IDFC SSKI

INDIA RESEARCH

7 March 2008

BSE Sensex: 16542

Sector strategy

IT Services

Time to shop?

The Indian services IT sector is under a cloud of worries on the US economy, margin pressure and tax-benefit expiry in FY10. While clarity on the US economic scenario is some time away and sentiment could deteriorate towards Indian IT companies in the short term, we believe there is money to be made in the medium term. Ample scope to increase wallet share, ability to offer solutions (and not just cost arbitrage) and the ability to manage costs (helps in gaining client confidence) would ensure 25%+ volume growth in FY09. Though Infosys's earnings guidance for FY09 is an event risk (we expect growth guidance of 17% against street expectation of ~20%), at current valuations, we prefer Infosys for superior earnings growth (despite lower volume growth) and Satyam for strong volume growth.

US economy and sentiment could worsen: We believe the US economic situation and sentiment towards Indian IT services companies could worsen. We believe current valuations and analyst expectations discount most of this. We are building in just 5% qoq revenue growth for Infosys in Q1FY09 (typically a strong quarter for the company). TCS indicated that a slowdown in 2 of its top 15 clients could impact Q4FY08 growth.

Gaining clients' confidence: Indian IT companies have acquired the ability to offer complete IT solutions and hence are being handed out large transformation deals. Tier-1 companies have managed their costs well despite rupee appreciation of 11% and highest salary inflation in FY08. This would infuse confidence to clients that tier-1 companies would manage to deliver on promised cost savings from offshoring.

Valuations discount concerns; time to shop: We expect Infosys' guidance for FY09 to pose an event risk for the sector in the short term, as we expect it to guide to a lower 17% earnings growth for FY09. However, at current valuations our top picks are Infosys (14.6x FY09E earnings) and Satyam (12.9x FY09E earnings) as we see the highest upside in these stocks in the next 12 months. Among midcaps we like Mphasis and while KPIT looks attractive, we would bet on the tier-1 stocks for now.

Comparative valuations

Company	Price^	Mcap	Recomm	PE (x)		TP#	EPS CAGR (%)
	(Rs)	(Rs bn)		FY09E	FY10E	(Rs)	FY08-10E
TCS	859	841	Outperformer	14.3	13.3	1,084	12.0
Infosys	1419	814	Outperformer	14.6	13.8	1,942	13.2
Wipro	420	613	Outperformer	15.1	14.0	500	15.2
Satyam	407	283	Outperformer	12.9	12.5	567	13.3
HCL Tech	267	189	Outperformer	11.6	11.3	391	12.3
i-flex	1048	90	Underperformer	19.5	16.8	969	19.0
Mphasis	220	46	Outperformer	12.8	11.6	275	21.6
Patni	225	32	Underperformer	7.5*	7.0*	239	(1.4)
Geodesic	181	19	Outperformer	7.9	6.8	300	36.3
MindTree	334	13	Neutral	12.0	10.4	362	12.8
KPIT	79	6	Neutral	8.8	8.2	108	10.5
Sasken	118	3	Neutral	9.1	9.1	130	6.8

*^ prices as on 4th Mar 2008, # TP: Target Price, *CY08 and CY09 for Patni*

Ganesh Duvvuri
ganesh@idfcsski.com
91-22-66 38 3358

Shreyash Devalkar
Shreyash@idfcsski.com
91-22-66 38 3311

IDFC – SSKI Securities Pvt. Ltd.
701-702 Tulsiani Chambers,
7th Floor (East Wing),
Nariman Point,
Mumbai 400 021.
Fax: 91-22-2204 0282

CONTENTS

INVESTMENT ARGUMENT

Concerns on US economy, currency movement, salary inflation and likely abolition of tax exemptions have led to material downgrades in consensus estimates for Indian IT sector so far. However, we believe current valuations discount most of these concerns. Also, though news flow on USA continues to deteriorate and is influencing companies' commentary, which has turned cautious, there are no major indications of any significant project ramp-downs or cancellations so far. TCS stated that 2 of its top 15 clients have postponed certain projects and some business could be impacted in the short-term. While clarity on the US economy could be some time away, a slowdown in offshoring, if at all, should be visible by Q1FY09. Though analysts have cut estimates for FY09, we feel the street still lacks confidence in the numbers. In our view, stocks would rally not on earnings upgrades but when confidence emerges on current forecasts. Given their superior growth prospects, Infosys and Satyam remain our top picks in the sector.

❑ CIOs of key organizations indicate continued investments

Major clients indicate no cuts in IT spend; but expect business enhancing solutions and not just labour arbitrage

We attended the Nasscom Conference and interacted with CIOs of some major organizations including Merrill Lynch, Barclays, Lloyds, Wells Fargo, Sony Electronics, Best Buy, AutoZone and Toyota Financial Services. The IT budget of each of these organizations exceeds US$1bn and most of them have a mature understanding of offshoring to Indian players. Their comments were encouraging as all of them indicated that budgets would not be cut and that offshoring would increase. The key comments made were:

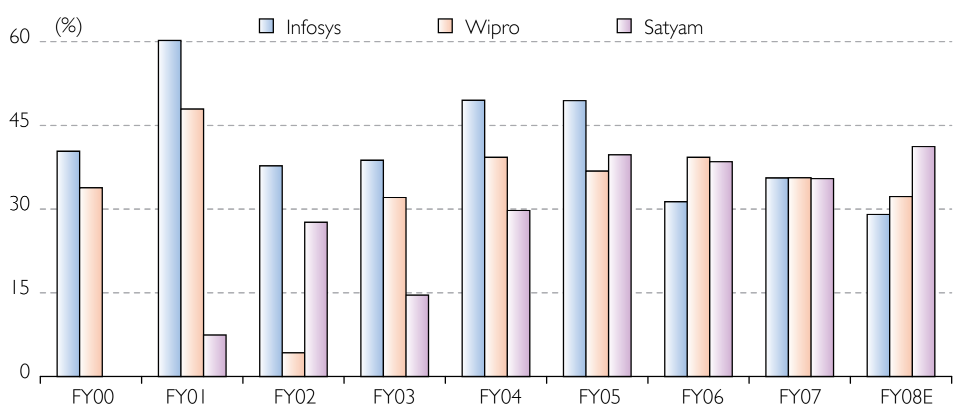
- 'IT budgets seldom get cut' (Barclays), though what the money is spent on can change periodically. 'Good companies see such times as an opportunity to increase market share and hence would continue to invest' (Best Buy).
- No budget cuts are anticipated, but clients would try and use this opportunity to 'get more from the same' – implying volume discounts.
- Although finalized, annual budgets are being reviewed on a quarterly basis (Merrill). Each client runs multiple programmes with vendors at any point of time. Currently, not all programmes are expanded simultaneously and a few programmes would be ramping up faster every quarter.
- A big portion (~70%) of the budget is being spent on 'keeping the lights on', i.e. routine work. Clients intend to increase discretionary spend (Toyota financial services).
- Clients prefer vendors with deep domain understanding and ability to devise innovative solutions to improve productivity and enhance revenues. Most of them believe that the labor arbitrage-related work is well identified and would be exploited. However, they want to do new things with their IT budgets (consistent with the comment that discretionary spending would increase), and hence want vendors to invest in devising strategies that could impact their business rather than just help IT departments.
- As long as vendors offer innovative solutions, clients are not looking at billing rate cuts just because Indian IT vendors have high profit margins (Wells Fargo).
- Most of them have already undertaken the vendor consolidation exercise and feel that there is limited scope for further consolidation.

We expect the sector to achieve 25%+ p.a. volume growth over FY09-10

❑ No material slowdown expected in volume growth

Based on the above, we do not see any significant slowdown in volume growth in the coming years. We also derive comfort from the fact that in the previous slowdown between FY01-03, volume growth was sluggish but still remained in excess of 30%. Infosys, which registered a 40% and 60% volume increase in FY00 and FY01 respectively, encountered a growth slowdown to ~38% yoy in FY02 and FY03. Notably, volumes had jumped significantly in the two years prior to the previous slowdown due to higher spending on Y2k and dotcom related work. Importantly, we believe there have been no 'excesses' in IT spending in the last three years. Thus, we believe IT spending should not get impacted significantly. We see volume growth of 30%+ p.a. in the next two years as achievable.

Exhibit 1: Volume growth trends



Source: Companies, IDFC SSKI Research

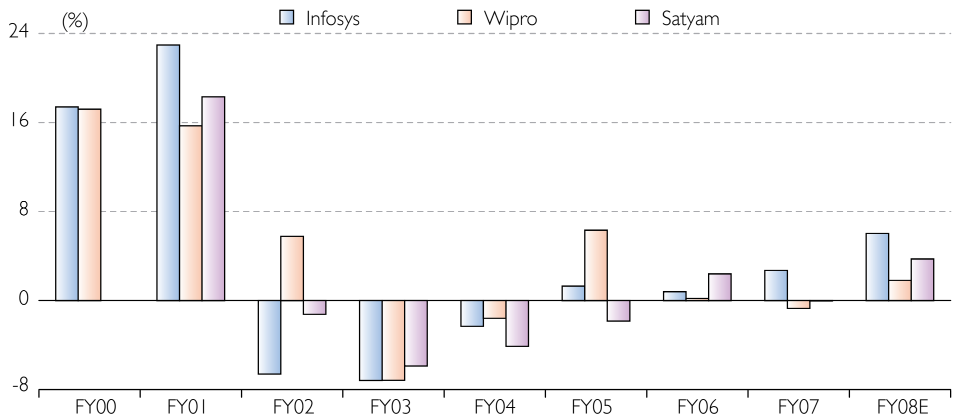
We expect discounts on higher volumes of work

❑ No excesses this time in pricing

The expected slowdown, or recession, in the US economy is believed to impact pricing in FY09. While we agree that it is prudent to expect pricing discounts as clients wish to 'do more with less', clients could seek discounts on higher volumes of work. Offshore billing rate for Infosys has risen just 2.7% in FY07 and is likely to rise by 6% in FY08. As IBM, Accenture and EDS have credible offshore offerings, pricing has remained competitive in the last couple of years and thus, we do not expect any sharp decline (unlike in the previous slowdown). In FY00 and FY01, Infosys, Wipro and Satyam had witnessed a 15%+ increase in offshore billing rates, which resulted in sharp decline in the following three years due to a slowdown.

Given that most key clients have been managing offshore outsourcing for some time now, they understand the cost pressures that vendors are facing. While there could be pricing pressure from customers in the banks and financial services and retail sectors in the US, we do not expect pricing pressure in other verticals.

Exhibit 2: Pricing growth trends



Source: Companies, IDFC -SSKI Research

❑ Higher proportion of business from large contracts

Industry frontrunners deriving >60% of revenues from larger clients billing more than $20m

In the previous slowdown, contracts were smaller and of shorter duration given the high share of business from Y2K and dotcom-related work. As the Y2K projects ended and dotcom projects waned, Indian IT services companies had to accept projects of smaller size with the result that tier-1 companies derived just about 30% of their revenues from large contracts. In contrast, TCS, Infosys and Wipro now generate over 60% of their revenues from clients billing over $20m p.a. Also, as these top clients would be very mature clients in terms of offshoring, the value of the contract would be equivalent to about $50m average if done entirely onsite. Thus, the tier-1 companies manage large programmes for clients and offer a multitude of services. Notably, tier-1 companies have won several large contracts from existing as well as new clients. In our view, most of the business would be sticky as it will include routine work. As the recently won large deals ramp up, we see the share increasing.

Exhibit 3: Share of revenues from large contracts

	Clients billing >$20m revenue p.a.			
	No. of clients		Approx. revenue share	
	Mar-02	Sep-07	Mar-02	Sep-07
TCS	8	53	35%	67%
Infosys	6	45	28%	68%
Wipro	NA	47	NA	60%

Source: Company, IDFC-SSKI Research

❑ Offshoring driven by cost savings and benefits

Given India's high share, there are fears of exports being affected in a slowdown…

The market share of Indian IT services exports in overall IT spending is globally a debatable issue. As Indian IT exports have grown significantly since the previous slowdown, there is a perception in the street that given India's significant market share, exports would get impacted if IT budgets were to get cut. Also, certain quarters argue that India's market share in terms of efforts is already quite high, which does not leave much room for scale-up.

…however, we believe slowdown would increase the imperative for offshoring

In our view, outsourcing decisions get influenced by cost savings and quality rather than by jobs outsourced. While we agree that programme managers keep track of efforts on a project-wide basis, we would tend to believe that cost saving is the prime driver of offshoring. As highlighted before, TCS and Infosys have only 19 and 16 clients respectively providing more than $50m p.a. business respectively.

Even as salaries in India rise faster, we believe offshoring to India in large volumes results in cost savings for clients. Thus, we see sufficient scope to increase wallet share.

Exhibit 4: Number of clients in various buckets

	Infosys		TCS		Wipro	
	Q4FY01	Q3FY08	Q4FY01	Q3FY08	Q4FY01	Q3FY08
$1-10m	69	224	91	250	76	234
$10-20m	11	36	8	44	0	32
$20-50m	0	28	4	34	0	35
$50-100m	0	13	2	12	0	12
$100m+	0	3	0	7	0	0

Source: Company, IDFC SSKI Research; *based on last 12 months revenues

❑ Offshoring of infrastructure management could pick up

Despite limited references, share of packaged solutions up from 5-6% in FY01 to >25% of revenues

In the previous slowdown, packaged software services segment was the prime growth driver. Despite limited proven skill sets of Indian companies, clients forked out packaged solutions-related projects to them. Thus, the share of packaged solutions has increased from 5-6% in FY01 to >25% of overall revenues currently despite companies having limited references. In FY01, Infosys derived only 9% of its revenues from package implementation and the revenue share grew to 18% in Q2FY08. For Satyam, consulting and package implementation formed only 7% of revenues in FY01 but in Q2FY08, the revenue share increased to 45%.

Exhibit 5: Increased share of enterprise solutions vertical

	FY01		FY07	
	Enterprise solutions ($ m)	% of revenues (%)	Enterprise solutions ($ m)	% of revenues (%)
TCS	NA	NA	460	12.2
Infosys	23	5.5	540	17.5
Wipro	0	0	276	11.2
HCLT	NA	NA	165	13.0
Satyam	17	6.4	596	41.0

Source: Companies, IDFC SSKI Research

Recently announced large deals in the industry include infrastructure management services

Similarly, we believe offshoring of infrastructure management services (IMS) would likely pick up as clients look at further avenues to save costs. Importantly, infrastructure management services form a key piece of the recently announced large deals.

Exhibit 6: IMS set to take off

	IMS Revenues In FY07 ($ m)	% of revenues in FY07	YoY growth (%)	Total employees
TCS	225	6.0	80	NA
Infosys	136	4.5	46	3,500
Wipro*	261	10.6	75	12,500
HCLT	170	13.4	71	NA
Satyam	65	4.5	53	2,500

Source: Companies, IDFC SSKI Research; Note: * Excludes Infocrossing

Gartner sees IT infrastructure outsourcing industry growing to $234bn by 2010 from $175bn in 2006

While Indian IT companies' reluctance to take over assets could create some hurdles for growth in IMS, global consultants dissuade clients from transferring assets. According to Gartner (mentioned in Infosys presentation in its 2007 analyst meet), 70% of external support contracts that include a transfer of asset ownership will result in "value loss" because of the inability to transfer warranty and other value-added services. According to Everest Research (excerpted from Infosys presentation in its 2007 analyst meet), many benefits of infrastructure outsourcing can be achieved without transfer of asset ownership.

❑ Consulting a growth imperative…or just a positioning strategy?

Indian vendors getting more package implementation and application-related work…

During adversity (or perception of adversity), Indian IT companies are blamed for not having 'moved up the value chain'. Though Indian IT companies have graduated from doing Y2k work to writing custom programmes for clients and then integrating software packages (ERP, SCM and CRM) with their operations to now managing their IT infrastructure, there is a perception (misperception, in our view) that they do low-end work. In our view, a number of clients now increasingly expect Indian vendors to offer solutions and transform their current processes. But despite lack of significant consulting offerings, data suggests that clients are forking out more package implementation and application-related work to Indian vendors.

The following exhibit indicates that Accenture has lost market share in its outsourcing business to Indian IT companies. While clients acknowledge Accenture's expertise in understanding their businesses (its consulting business is growing faster than the outsourcing business), yet they are forking out a larger share of the incremental non-consulting work to Indian IT companies. In fact, TCS reported $1.17bn of incremental revenues from non-consulting work in the last 12 months ending September 2007 compared to $1.08bn by Accenture in the 12 months ending August 2007, despite the former having a higher offshore revenue share (implying lower $ revenues). Given that Accenture has a substantial India presence, we believe pricing alone would not be the reason for its loss of market share in non-consulting business.

…evident in Accenture's loss of market share in non-consulting business

Exhibit 7: Indian players gaining market share in non-consulting outsourcing

	FY05	FY06	FY07
Non-consulting revenues ($ m)			
Accenture*	5,987	6,754	7,840
TCS	1,904	2,616	3,789
Infosys	1,514	2,047	2,805
Market share (%)			
Accenture*	63.7	59.2	54.3
TCS	20.2	22.9	26.3
Infosys	16.1	17.9	19.4

**For TCS and Infosys, we have taken 12 months to September; for Accenture it is 12 months to August*

We believe clients have provided opportunities to Indian IT companies to develop expertise in various services including package implementation, BPO and infrastructure management. In our view, the next phase of growth would be led by infrastructure management services, which will enable Indian IT companies to make inroads into the technology infrastructure of clients and better understand their IT requirements. This would pave way for Indian players to get more work related to IT consulting followed by strategy consulting.

Tier-1 Indian IT services companies considered an important business partner by their top clients

While betting on Indian IT companies providing strategy consulting like Accenture could be a long shot, we believe tier-1 companies are already considered an important business partner by their top clients. For now, these companies seem to be using consulting services to position themselves for better pricing in the large multi-year contracts (no material contribution of these assignments to growth).

