

No surprises

# Continue to prefer TCS over INFO on greater comfort on revenue growth and margins

January 15, 2013

<b>Rating</b> Remains	<b>Neutral</b>
<b>Target price</b> Increased from 1380	INR 1470
<b>Closing price</b> January 14, 2013	INR 1334
<b>Potential upside</b>	+10.2%

### Action: We remain Neutral and continue to prefer TCS over Infosys

TCS posted better-than-expected results and maintained its outlook of FY14F being a better year than FY13F on: 1) improved clients clarity on spending; 2) better discretionary spending and European growth outlook; and 3) improved deal flow momentum versus the start of FY13F. We continue to expect TCS to outperform INFO on revenue and EPS growth, and value TCS at a ~10% premium to INFO on greater growth predictability and better control on margins. We continue to prefer TCS over INFO.

### Catalyst: Continued market share gains is a key upside catalyst

**TCS 3Q: No surprises; reduced risk of portfolio shifts towards INFO**  
TCS 3Q results were largely in line on revenues (3.3% q-q vs est. of 3.1% q-q), but ahead on margins (up 50bp q-q vs est. of 20bp decline) and PAT (INR35.5bn vs est. of INR34.1bn). The key disappointment was soft volume growth of 1.25% q-q; however, we remain assured by management's optimistic outlook on FY14F growth and continue to like the tightly managed operations at TCS.

### Valuation: TP raised to INR1,470 based on 17x 1 yr forward EPS

Our TP rises to INR1470 on roll forward and ~4% increase in EPS over FY14/15F driven by higher USD-INR and lower tax rate assumption, while keeping revenue growth intact at 13.5% CAGR over FY13-15F. We look for EPS CAGR of ~12% over FY13-15F.

### Anchor themes

We prefer companies that have both a focus on market share gains and better propositions in segments driving demand, over the turnaround candidates, where there could be continued pain in margins and/or growth.

### Nomura vs consensus

Our FY14F EPS estimates are ~5% higher than consensus on more optimistic revenue growth assumption.

### Research analysts

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31 Mar	FY12	FY13F		FY14F		FY15F	
Currency (INR)	Actual	Old	New	Old	New	Old	New
<b>Revenue (mn)</b>	488,938	620,172	632,164	692,495	720,448	785,637	811,632
<b>Reported net profit (mn)</b>	106,383	137,581	139,592	148,982	155,755	168,390	174,270
<b>Normalised net profit (mn)</b>	106,383	137,581	139,592	148,982	155,755	168,390	174,270
<b>FD normalised EPS</b>	54.35	70.29	71.32	76.12	79.58	86.04	89.04
<b>FD norm. EPS growth (%)</b>	22.0	29.3	31.2	8.3	11.6	13.0	11.9
<b>FD normalised P/E (x)</b>	24.6	N/A	18.7	N/A	16.8	N/A	15.0
<b>EV/EBITDA (x)</b>	17.3	N/A	13.6	N/A	11.8	N/A	10.3
<b>Price/book (x)</b>	8.0	N/A	6.9	N/A	5.4	N/A	4.4
<b>Dividend yield (%)</b>	1.9	N/A	1.9	N/A	1.9	N/A	2.2
<b>ROE (%)</b>	36.7	38.7	39.6	34.2	36.3	30.8	32.5
<b>Net debt/equity (%)</b>	net cash	net cash	net cash	net cash	net cash	net cash	net cash

Source: Company data, Nomura estimates

**Key company data:** See page 2 for company data and detailed price/index chart.

See Appendix A-1 for analyst certification, important disclosures and the status of non-US analysts.

