# Infosys Technologies INFO IN

SO WHAT? THE BNP PARIBAS ANGLE

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India Technology/Software & Services New information 13 October 2008

# INDUSTRY OUTLOOK: $\Psi$

TP 11% below Street.

 FY09 INR revenue estimate higher than Street on likely weaker USD/INR assumption. Net Profit 09 ......INR59.4b

Consensus (momentum) ......

Target Price . INR1,720.00 ......(Unchanged)

Diff from consensus (11.4%) Consensus (median)..INR1942.00 Consensus (momentum) ....... ♥

Current Price INR1,220.00 Upside/(Downside).....41.0% BUY (Unchanged)

Sources: Thomson One Analytics: Bloomberg: BNP Paribas estimates

| Recs in the Market   |    |
|----------------------|----|
| Positive             | 19 |
| Neutral              | 8  |
| Negative             |    |
| Consensus (momentum) | ♥  |

• Reduced guidance sets a floor for FY09, but FY10 consensus estimates are now at risk and could be cut further.

- Inexpensive valuation, but catalysts for re-rating are nearly absent with a weakening macro environment.
- TP: INR1720 based on 0.71x FY08-10E PEG (one SD below historical mean), translates to FY09E P/E of 16.6x.

# **Budgeting for the unforeseen**

# Guidance sets FY09 floor, consensus cuts for FY10 likely

Infosys cut its FY09 USD revenue growth guidance by ~6ppts- 3ppts of which is on cross currency fluctuations and another 3ppts due to a weakening macro environment. The guidance implies flat next two quarters in USD revenue terms. With management reiterating its 25,000 hiring target and a stable pricing outlook, at least part of the guidance cut appears preemptive, and factors in an increased risk to the revenue pipeline rather than project cancellations that have already occurred. The company noted that it was yet to see any direct negative impact on its business which our recent checks also confirmed. The revised guidance sets a floor, in our view, and barring a much further deterioration in the demand situation, looks achievable. The steep forecast cut is a negative, however, and consensus FY10 USD revenue growth projections could likely be cut to low double digits.

# Fairly solid 2Q results

Infosys' 2Q INR revenue and EPS beat guidance and consensus expectations, but the USD revenue came in only at the lower end of guidance due to a 1.8% cross currency movement. Revenue rose 7.1% q-q on a constant currency basis (5.3% in USD terms, 11.6% in INR terms) and was almost entirely volume driven. The guidance for relatively flat y-y FY09 EBIT margins implies that the company will reinvest a significant portion of the gains from the weak INR into SG&A.

## Catalysts pushed further away, macro risk remains

At 12x FY09 guided EPS, the stock looks inexpensive. That said, there are no visible triggers for stock re-rating and speculation on FY10 IT budgets will likely persist. We expect the shares to be range bound in the near term with a worsening environment remaining the key risk. Our estimates, target price and rating are under review.

# "Constant currency" now official lingo in Indian IT

Infosys has started reporting revenue on a constant currency basis. This figure best reflects the operating performance of the company, in our view. With the USD appreciating sharply against other major currencies recently, the USD-based number no longer adequately serves that purpose. The new reporting is inline with the practice already followed by leading global technology companies such as IBM and SAP.

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| Earnings Estimat        | tes And | l Valua | tion Ra | atios   |
|-------------------------|---------|---------|---------|---------|
| YE Mar (INR m)          | 2008    | 2009E   | 2010E   | 2011E   |
| Revenue                 | 166,920 | 223,869 | 263,496 | 296,606 |
| Reported net profit     | 46,590  | 59,410  | 68,968  | 72,902  |
| Recurring net profit    | 46,590  | 59,410  | 68,968  | 72,902  |
| Previous rec net profit | 46,590  | 59,410  | 68,968  | 72,902  |
| Chg from previous (%)   | —       | —       | —       | —       |
| Recurring EPS (INR)     | 79.15   | 103.58  | 120.25  | 127.10  |
| Prev rec EPS (INR)      | 79.15   | 103.58  | 120.25  | 127.10  |
| Rec EPS growth (%)      | 21.0    | 30.9    | 16.1    | 5.7     |
| Recurring P/E (x)       | 15.4    | 11.8    | 10.1    | 9.6     |
| Dividend yield (%)      | 2.7     | 2.6     | 3.0     | 3.1     |
| EV/EBITDA (x)           | 11.8    | 8.7     | 7.2     | 6.1     |
| Price/book (x)          | 5.1     | 3.9     | 3.1     | 2.6     |
| ROE (%)                 | 37.2    | 37.7    | 34.6    | 29.7    |
| Net debt/equity (%)     | (59.7)  | (48.5)  | (54.5)  | (58.4)  |

Sources: Infosys Technologies; BNP Paribas estimates





| Next results/event            | January 2009                       |
|-------------------------------|------------------------------------|
| Market cap (USD m)            | 15,082                             |
| 12m avg daily turnover (USD m | ) 80.5                             |
| Free float (%)                | 80                                 |
| Major shareholder             | Life Insurance Corp. Of India (4%) |
| 12m high/low (INR)            | 2,102.82/1,254.25                  |
| ADR (USD)                     | 25.02                              |
| Avg daily turnover (USD m)    | 128.9                              |
| Discount/premium (%)          | (1.0)                              |
| Disc/premium vs 52-wk avg (%) | 3.2                                |
| Source: Datastream            |                                    |



#### Exhibit 1: Infosys Key Operating Metrics

|                                       | 1Q08   | 2Q08 | 3Q08  | 4Q08 | 1Q09   | 2Q09  |
|---------------------------------------|--------|------|-------|------|--------|-------|
| Revenue growth (INR, %)               | 0.0    | 8.8  | 4.0   | 6.3  | 6.9    | 11.6  |
| Revenue growth (USD, %)               | 7.5    | 10.1 | 6.1   | 5.4  | 1.1    | 5.3   |
| Revenue growth (constant currency, %) | 6.5    | 9.7  | 5.4   | 5.3  | 0.8    | 7.1   |
| EBIT margin, chg (bps)                | (298)* | 285  | 125   | 7    | (210)* | 286   |
| EPS growth (%) **                     | 0.7    | 7.0  | 7.4   | 4.1  | 3.4    | 12.7  |
| Pricing, chg (%) <sup>#</sup>         | 1.0    | 1.9  | 0.8   | 0.2  | 0.2    | (0.3) |
| Volume, chg (%) <sup>#</sup>          | 6.9    | 7.7  | 4.5   | 4.9  | 0.5    | 6.5   |
| Utilization, chg (bps) <sup>@</sup>   | 90     | 390  | (150) | (90) | (320)  | 150   |
| Offshore revenue share, chg (%)       | 0.1    | 0.9  | 1.0   | 0.3  | 0.0    | 0.2   |
| Net headcount addition ***            | 3730   | 4530 | 8100  | 2586 | 3192   | 5927  |
| Attrition (%)                         | 13.7   | 14.2 | 13.7  | 13.4 | 13.6   | 12.8  |

USD revenue growth was adversely affected by a 1.8% move in the USD versus the EUR, GBP, AUD and other major currencies. The blended pricing was negative due to an increased share of offshore revenue.

\* EBIT margin lower on annual wage hikes given in the quarter, \*\* excludes tax reversal gains, \*\*\* includes support staff, # only IT services, @ excludes trainees Source: Company reports

| Exhibit 2: Growth Rates I | mplied By Guidan | ce (Q-Q For Q | Quarters, Y-Y Fo | or Annual) |           |
|---------------------------|------------------|---------------|------------------|------------|-----------|
|                           | 1Q09             | 2Q09          | 3Q09E            | 4Q09E      | FY09E     |
| Revenue (USD)             | 1.1              | 5.3           | (3.4)-0.3        | (0.1)      | 13.0-15.2 |
| Revenue (INR)             | 6.9              | 11.6          | 1.9-5.8          | 0.0        | 27.7-30.2 |
| EPS (INR)                 | 3.4              | 12.7          | 6.4              | 0.1        | 26.6      |

