

# FIRST GLOBAL

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## India Research



Sector: Technology (Software Services)

## What Happened Last Quarter

### **Wipro Limited (WPRO.IN/WIPR.BO)**

**Moderate Outperform**

(CMP: Rs.545.8, Mkt. Cap: Rs. 796.3 bn, May 11, '07)

(CMP: US\$.16.24, Mkt. Cap: US \$ 23.7 bn, May 11, '07)

(Relevant Index: S & P CNX Nifty: 4076.65, May 11, '07)

### **Technology Infrastructure Services to lead growth in coming years**

Last report's recommendation: Moderate Outperform (MP: Rs.651.3, (Jan. 27, '07)

Relevant Index: Nifty: 4147.7, (Jan 27, '07)

Relative performance since last rating change (May 26, '06): Nifty: Up 27.0% WIPRO: Up 14.9%

**May 11, 2007**

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**IMPORTANT DISCLOSURES CAN BE FOUND AT THE END OF THIS REPORT.**



# Price and Rating History Chart

## Ratings Key

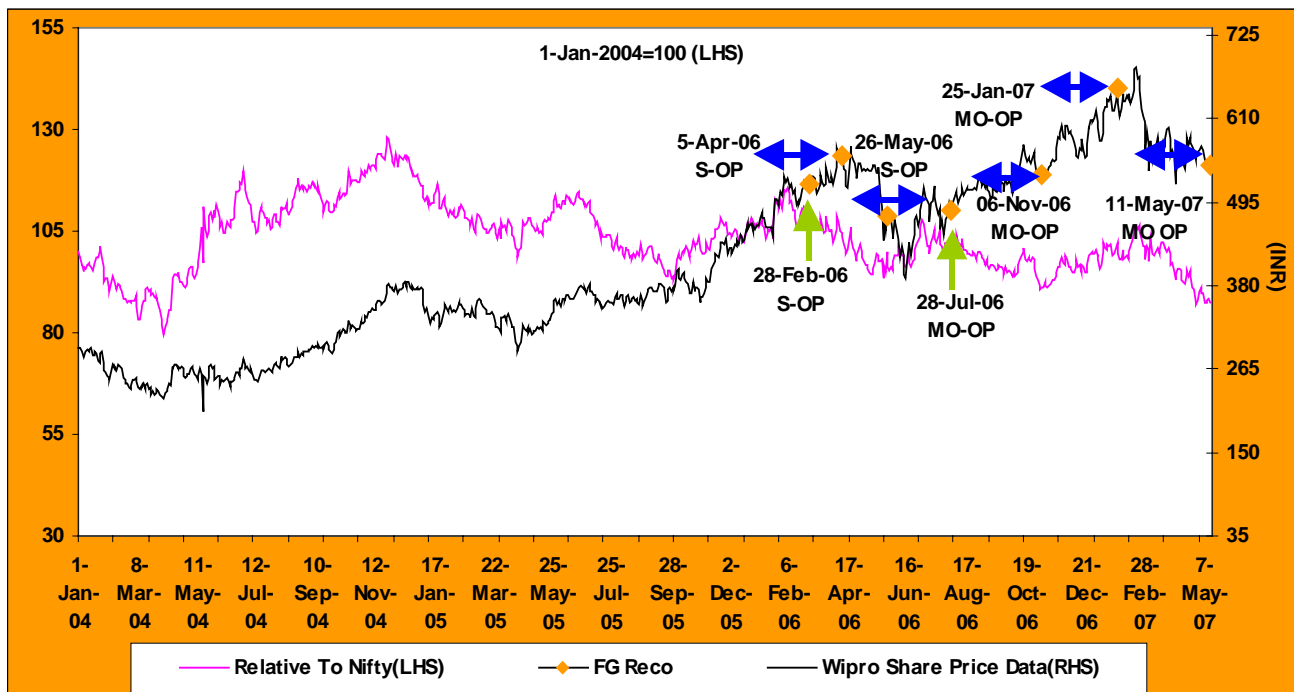
Positive Ratings	B = Buy	BD = Buy at Declines	OP = Outperform
	S-OP = Sector Outperform	M-OP = Market Outperform	MO-OP = Moderate Outperform
Neutral Ratings	H = Hold	MP = Market Perform	SP = Sector Perform
Negative Ratings	S = Sell	SS = Sell into Strength	UP = Underperform
	A = Avoid	MO-UP = Moderate Underperform	S-UP = Sector Underperform