# Key data on Tata Consultancy Services

## Income statement (INRmn)

Year-end 31 Mar	FY11	FY12	FY13F	FY14F	FY15F
<b>Revenue</b>	<b>373,245</b>	<b>488,938</b>	<b>632,164</b>	<b>720,448</b>	<b>811,632</b>
Cost of goods sold	-205,865	-266,905	-344,794	-398,094	-454,984
<b>Gross profit</b>	<b>167,380</b>	<b>222,033</b>	<b>287,370</b>	<b>322,354</b>	<b>356,649</b>
SG&A	-62,609	-86,892	-115,928	-130,362	-145,743
Employee share expense					
<b>Operating profit</b>	<b>104,771</b>	<b>135,141</b>	<b>171,442</b>	<b>191,992</b>	<b>210,906</b>
<b>EBITDA</b>	<b>111,985</b>	<b>144,177</b>	<b>182,003</b>	<b>204,058</b>	<b>224,516</b>
Depreciation	-7,214	-9,036	-10,561	-12,066	-13,610
Amortisation					
EBIT	104,771	135,141	171,442	191,992	210,906
Net interest expense					
Associates & JCEs					
Other income	5,324	4,040	9,503	12,359	17,492
<b>Earnings before tax</b>	<b>110,095</b>	<b>139,181</b>	<b>180,945</b>	<b>204,351</b>	<b>228,398</b>
Income tax	-21,739	-31,688	-39,841	-47,001	-52,532
<b>Net profit after tax</b>	<b>88,356</b>	<b>107,493</b>	<b>141,104</b>	<b>157,351</b>	<b>175,866</b>
Minority interests	-1,190	-1,110	-1,512	-1,596	-1,596
Other items	0	0	0	0	0
Preferred dividends					
<b>Normalised NPAT</b>	<b>87,166</b>	<b>106,383</b>	<b>139,592</b>	<b>155,755</b>	<b>174,270</b>
Extraordinary items	0	0	0	0	0
<b>Reported NPAT</b>	<b>87,166</b>	<b>106,383</b>	<b>139,592</b>	<b>155,755</b>	<b>174,270</b>
Dividends	-32,058	-57,246	-57,246	-57,246	-57,246
<b>Transfer to reserves</b>	<b>55,108</b>	<b>49,137</b>	<b>82,346</b>	<b>98,508</b>	<b>117,024</b>

## Valuation and ratio analysis

Reported P/E (x)	30.0	24.6	18.7	16.8	15.0
Normalised P/E (x)	30.0	24.6	18.7	16.8	15.0
FD normalised P/E (x)	30.0	24.6	18.7	16.8	15.0
FD normalised P/E at price target (x)	33.0	27.0	20.6	18.5	16.5
Dividend yield (%)	1.0	1.9	1.9	1.9	2.2
Price/cashflow (x)	22.5	31.8	21.1	18.5	16.9
Price/book (x)	10.2	8.0	6.9	5.4	4.4
EV/EBITDA (x)	22.4	17.3	13.6	11.8	10.3
EV/EBIT (x)	23.9	18.4	14.4	12.5	11.0
Gross margin (%)	44.8	45.4	45.5	44.7	43.9
EBITDA margin (%)	30.0	29.5	28.8	28.3	27.7
EBIT margin (%)	28.1	27.6	27.1	26.6	26.0
Net margin (%)	23.4	21.8	22.1	21.6	21.5
Effective tax rate (%)	19.7	22.8	22.0	23.0	23.0
Dividend payout (%)	36.8	53.8	41.0	36.8	32.8
Capex to sales (%)	4.5	4.3	3.8	3.1	2.7
Capex to depreciation (x)	2.3	2.3	2.3	1.8	1.6
ROE (%)	37.6	36.7	39.6	36.3	32.5
ROA (pretax %)	46.7	53.1	54.4	52.5	51.2