The upper end of the revised guidance calls for flat 3Q and 4Q

Source: Company reports

### Exhibit 3: Comparable Company Valuation

|                           | BBG     | Share              | Market  | F     | УЕ —— | — EPS grow | th rate — | Two-year PEG* |      |
|---------------------------|---------|--------------------|---------|-------|-------|------------|-----------|---------------|------|
| Company                   | code    | price <sup>#</sup> | сар     | FY09E | FY10E | FY09E      | FY10E     | FY09E         | P/BV |
|                           |         | (INR)              | (USD m) | (x)   | (x)   | (%)        | (%)       | (x)           | (x)  |
| Infosys Technologies      | INFO IN | 1,220.00           | 15,082  | 11.8  | 10.1  | 30.9       | 16.1      | 0.51          | 4.4  |
| Satyam Computer Services  | SCS IN  | 252.00             | 3,746   | 7.7   | 6.5   | 32.0       | 19.4      | 0.30          | 2.2  |
| Wipro Ltd                 | WPRO IN | 263.85             | 8,687   | 10.1  | 8.8   | 17.9       | 15.1      | 0.61          | 2.9  |
| Tata Consultancy Services | TCS IN  | 523.15             | 11,235  | 8.9   | 7.9   | 14.6       | 12.8      | 0.65          | 3.8  |
| Median                    |         |                    |         | 9.5   | 8.3   | 24.4       | 15.6      | 0.56          | 3.4  |
| Mean                      |         |                    |         | 9.6   | 8.3   | 23.8       | 15.8      | 0.52          | 3.3  |

# Prices as of 10 October, 2008, \*calculated on FY08-10E EPS CAGR Sources: Company data; Thomson Financial; BNP Paribas estimates

