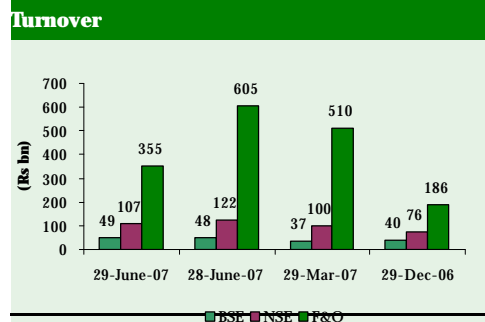




2 July 2007

Indices	29-Jun-07	% Change		
		1mth	3mth	6mth
Sensex	14,651	1	18	5
Nifty	4,318	1	19	7
CNX Midcap	5,976	6	28	1
Banking	8,010	5	30	12
Capital Goods	12,299	10	43	34
IT	4,871	1	4	-11
Healthcare	3,806	-1	7	-2
NASDAQ	2603	0	7	7
Dow Jones	13409	-2	8	7

Net Inflows				
Rsbn	28-Jun-07	27-Jun-07	MTD	YTD
FII	(4.7)	0.8	16.4	189.3
Mutual Fund	0.8	1.0	5.5	23.3
FII - F&O	(6.9)	0.1	(14.4)	93.3



Commodity & Currency	29-Jun-07	% Change		
		1mth	3mth	6mth
Crude (US\$/barrel)	70.7	10.1	7.2	21.2
Gold (US\$/Oz)	649.7	(1.9)	(2.2)	3.2
US\$	40.8	0.4	(5.4)	(8.1)
Euro	54.8	0.4	(4.9)	(6.9)

Debt	%	29-Jun-07	% Change		
			1mth	3mth	6mth
RBI Repo	7.8	7.8	7.8	7.3	
10 yr G-Sec yld	8.2	8.1	8.0	7.6	
Spread 1 & 10 yr G-Sec	1.0	0.4	0.7	0.5	
US 10 yr treasury	5.1	4.9	4.6	4.7	
Surplus liquidity (Rsbn)	81.5	(30.0)	178.3	176.5	

Infosys Technologies (Rs1,950) - Company Update

BUY - Target Price: Rs2,750

R Ravi

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Unlikely to take over CapGemini

There is lot of speculation in the market that Infosys might take over Cap Gemini, which we believe is difficult to fathom as Cap Gemini with revenues of US\$10bn – is 3x the revenue size of Infosys with an employee strength of close to 70,000. The market is speculating the transaction can go through on the premise that the MCap of Capgemini at US\$10bn is one-third of Infosys with a revenue productivity which is 3x of Infosys. So there is lot of speculation that the acquisition could be a strategic fit (for Infosys) in a rupee appreciating environment. Besides the consulting business which accounted for just 3.6% of FY07 revenues reported a loss of Rs1.1bn, so the investment community is probably second guessing that acquisition can give unprecedented scale in the consulting business. Besides the acquisition can significantly increase the revenues from Europe which would give a natural hedge against any further US\$ depreciation.

No doubt the speculation is not without merit as most of the fast growing IT services companies of US acquired consulting companies to strengthen the services' practice. As a natural progression IT services and solutions' companies tend to acquire consulting companies, but our reading of Infosys is that it would not undertake an acquisition which would be difficult to integrate with its existing work culture and environment. This speculation would have probably gained currency because the Q1FY08 numbers are likely to be disappointing on account of 6% rupee appreciation against US dollar and 4% rupee appreciation against Pound Sterling. According to our Q1FY08 estimates the company would report a sequential revenue growth of 2.1% and a net profit is likely to decline by 14% sequentially. Have we remove the one-time tax credit of Rs1.24bn which it got in Q4FY07, then the sequential decline only by 3 to 3.5%.

