Infinite Computer Solutions (India) Ltd

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A stock with attractive possibilities (though not quite infinite)

by

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Executive Summary

The company being discussed has the following characteristics:

- Revenues have gone up 4X+ in the last 8 years
- PAT has gone up 2.5X in the last 8 years
- Operating Cash Flow has followed PAT in a similar proportion. Free Cash Flow has also followed the trajectory of PAT (though it is not perfectly correlated as one would expect).

Initial view would be that the company has strong momentum. Of course the above doesn't tell us anything about the attractiveness of the stock. So I supply the following:

- Stock trades at a multiple of 7X trailing earnings of Fiscal Year (FY) 2017
- EV/EBIT multiple is 4.2X of FY 17 EBIT.

As a blue blooded investor, you chuckle and say, "Aha! Of course the stock is a value trap. Management doesn't return anything to the shareholders and markets reciprocate by giving lower multiple." Below is management track record on returning cash:

- Management has continuously returned cash back to shareholders.
- In the last 8 years (since it went for IPO in Feb 2010), company has returned Rs 3,200Mn to the shareholders. In contrast, company had raised Rs 1,900Mn in 2010 through IPO. Since then company has not raised any additional capital. IPO in 2010 was oversubscribed 41x and the company IPO was among the most successful IPO of the year.

As you wonder what else could be wrong, you come up with, "Of course what has happened in the past is history and stock market values a stock based on future expectations. What can we say about the future prospects?" Here are the details:

- In FY 18 (April 2017 to March 2018), management expects to grow revenue by 20-25% and margin by 8-10%. Since half the fiscal year is already over, we feel that company should be able to deliver on those expectations.
- Company is in IT Services business. IT services has faced headwinds from increased automation, visa challenges, commoditization of business and rupee appreciation. We will talk more about company's business and prospects in the detailed write-up that follows.

Management doesn't provide long-term guidance. Of course management can promise the moon and not deliver on it. So it important to know more about the management:

- Sanjay Govil: Sanjay started Infinite in 1999. Sanjay is a graduate of Auburn University and Syrcasuse University besides being a fellow of Wharton school of business. Sanjay owns 75% of the company.
- Upinder Zutshi: Upinder is MD & CEO of the company. Upinder graduated from BITS Pilani and has been in IT services for 30+ years (with Infinite for 15+ years). Upinder owns 3%+ of the company.

I hope the above summary whets your appetite to read the rest of the write-up.

Company Background

Infinite was founded in 1999. Today it is a publicly-listed entity headquartered in Bangalore, India. It has presence across three continents and services 150+ clients.

Unlike other companies, Infinite has focused on working closely with a few companies and be their trusted partner. Thus Infinite has a very long standing relationship with many of its clients. This is best reflected by one of the slides from the company's presentation.

Some of the relationships go as far back as 15 years while many of them have been clients for 5+ years. This shows that Infinite provides services that its clients find valuable.

The above strategy causes significant concentration of revenue from its top clients. This is one of the risk factors in investing in this company. We will discuss more about this risk factor in the subsequent sections.

FY/% of revenue	2013	2014	2015	2016	2017
Top client % of Revenue	38.8%	52.3%	50.4%	51.8%	54.8%
Top 5 clients % of Revenue	73.1%	79.4%	80.4%	80.2%	80.4%
Top 10 clients % of Revenue	89.4%	91.9%	91.2%	90.9%	90.7%

Business Segments

Company offerings can be best analyzed by looking at the 3 business segments that company focuses on:

- Technology Solutions
- Mobility Solutions
- Product Engineering Services

Technology Solutions

This business segment is comparable to the solution that other IT services firms in India provide. Company focuses on Projects for clients, Support and Maintenance of various applications, Infrastructure management and IP based solutions (through in-house products and platforms).

Company uses these in-house products and platforms to reduce the turnaround time for its clients. Zyter, a product launched last year, has seen increased traction in Healthcare provider domain. Zyter has enabled Infinite to win EMR (Electronic Medical Record) migration and cloud migration of Health care applications from some of the prestigious hospitals.

Company is a major contractor for IBM (its top client). In the recent consolidation of vendors by IBM, Infinite was among the 4 vendors that was chosen to do contractual work for IBM globally. This win from IBM has translated into significant traction in new revenue in FY 18. Contract revenue from IBM has low EBIDTA margin % and hence overall company margin in % terms will decline further in FY 18. However, company only takes work from IBM which increases the absolute amount of margin (doesn't do any work at loss). Hence the margin (in absolute terms) should increase in FY 18.