## FINANCIAL STATEMENTS

# Infosys Technologies

| Year Ending March   2007A   2008A   2009E   2010E   2011E     Revenue   138,930   166,920   223,869   263,496   296,606     Cost of sales ex depreciation   64,350   74,850   99,413   116,388   128,800     Other operating costs   (20,440)   (22,470)   (29,032)   (34,046)   (37,339     Operating EBITDA   43,910   52,380   70,382   82,342   91,461     Depreciation   (5,140)   (5,980)   (7,503)   (8,739)   (9,732     GoodWill amortisation   -   -   -   -   -   -     Operating EBIT   38,770   46,400   62,878   73,603   81,729     Non recurring items   -  | Profit and Loss (INR m)                       |          |          |           |           |           |
|---|---|----------|----------|-----------|-----------|-----------|
| Cost of sales ex depreciation   (74,880)   (92,070)   (124,456)   (147,108)   (167,806)     Other operating income   (20,440)   (22,470)   (29,032)   (34,046)   (37,339)     Operating EBITDA <b>43,910</b> (52,380)   (7,503)   (8,739)   (9,732)     Godwill amortisation   (5,140)   (5,980)   (7,503)   (8,739)   (9,732)     Godwill amortisation   -   -   -   -   -   -     Net financing costs   3,700   7,040   5,969   8,016   10,552     Associates   -   | Year Ending March                             | 2007A    | 2008A    | 2009E     | 2010E     | 2011E     |
| Gross profit ex depreciation   64,350   74,850   99,413   116,388   128,800     Other operating noome   -   | Revenue                                       | 138,930  | 166,920  | 223,869   | 263,496   | 296,606   |
| Other operating income   -  | Cost of sales ex depreciation                 | (74,580) | (92,070) | (124,456) | (147,108) | (167,806) |
| Operating costs   (20,440)   (22,470)   (29,032)   (34,046)   (37,339)     Operating EBITDA   43,910   52,380   (7,503)   (8,739)   (9,732)     Goodwill amotisation   -  |   | 64,350   | 74,850   | 99,413    | 116,388   | 128,800   |
| Operating EBITDA   43,910   52,380   70,882   82,342   91,461     Depreciation   (5,140)   (5,980)   (7,503)   (8,739)   (9,732)     Operating EBIT   38,770   46,400   62,878   73,603   81,729     Associates   3,700   7,040   5,969   8,016   10,552     Associates   -   -   -   -   -     Recurring non operating income   -   -   -   -   -     Profit before tax   42,470   53,440   68,847   81,619   92,281     Minority interests   (50)   -   -   -   -   -     Preferred dividends   -   |   | -        | -        | -         | -         | -         |
| Depreciation   (5,140)   (5,980)   (7,503)   (8,739)   (9,732)     Goodwill amortisation   - <td></td> <td>· · /</td> <td></td> <td>( , ,</td> <td>· · · /</td> <td>· · /</td>  |   | · · /    |          | ( , ,     | · · · /   | · · /     |
| Goodwill amortisation   38,770   46,400   62,878   73,603   81,729     Operating EBIT   38,770   46,400   62,878   73,603   81,729     Associates   37,040   62,878   73,603   81,729     Recurring non operating income   -   -   -   -     Non recurring items   -   -   -   -     Profit before tax   42,470   53,440   68,847   81,619   92,281     Tax   (3,860)   (6,850)   59,410   68,968   72,902     Minority interests   (50)   -   -   -   -     Reported net profit   38,560   46,590   59,410   68,968   72,902     Per share (INR)   Recurring tEPS *   65,43   79.15   103.58   120.25   127.10     Reported EPS   69,25   81,54   103.83   120.25   127.10     Reported EPS   69,25   31.25   36.16   38.29     DPS   11.65   33.29   31.25  |   |          |          |           |           |           |
| Operating EBIT   38,770   46,400   62,878   73,603   81,729     Net financing costs   3,700   7,040   5,969   8,016   10,552     Associates   - <td< td=""><td>•</td><td>(5,140)</td><td>(5,980)</td><td>(7,503)</td><td>(8,739)</td><td>(9,732)</td></td<>   | •   | (5,140)  | (5,980)  | (7,503)   | (8,739)   | (9,732)   |
| Net financing costs   3,700   7,040   5,969   8,016   10,552     Associates   - <td< td=""><td></td><td></td><td>-</td><td>-</td><td>-</td><td>-</td></td<>   |   |          | -        | -         | -         | -         |
| Associates - - - - -   Recurring non operating income - - - - - -   Profit before tax 42,470 53,440 68,847 81,619 92,281   Tax (3,860) (6,850) (9,437) (12,651) (19,379)   Profit after tax 38,610 46,590 59,410 68,968 72,902   Minority interests (50) - - - -   Preferred dividends - - - - - -   Reported net profit 38,560 46,590 59,410 68,968 72,902   Per share (INR) Recurring terps * 65,43 79.15 103.58 120.25 127.10   Reported EPS * 69.25 81.54 103.83 120.53 127.41   DPS 11.65 33.29 31.25 36.16 38.22   Growth Revenue (%) 45.9 20.1 34.1 17.7 12.6-   Operating EBITD A (%) 42.6 41.3 41.1 40.9 40  |   |          |          |           |           | ,         |
| Recurring non operating income   - <th< td=""><td>-</td><td>3,700</td><td>7,040</td><td>5,969</td><td>8,016</td><td>10,552</td></th<>   | -   | 3,700    | 7,040    | 5,969     | 8,016     | 10,552    |
| Non recurring items   -   |   | -        | -        | -         | -         | -         |
| Profit before tax   42,470   53,440   68,847   81,619   92,281     Tax   (3,860)   (6,850)   (9,437)   (12,651)   (19,379)     Profit after tax   38,610   46,590   59,410   68,968   72,902     Minority interests   (50)   -  |   |          |          | -         | _         |           |
| Tax   (3.860)   (6,850)   (9,437)   (12,651)   (19,379)     Profit after tax   38,610   46,590   59,410   68,968   72,902     Minority interests   (50)   -   |   | 42 470   | 53 440   | 68 847    | 81 619    | 92 281    |
| Profit after tax   38,610   46,590   59,410   68,968   72,902     Minority interests   (50)   -   |   | •        | •        | •         |           | •         |
| Minority interests   (50)   -   |   |          |          |           |           |           |
| Prefered dividends -  |   |          | -        | -         | -         |           |
| Other items   - <th< td=""><td></td><td>(00)</td><td>-</td><td>-</td><td>-</td><td>-</td></th<>   |   | (00)     | -        | -         | -         | -         |
| Reported net profit   38,560   46,590   59,410   68,968   72,902     Non recurring items & goodwill (net)   38,560   46,590   59,410   68,968   72,902     Per share (INR)   Recurring EPS*   65.43   79.15   103.58   120.25   127.10     Reported EPS   69.25   81.54   103.83   120.53   127.41     DPS   11.65   33.29   31.25   36.16   38.22     Growth   Revenue (%)   45.9   20.1   34.1   17.7   12.6*     Operating EBITDA (%)   42.1   19.3   34.4   17.0   11.1     Reported EPS (%)   49.5   21.0   30.9   16.1   5.7     Operating EBITDA margin (%)   27.9   27.8   27.9   27.6   27.9     Operating EBIT margin (%)   27.8   27.9   26.5   24.2   24.6     Effective tax rate (%)   9.1   12.8   13.7   15.5   21.0     Dividend payout on recurring profit (%)   17.8   42.1   30.   |   | -        | -        | -         | -         | -         |
| Non recurring items & goodwill (net)   38,560   46,590   59,410   68,968   72,902     Per share (INR)   Recurring EPS *   65.43   79.15   103.58   120.25   127.10     Reported EPS   69.25   81.54   103.83   120.53   127.41     DPS   11.65   33.29   31.25   36.16   38.22     Growth   Revenue (%)   45.9   20.1   34.1   17.7   12.66     Operating EBITDA (%)   42.1   19.3   34.4   17.0   11.10     Operating EBIT (%)   46.1   19.7   35.5   17.1   11.00     Recorring EPS (%)   49.5   21.0   30.9   16.1   5.7     Reported EPS (%)   51.6   31.6   31.4   31.4   31.2   30.8     Operating EBITDA margin (%)   27.9   27.8   28.2   24.6   27.9   27.6   28.2   24.4£   21.0   30.2   30.1   30.1   30.1   30.1   30.1   30.1   30.1   30.1 <t< td=""><td></td><td>38,560</td><td>46,590</td><td>59,410</td><td>68,968</td><td>72,902</td></t<> |   | 38,560   | 46,590   | 59,410    | 68,968    | 72,902    |
| Per share (INR)     Recurring EPS*   65.43   79.15   103.58   120.25   127.10     Reported EPS   69.25   81.54   103.83   120.53   127.41     DPS   11.65   33.29   31.25   36.16   38.22     Growth   Revenue (%)   45.9   20.1   34.1   17.7   12.6*     Operating EBITDA (%)   42.1   19.3   34.4   17.0   11.1     Operating EBIT (%)   46.1   19.7   35.5   17.1   11.0     Reported EPS (%)   49.5   21.0   30.9   16.1   5.7     Operating performance   Gross margin inc depreciation (%)   42.6   41.3   41.1   40.9   40.1     Operating EBITDA margin (%)   27.9   27.8   28.1   27.9   27.6     Net margin (%)   27.8   27.9   26.5   26.2   24.6     Effective tax rate (%)   9.1   12.8   13.7   15.5   21.0     Dividend payout on recurring profit (%)   17.8   42  |   | -        | -        | -         | -         | -         |
