Infosys Technologies INFO IN

TECHNOLOGY/SOFTWARE & SERVICES | INDIA

NOMURA

NOMURA FINANCIAL ADVISORY AND SECURITIES (INDIA) PRIVATE LIMITED

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Maintained

BUY

Closing price on 22 Mar	Rs2,943
Price target	**Rs3,800**
	(set on 21 Jan 11)
Upside/downside	29.1%
Difference from consensus	**5.1%**
FY12F net profit (Rsmn)	85,888
Difference from consensus	**-0.4%**

Source: Nomura

Action

We believe that Infosys's underperformance relative to TCS will reverse in FY12, given revival in telecom revenues and greater skew towards discretionary services. The likely revenue underperformance in 4Q FY11F is already in the price, in our view. We think the recent correction in the stock, earnings growth of 22% during FY11–13F and attractive valuation of 16x FY13F earnings provide a good entry point to the stock. Reiterate BUY.

Catalysts

US$ revenue guidance ahead of Nasscom estimate of 16–18%.

Anchor themes

Participate in the sector through companies that possess higher discretionary delta, better positioning to compete with MNCs and better operating scope to tide over supply-side pressures/growth investments.

Nomura vs. consensus

We are in line with consensus on estimates.

Trend reversal ahead

① Reiterate BUY; correction provides good entry point

We believe that the recent correction (12% over the last three months) in the stock factors in expectation of underperformance in 4Q FY11 results relative to TCS. We do not think there is an endemic demand issue at Infosys; the expected underperformance in 4Q FY11F is largely timing-related. We believe that Infosys is set to reverse the revenue underperformance trend in FY12 and that it will post better earnings growth than TCS (22% vs. 14% at TCS in FY11–13). We think the current valuation of 16x FY13F earnings estimates provides a good entry point to the stock.

② Revenue underperformance explained by telecom

Infosys has outperformed TCS in three of four large verticals—BFSI, Manufacturing and Retail—that together contribute about 70% of revenues at both companies. Telecom is the only vertical where Infosys has underperformed TCS, largely on ramp-downs in the BT account dragging overall LTM revenue growth by ~2.5%, in our view.

③ Leverage from greater discretionary services presence

Infosys, having the largest discretionary facing portfolio (~31% of revenue) among stocks we cover, is likely to be the key beneficiary of increasing discretionary spending by clients. This favourable skew and better outlook in telecom increase our confidence on Infosys's revenue outperformance vis-à-vis TCS in FY12F.

④ Better operational scope than TCS

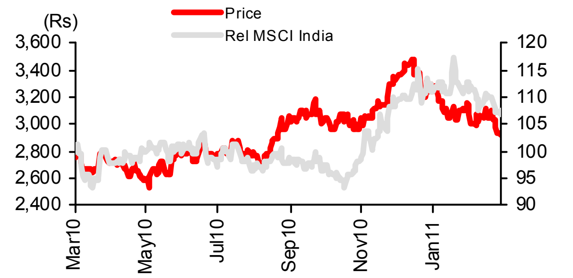
We find Infosys better placed than TCS across operating parameters such as 1) wage inflation outlook, 2) employee pyramid mix, 3) offshoring potential and 4) utilisation scope.

Key financials & valuations

31 Mar (Rsmn)	FY10	FY11F	FY12F	FY13F
Revenue	227,420	277,074	341,380	399,727
Reported net profit	62,660	68,907	85,888	103,170
Normalised net profit	61,340	68,907	85,888	103,170
Normalised EPS (Rs)	107.5	120.7	150.4	180.6
Norm. EPS growth (%)	4.7	12.2	24.6	20.1
Norm. P/E (x)	27.4	24.4	19.6	16.3
EV/EBITDA (x)	20.2	16.7	13.3	11.0
Price/book (x)	7.3	6.4	5.2	4.2
Dividend yield (%)	1.0	2.2	1.6	1.6
ROE (%)	30.3	27.9	29.4	28.6
Net debt/equity (%)	net cash	net cash	net cash	net cash
Earnings revisions				
Previous norm. net profit		68,907	85,888	103,170
Change from previous (%)		-	-	-
Previous norm. EPS (Rs)		120.7	150.4	180.6

Source: Company, Nomura estimates

Share price relative to MSCI India



	1m	3m	6m
Absolute (Rs)	(6.3)	(11.7)	(2.4)
Absolute (US$)	(5.7)	(11.4)	(1.0)
Relative to Index	(4.5)	(1.0)	9.2
Market cap (US$mn)			37,586
Estimated free float (%)			0.0
52-week range (Rs)			3,481/2,533
3-mth avg daily turnover (US$mn)			77.0
Stock borrowability			Hard
Major shareholders (%)			
N R Narayana Murthy			4.5
Nandan M Nilekani			3.5

Source: Company, Nomura estimates

Any authors named on this report are research analysts unless otherwise indicated.
See the important disclosures and analyst certifications on pages 10 to 14.