❑ Wage inflation could moderate in FY09

Offshore salary inflation could moderate to about 10-12% in FY09

Offshore salaries have increased by ~15% on an average in FY08 and onsite salaries by ~4%. The rupee appreciation against the USD and reduction in the daily allowance offered to offshore employees sent on onsite assignments have made it less attractive for Indian engineers to go overseas. Thus, companies would have to hire local talent, implying no respite in onsite salary increases. However, most of the IT companies opine that offshore salary inflation would moderate in FY09. In our view, if volume growth were to slow down, demand for engineers would taper. Also, hiring of non-engineering graduates is increasing, as is indicated by the following trends. While Wipro expects to hire 3,500 non-engineers in 2009, 1,500 science graduates are being trained under TCS's programme, Ignite. Similarly, Infosys has hired 3,000 undergraduates over the past three years. In the coming years, 20% of Satyam's entry-level hiring would likely consist of science graduates. Thus, offshore salary inflation could moderate to about 10-12% in FY09.

❑ Are earnings upgrades the only trigger for stock performance?

Investor confidence in current street estimates could trigger a re-rating

The NSE IT index fell 11% in CY07 compared to the 55% rise in the NSE-50 Index, mainly on the back of a likely slowdown in growth rates. The street has significantly cut volume forecasts for FY09 due to the worsening commentary from company managements. But the ability to manage costs, as demonstrated by tier-1 companies in FY08, has provided confidence on margins. While we agree that stocks typically require triggers, they also get re-rated as and when companies deliver on expectations. As investors get confidence on the current street estimates, we believe it would lead to a sector re-rating. Thus, we don't believe, that only earnings upgrades can trigger stock performance.

❑ What would boost investor confidence?

Better hiring guidance, continued pricing hikes, large deals, stable currency could be re-rating triggers

There is a consensus in the street that "the IT sector will not do well". We agree that the worsening economic situation in the US, expectation of continued INR appreciation, cost pressure due to supply constraints (aggressive campus hiring by non-IT companies), and higher taxation in FY10 have been responsible for this sentiment. While the expectations of modest growth rates have not changed, we see investors having a sense of optimism on the relative stock performance for the sector. In our view, some positive trends could strengthen investor confidence and that could result in a sector re-rating.

- Strong guidance for FY09 (a guidance of 25%+ growth in $ revenues by Infosys should be considered positive)
- Hiring guidance for FY09 similar to that given in FY08
- Continued pricing increases
- Continued large deal wins (implying decision making is on)
- A stable currency (the rupee has depreciated by 2.5% vis-à-vis the USD in the last one month)
- A strong March 2008 quarter

GUIDANCE: SATYAM COULD BE MORE BULLISH

In April 2008, Infosys and Satyam would provide guidance for FY09. We expect Infosys to guide revenue growth of 22-23% in USD terms (probably similar in Rupee terms as average exchange rate for FY08 would be Rs39.9 i.e. same as the current rate) and earnings growth of 17% for FY09 based on historic trends. We expect Satyam to be relatively more bullish than Infosys and guide for a 28% USD revenue growth and 25% earnings growth. While Infosys's guidance could dampen market sentiment, Satyam's strong guidance could enable the stock to catch up with Infosys on valuations.

❑ Historically, Infosys's earnings guidance more bullish than Satyam's

Infosys has much superior ability to maintain margins

Historically, Infosys and Satyam have given nearly similar revenue growth guidance. However, Infosys – on account of its much superior ability to maintain margins – has been more bullish than Satyam in its earnings growth guidance. In our view, Infosys is proactive in identifying the various levers in the business which it can effectively and promptly utilize to defend margins. Infosys's EBITDA margins fell sharply from 40.5% in Q3FY02 to 34% in Q2FY03 (a 650bp decline in just three quarters) as pricing was cut sharply and it didn't have time to identify and pull other levers simultaneously. But margins have declined only by 140bp since then despite a rupee appreciation of 19% highlighting its ability to absorb pressure on margins over a longer time.

Exhibit 8: Infosys's guidance history at the beginning of every year

(%)	FY04	FY05	FY06	FY07	FY08
Revenue gr. guidance	23.6	24.7	26.6	30.7	24.3
Reported revenue gr.	33.7	47.2	36.0	46.2	19.7
EPS gr. guidance	12.6	14.9	24.9	28.4	24.2
Reported EPS gr.	34.7	41.1	30.9	45.9	22.5

*Source: Company, IDFC SSKI Research, *please note, the guidance is as given at the beginning of the year*

Satyam expected to guide to stable margins for FY09

In the last three years, Satyam's revenue growth guidance has closely tracked that of Infosys' but its earnings growth guidance, at ~20%, has been much lower and stable. It could be because Satyam's attrition was ahead of peers' and it had to fork out higher wage hikes. In FY07, while Satyam had guided for a decline in margins (based on historical trends), it managed to actually maintain margins. In FY08, Satyam was confident of maintaining margins (encouraged by the trend in FY07) and its earnings growth guidance was nearly similar to revenue growth guidance despite the rupee having appreciated by 4%. But a further 7% rupee appreciation led to pressure on margins. In FY09, Satyam could again guide to stable margins.

Exhibit 9: Satyam's guidance history at the beginning of every year

	Standalone		Consolidated		
(%)	FY04	FY05	FY06	FY07	FY08
Revenue gr. guidance	14.5	23.8	27.9	27.3	22.1
Reported Revenue gr.	25.6	36.3	36.0	35.3	29.6
EPS gr. guidance	9.4	16.9	21.9	20.0	20.0
Reported EPS gr.	20.7	33.8	36.0	40.7	18.9

*Source: Company, IDFC SSKI Research *please note, the guidance is as given at the beginning of the year*

Based on historical trends, Infosys could guide to 23% USD revenue growth and 17% earnings growth

Infosys could guide to EPS of Rs93-94 for FY09 against consensus estimate of Rs96

❑ But, expect satyam to be more bullish this time

For FY09, we believe Satyam could guide to higher earnings growth than Infosys. Infosys has historically guided to 4.1% qoq USD revenue growth for Q1, which it has beaten by 2.8-5.3%. When Infosys gives guidance for the first quarter, it also gives guidance for the full year. Therefore, the implied CQGR for the remaining three quarters has been ~6.6% on an average in USD terms. Assuming Infosys were to follow historical trends, it should guide to 27% USD revenue growth. However, we believe the management would be cautious this year and consider lower than historical average growth rates for Q1FY09 and the remaining three quarters, and guide to a 22-23% USD revenue growth for FY09.

The average exchange rate for FY08 is estimated at Rs39.9/USD. With the exchange rate currently ruling at similar levels, Infosys could guide to 22-23% rupee revenue growth. In our view, the management would guide to a 17% earnings growth (due to lack of forex gains and equity dilution) for FY09, i.e. an EPS of Rs93-94 against the current consensus estimate of Rs96.

Exhibit 10: Infosys' expected revenue guidance for FY09

	FY04	FY05	FY06	FY07	FY08	FY09 guidance
Annual revenue guidance (Rs m)	44,790	60,410	90,290	1,24,460	1,73,080	204,911 (23%)
Revenue guidance for Q1(Rs m)	10,430	13,710	20,200	28,160	39,130	46,543
Revenue growth guidance for Q1 (qoq) (%)	2.3	1.6	1.6	7.3	3.7	
Average (FY04-08) growth guidance for Q1 (%)					3.3	
Implied CQGR guidance in the rest of the 3 quarters (%)	4.75	6.50	7.45	6.70	6.75	
Avg. CQGR (FY04-08) guidance for rest of the 3 quarters (%)					6.4	

Source: Company, IDFC SSKI Research

We expect Satyam to guide to 28% rupee revenue growth and EPS of Rs31 for FY09 against consensus estimate of Rs30.5

Satyam has historically guided to an average 5% qoq growth in rupee revenues in Q1, which it has beaten by an average of 3.8% over the last four years. Satyam also gives full year guidance along with quarterly guidance. The implied CQGR in revenues for the remaining three quarters has been 5.7% qoq on an average in rupee terms. Assuming Satyam would follow historic trends, it could guide to 28% rupee revenue growth for FY09. We believe Satyam's margin performance over the last two years (barring the impact of rupee appreciation in FY08) could give the management enough confidence to guide for 25% earnings growth, i.e. an EPS of Rs31 against the consensus forecast of Rs30.5.

Exhibit 11: Satyam's expected revenue guidance for FY09

	FY04	FY05	FY06	FY07	FY08	FY09 guidance
Annual revenue guidance (Rs m)	23,180	31,460	45,020	61,000	79,160	107,233 (28%)
Revenue guidance for Q1(Rs m)	5,450	7,320	10,260	13,660	18,100	24,615
Revenue growth guidance for Q1 (qoq) (%)	1.2	1.6	5.6	4.0	1.7	
Average growth guidance for Q1 (%)					4.9	
Implied CQGR guidance in the rest of the 3 quarters (%)	4.1	4.8	6.2	7.5	6.0	
Average CQGR guidance for rest of the 3 quarters (%)					5.7	

Source: Company, IDFC SSKI Research

VALUATIONS AND VIEW

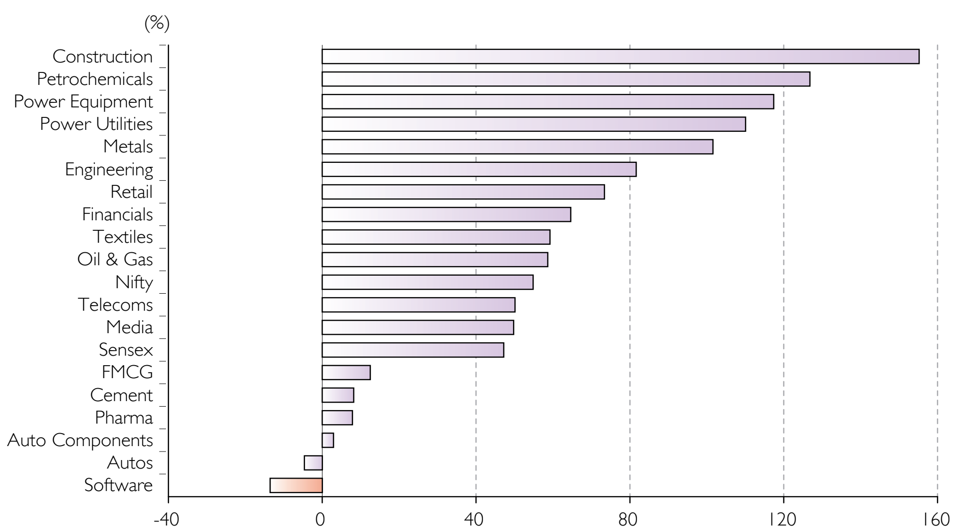
The news flow on US economy, its impact on volume growth and pricing as also cost inflation and rupee appreciation against the USD, have been key investor concerns for the last six months and have dampened sentiment on Indian IT services sector. However, we believe the current valuations discount most of these concerns. In our view, near-term (couple of quarters) growth could be muted as there has been a delay in decision making, implying a slowdown in project starts. But we expect growth to pick up from Q2FY09. In the current scenario, we would bet on Infosys for its likely superior earnings growth (as demonstrated in FY08) despite lower volume growth compared to peers. We like Satyam for its superior volume growth as it has scope to increase wallet share.

❑ Sector valuations discounting the adverse news flow

CY07 the first of year of negative returns for NSE IT index after five years

The NSE IT index fell 11% in CY07 compared to a 55% increase in the NSE-50 Index and has moved in line with the broad indices YTD. In our view, news flow on US economy and the US financials sector could deteriorate further, but we believe current valuations factor in most of the news. We believe the delay in decision making could impact near-term growth but we expect growth to accelerate from Q2FY09 onwards.

Exhibit 12: Sectoral price performance in CY07

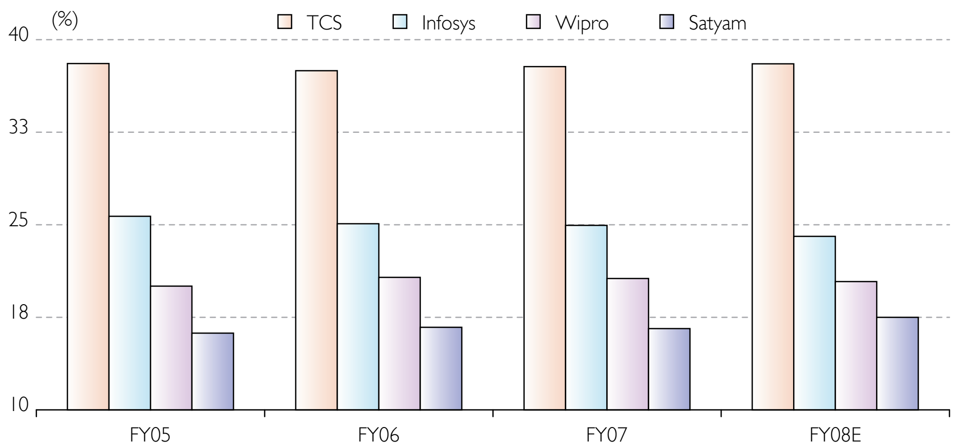


Source: Bloomberg, IDFC-SSKI Research

Infosys and Satyam are our top picks in the sector

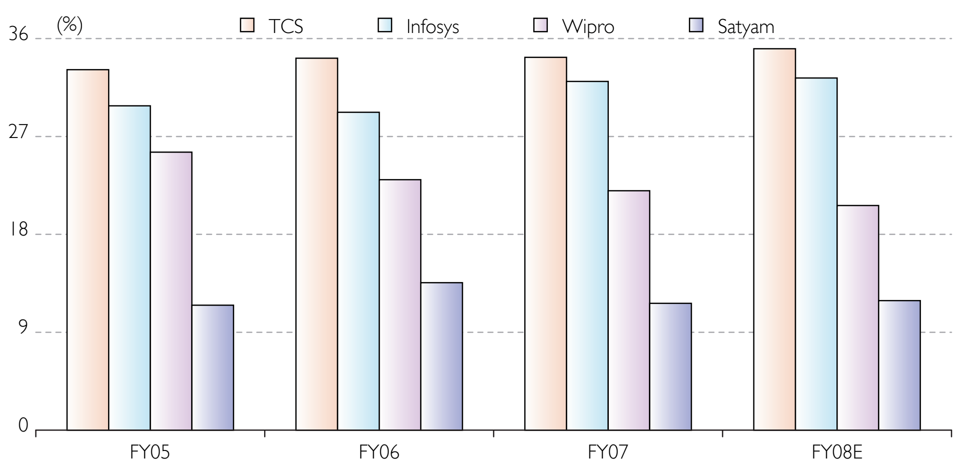
Infosys and Satyam are our top picks in the sector. Infosys has delivered superior earnings growth despite slower volume growth in YTD FY08. In our view, if the US goes into a prolonged recession, volume growth could get impacted and there would be little to differentiate among tier-1 companies. In that scenario, we would bet on Infosys to deliver the highest earnings growth on a relative basis as, given other operating levers, it does not need strong pricing to defend margins. In FY08, Infosys would likely lose volume market share and yet deliver superior earnings growth compared to peers (TCS, Wipro and Satyam).

Exhibit 13: Infosys has lost volume market share…



Source: Companies, IDFC SSKI Research

…but gained earnings share



Source: Companies, IDFC SSKI Research

Satyam has immense scope to increase wallet share within top clients

We like Satyam for its strong volume growth performance. Given that Satyam derived only $105m of revenues (Wipro is yet to bill $100m p.a. from a client, despite having 40% more revenues than Satyam) from its largest client over the last 12 months, we believe it has substantial scope to increase wallet share within its top clients, which is reflected in the increasing number of $10m accounts from 32 to 49 in the last four quarters. While Satyam has commendably defended margins in the last two years (barring the impact of rupee appreciation in FY08), its ability to defend margins in the face of slower volume growth is yet to be seen. Besides Infosys and Satyam (our top picks), we maintain our Outperformer rating on TCS, Wipro and HCLT among tier-1 companies.

In the midcaps space we like Mphasis for its high revenue visibility, although, there have been changes in the top management recently. While KPIT and MindTree appear attractive, we believe, given the uncertain scenario, we would rather wait for a quarter for clarity to emerge on IT spending. Sasken we downgrade to Neutral due to no incremental design-in/design-wins recently and sluggishness in services business.

Exhibit 14: Comparative valuations

Company	Price^ (Rs)	Recommendation	Earlier EPS (Rs)		Revised EPS (Rs)		PE (x)	
			FY09E	FY10E	FY09E	FY10E	FY09E	FY10E
TCS	859	Outperformer	60.2	64.7	60.2	64.7	14.3	13.3
Infosys	1419	Outperformer	99.5	104	97.1	102.8	14.6	13.8
Wipro	420	Outperformer	27.7	29.8	27.8	29.9	15.1	14.0
Satyam	407	Outperformer	30.4	30.9	31.5	32.7	12.9	12.5
HCL Tech	267	Outperformer	23.0	23.6	23.0	23.6	11.6	11.3
i-flex	1048	Underperformer	59	68.4	53.8	62.4	19.5	16.8
Mphasis	220	Outperformer	18.5	21.1	17.2	19.0	12.8	11.6
Patni	225	Underperformer	29.9	32.1	29.9	32.1	7.5	7.0
Geodesic	181	Outperformer	23.0	26.8	23.0	26.8	7.9	6.8
MindTree	334	Neutral	28.8	33.1	27.9	32.1	12.0	10.4
KPIT Cummins	79	Neutral	9.7	10.1	9.0	9.6	8.8	8.2
Sasken	118	Neutral	14.2	14.9	13.0	13.0	9.1	9.1

Note: ^ prices as on 4th Mar 2008
Source: IDFC SSKI Research

COMPANIES

Geodesic Info

Rs181
OUTPERFORMER

Mkt Cap: Rs19bn; US$482m

Messaging aloud

Company update

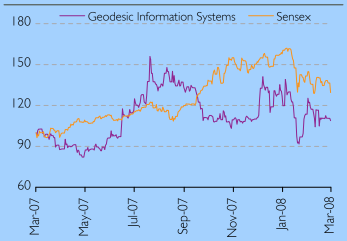
7 March 2008

BSE Sensex: 16542

Stock data

Reuters	GEIS.BO
Bloomberg	BVH IN
1-yr high/low (Rs)	284/134
1-yr avg daily volumes (m)	0.06
Free Float (%)	76.1

Price performance



Performance (%)

	3-mth	6-mth	1-yr	3-yr
Geodesic	0.23	(12.9)	14.7	97.0
Sensex	(16.2)	7.1	33.2	141.5

Geodesic has witnessed strong growth momentum with revenues growing 25% qoq in Q3FY08 (18% qoq in Q1 and Q2) on the back of a widening application base by successfully bundling the Mundu platform with its Spyder product and mobile applications (like radio). Accordingly, the profile of clients being added has significantly improved over the last year. Also, *Simputer* and *Chandamama* are gaining ground and are likely to contribute to revenues in FY09 in a more meaningful way. With 36% earnings CAGR over FY08-10E, valuations of 7.9x FY09E earnings are attractive. Maintain Outperformer.