ST: Short Term

MT: Medium Term

LT: Long Term

### Wipro Limited (WPRO.IN/WIPR.BO)



↑ Represents an Upgrade

↓ Represents a Downgrade

↔ Represents Reiteration of Existing Rating

Details of First Global's Rating System given at the end of the report



## Financial Snapshot\*

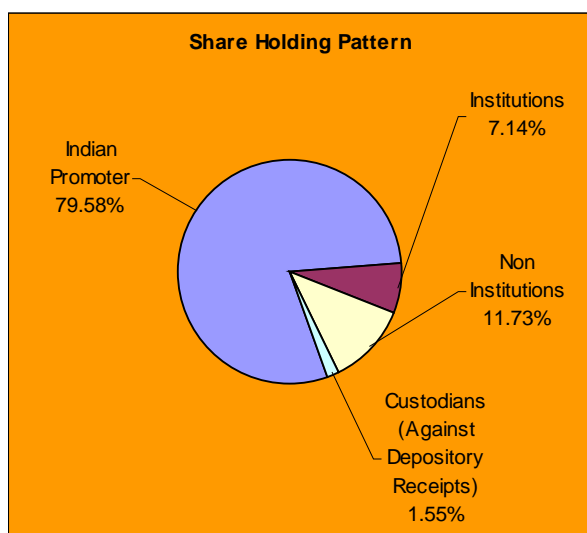
Key Financials						
(YE March 31st) (Rs. mn)	2004	2005	2006	2007	2008E	2009E
Total Revenue	58,839	81,920	106,541	150,970	194,051	241,704
Revenue Growth (Y-o-Y)	36.0%	39.2%	30.1%	41.7%	28.5%	24.6%
<b>EBIDTA</b>	<b>13,143</b>	<b>20,830</b>	<b>25,886</b>	<b>35,116</b>	<b>45,138</b>	<b>55,592</b>
EBIDTA Growth (Y-o-Y)	20.0%	58.5%	24.3%	35.7%	28.5%	23.2%
<b>Net Profit</b>	<b>10,315</b>	<b>16,285</b>	<b>20,674</b>	<b>28,721</b>	<b>36,459</b>	<b>44,254</b>
Net Profit Growth (Y-o-Y)	21.8%	57.9%	26.9%	38.9%	26.9%	21.4%
<b>Shareholders Equity</b>	<b>37,550</b>	<b>52,814</b>	<b>66,052</b>	<b>95,960</b>	<b>123,228</b>	<b>158,217</b>
Number of Diluted shares(mn)	1,389	1,404	1,428	1,441	1,452	1,467
Key Operating Ratios						
(YE March 31st)	2004	2005	2006	2007	2008E	2009E
<b>EPS (Rs) (Basic)</b>	<b>7.4</b>	<b>11.7</b>	<b>14.7</b>	<b>20.1</b>	<b>25.4</b>	<b>30.5</b>
EPS Growth	21.8%	57.4%	25.6%	36.9%	26.2%	20.1%
<b>EPS (Rs) (Diluted)</b>	<b>7.43</b>	<b>11.60</b>	<b>14.48</b>	<b>19.92</b>	<b>25.10</b>	<b>30.16</b>
EPS Growth (Y-o-Y)	21.8%	56.2%	24.9%	37.6%	26.0%	20.1%
CEPS (Rs.)	8.8	13.3	16.6	22.7	28.8	35.2
EBIDTA (%)	22.3%	25.4%	24.3%	23.3%	23.3%	23.0%
<b>NPM (%)</b>	<b>17.5%</b>	<b>19.9%</b>	<b>19.4%</b>	<b>19.0%</b>	<b>18.8%</b>	<b>18.3%</b>
RoE (%)	28.5%	36.0%	34.8%	35.5%	33.3%	31.4%
RoCE (%)	28.4%	35.9%	34.7%	34.8%	32.3%	30.7%
Book Value per share (Rs.)	27.0	37.6	46.3	66.6	84.8	107.8
<b>Debt/Equity (x)</b>	<b>0.03</b>	<b>0.01</b>	<b>0.01</b>	<b>0.04</b>	<b>0.03</b>	<b>0.02</b>
Pay Out Ratio	65.4%	21.4%	34.5%	30.3%	28.2%	26.8%
Valuation Ratios						
(YE March 31st)	2004	2005	2006	2007	2008E	2009E
P/E (x)					21.7	18.1
P/BV (x)					6.4	5.1
P/CEPS (x)					18.9	15.5
EV/EBIDTA (x)					16.9	13.7
Market Cap./ Sales (x)					4.0	3.3
EV/Sales(x)					3.9	3.2
Dividend Yield					1.3%	1.5%
DuPont Model						
(YE March 31st)	2004	2005	2006	2007	2008E	2009E
EBIDTA/Sales (%)	22%	25.4%	24.3%	23.3%	23.3%	23.0%
Sales/Operating Assets (x)	2.5	3.2	3.2	3.4	3.1	3.1
<b>EBIDTA/Operating Assets (%)</b>	<b>56.7%</b>	<b>81.0%</b>	<b>78.4%</b>	<b>78.0%</b>	<b>72.8%</b>	<b>71.4%</b>
Operating Assets/ Net Assets(x)	0.6	0.6	0.6	0.5	0.5	0.5
Net Earnings/ EBIDTA (%)	78%	78%	80%	82%	81%	80%
Net Assets/ Equity (x)	1.0	1.0	1.0	1.0	1.0	1.0
<b>Return on Equity (%)</b>	<b>28.5%</b>	<b>36.0%</b>	<b>34.8%</b>	<b>35.5%</b>	<b>33.3%</b>	<b>31.4%</b>



