

Early to call for revenue turn

4Q margin beat; Cut estimates on revenue risks

In contrast to results and commentary by Indian & global peers, Wipro held bill rates, expanded margins and stated that "worst maybe behind". While we commend management on good execution, we believe the environment is choppy and risks to volume and bill-rates are still high. Q1 USD revenues guided to fall 2 to 4% qq. We cut FY10E & FY11E by 4% & 10%. However, as we roll-forward earnings, we raise PO to ~10x FY11E recent 20% discount to Infy. Retain Underperform.

4Q: Margin story, Revenues weak as expected, forex losses

4QFY09 EBIT was 12% ahead of MLe but higher forex losses limited PAT beat to 5%. Wipro Ltd. EBIT margin expanded ~200bps qoq (ex hedge impact). IT svcs (92% of company EBIT) saw margins expanding 120bps even including hedge impact due to net exchange benefit, productivity led flat to up prices and higher offshore. Reported USD revenues were -5% qq, +1% yy. Organic revenues fell ~7%.

Management optimistic that worst behind; We would watch

In contrast to peers, Wipro management believes that the worst maybe behind, based on improving customer activity in March vs Jan. However, we fear revenues may come at lower prices and the syndrome of robust pipeline-delayed closures may continue. While management expects hiring to resume, this quarter organic employee adds fell again.

How long will pricing hold?

While we are impressed at the productivity led bill rate stability, we worry that the margin levers on utilization and productivity may be peaking, while bill-rate pressure builds as in our "CIO survey-Deep Recession, Apr 21, 2009" published by our European analyst Raimo Lenschow, and commentary by peers.

Estimates (Mar)

(Rs)	2008A	2009A	2010E	2011E	2012
Net Income (Adjusted - mn)	32,832	38,998	36,301	37,884	NA
EPS	22.62	26.62	24.78	25.86	NA
EPS Change (YoY)	9.3%	17.7%	-6.9%	4.4%	NA
Dividend / Share	6.04	6.04	7.50	8.00	NA
Free Cash Flow / Share	(18.71)	15.81	25.56	21.92	NA
ADR EPS (US\$)	0.562	0.578	0.492	0.514	NA
ADR Dividend / Share (US\$)	0.150	0.131	0.149	0.159	NA

Valuation (Mar)

	2008A	2009A	2010E	2011E	2012
P/E	12.43x	10.56x	11.34x	10.87x	NA
Dividend Yield	2.15%	2.15%	2.67%	2.85%	NA
EV / EBITDA*	7.86x	6.06x	6.10x	5.73x	NA
Free Cash Flow Yield*	-6.87%	5.86%	9.47%	8.12%	NA

* For full definitions of *iQmethod*SM measures, see page 11.



RESEARCH

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Stock Data

Price (Common / ADR)	Rs281.05 / US\$8.16
Price Objective	Rs225.00 to Rs260.00/ US\$6.30 to US\$6.75
Date Established	23-Apr-2009 / 23-Apr-2009
Investment Opinion	C-3-7 / C-3-7
Volatility Risk	HIGH / HIGH
52-Week Range	Rs180.40-Rs537.90
Market Value (mn)	US\$7,858
Shares Outstanding (mn)	1,407.1 / 1,407.1
Average Daily Volume	1,903,138
ML Symbol / Exchange	WIPRF / BSE
ML Symbol / Exchange	WIT / NYS
Bloomberg / Reuters	WPRO IN / WIPR.BO
ROE (2010E)	24.3%
Net Dbt to Eqty (Mar-2005A)	-8.5%
Est. 5-Yr EPS / DPS Growth	10.0% / 10.0%
Free Float	15.0%



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23 April 2009

iQprofileSM Wipro Ltd.

Key Income Statement Data (Mar)	2008A	2009A	2010E	2011E	2012
(Rs Millions)					
Sales	199,796	256,995	262,073	288,722	NA
Gross Profit	59,163	77,545	75,589	83,553	NA
Sell General & Admin Expense	(24,576)	(32,572)	(32,265)	(37,855)	NA
Operating Profit	34,587	44,973	43,324	45,698	NA
Net Interest & Other Income	2,486	220	(84)	2,249	NA
Associates	NA	NA	NA	NA	NA
Pretax Income	37,073	45,193	43,240	47,947	NA
Tax (expense) / Benefit	(4,550)	(6,457)	(6,918)	(10,069)	NA
Net Income (Adjusted)	32,832	38,998	36,301	37,884	NA
Average Fully Diluted Shares Outstanding	1,452	1,465	1,465	1,465	NA

