

TATA CONSULTANCY SERVICES



Turned the table

Results beat all expectations – volume, margins and profits

Tata Consultancy Services (TCS) reported stellar 8.1% sequential volume growth (highest in past 11 quarters), 6.4% USD revenue growth and EBITDA margins at 29.3% (decline of only 60bps) - all ahead of our and Street's expectations. EBITDA outperformance and lower foreign exchange loss led to net profits (INR 18.4bn) well ahead of our expectations of INR 17.1 bn. Volume growth was mainly driven by telecom (10.8%), retail (9.1%) and few other smaller verticals like hi-tech, energy & utilities, and media & entertainment. Pricing declined only marginally by 32bps on a blended basis Q-o-Q and is expected to remain stable.

Pulling away from Infosys on multiple parameters

TCS' Q1 results have clearly surpassed that of Infosys on multiple counts such as volume growth, large deal wins, pricing movement and operating margin performance (refer Table 1 on next page). Now, the EBITDA margin difference between TCS and Infosys has narrowed to just 2.3% (from 7-8% six quarters ago). Overall, we see TCS' business model strength (wider vertical presence, well penetrated in India and emerging markets, end-to-end full services capability and ability to execute on portfolio of business models to drive non-linearity and outcome based relationships) playing out to its advantage.

Demand environment robust; pricing uptick could follow

During Q1, TCS won 10 large deals (in line with the run-rate in the previous quarter) which compares with just 2 wins by Infosys. Further, TCS is also chasing 15 large deals, of which, ~5 involve major services that are discretionary in nature, indicating strong demand for outsourcing services. We see this healthy demand trend driving up the pricing in two quarters from now. With the UK growing 5.1% Q-o-Q in constant currency and continental Europe 1.2%, we see concerns of demand slowdown in those geographies receding.

Outlook and valuations: Expect valuation convergence; maintain 'BUY'

With consistent outperformance on revenues (Q-o-Q) and strong margins, we see TCS' valuations converging with those of Infosys. Taking into account the current quarter's profit outperformance and outlook, we have revised our EPS estimate upwards by 3.8% for FY11 at INR 40.1 while FY12 estimate remains unchanged at INR 43.4. The stock at INR 782 is trading at P/E of 19.5x and 18.0x FY11E and FY12E earnings, respectively. We maintain our 'BUY/SO' recommendation on the stock.

Financials

Year to March	Q111	Q410	Growth %	Q110	Growth %	FY10	FY11E
Revenue (INR mn)	82,173	77,365	6.2	72,070	14.0	300,289	349,535
EBITDA (INR mn)	24,088	23,121	4.2	19,620	22.8	86,799	102,437
Net profit (INR mn)	18,442	19,320	(4.5)	15,203	21.3	68,737	78,649
Diluted EPS (INR)	9.4	9.9	(4.6)	7.8	21.3	35.1	40.1
Diluted P/E (x)						22.3	19.5
EV/EBITDA (x)						17.2	14.4
EV/Revenues (x)						5.0	4.2

July 15, 2010

Reuters: TCS.BO Bloomberg: TCS IN

EDELWEISS 4D RATINGS

Absolute Rating	BUY
Rating Relative to Sector	Outperformer
Risk Rating Relative to Sector	Low
Sector Relative to Market	Equalweight

Note:
Please refer last page of the report for rating explanation

MARKET DATA

CMP	:	INR 782
52-week range (INR)	:	835 / 405
Share in issue (mn)	:	1,957.2
M cap (INR bn/USD mn)	:	1,531 /32,831
Avg. Daily Vol. BSE/NSE ('000):	:	2,710.7

SHARE HOLDING PATTERN (%)

Promoters*	:	74.1
MFs, FIs & Banks	:	7.8
FIIIs	:	12.4
Others	:	5.6
* Promoters pledged shares (% of share in issue)	:	11.3

PRICE PERFORMANCE (%)

	Stock	Nifty	EW Technology Index
1 month	(3.1)	3.6	(2.2)
3 months	(7.8)	1.2	(5.2)
12 months	87.9	31.0	68.8