Common Sized Profit & Loss Account						
(YE March 31st)	2004	2005	2006	2007	2008E	2009E
<b>Total Revenues</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>
Cost of Sales & Services	63.5%	63.5%	64.4%	65.4%	65.4%	65.5%
<b>Gross Profit</b>	<b>36.5%</b>	<b>36.5%</b>	<b>35.6%</b>	<b>34.6%</b>	<b>34.6%</b>	<b>34.5%</b>
Selling & Marketing Expenses	9.1%	6.7%	6.5%	6.2%	6.2%	6.3%
General & Administration Expenses	5.1%	4.3%	4.9%	5.1%	5.1%	5.3%
<b>EBITDA</b>	<b>22.3%</b>	<b>25.4%</b>	<b>24.3%</b>	<b>23.3%</b>	<b>23.3%</b>	<b>23.0%</b>
Depreciation and Amortization	3.3%	3.0%	2.9%	2.6%	2.8%	3.0%
Interest Expenses	0.1%	0.1%	0.0%	0.1%	0.1%	0.1%
Other Income	1%	1%	1%	1%	1%	1%
<b>PBT</b>	<b>20.4%</b>	<b>23.1%</b>	<b>22.3%</b>	<b>21.9%</b>	<b>21.9%</b>	<b>21.3%</b>
Tax	2.7%	3.3%	3.2%	3.0%	3.3%	3.2%
<b>PAT</b>	<b>17.5%</b>	<b>19.9%</b>	<b>19.4%</b>	<b>19.0%</b>	<b>18.8%</b>	<b>18.3%</b>

\* Numbers presented are in Indian GAAP.