Infosys Technologies	Y/E March (Rs Mn)	FY2005	FY2006	FY2007E	FY2008E	FY2009E	
Reuters/Bloomberg Code	INFY.BO/INFO IN	Revenues	71,296	95,216	138,930	183,540	233,200
Market Cap (Rs bn)	1,115	Op Profit	23,350	30,907	43,910	57,448	71,592
Market Cap (US\$ bn)	25	Net Profit	18,464	24,801	38,610	50,827	62,742
Shares Outstanding (mn)	572	EPS (Rs)	32.3	43.4	67.5	88.9	109.7
52-week High/Low	2401/1225	EPS Growth (%)	48.5	34.3	55.7	31.6	23.4
		Operating Margin (%)	32.8	32.5	31.6	31.3	30.7
Major Shareholders (%)		PER (x)	60.4	45.0	28.9	21.9	17.8
Indian Promoters	19.8	EV/EBITDA (x)	47.1	34.7	24.1	18.1	14.3
FII/NRI/OCBs	44.2	Price/Sales (x)	15.6	11.7	8.0	6.1	4.8
ADR Holders	14.8	RoCE (%)	51.2	45.5	46.4	42.5	39.5
Banks & Mut Funds	4.8	ROE (%)	44.6	40.3	42.3	38.0	34.7
Public			16.4				

Source: Company and Karvy Estimates

Besides there is a strong possibility that the rupee guidance could be revised downwards as the rupee is not showing any weakness, the full year rupee guidance may be revised downwards. We at this point of time are not revising our earnings and price target as we expect the company to do an acquisition in the consulting space which would be a of course much smaller and which can take the consulting company to report serious profit over the next 1 – 2 years. Besides, we are confident that the product revenues could see a dramatic increase in revenue growth, which too an extent can mitigate the pressure of currency on the margins. The company would be getting billing rate increase of close of 1 – 1.5% per quarter which would translate into 5% increase in billing rates and the client acquisition momentum will continue to see the same kind of momentum that we have been witnessing for the past many quarters.

Infosys is in the midst of structural shift in its business model, whereby apart from entering into multi-year long term contracts with its customers and deploying bulk of its resources with it, Infosys is trying out shorter duration larger projects by entering at higher price points as it could give better yields and superior per employee productivity to manage the wage inflation and other input costs. The company is implementing a strategy – to let go clients who are unwilling to raise the billing rates at agreed regular intervals, despite meeting all the performance parameters as a result we are higher churning within its top 10 clients. Over the last 3 quarters the company has managed to increase its billing rates by 5%, which is still a difficulty for many of the tier-1 companies.

No doubt on the back of rupee appreciation the stock has lost over 10% over the last 3 months, we however are not revising our recommendation nor price target. We continue to maintain our BUY rating on the stock with a price target of Rs2750, as the company could be embarking on little more aggressive and riskier strategies which could the company into a different orbit of growth. The fundamentals of the company are intact and what has made the company's earnings to grow at a muted pace is the rupee. If there is any reversal, which could be a scenario in the 2H, then the earnings would bounce back. At the current price the stock price is trading at 22xFY08E and 18xFY09E and we continue to maintain our **BUY** rating on the stock.