Key Cash Flow Statement Data

Net Income	32,832	38,998	36,301	37,884	NA
Depreciation & Amortization	5,357	6,864	8,175	9,087	NA
Change in Working Capital	(20,665)	6,303	621	(5,200)	NA
Deferred Taxation Charge	NA	NA	NA	NA	NA
Other Adjustments, Net	6,497	3,153	350	1,836	NA
Cash Flow from Operations	24,021	55,318	45,447	43,606	NA
Capital Expenditure	(51,187)	(32,156)	(8,000)	(11,500)	NA
(Acquisition) / Disposal of Investments	17,377	(5,824)	(18,193)	(3,461)	NA
Other Cash Inflow / (Outflow)	NA	NA	NA	NA	NA
Cash Flow from Investing	(33,810)	(37,980)	(26,193)	(14,961)	NA
Shares Issue / (Repurchase)	10	(20)	0	0	NA
Cost of Dividends Paid	(10,254)	(10,279)	(12,854)	(13,711)	NA
Cash Flow from Financing	29,237	(7,491)	(9,841)	(10,501)	NA
Free Cash Flow	(27,166)	23,162	37,447	32,106	NA
Net Debt	(9,237)	(11,611)	(40,493)	(62,095)	NA
Change in Net Debt	20,032	(7,039)	(6,399)	(14,934)	NA

Key Balance Sheet Data

Property, Plant & Equipment	41,583	52,563	52,388	54,802	NA
Other Non-Current Assets	44,443	60,165	58,988	59,088	NA
Trade Receivables	40,453	48,859	49,824	54,891	NA
Cash & Equivalents	54,087	68,503	97,385	118,987	NA
Other Current Assets	35,774	49,009	49,073	52,842	NA
Total Assets	216,340	279,099	307,659	340,610	NA
Long-Term Debt	44,850	56,892	56,892	56,892	NA
Other Non-Current Liabilities	NA	NA	NA	NA	NA
Short-Term Debt	NA	NA	NA	NA	NA
Other Current Liabilities	54,420	85,671	87,771	93,340	NA
Total Liabilities	99,270	142,563	144,663	150,232	NA
Total Equity	117,070	136,536	162,996	190,378	NA
Total Equity & Liabilities	216,340	279,099	307,659	340,610	NA

iQmethodSM - Bus Performance*

Return On Capital Employed	30.2%	31.4%	25.3%	21.3%	NA
Return On Equity	30.8%	30.8%	24.3%	21.5%	NA
Operating Margin	17.3%	17.5%	16.5%	15.8%	NA
EBITDA Margin	20.0%	20.2%	19.7%	19.0%	NA

iQmethodSM - Quality of Earnings*

Cash Realization Ratio	0.7x	1.4x	1.3x	1.2x	NA
Asset Replacement Ratio	9.6x	4.7x	1.0x	1.3x	NA
Tax Rate (Reported)	12.3%	14.3%	16.0%	21.0%	NA
Net Debt-to-Equity Ratio	-7.9%	-8.5%	-24.8%	-32.6%	NA
Interest Cover	20.5x	17.7x	18.4x	19.4x	NA

Key Metrics

* For full definitions of iQmethodSM measures, see page 11.

Company Description

Wipro is India's third-largest IT services exporter (Wipro Global IT set up in 1990s was at US\$3.4bn, 67% of FY08 revenue & 84% of EBIT). It also has a consumer business. Global IT is known for its wide range of services (R&D to BPO), is pre-eminent in R&D services & has increased focus on enterprise solutions since 2001.

Investment Thesis

Cautious on Wipro given challenges in telecom OEM/technology and retail verticals adding to risks in financials vertical. Relatively high utilisation limits margin cushion. Risk of further management churn post the new management structure since mid-08, adds to the risk profile.

Stock Data

Shares / ADR	1.00
Price to Book Value	2.4x

Early to call a turn, Underperform

Post 4Q results, we cut FY10 & FY11 estimates by 4% and 10% and roll forward PO to Rs260, at ~10x FY11E at 20% discount to Infosys. We retain our Underperform rating given relatively higher exposure to risky sectors such as tech/retail & manufacturing, lower predictability of revenues and earnings and higher forex hedging related risks.

4Q, a margin beat story; Revenues weak

Wipro reported that revenues declined 5% QoQ to US\$1046mn and organic revenue (ex Citi Technology Svcs) declined 7% qoq. In constant currency revenues at US\$1058mn were 1.2% better than management guidance. 4QFY09 EBIT was 12% ahead of MLe but higher forex losses limited PAT beat to 5%. Total contract value (TCV) win during the quarter stood at Rs530 mil vs Rs 600 mil in previous quarter.