| Recurring EPS*   65.43   79.15   103.58   120.25   127.10     Reported EPS   69.25   81.54   103.83   120.53   127.41     DPS   11.65   33.29   31.25   36.16   38.22 <i>Growth</i> Revenue (%)   45.9   20.1   34.1   17.7   12.64     Operating EBITDA (%)   42.1   19.3   34.4   17.0   11.1     Operating EBIT (%)   46.1   19.7   35.5   17.1   11.0     Recurring EPS (%)   49.5   21.0   30.9   16.1   5.7     Reported EPS (%)   53.8   17.7   27.3   16.1   5.7     Operating performance   Gross margin inc depreciation (%)   42.6   41.3   41.1   40.9   40.1     Operating EBITDA margin (%)   27.8   27.9   26.5   26.2   24.42     Effective tax rate (%)   9.1   12.8   13.7   15.5   21.0     Dividend payout on recurring profit (%)   17.8   42.1   30.2   30.1<   | Recurring net profit                          | 38,560   | 46,590   | 59,410    | 68,968    | 72,902    |
| Reported EPS   69.25   81.54   103.83   120.53   127.41     DPS   11.65   33.29   31.25   36.16   38.22     Growth   Revenue (%)   45.9   20.1   34.1   17.7   12.6     Operating EBITD (%)   42.1   19.3   34.4   17.0   11.1     Operating EBIT (%)   46.1   19.7   35.5   17.1   11.0     Recurring EPS (%)   49.5   21.0   30.9   16.1   5.7     Operating performance  | Per share (INR)                               |          |          |           |           |           |
| DPS   11.65   33.29   31.25   36.16   38.22     Growth   Revenue (%)   45.9   20.1   34.1   17.7   12.6     Operating EBITDA (%)   42.1   19.3   34.4   17.0   11.1     Operating EBIT (%)   46.1   19.7   35.5   17.1   11.0     Recurring EPS (%)   49.5   21.0   30.9   16.1   5.7     Reported EPS (%)   53.8   17.7   27.3   16.1   5.7     Operating performance   Gross margin inc depreciation (%)   42.6   41.3   41.1   40.9   40.1     Operating EBITDA margin (%)   27.9   27.8   28.1   27.9   27.6     Net margin (%)   27.8   27.9   26.5   24.2   24.6     Effective tax rate (%)   9.1   12.8   13.7   15.5   21.0     Dividend payout on recurring profit (%)   17.8   42.1   30.2   30.1   364.4     Operating ROIC (%)   63.1   62.7   60.0   57.1  | Recurring EPS *                               | 65.43    | 79.15    | 103.58    | 120.25    | 127.10    |
| Growth     Revenue (%)   45.9   20.1   34.1   17.7   12.6     Operating EBITDA (%)   42.1   19.3   34.4   17.0   11.1     Operating EBIT (%)   46.1   19.7   35.5   17.1   11.0     Recurring EPS (%)   49.5   21.0   30.9   16.1   5.7     Reported EPS (%)   53.8   17.7   27.3   16.1   5.7     Operating performance   Gross margin inc depreciation (%)   42.6   41.3   41.1   40.9   40.1     Operating EBITDA margin (%)   27.9   27.8   28.1   27.9   27.6     Net margin (%)   27.8   27.9   26.5   24.6   24.0     Effective tax rate (%)   9.1   12.8   13.7   15.5   21.0     Dividend payout on recurring profit (%)   17.8   42.1   30.2   30.1   38.4     Creditor days   53.1   62.7   60.0   57.1   54.3     Creditor days   58.8   67.0   64.3  | Reported EPS                                  | 69.25    | 81.54    | 103.83    | 120.53    | 127.41    |
| Revenue (%)   45.9   20.1   34.1   17.7   12.6     Operating EBITDA (%)   42.1   19.3   34.4   17.0   11.1     Operating EBIT (%)   46.1   19.7   35.5   17.1   11.0     Recurring EPS (%)   49.5   21.0   30.9   16.1   5.7     Reported EPS (%)   53.8   17.7   27.3   16.1   5.7     Operating performance   Gross margin inc depreciation (%)   42.6   41.3   41.1   40.9   40.1     Operating EBITDA margin (%)   27.9   27.8   28.1   27.9   27.6     Net margin (%)   27.8   27.9   26.5   26.2   24.6     Effective tax rate (%)   9.1   12.8   13.7   15.5   21.0     Dividend payout on recurring profit (%)   17.8   42.1   30.2   30.1   36.4     Operating ROIC (%)   69.6   58.6   67.0   64.3   62.1   58.3     Operating ROIC (%)   69.6   58.6   58.7   52.3   | DPS   | 11.65    | 33.29    | 31.25     | 36.16     | 38.22     |
| Revenue (%)   45.9   20.1   34.1   17.7   12.6     Operating EBITDA (%)   42.1   19.3   34.4   17.0   11.1     Operating EBIT (%)   46.1   19.7   35.5   17.1   11.0     Recurring EPS (%)   49.5   21.0   30.9   16.1   5.7     Reported EPS (%)   53.8   17.7   27.3   16.1   5.7     Operating performance   Gross margin inc depreciation (%)   42.6   41.3   41.1   40.9   40.1     Operating EBITDA margin (%)   27.9   27.8   28.1   27.9   27.6     Net margin (%)   27.8   27.9   26.5   26.2   24.6     Effective tax rate (%)   9.1   12.8   13.7   15.5   21.0     Dividend payout on recurring profit (%)   17.8   42.1   30.2   30.1   36.4     Operating ROIC (%)   69.6   58.6   67.0   64.3   62.1   58.3     Operating ROIC (%)   69.6   58.6   58.7   52.3   | Growth  |          |          |           |           |           |
| Operating EBITDA (%)   42.1   19.3   34.4   17.0   11.1     Operating EBIT (%)   46.1   19.7   35.5   17.1   11.0     Recurring EPS (%)   49.5   21.0   30.9   16.1   5.7     Reported EPS (%)   53.8   17.7   27.3   16.1   5.7     Operating performance   Gross margin inc depreciation (%)   42.6   41.3   41.1   40.9   40.1     Operating EBITD A margin (%)   31.6   31.4   31.4   31.2   30.8     Operating EBITD Amargin (%)   27.9   27.8   28.1   27.9   27.6     Net margin (%)   27.8   27.9   26.5   26.2   24.6     Effective tax rate (%)   9.1   12.8   13.7   15.5   21.0     Dividend payout on recurring profit (%)   17.8   42.1   30.2   30.1   364.1     Interest cover (x)   na   na   na   na   na   na     Invertory days   53.1   62.7   60.0   57.1   |   | 45.9     | 20.1     | 34.1      | 17.7      | 12.64     |
| Operating EBIT (%)   46.1   19.7   35.5   17.1   11.0     Recurring EPS (%)   49.5   21.0   30.9   16.1   5.7     Reported EPS (%)   53.8   17.7   27.3   16.1   5.7     Operating performance   53.8   17.7   27.3   16.1   5.7     Operating EBITDA margin (%)   31.6   31.4   31.4   31.2   30.8     Operating EBIT margin (%)   27.9   27.8   28.1   27.9   27.6     Net margin (%)   27.8   27.9   26.5   26.2   24.6     Effective tax rate (%)   9.1   12.8   13.7   15.5   21.0     Dividend payout on recurring profit (%)   17.8   42.1   30.2   30.1   36.4     Interest cover (x)   na   na   na   na   na   na   na   na     Operating ROIC (%)   69.6   58.6   58.7   52.3   52.3   52.3     Operating ROIC (%)   61.8   56.9   56.8   5  |   |          |          |           |           |           |
| Recurring EPS (%)   49.5   21.0   30.9   16.1   5.7     Reported EPS (%)   53.8   17.7   27.3   16.1   5.7     Operating performance <td></td> <td></td> <td></td> <td></td> <td></td> <td></td>  |   |          |          |           |           |           |
| Reported EPS (%)   53.8   17.7   27.3   16.1   5.7     Operating performance   Gross margin inc depreciation (%)   42.6   41.3   41.1   40.9   40.1     Operating EBITDA margin (%)   31.6   31.4   31.4   31.4   31.2   30.8     Operating EBIT margin (%)   27.9   27.8   28.1   27.9   27.6     Net margin (%)   27.8   27.9   26.5   26.2   24.6     Effective tax rate (%)   9.1   12.8   13.7   15.5   21.0     Dividend payout on recurring profit (%)   17.8   42.1   30.2   30.1   36.1     Interest cover (x)   na   na<   |   |          |          |           |           |           |
| Gross margin inc depreciation (%) 42.6 41.3 41.1 40.9 40.1   Operating EBITDA margin (%) 31.6 31.4 31.4 31.2 30.8   Operating EBIT margin (%) 27.9 27.8 28.1 27.9 27.6   Net margin (%) 27.8 27.9 26.5 26.2 24.6   Effective tax rate (%) 9.1 12.8 13.7 15.5 21.0   Dividend payout on recurring profit (%) 17.8 42.1 30.2 30.1 36.4   Interest cover (x) na </td <td></td> <td></td> <td></td> <td></td> <td></td> <td></td>   |   |          |          |           |           |           |
| Gross margin inc depreciation (%) 42.6 41.3 41.1 40.9 40.1   Operating EBITDA margin (%) 31.6 31.4 31.4 31.2 30.8   Operating EBIT margin (%) 27.9 27.8 28.1 27.9 27.6   Net margin (%) 27.8 27.9 26.5 26.2 24.6   Effective tax rate (%) 9.1 12.8 13.7 15.5 21.0   Dividend payout on recurring profit (%) 17.8 42.1 30.2 30.1 36.4   Interest cover (x) na </td <td></td> <td></td> <td></td> <td></td> <td></td> <td></td>   |   |          |          |           |           |           |