	Q1FY07	Q4FY07	Q1FY08E	QoQ Growth	YoY Growth
Onsite revenues	15,012.6	18,502.8	19,010.0	2.7%	26.6%
% to overseas revenues	50.5%	49.8%	50.1%		
Offshore revenues	14,715.3	18,651.4	18,934.1	1.5%	28.7%
% to overseas revenues	49.5%	50.2%	49.9%		
Overseas Revenues	29,727.9	37,154.2	37,944.2	2.1%	27.6%
T&M Revenues	21,731.1	27,531.3	28,154.6	2.3%	29.6%
% to overseas revenues	73.1%	74.1%	74.2%		
FPP revenues	7,996.8	9,622.9	9,789.6	1.7%	22.4%
% to overseas revenues	26.9%	25.9%	25.8%		
Overseas Revenues	29,727.9	37,154.2	37,944.2	2.1%	27.6%
Overseas/Revenues	98.6%	98.5%	98.5%		
Domestic Revenues	422.1	565.8	577.8	2.1%	36.9%
Total Revenues	30,150.0	37,720.0	38,522.0	2.1%	27.8%
Soft Devt Expenses	16,660.0	20,210.0	21,572.3	6.7%	29.5%
Gross Profit	13,490.0	17,510.0	16,949.7		
Gross Margin	44.7%	46.4%	44.0%		
General & Admn Exp	2,560.0	2,860.0	2,966.2	3.7%	15.9%
Percentage of revenues	8.5%	7.6%	7.7%		
Selling & Marketing Exp	2,040.0	2,680.0	2,812.1	4.9%	37.8%
Percentage of revenues	6.8%	7.1%	7.3%		
Total Admn & Selling Exp	4,600.0	5,540.0	5,778.3	4.3%	25.6%
Operating Expenses	21,260.0	25,750.0	27,350.6	6.2%	28.6%
Operating Profit	8,890.0	11,970.0	11,171.4	-6.7%	25.7%
Operating Margin	29.5%	31.7%	29.0%		
Depreciation	1,060.0	1,450.0	1,550.0	6.9%	46.2%
Interest	0.0	0.0	0.0		
Other Income	1,280.0	1,190.0	1,310.0	10.1%	2.3%
Provision for Investments	30.0	(10.0)	0.0		
Pre-Tax Profit	9,080.0	11,720.0	10,931.4	-6.7%	20.4%
Provision for Tax	1,060.0	270.0	1,120.0		
Effective Tax Rate	11.7%	2.3%	10.2%		
Net Profit	8,020.0	11,450.0	9,811.4	-14.3%	22.3%
Net Margin	25.5%	29.4%	24.6%		
+ / (-) Extra-ordinary Inc / (Exp)	60.0	0.0	0.0		
Minority Interest	80.0	10.0	10.0		
Reported Net Profit	8,000.0	11,440.0	9,801.4	-14.3%	22.5%