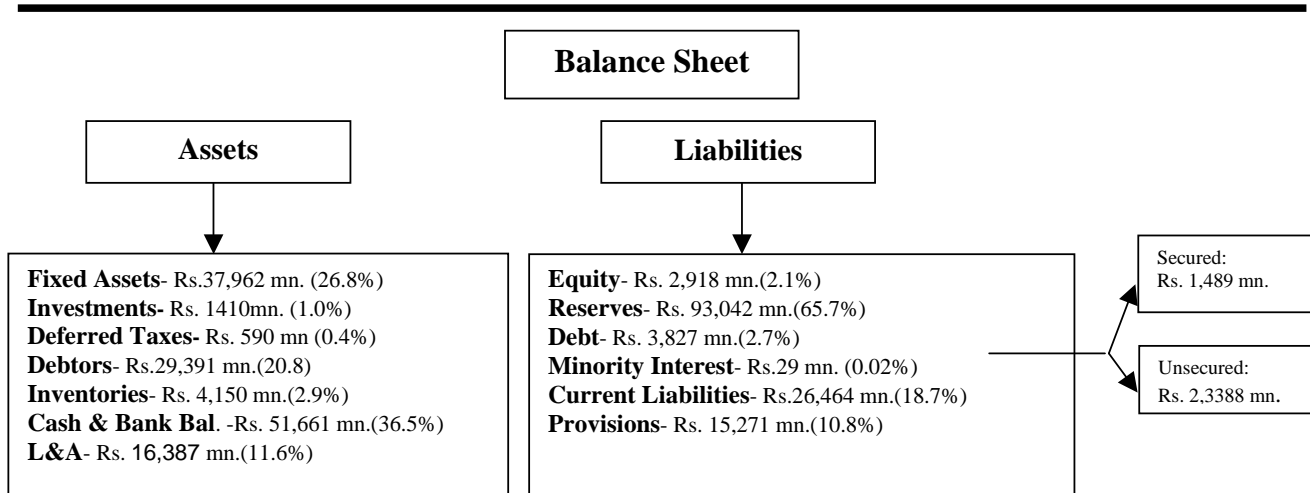
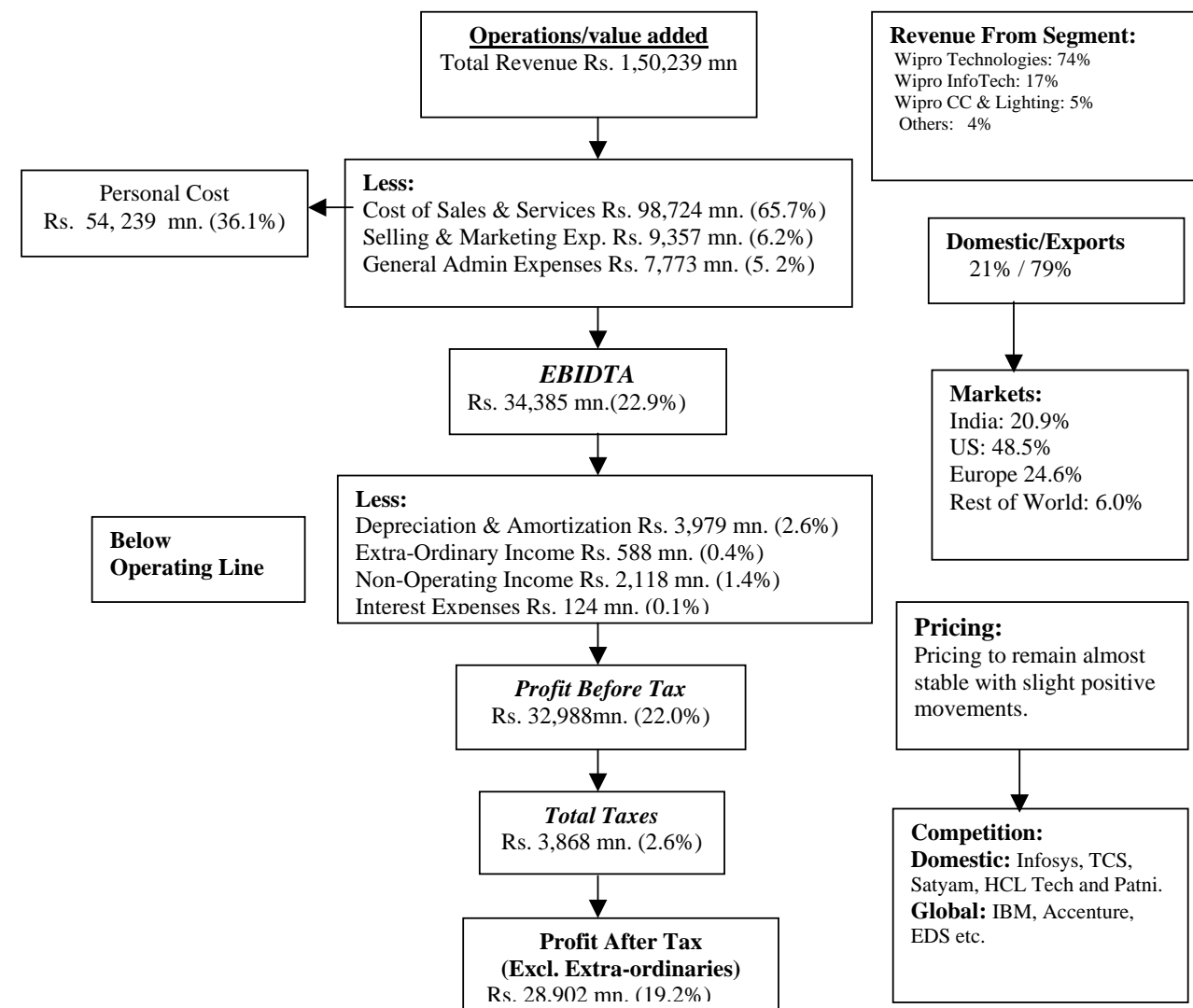
## Key Statistics