Table 1: Wipro IT services (performance & guidance)

(\$ mil)	Q4 (const currency)			Q1 (\$)		
	Actual	Guidance	Var	Guidance	qoq	yoy
Revs - IT Services	1,058	1,045	1.2%	1017	-2.8%	-4.7%

Source: Banc of America Securities-Merrill Lynch Research, Company

Table 2: Increasing FP projects & offshoring

	Q4FY08	Q3FY09	Q4FY09
Fixed price	29.2%	36.0%	38.1%
Offshore %	45.8%	46.8%	48.8%

Source: Company

Margins expand

EBIT margin expanded ~200bps qoq (ex hedge impact). IT services (92% of company EBIT) saw margins expanding 120bps even including hedge impact due to net exchange benefit, productivity led flat to up prices, increasing contribution of fixed price model and higher offshore.

Management optimistic that "worst behind"...

Wipro management believes that the worst maybe behind, based on improving customer activity in March vs Jan. Management cited that deal flows for consulting assignments had increased and hence it expects development & maintenance activity to pick up with a lag of 6-7 months. It is sensing stability in a few sectors such as Retail, consumer and manufacturing and believes financial services, technology and telecom could stabilize couple of quarters down the line.

Q1 guidance better than peers but still a decline

Table 3: Q1 Revenue guidance

	1Q guidance	Q1 Growth
Infosys	1070	-4.5%
Wipro	1017	-2.8%

Source: Banc of America Securities-Merrill Lynch Research

...We remain cautious

As reflected by our recent BAS- ML CIO survey conducted by our European IT services analyst Raimo Lenschow in March 09 (*CIO Survey-Deep Recession*, Apr 21, 2009), we remain cautious on macro environment.

As per March 09 survey nearly 62% of the CIOs indicated a **drop in IT budgets** while the remaining 38% expect it to remain flat for the year.

Table 4: CIO question: What IT budget growth do you expect for 2009?

	Increase	Flat	Down
Mar-09	0%	38%	62%
Oct-08	58%	28%	14%

Source: Banc of America Securities-Merrill Lynch Research

Nearly 44% of respondents expect **pricing to fall** as compared to just 22% last quarter.

Table 5: CIO question : What do you anticipate will happen to prices of IT services vendors will charge you over the next six months ?

	>5%	0-5%	Flat	decrease 0-5%	Decrease 5-10%	Decrease more than 10%
Q1 09	2%	24%	30%	18%	16%	10%
Q3 08	36%	14%	28%	8%	10%	4%

Source: Banc of America Securities-Merrill Lynch Research

Hiring trends still negative

Adjusted for Citi acquisition, employee numbers for the company declined for the second consecutive quarter.

Wipro grew its employee base by 1% in the last twelve months as compared to 15% to 18% for Infosys and TCS. Ofcourse, utilization improved by 100 basis points over 1Q to 4Q to 75.4% including trainees, which is a peak in our view.

Table 6: Net Additions

	1Q09	2Q09	3Q09	4Q FY09	LTM	%
TCS	4645	5333	8717	521	19,216	18.0%
Infosys	3,192	5,927	2,772	1,772	13,663	15.0%
Wipro	108	1,877	-587	-1155*	243	0.3%

Source: Banc of America Securities-Merrill Lynch Research

How long will pricing hold?

While we are impressed at the productivity led bill rate stability, we worry that the margin levers on utilization and productivity may be peaking, while bill-rate pressure builds as in our "CIO survey-Deep Recession, Apr 21, 2009" published by our European analyst Raimo Lenschow, and commentary by peers

4Q Highlights

4Q IT services **revenue** decline 4% qoq in constant ccy terms to USD1,058mn with 6% decline in volumes but 1% increase in onsite pricing. Moreover Infocrossing and CITOS revenues would have grown. Share of offshore revenues further increased by 200bps to 48.8%.

Margins improved by 2% during the quarter driven by productivity gains, higher contribution of fixed price projects and improvement in offshoring.

Financial services, Manufacturing and retail vertical reported yoy growth in revenues. Technology, Telecom and entertainment showed yoy decline during the quarter.

Hedge position cut to US1.3bm.

23 April 2009

Table 7: Profit & Loss Statement (Indian GAAP)