Drilling down

Underperformance set to reverse

Infosys stock has underperformed TCS by 27% in the last year. Since 21 January, it has corrected by 10% (compared to 11% for TCS and 6% for the Nifty Index). We expect the underperformance to reverse and reiterate our preference for Infosys over TCS, based on the following:

Underperformance in stock set to reverse on better revenue and earnings growth than TCS in FY12F, in our view

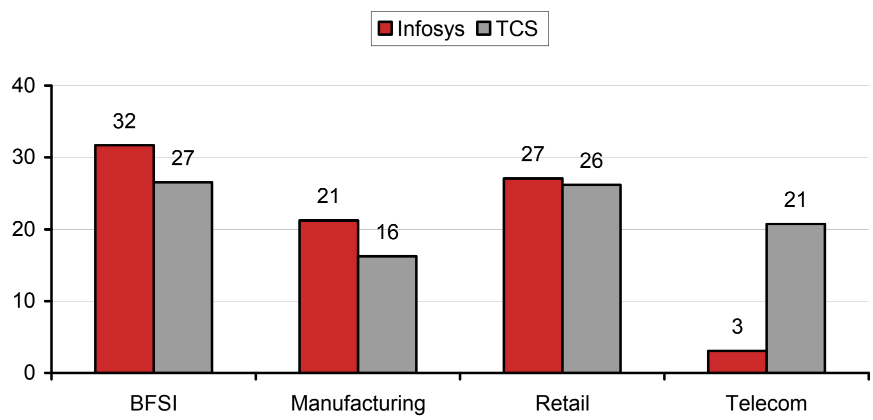
- **Expectation of better revenue growth in FY12:** We believe that the underperformance in revenue growth at Infosys (1.4ppt on an LTM basis) vs. TCS is largely explained by the telecom vertical, where BT ramped down significantly. We expect the situation to correct itself in FY12, with Infosys growing at 25% (vs. 23.5% at TCS), on our estimates.
- Discretionary skew aiding Infosys more than TCS on both revenue and realisations.
- Better operational scope.
- Better earnings growth and more attractive valuations than TCS.

Infosys outperforms TCS in all major verticals, except telecom

Infosys has outperformed TCS in three of four large verticals—BFSI, Manufacturing and Retail—that together contribute about 70% of revenues at both companies.

Infosys outperforms TCS in revenue growth in three out of four large verticals

Exhibit 1. Infosys vs. TCS: vertical LTM growth rate (%) comparison



Source: Company, Nomura research

Among major verticals, telecom is the only one where Infosys has underperformed TCS—with 3% revenue growth vs. 21% at TCS on an LTM basis. This, in our view, is largely due to ramp-downs in the BT account.

Adjusted for BT, Infosys's growth differential with TCS in telecom narrows to 5ppt

TCS saw a stabilisation in this account around four quarters ago, while Infosys has been seeing a decline in this account, wherein the quarterly run rates dropped from US$100mn in 4Q FY08 to US$30–35mn in 3Q FY11 (based on our channel checks with peer companies). Ex-BT, Infosys's growth of 16% on an LTM basis in the telecom vertical is only marginally lower than TCS's at 21%.

Exhibit 2. Infosys Telecom vertical performance adjusted for BT

	Mar-09	Jun-09	Sep-09	Dec-09	Mar-10	Jun-10	Sep-10	Dec-10	LTM growth (%)
Telecom vertical	187	190	187	200	198	191	199	198	3
BT revenue	64	50	53	49	45	41	37	33	-29
Telecom vertical ex BT	123	139	134	151	153	151	162	166	16

Source: Company, Nomura research

BT, in our view, has dragged Infosys's overall growth by ~2.5% on an LTM basis, assuming a linear drop in BT revenues post the change in the top client from BT. We believe that the BT account largely explains the differential in growth between TCS and Infosys.

Infosys is indicating that BT will stabilise going forward and that telecom should grow y-o-y in FY12, while TCS is indicating sluggishness in the telecom verticals with limited triggers, which, in our view, should help in reversing the growth outperformance in FY12.

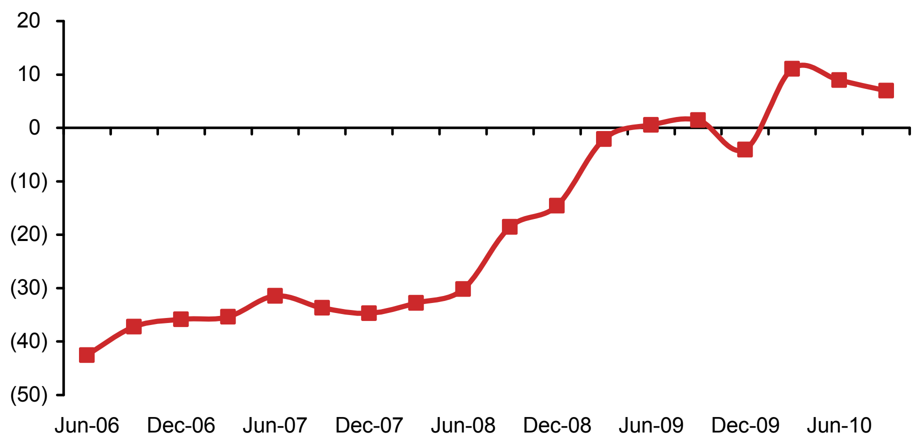
Expect Infosys to gain more out of discretionary demand improvement

Infosys has shown a much better progression than TCS in package implementation and consulting from both a long-term and short-term perspective.