| Operating EBITDA margin (%)   31.6   31.4   31.4   31.2   30.8     Operating EBIT margin (%)   27.9   27.8   28.1   27.9   27.6     Net margin (%)   27.8   27.9   26.5   26.2   24.6     Effective tax rate (%)   9.1   12.8   13.7   15.5   21.0     Dividend payout on recurring profit (%)   17.8   42.1   30.2   30.1   36.1     Interest cover (x)   na   na <td></td> <td>42.6</td> <td>41.3</td> <td>41.1</td> <td>40.9</td> <td>40.1</td>   |   | 42.6     | 41.3     | 41.1      | 40.9      | 40.1      |
| Operating EBIT margin (%)   27.9   27.8   28.1   27.9   27.6     Net margin (%)   27.8   27.9   26.5   26.2   24.6     Effective tax rate (%)   9.1   12.8   13.7   15.5   21.0     Dividend payout on recurring profit (%)   17.8   42.1   30.2   30.1   36.1     Interest cover (x)   na   na   na   na   na   na   na     Inventory days   na   na   na   na   na   na   na   na     Operating ROIC flow   53.1   62.7   60.0   57.1   54.3     Operating ROIC (%)   69.6   58.6   58.7   52.3   52.3     Operating ROIC (%)   64.8   56.9   56.8   50.8   50.9     ROIC (%)   61.8   56.9   56.8   50.8   50.9     ROIC (%)   42.3   37.2   37.7   34.6   29.7     ROA (%)   31.7   26.7   28.7   27.7   23.7   |   |          |          |           |           |           |
| Net margin (%)   27.8   27.9   26.5   26.2   24.6     Effective tax rate (%)   9.1   12.8   13.7   15.5   21.0     Dividend payout on recurring profit (%)   17.8   42.1   30.2   30.1   36.1     Interest cover (x)   na   na   na   na   na   na   na   na     Debtor days   53.1   62.7   60.0   57.1   54.3     Creditor days   58.8   67.0   64.3   62.1   58.1     Operating ROIC (%)   69.6   58.6   58.7   52.3   52.3     Operating ROIC - WACC (%)   54.9   43.9   44.0   37.6   37.6     ROIC (%)   61.8   56.9   56.8   50.8   50.9   80.6   29.7     ROA (%)   31.7   26.7   28.7   27.7   23.7     * Pre exceptional, pre-goodwill and fully diluted   2007A   2008A   2009E   2010E   2011E     Total employees   72,241   91,187   99,  |   |          |          |           |           |           |
| Effective tax rate (%) 9.1 12.8 13.7 15.5 21.0   Dividend payout on recurring profit (%) 17.8 42.1 30.2 30.1 36.1   Interest cover (x) na na na na na na na na   Inventory days na na na na na na na na na   Debtor days 53.1 62.7 60.0 57.1 54.3   Operating ROIC (%) 69.6 58.6 58.7 52.3 52.3   Operating ROIC - WACC (%) 54.9 43.9 44.0 37.6 37.6   ROIC (%) 61.8 56.9 56.8 50.8 50.8 50.8   ROIC (%) 42.3 37.2 37.7 34.6 29.7   ROA (%) 31.7 26.7 28.7 27.7 23.7   * Pre exceptional, pre-goodwill and fully diluted   Key Assumptions (INR m) 2007A 2008A 2009E 2010E 2011E   Total employees 72,241 91,187 99,463 11  |   |          |          |           |           |           |
| Dividend payout on recurring profit (%)   17.8   42.1   30.2   30.1   36.1     Interest cover (x)   na   n   |   |          |          |           |           |           |
| Interest cover (x)   na  | Dividend payout on recurring profit (%)       |          |          |           |           |           |
| Inventory days   na  |   |          |          |           |           |           |
| Debtor days   53.1   62.7   60.0   57.1   54.3     Creditor days   58.8   67.0   64.3   62.1   58.1     Operating ROIC (%)   69.6   58.6   58.7   52.3   52.3     Operating ROIC - WACC (%)   54.9   43.9   44.0   37.6   37.6     ROIC (%)   61.8   56.9   56.8   50.8   50.9     ROIC - WACC (%)   47.0   42.2   42.1   36.1   36.2     ROE (%)   42.3   37.2   37.7   34.6   29.7     ROA (%)   31.7   26.7   28.7   27.7   23.7     * Pre exceptional, pre-goodwill and fully diluted   2007A   2008A   2009E   2010E   2011E     Total employees   72,241   91,187   99,463   113,058   130,233     USD/INR exchange rate (end-of-period)   43.10   40.02   45.75   44.75   43.75  |   |          |          |           |           |           |
| Operating ROIC (%)   69.6   58.6   58.7   52.3   52.3     Operating ROIC - WACC (%)   54.9   43.9   44.0   37.6   37.6     ROIC (%)   61.8   56.9   56.8   50.8   50.9     ROIC - WACC (%)   47.0   42.2   42.1   36.1   36.2     ROE (%)   42.3   37.2   37.7   34.6   29.7     ROA (%)   31.7   26.7   28.7   27.7   23.7     * Pre exceptional, pre-goodwill and fully diluted <b>Key Assumptions (INR m) 2007A 2008A 2009E 2010E 2011E</b> Total employees   72,241   91,187   99,463   113,058   130,233     USD/INR exchange rate (end-of-period)   43.10   40.02   45.75   44.75   43.75   |   | 53.1     | 62.7     | 60.0      | 57.1      | 54.3      |
| Operating ROIC (%)   69.6   58.6   58.7   52.3   52.3     Operating ROIC - WACC (%)   54.9   43.9   44.0   37.6   37.6     ROIC (%)   61.8   56.9   56.8   50.8   50.9     ROIC - WACC (%)   47.0   42.2   42.1   36.1   36.2     ROE (%)   42.3   37.2   37.7   34.6   29.7     ROA (%)   31.7   26.7   28.7   27.7   23.7     * Pre exceptional, pre-goodwill and fully diluted <b>Key Assumptions (INR m) 2007A 2008A 2009E 2010E 2011E</b> Total employees   72,241   91,187   99,463   113,058   130,233     USD/INR exchange rate (end-of-period)   43.10   40.02   45.75   44.75   43.75   | Creditor days                                 | 58.8     | 67.0     | 64.3      | 62.1      | 58.1      |
| ROIC (%)   61.8   56.9   56.8   50.8   50.9     ROIC - WACC (%)   47.0   42.2   42.1   36.1   36.2     ROE (%)   42.3   37.2   37.7   34.6   29.7     ROA (%)   31.7   26.7   28.7   27.7   23.7     * Pre exceptional, pre-goodwill and fully diluted   2007A   2008A   2009E   2010E   2011E     Total employees   72,241   91,187   99,463   113,058   130,233     USD/INR exchange rate (end-of-period)   43.10   40.02   45.75   44.75   43.75   | Operating ROIC (%)                            |          | 58.6     |           |           |           |
| ROIC - WACC (%)   47.0   42.2   42.1   36.1   36.2     ROE (%)   42.3   37.2   37.7   34.6   29.7     ROA (%)   31.7   26.7   28.7   27.7   23.7     * Pre exceptional, pre-goodwill and fully diluted     Key Assumptions (INR m)   2007A   2008A   2009E   2010E   2011E     Total employees   72,241   91,187   99,463   113,058   130,233     USD/INR exchange rate (end-of-period)   43.10   40.02   45.75   44.75   43.75   | Operating ROIC - WACC (%)                     |          |          | 44.0      |           |           |
| ROE (%)   42.3   37.2   37.7   34.6   29.7     ROA (%)   31.7   26.7   28.7   27.7   23.7     * Pre exceptional, pre-goodwill and fully diluted   *   2008A   2009E   2010E   2011E     Key Assumptions (INR m)   2007A   2008A   2009E   2010E   2011E     Total employees   72,241   91,187   99,463   113,058   130,233     USD/INR exchange rate (end-of-period)   43.10   40.02   45.75   44.75   43.75  | ROIC (%)                                      |          |          |           |           |           |
| ROA (%)   31.7   26.7   28.7   27.7   23.7     * Pre exceptional, pre-goodwill and fully diluted   2007A   2008A   2009E   2010E   2011E     Key Assumptions (INR m)   2007A   2008A   2009E   2010E   2011E     Total employees   72,241   91,187   99,463   113,058   130,233     USD/INR exchange rate (end-of-period)   43.10   40.02   45.75   44.75   43.75   |   |          |          |           |           |           |
| * Pre exceptional, pre-goodwill and fully diluted     Key Assumptions (INR m)   2007A   2008A   2009E   2010E   2011E     Total employees   72,241   91,187   99,463   113,058   130,233     USD/INR exchange rate (end-of-period)   43.10   40.02   45.75   44.75   43.75  |   |          |          |           |           |           |
| Key Assumptions (INR m)2007A2008A2009E2010E2011ETotal employees72,24191,18799,463113,058130,233USD/INR exchange rate (end-of-period)43.1040.0245.7544.7543.75   |   |          | 26.7     | 28.7      | 27.7      | 23.7      |
| Total employees   72,241   91,187   99,463   113,058   130,233     USD/INR exchange rate (end-of-period)   43.10   40.02   45.75   44.75   43.75  | * Pre exceptional, pre-goodwill and fully dil | uted     |          |           |           |           |
| USD/INR exchange rate (end-of-period) 43.10 40.02 45.75 44.75 43.75   | Key Assumptions (INR m)                       | 2007A    | 2008A    | 2009E     | 2010E     | 2011E     |
|   | Total employees                               |          |          |           |           |           |
| USD/INR exchange rate (period average) 45.06 40.00 44.24 45.13 44.13  |   |          |          |           |           |           |
|   | USD/INR exchange rate (period average)        | 45.06    | 40.00    | 44.24     | 45.13     | 44.13     |