Larger companies coming into the fold; improving client profile: Geodesic has integrated its base Mundu platform with CRM solutions and various mobile phone applications (e.g. radio on mobile and desktop management). The wider application base has resulted in strong client addition (4-5 per quarter) with larger clients coming to the fold in the last couple of quarters. Some of the clients added include Ahli bank, Clearsky (content aggregator), Magna International, Nordisk Mobiltelefon AB, BenQ, Mio Technology, etc.

Gaining traction from handset manufacturers and service providers: Geodesic is entering into tie-ups with handset manufacturers (BenQ, MioTech, Asus, etc), service providers (Idea, Nordisk Mobiltelefon, etc) and mobile content aggregators for its integrated Mundu stack (IM, radio, VoIP, desktop management, etc). The company would get revenues on per handset/ download basis from these clients. In the recently announced deal with Idea for internet radio on mobile, Geodesic will receive Rs45/user/month as revenue share from Idea.

Attractive valuations; maintain Outperformer: We expect 45% revenue CAGR and 36% earnings CAGR for Geodesic over FY08-10. At 7.9x FY09E earnings valuations are attractive. Geodesic raised $125m through an FCCB issue in January 2008 and plans to use the proceeds for acquisition. We have built in higher other income (on investment of funds) and 18% equity dilution for FY09 and FY10. Maintain out performer with target price of Rs300.

Key valuation metrics

Year to 31 March (Rs m)	FY06	FY07	FY08E	FY09E	FY10E
Net sales	967	1,680	3,090	4,854	6,495
Adj. net profit	407	897	1,548	2,476	2,875
Adj. EPS (Rs)	4.7	10.0	14.4	23.0	26.8
% growth	*94.0*	*112.7*	*44.5*	*59.9*	*16.1*
PE (x)	38.6	18.1	12.6	7.9	6.8
Price/Book (x)	7.7	5.2	4.2	2.7	2.0
EV/EBITDA (x)	29.4	14.0	9.4	5.5	3.6
ROE (%)	31.3	34.7	39.8	42.2	33.8
ROCE (%)	29.2	33.5	25.8	23.8	25.5

Prices as on 4 March 2008

Ganesh Duvvuri
ganesh@idfcsski.com
91-22-6638 3358

Shreyash Devalkar
shreyash@idfcsski.com
91-22-6638 3311

P&L

Year to Mar (Rs m)	FY06	FY07	FY08E	FY09E	FY10E
Net sales	**967**	**1,680**	**3,090**	**4,854**	**6,495**
% growth	*140.4*	*73.6*	*84.0*	*57.1*	*33.8*
Operating expenses	435	591	1,179	1,868	2,514
EBITDA	**532**	**1,089**	**1,911**	**2,985**	**3,982**
% growth	*119.7*	*104.6*	*75.5*	*56.2*	*33.4*
Other income	37	9	102	272	272
Depreciation	138	208	266	416	566
Pre-tax profit	431	890	1,747	2,841	3,687
Current Tax	23	(8)	198	364	811
Profit after tax	**408**	**898**	**1,549**	**2,477**	**2,876**
Preference dividend	1	1	1	1	1
Net profit after non-recurring items	407	897	1,548	2,476	2,875
% growth	*118.9*	*120.6*	*72.6*	*59.9*	*16.1*

Balance sheet

Year to Mar (Rs m)	FY06	FY07	FY08E	FY09E	FY10E
Paid-up capital	117	118	177	177	177
Reserves & surplus	1,915	3,015	4,468	6,909	9,748
Total shareholders' equity	2,032	3,133	4,646	7,086	9,926
Total current liabilities	45	110	0	0	0
Total Debt	38	32	4,908	4,908	4,908
Deferred tax liabilities	25	2	2	2	2
Total liabilities	108	143	4,909	4,909	4,909
Total equity & liabilities	**2,141**	**3,277**	**9,555**	**11,996**	**14,835**
Net fixed assets	499	944	1,278	1,461	1,495
Investments	854	139	139	139	139
Total current assets	518	1,929	7,891	10,148	12,954
Other non-current assets	270	265	248	248	248
Working capital	473	1,819	7,891	10,148	12,954
Total assets	**2,141**	**3,277**	**9,555**	**11,996**	**14,835**

Cash flow statement

Year to Mar (Rs m)	FY06	FY07	FY08E	FY09E	FY10E
Pre-tax profit	431	890	1,747	2,841	3,687
Depreciation	138	208	266	416	566
chg in Working capital	(392)	(346)	(660)	(707)	(675)
Total tax paid	(23)	8	(198)	(364)	(811)
Operating cash Inflow	154	760	1,155	2,186	2,768
Capital expenditure	(448)	(630)	(600)	(600)	(600)
Free cash flow (a+b)	(295)	130	555	1,586	2,168
Chg in investments	(1,055)	716	-	-	-
Debt raised/(repaid)	19	(6)	4,876	-	-
Capital raised/(repaid)	1,095	233	59	-	-
Dividend (incl. tax)	(24)	(25)	(36)	(36)	(36)
Misc	(36)	(52)	(59)	-	(0)
Net chg in cash	(296)	995	5,395	1,549	2,132

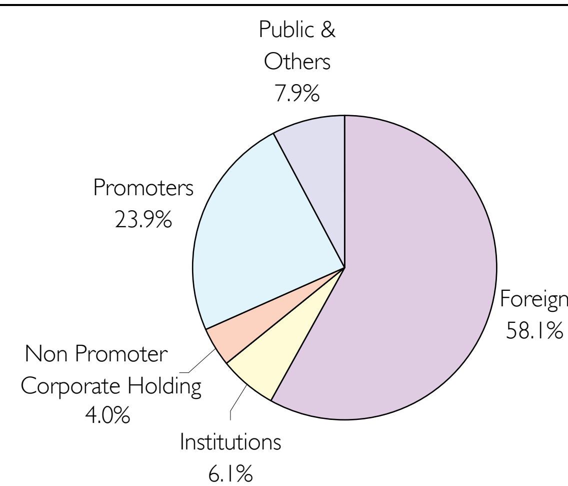
Key ratios

Year to Mar 31	FY06	FY07	FY08E	FY09E	FY10E
EBITDA margin (%)	55.0	64.8	61.8	61.5	61.3
EBIT margin (%)	40.7	52.5	53.2	52.9	52.6
PAT margin (%)	42.1	53.4	50.1	51.0	44.3
RoE (%)	31.3	34.7	39.8	42.2	33.8
RoCE (%)	29.2	33.5	25.8	23.8	25.5
Gearing (x)	(0.0)	(0.3)	(0.3)	(0.4)	(0.5)

Valuations

Year to Mar 31	FY06	FY07	FY08E	FY09E	FY10E
Reported EPS (Rs)	4.7	10.0	14.4	23.0	26.8
Adj. EPS (Rs)	4.7	10.0	14.4	23.0	26.8
PER (x)	38.6	18.1	12.6	7.9	6.8
Price/Book (x)	7.7	5.2	4.2	2.7	2.0
EV/Net sales (x)	16.2	9.1	5.8	3.4	2.2
EV/EBITDA (x)	29.4	14.0	9.4	5.5	3.6
EV/CE (x)	7.5	4.8	1.9	1.4	1.0

Shareholding pattern



As of December2007

HCL Tech

Rs347

OUTPERFORMER

Mkt Cap: Rs239bn; US$5.9bn

The surprise winner

Company update

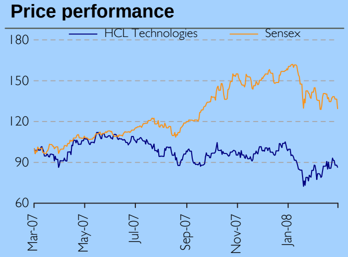
7 March 2008

BSE Sensex: 16542

Stock data

Reuters	HCLT.BO
Bloomberg	HCLT IN
1-yr high/low (Rs)	366/180
1-yr avg daily volumes (m)	0.22
Free Float (%)	32.5

Price performance



Performance (%)

	3-mth	6-mth	1-yr	3-yr
HCL Tech	(10.8)	(11.2)	(8.7)	61.5
Sensex	(16.2)	7.1	33.2	141.5

HCL Technologies (HCLT) has won several large deals in the last six quarters. While the BPO business is getting impacted due to ramp down from a client, infrastructure management services (IMS) practice has adequately compensated for the same. With ramp-up, margins in IMS are expected to improve and the pay-offs from its risk-reward model should also support margins. Though lower forex gains yoy in FY08 would likely lead to muted growth in earnings, the consistent operational performance is noteworthy and has driven a re-rating in the stock (a discount of just 20% to Wipro). As disclosures have improved significantly, we believe it could get re-rated further over a period of time (like Satyam) if its performance remains consistent. At 11.6x FY09E earnings, we maintain Outperformer.

Surprise winner of several large deals: HCLT has won several large deals in the last six quarters and delivered consistent operational performance. Given its breadth of service offerings and willingness to work on a risk-reward model wherein a part of billing is based on the cost savings it enables clients to achieve combined with aggressive sales pitch the company has managed to garner a high share of large deals.

Margins depend on success of risk-reward revenue model: HCLT derives 5% of revenues based on the risk-reward model and plans to increase it to about 30% of revenues in the next 3 years. While margins in IT services business are down, overall margins have been stable owing to higher margins in IMS and BPO services. Though BPO margins will be under pressure, we see scope for expansion in IMS margins. IT services margins could remain stable if HCLT delivers higher than promised cost savings to clients.

Relatively re-rated but to track sector trends from here: The stock currently trades at a discount of 20% to Wipro. In CY07, HCLT stock delivered 3% return compared to a fall of 11.4% in the NSE IT Index. In the last one month, the stock has returned 18% (compared to 5% by the IT index) on the back of consistent performance and a high large-deal market share. We maintain Outperformer on HCLT with a target price of Rs391.

Key valuation metrics

Year to 30 June	FY06	FY07	FY08E	FY09E	FY10E
Net sales	44,007	60,337	76,111	98,396	121,790
Adj. net profit	7,746	12,580	13,073	16,236	16,675
Adj. EPS (Rs)	12.1	18.2	18.7	23.0	23.6
% growth	*26.0*	*51.3*	*2.7*	*22.8*	*2.7*
PE (x)	22.2	14.7	14.3	11.6	11.3
Price/Book (x)	4.2	3.7	3.0	2.6	2.5
EV/EBITDA (x)	15.6	13.0	9.3	7.0	5.8
ROE (%)	19.7	27.7	23.3	24.1	22.5
ROCE (%)	19.3	21.2	22.3	22.9	23.8

Prices as on 4 March 2008

Ganesh Duvvuri
ganesh@idfcsski.com
91-22-6638 3358

Shreyash Devalkar
shreyash@idfcsski.com
91-22-6638 3311

P&L

Year to Jun (Rs m)	FY06	FY07	FY08E	FY09E	FY10E
Net sales	**44,007**	**60,337**	**76,111**	**98,396**	**121,790**
% growth	*30.6*	*37.1*	*26.1*	*29.3*	*23.8*
Operating expenses	34,159	47,936	60,186	78,471	98,298
EBITDA	**9,848**	**12,401**	**15,925**	**19,925**	**23,492**
% growth	*27.5*	*25.9*	*28.4*	*25.1*	*17.9*
Other income	919	978	1,755	2,829	2,829
Depreciation	2,032	2,531	3,112	4,068	5,351
Pre-tax profit	8,388	14,120	14,771	18,686	20,969
Current Tax	626	1,485	1,607	2,366	4,211
Profit after tax	**7,762**	**12,635**	**13,164**	**16,320**	**16,759**
Net profit after non-recurring items	7,746	12,580	13,073	16,236	16,675
% growth	*26.9*	*62.4*	*3.9*	*24.2*	*2.7*

Balance sheet

Year to Jun (Rs m)	FY06	FY07	FY08E	FY09E	FY10E
Paid-up capital	1,286	1,380	1,396	1,412	1,412
Reserves & surplus	39,271	48,770	60,352	71,270	74,067
Total shareholders' equity	40,665	50,295	61,912	72,846	75,643
Total current liabilities	8,952	11,660	17,592	22,306	23,989
Total Debt	83	0	0	0	0
Other non-current liabilities	745	1,292	1,600	2,000	2,000
Total liabilities	9,780	12,952	19,192	24,306	25,989
Total equity & liabilities	**50,445**	**63,247**	**81,104**	**97,151**	**101,633**
Net fixed assets	8,742	10,495	12,598	14,678	15,105
Investments	112	96	86	86	86
Total current assets	32,192	42,246	58,503	72,720	76,775
Other non-current assets	9,399	10,406	9,918	9,668	9,668
Working capital	23,240	30,586	40,911	50,415	52,786
Total assets	**50,445**	**63,243**	**81,105**	**97,152**	**101,634**

Cash flow statement

Year to Jun (Rs m)	FY06	FY07	FY08E	FY09E	FY10E
Pre-tax profit	8,388	14,120	14,771	18,686	20,969
Depreciation	2,032	2,531	3,112	4,068	5,351
chg in Working capital	(1,203)	(4,087)	5,704	1,150	676
Total tax paid	(626)	(1,485)	(1,607)	(2,366)	(4,211)
Operating cash Inflow	8,592	11,079	21,980	21,537	22,786
Capital expenditure	(4,179)	(4,284)	(5,215)	(6,148)	(5,778)
Free cash flow (a+b)	4,413	6,795	16,765	15,389	17,008
Chg in investments	1,996	(2,887)	(1,505)	-	-
Debt raised/(repaid)	(1,225)	(83)	-	-	-
Capital raised/(repaid)	84	2,461	3,659	16	-
Dividend (incl. tax)	(5,115)	(5,115)	(5,115)	(5,115)	(5,115)
Misc	(19)	(22)	225	(37)	(8,144)
Net chg in cash	134	1,149	14,029	10,253	3,749

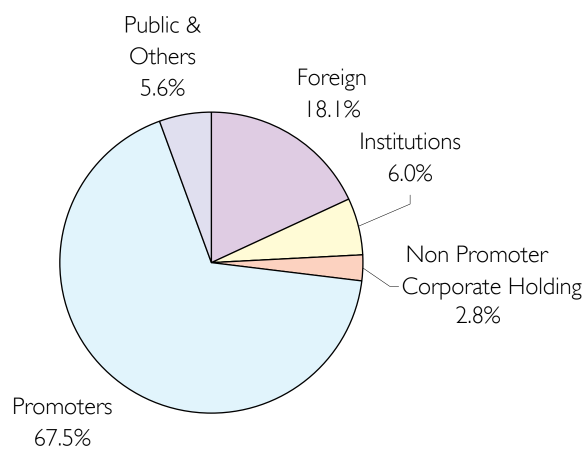
Key ratios

Year to Jun 30	FY06	FY07	FY08E	FY09E	FY10E
EBITDA margin (%)	22.4	20.6	20.9	20.2	19.3
EBIT margin (%)	17.8	16.4	16.8	16.1	14.9
PAT margin (%)	17.6	20.9	17.2	16.5	13.7
RoE (%)	19.7	27.7	23.3	24.1	22.5
RoCE (%)	19.3	21.2	22.3	22.9	23.8
Gearing (x)	0.0	0.0	0.0	0.0	(0.7)

Valuations

Year to Jun 30	FY06	FY07	FY08E	FY09E	FY10E
Reported EPS (Rs)	12.1	18.2	18.7	23.0	23.6
Adj. EPS (Rs)	12.1	18.2	18.7	23.0	23.6
PER (x)	22.2	14.7	14.3	11.6	11.3
Price/Book (x)	4.2	3.7	3.0	2.6	2.5
EV/Net sales (x)	3.5	2.7	1.9	1.4	1.1
EV/EBITDA (x)	15.6	13.0	9.3	7.0	5.8
EV/CE (x)	3.7	3.1	2.3	1.9	1.8

Shareholding pattern



As of December 2007

Company update

i-flex Solutions

Rs1048

UNDERPERFORMER

Still overvalued

Mkt Cap: Rs90bn; US$2.2bn

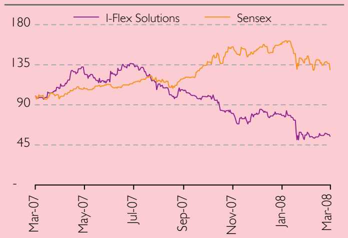
7 March 2008

BSE Sensex: 16542

Stock data

Reuters	IFLX.BO
Bloomberg	IFLEX IN
1-yr high/low (Rs)	2630/900
1-yr avg daily volumes (m)	0.01
Free Float (%)	19.4

Price performance



Performance (%)

	3-mth	6-mth	1-yr	3-yr
i-flex	(31.8)	(48.9)	(44.3)	62.4
Sensex	(16.2)	7.1	33.2	141.5

Ganesh Duvvuri
ganesh@idfcsski.com
91-22-6638 3358

Shreyash Devalkar
shreyash@idfcsski.com
91-22-6638 3311

i-flex Solutions (iflex) has witnessed strong growth in product revenues in the recent past. Growth in services business has slowed due to a decline in revenues from Citigroup (33% of Q3FY08 revenues compared to 49% in Q3FY07). Overall margins are expected to increase with change in revenue mix on the back of increasing contribution of high-margin product business and turnaround in KPO business. While we expect 19% CAGR in earnings over FY08-10E (the highest growth in the sector), valuations of 19.5x FY09E earnings are expensive. Maintain Underperformer.