Over the past three years, Infosys has grown faster (40% of TCS around four years ago and is now ~10% larger than TCS) than TCS in package implementation (PI). In addition, Infosys has seen a CAGR of 9.4% in PI compared to 5.4% at TCS in the last four quarters.

Exhibit 3. Infosys vs. TCS: Package Implementation revenue differential (%)

Infosys has grown its package implementation business faster than peer TCS



Source: Company, Nomura research

We think Infosys's strength in PI is also reflected in the growth trend of verticals such as retail and manufacturing. Clients in these two verticals are typically heavy spenders on application software from Oracle and SAP.

Strong growth rates in retail and manufacturing verticals for Infosys indicate competence in catering to discretionary demand

Infosys has a much better skew towards discretionary demand, with 31% of revenue derived from PI + consulting + products, while TCS derives 21% of its revenue from these service lines. We expect this skew to help Infosys in both growth and realisations, with Infosys, in our view, a more likely candidate for a mix-based pricing increase.

Better operational scope than TCS

We find Infosys better placed compared to TCS across operating parameters such as 1) wage inflation outlook, 2) employee pyramid mix, 3) offshoring potential and 4) utilisation scope.

Exhibit 4. Operational scope comparison

(%)	Utilisation (incl. trainees) Last reported qtr	Average	Max	Max – current	Fixed price proportion Last reported qtr	LTM change	Offshore revenue mix Last reported qtr	LTM change
Infosys	72.6	69.5	74.3	1.7	41.2	2.9	50.7	(3.2)
TCS	77.1	74.5	77.7	0.6	49.7	1.7	56.3	(1.2)

Note: Latest quarter is Dec-2010

Source: Company, Nomura research

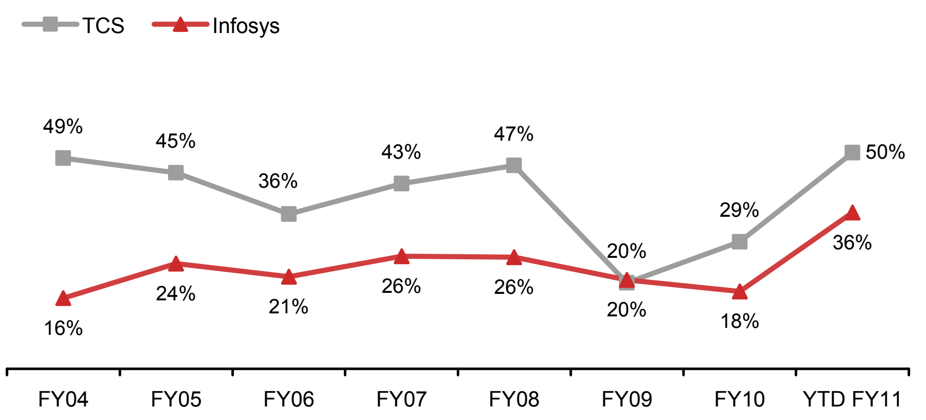
We think Infosys is better placed relative to TCS in operational leverage

Key differences in outlook on operating parameters across Infosys and TCS:

- **Wage inflation:** Infosys expects moderation in wage inflation in FY12F vs. FY11, while TCS is indicating similar wage inflation as in FY11. Infosys and TCS gave out 13–14% offshore wage hikes in FY11.
- **Lateral:Fresher mix:** Infosys is indicating a decrease in lateral proportions going into FY12F, while TCS is indicating continued elevation in the ratio of 46:54.

Exhibit 5. Lateral as % of gross headcount addition

Infosys expects lateral mix to trend down, while TCS expects it to remain elevated



Source: Company, Nomura research

- **Offshoring:** Infosys has seen an increase in onsite contribution by 320bp over the last four quarters; we expect that to start normalising in FY12, which should help margins.
- **Utilisation:** Moderation is possible at Infosys in 4Q FY11F, which should increase the scope going into FY12F. At TCS, growth utilisation could continue to peak in the near term and start moderating going into FY12, in our view. The trend towards utilisation moderation is already visible at both Infosys and Wipro over the last four quarters, and we see the same catching up at TCS in FY12.
- **Pricing:** We see better likelihood of pricing increases at Infosys than at TCS, given greater discretionary skew of growth. Our assumptions build in 2% and 1.5% pricing increases across Infosys and TCS, respectively, in FY12.