## Growth (%)

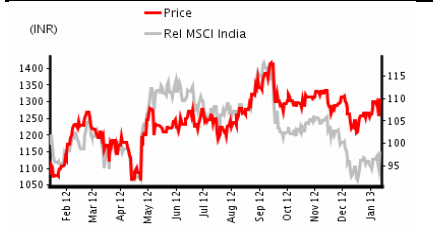
Revenue	24.3	31.0	29.3	14.0	12.7
EBITDA	29.0	28.7	26.2	12.1	10.0
EBIT	31.8	29.0	26.9	12.0	9.9
Normalised EPS	27.0	22.0	31.2	11.6	11.9
Normalised FDEPS	27.0	22.0	31.2	11.6	11.9

## Per share

Reported EPS (INR)	44.54	54.35	71.32	79.58	89.04
Norm EPS (INR)	44.54	54.35	71.32	79.58	89.04
Fully diluted norm EPS (INR)	44.54	54.35	71.32	79.58	89.04
Book value per share (INR)	130.31	166.68	194.60	244.93	304.72
DPS (INR)	14.00	25.00	25.00	25.00	29.25

Source: Company data, Nomura estimates

## Relative performance chart (one year)



Source: ThomsonReuters, Nomura research

(%)	1M	3M	12M
Absolute (INR)	7.4	2.8	22.9
Absolute (USD)	7.2	-0.3	16.4
Relative to index	4.3	-4.6	-1.7
Market cap (USDmn)	47,960.2		
Estimated free float (%)	23.0		
52-week range (INR)	1439.8/1045.3		
3-mth avg daily turnover (USDmn)	28.32		
Major shareholders (%)			
Tata Sons Ltd	73.8		

Source: Thomson Reuters, Nomura research

## Notes

We expect USD revenue CAGR of 13.5% and an EPS CAGR of 12% over FY13-15F.

**Cashflow (INRmn)**

Year-end 31 Mar	FY11	FY12	FY13F	FY14F	FY15F
EBITDA	111,985	144,177	182,003	204,058	224,516
Change in working capital	26,990	-29,297	-16,881	-13,933	-15,769
Other operating cashflow	-22,929	-32,798	-41,353	-48,597	-54,128
<b>Cashflow from operations</b>	<b>116,046</b>	<b>82,082</b>	<b>123,769</b>	<b>141,528</b>	<b>154,620</b>
Capital expenditure	-16,933	-21,018	-24,105	-22,000	-22,000
<b>Free cashflow</b>	<b>99,113</b>	<b>61,064</b>	<b>99,664</b>	<b>119,528</b>	<b>132,620</b>
Reduction in investments	17	0	0	0	0
Net acquisitions					
Reduction in other LT assets	-3,258	-12,769	-5,521	-9,879	-11,764
Addition in other LT liabilities	0	0	0	0	0
Adjustments	-1,946	-1,708	-1,119	-570	-570
<b>Cashflow after investing acts</b>	<b>93,926</b>	<b>46,587</b>	<b>93,024</b>	<b>109,080</b>	<b>120,285</b>
Cash dividends	-32,058	-57,246	-57,246	-57,246	-57,246
Equity issue	-11,354	24,182	-26,769	0	0
Debt issue	1,919	1,277	2,615	1,348	1,577
Convertible debt issue	0	0	0	0	0
Others	5,322	4,040	9,503	12,359	17,492
<b>Cashflow from financial acts</b>	<b>-36,171</b>	<b>-27,748</b>	<b>-71,898</b>	<b>-43,539</b>	<b>-38,178</b>
<b>Net cashflow</b>	<b>57,755</b>	<b>18,839</b>	<b>21,126</b>	<b>65,541</b>	<b>82,108</b>
Beginning cash	48,048	105,803	124,642	145,769	211,309
Ending cash	105,803	124,642	145,769	211,309	293,417
Ending net debt	-105,803	-124,642	-145,769	-211,309	-293,417

