



Quick Take

Infosys Technologies Ltd (ADR) — Outperform (1)

INFY: \$76.68

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Analysts

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Quick Take: INFY: Post-Q3/FY11 Results Comments

CONCLUSION

As we expected, despite Street's expectations of revenue/EPS upside from INFY's Q3/FY11 results, we didn't consider the December Q results (typically, seasonally-weak quarter) as a catalyst for the stock, especially considering the recent strong stock performances. For investors looking for Q4/10 result derivative "plays" with reasonable valuations and further, possible significant upside to consensus estimates 6-12 months out, we would own Outperform rated-Accenture (ACN, \$49.89), Virtusa (VRTU, \$17.55) and Hisoft (HSFT, \$30.49) and stay away from Underperform-rated Wipro (WIT, \$15.04) considering the company's recent dismal ranking in our offshore spending survey.

KEY POINTS

Q3/FY11 results: Revenue/EPS of \$1.585B/\$0.69 were above consensus estimates of \$1.55B and \$0.67, respectively. While Q-Q revenue growth was close to 6% (above management's guidance of 3%), we believe "whisper" expectations were 6-8%.

Revenue metrics (Q-Q growth):

- **By region,** NA up 4% (vs. 8% in Q2/FY11).
- **By vertical,** Manufacturing up 10% (vs. 7% in Q2/FY11); BFSI 8% (8% in Q2/FY11), Telecom flat (vs. 4% in FY11), retail up 7% (20% in FY11).
- **By services,** Development up 6% (vs. 2%), Maintenance up 1% (vs. 8%), consulting and package implementation up 6% (vs. 14%).

Headcount growth bodes well for FY12 top line growth: We expect YOY net headcount growth for FY12 to be roughly around the mid-20% levels, which could translate to 20%-25% top line growth, compared to Street's expectations of 17% revenue growth.

Street expectations: The wide variance in FY12 expectations, which is roughly 20%, could result in near-term volatility for INFY's stock.

Addendum

STOCKS MENTIONED IN IMPORTANT DISCLOSURES

Ticker	Company Name
ACN	Accenture
HSFT	HiSoft Technology Int'l Ltd (ADS)
INFY	Infosys Technologies Ltd (ADR)
VRTU	Virtusa Corp
WIT	Wipro Limited (ADR)

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(a) Assumptions: Time horizon is 12 months; S&P 500 is flat over forecast period.