We see better likelihood of pricing increase at Infosys than at TCS

Expectation of muted 4Q FY11F results built into price

Since 21January, Infosys has corrected by 10% (compared to 11% for TCS and 6% for the Nifty Index). We believe that the expectation of underperformance in 4Q FY11 results relative to TCS is already in the price. Our expectations for q-q US$ revenue growth at Infosys and TCS are 4.5% and 5.5%, respectively.

Infosys' s likely underperformance in revenue growth in 4Q FY11F is factored into price, in our view

We do not think there is an endemic demand issue at Infosys; we think expected the underperformance in 4Q FY11 is largely timing-related—discretionary project starts expected to start 1Q FY12 and nonrecurrence of 33% q-q growth in products expected in 3Q FY11. The company has indicated acceleration in revenue growth in 1Q FY12 and 2Q FY12 as project allocations happen. BFSI, Retail and parts of manufacturing continue to see strong traction.

Expect better earnings growth at Infosys; reiterate BUY

For, FY11–13, we expect EPS CAGR of 22% at Infosys compared with 14% at TCS

During FY11–13, we expect Infosys to show an EPS CAGR of 22% vs. 14% at TCS, based on our expectation of 1) better revenue growth (25% at Infosys vs. 23.5% at TCS in FY12F); 2) lower EBITDA margin declines (110bp at Infosys vs. 150bp at TCS) and 3) tax rate increases of 510bp at TCS vs. 230bp at Infosys.

On our FY13 EPS estimates, Infosys quotes at a 14% discount to TCS. Even on FY13 consensus estimates—which are higher than our estimates by 8% for TCS, Infosys trades at a discount of 7% to TCS. We do not consider the discounts sustainable, given our expectations of revenue and EPS growth outperformance at Infosys. We reiterate our BUY on Infosys and our preference for Infosys over TCS.

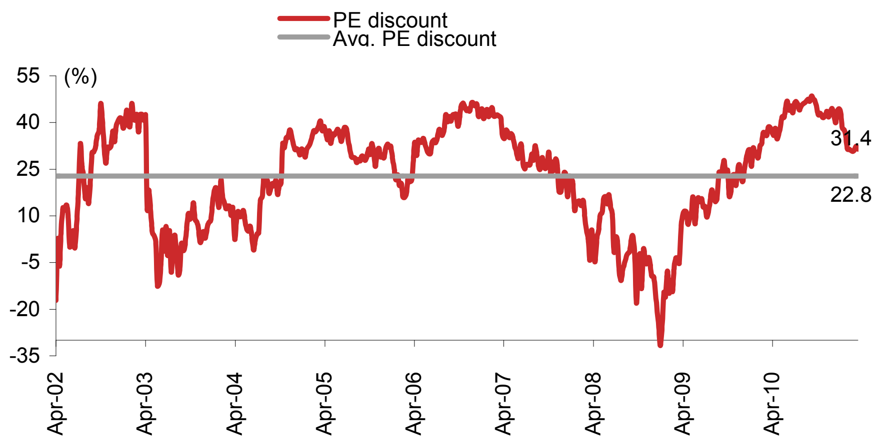
Why are IT stocks correcting?

During the past three months, both Infosys and TCS have fallen by 7–12% in absolute terms, compared to a 10% decline in the Nifty Index. We believe that the fall is largely due to an increase in global investor preference for MNC stocks over the Indian IT players, based on the following:

- Significant increase in valuation differentials, which have narrowed after the correction in the Indian IT stocks. For example, Accenture is currently trading at a P/E discount of 31% to Infosys on a one-year forward basis, lower by around 11% three months ago.

Accenture's P/E valuation discount to Infosys has narrowed in the past three months

Exhibit 6. Accenture's one-year forward P/E discount to Infosys



Source: Bloomberg, Nomura estimates

- Improving growth outlook at MNC players, coupled with margin improvements, are leading to higher investor interest in these stocks over Indian IT companies. For example, Cap Gemini and Atos Origin have both indicated operating margin increases of 50–100bp in FY11.

This preference is reflected in the MNC players outperforming Indian IT players during the last three to six months in absolute return generation.