Sources: Infosys Technologies; BNP Paribas estimates

| Cash Flow (INR m)  |   |   |   |  |   |
|--|---|---|---|--|---|
| Year Ending March  | 2007A   | 2008A   | 2009E   | 2010E  | 2011E   |
| Recurring net profit   | 38,560  | 46,590  | 59,410  | 68,968   | 72,902  |
| Depreciation   | 5,140   | 5,980   | 7,503   | 8,739  | 9,732   |
| Associates & minorities  | 110   | -   | -   | -  | -   |
| Other non-cash items   | (3,170)   | (7,000)   | (6,799)   | (8,016)  | (10,552)  |
| Recurring cash flow  | 40,640  | 45,570  | 60,115  | 69,691   | 72,082  |
| change in working capital  | (5,430)   | (4,740)   | (7,306)   | (1,145)  | (2,270)   |
| apex - maintenance   | -   | -   | -   | -  | -   |
| Capex - new investment   | (15,100)  | (14,940)  | (15,643)  | (17,391)   | (18,390)  |
| Free cash flow to equity   | <b>20,110</b>   | <b>25,890</b>   | 37,166  | 51,155   | 51,422  |
| let acquisitions & disposals<br>Dividends paid   | (6,600)<br>(15,320)   | (1,250)<br>(8,350)  | (90)<br>(39,133)  | (24,208)   | (25,588)  |
| Non recurring cash flows   | 10,490  | 4,990   | 4,889   | (24,200)<br>8,016  | 10,552  |
| let cash flow  | <b>8,680</b>  | <b>21,280</b>   | <b>2,832</b>  | 34,964   | 36,386  |
| quity finance  | 12,160  | 580   | 260   | -  | -   |
| ebt finance  | -   | -   |   | -  | -   |
| lovement in cash   | 20,840  | 21,860  | 3,092   | 34,964   | 36,386  |
| er share (INR)   |   |   |   |  |   |
| ecurring cash flow per share   | 72.98   | 79.75   | 105.06  | 121.80   | 125.97  |
| CF to equity per share   | 36.11   | 45.31   | 64.95   | 89.40  | 89.87   |
| Balance Sheet (INR m)  |   |   |   |  |   |
| ear Ending March   | 2007A   | 2008A   | 2009E   | 2010E  | 2011E   |
| orking capital assets  | 35,130  | 47,830  | 62,219  | 64,268   | 70,048  |
| orking capital liabilities   | (21,500)  | (41,910)  | (29,843)  | (30,747)   | (34,256)  |
| let working capital  | 13,630  | 5,920   | 32,376  | 33,521   | 35,791  |
| angible fixed assets   | 37,710  | 47,770  | 56,030  | 64,681   | 73,338  |
| perating invested capital  | 51,340  | 53,690  | 88,406  | 98,202   | 109,130   |
| Goodwill<br>Other intangible assets  | -   | -   | -   | -  | -   |
| nvestments   | -<br>250  | 720   | 1,530   | 1,530  | -<br>1,530  |
| Other assets   | 920   | 1,190   | 1,330   | 1,330  | 1,330   |
| nvested capital  | 52,510  | 55,600  | 91,196  | 100,992  | 111,920   |
| •  |   |   |   |  |   |
| ash & equivalents  | (60,080)  | (82,350)  | (85,762)  | (120,726)  | <del>(157,111)</del>  |
| hort term debt   | -   | -   | -   | -  |   |
| ong term debt *<br><b>let debt</b>   | (60.090)  | (02.250)  | (95 763)  | (120,726)  | -   |
| eferred tax  | (60,080)  | (82,350)  | (85,762)  | (120,720)  | (157,111)   |
| Other liabilities  | _   | _   | _   | -  | _   |
|  |   |   |   |  |   |
| otal equity  | 112 550   | 137 950   | 176 957   | 221 718  | 269 031   |
| otal equity<br>/inority interests  | 112,550<br>40   | 137,950<br>-  | 176,957<br>-  | 221,718<br>-   | 269,031   |
| linority interests   | 112,550<br>40<br><b>52,510</b>  | 137,950<br>-<br><b>55,600</b>   | 176,957<br>-<br><b>91,196</b>   | 221,718<br>-<br><b>100,992</b>   | -   |
| inority interests<br>vested capital  | 40<br><b>52,510</b>   | 55,600  | 91,196  | -  | 269,031<br>-<br><b>111,920</b>  |
| inority interests<br>vested capital<br>Includes convertibles and preferred stoc  | 40<br><b>52,510</b>   | 55,600  | 91,196  | -  | -   |
| inority interests<br>vested capital<br>Includes convertibles and preferred stoc<br>er share (INR)  | 40<br><b>52,510</b>   | 55,600  | 91,196  | -  | -   |
| inority interests<br>vested capital<br>Includes convertibles and preferred stoc<br>er share (INR)<br>pok value per share   | 40<br><b>52,510</b><br>ck which is be   | <b>55,600</b><br>ing treated a  | <b>91,196</b><br>s debt   | 100,992  | 111,920   |
| inority interests<br>vested capital<br>Includes convertibles and preferred stoc<br>er share (INR)<br>pok value per share<br>angible book value per share   | 40<br><b>52,510</b><br>k which is be<br>202.12  | <b>55,600</b><br>ing treated a<br>241.43  | <b>91,196</b><br>s debt<br>309.26   | <b>100,992</b><br>387.48   | <b>111,920</b><br>470.17  |
| linority interests<br><b>Includes convertibles and preferred stoc</b><br><b>Includes converted stoc</b><br><b>Includes </b> | 40<br><b>52,510</b><br><i>ck which is be</i><br>202.12<br>202.12  | <b>55,600</b><br><i>ing treated a</i><br>241.43<br>241.43   | <b>91,196</b><br>s debt<br>309.26<br>309.26   | <b>100,992</b><br>387.48<br>387.48   | 470.17<br>470.17  |
| linority interests<br><b>Includes convertibles and preferred stoc</b><br><b>Includes convertibles and preferred stoc</b><br><b>Per share (INR)</b><br>ook value per share<br>angible book value per share<br><b>Tinancial strength</b><br>let debt/equity (%)  | 40<br><b>52,510</b><br><i>ck which is be</i><br>202.12<br>202.12<br>(53.4)  | <b>55,600</b><br><i>ing treated a</i><br>241.43<br>241.43<br>(59.7)   | <b>91,196</b><br>s debt<br>309.26<br>309.26<br>(48.5)   | <b>100,992</b><br>387.48<br>387.48<br>(54.5)   | 470.17<br>470.17<br>(58.4)  |
| Inority interests<br><b>Exercised Capital</b><br><i>Includes convertibles and preferred stoc</i><br><b>Per share (INR)</b><br>took value per share<br>cangible book value per share<br><b>Financial strength</b><br>let debt/equity (%)<br>let debt/total assets (%)   | 40<br><b>52,510</b><br><i>ck which is be</i><br>202.12<br>202.12<br>(53.4)<br>(44.8)  | <b>55,600</b><br><i>ing treated a</i><br>241.43<br>241.43<br>(59.7)<br>(45.8)   | <b>91,196</b><br>s debt<br>309.26<br>309.26<br>(48.5)<br>(41.5)   | <b>100,992</b><br>387.48<br>387.48<br>(54.5)<br>(47.8)   | <b>111,920</b><br>470.17<br>470.17<br>(58.4)<br>(51.8)  |
| Inority interests<br><b>Exercised capital</b><br><i>Includes convertibles and preferred stoc</i><br><b>Per share (INR)</b><br>wook value per share<br>angible book value per share<br><b>Financial strength</b><br>let debt/equity (%)<br>let debt/total assets (%)<br>current ratio (x)   | 40<br><b>52,510</b><br><i>ck which is be</i><br>202.12<br>202.12<br>(53.4)  | <b>55,600</b><br><i>ing treated a</i><br>241.43<br>241.43<br>(59.7)   | <b>91,196</b><br>s debt<br>309.26<br>309.26<br>(48.5)   | <b>100,992</b><br>387.48<br>387.48<br>(54.5)   | 470.17<br>470.17<br>(58.4)  |
| Minority interests<br><b>Exercised Capital</b><br><i>Includes convertibles and preferred stoc</i><br><b>Per share (INR)</b><br>Book value per share<br>angible book value per share<br><b>Financial strength</b><br>let debt/equity (%)<br>let debt/total assets (%)<br>current ratio (x)<br>CF interest cover (x)   | 40<br><b>52,510</b><br><i>ck which is be</i><br>202.12<br>202.12<br>(53.4)<br>(44.8)<br>4.4   | <b>55,600</b><br>ing treated a<br>241.43<br>241.43<br>(59.7)<br>(45.8)<br>3.1   | <b>91,196</b><br>s debt<br>309.26<br>309.26<br>(48.5)<br>(41.5)<br>5.0  | <b>100,992</b><br>387.48<br>387.48<br>(54.5)<br>(47.8)<br>6.0  | <b>111,920</b><br>470.17<br>470.17<br>(58.4)<br>(51.8)<br>6.6   |
| inority interests<br>vested capital<br>Includes convertibles and preferred stoc<br>pook value per share<br>angible book value per share<br>inancial strength<br>et debt/equity (%)<br>et debt/total assets (%)<br>urrent ratio (x)<br>= interest cover (x)<br>aluation   | 40<br><b>52,510</b><br><i>ck which is be</i><br>202.12<br>202.12<br>(53.4)<br>(44.8)<br>4.4<br>na   | <b>55,600</b><br>ing treated a<br>241.43<br>241.43<br>(59.7)<br>(45.8)<br>3.1<br>na   | <b>91,196</b><br>s debt<br>309.26<br>309.26<br>(48.5)<br>(41.5)<br>5.0<br>na  | 387.48<br>387.48<br>(54.5)<br>(47.8)<br>6.0<br>na  | 470.17<br>470.17<br>(58.4)<br>(51.8)<br>6.6<br>na   |