Industry:	Technology
<b>52 Week Hi:Lo:</b>	Rs.691/381.3
<b>CMP:</b>	Rs. 545.8
<b>Avg Daily Vol (20 days):</b>	1.31 mn
<b>Avg Daily Val (20 days):</b>	Rs.740.44 mn
Performance over 52 weeks:	
<b>Wipro:</b>	up 0.17%
<b>Nifty:</b>	up 10.15%



# Wipro's Business in Pictures...FY07





## What Happened Last Quarter...

Wipro Limited's (WPRO.IN/WIPR.BO) Q4 FY07 results were more or less in line with expectations. Revenues in the quarter came in at Rs.43,546 mn, up 8.9% sequentially and 40.5% Y-o-Y (as against our estimate of Rs.42,150 mn). The diluted EPS came in at Rs. 5.45, marking a growth of 3.30% (excluding the extraordinary tax reversal benefits) as against our estimates of Rs.5.51. The company's sequential topline growth in Q4 FY07 was driven by a sequential growth of 6%, 11%, 7.6% and 38.6% in Wipro Technologies, Wipro Infotech, Wipro Consumer Care & Lighting and 'Other' (comprising of the hydraulics business) respectively. The sequential growth in Global IT services was driven by an organic growth of 5.6% (IT Services up 5% sequentially and BPO up 11.8% sequentially), while there was a significant growth of 14.5% sequentially from acquisitions. The revenue growth in IT Services was driven by a volume growth of 5.4% and an increase of 1.3% in realization.

The EBIDTA margin declined by 40 bps sequentially and 154 bps Y-o-Y to 22.4%, primarily due to higher Selling and Marketing Costs (up 23.9% sequentially and 48.8% Y-o-Y) and General and Administration Expenses (up 21.5% sequentially and 77.2% Y-o-Y). The salary hikes had an adverse impact of 60 bps on the margin of Wipro Technology, offset mostly by improved profitability in acquisitions and BPO. In Q4 FY07, the OPM of acquisitions and BPO improved by 967 bps and 120 bps respectively.

In Q4 FY07, Wipro Technology's topline growth was driven by Package Implementation (up 13.6% sequentially), Technology Infrastructure (up 11.7% sequentially) and BPO (up 11.8% sequentially). Among the verticals, Telecom Service Providers (TSPs), Manufacturing, Energy & Utilities and Retail grew sequentially at 9.1%, 11%, 12.9% and 11% respectively. The company added total of 44 new clients in Q4 FY07 taking total client count to 620. Although the attrition rates in the IT services (16.9%) continued to be high compared peers Infosys (13.7%) and TCS (11.3%).

Management has given the Q1 FY08 revenue guidance for Wipro Technologies to be \$711 mn. implying the Q-o-Q growth of 2.9%. We expect the company to report revenue and diluted EPS of Rs. 44.47 bn and Rs.6.0 and Rs.194.01 bn and Rs. 25.10 for Q1FY08 and FY08 respectively. We reiterate our rating of Moderate Outperform on Wipro.