Product revenues witnessing strong growth: i-flex has reported a strong 43% yoy growth in product revenues in USD terms in 9MFY08. Tank size is healthy at $81m as of end-Q3FY08. IBS (UK) has ranked Flexcube as the best selling core banking solution for five years in a row. However, share of license fee has consistently declined from 38% of revenues in FY06 to 30% in FY07 and 21% in 9MFY08. Consequently, EBITDA margin has declined from 37% in FY06 to 34% in FY07 and 32% in 9MFY08. Going forward, the management is optimistic on the demand environment.

Margins bounce back in services; Citi account declining: Services revenues increased by just 25% yoy in USD terms in 9MFY08, restricted by a 16% yoy decline in Citi account (33% of revenues in Q3FY08). In Q3FY08, margins have bounced back sharply by 10% points qoq to 22.7%, now among the highest compared to mid-sized peers, owing to better utilization, offshorization and significantly high contribution of fixed price contracts.

Expect earnings CAGR (FY08-10E) of 19%, but valuations are expensive: We expect 29% CAGR in revenues over FY08-10, underpinned by 34% CAGR in product and 20% CAGR in services revenues. We are cutting our earnings estimates by 9% for FY09 and FY10 due to concerns on demand in the financials vertical. At 19.5x FY09E earnings, the stock trades at a 33% premium to Infosys. Maintain Underperformer. An open offer from Oracle to increase stake from ~81% (seems unlikely) poses an upside risk. Maintain under performer with target price of Rs969.

Key valuation metrics

Year to 31 March	FY06	FY07	FY08E	FY09E	FY10E
Net sales (Rs m)	14,823	20,609	24,203	31,893	40,532
Adj. net profit (Rs m)	2,532	3,723	3,700	4,612	5,449
Adj. EPS (Rs)	33.5	47.1	44.0	53.8	62.4
% growth	*7.9*	*40.4*	*(6.4)*	*22.2*	*15.8*
PE (x)	31.3	22.3	23.8	19.5	16.8
Price/Book (x)	5.7	3.5	3.2	2.8	2.5
EV/EBITDA (x)	22.2	17.1	17.6	13.9	10.7
RoE (%)	20.0	19.7	14.4	15.6	16.0
RoCE (%)	22.2	19.9	14.8	16.7	18.9

Prices as on 4 March 2008

P&L

Year to Mar (Rs m)	FY06	FY07	FY08E	FY09E	FY10E
Net sales	**14,823**	**20,609**	**24,203**	**31,893**	**40,532**
% growth	*30.2*	*39.0*	*17.4*	*31.8*	*27.1*
Operating expenses	11,561	16,185	19,625	26,066	33,051
EBITDA	**3,262**	**4,425**	**4,578**	**5,827**	**7,481**
% growth	*8.8*	*35.6*	*3.5*	*27.3*	*28.4*
Other income	295	377	460	498	612
Depreciation	460	653	761	900	1,064
Pre-tax profit	3,090	4,139	4,224	5,426	7,029
Current Tax	560	416	524	814	1,580
Profit after tax	**2,529**	**3,723**	**3,700**	**4,612**	**5,449**
Non-recurring items	-155	0	0	0	0
Net profit after non-recurring items	2,377	3,723	3,700	4,612	5,449
% growth	*2.2*	*56.6*	*-0.6*	*24.6*	*18.2*

Balance sheet

Year to Mar (Rs m)	FY06	FY07	FY08E	FY09E	FY10E
Paid-up capital	381	416	419	419	419
Reserves & surplus	13,426	23,604	27,093	31,179	36,007
Total shareholders' equity	13,807	24,020	27,511	31,597	36,425
Total current liabilities	3,989	5,332	5,285	6,796	8,680
Deferred tax liabilities	2	2	6	6	6
Total liabilities	3,990	5,333	5,291	6,802	8,686
Total equity & liabilities	**17,798**	**29,354**	**32,803**	**38,399**	**45,111**
Net fixed assets	3,159	8,941	9,980	10,580	11,016
Investments	52	59	58	58	58
Total current assets	14,515	20,212	22,593	27,571	33,817
Deferred tax assets	71	141	172	190	220
Working capital	10,527	14,880	17,308	20,776	25,138
Total assets	**17,798**	**29,354**	**32,803**	**38,399**	**45,111**

Cash flow statement

Year to Mar (Rs m)	FY06	FY07	FY08E	FY09E	FY10E
Pre-tax profit	3,090	4,139	4,224	5,426	7,029
Depreciation	460	653	761	900	1,064
chg in Working capital	(1,201)	(4,025)	(1,984)	(2,134)	(1,911)
Total tax paid	(560)	(416)	(524)	(814)	(1,580)
Ext ord. Items	(155)	-	-	-	-
Operating cash Inflow	1,633	351	2,477	3,378	4,602
Capital expenditure	(1,367)	(6,424)	(1,800)	(1,500)	(1,500)
Free cash flow (a+b)	267	(6,073)	677	1,878	3,102
Chg in investments	12	1	5	-	-
Debt raised/(repaid)	-	-	-	-	-
Capital raised/(repaid)	7	35	2	-	-
Dividend (incl. tax)	(436)	(1)	(211)	(526)	(621)
Misc	384	6,367	(34)	(18)	(30)
Net chg in cash	233	328	439	1,334	2,451

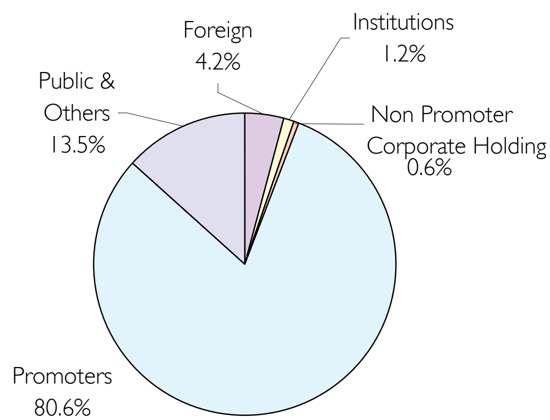
Key ratios

Year to Mar 31	FY06	FY07	FY08E	FY09E	FY10E
EBITDA margin (%)	22.0	21.5	18.9	18.3	18.5
EBIT margin (%)	18.9	18.3	15.8	15.4	15.8
PAT margin (%)	17.1	18.1	15.3	14.5	13.4
RoE (%)	20.0	19.7	14.4	15.6	16.0
RoCE (%)	22.2	19.9	14.8	16.7	18.9
Gearing (x)	0.0	0.0	0.0	0.0	0.0

Valuations

Year to Mar 31	FY06	FY07	FY08E	FY09E	FY10E
Reported EPS (Rs)	31.5	47.1	44.0	53.8	62.4
Adj. EPS (Rs)	33.5	47.1	44.0	53.8	62.4
PER (x)	31.3	22.3	23.8	19.5	16.8
Price/Book (x)	5.7	3.5	3.2	2.8	2.5
EV/Net sales (x)	4.9	3.7	3.3	2.5	2.0
EV/EBITDA (x)	22.2	17.1	17.6	13.9	10.7
EV/CE (x)	5.2	3.2	2.9	2.6	2.2

Shareholding pattern



As of December 2007

Infosys

Rs1419

OUTPERFORMER

Mkt Cap: Rs814bn; US$20bn

All weather friend

Company update

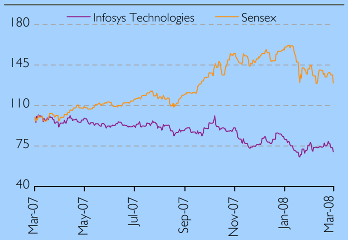
7 March 2008

BSE Sensex: 16542

Stock data

Reuters	INFY.BO
Bloomberg	INFO IN
1-yr high/low (Rs)	2170/1212
1-yr avg daily volumes (m)	0.29
Free Float (%)	83.5

Price performance



Performance (%)

	3-mth	6-mth	1-yr	3-yr
Infosys	(8.0)	(22.3)	(26.5)	32.1
Sensex	(16.2)	7.1	33.2	141.5

Ganesh Duvvuri
ganesh@idfcsski.com
91-22-6638 3358

Shreyash Devalkar
shreyash@idfcsski.com
91-22-6638 3311

Infosys Technologies (Infosys) underperformed the broad indices and peers in CY07. We believe Infosys has lost market share due to its focus on margins. It would likely lose volume market share in FY08 but gain earnings market share. In our view, if there is a slowdown in the US and IT budgets decline, Infosys (like in the previous slowdown) will start ramping up volumes. Given an exceptional track record of execution, Infosys would be able to manage margins better than peers. Also, if offshore budgets remain stable or rise, Infosys will continue to deliver superior earnings growth. At 14.6x FY09E earnings, we believe general sector concerns and specific concern on Infosys losing market share are in the price. Buy Infosys for relatively superior earnings growth among peers.

Superior earnings growth even with lower market share: Infosys would likely lose volume market share to peers TCS, Wipro and Satyam in FY08. But its earnings market share is set to rise. In a year marked by the highest salary inflation and steepest rupee appreciation, it is commendable that Infosys would deliver superior earnings growth despite lower volumes vis-à-vis peers.

Volume market share loss – key investor concern: Some investor quarters argue that 'Infosys has lost it', referring to its modest volume growth. We believe poor growth in the top 10 client group is skewing the volume market share trend. Infosys's exceptional performance on the margin front despite poor volume growth is commendable and reflects its true capabilities. We expect market share to be maintained in FY09, if not increased.

A stock for all weathers: We are lowering our earnings forecast for Infosys by 2.5% in FY09 and 1.2% in FY10 as we expect near-term growth to be muted. We expect it to give a guidance of 22-23% revenue growth and 17% earnings growth for FY09. While the confidence on volume growth may not be high, we believe the street recognizes Infosys's ability to hold margins. If there are signs of a prolonged slowdown, we expect Infosys to focus on volume market share and sacrifice pricing. If there is a temporary slowdown, we expect Infosys to deliver superior earnings growth like in FY08. Thus, it is one of our top picks in the sector with a price target of Rs1,942.

Key valuation metrics

Year to 31 March	FY06	FY07	FY08E	FY09E	FY10E
Net sales	95,242	139,017	166,572	205,201	245,222
Adj. net profit	24,636	38,637	47,029	55,653	59,830
Adj. EPS (Rs)	43.6	66.3	80.3	97.1	102.8
% growth	*31.6*	*52.1*	*21.0*	*20.9*	*5.9*
PE (x)	32.5	21.4	17.7	14.6	13.8
Price/Book (x)	11.4	7.1	5.4	4.1	3.4
EV/EBITDA (x)	24.8	16.8	14.0	10.8	9.1
RoE (%)	40.2	40.8	34.8	31.9	27.0
RoCE (%)	43.0	42.5	35.0	32.5	29.1

Prices as on 4 March 2008

P&L

Year to Mar (Rs m)	FY06	FY07	FY08E	FY09E	FY10E
Net sales	**95,242**	**139,017**	**166,572**	**205,201**	**245,222**
% growth	*33.6*	*46.0*	*19.8*	*23.2*	*19.5*
Operating expenses	64,298	95,020	114,351	141,395	171,591
EBITDA	**30,945**	**43,997**	**52,221**	**63,806**	**73,630**
% growth	*32.5*	*42.2*	*18.7*	*22.2*	*15.4*
Other income	1,396	3,690	7,752	8,803	11,310
Depreciation	4,371	5,140	6,029	7,174	9,028
Pre-tax profit	27,969	42,547	53,944	65,435	75,912
Current Tax	3,132	5,100	7,925	9,782	16,082
Profit after tax	**24,838**	**37,447**	**46,019**	**55,653**	**59,830**
Minorities	680	40	50	0	0
Non-recurring items	0	1,300	1,010	0	0
Net profit after non-recurring items	24,636	38,637	47,029	55,653	59,830
% growth	*33.4*	*56.8*	*21.7*	*18.3*	*7.5*

Balance sheet

Year to Mar (Rs m)	FY06	FY07	FY08E	FY09E	FY10E
Paid-up capital	1,380	2,860	2,860	2,860	2,860
Reserves & surplus	68,280	109,690	148,617	194,300	243,572
Total shareholders' equity	70,340	112,590	151,527	197,160	246,432
Total current liabilities	23,460	21,500	27,333	47,075	50,322
Total Debt	0	0	0	0	0
Total liabilities	23,460	21,500	27,333	47,075	50,322
Total equity & liabilities	**93,800**	**134,090**	**178,860**	**244,236**	**296,754**
Net fixed assets	22,260	37,710	37,930	52,778	61,705
Investments	7,550	250	15,000	15,000	15,000
Total current assets	63,340	95,210	124,780	175,335	218,926
Deferred tax assets	650	920	1,150	1,123	1,123
Working capital	39,880	73,710	97,447	128,260	168,604
Total assets	**93,800**	**134,090**	**178,860**	**244,236**	**296,754**

Cash flow statement

Year to Mar (Rs m)	FY06	FY07	FY08E	FY09E	FY10E
Pre-tax profit	27,969	42,547	53,944	65,435	75,912
Depreciation	4,371	5,140	6,029	7,174	9,028
chg in Working capital	3,549	(9,410)	168	10,650	(6,043)
Total tax paid	(3,132)	(5,100)	(7,925)	(9,782)	(16,082)
Ext ord. Items	-	1,300	1,010	-	-
Operating cash Inflow	32,758	34,477	53,226	73,478	62,816
Capital expenditure	(9,490)	(20,530)	(6,199)	(22,022)	(17,956)
Free cash flow (a+b)	23,267	13,947	47,027	51,456	44,860
Chg in investments	4,558	7,300	(14,750)	-	-
Debt raised/(repaid)	-	-	-	-	-
Capital raised/(repaid)	5,523	13,730	250	-	-
Dividend (incl. tax)	(14,120)	(7,560)	(8,498)	(9,746)	(9,746)
Misc	(694)	(2,997)	(124)	(247)	(812)
Net chg in cash	18,535	24,420	23,905	41,463	34,302

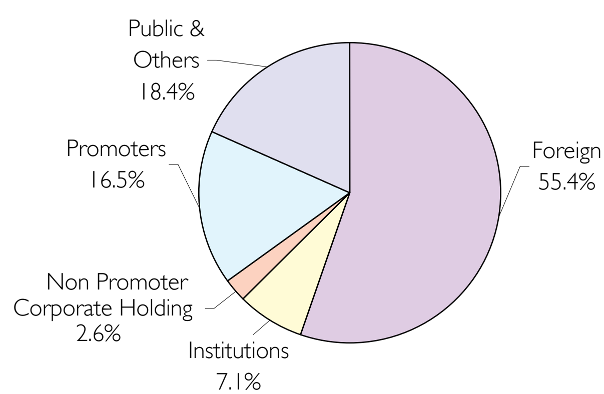
Key ratios

Year to Mar 31	FY06	FY07	FY08E	FY09E	FY10E
EBITDA margin (%)	32.5	31.6	31.4	31.1	30.0
EBIT margin (%)	27.9	28.0	27.7	27.6	26.3
PAT margin (%)	25.9	26.9	27.6	27.1	24.4
ROE (%)	40.2	40.8	34.8	31.9	27.0
ROCE (%)	43.0	42.5	35.0	32.5	29.1
Gearing	0.0	0.0	0.0	0.0	0.0

Valuations

Year to Mar 31	FY06	FY07	FY08E	FY09E	FY10E
Reported EPS (Rs)	43.6	68.7	82.0	97.1	102.8
Adj. EPS (Rs)	43.6	66.3	80.3	97.1	102.8
PER (x)	32.5	21.4	17.7	14.6	13.8
Price/Book (x)	11.4	7.1	5.4	4.1	3.4
EV/Net sales (x)	8.1	5.3	4.4	3.4	2.7
EV/EBITDA (x)	24.8	16.8	14.0	10.8	9.1
EV/CE (x)	10.9	6.6	4.8	3.5	2.7

Shareholding pattern



As of December 2007

KPIT Cummins

Rs79
NEUTRAL

Competition gaining ground

Mkt Cap: Rs6.5bn; US$161m

Company update

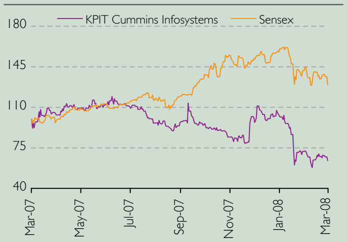
7 March 2008

BSE Sensex: 16542

Stock data

Reuters	KPIT.BO
Bloomberg	KPIT IN
1-yr high/low (Rs)	154/68
1-yr avg daily volumes (m)	0.14
Free Float (%)	75.4

Price performance



Performance (%)

	3-mth	6-mth	1-yr	3-yr
KPIT	(36.6)	(36.1)	(32.1)	16.6
Sensex	(16.2)	7.1	33.2	141.5

KPIT Cummins Infosystems (KPIT) has witnessed strong trend in pricing (12-15% increase on contract renewals). The management remains positive on demand outlook in its key verticals – auto, industrial and farming equipment, and semiconductor or hi-tech. Blended billing rates are likely to increase by 4% qoq in Q4FY08, which could result in a significant 36% qoq growth in EBITDA. Accordingly, the management is confident of achieving the lower end of PAT guidance for FY08, implying 57% qoq growth in PAT in Q4FY08. Valuations, at 9x FY09E earnings, appear inexpensive considering 15% yoy growth in earnings for FY09. However, Cummins awarding i-Gate a $10m deal and selecting Infosys as a preferred vendor for a transformation project is a warning signal to KPIT, in our view. We maintain Neutral.

Management positive on demand in key verticals: KPIT's manufacturing vertical (83% of revenues) comprises mainly three segments – auto and transportation, industrial and farming equipment, and semiconductor or hi-tech. The management remains positive on demand in these verticals. None of its customers have put budgets on hold or cut budgets as yet, as per the company. KPIT increased its employee base by 28% in 9MFY08.