Mobility Solutions

This segment was formed in 2010 when Infinite formed an alliance with Nokia (erstwhile Motorola). It provides messaging and mobility solutions to carriers and enterprises. In the past most of the revenue was coming from SMS gateway and upgrading of this gateway for new usages.

Company has continuously been introducing new products to keep up with evolution of the messaging space. Company had significant hope from RCS (Rich Communication Suite) in 2014-16 which didn't pan out as expected. However, some of the new messaging platforms like EMS (Enterprise Messaging Services) and Netsfere (WhatsApp for enterprises) are seeing good traction. Company now has more than 100 clients in this segment.

As company's products gets better acceptance in the enterprise, this segment has the potential of providing non-linear growth on both revenue and margin front.

Product Engineering Services

This segment was introduced after acquisition of Comnet International in 2007. It provides hardware and software support to customers in Telecom and Industrial Control & Automation segments along with full life cycle support for products, platforms and systems.

This segment leverages IP based revenue share model with its customer. Company's expertise in components which enable Internet of Things (IoT) could position it as a compelling IoT solution provider in the future.

We don't have enough clarity on this segment to have a strong view of its contribution to the overall growth of the company.

Overall

Below table shows how the company revenue has grown in each of the 3 segments over the last 7 years. We believe that the biggest potential for the company continues to be in the Technology Solutions and Mobility Solutions space for the following reasons:

- Within Technology Solutions segment, company has created specific platforms for various domains. These platforms enable reuse thus reducing both cost to client and time to market.
- Company's products in Mobility Solutions segment is getting to critical mass of adoption by enterprises. If these early adopters realize the expected benefit, it can trigger the next wave of enterprises to adopt these products.

Revenues (Rs Million)	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**CAGR**
Technology Solutions	7,100	8,840	9,610	12,490	12,162	15,517	18,836	**18%**
Product Engg Services	1,700	1,800	2,340	2,430	2,450	2,593	2,319	**5%**
Mobility Solutions	1,000	1,570	1,970	2,410	2,763	2,973	2,508	**17%**
Total	**9,800**	**12,210**	**13,920**	**17,330**	**17,375**	**21,083**	**23,663**	**16%**

Company's Financials

Let us now review some of the key metrics of the company by reviewing the 3 financial statements

Balance Sheet

Below is an abbreviated Balance Sheet statement to highlight some interesting observations:

- Share Capital: Share count went up in FY 2010 when the company did an IPO. Since then company has done 4 buybacks in FY 2012, 2014, 2016 and 2017. Share count at the end of FY 2017 is lower than what it was pre-IPO in FY 2009.
- Net Cash: This reflects cash, net of debt. From a net debt company in 2009, company has become a net cash company. Company has plowed the cash generated into buying back shares as reflected by reduction in share capital.
- Intangible Assets: Company started focusing on new products in FY 2012 and initially capitalized the cost of these products. However, starting in FY 2014 Company started expensing all product expenses. In addition its P&L has borne the cost of amortizing past capitalized products. Impact of these is one of the reasons for lower margins in subsequent years.
- Trade Receivables: Company has very high trade receivables. One of the contributors for high receivables is the contract work from IBM. It is fair to assume that high capital intensity (and corresponding lower return on capital) is an aspect of the firm's business model.

Year / Rs Million	2009	2010	2011	2012	2013	2014	2015	2016	2017
Share Capital	382	440	440	426	426	404	402	387	331
Reserves & Surplus	1,141	2,830	3,723	4,664	5,537	6,359	7,513	8,728	8,345
Equity	**1,523**	**3,270**	**4,163**	**5,090**	**5,963**	**6,763**	**7,915**	**9,115**	**8,676**
Net Cash	**(168)**	**675**	**436**	**1,027**	**872**	**508**	**1,264**	**2,625**	**1,439**
Non-Current Liabilities	**244**	**541**	**622**	**309**	**368**	**385**	**273**	**351**	**259**
Current Liabilities	**2,346**	**2,731**	**3,265**	**4,767**	**5,637**	**6,014**	**6,330**	**8,286**	**9,467**
Non-Current Assets	**996**	**1,611**	**2,526**	**3,225**	**3,516**	**3,613**	**3,646**	**4,298**	**3,950**
Intangible assets	410	546	542	1,661	1,732	1,662	1,622	1,636	1,467
Current Assets	**3,116**	**4,930**	**5,525**	**6,940**	**8,452**	**9,549**	**10,874**	**13,454**	**14,451**
Trade Receivables	2,469	2,194	2,339	2,322	3,257	4,304	4,746	5,250	6,385
Working Capital	**770**	**2,199**	**2,259**	**2,173**	**2,814**	**3,535**	**4,541**	**5,168**	**4,984**