### Comparative Valuation

Company	Year	P/E (x)		P/S (x)		P/BV (x)	EV/SALES (x)		EV/EBIDTA (x)		EBIDTA	ROE (%)	RoCE (%)	Annual	Annual
Name	End										Margin (%)			EPS	Sales
														Growth (%)	Growth (%)
		FY08E	FY09E	FY08E	FY09E	FY07	FY08E	FY09E	FY08E	FY09E	FY08E	FY08E	FY08E	(09/08)	(09/08)
Infosys	Mar	23.8	19.8	6.3	5.1	9.7	5.8	4.6	18.5	15.2	31.1%	34.4%	34.4%	20.1%	24.5%
Wipro	Mar	21.7	18.1	4.0	3.3	8.2	3.9	3.2	16.9	13.7	23.3%	33.3%	32.3%	20.1%	24.6%
Satyam	Mar	17.3	14.8	3.7	3.0	5.3	3.2	2.6	13.7	11.3	23.3%	26.8%	26.5%	19.8%	22.9%
TCS	Mar	22.4	17.5	4.9	3.8	13.7	4.9	3.8	18.0	14.2	27.1%	46.8%	43.8%	27.9%	27.8%
HCT Tech	June	15.4	12.7	2.8	2.3	5.0	2.5	1.9	10.8	8.4	22.6%	29.3%	29.2%	20.9%	23.5%
iGate	Mar	14.8	11.5	1.1	1.0	3.8	1.0	0.7	7.4	4.7	13.6%	21.1%	17.2%	29.2%	20.0%

\* Source: FG Estimates.



## Key Quarterly Highlights

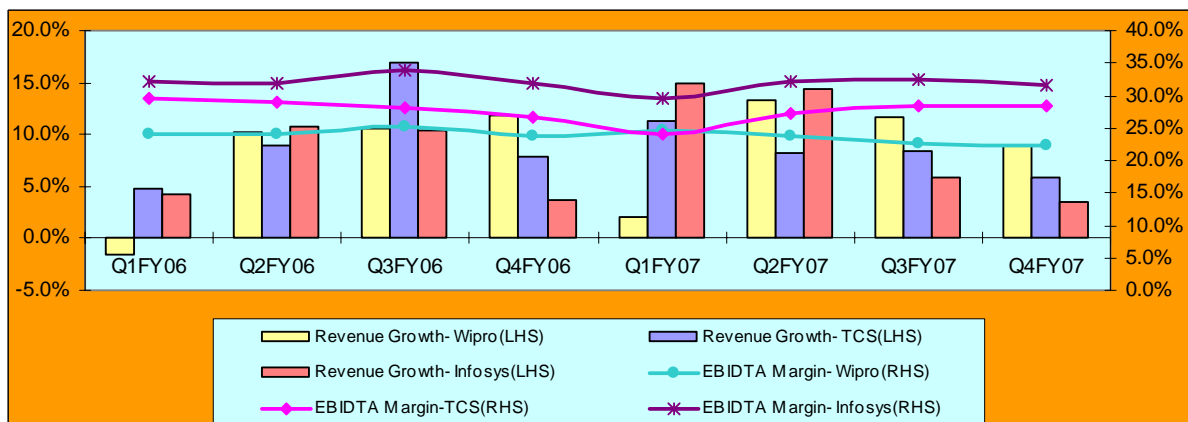
(YE March 31) (Rs. Mn)	Q4FY07	Q3FY07	% Change Q-o-Q	Q4FY06	% Change Y-o-Y
<b>Total Revenue</b>	43,546	40,001	8.9%	30,993	40.5%
Cost of Goods Sold	28,505	26,584	7.2%	20,291	40.5%
Selling & Marketing Expenses	2,802	2,262	23.9%	1,883	48.8%
General & Administration Expenses	2,496	2,053	21.5%	1,408	77.2%
<b>Total Cost</b>	<b>33,804</b>	<b>30,900</b>	<b>9.4%</b>	<b>23,582</b>	<b>43.3%</b>
<b>EBIDTA</b>	<b>9,742</b>	<b>9,102</b>	<b>7.0%</b>	<b>7,411</b>	<b>31.5%</b>
Less: Depreciation	1,091	1,011	8.0%	845	29.2%
EBIT	8,651	8,091	6.9%	6,566	31.7%
Non-Operating Income (Including of Extra ordinary)	645	550	17.2%	548	17.6%
PBT	9,256	8,593	7.7%	7,107	30.2%
Less: Total Tax	1,446	1,031	40.2%	983	47.0%
Profit after Tax before minority interest	7,810	7,561	3.3%	6,124	27.5%
Minority Interest	2	4		0	
Share in Associates	49	89	-45.4%	55	
<b>Profit After Tax</b>	<b>7,861</b>	<b>7,654</b>	<b>2.7%</b>	<b>6,179</b>	<b>27.2%</b>
Earnings Per Share (In Rs.)					
Diluted	5.45	5.28	3.30%	4.29	27.02%
Weighted average Shares Outstanding (mn)(Adj.)	1,441	1,450		1,439	
EBIDTA Margin (%)	22.4%	22.8%		23.9%	
EBIT (%)	19.9%	20.2%		21.2%	
PBT Margin (%)	21.3%	21.5%		22.9%	
NPM (%)	18.1%	19.1%		19.9%	
Effective Tax Rate (%)	15.6%	12.0%		13.8%	