BULK DEALS ON NSE - 29 June 2007

Symbol	Script Name	Client Name	Buy/Sell	Quantity Traded	Price
BALRAMCHIN	Balrampur Chini Mills	MERRILL LYNCH CAPITAL MARKETS ESPANA S.A. SVB	BUY	1,367,965	73
BHAGWATHIHO	Bhagwati Banquets and Hot	VIJAY NANVARE	BUY	155,572	37
DWARKESH	Dwarikesh Sugar Industrie	MERRILL LYNCH CAPITAL MARKETS ESPANA S.A. SVB	BUY	79,391	66
GLORY	Glory Polyfilms Limited	NISHU FINLEASE PVT. LTD.	BUY	100,000	52
GOKEX	Gokaldas Exports Limited	PRUDENTIAL ICICI TRUST LTD	BUY	200,000	244
GTOFFSHORE	Great Offshore Limited	MOTILAL OSWAL SECURITIES LTD	BUY	800,000	840
JAYAGROGN	Jayant Agro Organics Ltd.	MERRILL LYNCH CAPITAL MARKETS ESPANA S.A.SV	BUY	100,000	105
LYKALABS	Lyka Labs Ltd	SAMRADHA FINSTOCK PRIVATE LTD	BUY	90,000	49
LYKALABS	Lyka Labs Ltd	SUPERLINE TRADING COMPANY PVT LTD	BUY	100,000	49
NAGARFERT	Nagarjuna Fert & Chem	MADHU SUDHIRKUMAR JHUNJHUNWALA	BUY	2,200,000	22
PRITHVI	Prithvi Information Solut	JP MORGAN SECURITIES LTD	BUY	225,000	338
RANASUG	RANA SUGARS LTD	NEWGEN INTERNATIONAL PVT LTD	BUY	505,234	15
RENUKA	Shree Renuka Sugars Limit	BLB LIMITED	BUY	138,990	628
RENUKA	Shree Renuka Sugars Limit	MERRILL LYNCH CAPITAL MARKETS ESPANA S.A. SVB	BUY	163,608	629
RENUKA	Shree Renuka Sugars Limit	P R B SECURITIES PRIVATE LTD	BUY	166,247	640
RNRL	Reliance Natural Resource	JAYPEE CAPITAL SERVICES LTD.	BUY	11,628,288	38
TALBROAUTO	Talbro Automotive Compon	PUNNI SANGHAVI	BUY	55,000	75
UFLEX	UFLEX Limited	DEUTSCHE SECURITIES MAURITIUS LIMITED	BUY	2,134,053	150
XITL	XL Telecom Limited	KUMAR DINESH	BUY	108,000	136
BHAGWATHIHO	Bhagwati Banquets and Hot	VIJAY NANVARE	SELL	155,572	38
GLORY	Glory Polyfilms Limited	NISHU FINLEASE PVT. LTD.	SELL	25,000	54
GLORY	Glory Polyfilms Limited	VSB INVESTMENTS PVT LTD	SELL	100,000	52
GOKEX	Gokaldas Exports Limited	HSBC EQUITY FUND	SELL	200,000	244
GTOFFSHORE	Great Offshore Limited	MALTAR TRADING AND INVESTMENT CO PVT LTD	SELL	500,000	840
GTOFFSHORE	Great Offshore Limited	VIJAY K SHETH	SELL	300,000	840
NAGARFERT	Nagarjuna Fert & Chem	MADHU SUDHIRKUMAR JHUNJHUNWALA	SELL	700,000	22
PRITHVI	Prithvi Information Solut	MERRILL LYNCH CAPITAL MARKETS ESPANA S.A. SVB	SELL	175,000	331
RANASUG	RANA SUGARS LTD	BASMATI SECURITIES PVT. LTD	SELL	594,336	15
RANASUG	RANA SUGARS LTD	NEWGEN INTERNATIONAL PVT LTD	SELL	772,332	15
RENUKA	Shree Renuka Sugars Limit	BLB LIMITED	SELL	137,216	628
RENUKA	Shree Renuka Sugars Limit	P R B SECURITIES PRIVATE LTD	SELL	166,247	638
RNRL	Reliance Natural Resource	JAYPEE CAPITAL SERVICES LTD.	SELL	11,964,341	38
SHRINGAR	Shringar Cinemas Limited	KOTAK SECURITIES CLIENT PMS A/C	SELL	283,950	58
UFLEX	UFLEX Limited	DEUTSCHE BANK AG	SELL	2134053.0	150
VIMTALABS	Vimta Labs Limited	BLACKSTONE ASIA ADVISORS LLC	SELL	225,000	131
XITL	XL Telecom Limited	KUMAR DINESH	SELL	55,091	132