Profit and Loss

Below is an abbreviated Profit and Loss statement to highlight some interesting observations:

- Sales: Sales has grown at 22% over the last 8 years. Management is determined to grow sales at a fast pace to graduate from being a small player in IT services.
- Margin % – both EBIDTA and PAT: Margin % have come down dramatically after FY 2013. This reduction in margin is due to multiple factors:
    - As discussed in Balance Sheet section, company started expensing investments in products from FY 14 onwards. This has reduced the margins.
    - Company accelerated investments in sales to continue to grow its revenue.
    - Company focused on creating platforms for specific domain. This was done to better differentiate the company from its competitor. All costs related to building these platforms were expensed.
    - Some of the top 10 clients moved their business elsewhere. This lost business was a high margin business thus reducing margin of the remaining business.
- ROE: Lower margins have translated into lower profitability and ROE.
- DPS: Company has done away with dividends since FY 2015. Co is now returning value to shareholders through buybacks which is tax efficient.

Year / Rs Million	2009	2010	2011	2012	2013	2014	2015	2016	2017	CAGR
Net Sales	4,899	6,643	8,833	10,558	13,906	17,327	17,374	21,083	23,663	22%
EBITDA	**583**	**1,147**	**1,497**	**1,830**	**2,010**	**1,669**	**1,901**	**1,910**	**1,960**	**16%**
EBITDA Margin %	**11.9%**	**17.3%**	**16.9%**	**17.3%**	**14.5%**	**9.6%**	**10.9%**	**9.1%**	**8.3%**	
EBIT	**597**	**1,101**	**1,391**	**1,626**	**1,652**	**1,179**	**1,454**	**1,528**	**1,703**	**14%**
Profit Before Tax	**578**	**1,071**	**1,357**	**1,607**	**1,625**	**1,160**	**1,442**	**1,581**	**1,652**	**14%**
Provision for Tax	121	231	285	400	318	262	313	373	444	
Tax %	21%	22%	21%	25%	20%	23%	22%	24%	27%	
Profit After Tax	**457**	**840**	**1,072**	**1,207**	**1,307**	**898**	**1,129**	**1,208**	**1,208**	**13%**
PAT Margin %	**9.3%**	**12.6%**	**12.1%**	**11.4%**	**9.4%**	**5.2%**	**6.5%**	**5.7%**	**5.1%**	
EPS (Rs)	**12.0**	**18.0**	**24.4**	**28.4**	**30.7**	**22.2**	**28.1**	**31.2**	**37.0**	**15%**
DPS			**3.0**	**8.5**	**9.0**	**4.0**	**-**	**-**	**-**	
ROE	**30%**	**24%**	**26%**	**24%**	**22%**	**13%**	**14%**	**13%**	**14%**	
ROCE	**32%**	**42%**	**36%**	**37%**	**31%**	**18%**	**21%**	**22%**	**22%**	

Cash Flow

Below is an abbreviated Cash Flow statement to highlight some interesting observations:

- CFO (Cash Flow from Operations) / PAT (Profit After Tax): This ratio is 91% reflecting good conversion of profitability into cash flow.
- Free Cash Flow: In the last three years FCF has averaged 900Mn. We expect that FCF will grow and average Rs 1,000Mn over the next three years.
- Dividends + Buyback: Company has returned Rs 3,201 Mn since its IPO. This is significantly higher than the money raised in its IPO.

Year / Rs Million	2009	2010	2011	2012	2013	2014	2015	2016	2017	Total
CFO	401	504	940	1,215	1,067	429	1,047	1,981	886	8,470
CFO/PAT	88%	60%	88%	101%	82%	48%	93%	164%	73%	91%
Capex + Acquisitions	(250)	(643)	(1,083)	(480)	(794)	(367)	(187)	(623)	(383)	(4,809)
Free Cash Flow	**151**	**(139)**	**(143)**	**735**	**273**	**62**	**860**	**1,358**	**503**	**3,661**
CFI	(259)	(1,433)	(469)	(369)	(700)	(276)	(141)	(545)	(283)	(4,475)
CFF	23	1,146	(169)	(231)	(282)	(813)	(182)	(209)	(813)	(1,530)
Dividends + Buyback			(154)	(361)	(519)	(240)	(130)	(287)	(1,510)	(3,201)
Change in cash	**1,645**	**2,171**	**3,010**	**6,152**	**854**	**(6,604)**	**7,239**	**12,272**	**(2,094)**	**2,465**