INR Million	Q409	Q309	QoQ	Q408	YoY	MLe	Variation
Net Sales	65,280	65,997	-1.1%	57,156	14.2%	64,401	1.4%
Expenditure							
Cost of Goods sold	44995	46245	-2.7%	39810	13.0%	44888	0.2%
COGS Less Depreciation	43256	44612	-3.0%	38406	12.6%	43244	0.0%
Selling, General and Admin Expenses	8207	8849	-7.3%	7378	11.2%	8772	-6.4%
SGA Less Depreciation	8074	8729	-7.5%	7274	11.0%	8626	-6.4%
Total expenses	51330	53341	-3.8%	45680	12.4%	51870	-1.0%
EBITDA	13,950	12,656	10.2%	11,476	21.6%	12,531	11.3%
Depreciation	1872	1753	6.8%	1508	24.1%	1790	4.6%
EBIT	12,078	10,903	10.8%	9,968	21.2%	10,741	12.4%
Other Income	287	1212	-76.3%	616	-53.4%	955	-69.9%
Interest & Finance charges	583	569	2.5%	469	24.3%	575	1.4%
PBT	11,782	11,546	2.0%	10,115	16.5%	11,121	5.9%
Tax	1667	1605	3.9%	1399	19.2%	1557	7.1%
PAT before extraords	10,115	9,941	1.8%	8,716	16.1%	9,564	5.8%
Minority interest	-50	-16	212.5%	-16	212.5%	-15	n/a
Equity in earnings/ (losses) of affiliates	35	114	-69.3%	100	-65.0%	120	-70.8%
Reported PAT	10,100	10,039	0.6%	8,800	14.8%	9,668	4.5%
Non-recurring items	0	0	n/a	0	n/a	0	n/a
Recurring PAT	10,100	10,039	0.6%	8,800	14.8%	9,668	4.5%
Margins	Q409	Q309	QoQ (bps)	Q408	YoY (bps)	MLe	Variation (bps)
EBITDA	21.4%	19.2%	219	20.1%	129	19.5%	191
EBIT	18.5%	16.5%	198	17.4%	106	16.7%	182
PAT	15.5%	15.2%	26	15.4%	8	15.0%	46
Tax Rate	14.1%	13.9%	25	13.8%	32	14.0%	15

Source: Banc of America Securities-Merrill Lynch Research, Company

Table 8: Wipro Results Summary, Segment wise

	Q409	Q309	qoq	Q408	yoy
Revenue	64,518	66,183	-3%	57,002	13%
IT Services	49323	50792	-3%	41206	20%
IT Products	8698	8369	4%	7838	11%
Consumer Care & lighting	5164	5270	-2%	4808	7%
Others	1333	1752	-24%	3150	-58%
EBIT	11,474	11,251	2%	9,931	16%
IT Services	10729	10449	3%	8641	24%
IT Products	372	431	-14%	375	-1%
Consumer Care & lighting	683	613	11%	630	8%
Others	-310	-242	n/a	285	n/a
Interest income	308	295	4%	182	69%
PBT	11,782	11,546	2%	10,113	17%
Income tax	1667	1605	4%	1399	19%
PAT before eqty interest	10,115	9,941	2%	8,714	16%
Equity in earnings of affiliates	35	114	-69%	100	-65%
Minority interest	-50	-16	213%	-16	213%
PAT	10,100	10,039	1%	8,798	15%

Source: Banc of America Securities-Merrill Lynch Research, Company

23 April 2009

Table 9: Segment wise margins

	Q309	Q209	qoq (bps)	Q308	yoy (bps)
EBITDA margins	20.7%	19.6%	104	20.1%	62
IT Services	25.1%	23.7%	142	24.1%	94
IT Products	4.8%	5.2%	-39	5.4%	-56
Consumer Care & lighting	15.5%	13.7%	181	15.0%	54
Others	-18.2%	-9.8%	-839	11.2%	-2933
EBIT margins	17.8%	17.0%	78	17.4%	36
IT Services	21.8%	20.6%	118	21.0%	78
IT Products	4.3%	5.1%	-87	4.8%	-51
Consumer Care & lighting	13.2%	11.6%	159	13.1%	12
Others	-23.3%	-13.8%	-944	9.0%	-3230

Source: Banc of America Securities-Merrill Lynch Research, Company

Retail, Manufacturing and energy & utilities showing resilience as per management. Expect some recovery in Telecom OEM, financial services going ahead. Jury out, in our view

Table 10: Growth by Vertical – USD terms

	% of Revenue	QoQ	YoY
Technology business	10.3%	-11.8%	-15.1%
Telecom	8.8%	-12.8%	-12.5%
CMSP	8.2%	-6.1%	-7.6%
Technology, media and telecom	27.3%	-10.5%	-12.1%
Financial services	26.0%	-4.9%	5.9%
Manufacturing and healthcare	20.7%	1.5%	7.1%
Retail and transportation	18.2%	-1.1%	22.2%
Energy and utilities	7.8%	-8.4%	-11.1%
Total	100.0%	-4.9%	1.4%

Source: Banc of America Securities-Merrill Lynch Research, Company

Strong demand for Package implementation and technology infrastructure services.

Table 11: 4Q Growth by service lines- USD terms

	% of Revenue	QoQ	YoY
Technology Infrastructure Services	20.9%	2.4%	7.6%
Testing	11.9%	-1.6%	14.9%
Package Implementation	12.8%	4.0%	19.1%
BPO	9.1%	1.8%	7.3%
Product engineering	5.2%	-14.7%	-5.8%
ADM	40.1%	-11.5%	-9.0%
Total	100.0%	-4.9%	1.4%
Consulting	2.1%	-13.2%	-7.4%

Source: Banc of America Securities-Merrill Lynch Research, Company

Emerging markets and US show strong growth.