| linority interests<br><b>Avested capital</b><br><i>Includes convertibles and preferred stoc</i><br><b>Per share (INR)</b><br>ook value per share<br>angible book value per share<br><b>iinancial strength</b><br>et debt/equity (%)<br>et debt/total assets (%)<br>urrent ratio (x)<br>F interest cover (x)<br><b>faluation</b><br>ecurring P/E (x) *  | 40<br><b>52,510</b><br><i>ck which is be</i><br>202.12<br>202.12<br>(53.4)<br>(44.8)<br>4.4<br>na<br><b>2007A</b>   | <b>55,600</b><br>ing treated a<br>241.43<br>241.43<br>(59.7)<br>(45.8)<br>3.1<br>na<br><b>2008A</b>   | <b>91,196</b><br>s debt<br>309.26<br>309.26<br>(48.5)<br>(41.5)<br>5.0<br>na<br><b>2009E</b>  | <b>100,992</b><br>387.48<br>387.48<br>(54.5)<br>(47.8)<br>6.0<br>na<br><b>2010E</b>  | 111,920<br>470.17<br>470.17<br>(58.4)<br>(51.8)<br>6.6<br>na<br>2011E   |
| tinority interests<br><b>Divested capital</b><br><i>Includes convertibles and preferred stoc</i><br><b>Per share (INR)</b><br>ook value per share<br>angible book value per share<br><b>Trancial strength</b><br>let debt/equity (%)<br>let debt/total assets (%)<br>current ratio (x)<br>F interest cover (x)<br><b>Valuation</b><br>recurring P/E (x) *<br>recurring P/E @ target price (x) *  | 40<br><b>52,510</b><br><i>ck which is be</i><br>202.12<br>202.12<br>(53.4)<br>(44.8)<br>4.4<br>na<br><b>2007A</b><br>18.6   | <b>55,600</b><br>ing treated a<br>241.43<br>241.43<br>(59.7)<br>(45.8)<br>3.1<br>na<br><b>2008A</b><br>15.4   | <b>91,196</b><br>s debt<br>309.26<br>309.26<br>(48.5)<br>(41.5)<br>5.0<br>na<br><b>2009E</b><br>11.8  | <b>100,992</b><br>387.48<br>387.48<br>(54.5)<br>(47.8)<br>6.0<br>na<br><b>2010E</b><br>10.1  | <b>111,920</b><br>470.17<br>470.17<br>(58.4)<br>(51.8)<br>6.6<br>na<br><b>2011E</b><br>9.6  |
| linority interests<br><b>includes convertibles and preferred stoc</b><br><b>er share (INR)</b><br>ook value per share<br>angible book value per share<br><b>inancial strength</b><br>et debt/equity (%)<br>et debt/total assets (%)<br>urrent ratio (x)<br>F interest cover (x)<br><b>aluation</b><br>ecurring P/E (x) *<br>ecurring P/E (x) *<br>eported P/E (x)<br>ividend yield (%)   | 40<br><b>52,510</b><br><i>ck which is be</i><br>202.12<br>(53.4)<br>(44.8)<br>4.4<br>na<br><b>2007A</b><br>18.6<br>26.3<br>17.6<br>1.0  | <b>55,600</b><br>ing treated a<br>241.43<br>241.43<br>(59.7)<br>(45.8)<br>3.1<br>na<br><b>2008A</b><br>15.4<br>21.7<br>15.0<br>2.7  | 91,196<br>s debt<br>309.26<br>309.26<br>(48.5)<br>(41.5)<br>5.0<br>na<br>2009E<br>11.8<br>16.6<br>11.8<br>2.6   | <b>100,992</b><br>387.48<br>387.48<br>(54.5)<br>(47.8)<br>6.0<br>na<br><b>2010E</b><br>10.1<br>14.3<br>10.1<br>3.0   | 111,920<br>470.17<br>470.17<br>(58.4)<br>(51.8)<br>6.6<br>na<br>2011E<br>9.6<br>13.5<br>9.6<br>3.1  |
| Minority interests<br><b>Includes convertibles and preferred stoc</b><br><b>Per share (INR)</b><br>Book value per share<br>angible book value per share<br><b>Financial strength</b><br>let debt/equity (%)<br>let debt/total assets (%)<br>Current ratio (x)<br>CF interest cover (x)<br><b>/aluation</b><br>Recurring P/E (x) *<br>Reported P/E (x)<br>Dividend yield (%)<br>P/CF (x)  | 40<br><b>52,510</b><br><i>ck which is be</i><br>202.12<br>(53.4)<br>(44.8)<br>4.4<br>na<br><b>2007A</b><br>18.6<br>26.3<br>17.6<br>1.0<br>16.7  | <b>55,600</b><br>ing treated a<br>241.43<br>241.43<br>(59.7)<br>(45.8)<br>3.1<br>na<br><b>2008A</b><br>15.4<br>21.7<br>15.0<br>2.7<br>15.3  | 91,196<br>s debt<br>309.26<br>309.26<br>(48.5)<br>(41.5)<br>5.0<br>na<br>2009E<br>11.8<br>16.6<br>11.8<br>2.6<br>11.6   | <b>100,992</b><br>387.48<br>387.48<br>(54.5)<br>(47.8)<br>6.0<br>na<br><b>2010E</b><br>10.1<br>14.3<br>10.1<br>14.3<br>10.1<br>3.0<br>10.0   | 111,920<br>470.17<br>470.17<br>(58.4)<br>(51.8)<br>6.6<br>na<br>2011E<br>9.6<br>13.5<br>9.6<br>3.1<br>9.7   |
| tinority interests<br><b>Avested capital</b><br><i>Includes convertibles and preferred stoc</i><br><b>Per share (INR)</b><br>ook value per share<br>angible book value per share<br><b>Tinancial strength</b><br>let debt/equity (%)<br>let debt/total assets (%)<br>turrent ratio (x)<br>F interest cover (x)<br><b>Valuation</b><br>eccurring P/E (x) *<br>reported P/E (x)<br>ividend yield (%)<br>/CF (x)<br>/FCF (x)  | 40<br><b>52,510</b><br><i>ck which is be</i><br>202.12<br>(53.4)<br>(44.8)<br>4.4<br>na<br><b>2007A</b><br>18.6<br>26.3<br>17.6<br>1.0<br>16.7<br>33.8  | <b>55,600</b><br>ing treated a<br>241.43<br>241.43<br>(59.7)<br>(45.8)<br>3.1<br>na<br><b>2008A</b><br>15.4<br>21.7<br>15.0<br>2.7<br>15.3<br>26.9  | 91,196<br>s debt<br>309.26<br>309.26<br>(48.5)<br>(41.5)<br>5.0<br>na<br>2009E<br>11.8<br>16.6<br>11.8<br>2.6<br>11.6<br>18.8   | <b>100,992</b><br>387.48<br>387.48<br>(54.5)<br>(47.8)<br>6.0<br>na<br><b>2010E</b><br>10.1<br>14.3<br>10.1<br>14.3<br>10.1<br>3.0<br>10.0<br>13.6   | 111,920<br>470.17<br>470.17<br>(58.4)<br>(51.8)<br>6.6<br>na<br>2011E<br>9.6<br>13.5<br>9.6<br>3.1<br>9.7<br>13.6   |
| inority interests<br>vested capital<br>Includes convertibles and preferred stoc<br>er share (INR)<br>pook value per share<br>angible book value per share<br>inancial strength<br>et debt/equity (%)<br>et debt/total assets (%)<br>urrent ratio (x)<br>F interest cover (x)<br>aluation<br>ecurring P/E (x) *<br>ecurring P/E (x) *<br>eported P/E (x)<br>ividend yield (%)<br>/CF (x)<br>/FCF (x)<br>rice/book (x)   | 40<br><b>52,510</b><br><i>ck which is be</i><br>202.12<br>(53.4)<br>(44.8)<br>4.4<br>na<br><b>2007A</b><br>18.6<br>26.3<br>17.6<br>1.0<br>16.7<br>33.8<br>6.0   | <b>55,600</b><br>ing treated a<br>241.43<br>241.43<br>(59.7)<br>(45.8)<br>3.1<br>na<br><b>2008A</b><br>15.4<br>21.7<br>15.0<br>2.7<br>15.3<br>26.9<br>5.1                                       | 91,196<br>s debt<br>309.26<br>309.26<br>(48.5)<br>(41.5)<br>5.0<br>na<br>2009E<br>11.8<br>16.6<br>11.8<br>2.6<br>11.6<br>18.8<br>3.9                                  | <b>100,992</b><br>387.48<br>387.48<br>(54.5)<br>(47.8)<br>6.0<br>na<br><b>2010E</b><br>10.1<br>14.3<br>10.1<br>14.3<br>10.1<br>3.0<br>10.0<br>13.6<br>3.1  | 111,920<br>470.17<br>470.17<br>(58.4)<br>(51.8)<br>6.6<br>na<br>2011E<br>9.6<br>13.5<br>9.6<br>3.1<br>9.7<br>13.6<br>2.6                                    |
| inority interests<br><b>invested capital</b><br><i>Includes convertibles and preferred stoc</i><br><i>er share (INR)</i><br>ook value per share<br>angible book value per share<br><i>inancial strength</i><br>et debt/equity (%)<br>et debt/total assets (%)<br>urrent ratio (x)<br>F interest cover (x)<br><b>aluation</b><br>ecurring P/E @ target price (x) *<br>eported P/E (x)<br>ividend yield (%)<br>/CF (x)<br>rice/book (x)<br>rice/tangible book (x)  | 40<br><b>52,510</b><br><i>k which is be</i><br>202.12<br>202.12<br>(53.4)<br>(44.8)<br>4.4<br>na<br><b>2007A</b><br>18.6<br>26.3<br>17.6<br>1.0<br>16.7<br>33.8<br>6.0<br>6.0   | <b>55,600</b><br><i>ing treated a</i><br>241.43<br>241.43<br>(59.7)<br>(45.8)<br>3.1<br>na<br><b>2008A</b><br>15.4<br>21.7<br>15.0<br>2.7<br>15.3<br>26.9<br>5.1<br>5.1                         | 91,196<br>s debt<br>309.26<br>309.26<br>(48.5)<br>(41.5)<br>5.0<br>na<br>2009E<br>11.8<br>16.6<br>11.8<br>2.6<br>11.6<br>18.8<br>3.9<br>3.9                           | <b>100,992</b><br>387.48<br>387.48<br>(54.5)<br>(47.8)<br>6.0<br>na<br><b>2010E</b><br>10.1<br>14.3<br>10.1<br>14.3<br>10.1<br>3.0<br>10.0<br>13.6<br>3.1<br>3.1   | 111,920<br>470.17<br>470.17<br>(58.4)<br>(51.8)<br>6.6<br>na<br>2011E<br>9.6<br>13.5<br>9.6<br>3.1<br>9.7<br>13.6<br>2.6                                    |