Source: Company data, Nomura estimates

**Notes**

Expect strong operating cash generation over FY12-14F

**Balance sheet (INRmn)**

As at 31 Mar	FY11	FY12	FY13F	FY14F	FY15F
Cash & equivalents	105,803	124,642	145,769	211,309	293,417
Marketable securities					
Accounts receivable	95,505	137,469	170,377	192,292	217,924
Inventories	0	0	0	0	0
Other current assets	15,042	11,888	14,962	16,886	19,137
<b>Total current assets</b>	<b>216,351</b>	<b>273,999</b>	<b>331,108</b>	<b>420,487</b>	<b>530,478</b>
LT investments	0	0	0	0	0
Fixed assets	51,996	64,548	78,662	89,166	98,126
Goodwill	33,791	34,929	35,478	35,478	35,478
Other intangible assets	0	0	0	0	0
Other LT assets	25,745	38,514	44,035	53,914	65,678
<b>Total assets</b>	<b>327,883</b>	<b>411,990</b>	<b>489,283</b>	<b>599,045</b>	<b>729,760</b>
Short-term debt					
Accounts payable	58,663	68,175	87,277	97,183	109,297
Other current liabilities					
<b>Total current liabilities</b>	<b>58,663</b>	<b>68,175</b>	<b>87,277</b>	<b>97,183</b>	<b>109,297</b>
Long-term debt					
Convertible debt					
Other LT liabilities	11,029	12,306	14,920	16,268	17,845
<b>Total liabilities</b>	<b>69,692</b>	<b>80,481</b>	<b>102,197</b>	<b>113,451</b>	<b>127,142</b>
Minority interest	3,147	5,276	6,210	6,210	6,210
Preferred stock	1,000	1,000	1,000	1,000	1,000
Common stock	1,957	1,957	1,957	1,957	1,957
Retained earnings	252,087	323,276	377,919	476,428	593,452
Proposed dividends					
Other equity and reserves					
<b>Total shareholders' equity</b>	<b>255,044</b>	<b>326,233</b>	<b>380,876</b>	<b>479,385</b>	<b>596,409</b>
<b>Total equity &amp; liabilities</b>	<b>327,883</b>	<b>411,990</b>	<b>489,283</b>	<b>599,045</b>	<b>729,760</b>

**Notes**

Cash levels are increasing

**Liquidity (x)**

Current ratio	3.69	4.02	3.79	4.33	4.85
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	81.0	87.2	88.9	91.9	92.2
Days inventory	0.0	0.0	0.0	0.0	0.0
Days payable	97.2	87.0	82.3	84.6	82.8
Cash cycle	-16.2	0.2	6.6	7.3	9.4

Source: Company data, Nomura estimates

## Company expects better FY14F vs FY13F

The management indicated the following trends, which, according to the company, could result in better FY14F vs FY13F:

- **Greater clarity on client spend intentions**, which wasn't the case at the start of FY13F.
- **Europe to perform better next year** and likely to beat most of the markets in which they compete.
- **Broad-based growth** across verticals except telecom and across all markets.
- **Pick-up in discretionary spend** and no delays in decision making.

However, slower-than-anticipated volume momentum at both TCS (1.25% q-q) and INFO (1.5% q-q excl. Lodestone acquisition) in their 3Q results, coupled with our cautious view on discretionary demand pickup leads us to retain our similar growth projections as FY13F for FY14F for TCS. We look for 13.5% USD revenue CAGR over FY13-15F.

### ~4% EPS upgrade driven by INR and lower taxation

Our revenue estimates for TCS remain largely unchanged, and we expect USD revenue growth of 14.1/12.7% in FY14/15F. Our margin estimates are largely unchanged. Our EPS estimates are higher by ~4% for FY14/15F on higher USD-INR and lower taxation assumptions. We look for USD revenue CAGR of 13.5% and EPS CAGR of ~12% over FY13-15F.