Exhibit 7. Price performance (%) comparison

MNC IT stocks have performed better than Indian IT companies during the past three months

	3-month	6-month	12-month
Indian IT			
Cognizant	2	17	45
HCL Tech.	(0)	6	21
TCS	(7)	13	33
Wipro	(9)	1	1
Infosys	(12)	(4)	6
MNC companies			
HP	(1)	4	(21)
Accenture	3	21	19
IBM	7	18	22
Cap Gemini	20	13	12

Source: Bloomberg, Nomura research

Exhibit 8. Relative valuations

			P/E (x)		EV/EBITDA (x)		EPS growth (%)	
Company	**Ticker**	**Rating**	**FY12F**	**FY13F**	**FY12F**	**FY13F**	**FY12F**	**FY13F**
Indian IT companies								
TCS	TCS IN	NEUTRAL	21.2	18.8	15.1	13.1	14.3	13.0
Infosys	INFO IN	BUY	19.4	16.2	13.2	11.0	24.6	20.1
Wipro	WPRO IN	NEUTRAL	18.2	16.3	13.6	11.9	11.0	11.4
Cognizant	CTSH US	NEUTRAL	27.4	22.4	16.8	12.9	16.2	22.3
HCL Tech.	HCLT IN	BUY	14.1	11.7	8.9	7.2	36.6	20.7
Group Average			20.1	17.1	13.5	11.2	20.5	17.5
MNC companies								
Accenture	ACN US	NOT RATED	14.4	12.7	7.9	7.4	11.8	13.3
IBM	IBM US	NOT RATED	12.1	10.9	8.0	7.6	14.3	10.5
HP	HPQ US	NOT RATED	8.0	7.3	5.0	4.8	16.1	8.3
Cap Gemini	CAP FP	NOT RATED	15.8	13.6	6.2	5.5	21.5	16.4
Group average			12.6	11.1	6.8	6.3	15.9	12.1

Note: Pricing date 22 March, 2011; FY12 indicates year ending Oct 2011 for HP, Dec 2011 for IBM, Cap Gemini and Cognizant, Mar 2012 for Infosys, Wipro and TCS, August 2012 for Accenture and Jun 2012 for HCL Tech. Bloomberg estimates have been used for Accenture, IBM, HP and Cap Gemini.

Source: Bloomberg consensus for not rated stocks, Nomura estimates

What could take the stock price lower?

Possibility of a low-teens revenue growth guidance in FY12

Infosys has guided above-Nasscom estimates during periods of strong demand

A key investor concern is that Infosys could guide for low-teens revenue growth in FY12, which, if it happens, we believe could be negative and lead to downgrades. However, historically Infosys has not guided lower than Nasscom growth projections in periods of strong demand (eg, FY07, FY08 and FY11). We expect the company to guide for 17–19% growth in FY12 and outperform the same by around 6% over the course of the year. Infosys has outperformed its guidance by more than 5% in the past, except during FY09 due to account of the global recession.

Our view remains that tier I players will continue to grow ahead of industry growth rates, at the expense of mid-tier players given the much wider portfolio to take up available demand.

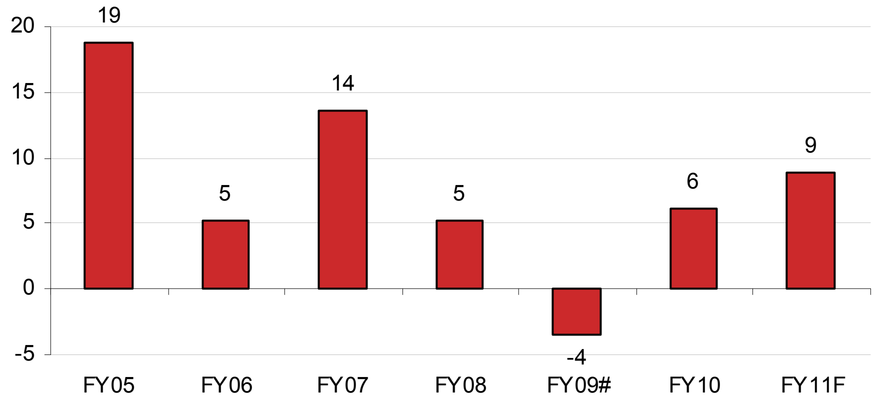
Exhibit 9. Nasscom industry growth and Infosys revenue guidance

Nasscom guidance (%)	**FY05**	**FY06**	**FY07**	**FY08**	**FY09**	**FY09#**	**FY10**	**FY11**	**FY12**
High	30.0	32.2	21.4	22.3	21.0	16.0	4.0	13.0	16.0
Low	32.0	32.2	27.2	26.6	24.0	17.0	7.0	15.0	18.0
Infosys guidance (%)	**FY05**	**FY06**	**FY07**	**FY08**	**FY09**	**FY09#**	**FY10**	**FY11**	**FY12**
High	30.0	28.0	28.0	28.0	19.0	13.1	-6.7	16.0	
Low	31.0	30.0	30.0	30.0	21.0	15.2	-3.1	18.0	

Note: Nasscom projections are for Software and Services export; FY09# represents revised projections for the year

Source: Nasscom, Nomura research

Exhibit 10. Infosys guidance outperformance (%) trend



Note: # represents revised guidance

Source: Company, Nomura research

Infosys has outperformed its guidance by more than 5% in the past, except during FY09

Adverse judgement in visa fraud and tax cases

Adverse judgement or settlement in the visa fraud case filed by a former Infosys employee (citing misuse of business visas for billable employment and consequent evasion of US taxes through this practice), if decided against Infosys, or an adverse settlement reached in that regard, could be a dampener for the stock. However, we believe that this could be an industry issue and not just a company-specific issue, with greater scrutiny even for genuine business-related travel, which could hamper growth prospects. The tax evasion case, wherein income tax authorities have disallowed onsite provisioning of services from the STPI exemptions and have raised a Rs4bn demand also in our view is an industry issue and if decided against the company could have a dampening impact on both Infosys and the sector.