Overall

Here are the key takeaways from the financials:

- Revenues have grown at 20%+ since company's IPO.
- However, PAT has grown at a lower 13% CAGR as company has invested in products and platform to better differentiate its offering. This coupled with growth in contract work from IBM has caused both EBIDTA and PAT margins to fall below the industry margins.
- Company has generated significant FCF which has been used for rewarding shareholders through dividends and buybacks. Buybacks have been done at very good price resulting in significant reduction in number of outstanding shares (outstanding shares is now below its pre-IPO level).
- High working capital intensity (due to high trade receivables) causes significant capital to be tied up in working capital. This has lowered ROE for the company.

Management

Management is a critical factor in the success of any investment. In an industry like IT services where people are the key asset, having right management makes all the difference to the success of the thesis.

Background

Sanjay Govil: Sanjay is the Chairman of BOD of Infinite. He founded Infinite in 1999. Sanjay did his bachelors from Auburn university and masters from Syracuse University. Prior to starting Infinite he worked at IBM and Verizon Communications. Interestingly both of those companies were early clients of Infinite. Sanjay is the winner of E&Y Entrepreneur of the year award in 2002.

From our conversations in the industry, we are led to believe that Sanjay is extremely committed to Infinite. He is very passionate about the new products/platforms company is building and sees a bright future for the company. Sanjay owns 75% of the company and has put his money where his mouth is. In the past Sanjay has bought aggressively from the market but now he can't go above the SEBI mandated 75%.

Upinder Zutshi: Upinder is Managing Director & CEO of Infinite. Upinder has been with Infinite for 15+ years. Upinder graduated from BITS Pilani and has worked in IT services since.

In our interactions with Upinder, he is very optimistic on Infinite (as one would expect of a CEO). His optimism is based on the traction company has in healthcare domain as well as adoption of new products like Zyter, Netsfere, EMS by enterprises. Upinder owns 3%+ of the company and has the right incentives if the company does well.

Management Action

While good pedigree and nice intentions are wonderful, it is the actions that count. Infinite's management has walked the talk as some of the below actions demonstrate:

- Sanjay Govil's stake in Infinite went above 75% (maximum ownership as mandated by SEBI) after company's buyback of shares in FY 17. Our experience in such situations is that most owners reduce their stake through Offer for Sale. However, Sanjay distributed the excess ownership above 75% through a bonus offer to the rest of the shareholders. Thus effectively he gave away his excess shareholding to the rest of the shareholders at no cost!
- Management has done 4 buybacks in the last 8 years since its IPO. They have returned more money than they have taken in during IPO. Management remains committed to creating shareholder value by being very demanding with any acquisition opportunity. In the interim, they realize that their stock is the best value and have been using excess cash to buy back their stock.
- Company's compensation to its leadership team and ESOP to its employees have been reasonable.

Overall

Management has been shareholder friendly and their significant stake in the company gives us the confidence that it will continue on this "enlightened path."

Valuation

We can value Infinite in a few different ways.

Future Projection

In this method we will take current earnings, project it out for a few years and then apply reasonable multiples.

PAT projection

- FY 2017 PAT of Rs 1,200 Mn has been stuck in similar range for the last 5-6 years.
- However, as discussed in the write-up, PAT has not grown as company has invested in building out its capability.
- For FY 18, management is projecting margins to grow by 8-10%.

- Given traction with mobility solutions and technology solutions, it is reasonable to assume that company can deliver a PAT CAGR of 8% over the next 3 years. Thus FY 20 PAT is expected to be Rs 1,510 Mn.
- Applying a multiple of 10X earnings (see the below table for earnings multiple and growth rates of some of the other IT services firm. It is quite obvious that we are being very conservative with our multiples), market value would be 15,100Mn.