Fig. 1: TCS Earnings revision

	New			Old			Change (%)		
	FY13F	FY14F	FY15F	FY13F	FY14F	FY15F	FY13F	FY14F	FY15F
Revenue (USD mn)	11,585	13,219	14,892	11,530	13,066	14,823	0.5	1.2	0.5
Revenue (INR bn)	632.2	720.4	811.6	620.2	692.5	785.6	1.9	4.0	3.3
EBITDA margin (%)	28.8	28.3	27.7	28.9	28.4	27.8	-10 bps	-10 bps	-20 bps
Tax Rate (%)	22.0	23.0	23.0	22.3	24.0	24.0	-30 bps	-100 bps	-100 bps
Diluted EPS (INR)	71.3	79.6	89.0	70.3	76.1	86.0	1.5	4.5	3.5

Source: Nomura estimates

### Maintain Neutral, TP raised to INR1,470 on roll forward

We continue to expect TCS to outperform INFO on revenue and EPS growth and value TCS at a ~10% premium to INFO on greater growth predictability and better control on margins. On our estimates, we see TCS USD revenue CAGR at 13.5% (vs 11% at INFO) and EPS CAGR of 12% (vs 10% at INFO) over FY13-15F. We continue to prefer TCS over INFO, though given limited absolute upsides; we await better entry points and maintain Neutral on TCS.

Our TP rises to INR1,470 (vs INR1,380 earlier) on roll forward and is based on 17x 1 year forward earnings (methodology unchanged).

#### Valuation methodology

Our TP of INR1,470 is based on 17x our one-year rolling forward earnings forecast of INR86.4. Our target multiple is in line with the stock's historical average and is at a premium of 10% over INFO.

#### Risks to our valuation

Risks on the upside include a recovery in global macro conditions leading to a demand rebound faster than we expect, while downside risks include: 1) faster-than-expected slowdown and breakage of pricing discipline in the industry; 2) client-specific issues; and 3) deterioration in management commentary.

## TCS 3Q result highlights

- USD revenue growth of 3.3% q-q vs our expectation of 3.1% and consensus of 3.0%.
- EBIT margins at 27.3% (up 60 bps q-q vs. our estimate of 20bps decline and consensus estimate of 40bps decline). This trend is contrary to the 60bp q-q decline at Infosys.
- PAT at INR35.5bn vs estimate of INR34.1bn and consensus estimate of INR34bn; PAT up 3.4% q-q vs our estimate of -2.8%.
- Net additions of 9,500 employees, implying 3.8% sequential jump in headcount.
- Attrition dips to sub-10% vs 15% for INFO.
- Utilization rate at 81.7% (excl. trainees) was flat q-q.
- Among verticals, BFSI (4% q-q), Manufacturing (7% q-q) and Energy and Utilities (9% q-q) performed well. Telecom (-5% q-q) and Media and Entertainment (-1% q-q) had a weak quarter.
- Among service lines, Consulting (10 % q-q), Enterprise Solutions (5% q-q) and IMS (6% q-q) performed well, ADM (2% q-q) and BPO (2% q-q) were below company average growth.
- Among geographies, America (3% q-q) , UK (6% q-q), India (5% q-q) and Latin America performed well while Continental Europe (-1%) had a weak performance.

**Fig. 2: TCS 3QFY13: Actual vs expected**

Key parameters	3QFY13		2QFY13	q-q (%)	3QFY12	y-y (%)
	Actual	Estimate				
Revenues (USD mn)	2,948	2,720	2,853	3.3	2,586	14.0
Revenues (INR mn)	160,699	149,576	156,208	2.9	132,040	21.7
EBITDA (INR mn)	46,540	44,746	44,404	4.8	40,921	13.7
EBITDA margin (%)	29.0	29.9	28.4	50bps	31.0	-200bps
PAT (INR mn)	35,518	34,081	35,123	1.1	28,866	23.0
EPS (INR)	18.1	17.4	17.9	1.1	14.7	23.0

