Infosys Technologies Limited

The "4-Is" of Infosys

1 June 2010

ANTIQUE

Initiating Coverage

RECO	**: BUY**
CMP	**: INR2,642**
Target Price	**: INR3,024**

Investment rationale

Infosys Technologies Ltd (NSE: INFOSYSTCH) is the second largest Indian software services company with strong focus on banking, insurance, manufacturing, retail and telecom verticals. A majority of its revenues is derived from the US followed by Europe and Rest of the World. It has a balanced portfolio of both fixed price and time & material contracts and is backed by a team of 1,10,000 professionals, with operations spread across 54 delivery centers globally. We believe "4-Is" – **I**ncreased focus on consultancy, **I**mproving utilisation rates, **I**nducing macro environment and **I**nnovative pricing model will drive Infosys growth in coming quarters.

Increased focus on consultancy

The consistent focus on consultancy projects has the potential to impart robustness to its revenue constitution.

Improving utilisation

The company has reported significant improvement of ~600bps in utilisation rates over the last four quarters. This trend would continue in the coming quarters and offer margin safety and predictability.

Inducive macro environment

Strong demand traction from continental Europe and manufacturing vertical would enable the company to post stable and consistent revenue growth.

Innovative pricing model

Its attempt to shift towards new usage/outcome based pricing model seems to be bearing fruit and provides it the flexibility to attract conservative customers.

Valuation

At the CMP of INR2,642, Infosys is trading at 21x discounting its FY11e EPS.Taking into account company's capability to manage margins and growth in tough times and amidst currency headwinds, it would not be unreasonable to give it a higher P/E multiple. Our target price of INR3,024 is based on 24x FY11e EPS of INR126, providing a 15% upside. We recommend a BUY on the stock.

Financials

Year ended March	FY08	FY09	FY10	FY11e	FY12e
Revenues	166,920	216,930	227,420	269,137	310,103
EBITDA	52,380	71,950	78,610	92,476	108,499
EBITDA growth (%)	19	37	9	18	17
PAT*	46,590	59,880	62,180	71,992	84,005
PAT growth (%)	21	29	4	16	17
EPS* (INR)	81	104	109	126	147
EPS growth (%)	20	28	4	16	17
P/E (x)	32.5	25.3	24.3	21.0	18.0
P/BV (x)	11.0	8.3	6.6	5.3	4.4
EV/EBITDA (x)	26.1	19.0	17.4	14.8	12.6
RoE (%)	33.8	32.8	27.2	25.5	24.7

Source: Company, Antique . Note:*Ex-one time

Market data

Sector	:	IT
Market Cap (INRbn)	:	1,519
Market Cap (USDbn)	:	32.6
O/S shares (m)	:	574
Free Float (m)	:	453
52-wk HI/LO (INR)	:	2,875/1,601
Avg 6m Vol ('000)	:	1,123
Bloomberg	:	INFO IN
Reuters	:	INFY.BO

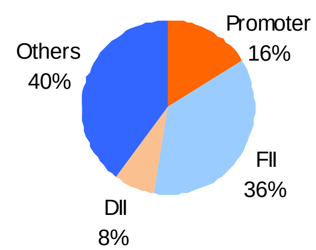
Source: Bloomberg

Returns (%)

	1m	3m	6m	12m
Absolute	(3)	2	11	58
Relative	1	(1)	13	39

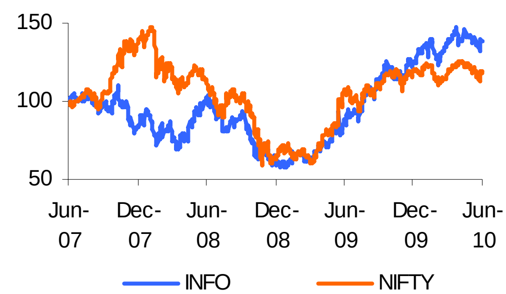
Source: Bloomberg

Shareholding pattern



Source: BSE

Price performance *vs* Nifty



Source: Bloomberg

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Introduction

54 global delivery centers and 1,10,000 employees, 27m sq ft of building area, underlying humongous size and scale

Infosys Technologies Ltd (NSE: INFOSYSTCH, NYSE:INFY) is a Bengaluru (Ktk) based global software consulting company, promoted by Mr. N. R. Narayana Murthy along with a few other technocrats in 1981. After its IPO in June 1993, the company has emerged as a pioneer in IT services industry and set the standards in financial and corporate disclosures. It was the first Indian company to list on the NASDAQ via an ADS issue (in 1999), followed by a sponsored ADS (again the first one) in 2003. It heralded the acceptance of Indian companies into the mainstream of US investment fraternity when it was included in the Nasdaq-100 index in 2006.

Currently, Infosys is the second largest firm in India providing IT services and solutions to a diverse set of global and regional clients through its 54 global delivery centers (GDC) with a headcount of ~1,10,000 employees. It derives majority of the revenues (~66%) from US region followed by Europe (~22%) and Rest of the World (~12%), with strategic focus and aim to serve fortune 2,000 clients.

Shift from global service delivery model to usage based model conveys the consistent evolution of the company

Infosys firmed up its unique global services delivery model (GDM) in late 90s, under which large scale software development projects were broken into three mutually exhaustive components at different ODCs, based on their executional possibilities. First category was for those projects that can be carried out at client location, second for those that can be executed near to client location, and last for execution at remote locations, where highly skilled manpower and advanced technology centers were easily available.