Table 12: Growth by geography- USD terms

	% of Revenue	QoQ	YoY
US	60.5%	-4.1%	3.3%
Europe	25.5%	-7.1%	-4.6%
Japan	2.3%	-8.9%	-10.3%
India and mid east	7.7%	-2.4%	4.1%
Other emerging markets	4.0%	-4.9%	19.3%
Total	100.0%	-4.9%	1.4%

Source: Banc of America Securities-Merrill Lynch Research, Company

23 April 2009

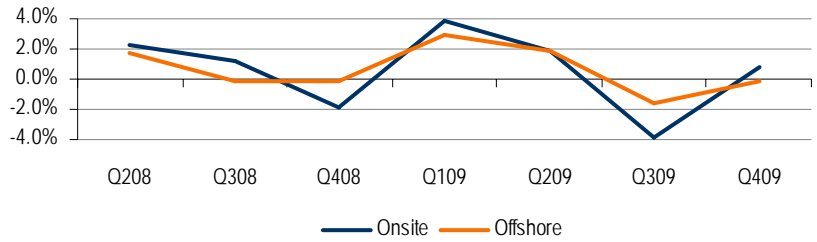
Table 13: Top client growth rates in USD terms

	Q208	Q308	Q408	Q109	Q209	Q309	Q409
Top client	2.5%	9.9%	1.3%	11.8%	4.0%	-8.2%	-8.7%
Top 2-5 clients	12.3%	4.0%	1.9%	1.2%	5.2%	-0.9%	-9.2%
Top 6-10 clients	3.3%	17.9%	4.2%	4.6%	-2.6%	-0.9%	-4.9%
Non Top 10 clients	10.9%	15.2%	6.0%	3.4%	4.6%	-0.6%	-4.3%

Source: Banc of America Securities-Merrill Lynch Research, Company

Onsite pricing increased 0.8% qoq while offshore pricing remained almost flat on back of increase in fixed price projects

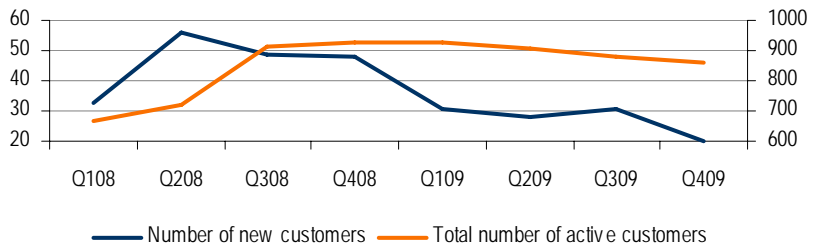
Chart 1: Realized prices held almost flat for qtr – a distinction from peers



Source: Banc of America Securities-Merrill Lynch Research

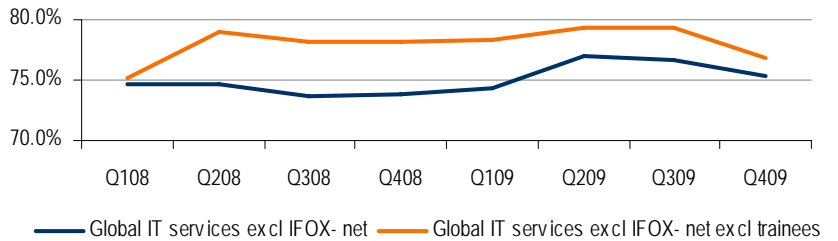
Declining number of active customers and addition of new customers

Chart 2: Addition of new customers continued to slow



Source: Banc of America Securities-Merrill Lynch Research

Chart 3: Declining Utilization



Source: Banc of America Securities-Merrill Lynch Research

23 April 2009

Financials

Table 14: Profit & Loss Statement

Year ended March (Rs m)	2006	2007	2008	2009	2010E	2011E
Net Sales	106,029	149,982	199,796	256,995	262,073	288,722
Total expenses	80,655	115,623	159,852	205,158	210,574	233,938
EBITDA	25,374	34,359	39,944	51,837	51,499	54,785
Other income	1536	2963	4176	2759	2276	4609
EBIT	22278	30382	34587	44973	43324	45698
Interest and Finance	35	207	1690	2539	2360	2360
Depreciation	3,096	3,977	5,357	6,864	8,175	9,087
PBT	23,778	33,138	37,073	45,193	43,240	47,947
Tax	3,391	3,868	4,550	6,457	6,918	10,069
PAT-Ordinary Oprns	20,387	29,270	32,523	38,736	36,322	37,878
Minority Interest	-1	6	-23	-100	-180	-187
Equity in earnings / (losses) of affiliates	288	295	332	362	158	193
Reported PAT	20,674	29,423	32,832	38,999	36,301	37,884
Recurring consolidated profit	20,674	29,423	32,832	38,999	36,301	37,884