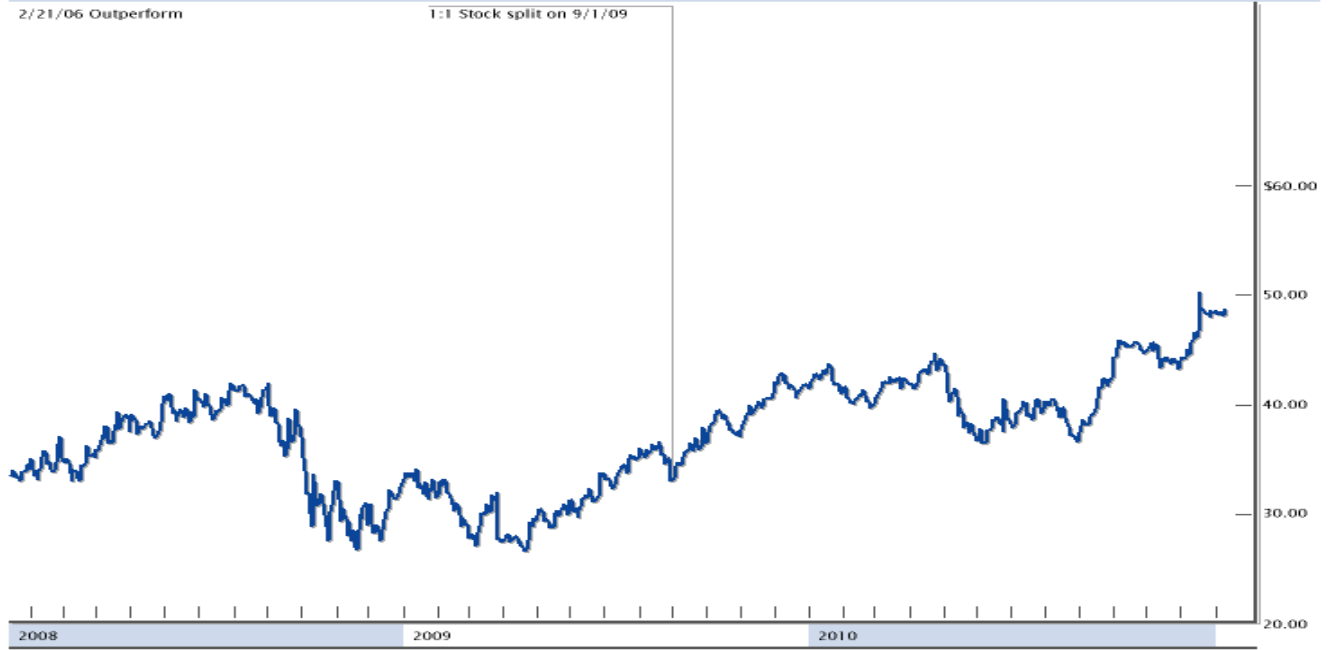
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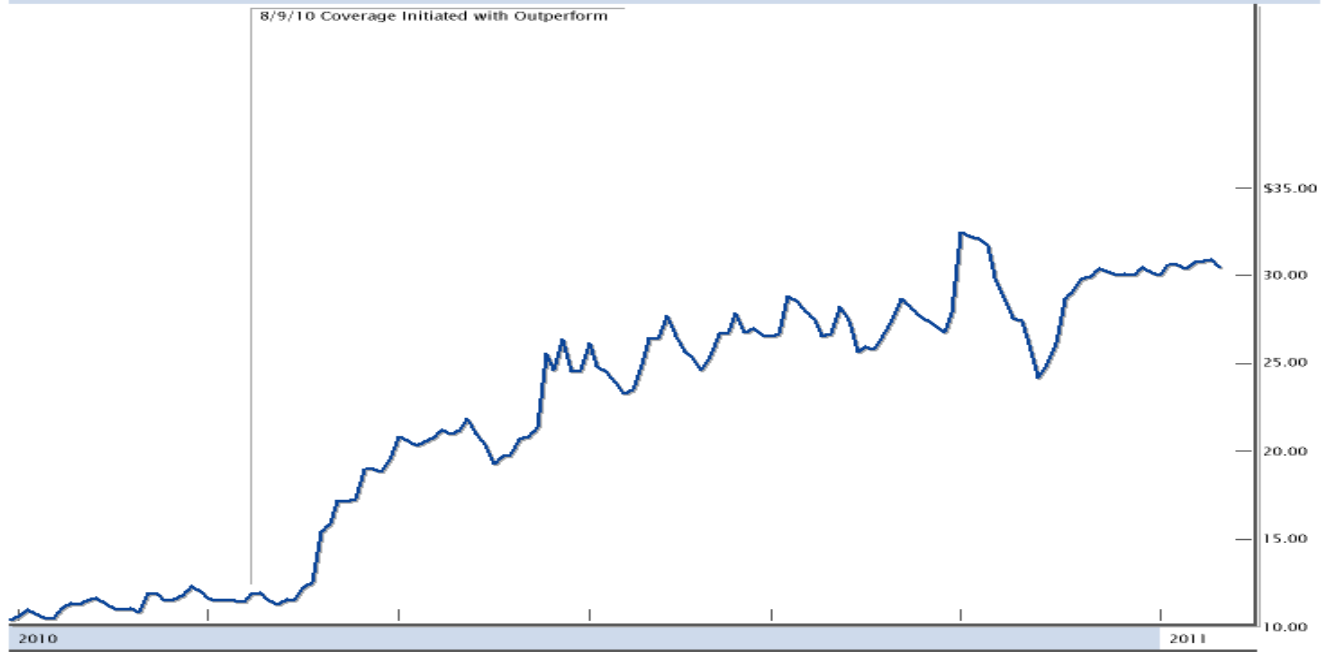
Accenture - ACN



Pricing data provided by Reuters America. Chart as of 1/11/11 in USD.