Source: NSE

BULK DEALS ON BSE - 29 June 2007

Symbol	Script Name	Client Name	Buy/Sell	Quantity Traded	Price
500488	ABBOTT INDIA	RELIANCE CAPITAL TRUSTEE CO LTD A C RE. LONG TERM EQUITB		299,750	510
500488	ABBOTT INDIA	HDFC TRUSTEE CO LTD A C HDFC LONG TERM EQUITY FUND	S	305,807	510
519183	ADF FOODS LT	SUNDARAM MUTUAL FUND	B	210,601	58
531686	ADVIK LABORT	BETA STOCK BROKERS	B	62,570	9
526397	ALPHAGEO IND	SUNDARAM BNP PARIBAS MUTUAL FUND	B	27,882	429
513309	ALUM IND EX	AAP INVESTMENTS	S	80,000	25
520077	AMTEK AUTO L	DEUTSCHE SECURITIES MAURITIUS LIMITED	B	795,281	407
520077	AMTEK AUTO L	DEUTSCHE BANK AG LONDON GDR	S	795,281	407
517565	ASHCO INDUST	NARESH KESARIMAL MEHTA	B	42,572	43
517565	ASHCO INDUST	DIAMANT INVESTMENT AND FINANCE LIMITED	S	50,000	43
531591	BAMPSL SECUR	TCG STOCK BROKING LTD	S	325,200	2
532845	BHAGWATI BAN	M RAVINDER	S	200,000	37
590059	BIHARTUBES	SECURUCROP SECURITIES INDIA PRIVATE LTD	B	53,545	131
590059	BIHARTUBES	ASTUTE COMMODITIES AND DERIVATIVES PVT LTD	B	39,867	133
590059	BIHARTUBES	ANIL SHARMA	S	17,720	132
590059	BIHARTUBES	SECURUCROP SECURITIES INDIA PRIVATE LTD	S	52,990	133
590059	BIHARTUBES	MUKESH KUMAR JAIN	S	22,865	133
590059	BIHARTUBES	ASTUTE COMMODITIES AND DERIVATIVES PVT LTD	S	23,064	133
531932	C G IMPEX	SPANTRADING INVESTMENT	B	31,530	50
531932	C G IMPEX	SPANTRADING INVESTMENT	S	35,530	50
531337	CHAN GUIDE I	K C MAKHIA	S	40,000	21
524388	CRAZY INFOTE	TAMBE FINANCIAL SERVICES PVT LTD	S	30,000	130
526504	DOLPH MED SE	MASTER FINLEASE LTD	S	76,949	6
526614	EXPO GA CONT	SUNITA MEHTA	S	32,027	16
526614	EXPO GA CONT	M PVORA SHARES AND SECURITIES P LTD	S	34,020	16
526614	EXPO GA CONT	ASTUTE COMMODITIES AND DERIVATIVES PVT LTD	S	26,530	16
532022	FILAT FASH	NAMDEO H MORE	S	88,500	12
530077	FRESHTROP FR	INDIAN SYNTANS INVESTMENTS PVT LTD	S	32,922	104
532836	GREMAC INFRA	MAHENDRA P RATHOD	B	88,611	190