				EPS growth (%)	
	Share price (INR)	Market cap (INRbn)	TTM P/E	2014-16	2016-17
TCS	2,560	5,044	19.2x	12%	8%
Infosys	966	2,209	15.4x	13%	6%
Wipro	550	1,334	15.7x	7%	-3%
HCL	857	1,223	14.1x	35%	15%
Tech Mahindra	398	388	11.4x	0%	0%
L&T Infotech	783	134	13.7x	15%	1%
Mphasis	620	131	16.8x	-8%	18%
Mindtree	540	91	21.8x	10%	-25%
Persistent Systems	607	49	16.1x	8%	1%
NIIT Technologies	544	33	13.3x	10%	-11%
Polaris	221	23	13.9x	-20%	25%
Median			**15.4x**	**10%**	**1%**

EBIT projection

- FY 2017 EBIT of Rs 1,703 Mn is the highest the company has ever achieved.
- Management has projected that margins will grow by 8-10% in FY 18. By taking the lower of this range and extrapolating 8% CAGR in EBIT till FY 2020, we get EBIT of 2,145Mn in FY 20.
- Since tax rate is around 27%, we will apply EV (Enterprise Value) to EBIT multiple of 7X (compared to 10X for earnings). So EV would be 15,017Mn.
- We assume that company cash position as of FY 17 remains unchanged in FY 20. This implies that all the FCF cash generated for 3 years (FY 17-20) is returned to the shareholders through buyback. So MV=15,017 + 1,439Mn = 16,456Mn in FY 20.

Share count projection

- We expect that company will generate FCF of 1,000Mn a year on average or 3,000Mn over the next 3 years.

- Our expectation is that management will return this FCF back to shareholders as they don't have need for additional cash in the business. We expect that company will be able to do 2 buybacks – early FY 19 and late FY 20.
- If these 2 buybacks are done at an average price of 375/sh, share count will reduce by 8Mn from 33Mn to 25Mn. (Buyback in FY 17 of 1,500Mn was done @265/share and reduced the share count of the company by 5.7Mn).

Overall

- Averaging MV from the 2 techniques above give Market Value of 15,775Mn.
- Using share count of 25Mn gives an expected price of **631/share** by June 2020. This gives us a forward return of **40% CAGR** in the next 2.6 years.

Intrinsic Value

In this method we assume that we show up as a private buyer of the company today. Here are some of the things that we will consider in valuing the company:

- FCF of the company is expected to be around 1,000Mn for the next few years. We further assume that company's FCF doesn't grow and remains stuck at this level to perpetuity. In addition we discount this FCF at 15% (others can discount at discount rates that make sense to them), we get valuation of 1,000Mn/15% = 6,667Mn for the FCF.
- Company's net cash on its book has gone up to 2,690Mn as of Q2, FY 18.
- Company has 5,000Mn working capital tied up. Given the business model requires high intensity of Working Capital we will assume that none of this working capital can be released. All of it is required for the smooth running of the business. Hence we don't assign any value to this.
- Company has investment in property assets to the tune of around 1,000Mn. These were thought of as "safe" investments. If management can be faulted for anything, it is their extremely conservative way of managing their affairs including investment in real estate!
- Company's headquarter in Bangalore is carried on their Balance sheet at a significant discount to its current market value. Estimates of the market value of this property range from 2,500Mn to 4,000Mn. We take the lower range of 2,500Mn.
- If company headquarter in Bangalore is sold, there will be an ongoing expense of leasing another office for its Bangalore employees. We conservatively estimate the discounted PV of this cost to be around 1,000Mn.

	In Millions
Discounted value of FCF	6,667
Net Cash	2,690
Investments in property	1,000
Value of headquarters	2,500
Leased office expense	(1,000)
Total	**11,857**

- Doing sum of parts of the above and ignoring the rest of the assets we get 11,857Mn = **359/share** or almost a 38% premium to its current valuation.

Overall

- Company is a fantastic bargain from both a Future projection and an Intrinsic Value perspective.
- We expect company's stock to be worth **631/share by June 2020** providing us a 40%+ CAGR over the next 2.6 years.
- Alternatively, a private buyer can buy the company today for **359/share** and the buyer still would have got a fantastic price.
- Above valuations don't account for some of the unknowns that could enhance the value of the company significantly. These include:
  - Traction in company's products like Zyter, Netsfere and EMS. Traction in these products can change the margin profile of the company in a very significant manner.
  - Company recently did another deal on similar lines as what was done with Motorola in 2010. Motorola deal enabled the company to start a new segment and provide stable cash flows over almost a decade. This new deal would have the additional benefit of leveraging synergies with the existing infrastructure from Motorola deal.
  - Lastly, company is seeing increased traction in healthcare space. Company is currently working with many providers (hospitals) and helping them with EMR (Electronic Medical Record), usage of cloud and newer technologies. Their recent deal with Department of Defense to conduct medical disability tests can open up another stable stream of revenue and margins. Besides, this deal could put them in the running for many similar deals.
- This is a classic, "Heads I win, Tails I don't lose much."