The GDM model enabled Infosys to deliver highest quality of work and capitalise on the differences in cost, quality and skill sets of manpower across different locations. Realising the potential of this model, many Indian IT companies followed suit, as it afforded a premium (15-20%) for their offshore services. It was not long before multinationals also entered the race; MNCs like Accenture, IBM, Electronic Data Systems, have started operating from India and began offering the same offshore rates as Indian companies.

The success of the GDM prodded Infosys to launch GDM Plus in 2003, an enhanced service delivery model. Infosys defined GDM Plus as an integrated delivery model that encompassed vertical solutions, expanded vertical footprint and execution excellence. In the fiscal year 2005-06, Infosys derived more than 40% of its revenues through new GDM-based services like package implementation, independent validation, business process management, infrastructure management. Currently, the company is shifting to the new usage/outcome based pricing model.

Infosys derives ~84% of its revenue from banking, insurance, manufacturing, retail and telecom verticals with the balance from energy & utilities, transportation, healthcare and others. Its services portfolio comprises: application development and maintenance, business process management, consulting, infrastructure management, product engineering, system integration and testing services. Its contract portfolio consists of both fixed price and time & money contracts, with increasing contribution from fixed price contracts over the past few quarters. On the infrastructure front, company has a seating capacity for 1,20,000 people and can train more than 13,000 people simultaneously through its Mysore campus.

Facilities (area in m sq ft)

Cities	Built-up	No.of Seats
Bangalore	4.3	28,905
Bhubaneshwar	0.9	4,018
Chandigarh	1.2	6,089
Chennai	3.3	21,347
Gurgaon	0.1	1,168
Hyderabad	2.2	12,128
Jaipur	0.5	4,337
Mangalore	0.8	4,682
Mysore	8.9	8,619
Pune	4.6	24,314
Thiruvananthpuram	0.6	5,106
Total	**27.4**	**120,713**

Source: Company

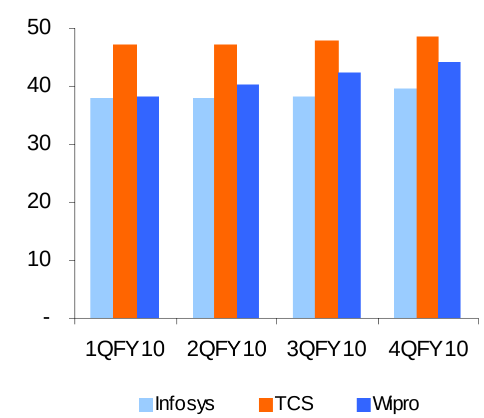
Business model

Fixed price vis-à-vis time and material (T&M) contracts

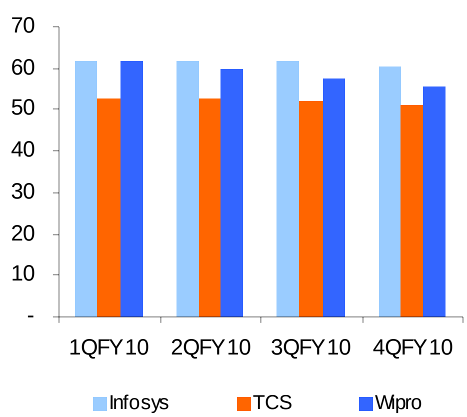
Provides onshore and offshore IT services to global clients on fixed price and time & material mode

The company provides onshore and offshore IT services to global clients on fixed price and T&M mode. Although fixed price contracts provide consistent cash flow to firms and are easy to execute, T&M contracts are more of consultancy nature and command higher billing rates. Among the peer set, Infosys has the highest proportion of T&M contracts and lowest proportion of fixed price contracts (refer charts below).

Fixed price contracts (%)



T&M contracts (%)

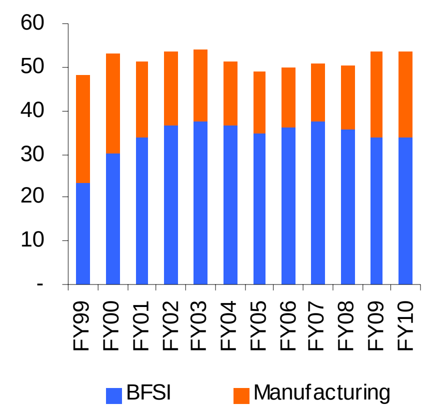


Source: Company

Industry verticals - Revival in manufacturing and telecom will provide tailwinds

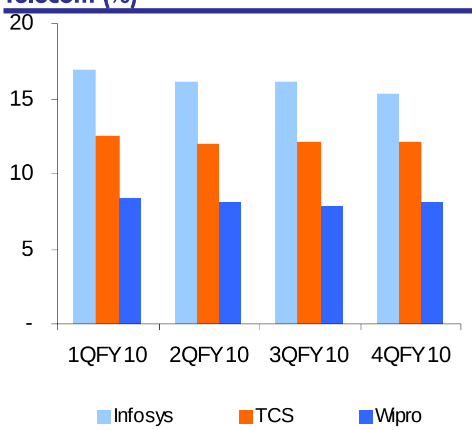
Infosys provides software services and solutions to various industries including: insurance, banking, manufacturing, telecom, retail and utilities.The company leads the peer set in manufacturing and telecom verticals and in spite of ongoing weaknesses in both these verticals, it guided (4QFY10 earnings call - April 2010) a robust revenue growth of 16-18% for FY11. This reflects company's confidence in other verticals. We believe that revival in both of these sectors will provide the required tailwinds to the company. Within manufacturing, subsectors leading the growth are hi-tech, resource, and discrete manufacturing, whereas automotive and aerospace are little soft. In 4QFY10, all verticals did well barring telecom; management expects BFSI, manufacturing and retail to contribute significantly in coming quarters, while a slower growth would be reported in telecom due to lack of clients and addressable market.