Source: Company data, Nomura estimates

**Fig. 3: Quarterly performance and expectations**

Y/E MARCH	FY12				FY13				FY12	FY13F
	1Q	2Q	3Q	4Q	1Q	2Q	3QF	4QF		
<b>INR mn</b>										
<b>Revenues (USD mn)</b>	2,412	2,525	2,586	2,648	2,728	2,853	2,948	3,056	10,171	11,585
<i>q-q change %</i>	7.5	4.7	2.4	2.4	3.0	4.6	3.3	3.7	24.2	13.9
<b>Revenues</b>	107,970	116,335	132,040	132,593	148,687	156,208	160,699	166,570	488,938	632,164
<i>q-q change %</i>	6.3	7.7	13.5	0.4	12.1	5.1	2.9	3.7	31.0	29.3
Direct Expenses	58,791	62,141	68,604	69,237	78,488	83,755	84,528	88,519	258,773	335,290
SG&A Expenses	18,869	20,365	22,515	24,239	26,871	28,049	29,631	30,321	85,988	114,872
<b>EBITDA</b>	30,310	33,829	40,921	39,117	43,328	44,404	46,540	47,731	144,177	182,003
<i>EBITDA margin (%)</i>	28.1	29.1	31.0	29.5	29.1	28.4	29.0	28.7	29.5	28.8
Other Income	2,886	997	-920	1,077	1,754	3,103	2,133	2,513	4,040	9,503
Depreciation	2,049	2,286	2,303	2,398	2,431	2,615	2,731	2,784	9,036	10,561
<b>PBT</b>	31,147	32,540	37,698	37,796	42,651	44,892	45,942	47,460	139,181	180,945
Provision for Tax	7,063	7,913	8,538	8,174	9,457	9,443	10,025	10,916	31,688	39,841
<i>Tax rate (%)</i>	22.7	24.3	22.6	21.6	22.2	21.0	21.8	23.0	22.8	22.0
Minority Interest	281	237	294	298	388	326	399	399	1,110	1,512
<b>PAT</b>	23,803	24,390	28,866	29,324	32,806	35,123	35,518	36,145	106,383	139,592
<i>q-q change %</i>	0.0	2.5	18.4	1.6	11.9	7.1	1.1	1.8	22.0	31.2
<b>Diluted EPS (INR)</b>	12.2	12.5	14.7	15.0	16.8	17.9	18.1	18.5	54.4	71.3

Source: Company data, Nomura estimates

**Fig. 4: Sequential growth matrix**

q-q growth (%)	3QFY12	4QFY12	1QFY13	2QFY13	3QFY13
<b>Service Lines</b>					
ADM	1%	3%	1%	4%	2%
Engineering and Industrial Services	-2%	2%	3%	5%	6%
Infrastructure Services	13%	0%	5%	12%	6%
Enterprise Solutions	2%	-1%	3%	3%	5%
Global Consulting	10%	-1%	7%	12%	10%
Asset Leverage Solutions	-3%	5%	-26%	1%	7%
Assurance Services	2%	-2%	7%	6%	3%
BPO	1%	9%	16%	1%	2%
<b>Industry Verticals</b>					
BFSI	2%	0%	5%	4%	4%
Manufacturing	2%	4%	3%	9%	7%
Telecom	-4%	2%	6%	5%	-5%
Life Sciences & Healthcare	2%	2%	3%	3%	3%
Retail & Distribution	4%	4%	9%	6%	3%
Transportation	2%	0%	3%	2%	3%
Energy and Utilities	-2%	-5%	-2%	5%	9%
Media & Entertainment	7%	2%	3%	5%	-1%
Hi-Tech	2%	4%	3%	3%	2%
Others	21%	24%	-23%	5%	10%
<b>Geographies</b>					
America	2%	3%	3%	3%	3%
UK	-1%	4%	15%	5%	6%
Rest of Europe	6%	-4%	1%	3%	-1%
Europe	2%	0%	10%	5%	3%
India	4%	4%	-14%	10%	5%
APAC	4%	4%	-1%	7%	2%
Ibero America	6%	2%	10%	8%	9%
MEA	-2%	2%	3%	5%	3%
<b>Company overall</b>					
	<b>2%</b>	<b>2%</b>	<b>3%</b>	<b>5%</b>	<b>3%</b>