Valuation methodology and risks

Our PT of Rs3,800 is based on 21x FY13F earnings, which is in line with the stock's five-year average. Downside risks to our call include 1) a sharp appreciation of the rupee against the US dollar; 2) an adverse macro environment in developed markets leading to lower discretionary demand; and 3) higher-than-anticipated wage inflation.

Financial statements

Income statement (Rsmn)					
Year-end 31 Mar	**FY09**	**FY10**	**FY11F**	**FY12F**	**FY13F**
Revenue	216,930	227,420	277,074	341,380	399,727
Cost of goods sold	(124,499)	(128,855)	(158,400)	(195,386)	(230,215)
Gross profit	**92,431**	**98,565**	**118,674**	**145,993**	**169,512**
SG&A	(28,091)	(29,005)	(36,023)	(44,074)	(51,618)
Employee share expense					
Operating profit	**64,340**	**69,560**	**82,651**	**101,919**	**117,894**
EBITDA	**71,950**	**78,610**	**91,287**	**110,962**	**127,285**
Depreciation	(7,610)	(9,050)	(8,637)	(9,043)	(9,391)
Amortisation					
EBIT	**64,340**	**69,560**	**82,651**	**101,919**	**117,894**
Net interest expense					
Associates & JCEs					
Other income	4,730	9,430	10,791	13,366	17,857
Earnings before tax	**69,070**	**78,990**	**93,442**	**115,285**	**135,751**
Income tax	(10,270)	(17,650)	(24,535)	(29,398)	(32,580)
Net profit after tax	**58,800**	**61,340**	**68,907**	**85,888**	**103,170**
Minority interests	-	-	-	-	-
Other items					
Preferred dividends					
Normalised NPAT	**58,800**	**61,340**	**68,907**	**85,888**	**103,170**
Extraordinary items	1,080	1,320	-	-	-
Reported NPAT	**59,880**	**62,660**	**68,907**	**85,888**	**103,170**
Dividends	(15,730)	(16,724)	(37,421)	(26,733)	(26,733)
Transfer to reserves	**44,150**	**45,936**	**31,485**	**59,154**	**76,437**
Valuation and ratio analysis					
FD normalised P/E (x)	28.7	27.4	24.4	19.6	16.3
FD normalised P/E at price target (x)	37.1	35.4	31.5	25.3	21.0
Reported P/E (x)	28.1	26.8	24.4	19.6	16.3
Dividend yield (%)	0.9	1.0	2.2	1.6	1.6
Price/cashflow (x)	33.3	27.9	24.5	21.7	19.2
Price/book (x)	9.2	7.3	6.4	5.2	4.2
EV/EBITDA (x)	22.1	20.2	16.7	13.3	11.0
EV/EBIT (x)	24.8	22.8	18.5	14.5	11.9
Gross margin (%)	42.6	43.3	42.8	42.8	42.4
EBITDA margin (%)	33.2	34.6	32.9	32.5	31.8
EBIT margin (%)	29.7	30.6	29.8	29.9	29.5
Net margin (%)	27.6	27.6	24.9	25.2	25.8
Effective tax rate (%)	14.9	22.3	26.3	25.5	24.0
Dividend payout (%)	26.3	26.7	54.3	31.1	25.9
Capex to sales (%)	6.2	4.0	3.9	3.3	2.9
Capex to depreciation (x)	1.8	1.0	1.3	1.2	1.2
ROE (%)	37.4	30.3	27.9	29.4	28.6
ROA (pretax %)	54.8	47.4	52.5	65.7	67.8
Growth (%)					
Revenue	30.0	4.8	21.8	23.2	17.1
EBITDA	37.4	9.3	16.1	21.6	14.7
EBIT	38.7	8.1	18.8	23.3	15.7
Normalised EPS	29.4	4.7	12.2	24.6	20.1
Normalised FDEPS	29.5	4.7	12.3	24.6	20.1
Per share					
Reported EPS (Rs)	105	110	121	150	181
Norm EPS (Rs)	103	108	121	150	181
Fully diluted norm EPS (Rs)	103	107	121	150	181
Book value per share (Rs)	319	404	460	564	697
DPS (Rs)	27	29	66	47	47