BFSI (%)

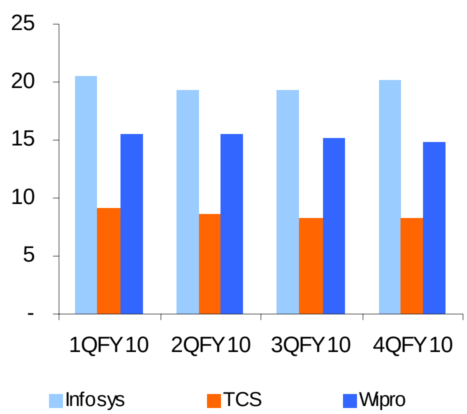


Source: Company

Telecom (%)

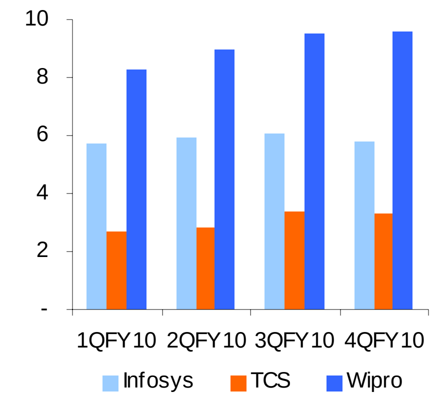


Manufacturing (%)



Source: Company

Energy and utilities (%)



Source: Company

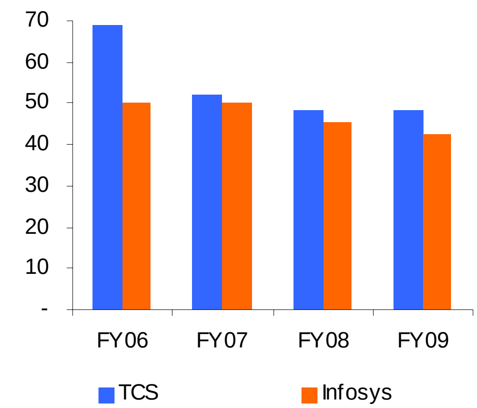
Upcoming verticals - energy and utilities, pharma and healthcare

As per management, the biggest growth impact in absolute terms is promised from: BFSI, manufacturing and retail verticals, and upcoming verticals like energy & utilities, pharma and healthcare. The management assured its commitment to invest in these new verticals. Currently, the company derives ~6% of its revenues from energy and utilities.

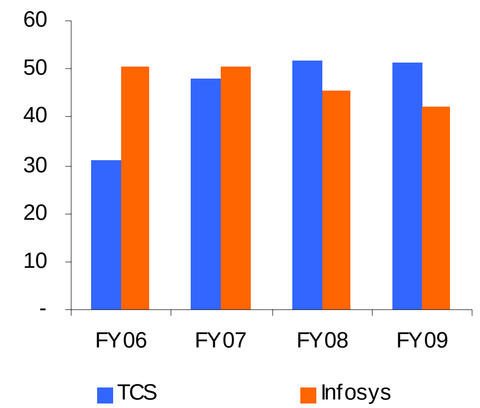
Services verticals - ADM vs. non-ADM revenues

Infosys has strategically added several new service lines in past few years like enterprise solution, consulting, system integration, infrastructure management, independent validation and BPO. This resulted less dependence on ADM services, while contribution of non-ADM revenues has increased. In the application development and maintenance domain (ADM), the maintenance part provides recurring revenues to the company.

ADM revenues (%)



Non-ADM revenues (%)

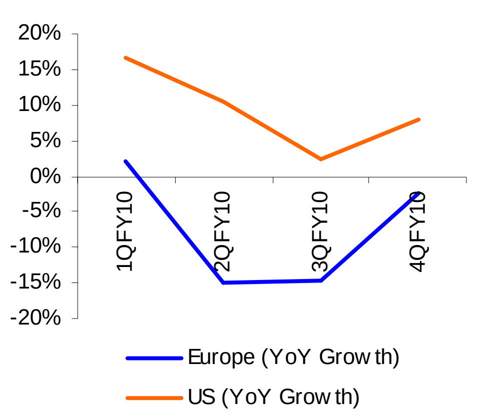


Source: Company

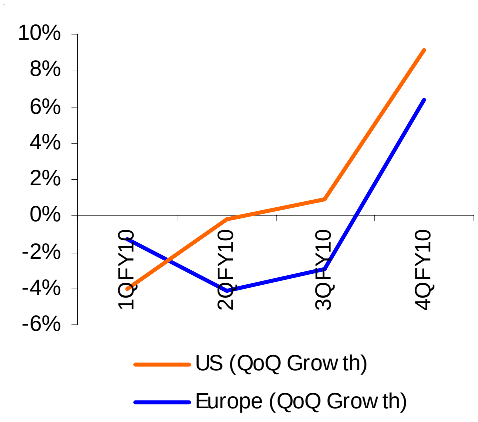
Geographic revenues - Growth in US & Europe on recovery

Infosys clocked ~8% growth in US revenues on a YoY basis. The management sounded confident about the recovery and future growth in the region and stated that the overall growth will be lead by US, followed by UK and Europe. The same is quite evident from sequential revenue growth numbers of IBM and HP. Amongst its peer set, Infosys derives the highest proportion of revenues from the US region and a quick recovery in this region will help it the most. The company aims to achieve a geographic mix of 40:40:20 across US, Europe and Rest of the World. In 4QFY10, Europe revenue inched up by 6.4% on a sequential basis, driven by traction in the Continental European region.