Kunal Sangoi

+91 22 6623 3370

kunal.sangoi@edelcap.com

Ganesh Duvvuri

+91 22 4040 7586

ganesh.duvvuri@edelcap.com

Pratik Gandhi

+91 22 4063 5578

pratik.gandhi@edelcap.com

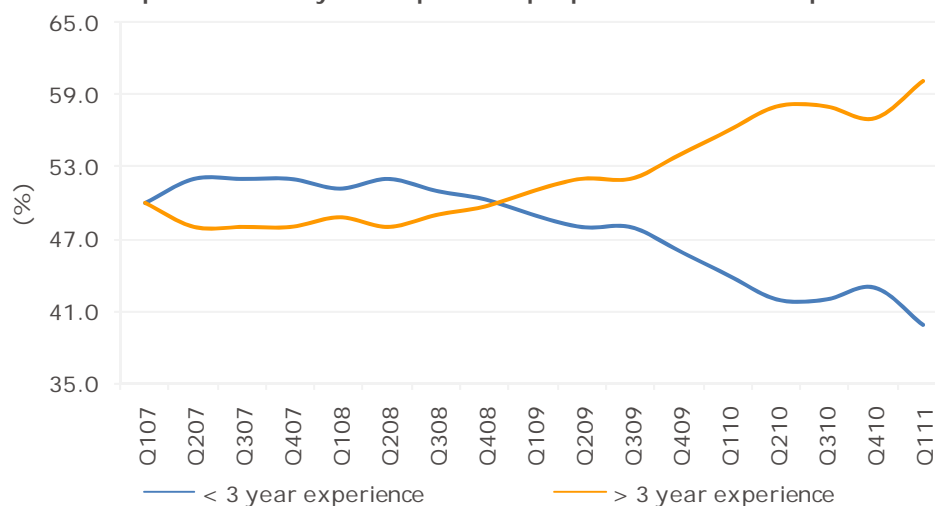
Table 1: TCS marches ahead of Infosys on all four parameters

No.	Parameter	TCS	Infosys
1	Q-o-Q volume growth (%)	8.1	7.6
2	Large deal wins	10	2
3	Pricing movement (%)	(0.32)	(1.60)
4	EBITDA margin (%)	29.3	31.6

Source: Company, Edelweiss research

- Hiring target raised to 40,000**

Management stated that it plans to hire 40,000 (gross) employees in FY11, from the earlier stated 30,000. Also, with this hiring, the employee bulge (<3 years experience people) will widen as new employee addition will be in the ~70:30 fresher to lateral mix. Currently, the proportion of employees with <3 years experience stands at 39.9%, down from 50% two years ago. This, in our view, was primarily driven by lower volumes, along with changing composition of the service mix.

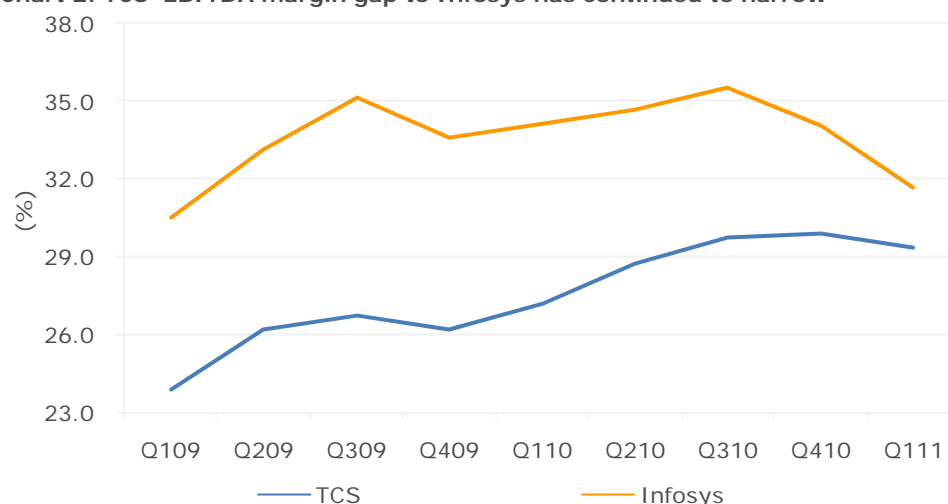
Chart 1: Proportion of 0-3 years experience people will now trend up

Source: Company, Edelweiss research

- Operating margin gap further narrows to Infosys**

Despite salary hikes effective from April 2010 and cross currency movements, TCS managed to restrict its margin decline to 60bps Q-o-Q. While we note that reversal of provision for debtors has also contributed to this performance, excluding the impact of the same (96bps), the margin performance was still better than anticipated decline. The chart below highlights how TCS has consistently improved its operating margins despite several headwinds to close its gap with Infosys' operating margins.