Strong price hikes: KPIT is witnessing 10-15% higher billing rates on new assignments as well as on contract renegotiations (effective January 2008) with clients added in FY06. On a blended basis, billing rates are expected to increase 4% qoq in Q4FY08. Accordingly, the management remains confident of achieving the lower end of FY08 PAT guidance (Rs630m), implying 57% qoq growth in PAT in Q4FY08.

Facing competition in Cummins account; maintain Neutral: KPIT is witnessing strong traction in its key verticals with 130% yoy growth in auto electronics (24% of revenues) in Q3FY08. The recent deal wins by i-Gate and Infosys from Cummins raise the risk of KPIT losing out on opportunities. We have cut our FY09-10E earnings by 6-7% on rising concerns over demand scenario. With a sharp increase in billing rates, margins would likely be flat. Though valuations of 9x FY09E earnings are inexpensive, we maintain Neutral with a target price of Rs108.

Key valuation metrics

Year to 31 March	FY06	FY07	FY08E	FY09E	FY10E
Net sales	3,182	4,637	6,067	7,245	8,568
Adj. net Profit	326	505	632	738	788
Adj. EPS (Rs)	4.5	6.8	7.8	9.0	9.6
% growth	*11.0*	*51.7*	*15.6*	*14.6*	*6.6*
PE (x)	17.6	11.6	10.1	8.8	8.2
Price/Book (x)	4.0	2.9	2.5	2.1	1.7
EV/EBITDA (x)	13.5	9.2	6.7	5.8	5.1
RoE (%)	26.2	29.6	28.0	26.2	22.8
RoCE (%)	20.2	21.2	22.4	22.5	22.6

Prices as on 4 March 2008

Ganesh Duvvuri
ganesh@idfcsski.com
91-22-6638 3358

Shreyash Devalkar
shreyash@idfcsski.com
91-22-6638 3311

P&L

Year to Mar (Rs m)	FY06	FY07	FY08E	FY09E	FY10E
Net sales	**3,182**	**4,637**	**6,067**	**7,245**	**8,568**
% growth	*26.0*	*45.7*	*30.8*	*19.4*	*18.2*
Operating expenses	2,723	3,929	5,058	6,047	7,152
EBITDA	**460**	**708**	**1,010**	**1,198**	**1,415**
% growth	*37.4*	*54.0*	*42.6*	*18.7*	*18.1*
Other income	0	13	9	2	4
Net interest	-19	-45	-77	-72	-68
Depreciation	82	121	230	284	353
Pre-tax profit	359	555	712	844	998
Current Tax	33	52	81	105	211
Profit after tax	**326**	**503**	**631**	**738**	**788**
Net profit after non-recurring items	326	505	632	738	788
% growth	*14.7*	*55.0*	*25.2*	*16.9*	*6.6*

Balance sheet

Year to Mar (Rs m)	FY06	FY07	FY08E	FY09E	FY10E
Paid-up capital	73	150	150	150	150
Reserves & surplus	1,345	1,838	2,363	2,976	3,630
Total shareholders' equity	1,422	1,992	2,517	3,130	3,784
Total current liabilities	370	657	550	550	600
Total Debt	875	1,223	1,223	1,223	1,223
Deferred tax liabilities	8	10	10	10	10
Total liabilities	1,253	1,890	1,783	1,783	1,833
Total equity & liabilities	**2,675**	**3,882**	**4,300**	**4,913**	**5,618**
Net fixed assets	953	1,772	1,837	2,253	2,900
Total current assets	1,721	2,109	2,462	2,660	2,717
Working capital	1,351	1,452	1,912	2,110	2,117
Total assets	**2,675**	**3,882**	**4,300**	**4,913**	**5,618**

Cash flow statement

Year to Mar (Rs m)	FY06	FY07	FY08E	FY09E	FY10E
Pre-tax profit	359	555	712	844	998
Depreciation	82	121	230	284	353
chg in Working capital	(587)	110	(284)	(226)	(304)
Total tax paid	(33)	(52)	(81)	(105)	(211)
Ext ord. Items	-	-	-	-	-
Operating cash Inflow	(180)	734	578	797	837
Capital expenditure	(498)	(940)	(295)	(700)	(1,000)
Free cash flow (a+b)	(677)	(206)	282	97	(163)
Chg in investments	-	-	-	-	-
Debt raised/(repaid)	505	348	-	-	-
Capital raised/(repaid)	2	77	-	-	-
Dividend (incl. tax)	(33)	(62)	(107)	(125)	(133)
Misc	65	52	0	-	(0)
Net chg in cash	(137)	209	176	(28)	(296)

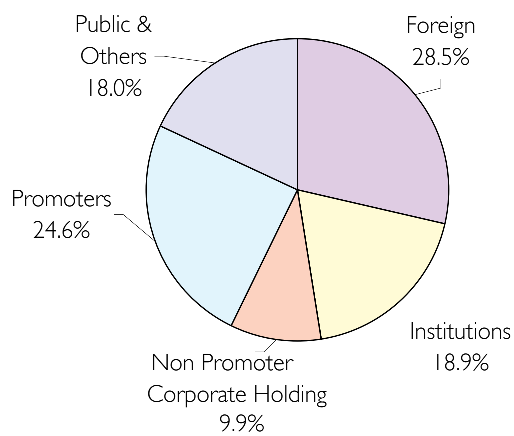
Key ratios

Year to Mar 31	FY06	FY07	FY08E	FY09E	FY10E
EBITDA margin (%)	14.4	15.3	16.6	16.5	16.5
EBIT margin (%)	11.9	12.7	12.8	12.6	12.4
PAT margin (%)	10.2	10.9	10.4	10.2	9.2
RoE (%)	26.2	29.6	28.0	26.2	22.8
RoCE (%)	20.2	21.2	22.4	22.5	22.6
Gearing (x)	0.3	0.3	0.2	0.1	0.2

Valuations

Year to Mar 31	FY06	FY07	FY08E	FY09E	FY10E
Reported EPS (Rs)	4.5	6.8	7.8	9.0	9.6
Adj. EPS (Rs)	4.5	6.8	7.8	9.0	9.6
PER (x)	17.6	11.6	10.1	8.8	8.2
Price/Book (x)	4.0	2.9	2.5	2.1	1.7
EV/Net sales (x)	2.0	1.4	1.1	1.0	0.8
EV/EBITDA (x)	13.5	9.2	6.7	5.8	5.1
EV/CE (x)	2.7	2.0	1.8	1.6	1.4

Shareholding pattern



As of December 2007

MindTree

Rs334
NEUTRAL

Valuations capture all

Mkt Cap: Rs13bn; US$332m

Company update

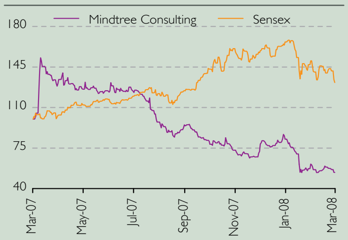
7 March 2008

BSE Sensex: 16542

Stock data

Bloomberg	MTCL IN
1-yr high/low (Rs)	1022/322
1-yr avg daily volumes (m)	0.04
Free Float (%)	64.6

Price performance



Performance (%)

	3-mth	6-mth	1-yr	3-yr
MindTree	(31.5)	-	-	-
Sensex	(16.2)	7.1	33.2	141.5

Ganesh Duvvuri
ganesh@idfcsski.com
91-22-6638 3358

Shreyash Devalkar
shreyash@idfcsski.com
91-22-6638 3311

MindTree Consulting (MindTree) has strong management with people-centric policies, as is evident in recent restructuring wherein existing top management has paved the way for middle management to assume a larger role. The company has not registered slowdown in demand in its key verticals and continues to get 5-6% billing rate increases from clients. However, revenue growth will be at risk in case clients decide to cut discretionary spending, as annuity based business contributes just 38% to revenues. At 12x FY09E earnings (13% earnings CAGR over FY08-10E), we believe concerns on the sector have to subside for the stock to perform. Maintain Neutral.

Demand outlook remains strong: The management claims to not have witnessed any demand slowdown in key areas of manufacturing, travel/ transportation and new technology. The company continues to witness a 5-6% billing rate increase from clients. Though some clients in the R&D area have delayed finalizing of budgets, MindTree is optimistic on offshoring trends.

Strong management; focus on reducing volatility: High proportion of project based revenues has imparted volatility to revenues and operating metrics. Notably, the contribution of annuity based revenues has increased to 38% in Q3FY08 from 27% a year ago. Contribution of development related work is down to 53% from 65% a year ago; development related work is susceptible to cancellation in case of cut in clients' budgets.

Limited downside post sharp correction; maintain Neutral: We expect 24% revenue CAGR and 13% earnings CAGR for MindTree over FY08-10. We have cut our FY09 and FY10 earnings by 3% on concerns over demand slowdown. Post a sharp correction in stock price, valuations of 12x FY09E earnings and 7x EV/EBITDA are reasonable. Though MindTree is a credible name in the midcap space given the superior quality of management, we prefer tier-1 peers on attractive valuations and their superior business model – maintain Neutral with a target price of Rs362.

Key valuation metrics

Year to 31 March	FY06	FY07	FY08E	FY09E	FY10E
Net sales (Rs m)	4,488	5,904	7,291	9,232	11,289
Adj. net profit (Rs m)	542	901	989	1,119	1,290
Adj. EPS (Rs)	17.3	27.7	25.3	27.9	32.1
% growth	*210.0*	*59.7*	*(8.8)*	*10.4*	*15.3*
PE (x)	19.2	12.0	13.2	12.0	10.4
Price/Book (x)	8.1	2.5	2.5	2.2	1.8
EV/EBITDA (x)	13.7	7.5	8.6	6.9	5.3
RoE (%)	69.6	31.9	20.7	19.7	19.2
RoCE (%)	31.4	25.6	16.8	18.6	20.8

Prices as on 4 March 2008

Earnings model

Year to Mar (Rs m)	FY06	FY07	FY08E	FY09E	FY10E
Net sales	**4,488**	**5,904**	**7,291**	**9,232**	**11,289**
% growth	*82.1*	*31.5*	*23.5*	*26.6*	*22.3*
Operating expenses	3,734	4,807	6,052	7,621	9,242
EBITDA	**754**	**1,096**	**1,239**	**1,610**	**2,048**
% growth	*204.3*	*45.4*	*13.0*	*29.9*	*27.2*
Other income	66	74	221	172	182
Net interest	(53)	(30)	(59)	(63)	0
Depreciation	209	244	336	462	648
Pre-tax profit	558	896	1,121	1,257	1,581
Current Tax	15	(5)	131	138	291
Profit after tax	**542**	**901**	**989**	**1,119**	**1,290**
Non-recurring items	-5	0	0	0	0
Net profit after non-recurring items	538	901	989	1,119	1,290
% growth	*201.0*	*67.5*	*9.8*	*13.1*	*15.3*

Balance sheet

Year to Mar (Rs m)	FY06	FY07	FY08E	FY09E	FY10E
Paid-up capital	59	378	378	378	378
Reserves & surplus	1,229	3,977	4,830	5,795	6,907
Total shareholders' equity	1,288	4,355	5,208	6,173	7,285
Total current liabilities	814	1,038	1,312	1,662	2,032
Total Debt	742	264	943	0	0
Total liabilities	1,556	1,301	2,256	1,662	2,032
Total equity & liabilities	**2,844**	**5,656**	**7,464**	**7,834**	**9,317**
Net fixed assets	389	699	1,588	2,309	2,753
Total current assets	2,456	4,910	5,827	5,476	6,514
Deferred tax assets	0	46	49	49	49
Working capital	1,641	3,873	4,514	3,814	4,482
Total assets	**2,844**	**5,656**	**7,464**	**7,834**	**9,317**

Cash flow statement

Year to Mar (Rs m)	FY06	FY07	FY08E	FY09E	FY10E
Pre-tax profit	558	896	1,121	1,257	1,581
Depreciation	209	244	336	462	648
chg in Working capital	(378)	(123)	(202)	(361)	(341)
Total tax paid	(15)	5	(131)	(138)	(291)
Ext ord. Items	(5)	-	-	-	-
Operating cash Inflow	369	1,022	1,123	1,220	1,598
Capital expenditure	(254)	(535)	(1,225)	(1,183)	(1,092)
Free cash flow (a+b)	115	487	(102)	37	506
Chg in investments	(198)	(1,603)	626	-	-
Debt raised/(repaid)	242	(478)	679	(943)	-
Capital raised/(repaid)	(650)	319	0	-	-
Dividend (incl. tax)	-	(79)	(136)	(154)	(178)
Misc	485	1,860	(3)	(0)	0
Net chg in cash	(7)	506	1,065	(1,061)	328

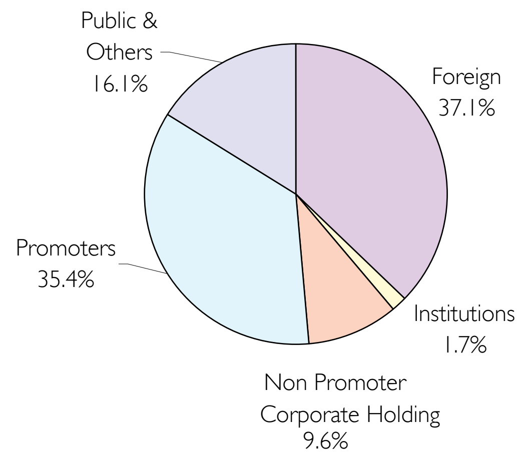
Key ratios

Year to Mar 31	FY06	FY07	FY08E	FY09E	FY10E
EBITDA margin (%)	16.8	18.6	17.0	17.4	18.1
EBIT margin (%)	12.1	14.4	12.4	12.4	12.4
PAT margin (%)	12.1	15.3	13.6	12.1	11.4
RoE (%)	69.6	31.9	20.7	19.7	19.2
RoCE (%)	31.4	25.6	16.8	18.6	20.8
Gearing (x)	0.6	0.1	0.2	0.0	0.0

Valuations

Year to Mar 31	FY06	FY07	FY08E	FY09E	FY10E
Reported EPS (Rs)	17.2	27.7	25.3	27.9	32.1
Adj. EPS (Rs)	17.3	27.7	25.3	27.9	32.1
PER (x)	19.2	12.0	13.2	12.0	10.4
Price/Book (x)	8.1	2.5	2.5	2.2	1.8
EV/Net sales (x)	2.3	1.4	1.5	1.2	1.0
EV/EBITDA (x)	13.7	7.5	8.6	6.9	5.3
EV/CE (x)	5.1	1.8	1.7	1.8	1.5

Shareholding pattern



As of December 2007

Company update

Mphasis

Parent 'thesis'

Rs220

OUTPERFORMER

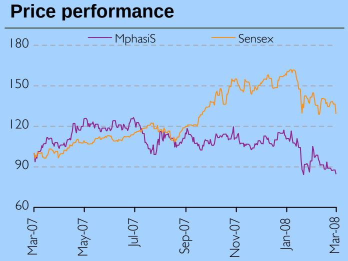
Mkt Cap: Rs46bn; US$1.1bn

7 March 2008

BSE Sensex: 16542

Stock data	
Reuters	BFLS.BO
Bloomberg	BFL IN
1-yr high/low (Rs)	340/200
1-yr avg daily volumes (m)	0.09
Free Float (%)	39.1

Price performance



Performance (%)

	3-mth	6-mth	1-yr	3-yr
Mphasis	(21.4)	(28.7)	(10.0)	(8.1)
Sensex	(16.2)	7.1	33.2	141.5

Ganesh Duvvuri
ganesh@idfcsski.com
91-22-6638 3358

Shreyash Devalkar
shreyash@idfcsski.com
91-22-6638 3311

Mphasis is witnessing strong growth supported by EDS, its parent. Order pipeline of USD1bn, executable over 3-5 years, provides good revenue visibility. Margin headwinds are expected to get cushioned by better slack management on longer duration contracts, SG&A leverage, improving profile of BPO business, work with EDS being on cost plus basis and higher billing rates on incremental work. We expect 22% earnings CAGR for Mphasis over FY08-10 – the highest among our IT services universe. We expect the stock to command a valuation premium over mid-cap peers owing to its parentage and expectation over EDS increasing stake in the company. At 12.8x FY09E earnings, Mphasis is our top pick among mid cap IT services companies.

Benefiting from its EDS parentage: Mphasis is witnessing strong growth in key business lines; applications (66% in Q3FY08), ITO (12%) and BPO. Revenues from EDS channel (54% in Q3FY08) saw 19% CQGR in the last two quarters, though non-EDS revenues remained flat. The company is not encountering any impact on demand in any of its verticals, while billing rates are expected to increase. In YTD FY08, manpower in applications, BPO and ITO business is up 53%, 43% and 122% yoy respectively.

Investing to scale up: Mphasis is investing heavily into future growth in bench and infrastructure. Utilization has dropped to 68% from 81% a year ago, as the company is building up to execute a strong order position (8,000-10,000 people expected to be added in CY08 vs. 9,200 adds in CY07; +34% yoy). The company has appointed a new Chairman, CEO and CFO during Jan-Feb 2008 and plans to invest in strengthening its sales engine. Despite flattish SG&A expenses as percent of revenues, margins are likely to expand owing to higher billing rates, better slack management and EDS work being on cost plus basis.

Valuation premium over mid-cap peers expected to be maintained: With $1bn of order backlog executable over 3-5 years, Mphasis offers good revenue visibility, which is lacking in tier-2 companies. While we cut our FY09E and FY10E earnings by 7-10%, we see 22% earnings CAGR over FY08-10. We expect the stock to command premium valuations vis-à-vis mid-cap peers (12.8x FY09E earnings) owing to EDS parentage. Maintain out performer with target price of Rs275.