US & Europe revenue growth (YoY)

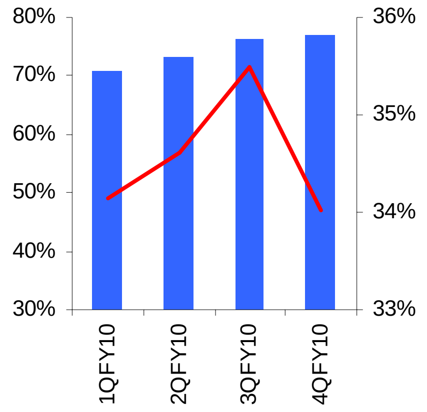


US & Europe revenue growth (QoQ)



Source: Company

Utilisation vs. EBITDA margins



Source: Company

"4-Is" to drive Infosys

We believe "4-Is" – **I**ncreased focus on consultancy, **I**mproving utilisation rates, **I**nducing macro environment and **I**nnovative pricing model, will drive Infosys growth in coming quarters.

Increased focus on consultancy

The past few conference calls reveal that the company has always expressed its willingness to increase its consultancy revenues which commands higher billing rates. In 4QFY10, proportion of consultancy revenue scaled up by 270bps to 26% on a QoQ basis. Infosys is well aware that consultancy plays a crucial role in transformation deals and helps in development of client vendor relationship along with widening the scope of service offerings. Thereby, it is looking forward for suitable acquisition in the consultancy segment.

Improving utilisation

Infosys embarked improvement of ~600bps in utilisation rates (ex-trainee) over last four quarters and expects this trend to continue. It has the lowest utilisation rates compared to its peers, which leaves a lot of scope for improvement. The company is poised to achieve a utilisation level of ~80% amidst large employee base and recruitments (intends to recruit 30,000 people by FY11) at bottom of the pyramid, where training period is up to 26 weeks.

Inducing macro environment

World economies showing signs of revival through GDP growth numbers of US and Europe

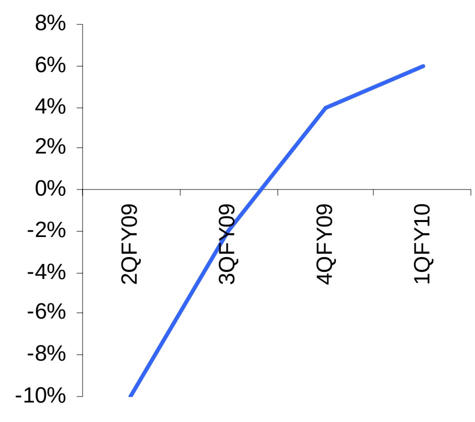
World economies have bounced back and are showing signs of revival through GDP growth numbers of both US and Europe (please refer the graph). Traction in demand from continental Europe and manufacturing verticals will help company to post robust growth going forward. Both Europe and US are back on recovery path; if we compare YoY growth numbers of key clients (refer the graph), we find that almost all clients have posted revenue growth on sequential and YoY basis. Moreover, large players like IBM and HP claimed robust revenue numbers indicating recovery in the sector as a whole. During April 2010, earnings call management also sounded very positive about the recovery situation and mentioned that USD100m deals were back on the plate. The company also won five large deals during the quarter, of which two were of ~USD150m. It also expects the IT spending budgets to remain flattish or up slightly in CY10.

Innovative pricing model

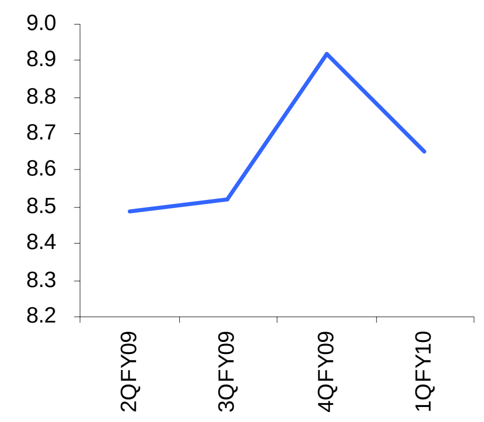
Transforming current cost-based pricing model to a usage-based model - a win-win step for the company and client

Infosys is transforming its current cost-based pricing model to a usage-based model. This shift will be a win-win change for both - company and client. The new model is an outcome/usage-based model, similar to device-based pricing in infrastructure or ticket-based pricing in maintenance. With this new pricing model in place, clients will be able to shift most of their capital expenditure to operating expenditure and also at the same time to correlate cost with outcome i.e., to shift fixed cost to variable costs. On the other hand, for Infosys it would mean shift from a time and material mode to a outcome-based model, which will provide it scalability, consistent revenues and an immunity from economic downturns and budget freezes. With this change, Infosys will open its window to a large set of clients who wish to pay for outcome vs. investments. The company has won more than 100 deals under this new model worth USD100m and expects further similar deals.