Chart 2: TCS' EBITDA margin gap to Infosys has continued to narrow



Source: Company, Edelweiss research

Key highlights

- Revenues, at INR 82.2 bn, were up 6.2% Q-o-Q. This sequential growth was driven by strong volume growth of 8.1% which offset exchange fluctuation of 1.09%. In USD terms, revenues grew 6.4% to USD 1,794 mn. In constant currency terms, the company delivered 7.3% sequential growth, highest since September 2007.

Table 2: Split of revenue growth in INR terms for Q1FY11

Revenue growth drivers (INR terms)	(bps)
Volume	810
Exchange	(109)
Pricing	(32)
Offshore shift	(48)
Q-o-Q impact	621

Source: Company

- Gross profit for the quarter stood at INR 38.2 bn, up 2.2% Q-o-Q. Gross margin declined by 184bps on account of salary hike incorporated in the current quarter.
- Operating margin dipped marginally:** The company's operating margins (EBIT) declined by 36bps Q-o-Q, and is now at 27.1%. For the current quarter, wage hike and currency took a toll on the operating margin, but were offset by tighter control on SG&A, offshore shift and rate realisation. This was the highest operating margin for the first quarter of a fiscal in the past five years.

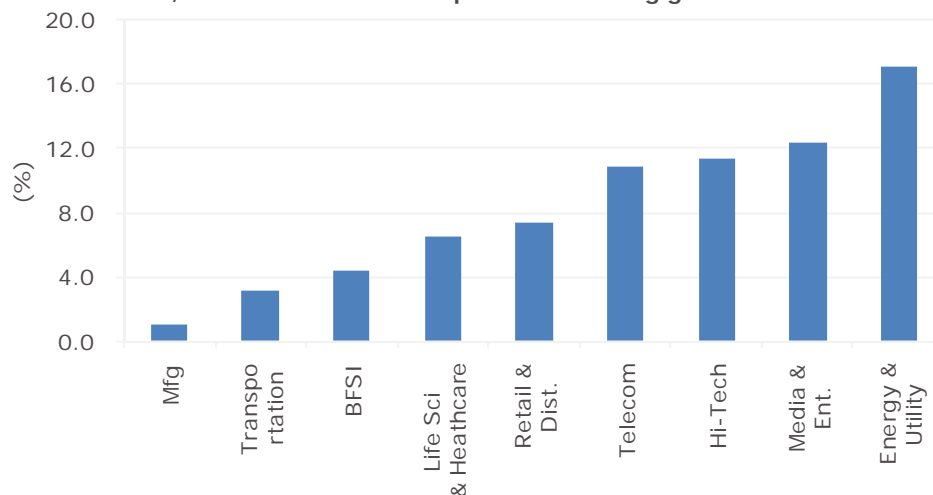
Table 3: Factors contributing to increase in operating margins (EBIT margins)

Operating margin break-up (EBIT margins)	(bps)
Wage hike	(215)
Currency	(32)
Offshore shift	15
Rate realisation	57
SG&A productivity gains	139
Q-o-Q impact	(36)

Source: Company

- **Other income dented net income:** TCS reported net income of INR 18.4 bn, down 4.5% Q-o-Q, largely on account of lower other income (forex loss of INR 471.8 mn) and higher effective tax rate of 19.1% versus 14.3% in the previous quarter. Net profit margin now stands at 22.4% versus 25.0% in the previous quarter - a decline of 253bps Q-o-Q.
- **Large deals traction continues:** The company has yet another quarter of strong deal wins with 10 large deals, spanning verticals and geographies similar to that in the past three quarters. It came as a surprise that of the 10 deals won, none are from BFSI that has grown the fastest among the large verticals (manufacturing, telecom, retail, and distribution) in the past five quarters with a CAGR of 5.4%. Manufacturing and hi-tech won two large deals, whereas the rest were spread across other verticals. The current deal pipeline is healthy, and company is chasing 15 large deals.
- **International business leads over domestic after 2 quarters:** International business grew 6.5% in USD terms Q-o-Q. This was led by strong sequential growth in North America (up 8.4%), APAC (up 12.1%), and MEA (up 12.0%). Continental Europe is still under pressure, down 5.7% Q-o-Q; however, on constant currency basis, it was up 1.2% sequentially.
- **All-round performance across verticals:** This was first quarter since December 2007 when, on a reported basis, all verticals posted sequential growth. Telecom, hi-tech, E&U, and media & entertainment have posted double digit sequential growth. BFSI (up 4.3%), retail & distribution (up 7.4%), and life sciences & healthcare (up 6.4%) also reported decent numbers. Though the company has not signed any large deal in the BFSI space, its banking product (BaNCS) is gaining good traction. During the quarter, eighth implementation of this product went live and 4-5 deals are in pipeline.