Source: Nomura estimates

Revenue growth of 23.2% in FY12F and 17.1% in FY13F

Cashflow (Rsmn)					
Year-end 31 Mar	**FY09**	**FY10**	**FY11F**	**FY12F**	**FY13F**
EBITDA	71,950	78,610	91,287	110,962	127,285
Change in working capital	(12,020)	(1,470)	3,018	(3,936)	(7,049)
Other operating cashflow	(9,260)	(17,070)	(25,685)	(29,398)	(32,580)
Cashflow from operations	**50,670**	**60,070**	**68,620**	**77,628**	**87,655**
Capital expenditure	(13,380)	(9,060)	(10,820)	(11,200)	(11,600)
Free cashflow	**37,290**	**51,010**	**57,800**	**66,428**	**76,055**
Reduction in investments	720	(37,120)	26,060	-	-
Net acquisitions					
Reduction in other LT assets				-	-
Addition in other LT liabilities	-	-	-	-	-
Adjustments	-	90	-	-	-
Cashflow after investing acts	**38,010**	**13,980**	**83,860**	**66,428**	**76,055**
Cash dividends	(15,730)	(16,724)	(37,421)	(26,733)	(26,733)
Equity issue	440	2,014	828	(0)	(0)
Debt issue					
Convertible debt issue					
Others	4,730	9,340	10,791	13,366	17,857
Cashflow from financial acts	**(10,560)**	**(5,370)**	**(25,802)**	**(13,367)**	**(8,877)**
Net cashflow	**27,450**	**8,610**	**58,058**	**53,061**	**67,179**
Beginning cash	69,500	96,950	105,560	163,618	216,679
Ending cash	96,950	105,560	163,618	216,679	283,858
Ending net debt	(96,950)	(105,560)	(163,618)	(216,679)	(283,858)

Source: Nomura estimates

Balance sheet (Rsmn)					
As at 31 Mar	**FY09**	**FY10**	**FY11F**	**FY12F**	**FY13F**
Cash & equivalents	96,950	105,560	163,618	216,679	283,858
Marketable securities	-	37,120	11,060	11,060	11,060
Accounts receivable	36,720	34,940	53,137	65,470	76,660
Inventories					
Other current assets	32,790	41,870	22,338	27,366	31,872
Total current assets	**166,460**	**219,490**	**250,154**	**320,575**	**403,449**
LT investments					
Fixed assets	53,540	53,550	55,733	57,890	60,100
Goodwill					
Other intangible assets					
Other LT assets	1,260	2,000	3,150	3,150	3,150
Total assets	**221,260**	**275,040**	**309,037**	**381,616**	**466,699**
Short-term debt					
Accounts payable	20,040	23,430	27,995	34,720	42,546
Other current liabilities	18,680	21,120	18,239	24,938	25,758
Total current liabilities	**38,720**	**44,550**	**46,234**	**59,658**	**68,304**
Long-term debt					
Convertible debt					
Other LT liabilities					
Total liabilities	**38,720**	**44,550**	**46,234**	**59,658**	**68,304**
Minority interest	-	-	-	-	-
Preferred stock					
Common stock	2,860	2,860	2,860	2,860	2,860
Retained earnings	179,680	227,630	259,943	319,098	395,535
Proposed dividends					
Other equity and reserves					
Total shareholders' equity	**182,540**	**230,490**	**262,803**	**321,958**	**398,395**
Total equity & liabilities	**221,260**	**275,040**	**309,037**	**381,616**	**466,699**
Liquidity (x)					
Current ratio	4.30	4.93	5.41	5.37	5.91
Interest cover	na	na	na	na	na
Leverage					
Net debt/EBITDA (x)	net cash	net cash	net cash	net cash	net cash
Net debt/equity (%)	net cash	net cash	net cash	net cash	net cash
Activity (days)					
Days receivable	58.6	57.5	58.0	63.6	64.9
Days inventory	-	-	-	-	-
Days payable	57.4	61.6	59.2	58.7	61.3
Cash cycle	1.2	(4.1)	(1.2)	4.8	3.6

Source: Nomura estimates

Cash levels are increasing

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Mentioned companies

Issuer name	Ticker	Price	Price date	Stock rating	Sector rating	Disclosures
Infosys Technologies	INFO IN	2943.40 INR	22-Mar-2011	Buy	Not Rated	123
Tata Consultancy Services	TCS IN	1068.95 INR	22-Mar-2011	Neutral	Not Rated	

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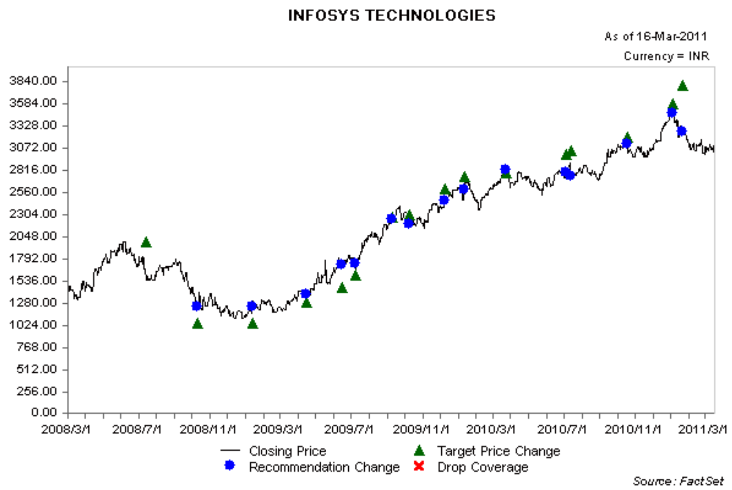
Previous Rating