Source: Company data and Banc of America Securities-Merrill Lynch Research

Table 15: Balance Sheet

Liabilities (Rs m)	2006	2007	2008	2009	2010E	2011E
Share Capital	2,852	2,918	2,923	2,928	2,928	2,928
Share application money	75	35	40	15	15	15
Reserves & Surplus	63,201	93,042	113,991	133,356	159,636	186,831
Shareholders Funds	66,127	95,995	116,954	136,299	162,579	189,774
Loan Funds	757	3,827	44,850	56,892	56,892	56,892
Minority Interest	-	29	116	237	417	604
Total	66,884	99,851	161,920	193,428	219,888	247,270
Assets (Rs m)						
Goodwill	3,528	9,477	42,209	56,521	56,521	56,521
Fixed Assets						
Gross Block	24,816	37,287	56,280	75,353	83,353	94,853
Less: Depreciation	12,910	18,993	28,067	36,342	44,517	53,603
Net Block	11,905	18,294	28,213	39,011	38,836	41,250
Add: CWIP	6,249	10,191	13,370	13,552	13,552	13,552
Investments	30,812	33,249	16,022	18,096	36,289	39,750
Deferred Tax assets	594	590	529	684	784	884
Current Assets, Loans & advances						
Inventories	2,065	4,150	6,664	7,586	7,736	8,523
Sundry Debtors	21,272	29,391	40,453	48,859	49,824	54,891
Cash & Bank balances	8,858	19,822	39,270	49,117	58,528	76,670
Loans & Advances	10,373	16,387	29,610	45,673	45,587	48,569
Total	42,567	69,750	115,997	151,235	161,676	188,653
Less: Current Liabilities	18,527	33,667	39,890	67,989	69,740	73,475
Less: Provisions	10,244	8,033	14,530	17,682	18,031	19,865
Net Current assets	13,796	28,050	61,577	65,564	73,905	95,313
Total assets and liabilities	66,884	99,851	161,920	193,428	219,888	247,270

Source: Company data and Banc of America Securities-Merrill Lynch Research

23 April 2009

Table 16: Cash Flow Statement

Rs m	FY06	FY07	FY08	FY09	FY10E	FY11E
Cash From Operations						
Profit Before Tax from Continuing Operations	24,065	33,291	37,382	45,456	43,219	47,953
Depreciation & Amortization	3,096	3,977	5,357	6,864	8,175	9,087
Change in Provisions	4,941	(2,211)	6,497	3,152	349	1,834
Change in Current Assets/ Liabilities						
Receivables	(5,852)	(8,116)	(11,001)	(8,561)	(1,065)	(5,167)
Loans and advances (Excluding Treasury Investments)	(4,810)	(5,364)	(13,373)	(12,313)	86	(2,982)
Inventories	(317)	(2,085)	(2,514)	(922)	(150)	(787)
Current Liabilities	5,785	15,140	6,223	28,099	1,751	3,735
Net cash provided by operations	26,908	34,632	28,571	61,775	52,365	53,675
Taxes Paid	(3,391)	(3,868)	(4,550)	(6,457)	(6,918)	(10,069)
Net Cash provided by Operations	23,517	30,764	24,021	55,318	45,447	43,606
Cash flow from investing activities						
Capital Expenditure	(7,699)	(14,308)	(18,455)	(17,844)	(8,000)	(11,500)
Increase/ Decrease in Goodwill	2,135	(5,949)	(32,732)	(14,312)	0	0
Change in Investments (Excluding treasury related)	(274)	(412)	(298)	(1,255)	1,277	0
Change in Treasury Investments	(7,033)	(2,675)	17,675	(4,569)	(19,470)	(3,461)
Net Cash used in investing activities	(12,871)	(23,343)	(33,810)	(37,980)	(26,193)	(14,961)
Free Cash Flow	17,954	10,507	(27,166)	23,162	37,447	32,106
Cash flows from financing activities						
Dividends Paid	(7,129)	(8,697)	(8,765)	(8,786)	(10,987)	(11,720)
Dividend Tax Paid	(1,000)	(1,268)	(1,489)	(1,493)	(1,867)	(1,991)
Proceeds from issuance / (repayment) of borrowings	(880)	13,482	39,481	2,808	3,013	3,210
Net Cash provided by/ (used in financing activities)	(7,502)	3,544	29,237	(7,491)	(9,840)	(10,499)
Net increase / (decrease) in cash and cash equivalents during the year	3,144	10,964	19,448	9,847	9,413	18,146
Cash at the end of the year	8,857	19,822	39,270	49,117	58,530	76,676
Treasury Investments	29,817	32,492	14,817	19,386	38,856	42,317
Cash and Cash Equivalents at the end of year	38,674	52,314	54,087	68,503	97,386	118,993