Cowen and Company Price and Ratings History

HiSoft Technology Int'l Ltd (ADS) - HSFT

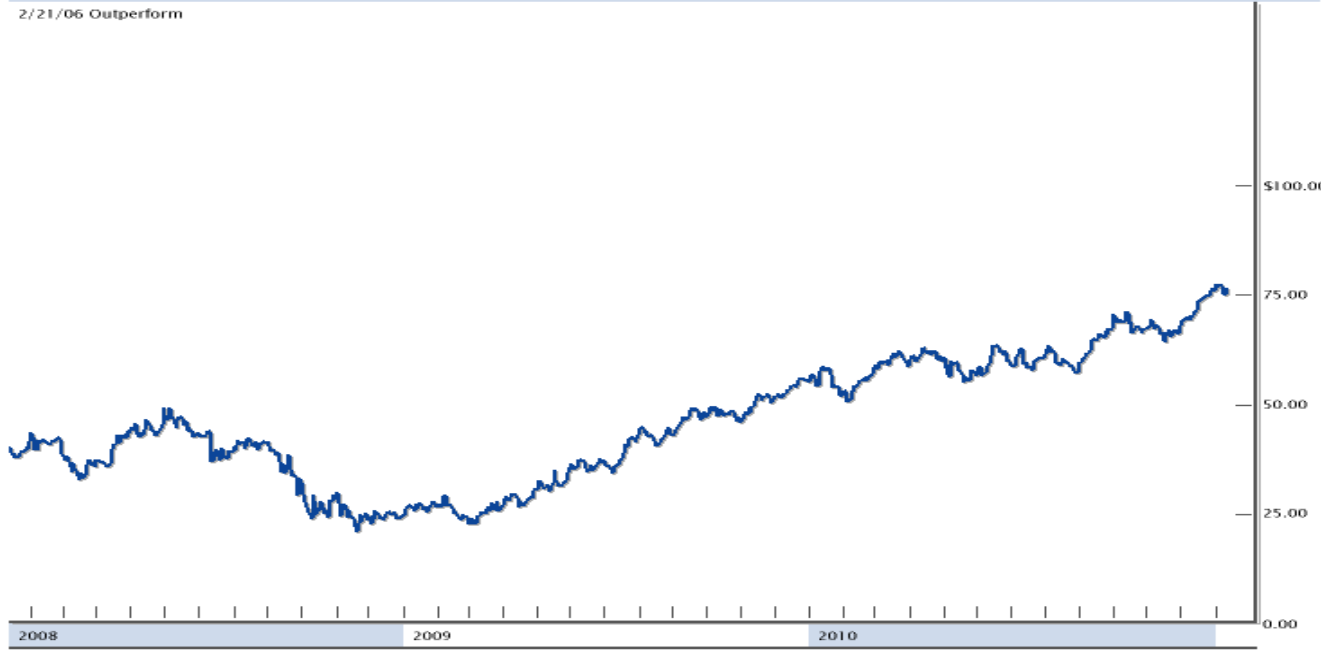


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Cowen and Company Price and Ratings History