| Inority interests<br><b>Includes convertibles and preferred stoc</b><br><b>Per share (INR)</b><br>Includes convertibles and preferred stoc<br><b>Per share (INR)</b><br>Interest cover (x)<br><b>Valuation</b><br>Recurring P/E (x) *<br>Recurring P/E (x) *<br>Recurring P/E (x) *<br>Recurring P/E (x)<br>P/CF (x)<br>Price/took (x)<br>Price/tangible book (x)<br>V/EBITDA (x) **   | 40<br><b>52,510</b><br><i>k which is be</i><br>202.12<br>202.12<br>(53.4)<br>(44.8)<br>4.4<br>na<br><b>2007A</b><br>18.6<br>26.3<br>17.6<br>1.0<br>16.7<br>33.8<br>6.0<br>6.0<br>14.2                                   | <b>55,600</b><br><i>ing treated a</i><br>241.43<br>241.43<br>(59.7)<br>(45.8)<br>3.1<br>na<br><b>2008A</b><br>15.4<br>21.7<br>15.0<br>2.7<br>15.3<br>26.9<br>5.1<br>5.1<br>11.8                 | 91,196<br>s debt<br>309.26<br>309.26<br>(48.5)<br>(41.5)<br>5.0<br>na<br>2009E<br>11.8<br>16.6<br>11.8<br>2.6<br>11.6<br>18.8<br>3.9<br>3.9<br>8.7                    | <b>100,992</b><br>387.48<br>387.48<br>(54.5)<br>(47.8)<br>6.0<br>na<br><b>2010E</b><br>10.1<br>14.3<br>10.1<br>14.3<br>10.1<br>14.3<br>10.1<br>14.3<br>10.1<br>14.3<br>10.1<br>14.3<br>10.1<br>14.3<br>10.1<br>13.6<br>3.1<br>3.1<br>7.2 | 111,920<br>470.17<br>470.17<br>(58.4)<br>(51.8)<br>6.6<br>na<br>2011E<br>9.6<br>13.5<br>9.6<br>3.1<br>9.7<br>13.6<br>2.6<br>2.6<br>6.1                      |
| Minority interests<br><b>Includes convertibles and preferred stoc</b><br><b>Per share (INR)</b><br>book value per share<br>angible book value per share<br><b>Financial strength</b><br>let debt/equity (%)<br>let debt/total assets (%)<br>current ratio (x)<br>F interest cover (x)<br><b>Valuation</b><br>Recurring P/E (x) *<br>Reported P/E (x)<br>bividend yield (%)<br>V/CF (x)<br>V/FCF (x)<br>Price/book (x)<br>CV/EBITDA (x) **<br>EV/EBITDA (a target price (x) **  | 40<br><b>52,510</b><br><i>k which is be</i><br>202.12<br>202.12<br>(53.4)<br>(44.8)<br>4.4<br>na<br><b>2007A</b><br>18.6<br>26.3<br>17.6<br>1.0<br>16.7<br>33.8<br>6.0<br>6.0<br>14.2<br>20.5                           | <b>55,600</b><br><i>ing treated a</i><br>241.43<br>241.43<br>(59.7)<br>(45.8)<br>3.1<br>na<br><b>2008A</b><br>15.4<br>21.7<br>15.0<br>2.7<br>15.3<br>26.9<br>5.1<br>5.1<br>5.1<br>11.8<br>17.2  | <b>91,196</b><br>s debt<br>309.26<br>(48.5)<br>(41.5)<br>5.0<br>na<br><b>2009E</b><br>11.8<br>16.6<br>11.8<br>2.6<br>11.6<br>18.8<br>3.9<br>3.9<br>8.7<br>12.8        | <b>100,992</b><br>387.48<br>387.48<br>(54.5)<br>(47.8)<br>6.0<br>na<br><b>2010E</b><br>10.1<br>14.3<br>10.1<br>14.3<br>10.1<br>14.3<br>10.1<br>13.0<br>10.0<br>13.6<br>3.1<br>3.1<br>7.2<br>10.7   | <b>111,920</b><br>470.17<br>470.17<br>(58.4)<br>(51.8)<br>6.6<br>na<br><b>2011E</b><br>9.6<br>13.5<br>9.6<br>3.1<br>9.7<br>13.6<br>2.6<br>2.6<br>6.1<br>9.2 |
| Minority interests<br><b>Includes convertibles and preferred stoc</b><br><b>Per share (INR)</b><br>book value per share<br>angible book value per share<br><b>Financial strength</b><br>let debt/quity (%)<br>let debt/total assets (%)<br>current ratio (x)<br>CF interest cover (x)<br><b>Valuation</b><br>Recurring P/E (x) *<br>Reported P/E (x)<br>bividend yield (%)<br>V/CF (x)<br>V/CF (x)<br>Price/tangible book (x)<br>EV/EBITDA (x) **<br>EV/EBITDA (a target price (x) **<br>EV/ENCE (x)<br>EV/EDITDA (x) **<br>EV/ENCE (x)<br>EV/EDITDA (x) **<br>EV/ENCE (x)<br>EV/ENCE (   | 40<br><b>52,510</b><br><i>k which is be</i><br>202.12<br>202.12<br>(53.4)<br>(44.8)<br>4.4<br>na<br><b>2007A</b><br>18.6<br>26.3<br>17.6<br>1.0<br>16.7<br>33.8<br>6.0<br>6.0<br>14.2<br>20.5<br>11.8                   | <b>55,600</b><br><i>ing treated a</i><br>241.43<br>241.43<br>(59.7)<br>(45.8)<br>3.1<br>na<br><b>2008A</b><br>15.4<br>21.7<br>15.0<br>2.7<br>15.3<br>26.9<br>5.1<br>5.1<br>11.8                 | 91,196<br>s debt<br>309.26<br>309.26<br>(48.5)<br>(41.5)<br>5.0<br>na<br>2009E<br>11.8<br>16.6<br>11.8<br>2.6<br>11.6<br>18.8<br>3.9<br>3.9<br>8.7                    | <b>100,992</b><br>387.48<br>387.48<br>(54.5)<br>(47.8)<br>6.0<br>na<br><b>2010E</b><br>10.1<br>14.3<br>10.1<br>14.3<br>10.1<br>14.3<br>10.1<br>14.3<br>10.1<br>14.3<br>10.1<br>14.3<br>10.1<br>14.3<br>10.1<br>13.6<br>3.1<br>3.1<br>7.2 | 111,920<br>470.17<br>470.17<br>(58.4)<br>(51.8)<br>6.6<br>na<br>2011E<br>9.6<br>13.5<br>9.6<br>3.1<br>9.7<br>13.6<br>2.6<br>2.6<br>6.1                      |
| Minority interests<br><b>Includes convertibles and preferred stoc</b><br><b>Per share (INR)</b><br>book value per share<br>angible book value per share<br><b>Financial strength</b><br>let debt/equity (%)<br>let debt/total assets (%)<br>current ratio (x)<br>F interest cover (x)<br><b>Valuation</b><br>Recurring P/E (x) *<br>Reported P/E (x)<br>bividend yield (%)<br>V/CF (x)<br>V/FCF (x)<br>Price/book (x)<br>CV/EBITDA (x) **<br>EV/EBITDA (a target price (x) **  | 40<br><b>52,510</b><br><i>k which is be</i><br>202.12<br>202.12<br>(53.4)<br>(44.8)<br>4.4<br>na<br><b>2007A</b><br>18.6<br>26.3<br>17.6<br>1.0<br>16.7<br>33.8<br>6.0<br>6.0<br>14.2<br>20.5<br>11.8<br><i>liluted</i> | <b>55,600</b><br><i>ing treated a</i><br>241.43<br>241.43<br>(59.7)<br>(45.8)<br>3.1<br>na<br><b>2008A</b><br>15.4<br>21.7<br>15.0<br>2.7<br>15.3<br>26.9<br>5.1<br>5.1<br>11.8<br>17.2<br>11.1 | <b>91,196</b><br>s debt<br>309.26<br>(48.5)<br>(41.5)<br>5.0<br>na<br><b>2009E</b><br>11.8<br>16.6<br>11.8<br>2.6<br>11.6<br>18.8<br>3.9<br>3.9<br>8.7<br>12.8<br>6.7 | <b>100,992</b><br>387.48<br>387.48<br>(54.5)<br>(47.8)<br>6.0<br>na<br><b>2010E</b><br>10.1<br>14.3<br>10.1<br>14.3<br>10.1<br>14.3<br>10.1<br>13.0<br>10.0<br>13.6<br>3.1<br>3.1<br>7.2<br>10.7   | <b>111,920</b><br>470.17<br>470.17<br>(58.4)<br>(51.8)<br>6.6<br>na<br><b>2011E</b><br>9.6<br>13.5<br>9.6<br>3.1<br>9.7<br>13.6<br>2.6<br>2.6<br>6.1<br>9.2 |

Sources: Infosys Technologies; BNP Paribas estimates

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#### **Recommendation structure**

All share prices are as at market close on 10 October 2008 unless otherwise stated. Stock recommendations are based on absolute upside (downside), which we define as (target price\* - current price) / current price. If the upside is 10% or more, the recommendation is BUY. If the downside is 10% or more, the recommendation is REDUCE. For stocks where the upside or downside is less than 10%, the recommendation is HOLD. In addition, we have key buy and key sell lists in each market, which are our most commercial and/or actionable BUY and REDUCE calls and are limited to at most five key buys and five key sells in each market at any point in time.

Unless otherwise specified, these recommendations are set with a 12-month horizon. Thus, it is possible that future price volatility may cause a temporary mismatch between upside/downside for a stock based on market price and the formal recommendation.

\*In most cases, the target price will equal the analyst's assessment of the current fair value of the stock. However, if the analyst doesn't think the market will reassess the stock over the specified time horizon due to a lack of events or catalysts, then the target price may differ from fair value. In most cases, therefore, our recommendation is an assessment of the mismatch between current market price and our assessment of current fair value.

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