> | <b>127,779</b> | <b>13.5%</b> |
| S/W professionals       | 137,174        | 134,147        | 2.3%        | 121,144        | 13.2%        |
| - Billable              | 116,157        | 113,810        | 2.1%        | 103,617        | 12.1%        |
| - Banking product group | 8,086          | 7,739          | 4.5%        | 5,721          | 41.3%        |
| - Trainees              | 12,931         | 12,599         | 2.6%        | 11,806         | 9.5%         |
| Sales & support         | 7,914          | 7,675          | 3.1%        | 6,635          | 19.3%        |
| Gross addition          | 3,266          | 8,262          | -60.5%      | 5,311          | -38.5%       |
| Net addition            | 3,863          | 2,318          | 66.7%       | 5,212          | -25.9%       |
| Attrition               | 15.4%          | 15.6%          | -20 bps     | 17.5%          | -210 bps     |

Source: Company Data, PL Research

**Exhibit 8: Client details**

| <b>Client Concentration</b>    | <b>Q3FY12</b> | <b>Q2FY12</b> | <b>QoQ</b>  | <b>Q3FY11</b> | <b>YoY</b>   |
|--------------------------------|---------------|---------------|-------------|---------------|--------------|
| <b>Number of Clients</b>       |               |               |             |               |              |
| Active                         | 665           | 647           | 2.8%        | 612           | 8.7%         |
| Added during the period        | 49            | 45            | 8.9%        | 40            | 22.5%        |
| Accounting for > 5% of revenue | 0             | 0             | NA          | 0             | NA           |
| Net New Clients Added          | 18            | 19            | -5.3%       | 20            | -10.0%       |
| US\$ 50m +                     | 39            | 35            | 11.4%       | 29            | 34.5%        |
| US\$ 60m +                     | 27            | 25            | 8.0%        | 22            | 22.7%        |
| US\$ 70m +                     | 23            | 21            | 9.5%        | 17            | 35.3%        |
| US\$ 80m +                     | 17            | 17            | 0.0%        | 12            | 41.7%        |
| US\$ 90m +                     | 16            | 14            | 14.3%       | 11            | 45.5%        |
| US\$ 100m +                    | 13            | 11            | 18.2%       | 11            | 18.2%        |
| US\$ 200m +                    | 2             | 2             | 0.0%        | 2             | 0.0%         |
| <b>US\$ m</b>                  |               |               |             |               |              |
| <b>Top client</b>              | 74            | 80            | -7.8%       | 73            | 1.6%         |
| Top 5 clients                  | 271           | 278           | -2.4%       | 244           | 11.0%        |
| Top 2-5 clients                | 197           | 197           | -0.2%       | 171           | 15.0%        |
| Top 10 clients                 | 442           | 440           | 0.6%        | 407           | 8.6%         |
| Top 6-10 clients               | 172           | 162           | 5.7%        | 163           | 5.1%         |
| Non Top 10                     | 1,364         | 1,306         | 4.4%        | 1,178         | 15.8%        |
| <b>Total</b>                   | <b>1,806</b>  | <b>1,746</b>  | <b>3.4%</b> | <b>1,585</b>  | <b>13.9%</b> |
| Top client                     | 4.1%          | 4.6%          | -50 bps     | 4.6%          | -50 bps      |
| Top 5 clients                  | 15.0%         | 15.9%         | -90 bps     | 15.4%         | -40 bps      |
| Top 10 clients                 | 24.5%         | 25.2%         | -70 bps     | 25.7%         | -120 bps     |
| Repeat Business                | 97.4%         | 98.5%         | -110 bps    | 97.6%         | -20 bps      |
| Repeat Business (in USD)       | 1,759         | 1,720         | 2.3%        | 1,547         | 13.7%        |
| New Business (in USD)          | 47            | 26            | 79.3%       | 38            | 23.4%        |
| Account Receivables            | 61.0          | 61.0          | 0.0%        | 62.0          | -1.6%        |