Chart 3: Retail, life sciences and transportation leading growth



Source: Company, Edelweiss research

- ADM (up 7.1%), infrastructure services (up 11.5%) and assurance services (up 17.4%) posted strong sequential growth. This is the fifth successive quarter when assurance services has posted double digit growth (4 quarter CAGR of 15.2%). Management believes that it is certainly seeing discretionary spending retuning, though in pockets; however, its impact on the performance of enterprise solutions (up 3.2% Q-o-Q) and business intelligence (up 6.4% Q-o-Q) will come with a lag.

- TCS added 36 new clients (39 in Q4) during the quarter versus 38 for Infosys. The active clients count stood at 930 versus 917 in the previous quarter. The number of USD 1 mn clients remained unchanged; however, there was an increase in USD 5 mn (8), USD 10 mn (4), USD 20 mn (2), USD 50 mn (1) client bracket, over the previous quarter.
- **Hiring target revised to 40,000 from 30,000:** TCS has also revised its gross hiring target for FY11 to 40,000 from 30,000, like Infosys did (from 30,000 to 36,000). Gross addition remained healthy similar to last quarter at 10,849, while net addition was 3,271, partly on account of attrition. Total headcount stands at 163,700.
- **Wage hike for FY11:** The company has rolled out 10% wage hike for its offshore employees, 2-4% for employees based in developed markets and 2-10% for those in emerging markets. However, as per the company policy, promotions will be effective from July 01, and this will have some impact on the margins.
- Utilisation rate (excluding trainees) rose 80bps and now stands at 82.6%; it increased 50bps, including trainees, now stands at 74.8%.
- Attrition increased during the quarter from 11.8% in Q4FY10 to 13.1% on account of: 1) seasonality (people go for higher studies); 2) completion of appraisal cycle and announcement of increment; and 3) improvement in demand across the industry.
- Offshore revenue contribution increased marginally by 20bps Q-o-Q, to 51.2%.

Financial snapshot

(INR mn)

Year to March	Q111	Q410	Growth %	Q110	Growth %	FY10	FY11E	FY12E
Total revenues	82,173	77,365	6.2	72,070	14.0	300,289	349,535	396,199
Cost of revenues	43,978	39,980	10.0	38,208	15.1	157,244	184,697	210,594
Gross profit	38,195	37,385	2.2	33,862	12.8	143,045	164,838	185,606
SG&A	13,880	13,712	1.2	14,133	(1.8)	55,395	60,570	70,920
R&D	227	552	(58.8)	109	107.9	851	1,832	594
EBITDA	24,088	23,121	4.2	19,620	22.8	86,799	102,437	114,092
Depreciation & amortization	1,781	1,841	(3.3)	1,727	3.1	7,208	7,930	8,320
EBIT	22,307	21,280	4.8	17,893	24.7	79,591	94,507	105,771
Other income	834	1,636	(49.0)	194	329.8	2,256	4,074	3,516
PBT	23,141	22,916	1.0	18,087	27.9	81,847	98,580	109,288
Tax	4,423	3,284	34.7	2,655	66.6	12,089	18,757	22,950
Adjusted net profit	18,718	19,632	(4.7)	15,431	21.3	69,758	79,824	86,337
Minority interest	(272)	(312)	(12.7)	(226)	20.7	(1,019)	(1,172)	(863)
Eq. in net earnings of affiliates	(3)	0	NA	(2)	NA	(2)	(3)	0
Reported net profit	18,442	19,320	(4.5)	15,203	21.3	68,737	78,649	85,474
EPS (INR) diluted	9.4	9.9	(4.5)	7.8	21.3	35.1	40.1	43.4