Key valuation metrics

Year to 31 March	FY06	FY07	FY08E	FY09E	FY10E
Net sales (Rs m)	9,401	17,606	24,549	32,434	40,736
Adj. net profit (Rs m)	1,497	1,801	2,681	3,580	3,964
Adj. EPS (Rs)	9.3	8.6	12.9	17.2	19.0
% growth	*134.6*	*(7.1)*	*49.0*	*33.5*	*10.7*
PE (x)	23.7	25.5	17.1	12.8	11.6
Price/Book (x)	5.4	4.6	3.9	3.3	2.8
EV/EBITDA (x)	17.4	14.4	10.0	7.5	5.9
RoE (%)	23.0	21.6	24.6	28.1	26.5
RoCE (%)	22.3	24.4	27.7	31.2	32.5

Prices as on 4 March 2008

P&L

Year to Mar (Rs m)	FY06	FY07	FY08E	FY09E	FY10E
Net sales	**9,401**	**17,606**	**24,549**	**32,434**	**40,736**
% growth	*22.8*	*87.3*	*39.4*	*32.1*	*25.6*
Operating expenses	7,423	14,546	20,110	26,495	33,420
EBITDA	**1,978**	**3,060**	**4,439**	**5,939**	**7,316**
% growth	*40.1*	*54.7*	*45.1*	*33.8*	*23.2*
Other income	94	(2)	4	0	0
Net interest	2	75	98	74	110
Depreciation	519	1,017	1,413	1,946	2,444
Pre-tax profit	1,555	1,983	2,868	4,068	4,981
Current Tax	58	182	187	488	1,017
Profit after tax	**1,497**	**1,801**	**2,681**	**3,580**	**3,964**
Net profit after non-recurring items	1,497	1,801	2,681	3,580	3,964
% growth	*20.2*	*20.3*	*48.9*	*33.5*	*10.7*

Balance sheet

Year to Mar (Rs m)	FY06	FY07	FY08E	FY09E	FY10E
Paid-up capital	1,610	2,082	2,087	2,087	2,087
Reserves & surplus	4,996	8,003	9,586	11,700	14,041
Total shareholders' equity	6,606	10,085	11,673	13,787	16,128
Total current liabilities	1,407	2,915	3,362	4,829	5,778
Total Debt	37	28	50	50	50
Total liabilities	1,444	2,944	3,412	4,879	5,828
Total equity & liabilities	**8,050**	**13,029**	**15,085**	**18,666**	**21,956**
Net fixed assets	1,455	2,518	3,487	3,541	3,597
Total current assets	3,752	7,622	8,637	12,114	15,348
Deferred tax assets	167	177	250	300	300
Other non-current assets	2,676	2,710	2,710	2,710	2,710
Working capital	2,345	4,707	5,275	7,285	9,570
Total assets	**8,050**	**13,029**	**15,085**	**18,666**	**21,956**

Cash flow statement

Year to Mar (Rs m)	FY06	FY07	FY08E	FY09E	FY10E
Pre-tax profit	1,555	1,983	2,868	4,068	4,981
Depreciation	519	1,017	1,413	1,946	2,444
chg in Working capital	(706)	(1,459)	(1,083)	(1,786)	(1,098)
Total tax paid	(58)	(182)	(187)	(488)	(1,017)
Ext ord. Items	-	-	-	-	-
Operating cash Inflow	1,309	1,359	3,011	3,740	5,310
Capital expenditure	(605)	(2,756)	(2,300)	(2,000)	(2,500)
Free cash flow (a+b)	705	(1,397)	711	1,740	2,810
Chg in investments	-	-	-	-	-
Debt raised/(repaid)	(9)	(8)	22	-	-
Capital raised/(repaid)	(475)	(694)	5	-	-
Dividend (incl. tax)	(555)	(579)	(734)	(1,466)	(1,623)
Misc	369	3,582	(518)	(50)	(0)
Net chg in cash	34	904	(515)	224	1,187

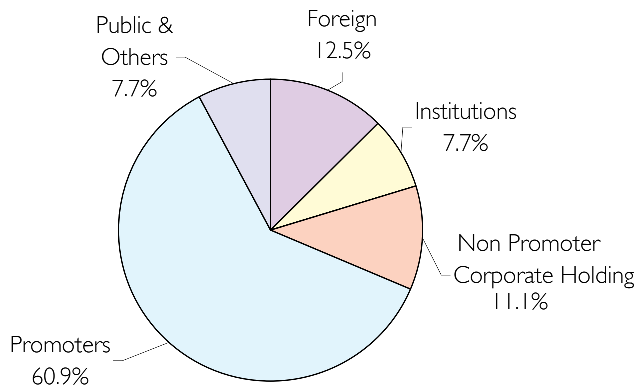
Key ratios

Year to Mar 31	FY06	FY07	FY08E	FY09E	FY10E
EBITDA margin (%)	21.0	17.4	18.1	18.3	18.0
EBIT margin (%)	15.5	11.6	12.3	12.3	12.0
PAT margin (%)	15.9	10.2	10.9	11.0	9.7
RoE (%)	23.0	21.6	24.6	28.1	26.5
RoCE (%)	22.3	24.4	27.7	31.2	32.5
Gearing (x)	0.0	0.0	0.0	0.0	0.0

Valuations

Year to Mar 31	FY06	FY07	FY08E	FY09E	FY10E
Reported EPS (Rs)	9.3	8.6	12.9	17.2	19.0
Adj. EPS (Rs)	9.3	8.6	12.9	17.2	19.0
PER (x)	23.7	25.5	17.1	12.8	11.6
Price/Book (x)	5.4	4.6	3.9	3.3	2.8
EV/Net sales (x)	3.7	2.5	1.8	1.4	1.1
EV/EBITDA (x)	17.4	14.4	10.0	7.5	5.9
EV/CE (x)	5.2	4.4	3.8	3.2	2.7

Shareholding pattern



As of December 2007

Patni Computers

Rs225

UNDERPERFORMER

No recovery in sight

Mkt Cap: Rs32bn; US$793m

Company update

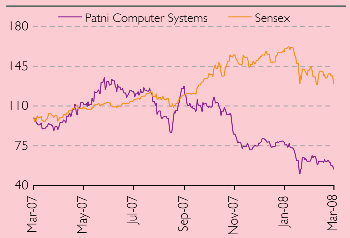
7 March 2008

BSE Sensex: 16542

Stock data

Reuters	PTNI.BO
Bloomberg	PATNI IN
1-yr high/low (Rs)	599/170
1-yr avg daily volumes (m)	0.45
Free Float (%)	56.1

Price performance



Performance (%)

	3-mth	6-mth	1-yr	3-yr
Patni Comp	(31.2)	(55.5)	(44.9)	(39.6)
Sensex	(16.2)	7.1	33.2	141.5

Ganesh Duvvuri
ganesh@idfcsski.com
91-22-6638 3358

Shreyash Devalkar
shreyash@idfcsski.com
91-22-6638 3311

Patni Computers (Patni) had to grapple with ramp-down from AT&T (the largest client) and a few US clients in the MVNO segment in CY07. Adjusting for this, organic revenue growth was 18% yoy. While in CY07 focus was on cutting cost and improving efficiency, Patni is now seeking revenue growth and results would likely be visible from 2HCY08, as per the company. We see 9% yoy earnings decline in CY08 as Patni would find it difficult to defend margins due to lack of volume traction. Patni has announced a buy back offer of shares @ Rs325 per share for a total purchase of up to US $65m. At 7.5x CY08E earnings, valuations discount the worst in the business; we would be closely tracking any signs of improvement. Maintain Underperformer.

CY07 growth hit by client ramp-downs: Patni has reported 15% revenue growth in USD terms for CY07, subdued due to ramp-down in its top account (AT&T) in Q1CY07 and lower business from some other clients in the MVNO segment in the US. Adjusting for this impact and acquisitions, organic revenues would have grown by 18%, which is below the industry growth rate.

Focus shifting from cost cutting to revenue growth: Patni strived to cut costs in CY07 – SG&A was down 5% yoy in absolute terms (to 16.7% of revenues, by 140bp yoy). The company claims that focus has now shifted to growing the business through active account mining and new client acquisitions, and expects the benefits to be visible from 2HCY08.

Limited downside but no immediate triggers in sight: We believe muted growth in the last two quarters and just 1.1% qoq growth guidance for Q1CY08 have lowered street expectations. Also, hopes of a change in promoter have come to naught. Thus, we see little scope of disappointment and hence limited downside. But in the absence of triggers in the medium term, we would closely monitor the developments for the desired turnaround before upgrading our recommendation on the stock. Maintain underperformer with a target price of Rs239.

Key valuation metrics

Year to 31 Dec	CY06	CY07	CY08E	CY09E
Net sales	26,112	26,950	29,584	33,725
Adj. net profit	2,654	4,643	4,250	4,605
Adj. EPS (Rs)	25.6	33.0	29.9	32.1
% growth	*16.8*	*28.9*	*(9.4)*	*7.3*
PE (x)	8.8	6.8	7.5	7.0
Price/Book (x)	1.4	1.2	1.1	0.9
EV/EBITDA (x)	3.8	2.2	2.7	2.0
RoE (%)	16.7	18.8	14.9	14.3
RoCE (%)	18.5	15.0	13.1	13.2

Prices as on 4 March, 2008

P&L

Year to Dec (Rs m)	CY06	CY07	CY08E	CY09E
Net sales	**26,112**	**26,950**	**29,584**	**33,725**
% growth	*29.0*	*3.2*	*9.8*	*14.0*
Operating expenses	21,211	22,119	24,417	27,914
EBITDA	**4,901**	**4,831**	**5,167**	**5,811**
% growth	*24.8*	*(1.4)*	*6.9*	*12.5*
Other income	442	1,638	1,076	1,329
Depreciation	848	937	1,183	1,349
Pre-tax profit	4,495	5,533	5,060	5,791
Current Tax	927	890	810	1,187
Profit after tax	**3,568**	**4,643**	**4,250**	**4,605**
Non-recurring items	(913)	0	0	0
Net profit after non-recurring items	2,654	4,643	4,250	4,605
% growth	*(3.0)*	*74.9*	*-8.5*	*8.3*

Balance sheet

Year to Dec (Rs m)	CY06	CY07	CY08E	CY09E
Paid-up capital	274	274	274	274
Reserves & surplus	22,160	26,563	30,086	33,903
Total shareholders' equity	22,434	26,837	30,360	34,177
Total current liabilities	5,271	4,383	5,541	6,632
Total Debt	0	0	0	0
Deferred tax liabilities	541	1,960	1,568	1,255
Total liabilities	5,811	6,343	7,109	7,887
Total equity & liabilities	**28,245**	**33,180**	**37,469**	**42,064**
Net fixed assets	5,547	6,740	8,057	9,708
Total current assets	19,858	26,377	23,935	26,879
Other non-current assets	2,840	5,477	5,477	5,477
Working capital	14,587	21,994	18,394	20,247
Total assets	**28,245**	**38,595**	**37,469**	**42,064**

Cash flow statement

Year to Dec (Rs m)	CY06	CY07	CY08E	CY09E
Pre-tax profit	4,495	5,533	5,060	5,791
Depreciation	848	937	1,183	1,349
chg in Working capital	(1,415)	(148)	898	297
Total tax paid	(927)	(890)	(810)	(1,187)
Ext ord. Items	(913)	-	-	-
Operating cash Inflow	2,087	5,431	6,332	6,251
Capital expenditure	(2,259)	(2,130)	(2,500)	(3,000)
Free cash flow (a+b)	(173)	3,302	3,832	3,251
Chg in investments	6,373	-	-	-
Debt raised/(repaid)	(19)	-	-	-
Capital raised/(repaid)	-	(13,450)	-	-
Dividend (incl. tax)	(454)	(794)	(727)	(788)
Misc	352	13,723	(392)	(314)
Net chg in cash	6,079	2,780	2,713	2,149

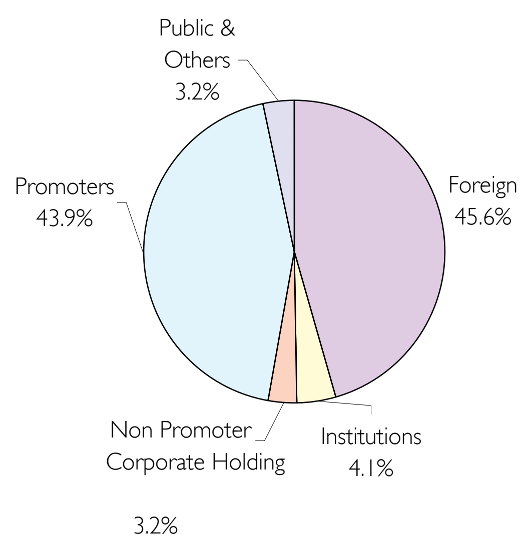
Key ratios

Year to Dec 31	CY06	CY07	CY08E	CY09E
EBITDA margin (%)	18.8	17.9	17.5	17.2
EBIT margin (%)	15.5	14.5	13.5	13.2
PAT margin (%)	13.7	17.2	14.4	13.7
RoE (%)	16.7	18.8	14.9	14.3
RoCE (%)	18.5	15.0	13.1	13.2
Gearing (x)	0.0	0.0	0.0	0.0

Valuations

Year to Dec 31	CY06	CY07	CY08E	CY09E
Reported EPS (Rs)	19.0	33.0	29.9	32.1
Adj. EPS (Rs)	25.6	33.0	29.9	32.1
PER (x)	8.8	6.8	7.5	7.0
Price/Book (x)	1.4	1.2	1.1	0.9
EV/Net sales (x)	0.7	0.4	0.5	0.4
EV/EBITDA (x)	3.8	2.2	2.7	2.0
EV/CE (x)	0.8	0.4	0.4	0.3

Shareholding pattern



As of December 2007

Sasken

Rs118
NEUTRAL

Hope and despair

Mkt Cap: Rs3.4bn; US$83m

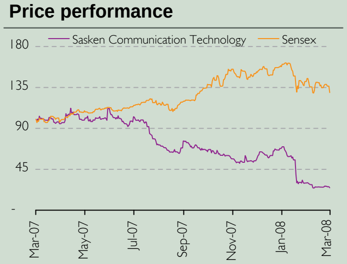
7 March 2008

BSE Sensex: 16542

Stock data

Reuters	SKCT.BO
Bloomberg	SACT IN
1-yr high/low (Rs)	584/117
1-yr avg daily volumes (m)	0.09
Free Float (%)	73.7

Price performance



Performance (%)

	3-mth	6-mth	1-yr	3-yr
Sasken	(60.6)	(68.6)	(75.9)	-
Sensex	(16.2)	7.1	33.2	141.5

Ganesh Duvvuri
ganesh@idfcsski.com
91-22-6638 3358

Shreyash Devalkar
shreyash@idfcsski.com
91-22-6638 3311

Company update

Sasken Communications (Sasken) has disappointed by indicating that its E-series (high volume) product cannot take off due to pricing pressure in China. Moreover, products division – contrary to street expectations – is unlikely to break even at EBITDA level in FY08. In the services division, softness in network equipment manufacturing segment (40-50% of revenues) persists and margins are under pressure. Earnings would likely decline by 27% yoy in FY08. We expect 14% earnings growth in FY09 with limited visibility. At 9.1x FY09E earnings, valuations appear low but we do not see any triggers for the stock to perform in the near term. Downgrade to Neutral.

Products unlikely to deliver on expectations: In its Q3FY08 earnings call, the management indicated that Sasken would find it difficult to displace Chinese competitors on pricing for its high-volume E-series product line (Lenovo has decided not to ship models carrying Sasken's E-series product). However, M-series and S-series would be EBITDA positive for FY08. Notably, there have been no additional design-ins/ design-wins in Q3FY08.

Sluggishness persists in services business: Sasken is still grappling with sluggish growth in network equipment manufacturing (40-50% of revenues). But handsets and semiconductor silicon businesses are growing rapidly. Margins (15% in Q3FY08) have been hit due to inability to hike prices, muted revenue growth and higher share of offshore (64%). Sasken is considering acquisition of Nokia's Germany-based division (30-40 people) handling connectivity software.

Downgrade to Neutral: Earnings are likely to decline by 27% yoy in FY08. We are cutting our earnings estimates by 8% for FY09 and 13% for FY10 on disappointment in products business. Though valuations of 9.1x FY09E earnings appear inexpensive, we downgrade Sasken to Neutral (price target of Rs130) due to sluggishness in services business and lack of revenue visibility in products business.