Source: Company Data

**Exhibit 9: Onsite v/s Offshore**

| <b>Overall Revenue</b>                           | <b>Q3FY12</b>  | <b>Q2FY12</b>  | <b>QoQ</b>  | <b>Q3FY11</b>  | <b>YoY</b>   |
|--|----------------|----------------|-------------|----------------|--------------|
| Revenue (\$ m)                                   |                |                |             |                |              |
| - Onsite   | 894            | 871            | 2.6%        | 781            | 14.4%        |
| - offshore                                       | 912            | 875            | 4.3%        | 804            | 13.5%        |
| <b>Total</b>                                     | <b>1,806</b>   | <b>1,746</b>   | <b>3.4%</b> | <b>1,585</b>   | <b>13.9%</b> |
| <b>Revenue</b>                                   |                |                |             |                |              |
| Onsite   | 49.5%          | 49.9%          | -40 bps     | 49.3%          | 20 bps       |
| Offshore   | 50.5%          | 50.1%          | 40 bps      | 50.7%          | -20 bps      |
| <b>Utilization</b>                               |                |                |             |                |              |
| Include Trainees                                 | 69.9%          | 70.2%          | -30 bps     | 72.6%          | -270 bps     |
| Exclude Trainees                                 | 77.4%          | 77.3%          | 10 bps      | 80.7%          | -330 bps     |
| <b>Effort - Service (Person months) (Billed)</b> |                |                |             |                |              |
| - Onsite   | 70,365         | 69,387         | 1.4%        | 63,259         | 11.2%        |
| - Offshore                                       | 213,756        | 206,371        | 3.6%        | 195,042        | 9.6%         |
| <b>Total</b>                                     | <b>284,121</b> | <b>275,758</b> | <b>3.0%</b> | <b>258,301</b> | <b>10.0%</b> |
| Non Billable                                     | 83,073         | 81,165         | 2.4%        | 61,864         | 34.3%        |
| Trainee  | 39,375         | 36,106         | 9.1%        | 35,524         | 10.8%        |
| Sales & Support                                  | 22,984         | 23,192         | -0.9%       | 20,102         | 14.3%        |
| <b>Pricing</b>                                   |                |                |             |                |              |
| Onsite   | 12.70          | 12.56          | 1.2%        | 12.35          | 2.9%         |
| Offshore   | 4.27           | 4.24           | 0.7%        | 4.12           | 3.6%         |
| <b>Total</b>                                     | <b>6.36</b>    | <b>6.33</b>    | <b>0.4%</b> | <b>6.14</b>    | <b>3.6%</b>  |

Source: Company Data, PL Research

**Exhibit 10: Realization and Efforts mix**

| <b>Consolidated IT Services</b> | <b>Q3FY12</b>  | <b>Q2FY12</b>  | <b>QoQ</b>   | <b>Q3FY11</b>  | <b>YoY</b>   |
|---------------------------------|----------------|----------------|--------------|----------------|--------------|
| <b>Efforts- (Person Months)</b> |                |                |              |                |              |
| Onsite                          | 67,917         | 66,998         | 1.4%         | 59,991         | 13.2%        |
| Offshore                        | 156,956        | 151,169        | 3.8%         | 143,685        | 9.2%         |
| <b>Total</b>                    | <b>224,873</b> | <b>218,167</b> | <b>3.1%</b>  | <b>203,676</b> | <b>10.4%</b> |
| <b>Revenue (\$ Million)</b>     |                |                |              |                |              |
| Onsite                          | 876            | 852            | 2.8%         | 764            | 14.7%        |
| Offshore                        | 748            | 725            | 3.2%         | 649            | 15.3%        |
| <b>Total</b>                    | <b>1,624</b>   | <b>1,577</b>   | <b>3.0%</b>  | <b>1,412</b>   | <b>15.0%</b> |
| <b>Pricing (\$/month)</b>       |                |                |              |                |              |
| Onsite                          | 12.9           | 12.7           | 1.4%         | 12.7           | 1.3%         |
| Offshore                        | 4.8            | 4.8            | -0.6%        | 4.5            | 5.5%         |
| <b>Total</b>                    | <b>7.2</b>     | <b>7.2</b>     | <b>-0.1%</b> | <b>6.9</b>     | <b>4.1%</b>  |

Source: Company Data, PL Research

**Income Statement (Rs m)**

| Y/e March                  | 2010           | 2011           | 2012E          | 2013E          |
|----------------------------|----------------|----------------|----------------|----------------|
| <b>Net Revenue</b>         | <b>227,420</b> | <b>275,010</b> | <b>343,415</b> | <b>413,345</b> |
| Raw Material Expenses      | 120,710        | 150,540        | 188,782        | 226,950        |
| Gross Profit               | 106,710        | 124,470        | 154,632        | 186,395        |
| Employee Cost              | —              | —              | —              | —              |
| Other Expenses             | 28,100         | 34,830         | 43,198         | 54,784         |
| <b>EBITDA</b>              | <b>78,610</b>  | <b>89,640</b>  | <b>111,435</b> | <b>131,611</b> |
| Depr. & Amortization       | 9,050          | 8,620          | 9,723          | 12,046         |
| Net Interest               | —              | —              | —              | —              |
| Other Income               | 9,430          | 12,110         | 15,284         | 16,072         |
| <b>Profit before Tax</b>   | <b>78,990</b>  | <b>93,130</b>  | <b>116,996</b> | <b>135,637</b> |
| Total Tax                  | 16,810         | 24,900         | 32,759         | 35,266         |
| <b>Profit after Tax</b>    | <b>62,180</b>  | <b>68,230</b>  | <b>84,237</b>  | <b>100,371</b> |
| Ex-Od items / Min. Int.    | (480)          | —              | —              | —              |
| <b>Adj. PAT</b>            | <b>62,660</b>  | <b>68,230</b>  | <b>84,237</b>  | <b>100,371</b> |
| <b>Avg. Shares O/S (m)</b> | <b>572.0</b>   | <b>572.0</b>   | <b>572.0</b>   | <b>572.0</b>   |
| <b>EPS (Rs.)</b>           | <b>109.5</b>   | <b>119.3</b>   | <b>147.3</b>   | <b>175.5</b>   |