as % of net revenues

Gross profit	46.5	48.3		47.0		47.6	47.2	46.8
SG&A	16.9	17.7		19.6		18.4	17.3	17.9
R&D	0.5	1.4		0.3		0.5	1.0	0.3
EBITDA	29.3	29.9		27.2		28.9	29.3	26.7
Adjusted net profit	22.8	25.4		21.4		23.2	22.8	21.8
Reported net profit	22.4	25.0		21.1		22.9	22.5	21.6
Tax rate	19.1	14.3		14.7		14.8	19.0	21.0

- **Company Description**

TCS is India's largest and one of its oldest IT companies. It commenced operations in 1968 and provides a comprehensive range of IT services to industries such as banking and financial services, insurance, manufacturing, telecommunications, retail, and transportation. With a presence in 42 countries, TCS is positioned to deliver its services seamlessly. TCS has a large diversified client base (930 active clients), which include seven Fortune Top-10 companies. TCS' employee force stands at 163,700 (including subsidiaries) and its revenues for the last twelve months (TTM) stood at INR 310 bn (USD 6.7 bn).

- **Investment Theme**

As India's largest and most-experienced IT services firm, TCS is well-positioned to benefit from the growing demand for offshore IT services. It is a serious contender for winning large deals, as it has more experience than peers in implementing large, complex, and mission-critical projects. TCS has multiple margin levers at its disposal, which we believe, will sustain its margins, shielding it from continued pressures on account of wage increases across the industry. End-to-end full services offerings, traction in emerging markets, ability to roll up large acquisitions, improving sales and marketing prowess and willingness to take multiple big bets (different go-to-market models) are among the key rationales for TCS to sustain its long term hi-growth trajectory.

- **Key Risks**

Key risks to our investment theme include – double dip recession in major market US and prolonged slowdown in Europe, sharp cross currency movements and appreciation of rupee against USD, Euro and GBP and maintaining the margins, while pursuing large deals and while pricing pressures remain.

Financial Statements

Income statement					(INR mn)
Year to March	FY08	FY09	FY10	FY11E	FY12E
Revenues	226,175	278,129	300,289	349,535	396,199
Cost of revenues	122,344	150,774	157,244	184,697	210,594
Gross profit	103,831	127,355	143,045	164,838	185,606
S&M expenses	46,309	55,143	55,395	60,570	70,920
G&A expenses	565	431	851	1,832	594
Total SG&A expenses	46,874	55,574	56,246	62,402	71,514
EBITDA	56,958	71,781	86,799	102,437	114,092
Depreciation & Amortization	5,745	5,766	7,208	7,930	8,320
EBIT	51,213	66,015	79,591	94,507	105,771
Other income	6,888	(4,673)	2,256	4,074	3,516
Profit before tax	58,101	61,342	81,847	98,580	109,288
Tax	7,494	9,012	12,089	18,757	22,950
Core profit	50,607	52,330	69,758	79,824	86,337
Profit after tax	50,607	52,330	69,758	79,824	86,337
Minority int. and others - paid/(recd.)	416	611	1,021	1,175	863
Net profit after minority interest	50,190	51,720	68,737	78,649	85,474
Shares outstanding (mn)	1,958	1,957	1,957	1,960	1,968
EPS (INR) basic	25.6	26.4	35.1	40.1	43.4
Diluted shares (mn)	1,958	1,958	1,957	1,960	1,968
EPS (INR) diluted	25.6	26.4	35.1	40.1	43.4
CEPS (INR)	28.6	29.4	38.8	44.2	47.7
Dividend per share	7.0	7.0	20.0	8.5	10.0
Dividend (%)	699.8	703.6	2,000.0	850.0	1,000.0
Dividend pay out (%)	32.0	31.2	66.4	24.7	26.9