IBM YoY revenue growth



HP quarterly revenues (USDbn)



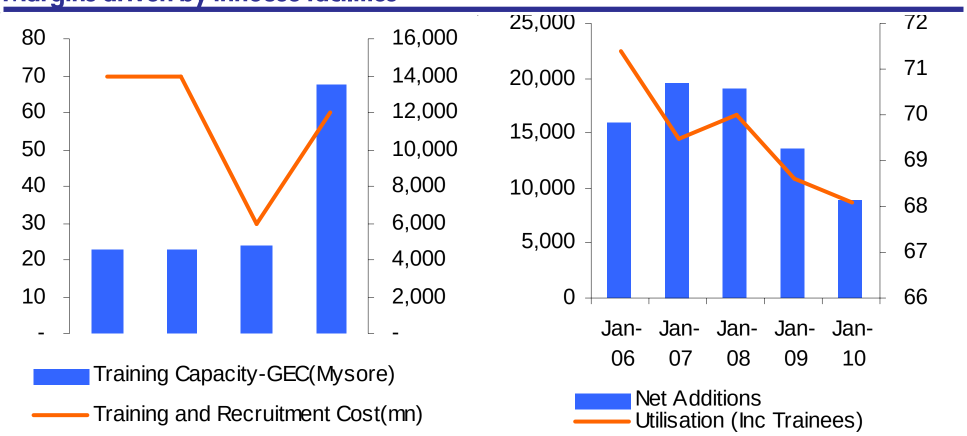
Source: Company ,Antique. **Note:**HP current quarter revenues were relassified

Margins in a safe zone

The management intends to expand utilisation rates by 200bps by FY11

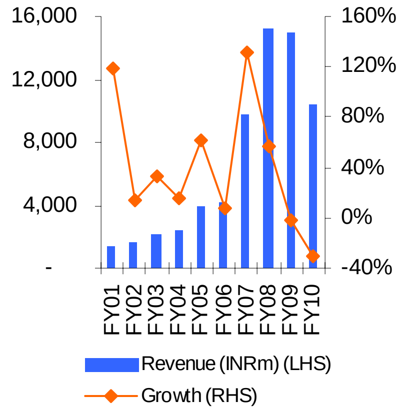
Infosys commands highest EBITDA margins within the peer set. It has posted ~32% in EBITDA margins historically vis-à-vis its peers who managed to reach 30% levels. On cost structure comparison, we discover Infosys on an edge of ~150bps from rent, rates, taxes & training and recruitment expenses.In 2006 and 2007, it incurred ~7,500m in training of employees, to put a check on alarming cost of training, it resorted to certain cost cutting measures of which "Campus connect" was most effective. Under the "Campus connect" initiative Infosys provided software training modules to more than 500 engineering colleges and also trained more than 2,000 faculties. It also took a major leap vs. competitors by enhancing its in house training facility in Mysore campus where it can train more than 13,000 employees simultaneously. With innovation in cost rationalization Infosys has been able to maintain its margins amidst economic slowdown and currency appreciations, which clearly reflects company's operational flexibility. We believe Infosys will be able to expand its margins further with expansion in utilisation rates, which management intends to expand by 200bps in FY11.

Margins driven by inhouse facilities



Source: Company

Top client



Source: Company

Clients

In spite of downturn in the global outsourcing business, Infosys added ~35 clients every quarter in FY10, and its proportion of revenues from repeat business declined from 98% in 1QFY10 to 95% in 4QFY10, implying improvement in new client scenario. The company has consistently bagged deals and added clients in the past; off late, the company has started targeting the indigenous market and closed ~20 deals with regional rural banks.

Client contribution

	1QFY10	2QFY10	3QFY10	4QFY10
Top client	4.5	4.6	4.7	4.6
Top 5 clients	16.3	16.5	17.6	15.8
Top 10 clients	25.8	26.2	27.5	25.8
Repeat business	98.7	98.0	97.0	95.4
>USD1m	330	330	336	338
>USD5m	151	150	152	159
>USD10m	104	96	93	97
>USD20m	61	59	60	59
>USD30m	45	41	41	41
>USD40m	30	32	33	33
>USD50m	19	21	22	26
>USD60m	15	15	14	16
>USD70m	12	11	12	12
>USD80m	11	9	9	10
>USD90m	6	6	7	8
>USD100m	4	5	6	6
>USD200m	1	1	2	1
>USD300m	-	-	-	-

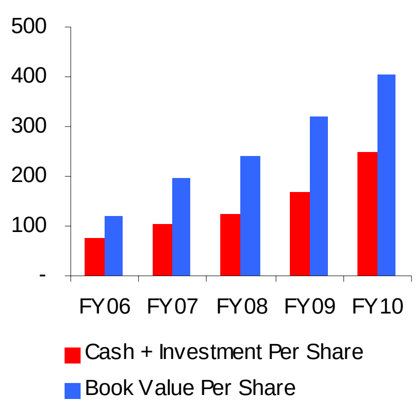
Source: Company

Dividend, cash and subsidiaries

Cash balance marked at USD3.5bn in FY10

Infosys follows a policy of distributing ~30% of net profits. Historically, the company has consistently paid dividend and in FY10 it paid INR25 per share. Infosys generated operating cash of ~INR60bn in FY10, on the back of which the cash balance climbed to USD3.5bn. The company intends to use the above cash for strategic reason, and is looking for suitable acquisition in the consultancy vertical in Europe. The company recently acquired a US based BPO "McCammish" in the BFSI vertical for USD38m with an additional clause to pay another USD20m, if it achieves the revenue targets.