Key valuation metrics

Year to 31 March	FY06	FY07	FY08E	FY09E	FY10E
Net profit	297	443	325	371	371
Adj. net profit	229	443	325	371	371
Adj. EPS (Rs)	10.6	15.6	11.4	13.0	13.0
% growth	(21.3)	47.0	(27.0)	14.0	0.1
PE (x)	11.1	7.5	10.3	9.1	9.1
Price/Book (x)	0.9	0.8	0.8	0.7	0.7
EV/EBITDA (x)	2.7	4.7	4.6	3.7	2.9
RoE (%)	11.3	11.0	7.5	8.1	7.7
RoCE (%)	11.4	10.9	5.1	6.3	9.2

Prices as on 4 March 2008

P&L

Year to Mar (Rs m)	FY06	FY07	FY08E	FY09E	FY10E
Net sales	**3,081**	**4,771**	**5,557**	**6,150**	**6,718**
% growth	*27.4*	*54.8*	*16.5*	*10.7*	*9.2*
Operating expenses	2,599	4,014	4,870	5,351	5,737
EBITDA	**482**	**758**	**687**	**799**	**981**
% growth	*35.7*	*57.2*	*(9.3)*	*16.4*	*22.8*
Other income	62	58	40	68	68
Net interest	(1)	(45)	(44)	(32)	(31)
Depreciation	179	267	419	464	492
Pre-tax profit	365	543	473	491	605
Current Tax	69	101	147	120	234
Profit after tax	**297**	**443**	**325**	**371**	**371**
Non-recurring items	(68)	0	0	0	0
Net profit after non-recurring items	229	443	325	371	371
% growth	*0.6*	*93.2*	*(26.5)*	*14.0*	*0.1*

Balance sheet

Year to Mar (Rs m)	FY06	FY07	FY08E	FY09E	FY10E
Paid-up capital	279	285	293	293	293
Reserves & surplus	3,571	3,933	4,171	4,415	4,659
Total shareholders' equity	3,850	4,218	4,464	4,708	4,952
Total current liabilities	381	778	761	842	920
Total Debt	12	919	896	518	424
Total liabilities	392	1,696	1,657	1,361	1,344
Total equity & liabilities	**4,243**	**5,915**	**6,121**	**6,069**	**6,296**
Net fixed assets	1,011	2,996	3,075	3,086	3,220
Total current assets	3,089	2,586	2,762	2,764	2,980
Other non-current assets	141	333	284	219	96
Working capital	2,708	1,808	2,001	1,921	2,060
Total assets	**4,243**	**5,915**	**6,121**	**6,069**	**6,296**

Cash flow statement

Year to Mar (Rs m)	FY06	FY07	FY08E	FY09E	FY10E
Pre-tax profit	365	543	473	491	605
Depreciation	179	267	419	464	492
chg in Working capital	(250)	(399)	191	(121)	(139)
Total tax paid	(69)	(101)	(147)	(120)	(234)
Operating cash Inflow	158	311	936	714	725
Capital expenditure	(454)	(2,443)	(450)	(409)	(627)
Free cash flow (a+b)	(296)	(2,132)	486	305	98
Debt raised/(repaid)	(3)	907	(23)	(378)	(95)
Capital raised/(repaid)	2,297	6	8	-	-
Dividend (incl. tax)	(96)	(130)	(111)	(127)	(127)
Misc	(0)	50	23	0	123
Net chg in cash	1,902	(1,298)	383	(200)	(0)

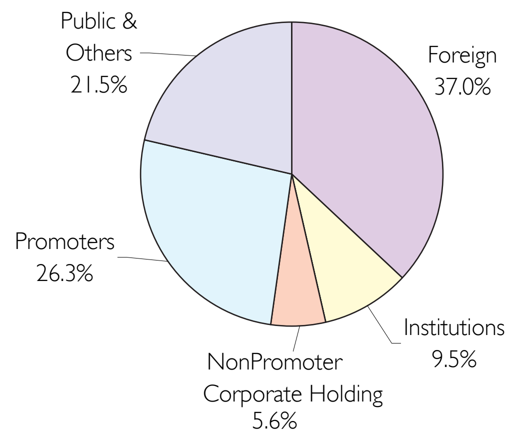
Key ratios

Year to Mar 31	FY06	FY07	FY08E	FY09E	FY10E
EBITDA margin (%)	15.6	15.9	12.4	13.0	14.6
EBIT margin (%)	9.8	10.3	4.8	5.5	7.3
PAT margin (%)	9.6	9.3	5.9	6.0	5.5
RoE (%)	11.3	11.0	7.5	8.1	7.7
RoCE (%)	11.4	10.9	5.1	6.3	9.2
Gearing (x)	(0.5)	0.0	(0.0)	(0.1)	(0.1)

Valuations

Year to Mar 31	FY06	FY07	FY08E	FY09E	FY10E
Reported EPS (Rs)	8.2	15.6	11.4	13.0	13.0
Adj. EPS (Rs)	10.6	15.6	11.4	13.0	13.0
PER (x)	11.1	7.5	10.3	9.1	9.1
Price/Book (x)	0.9	0.8	0.8	0.7	0.7
EV/Net sales (x)	0.4	0.7	0.6	0.5	0.4
EV/EBITDA (x)	2.7	4.7	4.6	3.7	2.9
EV/CE (x)	0.3	0.7	0.6	0.6	0.5

Shareholding pattern



As of December 2007

Satyam Computers

Rs407

OUTPERFORMER

'No discount' sale

Mkt Cap: Rs283bn; US$7bn

Company update

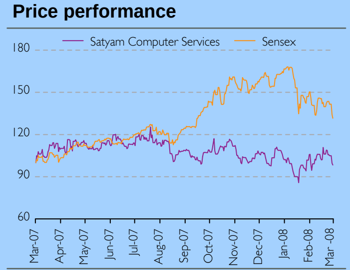
7 March 2008

BSE Sensex: 16542

Stock data

Reuters	SATY.BO
Bloomberg	SCS IN
1-yr high/low (Rs)	522/305
1-yr avg daily volumes (m)	0.53
Free Float (%)	91.2

Price performance



Performance (%)

	3-mth	6-mth	1-yr	3-yr
Satyam	(1.1)	(3.3)	4.9	115.7
Sensex	(16.2)	7.1	33.2	141.5

Ganesh Duvvuri
ganesh@idfcsski.com
91-22-6638 3358

Shreyash Devalkar
shreyash@idfcsski.com
91-22-6638 3311

Satyam Computers (Satyam) is expected to gain volume market share from 14.5% in FY04 to 17.5% in FY08 among peer group (TCS, Infosys and Wipro). In our view, the package implementation work profile tilts towards maintenance rather than implementation, which implies limited impact of any cut in discretionary spending. We believe Satyam has pulled most of its operational levers to limit the margin decline. While investor perception of Satyam has changed (discount to Infosys down to 11%) led by high volume growth, superior earnings growth could trigger a further e-rating. We expect Satyam to guide to 28% revenue growth and 25% earnings growth for FY09, i.e. an EPS of Rs31.5 (consensus forecast of Rs30.6). At 12.9x FY09E earnings, Satyam is our key pick in the sector.

Scope to increase wallet share: Satyam has gained volume market share and demonstrated superior revenue growth despite lower pricing hikes. It has bagged large deals from top accounts and managed to deliver superior growth. We see ample scope to increase wallet share among existing clients given that it billed only $105m from its largest client in the last one year.

Impressive margin performance: Satyam guided to stable margins for FY08, which built in ~4% rupee appreciation. However, EBITDA margins would decline by 200bp due to a further 7% appreciation in rupee. Satyam's scale-up is commendable – besides focusing on volume growth, it has also improved execution capabilities (margin decline restricted by increasing offshore revenue share and optimum utilization levels).

Guidance could beat consensus estimates: Satyam has finally been rewarded for consistent performance and volume market share gains. Its ADR trades at a premium to Infosys, while the discount on local bourses too is down to 11%. In our view, Satyam could guide to 28% revenue growth and 25% earnings growth (EPS of Rs31.5 vs. consensus estimate of Rs30.5) for FY09. We are raising our earnings estimates by 3.6% for FY09 and 5.9% for FY10 due to confidence on margins. Satyam is our key pick in the sector with a price target of Rs567.

Key valuation metrics

Year to 31 March	FY06	FY07	FY08E	FY09E	FY10E
Net sales	47,926	64,851	84,313	110,322	135,578
Adj. Net profit	11,427	14,047	17,431	21,877	23,070
Adj. EPS (Rs)	14.7	20.8	25.5	31.5	32.7
% growth	*35.0*	*41.8*	*22.3*	*23.6*	*3.9*
PER (x)	27.8	19.6	16.0	12.9	12.5
Price/Book (x)	6.3	4.8	3.9	3.2	2.8
EV/EBITDA (x)	20.8	15.4	12.5	9.5	7.9
RoE (%)	26.1	27.9	27.1	27.4	24.0
RoCE (%)	26.9	26.9	25.9	27.1	26.2

Prices as on 4 March 2008

P&L

Year to Mar (Rs m)	FY06	FY07	FY08E	FY09E	FY10E
Net sales	**47,926**	**64,851**	**84,313**	**110,322**	**135,578**
% growth	*36.1*	*35.3*	*30.0*	*30.8*	*22.9*
Operating expenses	36,264	49,474	65,798	86,490	107,575
EBITDA	**11,662**	**15,377**	**18,514**	**23,832**	**28,002**
% growth	*34.3*	*31.9*	*20.4*	*28.7*	*17.5*
Other income	1,167	1,833	3,145	3,425	4,066
Net interest	(56)	(159)	(199)	(224)	0
Depreciation	1,373	1,484	1,665	2,206	2,802
Pre-tax profit	11,328	15,566	19,796	24,828	29,267
Current Tax	1,509	1,520	2,364	2,951	6,197
Profit after tax	**9,819**	**14,046**	**17,431**	**21,877**	**23,070**
Minorities	42	0	0	0	0
Non-recurring items	1,598	0	0	0	0
Net profit after non-recurring items	11,427	14,047	17,431	21,877	23,070
% growth	*60.6*	*22.9*	*24.1*	*25.5*	*5.5*

Balance sheet

Year to Mar (Rs m)	FY06	FY07	FY08E	FY09E	FY10E
Paid-up capital	1,559	1,789	1,789	1,789	1,789
Reserves & surplus	41,614	55,737	69,259	86,673	102,177
Total shareholders' equity	43,214	57,526	71,049	88,462	103,967
Total current liabilities	7,130	9,947	12,252	15,528	19,049
Total Debt	1,027	1,479	99	0	0
Total liabilities	8,157	11,425	12,351	15,528	19,049
Total equity & liabilities	**51,371**	**68,951**	**83,400**	**103,990**	**123,016**
Net fixed assets	5,573	8,223	10,759	14,553	17,751
Total current assets	45,799	60,728	72,641	89,438	105,265
Working capital	38,669	50,781	60,389	73,909	86,216
Total assets	**51,371**	**68,951**	**83,400**	**103,990**	**123,016**

Cash flow statement

Year to Mar (Rs m)	FY06	FY07	FY08E	FY09E	FY10E
Pre-tax profit	11,328	15,566	19,796	24,828	29,267
Depreciation	1,373	1,484	1,665	2,206	2,802
chg in Working capital	(2,865)	(3,315)	(1,274)	(4,363)	(4,255)
Total tax paid	(1,509)	(1,520)	(2,364)	(2,951)	(6,197)
Ext ord. Items	1,598	-	-	-	-
Operating cash Inflow	9,925	12,215	17,822	19,719	21,617
Capital expenditure	(3,951)	(4,097)	(4,200)	(6,000)	(6,000)
Free cash flow (a+b)	5,974	8,118	13,622	13,719	15,617
Chg in investments	712	-	-	-	-
Debt raised/(repaid)	928	452	(1,380)	(99)	-
Capital raised/(repaid)	(7,984)	291	-	-	-
Dividend (incl. tax)	(2,603)	(2,700)	(3,909)	(4,463)	(7,565)
Misc	10,458	2,636	(0)	-	(0)
Net chg in cash	7,484	8,797	8,333	9,157	8,052

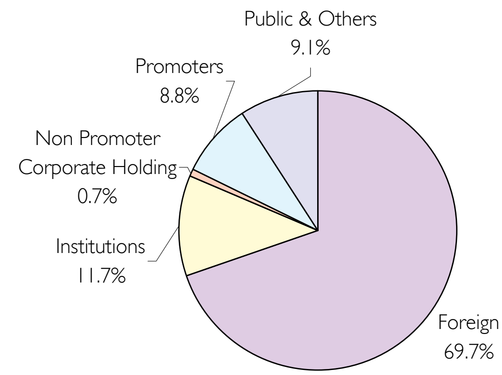
Key ratios

Year to Mar 31	FY06	FY07	FY08E	FY09E	FY10E
EBITDA margin (%)	24.3	23.7	22.0	21.6	20.7
EBIT margin (%)	21.5	21.4	20.0	19.6	18.6
PAT margin (%)	20.5	21.7	20.7	19.8	17.0
RoE (%)	26.1	27.9	27.1	27.4	24.0
RoCE (%)	26.9	26.9	25.9	27.1	26.2
Gearing (x)	0.0	0.0	0.0	0.0	0.0

Valuations

Year to Mar 31	FY06	FY07	FY08E	FY09E	FY10E
Reported EPS (Rs)	17.1	20.8	25.5	31.5	32.7
Adj. EPS (Rs)	14.7	20.8	25.5	31.5	32.7
PER (x)	27.8	19.6	16.0	12.9	12.5
Price/Book (x)	6.3	4.8	3.9	3.2	2.8
EV/Net sales (x)	5.1	3.6	2.7	2.0	1.6
EV/EBITDA (x)	20.8	15.4	12.5	9.5	7.9
EV/CE (x)	5.5	4.0	3.2	2.6	2.1

Shareholding pattern



As of December 2007

TCS

Rs859

OUTPERFORMER

Minor hiccups

Mkt Cap: Rs841bn; US$20.8bn

Company update

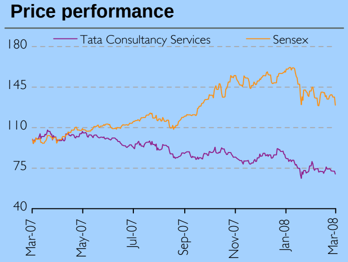
7 March 2008

BSE Sensex: 16542

Stock data

Reuters	TCS.BO
Bloomberg	TCS IN
1-yr high/low (Rs)	1330/730
1-yr avg daily volumes (m)	0.25
Free Float (%)	22.2

Price performance



Performance (%)

	3-mth	6-mth	1-yr	3-yr
TCS	(15.2)	(18.4)	(24.7)	25.8
Sensex	(16.2)	7.1	33.2	141.5

Ganesh Duvvuri
ganesh@idfcsski.com
91-22-6638 3358

Shreyash Devalkar
shreyash@idfcsski.com
91-22-6638 3311

TCS has won nine large deals in the last six quarters including its largest win ($1.2bn deal from The Nielsen Company), which has improved its volume and earnings market share. Given TCS's high exposure to financial services vertical, it has tempered investor expectations on pricing. But pricing continues to improve from clients in other verticals. We expect TCS's large-deal market share to grow, which lends high revenue visibility. According to TCS, two Wall Street clients (among its top 15) have delayed certain projects. Recent commentary from the company hints at delayed ramp up in large deals even as the pipeline keeps growing, both in number and value. At 14.3x FY09E earnings, we reiterate Outperformer.

Improving market share in large deals: TCS has won nine large deals in the last six quarters including its largest win (a $1.2bn 10-year deal from The Nielsen Company). Notably, the wins are geographically diversified. Given its win rate, TCS would qualify for more large deals, which implies higher probability of bagging larger deals. In case of a slowdown, these large deals lend visibility even though ramp ups could be delayed for a while.

Efficient execution needed to limit margin decline: TCS expected to receive a 3-5% pricing increase from existing clients and 8-9% hike from new clients. However, given its relatively higher exposure to the financial services sector, pricing increases are likely to be lower. As TCS operates at near-optimum utilization level, it would have to increase offshore delivery and eke out efficiencies in execution to limit the margin decline.

Impressive operational performance; Outperformer: TCS, since its IPO in 2004, has surprised the street with strong operational performance (volume market share maintained and earnings market share improved in last three years). Recently, commentary from TCS has been cautious and near-term growth could be impacted due to delay in decision making. But the company offers high revenue visibility on the back of large deals. At 14.3x FY09E earnings, valuations are attractive. Reiterate Outperformer with a price target of Rs1,084.

Key valuation metrics

Year to 31 March	FY06	FY07	FY08E	FY09E	FY10E
Net sales	132,454	186,334	230,456	285,968	349,930
Adj. net profit	29,074	41,315	50,498	58,971	63,332
Adj. EPS (Rs)	29.7	42.2	51.6	60.2	64.7
% growth	*21.0*	*42.0*	*22.2*	*16.8*	*7.4*
PE (x)	28.9	20.3	16.6	14.3	13.3
Price/Book (x)	14.0	9.2	6.4	4.7	3.6
EV/EBITDA (x)	22.7	16.5	13.4	10.8	8.8
RoE (%)	60.2	54.5	45.3	38.0	30.9
RoCE (%)	66.9	57.4	47.1	41.2	36.2

Prices as on 4 March 2008

Earnings model

Year to Mar (Rs m)	FY06	FY07	FY08E	FY09E	FY10E
Net sales	**132,454**	**186,334**	**230,456**	**285,968**	**349,930**
% growth	*36.2*	*40.7*	*23.7*	*24.1*	*22.4*
Operating expenses	95,508	135,592	170,064	214,118	265,327
EBITDA	**36,946**	**50,742**	**60,392**	**71,850**	**84,603**
% growth	*29.6*	*37.3*	*19.0*	*19.0*	*17.8*
Other income	190	1,943	4,229	4,389	6,082
Depreciation	2,810	4,296	5,754	7,149	9,813
Pre-tax profit	34,343	48,433	58,918	69,147	80,939
Current Tax	4,989	6,700	7,962	9,673	17,052
Profit after tax	**29,353**	**41,732**	**50,956**	**59,475**	**63,887**
Minorities	1,564	2,121	2,121	2,121	2,121
Non-recurring items	(243)	0	0	0	0
Net profit after non-recurring items	28,831	41,315	50,498	58,971	63,332
% growth	*40.5*	*43.3*	*22.2*	*16.8*	*7.4*

Balance sheet

Year to Mar (Rs m)	FY06	FY07	FY08E	FY09E	FY10E
Paid-up capital	489	979	979	979	979
Reserves & surplus	57,919	88,682	128,002	175,793	227,947
Total shareholders' equity	59,971	91,782	131,101	178,893	231,046
Total current liabilities	22,726	31,604	39,505	47,406	56,887
Total Debt	979	5,032	0	0	0
Other non-current liabilities	1,949	2,170	1,953	1,758	1,582
Total liabilities	25,654	38,806	41,458	49,164	58,469
Total equity & liabilities	**85,626**	**130,588**	**172,559**	**228,057**	**289,515**
Net fixed assets	15,072	22,912	29,159	32,009	37,197
Investments	7,086	12,711	8,000	8,000	8,000
Total current assets	49,600	73,707	113,432	165,296	220,708
Other non-current assets	13,868	21,258	21,969	22,751	23,611
Working capital	26,874	42,103	73,927	117,890	163,821
Total assets	**85,626**	**130,588**	**172,559**	**228,057**	**289,515**