Variant View

In this section we outline some of the reasons why Mr. Market is underpricing this company. We then provide our variant view of the same. This section has been put in the thesis to follow Charlie Munger's dictum, *"I never allow myself to have an opinion on anything that I don't know the other side's argument better than they do."*

While we don't claim that we know the other side of the argument better the next person, we sure as hell do try.

Mr Market View	Our Variant view
Company is very risky given that 90% of its revenue comes from its top 10 client.	While we don't disagree that 90% of revenue coming from top 10 clients can cause lumpiness to Infinite's revenue, we think that company has managed the risk quite well over the last 8 years. Going forward, we expect that this risk will be lower as revenue from new products and healthcare clients could accelerate faster than revenue from these big clients. Besides, current valuation more than adequately compensate for the risk we are taking.
Look at the share price. Company stock in the last 8 years has hardly moved. It	This is one area where market participants get it wrong big time. They mix the cause and effect. Low price today because of poor expected fundamentals is very

was 165 in 2010 and is now at 259. Why will it be different now?	different from low price because others are looking at the past performance to make the decision today. It has been our experience that in companies where the price has not moved much but business fundamentals have improved significantly, small incremental improvements can create outsized value generation.
Company is struggling to compete in IT Services. EBIT and PAT have been stuck at what it was 5 years back.	Financial numbers would corroborate the sentiment expressed on the left. However, one has to understand the business and the market dynamics to know the reasons why the bottom line has not changed in the past 5 years. Having a good understanding of business, management and the market place can provide us an edge where the numbers tell us that things are not improving. Besides, having a long-term view can help us withstand the short-term negatives that show up in businesses from time to time.
Company doesn't give any dividend. This may be a value trap!	Looking at the superficial level, one may think that company is not returning any cash. However, 4 buybacks in the last 8 years along with significant increase in buyback amount tells a completely different story.

Trade Feasibility / Idea Practicality

Company's market capitalization is $130Million. Thus this idea could be a good fit where portfolio is looking at invest under $10Million in an investment opportunity.

Infinite is listed on both NSE (National Stock Exchange) and BSE (Bombay Stock Exchange). Additional details are provided in the table below:

Attribute	NSE	BSE
Average Weekly Volume	115,000 shares	10,000 shares
Average Weekly Value Traded (in Rs Mn)	30	3

Our experience is that one can buy 15-25% of the weekly traded value without disturbing the price too much. Investors who are keen to build a few $Million position should be able to do it in a few months. However, given limited liquidity they should be thinking for the long-term to get the best out of this idea.

Risks with the thesis

Some of the key risks with the thesis include:

Loss of a significant client

Infinite top 10 clients account for 90% of its revenue. Any loss among the top 10 client creates a big shortfall in revenue. Losing clients in the top 10 was one of the reasons why Infinite margins went down significantly in 2013-15 period and have stayed down since.

Infinite is aware of the risk and has tried to mitigate it by working with more clients. However, the initial contribution from these new clients is still miniscule.

Technology changes and adaptability

Thesis is predicated on the fact that Infinite will continue to be able to adapt to the changing technology landscape. They have done this for the last 18 years but the accelerating pace of change and automation may put additional pressure on their margins.

Our view is that management has shown the foresight to take tough decisions when required. Company took a hit on margins but invested significantly in products and platforms to differentiate its offering. We think that management is committed to managing the company for the long-term even at the cost of short-term results.

Ability to work in Americas

Infinite derives around 90% of its revenues from Americas. Anything which reduces its ability to work with its Americas client can have a significant impact on the company's performance. While company has claimed that H-1 visa restrictions are a non-event for the company, employee costs have been trending up.

Infinite will have to balance its cost structure with the need to continue to serve its key geography. The first 2 quarters in FY 18 have had headwinds. However, management has indicated that that was a conscious strategy to show initial benefit to some of the new clients before employee cost go back to their normal level.

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- Neither DVA nor its employees/partners have received any compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company in the past twelve months.
- Neither DVA nor its employees/partners have received any compensation from the subject company or any third party in connection with the research report.

- None of the employees/partners of DVA have ever served as an officer, director or employee of the subject company.
- Neither DVA nor its employees/partners have ever been engaged in market making activity for the subject company.