Common size metrics - as % of revenues

Year to March	FY08	FY09	FY10	FY11E	FY12E
Cost of revenues	54.1	54.2	52.4	52.8	53.2
Gross margin	45.9	45.8	47.6	47.2	46.8
G&A expenses	0.2	0.2	0.3	0.5	0.2
S&M expenses	20.5	19.8	18.4	17.3	17.9
SG&A expenses	20.7	20.0	18.7	17.9	18.1
EBITDA margin	25.2	25.8	28.9	29.3	28.8
EBIT margin	22.6	23.7	26.5	27.0	26.7
Net profit margins	22.4	18.8	23.2	22.8	21.8

Growth metrics (%)

Year to March	FY08	FY09	FY10	FY11E	FY12E
Revenues	21.4	23.0	8.0	16.4	13.4
EBITDA	12.5	26.0	20.9	18.0	11.4
EBIT	10.3	28.9	20.6	18.7	11.9
PBT	20.1	5.6	33.4	20.4	10.9
Net profit	21.4	3.4	33.3	14.4	8.2
EPS	21.5	3.0	32.9	14.2	8.2

Balance sheet**(INR mn)**

As on 31st March	FY08	FY09	FY10	FY11E	FY12E
Equity share capital	979	979	1,957	1,959	1,967
Share premium account	24,372	24,372	23,401	23,401	23,401
Reserves	98,468	131,194	184,026	243,261	305,787
Total shareholders funds	123,819	156,545	209,384	268,621	331,155
Borrowings	7,483	11,810	10,110	11,121	8,897
Minority interest	2,300	3,133	4,056	5,228	6,091
Sources of funds	133,602	171,487	223,549	284,969	346,142
Goodwill and other intangible asset	14,738	34,185	32,415	32,415	32,415
Net fixed assets	30,214	37,490	41,706	56,276	62,956
Investments	26,503	17,271	37,816	45,376	54,448
Other assets	10,399	16,853	22,488	26,985	33,732
Cash & Bank balances	10,352	14,625	10,249	26,758	41,326
Debtors	53,903	61,532	58,098	76,611	91,180
Unbilled revenue	13,525	14,814	12,011	13,933	15,883
Inventories	424	366	178	240	324
Prepaid & other current assets	14,965	31,666	59,584	74,481	93,101
Total current assets	93,169	123,003	140,120	192,022	241,814
Sundry creditors	33,949	44,395	43,651	58,929	67,768
Provisions	7,101	7,762	7,311	9,139	11,423
Other liabilities	371	5,158	34	38	30
Total current liabilities	41,421	57,315	50,996	68,105	79,222
Working capital	51,748	65,688	89,124	123,917	162,592
Application of funds	133,602	171,487	223,549	284,969	346,142
Book value per share (BV) (INR)	63	80	107	137	168

Free cash flow**(INR mn)**

Year to March	FY08	FY09	FY10	FY11E	FY12E
Net profit	50,190	51,720	68,737	78,649	85,474
Depreciation	5,745	5,766	7,208	7,930	8,320
Others	(4,609)	(4,389)	(5,498)	(6,385)	(11,624)
Gross cash flow	51,326	53,097	70,447	80,194	82,171
Less: Changes in working capital	12,280	(1,802)	(4,431)	18,287	24,100
Operating cash flow	39,046	54,899	74,878	61,907	58,070
Less: Capex	12,340	10,981	10,225	22,500	15,000
Free cash flow	26,706	43,917	64,653	39,407	43,070

Cash flow statement

Year to March	FY08	FY09	FY10	FY11E	FY12E
Cash flow from operations	51,326	53,097	70,447	80,194	82,171
Cash for working capital	(12,280)	1,802	4,431	(18,287)	(24,100)
Operating cashflow (A)	39,046	54,899	74,878	61,907	58,070
Net purchase of fixed assets	(12,340)	(10,981)	(10,225)	(22,500)	(15,000)
Net purchase of investments	(12,414)	11,523	(19,101)	(7,563)	(9,072)
Others	(1,978)	(35,281)	(25,836)	4,074	3,517
Investments cashflow (B)	(26,732)	(34,739)	(55,161)	(25,989)	(20,555)
Dividends	(14,953)	(16,121)	(19,594)	(19,419)	(22,939)
Proceeds from issue of equity	1,019	39	54	-	-
Redemption of preferred stock	(268)	(654)	(4,535)	3	(8)
Financing cash flow (C)	(14,202)	(16,696)	(23,500)	(19,416)	(22,947)
Free cash flow	26,706	43,917	64,653	39,407	43,070
Exchange rate differences (D)	(51)	810	(585)	0	0
Change in cash (A+B+C) + (D)	(1,888)	3,464	(3,783)	16,502	14,568