**Cash Flow Abstract (Rs m)**

| Y/e March           | 2010     | 2011     | 2012E    | 2013E    |
|---------------------|----------|----------|----------|----------|
| C/F from Operations | 79,970   | 90,260   | 126,719  | 147,683  |
| C/F from Investing  | (36,200) | 33,980   | (14,767) | (17,774) |
| C/F from Financing  | (17,420) | (36,400) | (33,938) | (21,705) |
| Inc. / Dec. in Cash | 26,350   | 87,840   | 78,014   | 108,204  |
| Opening Cash        | —        | —        | —        | —        |
| Closing Cash        | —        | —        | —        | —        |
| FCFF                | 62,780   | 55,930   | 63,907   | 85,622   |
| FCFE                | 62,780   | 55,930   | 63,907   | 85,622   |

**Key Financial Metrics**

| Y/e March               | 2010  | 2011  | 2012E | 2013E |
|-------------------------|-------|-------|-------|-------|
| <b>Growth</b>           |       |       |       |       |
| Revenue (%)             | 4.8   | 20.9  | 24.9  | 20.4  |
| EBITDA (%)              | 9.3   | 14.0  | 24.3  | 18.1  |
| PAT (%)                 | 4.6   | 8.9   | 23.5  | 19.2  |
| EPS (%)                 | 4.6   | 8.9   | 23.5  | 19.2  |
| <b>Profitability</b>    |       |       |       |       |
| EBITDA Margin (%)       | 34.6  | 32.6  | 32.4  | 31.8  |
| PAT Margin (%)          | 27.6  | 24.8  | 24.5  | 24.3  |
| RoCE (%)                | 30.1  | 27.8  | 29.2  | 28.1  |
| RoE (%)                 | 30.3  | 27.8  | 29.2  | 28.1  |
| <b>Balance Sheet</b>    |       |       |       |       |
| Net Debt : Equity       | (0.5) | (0.6) | (0.6) | (0.6) |
| Net Wrkng Cap. (days)   | —     | —     | —     | —     |
| <b>Valuation</b>        |       |       |       |       |
| PER (x)                 | 25.7  | 23.6  | 19.1  | 16.1  |
| P / B (x)               | 7.0   | 6.2   | 5.1   | 4.1   |
| EV / EBITDA (x)         | 19.2  | 16.3  | 12.7  | 10.3  |
| EV / Sales (x)          | 6.6   | 5.3   | 4.1   | 3.3   |
| <b>Earnings Quality</b> |       |       |       |       |
| Eff. Tax Rate           | 21.3  | 26.7  | 28.0  | 26.0  |
| Other Inc / PBT         | 11.9  | 13.0  | 13.1  | 11.8  |
| Eff. Depr. Rate (%)     | 11.5  | 10.1  | 8.7   | 9.3   |
| FCFE / PAT              | 100.2 | 82.0  | 75.9  | 85.3  |

Source: Company Data, PL Research.

**Balance Sheet Abstract (Rs m)**

| Y/e March                     | 2010           | 2011           | 2012E          | 2013E          |
|-------------------------------|----------------|----------------|----------------|----------------|
| Shareholder's Funds           | 230,490        | 259,760        | 317,389        | 396,055        |
| Total Debt                    | —              | —              | —              | —              |
| Other Liabilities             | —              | —              | —              | —              |
| <b>Total Liabilities</b>      | <b>230,490</b> | <b>259,760</b> | <b>317,389</b> | <b>396,055</b> |
| Net Fixed Assets              | 53,550         | 57,600         | 71,120         | 78,182         |
| Goodwill                      | —              | —              | —              | —              |
| Investments                   | 37,120         | 1,440          | 1,440          | 1,440          |
| Net Current Assets            | 137,820        | 197,510        | 241,619        | 313,223        |
| <i>Cash &amp; Equivalents</i> | <i>105,560</i> | <i>150,950</i> | <i>191,753</i> | <i>254,335</i> |
| <i>Other Current Assets</i>   | <i>76,810</i>  | <i>99,730</i>  | <i>94,086</i>  | <i>112,113</i> |
| <i>Current Liabilities</i>    | <i>44,550</i>  | <i>53,170</i>  | <i>44,221</i>  | <i>53,225</i>  |
| Other Assets                  | 2,000          | 3,210          | 3,210          | 3,210          |
| <b>Total Assets</b>           | <b>230,490</b> | <b>259,760</b> | <b>317,389</b> | <b>396,055</b> |