Issuer name	Previous Rating	Date of change
Infosys Technologies	Neutral	21-Jan-2011
Tata Consultancy Services	Buy	22-Dec-2009

Infosys Technologies (INFO IN) **2943.40 INR (22-Mar-2011)** Buy (Sector rating: Not Rated)

Rating and target price chart (three year history)

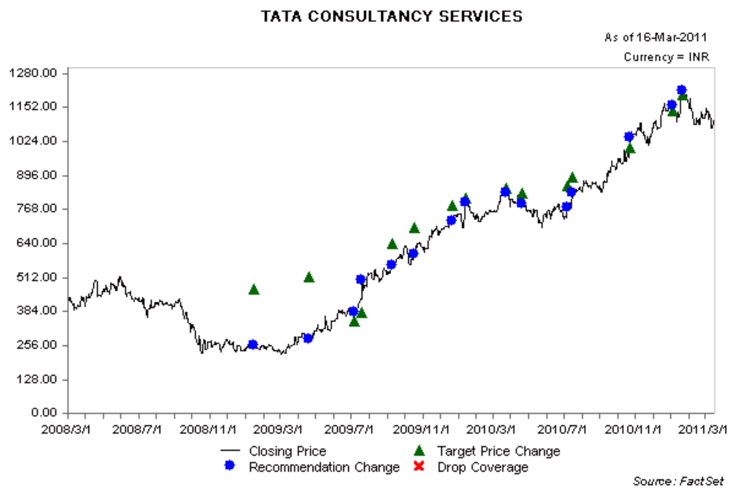


Date	Rating	Target price	Closing price
21-Jan-2011		3800.00	3248.75
21-Jan-2011	Buy		3248.75
05-Jan-2011		3580.00	3467.65
18-Oct-2010		3200.00	3107.00
14-Jul-2010		3040.00	2742.30
06-Jul-2010		3000.00	2786.50
25-Mar-2010		2780.00	2805.60
12-Jan-2010		2740.00	2587.45
09-Dec-2009		2600.00	2456.15
09-Oct-2009		2300.00	2178.35
10-Sep-2009	Neutral		2235.10
10-Sep-2009		2271.00	2235.10
10-Jul-2009		1598.00	1726.50
17-Jun-2009		1458.00	1710.50
15-Apr-2009		1283.00	1370.80
13-Jan-2009		1049.00	1230.20
10-Oct-2008		1042.00	1226.70
10-Oct-2008	Reduce		1226.70
14-Jul-2008		1980.00	1556.10

For explanation of ratings refer to the stock rating keys located after chart(s)

Tata Consultancy Services (TCS IN) **1068.95 INR (22-Mar-2011)** Neutral (Sector rating: Not Rated)

Rating and target price chart (three year history)



Date	Rating	Target price	Closing price
21-Jan-2011		1200.00	1212.60
05-Jan-2011		1140.00	1158.05
22-Oct-2010		1000.00	1040.10
16-Jul-2010		890.00	832.40
08-Jul-2010		860.00	776.60
20-Apr-2010		830.00	789.60
25-Mar-2010		850.00	829.30
15-Jan-2010		810.00	791.80
22-Dec-2009	Neutral		724.10
22-Dec-2009		785.00	724.10
17-Oct-2009		700.00	599.00
10-Sep-2009		640.00	556.40
10-Sep-2009	Buy		556.40
20-Jul-2009		383.00	500.10
06-Jul-2009		349.00	381.60
20-Apr-2009		517.00	280.20
15-Jan-2009		469.00	255.00
15-Jan-2009	Reduce		255.00

For explanation of ratings refer to the stock rating keys located after chart(s)

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A rating of '**Reduce**', indicates that the analyst expects the stock to underperform the Benchmark over the next 12 months.
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Explanation of Nomura's equity research rating system for Asian companies under coverage ex Japan published from 30 October 2008 and in Japan from 6 January 2009

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Explanation of Nomura's equity research rating system in Japan published prior to 6 January 2009 (and ratings in Europe, Middle East and Africa, US and Latin America published prior to 27 October 2008)

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Explanation of Nomura's equity research rating system for Asian companies under coverage ex Japan published prior to 30 October 2008

STOCKS
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A '**Neutral**' recommendation indicates that upside or downside is less than 10%.
A '**Reduce**' recommendation indicates that downside is between 10% and 20%.
A '**Sell**' recommendation indicates that downside is more than 20%.

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