Source: Company data and Banc of America Securities-Merrill Lynch Research

Table 17: Key Ratios

	2006	2007	2008	2009	2010E	2011E
EBITDA Margin	23.9%	22.9%	20.0%	20.2%	19.7%	19.0%
EBIT Margin	21.0%	20.3%	17.3%	17.5%	16.5%	15.8%
PBT Margin	22.4%	22.1%	18.6%	17.6%	16.5%	16.6%
Net Margin (recurring)	19.5%	19.6%	16.4%	15.2%	13.9%	13.1%
EPS (Rs)	14.50	20.62	22.6	26.81	24.78	25.86
CEPS (Rs)	16.7	23.4	26.3	31.3	30.4	32.1
Book Value per Share (Rs)	46.4	67.2	80.6	93.0	111.0	129.5
ROCE	39.5%	40.0%	29.6%	26.9%	22.1%	21.5%
RONW	34.8%	36.3%	30.8%	30.8%	24.3%	21.5%
Revenue growth	29.9%	41.5%	33.2%	28.6%	2.0%	10.2%
EBIT growth	23.4%	36.4%	13.8%	30.0%	-3.7%	5.5%
Net Profit growth (recurring)	26.9%	42.3%	11.6%	18.8%	-6.9%	4.4%

Source: Company data and Banc of America Securities-Merrill Lynch Research

Price objective basis & risk

Wipro (WIPRF / WIT)

Our PO of Rs260 is at about 10x FY11E at 20% discount to Infosys, in line with last 6 months trend, reflecting relatively higher exposure to vulnerable sectors such as technology, retail & manufacturing, lower predictability of revenues and earnings and higher forex hedging related risks. Risks are faster than expected deal closure and ramp up and appreciating trend in Rupee which would relatively hurt Wipro less given a large hedge program.

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23 April 2009

India - Software & IT Services Coverage Cluster

Investment rating	Company	ML ticker	Bloomberg symbol	Analyst
BUY				
	Educomp Solu	EUSOF	EDSL IN	Pratish Krishnan
	Mphasis Ltd	MPSSF	MPHL IN	Pratish Krishnan
	Patni	PATIF	PATNI IN	Mitali Ghosh
	Patni Computer	PTI	PTI US	Mitali Ghosh
	Tata Consultancy	TACSF	TCS IN	Mitali Ghosh
	Tech Mahindra	TMHAF	TECHM IN	Pratish Krishnan
	WNS (Holdings) L	WNS	WNS US	Mitali Ghosh
NEUTRAL				
	Genpact Ltd	G	G US	Mitali Ghosh
	Infosys Tech	INFYF	INFO IN	Mitali Ghosh
	Infosys Tech - A	INFY	INFY US	Mitali Ghosh
UNDERPERFORM				
	ExlService Holdi	EXLS	EXLS US	Mitali Ghosh
	Firstsource	FSSOF	FSOL IN	Mitali Ghosh
	HCL	XHCLF	HCLT IN	Mitali Ghosh
	Hexaware Tech	XFTCF	HEXW IN	Pratish Krishnan
	Infotech Enterprises Ltd	IFKFF	INFTEC IN	Pratish Krishnan
	Mastek	MSKDF	MAST IN	Pratish Krishnan
	Rohta India	RLTAF	RLTA IN	Pratish Krishnan
	Rohta India-GDR	XLROF	RTI LI	Pratish Krishnan
	Wipro	WIPRF	WPRO IN	Mitali Ghosh
	Wipro	WIT	WIT US	Mitali Ghosh
RVW				
	Aptech Limited	XZUYF	APTR IN	Pratish Krishnan

iQmethodSM Measures Definitions

Business Performance	Numerator	Denominator
Return On Capital Employed	$\text{NOPAT} = (\text{EBIT} + \text{Interest Income}) * (1 - \text{Tax Rate}) + \text{Goodwill Amortization}$	$\text{Total Assets} - \text{Current Liabilities} + \text{ST Debt} + \text{Accumulated Goodwill Amortization}$
Return On Equity	Net Income	Shareholders' Equity
Operating Margin	Operating Profit	Sales
Earnings Growth	Expected 5-Year CAGR From Latest Actual	N/A
Free Cash Flow	Cash Flow From Operations – Total Capex	N/A
Quality of Earnings		
Cash Realization Ratio	Cash Flow From Operations	Net Income
Asset Replacement Ratio	Capex	Depreciation
Tax Rate	Tax Charge	Pre-Tax Income
Net Debt-To-Equity Ratio	Net Debt = Total Debt, Less Cash & Equivalents	Total Equity
Interest Cover	EBIT	Interest Expense
Valuation Toolkit		
Price / Earnings Ratio	Current Share Price	Diluted Earnings Per Share (Basis As Specified)
Price / Book Value	Current Share Price	Shareholders' Equity / Current Basic Shares
Dividend Yield	Annualised Declared Cash Dividend	Current Share Price
Free Cash Flow Yield	Cash Flow From Operations – Total Capex	Market Cap. = Current Share Price * Current Basic Shares
Enterprise Value / Sales	$\text{EV} = \text{Current Share Price} * \text{Current Shares} + \text{Minority Equity} + \text{Net Debt} + \text{Sales Other LT Liabilities}$	
EV / EBITDA	Enterprise Value	Basic EBIT + Depreciation + Amortization