Source: Company data, Nomura research

# Appendix A-1

## Analyst Certification

We, Ashwin Mehta and Pinku Pappan, hereby certify (1) that the views expressed in this Research report accurately reflect our personal views about any or all of the subject securities or issuers referred to in this Research report, (2) no part of our compensation was, is or will be directly or indirectly related to the specific recommendations or views expressed in this Research report and (3) no part of our compensation is tied to any specific investment banking transactions performed by Nomura Securities International, Inc., Nomura International plc or any other Nomura Group company.

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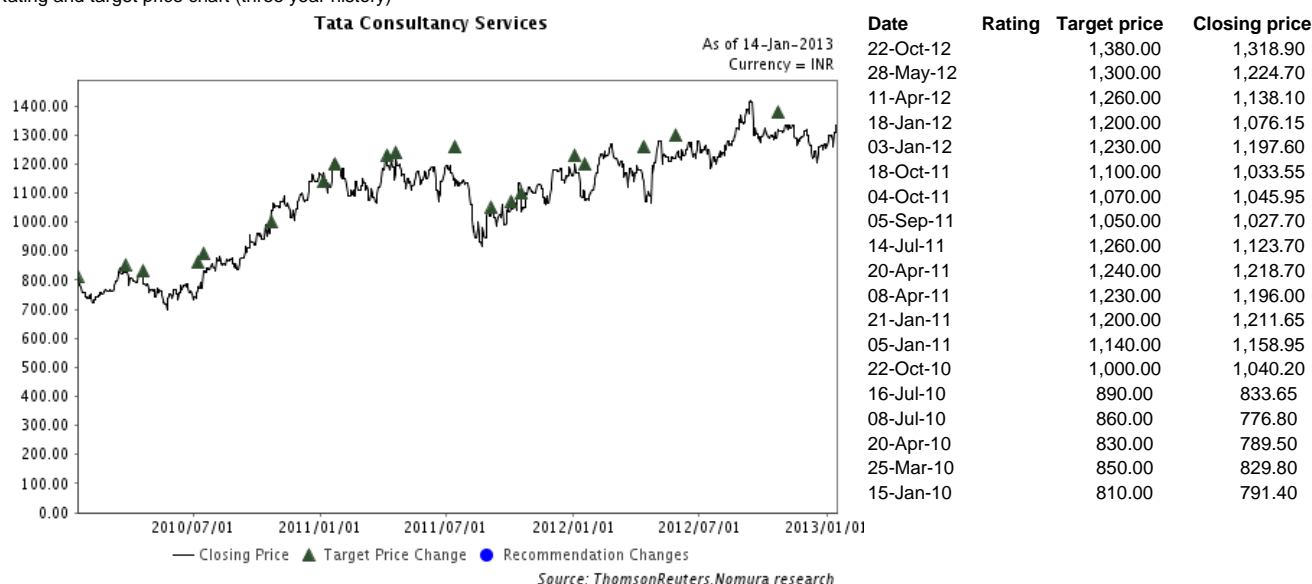
### Materially mentioned issuers

Issuer	Ticker	Price	Price date	Stock rating	Sector rating	Disclosures
Infosys	INFO IN	INR 2806	14-Jan-2013	Neutral	Not rated	
Tata Consultancy Services	TCS IN	INR 1334	14-Jan-2013	Neutral	Not rated	

### Tata Consultancy Services (TCS IN)

INR 1334 (14-Jan-2013) Neutral (Sector rating: Not rated)

Rating and target price chart (three year history)