Ratios

Year to March	FY08	FY09	FY10	FY11E	FY12E
ROAE (%)	47.0	36.9	37.6	32.9	28.5
ROACE (%)	53.0	50.5	46.8	44.4	39.8
Debtors (days)	78	76	73	70	77
Payable (days)	47	51	54	54	58
Cash conversion cycle	32	24	19	17	19
Current ratio	2.2	2.1	2.7	2.8	3.1
Fixed assets turnover (x)	8.5	8.2	7.6	7.1	6.6
Total asset turnover(x)	1.9	1.8	1.5	1.4	1.3
Equity turnover(x)	2.1	2.0	1.6	1.5	1.3

Valuation parameters

Year to March	FY08	FY09	FY10	FY11E	FY12E
Diluted EPS (INR)	25.6	26.4	35.1	40.1	43.4
<i>Y-o-Y growth (%)</i>	<i>21.5</i>	<i>3.0</i>	<i>32.9</i>	<i>14.2</i>	<i>8.2</i>
CEPS (INR)	28.6	29.4	38.8	44.2	47.7
Diluted PE (x)	30.5	29.6	22.3	19.5	18.0
Price/BV(x)	12.4	9.8	7.3	5.7	4.6
EV/Revenues (x)	6.7	5.4	5.0	4.2	3.7
EV/EBITDA (x)	26.4	21.1	17.2	14.4	12.8
EV/EBITDA (x)+1 yr forward	21.0	17.4	14.6	12.9	
Dividend yield (%)	0.9	0.9	2.6	1.1	1.3



Company	Absolute reco	Relative reco	Relative risk	Company	Absolute reco	Relative reco	Relative Risk
HCL Technologies	HOLD	SP	H	Hexaware Technologies	BUY	SO	M
Info Edge	BUY	SO	M	Infosys Technologies	HOLD	SU	L
Infotech Enterprises	BUY	SO	H	Mphasis	HOLD	SU	M
Patni Computer Systems	HOLD	SU	M	Tata Consultancy Services	BUY	SO	L
Wipro	BUY	SP	L				

ABSOLUTE RATING

Ratings	Expected absolute returns over 12 months
Buy	More than 15%
Hold	Between 15% and - 5%
Reduce	Less than -5%

RELATIVE RETURNS RATING

Ratings	Criteria
Sector Outperformer (SO)	Stock return > 1.25 x Sector return
Sector Performer (SP)	Stock return > 0.75 x Sector return
Sector Underperformer (SU)	Stock return < 1.25 x Sector return
	Stock return < 0.75 x Sector return

Sector return is market cap weighted average return for the coverage universe within the sector

RELATIVE RISK RATING

Ratings	Criteria
Low (L)	Bottom 1/3rd percentile in the sector
Medium (M)	Middle 1/3rd percentile in the sector
High (H)	Top 1/3rd percentile in the sector

Risk ratings are based on Edelweiss risk model

SECTOR RATING

Ratings	Criteria
Overweight (OW)	Sector return > 1.25 x Nifty return
Equalweight (EW)	Sector return > 0.75 x Nifty return
	Sector return < 1.25 x Nifty return
Underweight (UW)	Sector return < 0.75 x Nifty return



Edelweiss Securities Limited, 14th Floor, Express Towers, Nariman Point, Mumbai – 400 021.
Board: (91-22) 2286 4400, Email: research@edelcap.com

Vikas Khemani	Head Institutional Equities	vikas.khemani@edelcap.com	+91 22 2286 4206
Nischal Maheshwari	Head Research	nischal.maheshwari@edelcap.com	+91 22 6623 3411

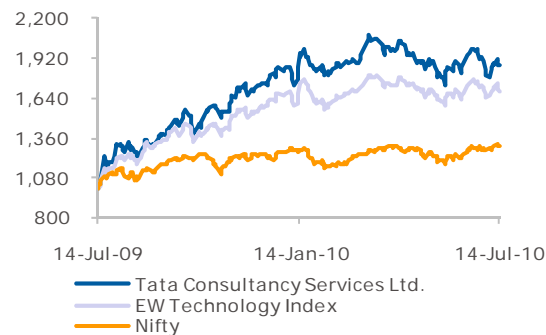
Coverage group(s) of stocks by primary analyst(s): IT