BULK DEALS ON BSE - 29 June 2007

Symbol	Scrip Name	Client Name	Buy/Sell	Quantity Traded	Price
532469	MATHER PUMPS	SUNDARAM BNP PARIBAS M F AC TAX SAVER OPENDED FUND	S	65,398	230
532836	GREMAC INFRA	MERRILL LYNCH CAPITAL MARKETS ESPANA S.A. S.V.	B	1,200,000	190
532836	GREMAC INFRA	MAHENDRA P RATHOD	S	88,611	191
532836	GREMAC INFRA	SUPERLINE TRADING COMPANY PVT LTD	S	99,180	189
509709	INTERN CONVE	PARESH C JAIN	B	20,000	181
509709	INTERN CONVE	FARIDABAD INVEST CO LTD	B	40,000	181
509709	INTERN CONVE	PUSHPA BAGLA	S	60,250	180
532342	IT PEOPLE	ICGQ LTD	B	279,749	36
590041	KAVERITELE	ASTUTE COMMODITIES AND DERIVATIVES PVT LTD	B	31,989	83
590041	KAVERITELE	ASTUTE COMMODITIES AND DERIVATIVES PVT LTD	S	30,986	83
526947	LA OPAL RG L	SUNDARAM BNP PARIBAS MUTUAL FUND	S	62,640	34
531633	LINCOLN PHAR	UNICHEM DYES DRUGS P	S	2,000,000	8
500259	LYKA LABS	SUPERLINE TRADING COMPANY PVT LTD	B	100,000	49
500265	MAHARASH SEA	DEUTSCHE SECURITIES MAURITIUS LIMITED	B	412,794	664
500265	MAHARASH SEA	DEUTSCHE BANK AG LONDON GDR	S	412,794	664
532469	MATHER PUMPS	SUNDARAM BNP PARIBAS M F AC TAX SAVER OPENDED FUND	S	65,398	230
523221	MCS LIMITD	ADVENT ADVISORY SERVICES PRIVAT LIMITED	S	86,271	32
514328	NACHMO KNITE	VIRAL PRAFUL JHAVERI	B	100,020	2
514328	NACHMO KNITE	BINOD KUMAR BARIAR	S	233,806	2
532864	NELCAST	MBL COMPANY LTD	B	111,663	190
532864	NELCAST	MBL COMPANY LTD	S	111,663	191
532722	NITCO TILES	MERRILL LYNCH CAPITAL MARKETS ESPANA S.A. S.V.	B	604,556	205
532722	NITCO TILES	HSBC FINANCIAL SERVICES MIDDLEEAST LIMITED	S	604,556	205
526313	NU-TECH CORP	RAJKUMAR AMARLAL	B	75,000	2
526313	NU-TECH CORP	RAMKRIPA SECURITIES PVT. LTD.	S	161,570	2
517417	PATEL AIRTEM	DINESH KUMAR R SHAH	B	55,000	42
517417	PATEL AIRTEM	RAJESH SHAH	B	25,400	42
517417	PATEL AIRTEM	SHANTILAL MISRILAL SANGHVI	S	60,000	42
517417	PATEL AIRTEM	JAYANTILAL MISRILAL SANGHVI	S	53,427	42
532675	PRITHVI INFO	JP MORGAN SECURITIES LTD .	B	213,356	337
532675	PRITHVI INFO	CHANDRA FIN. SERV.PVT.LTD	B	126,886	336
532675	PRITHVI INFO	MERRILL LYNCH CAPITAL MARKETS ESPANA S.A. S.V.	S	125,000	330
532675	PRITHVI INFO	CHANDRA FIN. SERV. PVT.LTD	S	126,886	337
532692	RADHA MADHAV	PROTOS ENGINEERING CO PVT LTD	S	108,000	65
507490	RANA SUGARS	EDELWISS ESTATES P LTD	S	519,811	15
507490	RANA SUGARS	BASMATI SECURITIES PVT. LTD.	S	436,030	15
526861	RISHI LASE C	VISA HOLDING PVT. LTD.	B	60,091	70
504908	SCHRADER DUN	CHAMATKAR.NET INDIA LIMITED	B	20,000	250
532323	SHIVA CEMENT	ISF SECURITIES LTD	S	445,301	9
532631	SHRINGAR CIN	KOTAK AC PMS	S	288,118	58
532498	SHRIRAM CITY	RELIANCE AC PMS	B	708,211	206
532498	SHRIRAM CITY	KOTAK AC PMS	S	935,175	206
526479	SKY INDUSTRI	ARUNABEN N BHANUSHALI	S	22,485	92
513687	SPECTRA INDU	MUKESHKUMAR KVARMA	B	70,250	23
513687	SPECTRA INDU	RAHUL CHANDRABHAN SINGH	B	38,943	23
512527	SUPER SAL IN	SUNDARAM MUTUAL FUND	S	17,774	170
531774	TRIPEX OVER	ANKIT NARENDRA BAHUVA	B	161,505	23
531774	TRIPEX OVER	ANKIT NARENDRA BAHUVA	S	162,343	23
531774	TRIPEX OVER	NATRAJ FINANCIAL AND SERVICES LTD	S	60,000	23
532824	VIAYES TEXT	UBS SECURITIES ASIA LTD.	B	110,000	86
524394	VIMTA LABS L	BLACKSTONE ASIA ADVISORS INDIA FUND INC	S	214,254	132
524394	VIMTA LABS L	BLACKSTONE ASIA ADVISORS INDIA FUND INC	S	214,254	132

Source: BSE

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Stock Ratings		Absolute Returns		Stock Ratings		Absolute Returns
Buy	:	> 25%		Market Performer	:	0 - 15%
Out Performer	:	16 - 25%		Under Performer	:	< 0%

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