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

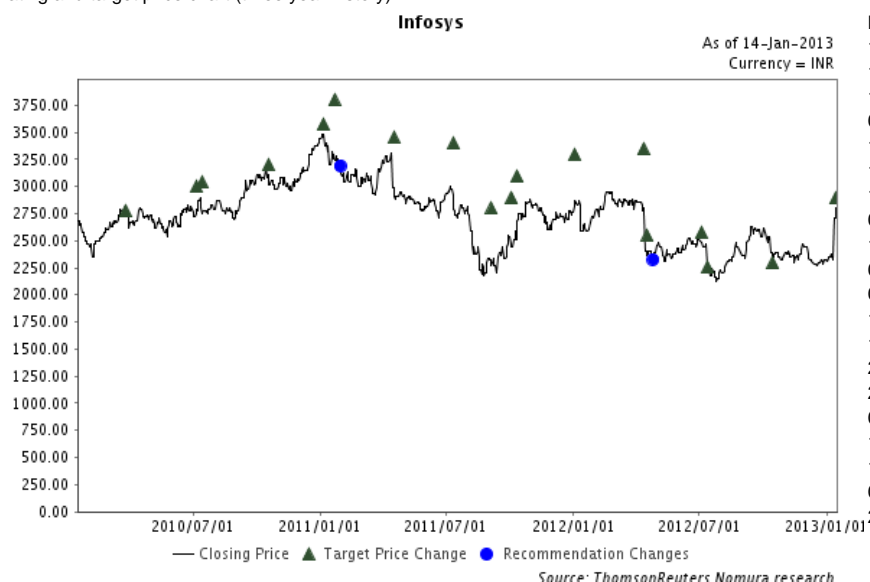
**Valuation Methodology** Our TP of INR1,470 is based on 17x our one-year rolling forward earnings forecast of INR86.4. Our target multiple is in line with the stock's historical average and is at a premium of 10% over INFO.

**Risks that may impede the achievement of the target price** Risks on the upside include a recovery in global macro leading to demand rebound faster than we anticipate, while downside risks include: 1) faster-than-anticipated slowdown and breakage of pricing discipline in the industry; 2) client-specific issues; and 3) deterioration in management commentary.

**Infosys (INFO IN)**

**INR 2806 (14-Jan-2013) Neutral (Sector rating: Not rated)**

Rating and target price chart (three year history)



Date	Rating	Target price	Closing price
14-Jan-13		2,900.00	2,806.50
15-Oct-12		2,300.00	2,365.60
13-Jul-12		2,260.00	2,229.80
04-Jul-12		2,580.00	2,479.40
17-Apr-12	Neutral		2,380.70
17-Apr-12		2,550.00	2,380.70
11-Apr-12		3,350.00	2,804.40
03-Jan-12		3,300.00	2,864.30
12-Oct-11		3,100.00	2,679.35
04-Oct-11		2,900.00	2,438.50
05-Sep-11		2,800.00	2,265.10
12-Jul-11		3,400.00	2,791.55
17-Apr-11		3,450.00	2,989.50
21-Jan-11	Buy		3,243.85
21-Jan-11		3,800.00	3,243.85
05-Jan-11		3,580.00	3,459.60
18-Oct-10		3,200.00	3,107.05
14-Jul-10		3,040.00	2,742.90
06-Jul-10		3,000.00	2,785.10
25-Mar-10		2,780.00	2,813.95

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

**Valuation Methodology** We value Infosys at 15x one-year forward earnings of INR193, which is a 25% discount to its long-term average valuation. We believe the discount is justified on lower-than-historical growth rates and softness in demand. Our target price is INR2,900.

**Risks that may impede the achievement of the target price** Key downside risks are: 1) a worse-than-expected slowdown and breakage of pricing discipline in the industry; 2) client-specific issues; and 3) an adverse ruling in its pending B1 visa violation case in the US. Upside risks include improvement in discretionary demand leading to higher-than-expected revenue growth.



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#### SECTORS

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### Explanation of Nomura's equity research rating system in Japan and Asia ex-Japan

#### STOCKS

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