Cash and book value per share



Source: Company

Acquisition

Subsidiary	Old name	Year	Stake (%)	Investment
Infosys BPO limited	Progeon	2002	99.98	6,590
Infosys Technologies (Australia) Pty. Limited	Expert Information Services	2004	100.00	660
Infosys Australia	Mainstream Software	2008	100.00	120
Infosys Technologies (China) Company		na	100.00	650
Infosys Consulting, Inc		2005	100.00	1,930
Infosys Technologies (Mexico)		2008	100.00	220
Infosys Technologies Sweden				

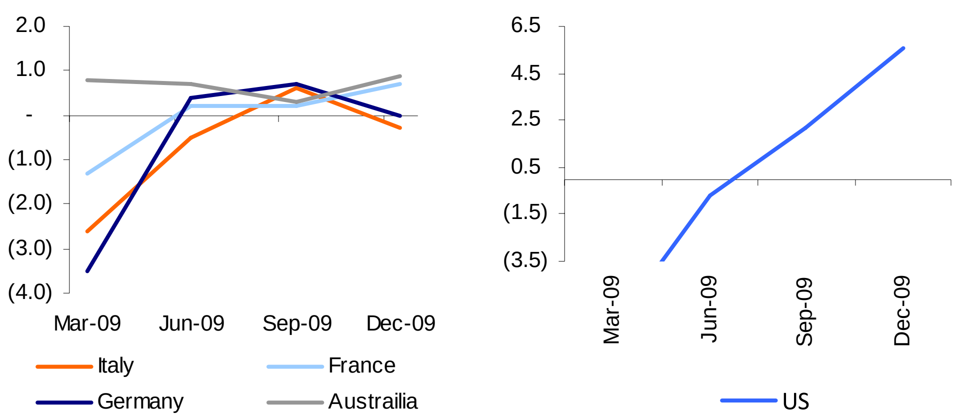
Note: Infosys Sweden has not commenced operations yet

Global and industry outlook

The year 2008 was a transformational year for the Indian IT business; this span changed companies' outlook and forced them to reconsider their business model in order to make a flexible and adaptable cost structure. The flexibility was not only visible in cost structure but also on the delivery side. Clients started looking for usage-based models to shift the fixed cost to variable cost, and thereby, the companies were forced to provide different pricing options and discounts. The worst is slowly getting over; global GDP after declining by ~100bps in 2009 is expected to grow by ~300bps in 2010 and further by ~100bps in 2011. As per Nasscom's report, IT services are expected to firm up by 2.4% in 2010 and 4.2% in 2011, provide competitive edge and cost savings to global players across industries. The Indian IT-BPO industry is estimated to aggregate revenues of USD73.1bn in FY10, with the IT software and services industry accounting for USD63.7bn. During this period, direct employment is expected to reach nearly 2.3m, an addition of 90,000 employees, while indirect job creation is estimated at 8.2m. Export revenues are expected to cross USD50.1bn in FY10, growing by 5.4% over FY09 and contributing 69% of the total IT-BPO revenues. Domestic IT-BPO revenues are expected to appreciate by 8.5% to reach INR1,088bn in FY10. On the BPO front, domestic BPO scaled up by 22% over FY09, driven by large deals in telecom and BFSI space. Although India holds a major 51% market share in the offshoring market, there still exists a tremendous headroom for growth, as the current offshoring market is still a small part of the outsourcing industry. There exist significant opportunities across 'core verticals & geographic segments' of BFSI and US and 'emerging geographies & vertical markets' such as Asia Pacific, retail, healthcare and government, respectively. Development of these new opportunities can triple the current addressable market, and can lead to Indian IT-BPO revenues of USD250bn by 2020.

Global GDP after declining by ~100bps in 2009 is expected to mount by ~300bps in 2010 and further by ~100bps in 2011

Nominal GDP growth rates (QoQ %)



Source: Bloomberg

We believe India will continue to maintain and grab share from the global IT outsourcing business inspired by cost-effective talent pool, timely and friendly government policies (software technology park and SEZs) and low cost flexible delivery model.

Valuations and risk factors

We forecast a revenue growth of ~18% in FY11 and EBITDA margins of 34.4%. Other key assumptions are shown in the adjacent table.

We have used both DCF and relative valuation methodology to arrive at a fair value for Infosys. On DCF basis (assumption on the adjacent table), at a WACC of 8.7% and long term growth of 3%, we derive an intrinsic value of INR3,024.

At the CMP of INR2,642, Infosys is trading at a P/E of 21x discounting its FY11E EPS of INR126. Taking into account company's capability to manage margins and growth in tough times and amidst currency headwinds , we believe it would not be unreasonable to give a 24x multiple to its FY11 EPS implying a target price of INR3,024.

Keeping in mind currency risk and global macro environment (impacts utilisation) to which company is exposed to, we did a stress analysis of company's value varying on these two parameters. We believe that in long term the INR/USD rate will be between INR43-45 and utilisation between 75-77%, and hence, we have taken average of the value with this two variables and arrive at an average intrinsic value of INR3,357.

Taking lower of the two, INR3,024 (DCF) and INR3,357 (scenario basis), we value the company at INR3,024.

We initiate coverage on the above stock with a BUY rating and a 12-month target price of INR3,024 based on 24x FY11e EPS of INR126, which implies a 15% upside from the current levels.