Cash flow statement

Year to Mar (Rs m)	FY06	FY07	FY08E	FY09E	FY10E
Pre-tax profit	34,343	48,433	58,918	69,147	80,939
Depreciation	2,810	4,296	5,754	7,149	9,813
chg in Working capital	(6,852)	(9,975)	(9,062)	(13,000)	(15,423)
Total tax paid	(4,989)	(6,700)	(7,962)	(9,673)	(17,052)
Ext ord. Items	(243)	-	-	-	-
Operating cash Inflow	25,068	36,053	47,649	53,624	58,277
Capital expenditure	(6,501)	(7,043)	(12,000)	(10,000)	(15,000)
Free cash flow (a+b)	18,567	29,010	35,649	43,624	43,277
Chg in investments	(2,330)	(5,393)	4,761	58	67
Debt raised/(repaid)	(1,159)	4,053	(5,032)	-	-
Capital raised/(repaid)	3,287	489	-	-	-
Dividend (incl. tax)	(7,543)	(10,061)	(11,179)	(11,179)	(11,179)
Misc	(9,635)	(10,943)	(509)	(562)	(621)
Net chg in cash	1,187	7,155	23,690	31,941	31,543

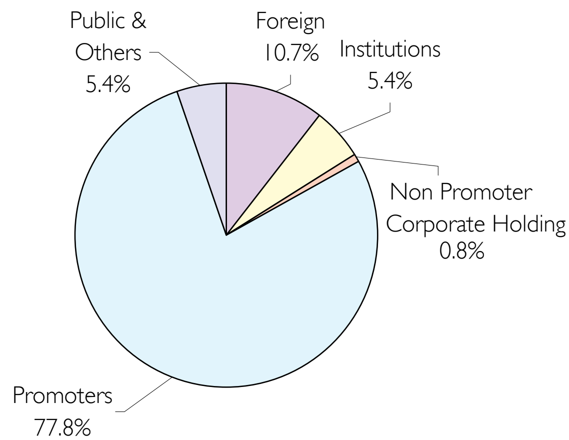
Key ratios

Year to Mar 31	FY06	FY07	FY08E	FY09E	FY10E
EBITDA margin (%)	27.9	27.2	26.2	25.1	24.2
EBIT margin (%)	25.8	24.9	23.7	22.6	21.4
PAT margin (%)	22.0	22.2	21.9	20.6	18.1
RoE (%)	60.2	54.5	45.3	38.0	30.9
RoCE (%)	66.9	57.4	47.1	41.2	36.2
Gearing (x)	0.0	0.1	0.0	0.0	0.0

Valuations

Year to Mar 31	FY06	FY07	FY08E	FY09E	FY10E
Reported EPS (Rs)	29.5	42.2	51.6	60.2	64.7
Adj. EPS (Rs)	29.7	42.2	51.6	60.2	64.7
PER (x)	28.9	20.3	16.6	14.3	13.3
Price/Book (x)	14.0	9.2	6.4	4.7	3.6
EV/Net sales (x)	6.3	4.5	3.5	2.7	2.1
EV/EBITDA (x)	22.7	16.5	13.4	10.8	8.8
EV/CE (x)	13.3	8.5	6.1	4.3	3.2

Shareholding pattern



As of December 2007

Company update

Wipro

Rs420

OUTPERFORMER

Mkt Cap: Rs613bn; US$15.2bn

Losing its charm

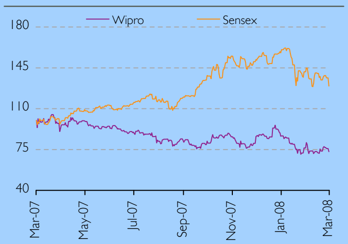
7 March 2008

BSE Sensex: 16542

Stock data

Reuters	WIPR.BO
Bloomberg	WPRO IN
1-yr high/low (Rs)	619/325
1-yr avg daily volumes (m)	0.29
Free Float (%)	20.5

Price performance



Performance (%)

	3-mth	6-mth	1-yr	3-yr
Wipro	(16.7)	(8.9)	(19.8)	19.5
Sensex	(19.2)	7.1	33.2	141.5

Wipro has maintained volume market share through its 'string of pearls' strategy of pursuing inorganic growth. However, earnings growth has lagged peers' as margins declined. We believe Infocrossing acquisition has paved the way for winning larger deals. Since the acquisition, Wipro has won two large deals including a $407m 10-year contract. Wipro arguably has the widest service offering vis-à-vis peers but it has failed to win its fair share of contracts due to lack of integrated sales and marketing effort. We believe Infocrossing acquisition has given a fillip to sales organization; hence, we expect it to bag more large deals. On the cost front, we expect Wipro to eke out efficiencies and limit the margin decline. At 15.1x FY09E earnings, we maintain Outperformer.

Infocrossing acquisition to enable higher share of large deals: Wipro, we believe, has the widest service offering but failed to bag its fair share of large deals due to lack of a coordinated sales pitch. But the Infocrossing acquisition has provided the much needed fillip to the organization in bidding for large deals. Wipro has already announced two large deal wins since the acquisition. We expect the company to win more such deals in the coming period.

Adopting cost containment measures to limit margin decline: While Wipro has been able to sustain volume market share due to its inorganic strategy, margin decline has been the steepest among peers. With expected synergies to kick in post acquisitions, we believe it would be able to limit the margin decline in FY09 and hence deliver earnings growth higher than that of peers.

Expectations have remained high: We believe expectations from Wipro to win large deals have remained high, which is reflected in valuations. At 15.1x FY09E earnings, the stock still trades at a 3% premium to Infosys though it has disappointed the street not only on volume growth but also on margins. We forecast higher revenue and earnings growth for Wipro in FY09 compared to peers due to its Infocrossing acquisition. Wipro continues to pursue inorganic opportunities, which could drive higher revenue growth but depress margins in the medium term. Maintain Outperformer with a price target of Rs500.

Key valuation metrics

Year to 31 March	FY06	FY07	FY08E	FY09E	FY10E
Net sales	106,107	149,431	200,963	265,336	323,010
Adj. net profit	20,269	28,430	32,792	40,567	43,917
Adj. EPS (Rs)	14.4	19.5	22.6	27.8	29.9
% growth	*29.1*	*35.2*	*15.7*	*23.1*	*7.7*
PE (x)	29.1	21.5	18.6	15.1	14.0
Price/Book (x)	7.5	6.0	5.1	4.3	3.7
EV/EBITDA (x)	23.0	17.7	15.6	12.3	10.1
RoE (%)	29.8	31.5	29.7	31.1	28.6
RoCE (%)	32.3	32.2	26.1	28.1	31.5

Prices as on 4 March 2008

Ganesh Duvvuri
ganesh@idfcsski.com
91-22-6638 3358

Shreyash Devalkar
shreyash@idfcsski.com
91-22-6638 3311

P&L

Year to Mar (Rs m)	FY06	FY07	FY08E	FY09E	FY10E
Net sales	**106,107**	**149,431**	**200,963**	**265,336**	**323,010**
% growth	*30.4*	*40.8*	*34.5*	*32.0*	*21.7*
Operating expenses	80,751	115,350	161,447	214,845	262,188
EBITDA	**25,356**	**34,082**	**39,516**	**50,491**	**60,822**
% growth	*24.0*	*34.4*	*15.9*	*27.8*	*20.5*
Other income	1,276	2,667	2,434	1,254	2,144
Depreciation	3,137	4,156	5,736	6,801	8,208
Pre-tax profit	23,536	32,852	36,604	45,080	54,911
Current Tax	3,265	4,423	3,813	4,514	10,993
Profit after tax	**20,271**	**28,430**	**32,792**	**40,567**	**43,917**
Non-recurring items	0	739	0	0	0
Net profit after non-recurring items	20,269	29,169	32,792	40,567	43,917
% growth	*28.0*	*43.9*	*12.4*	*23.7*	*8.3*

Key ratios

Year to Mar 31	FY06	FY07	FY08E	FY09E	FY10E
EBITDA margin (%)	23.9	22.8	19.7	19.0	18.8
EBIT margin (%)	20.9	20.0	16.8	16.5	16.3
PAT margin (%)	19.1	19.0	16.3	15.3	13.6
RoE (%)	29.8	31.5	29.7	31.1	28.6
RoCE (%)	32.3	32.2	26.1	28.1	31.5
Gearing (x)	0.0	0.0	0.2	0.1	0.0

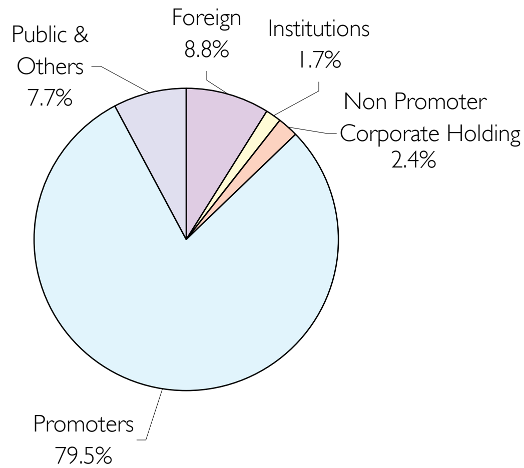
Valuations

Year to Mar 31	FY06	FY07	FY08E	FY09E	FY10E
Reported EPS (Rs)	14.4	20.0	22.6	27.8	29.9
Adj. EPS (Rs)	14.4	19.5	22.6	27.8	29.9
PER (x)	29.1	21.5	18.6	15.1	14.0
Price/Book (x)	7.5	6.0	5.1	4.3	3.7
EV/Net sales (x)	5.5	4.0	3.1	2.3	1.9
EV/EBITDA (x)	23.0	17.7	15.6	12.3	10.1
EV/CE (x)	7.3	5.7	4.0	3.9	3.5

Balance sheet

Year to Mar (Rs m)	FY06	FY07	FY08E	FY09E	FY10E
Paid-up capital	2,852	2,918	2,918	2,918	2,918
Reserves & surplus	75,913	98,550	116,389	138,457	162,348
Total shareholders' equity	78,764	101,468	119,307	141,375	165,266
Total current liabilities	20,402	39,601	48,780	59,808	72,033
Total Debt	705	3,781	29,204	13,032	6,516
Other non-current liabilities	395	770	4,133	4,133	4,133
Total liabilities	21,502	44,152	82,117	76,973	82,682
Total equity & liabilities	**100,266**	**145,620**	**201,424**	**218,348**	**247,948**
Net fixed assets	17,777	26,541	33,269	40,628	46,580
Investments	30,328	32,768	23,451	23,451	23,451
Total current assets	42,559	68,688	87,250	96,815	120,463
Deferred tax assets	224	(434)	736	736	736
Other non-current assets	9,378	18,057	56,718	56,718	56,718
Working capital	22,156	29,087	38,470	37,007	48,430
Total assets	**100,266**	**145,620**	**201,424**	**218,348**	**247,948**

Shareholding pattern



As of December 2007

Cash flow statement

Year to Mar (Rs m)	FY06	FY07	FY08E	FY09E	FY10E
Pre-tax profit	23,536	32,852	36,604	45,080	54,911
Depreciation	3,137	4,156	5,736	6,801	8,208
chg in Working capital	(4,106)	(4,448)	1,410	(15,352)	(9,939)
Total tax paid	(3,265)	(4,423)	(3,813)	(4,514)	(10,993)
Operating cash Inflow	19,302	28,877	39,938	32,016	42,185
Capital expenditure	(7,677)	(12,695)	(12,000)	(14,000)	(14,000)
Free cash flow (a+b)	11,625	16,183	27,938	18,016	28,185
Chg in investments	(7,357)	(2,320)	9,460	(56)	(56)
Debt raised/(repaid)	141	3,076	25,423	(16,173)	(6,516)
Capital raised/(repaid)	5,676	10,256	-	-	-
Dividend (incl. tax)	(8,129)	(13,301)	(14,953)	(18,498)	(20,026)
Misc	1,231	(10,340)	(36,293)	(104)	(104)
Net chg in cash	3,187	3,554	11,575	(16,815)	1,483

THIS PAGE HAS BEEN INTENTIONALLY LEFT BLANK

Analyst	Sector/Industry/Coverage	E-mail	Tel. +91-22-6638 3300
Pathik Gandotra	Head of Research; Banking, Strategy	pathik@idfcsski.com	91-22-6638 3304
Shirish Rane	Cement, Construction, Power, Real Estate	shirish@idfcsski.com	91-22-6638 3313
Nikhil Vora	FMCG, Media, Retailing, Mid Caps	nikhilvora@idfcsski.com	91-22-6638 3308
Ramnath S	Automobiles, Auto ancillaries	ramnaths@idfcsski.com	91-22-6638 3380
Nitin Agarwal	Pharmaceuticals	nitinagarwal@idfcsski.com	91-22-6638 3395
Ganesh Duvvuri	IT Services, Telecom	ganesh@idfcsski.com	91-22-6638 3358
Varatharajan S	Oil & Gas	varatharajan@idfcsski.com	91-22-6638 3240
Chirag Shah	Textiles, Metals	chirag@idfcsski.com	91-22-6638 3306
Bhoomika Nair	Construction, Power, Logistics, Engineering	bhoomika@idfcsski.com	91-22-6638 3337
Avishek Datta	Oil & Gas, Engineering	avishek@idfcsski.com	91-22-6638 3217
Bhushan Gajaria	FMCG, Retailing, Media, Mid Caps	bhushangajaria@idfcsski.com	91-22-6638 3367
Shreyash Devalkar	IT Services, Telecom	shreyash@idfcsski.com	91-22-6638 3311
Nilesh Parikh, CFA	Banking	nilesh@idfcsski.com	91-22-6638 3325
Ashish Shah	Automobiles, Auto Ancillaries	ashishshah@idfcsski.com	91-22-6638 3371
Salil Desai	Cement, Infrastructure	salil@idfcsski.com	91-22-6638 3373
Rahul Narayan	FMCG, Retailing, Media, Mid Caps	rahulnarayan@idfcsski.com	91-22-6638 3238
Ritesh Shah	Textiles, Metals	riteshshah@idfcsski.com	91-22-6638 3376
Aashiesh Agarwaal, CFA	Real Estate	aashiesh@idfcsski.com	91-22-6638 3231
Neha Agrawal	Banking	neha@idfcsski.com	91-22-6638 3237
Swati Nangalia	Mid Caps	swati@idfcsski.com	91-22-6638 3260
Dharmendra Sahu	Database Manager	dharmendra@idfcsski.com	91-22-6638 3382
Dharmesh Bhatt	Technical Analyst	dharmesh@idfcsski.com	91-22-6638 3392

Equity Sales/Dealing	Designation	E-mail	Tel. +91-22-6638 3300
Naishadh Paleja	MD, CEO	naishadh@idfcsski.com	91-22-6638 3211
Paresh Shah	MD, Dealing	paresh@idfcsski.com	91-22-6638 3341
Vishal Purohit	MD, Sales	vishal@idfcsski.com	91-22-6638 3212
Nikhil Gholani	MD, Sales	nikhil@idfcsski.com	91-22-6638 3363
Sanjay Panicker	Director, Sales	sanjay@idfcsski.com	91-22-6638 3368
V Navin Roy	Director, Sales	navin@idfcsski.com	91-22-6638 3370
Rohan Soares	SVP, Sales	rohan@idfcsski.com	91-22-6638 3310
Suchit Sehgal	AVP, Sales	suchit@idfcsski.com	91-22-6638 3247
Pawan Sharma	Director, Derivatives	pawansharma@idfcsski.com	91-22-6638 3213
Dipesh Shah	SVP,-Derivatives	dipeshshah@idfcsski.com	91-22-6638 3245
Manohar Wadhwa	VP, Derivatives	manohar@idfcsski.com	91-22-6638 3232

Disclaimer

This document has been prepared by IDFC-SSKI Securities Private Limited (IDFC-SSKI). IDFC-SSKI and its subsidiaries and associated companies are full-service, integrated investment banking, investment 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. While we would endeavor to update the information herein on reasonable basis, IDFC-SSKI, its subsidiaries and associated companies, their directors and employees ("IDFC-SSKI and affiliates") are under no obligation to update or keep the information current. Also, there may be regulatory, compliance, or other reasons that may prevent IDFC-SSKI and affiliates from doing so.

We do not represent that information contained herein is accurate or complete and it should not be relied upon as such. This document is prepared for assistance only and is not intended to be and must not alone betaken 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 investigations 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). The investment discussed or views expressed may not be suitable for all investors.

Affiliates of IDFC-SSKI may have issued other reports that are inconsistent with and reach different conclusion from the information presented in this report.

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 IDFC-SSKI and affiliates to any registration or licensing requirement within such jurisdiction. The securities described herein may or may not be eligible for sale in all jurisdictions or to certain category of investors. Persons in whose possession this document may come are required to inform themselves of and to observe such restriction.

Reports based on technical analysis centers on studying charts of a stock's price movement and trading volume, as opposed to focusing on a company's fundamentals and as such, may not match with a report on a company's fundamentals.

IDFC-SSKI & affiliates may have used the information set forth herein before publication and may have positions in, may from time to time purchase or sell or may be materially interested in any of the securities mentioned or related securities. IDFC-SSKI and affiliates may from time to time solicit from, or perform investment banking, or other services for, any company mentioned herein. Without limiting any of the foregoing, in no event shall IDFC-SSKI, any of its affiliates or any third party involved in, or related to, computing or compiling the information have any liability for any damages of any kind. Any comments or statements made herein are those of the analyst and do not necessarily reflect those of IDFC-SSKI and affiliates.

This Document is subject to changes without prior notice and is intended only for the person or entity to which it is addressed to and may contain confidential and/or privileged material and is not for any type of circulation. Any review, retransmission, or any other use is prohibited.

Though disseminated to all the customers simultaneously, not all customers may receive this report at the same time. IDFC-SSKI will not treat recipients as customers by virtue of their receiving this report.

Explanation of Ratings:

1. Outperformer: More than 10% to Index
2. Neutral: Within 0-10% to Index
3. Underperformer: Less than 10% to Index

Disclosure of interest:

1. IDFC - SSKI and its affiliates may have received compensation from the company covered herein in the past twelve months for Issue Management, Capital Structure, Mergers & Acquisitions, Buyback of shares and Other corporate advisory services.
2. Affiliates of IDFC - SSKI may have mandate from the subject company.
3. IDFC - SSKI and its affiliates may hold paid up capital of the company.
4. The Equity Analyst and his/her relatives/dependents hold no shares of the company covered as on the date of publication of research on the subject company.