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23 April 2009

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WIPRF Price Chart

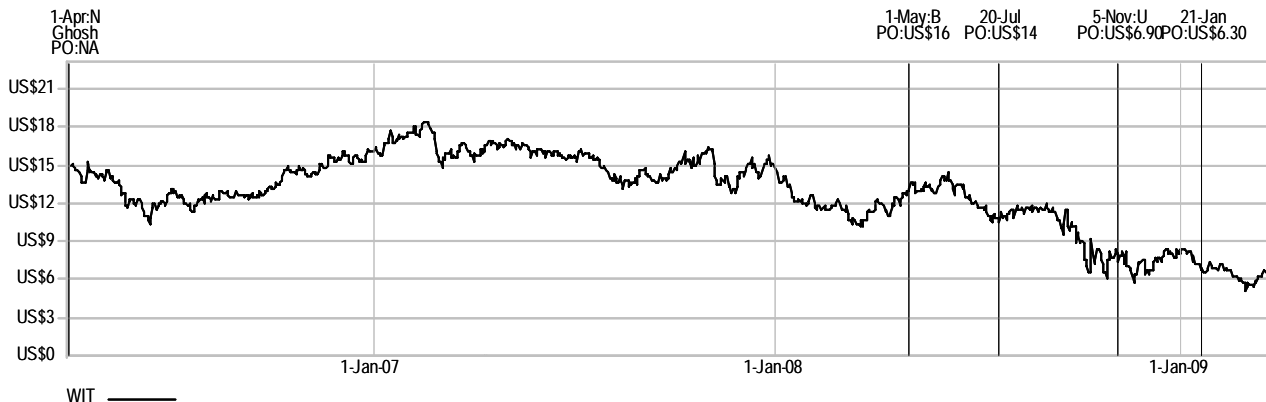


B : Buy, N : Neutral, S : Sell, U : Underperform, PO : Price objective, NA : No longer valid

*Prior to May 31, 2008, the investment opinion system included Buy, Neutral and Sell. As of May 31, 2008, the investment opinion system includes Buy, Neutral and Underperform. Dark Grey shading indicates that a security is restricted with the opinion suspended. Light grey shading indicates that a security is under review with the opinion withdrawn. The current investment opinion key is contained at the end of the report. Chart is current as of March 31, 2009 or such later date as indicated.

BAS-ML price charts do not reflect analysts' coverage of the stock at prior firms. Historical price charts relating to companies covered as of March 31, 2009 by former Banc of America Securities LLC (BAS) analysts are available to BAS clients on the BAS website.*

WIT Price Chart



B : Buy, N : Neutral, S : Sell, U : Underperform, PO : Price objective, NA : No longer valid

*Prior to May 31, 2008, the investment opinion system included Buy, Neutral and Sell. As of May 31, 2008, the investment opinion system includes Buy, Neutral and Underperform. Dark Grey shading indicates that a security is restricted with the opinion suspended. Light grey shading indicates that a security is under review with the opinion withdrawn. The current investment opinion key is contained at the end of the report. Chart is current as of March 31, 2009 or such later date as indicated.

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Investment Rating Distribution: Industrials/Multi-Industry Group (as of 01 Apr 2009)

Coverage Universe	Count	Percent	Inv. Banking Relationships*	Count	Percent
Buy	36	40.91%	Buy	16	51.61%
Neutral	20	22.73%	Neutral	6	35.29%
Sell	32	36.36%	Sell	8	29.63%

Investment Rating Distribution: Technology Group (as of 01 Apr 2009)

Coverage Universe	Count	Percent	Inv. Banking Relationships*	Count	Percent
Buy	83	40.10%	Buy	32	43.24%
Neutral	46	22.22%	Neutral	23	58.97%
Sell	78	37.68%	Sell	27	36.99%

23 April 2009

Investment Rating Distribution: Global Group (as of 01 Apr 2009)

Coverage Universe	Count	Percent	Inv. Banking Relationships*	Count	Percent
Buy	1243	38.21%	Buy	520	46.39%
Neutral	841	25.85%	Neutral	349	47.04%
Sell	1169	35.94%	Sell	388	36.30%

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Investment rating	Total return expectation (within 12-month period of date of initial rating)	Ratings dispersion guidelines for coverage cluster*
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Neutral	≥ 0%	≤ 30%
Underperform	N/A	≥ 20%

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