Key assumptions

Growth assumptions (%)	
Long term growth rate	3
Infosys Premium/(Disc)	2
CAPM assumptions (%)	
Ke	8.7
RFR	7.8
Beta	0.7
Rp	1.4

Source: IMF, Company, Antique

Terminal value

Sum of PV of FCF for explicit forecast (INRm)	4,53,922
WACC (%)	8.7
Terminal Growth (%)	3.36
PV of terminal value	1,130,611
Terminal value as % of total value	71
Total Value	**1,584,533**

Source: IMF, Company, Antique

Intrinsic value

Enterprise value	1,584,533
- Debt	-
+ Cash	1,42,680
Net debt	(1,42,680)
Equity value (Mkt Cap)	1,727,213
Diluted shares (m)	571.12
Intrinsic value	3,024

Source: IMF, Company, Antique

Sensitivity analysis (impact on intrinsic value)

INR/USD	Utilisation 74%	75%	76%	77%	78%
40	3,345	3,346	3,347	3,349	3,350
41	3,348	3,348	3,350	3,351	3,352
42	3,350	3,351	3,352	3,353	3,355
43	3,352	3,353	3,354	3,355	3,357
44	3,354	3,355	3,356	3,358	3,359
45	3,356	3,357	3,359	3,360	3,362
46	3,359	3,360	3,361	3,363	3,365
47	3,361	3,362	3,364	3,365	3,367
48	3,364	3,365	3,366	3,368	3,369
49	3,366	3,367	3,368	3,370	3,372

Average: INR3,357

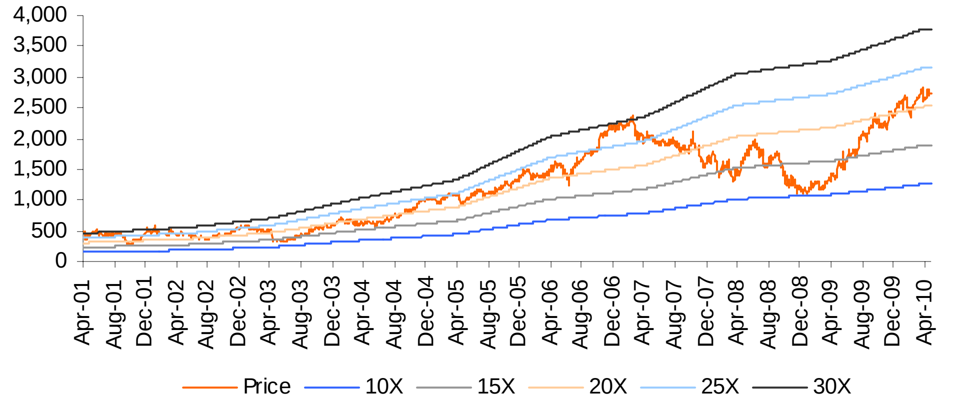
Source:Company, Antique

Relative valuation

	P/E (x)		EV/EBITDA (x)		P/BV (x)		EV/Sales (x)	
	FY10	FY11	FY10	FY11	FY10	FY11	FY10	FY11
Infosys	24.3	21.0	17.4	14.8	6.6	5.4	6.0	5.1
Wipro	21.1	18.7	15.0	14.0	5.4	4.3	3.5	3.0
TCS	21.0	19.1	15.4	36.0	7.9	5.8	4.6	4.0
HCL Tech	20.7	14.9	9.5	8.6	3.8	3.2	2.0	1.7
Patni	14.9	13.6	6.9	7.0	2.0	1.8	1.6	1.5
Tech M	8.3	12.6	7.5	8.6	3.0	2.4	2.2	1.9
Average	**18.4**	**16.7**	**12.0**	**14.8**	**4.8**	**3.8**	**3.3**	**2.9**

Source: Company , Antique and Bloomberg

PE band



Source: Bloomberg, Company

Risk factors

Currency risk

Infosys derives more than 60% of revenues from the US region and is exposed to currency risks; any significant appreciation in the Indian currency will have adverse financial impact on the company.

Europe recovery and global environment

Though the US continues to lead the recovery, concerns over the economy and debt in the Europe, especially with Greece, are likely to continue; any downturn or delay in recovery in this region will impede company's revenues and margins.

Tax rate

Company's taxable income is gradually rising; almost 70% of the revenue was taxable in FY10. The company expects this percentage to rise to 80%, which will result in average tax rate firming by 22-25%.

Attrition rate and talent war

Company's attrition rate registered at 13.4% in 4QFY10 vs. 11% in 4QFY09; higher attrition rate will slump productivity levels and consequently result in higher recruitment and training costs. Although the company has announced wage hike for both onshore and offshore employees, still the talent war is inevitable.

Employee metrics

	FY06	FY07	FY08	FY09	FY10
Gross addition	22,868	30,946	33,177	28,231	27,639
Net addittion	15,965	19,526	18,946	13,663	8,946
Employees left	6,903	11,420	14,231	14,568	18,693
Employee count	52,715	72,241	91,187	104,850	113,796
Attrition rate (%)	13.7	13.7	13.4	11.1	13.4

Source: Company

Utilisation rates

Infosys has a large bench and is exposed to productivity losses, any downturn will significantly impact company's utilisation level.

New pricing model

It is an outcome-based model, which may result into lower utilisation and revenue loss, impacting the overall financials of the company.