Infosys Technologies Ltd (ADR) - INFY

2/21/06 Outperform

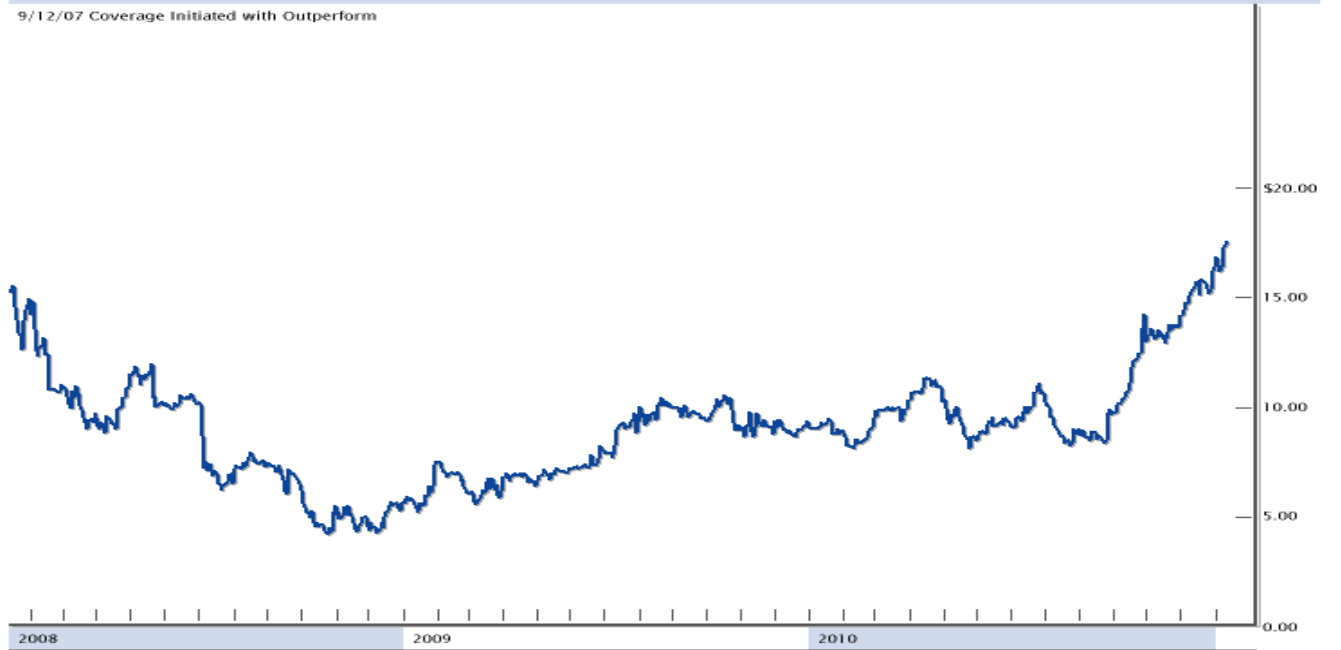


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Virtusa Corp - VRTU

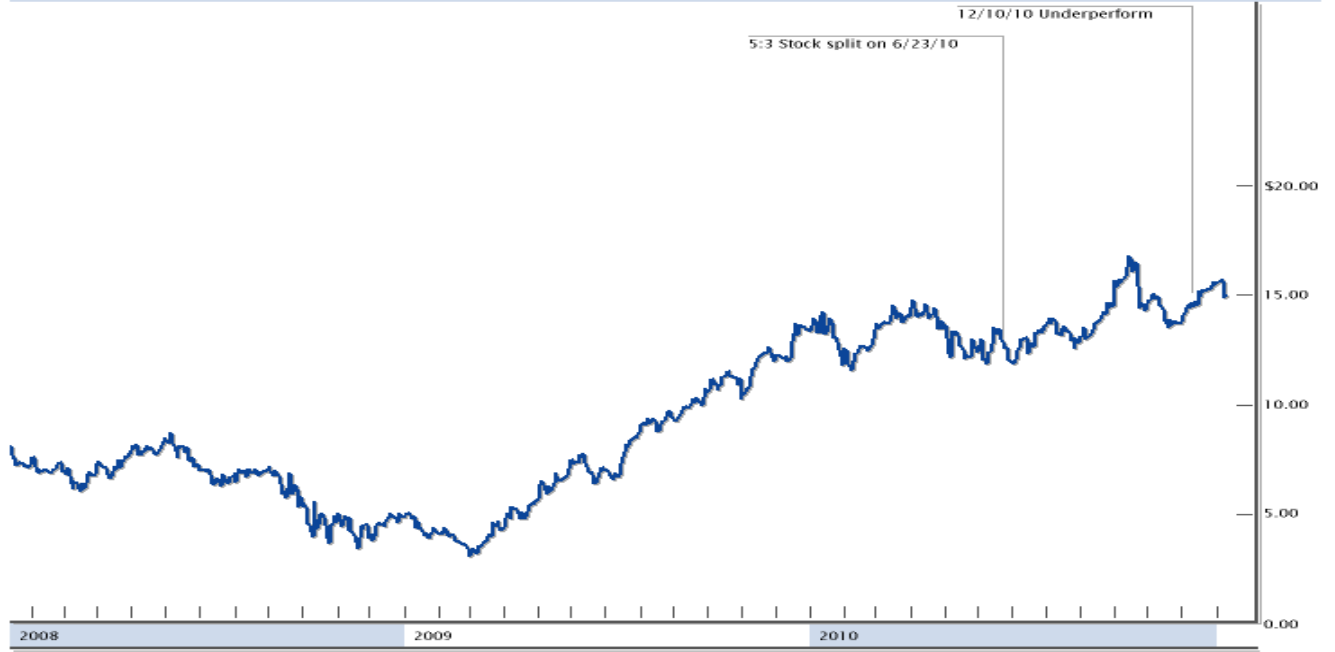
9/12/07 Coverage Initiated with Outperform



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Wipro Limited (ADR) - WIT



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