**Quarterly Financials (Rs m)**

| Y/e March                | Q4FY11        | Q1FY12        | Q2FY12        | Q3FY12E       |
|--------------------------|---------------|---------------|---------------|---------------|
| <b>Net Revenue</b>       | <b>72,500</b> | <b>74,850</b> | <b>80,990</b> | <b>92,080</b> |
| <b>EBITDA</b>            | <b>23,240</b> | <b>21,750</b> | <b>25,160</b> | <b>31,031</b> |
| <i>% of revenue</i>      | <i>32.1</i>   | <i>29.1</i>   | <i>31.1</i>   | <i>33.7</i>   |
| Depr. & Amortization     | 2,220         | 2,230         | 2,350         | 2,578         |
| Net Interest             | —             | —             | —             | —             |
| Other Income             | 4,150         | 4,430         | 3,870         | 3,220         |
| <b>Profit before Tax</b> | <b>25,170</b> | <b>23,950</b> | <b>26,680</b> | <b>31,673</b> |
| Total Tax                | 6,990         | 6,730         | 7,620         | 9,185         |
| <b>Profit after Tax</b>  | <b>18,180</b> | <b>17,220</b> | <b>19,060</b> | <b>22,488</b> |
| <b>Adj. PAT</b>          | <b>18,180</b> | <b>17,220</b> | <b>19,060</b> | <b>22,488</b> |

**Key Operating Metrics**

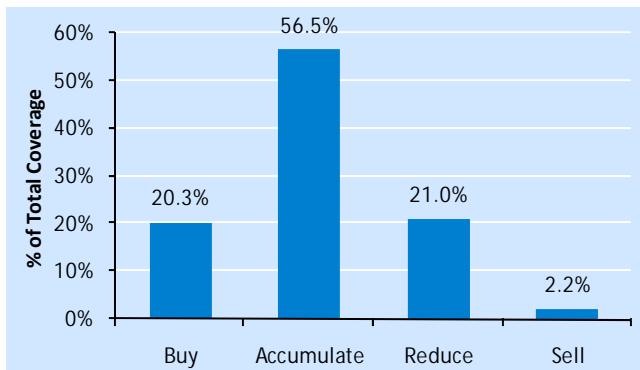
| Y/e March                         | 2010    | 2011    | 2012E     | 2013E     |
|-----------------------------------|---------|---------|-----------|-----------|
| Volume (persons month)            | 821,903 | 998,425 | 1,168,157 | 1,343,381 |
| Pricing (US\$ / Hr)               | 5,845   | 6,051   | 6,093     | 6,154     |
| Currency (USDINR)                 | 47.3    | 45.5    | 48.3      | 50.0      |
| SW Devp. Cost (% of sales)        | 53.1    | 54.7    | 55.0      | 54.9      |
| SG&A (% of sales)                 | 12.4    | 12.7    | 12.6      | 13.3      |
| Revenue (US\$ m)                  | 4,804   | 6,041   | 7,117     | 8,267     |
| EBITDAM Expansion/(Erosion) (bps) | 139.9   | (197.1) | (14.6)    | (60.9)    |
| Tax Rate (%)                      | 21.3    | 26.7    | 28.0      | 26.0      |

Source: Company Data, PL Research.



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**Rating Distribution of Research Coverage**



**PL's Recommendation Nomenclature**

|                       |  |                          |  |
|-----------------------|--|--------------------------|--|
| <b>BUY</b>            | : Over 15% Outperformance to Sensex over 12-months | <b>Accumulate</b>        | : Outperformance to Sensex over 12-months            |
| <b>Reduce</b>         | : Underperformance to Sensex over 12-months        | <b>Sell</b>              | : Over 15% underperformance to Sensex over 12-months |
| <b>Trading Buy</b>    | : Over 10% absolute upside in 1-month              | <b>Trading Sell</b>      | : Over 10% absolute decline in 1-month               |
| <b>Not Rated (NR)</b> | : No specific call on the stock                    | <b>Under Review (UR)</b> | : Rating likely to change shortly                    |

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