Financials

Profit and Loss Account (INRm)

Year ended 31st Mar	2008	2009	2010	2011E	2012E
Revenues	166,920	216,930	227,420	269,137	310,103
Expenses	120,520	152,590	157,860	185,759	211,423
Operating Profit	**46,400**	**64,340**	**69,560**	**83,378**	**98,680**
Other income	7,040	4,730	9,430	9,680	11,852
EBIDTA	**52,380**	**71,950**	**78,610**	**92,476**	**108,499**
Depreciation	5,980	7,610	9,050	9,098	9,818
Interest & other income	7,040	4,730	9,340	9,680	11,852
Profit before tax	**53,440**	**69,070**	**78,900**	**93,058**	**110,533**
Taxes incl deferred taxation	6,850	9,190	16,810	21,066	26,528
Extra ordinary Items			570		
Profit after tax	**46,590**	**59,880**	**62,660**	**71,992**	**84,005**
Recurring EPS (INR)	**81.3**	**104.4**	**108.9**	**126.0**	**147.1**

Balance Sheet (INRm)

Year ended 31st Mar	2008	2009	2010	2011E	2012E
Share capital	2,860	2,860	2,860	2,860	2,860
Reserves & surplus	135,090	179,680	227,630	279,598	336,896
Networth	**137,950**	**182,540**	**230,490**	**282,458**	**339,756**
Debt	-	-	-	-	-
Deferred tax liability	-	-	-	-	-
Capital employed	**137,950**	**182,540**	**230,490**	**282,458**	**339,756**
Gross fixed assets	54,390	70,930	78,390	88,229	95,502
Accumulated depreciation	19,860	24,160	28,930	38,028	47,847
Net assets	**34,530**	**46,770**	**49,460**	**50,200**	**47,655**
Capital work in progress	13,240	6,770	4,090	6,363	11,494
Investments	720	0	37,120	37,120	37,120
Current assets, loans & advances					
Inventory					
Debtors	32,970	36,720	34,940	37,998	38,738
Cash & bank balances	69,500	96,950	105,560	156,938	215,689
Loans & advances and others	28,900	34,050	43,870	43,870	43,870
Current liabilities & provisions					
Creditors	19,120	20,040	23,430	27,911	32,690
Other liabilities & provisions	22,790	18,680	21,120	22,120	22,120
Net current assets	**89,460**	**129,000**	**139,820**	**188,775**	**243,488**
Application of funds	**137,950**	**182,540**	**230,490**	**282,458**	**339,756**

Per share data

Year ended 31st Mar	2008	2009	2010	2011E	2012E
No. of shares (m)	573.3	573.5	571.1	571.2	571.2
BVPS (INR)	240.6	318.3	403.6	494.5	594.9
CEPS (INR)	91.7	117.7	125.6	142.0	164.3
DPS (INR)	33.0	23.5	25.0	30.0	40.0

Margins (%)

Year ended 31st Mar	2008	2009	2010	2011E	2012E
EBIDTA	31.4	33.2	34.6	34.4	35.0
EBIT	27.8	29.7	30.6	31.0	31.8
PAT	27.9	27.6	27.6	26.7	27.1

Source: Company, Antique

Cash flow statement (INRm)

Year ended 31st Mar	2008	2009	2010	2011E	2012E
PBT	**53,440**	**69,070**	**78,990**	**93,058**	**110,533**
Depreciation & amortisation	5,980	7,610	9,050	9,098	9,818
Interest expense	-	-	-	-	-
Interest / Dividend Recd	(6,810)	(8,760)	(8,810)	(10,669)	(10,401)
Other adjustments	30	(1,050)	740	(989)	1,451
(Inc)/Dec in working capital	6,100	4,600	400	(2,423)	(4,039)
Tax paid	(5,490)	(9,020)	(17,530)	(21,066)	(26,528)
CF from operating activities	**41,050**	**53,250**	**62,040**	**71,856**	**88,912**
Capital expenditure	(16,190)	(13,410)	(7,930)	(12,111)	(12,404)
(Purchase)/Sale of Investments	(470)	720	(36,980)	-	-
Income from investments	5,460	10,560	8,710	10,669	10,401
CF from investing activities	**(11,200)**	**(2,130)**	**(36,200)**	**(1,442)**	**(2,003)**
Inc/(Dec) in share capital	580	640	890	-	-
Inc/(Dec) in debt	-	-	-	-	-
Dividends & Interest paid	(8,560)	(24,180)	(16,050)	(19,035)	(28,158)
CF from financing activities	**(7,980)**	**(23,540)**	**(15,160)**	**(19,035)**	**(28,158)**
Net cash flow	**21,870**	**27,580**	**10,680**	**51,378**	**58,751**
Opening balance	60,480	82,350	110,430	121,110	172,488
Closing balance	**82,350**	**109,930**	**121,110**	**172,488**	**231,239**

Growth indicators (%)

Year ended 31st Mar	2008	2009	2010	2011E	2012E
Revenue	20.1	30.0	4.8	18.3	15.2
EBITDA	19.3	37.4	9.3	17.6	17.3
PAT	20.5	28.5	4.6	14.9	16.7
EPS	19.6	28.5	4.3	15.8	16.7

Valuation (x)

Year ended 31st Mar	2008	2009	2010	2011E	2012E
PE	32.5	25.3	24.3	21.0	18.0
P/BV	11.0	8.3	6.6	5.3	4.4
EV/EBITDA	26.1	19.0	17.4	14.8	12.6
EV/Sales	8.2	6.3	6.0	5.1	4.4
Dividend Yield (%)	1.2	0.9	0.9	1.1	1.5

Financial ratios

Year ended 31st Mar	2008	2009	2010	2011E	2012E
RoE (%)	33.8	32.8	27.2	25.5	24.7
RoCE (%)	42.3	43.6	38.0	36.0	34.8
Debt/Equity (x)	na	na	na	na	na
EBIT/Interest (x)	na	na	na	na	na

Source: Company, Antique

Important Disclaimer:

	Firm	Directors	Analyst
Ownership in Stock	No	No	No

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