HCL Technologies, Hexaware Technologies, Infosys Technologies, Info Edge, Infotech Enterprises, Mphasis, Patni Computer Systems, Tata Consultancy Services, Wipro

Tata Consultancy Services



EW Indices



Distribution of Ratings / Market Cap

Edelweiss Research Coverage Universe

	Buy	Hold	Reduce	Total
Rating Distribution*	109	52	12	177
* 4 stocks under review				
	> 50bn	Between 10bn and 50 bn	< 10bn	
Market Cap (INR)	108	54	15	

Recent Research

Date	Company	Title	Price (INR)	Recos
14-Jul-10	Infotech Enterprises	Impressive revenue traction; margins tumble; <i>Result Update</i>	176	Buy
13-Jul-10	Infosys Technologies	Price decline shadows strong volume growth and raised guidance; <i>Result Update</i>	2,797	Hold
05-Jul-10	IT	Robust demand environment continues; <i>Result Preview</i>		

Access the entire repository of Edelweiss Research on www.edelresearch.com

This document has been prepared by Edelweiss Securities Limited (Edelweiss). Edelweiss, its holding company and associate companies are a full service, integrated investment banking, portfolio management and brokerage group. Our research analysts and sales persons provide important input into our investment banking activities. This document does not constitute an offer or solicitation for the purchase or sale of any financial instrument or as an official confirmation of any transaction. The information contained herein is from publicly available data or other sources believed to be reliable, but we do not represent that it is accurate or complete and it should not be relied on as such. Edelweiss or any of its affiliates/ group companies shall not be in any way responsible for any loss or damage that may arise to any person from any inadvertent error in the information contained in this report. This document is provided for assistance only and is not intended to be and must not alone be taken as the basis for an investment decision. The user assumes the entire risk of any use made of this information. Each recipient of this document should make such investigation as it deems necessary to arrive at an independent evaluation of an investment in the securities of companies referred to in this document (including the merits and risks involved), and should consult his own advisors to determine the merits and risks of such investment. The investment discussed or views expressed may not be suitable for all investors. We and our affiliates, group companies, officers, directors, and employees may: (a) from time to time, have long or short positions in, and buy or sell the securities thereof, of company (ies) mentioned herein or (b) be engaged in any other transaction involving such securities and earn brokerage or other compensation or act as advisor or lender/borrower to such company (ies) or have other potential conflict of interest with respect to any recommendation and related information and opinions. This information is strictly confidential and is being furnished to you solely for your information. This information should not be reproduced or redistributed or passed on directly or indirectly in any form to any other person or published, copied, in whole or in part, for any purpose. This report is not directed or intended for distribution to, or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject Edelweiss and affiliates/ group companies to any registration or licensing requirements within such jurisdiction. The distribution of this document in certain jurisdictions may be restricted by law, and persons in whose possession this document comes, should inform themselves about and observe, any such restrictions. The information given in this document is as of the date of this report and there can be no assurance that future results or events will be consistent with this information. This information is subject to change without any prior notice. Edelweiss reserves the right to make modifications and alterations to this statement as may be required from time to time. However, Edelweiss is under no obligation to update or keep the information current. Nevertheless, Edelweiss is committed to providing independent and transparent recommendation to its client and would be happy to provide any information in response to specific client queries. Neither Edelweiss nor any of its affiliates, group companies, directors, employees, agents or representatives shall be liable for any damages whether direct, indirect, special or consequential including lost revenue or lost profits that may arise from or in connection with the use of the information. Past performance is not necessarily a guide to future performance. The disclosures of interest statements incorporated in this document are provided solely to enhance the transparency and should not be treated as endorsement of the views expressed in the report. Edelweiss Securities Limited generally prohibits its analysts, persons reporting to analysts and their family members from maintaining a financial interest in the securities or derivatives of any companies that the analysts cover. The analyst for this report certifies that all of the views expressed in this report accurately reflect his or her personal views about the subject company or companies and its or their securities, and no part of his or her compensation was, is or will be, directly or indirectly related to specific recommendations or views expressed in this report. Analyst holding in the stock: no.