\* Numbers are excluding tax rates.



**Rising costs pull down EBIDTA margin**

*Sequential Revenue growth and EBIDTA Margin - A Comparison*



The EBIDTA margin declined by 40 bps sequentially and 154 bps Y-o-Y to 22.4%, primarily due to higher Selling and Marketing Costs (up 23.9% sequentially and 48.8% Y-o-Y) and General and Administration Expenses (up 21.5% sequentially and 77.2% Y-o-Y). The salary hikes had an adverse impact of 60 bps on the margin of Wipro Technology, offset mostly by improved profitability in acquisitions and BPO. In Q4 FY07, the OPM of acquisitions and BPO improved by 967 bps and 120 bps respectively. However, historically, Wipro’s EBIDTA margin has been lower than that of Infosys and TCS. While Infosys and TCS posted an EBIDTA margin of 31.7% and 28.3% respectively, Wipro’s margin came in at 22.4% in the quarter.

**Strong growth in Technology Infrastructure Services & Package Implementation**

*Sequential growth across Services*

	Q3FY07	Q4FY07
Technology Infrastructure Services	20.7%	11.7%
Testing service	7.8%	7.8%
Package Implementation	13.8%	13.6%
Consulting	19.6%	7.8%
BPO	7.5%	11.7%
ADM	6.0%	5.4%
Total	8.8%	7.8%

\* \$ Terms





Technology Infrastructure Services (TIS) (up 11.7% sequentially) and BPO (up 11.7% sequentially) helped Wipro post a robust growth in Q4 FY07. Consulting grew by 7.8% sequentially, while the traditional ADM (up 5.4% sequentially) continued to be a laggard. We believe that TIS will spearhead the growth for Wipro in the coming years, as the service line is expected to witness significant traction, going forward.

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**Enterprise Business leads the topline growth**

*Sequential Growth across Verticals*

	<b>Q2FY07</b>	<b>Q3FY07</b>	<b>Q4FY07</b>
Embedded Systems & Product Engineering	8.1%	4.0%	3.5%
Telecom Service Providers	6.1%	4.1%	9.1%
<b>Technology Business</b>	7.7%	4.0%	4.6%
Financial Services	10.2%	9.4%	8.4%
Retail	26.1%	8.9%	10.7%
Energy & Utilities	-4.0%	33.4%	12.9%
Manufacturing	6.9%	7.7%	11.0%
TMTS	12.1%	7.1%	3.7%
Corporate/Others	9.2%	5.5%	10.9%
<b>Enterprise Business</b>	10.1%	11.6%	8.9%

Among the verticals, Enterprise Business grew by 8.9% sequentially and Technology Business grew by 4.6% in Q4 FY07. In Enterprise Business, Energy & Utilities (up 12.9% sequentially), Manufacturing (up 11.0% sequentially) and Retail (up 10.7% sequentially) witnessed robust growth. In the Technology Business, Telecom Services Providers (TSPs) witnessed significant traction (up 9.1% sequentially), although Product Engineering (up 3.5% sequentially) was comparatively a laggard. Going forward, given the growth potential in the Product Engineering segment, Telecom domain and Financial Services, these verticals, along with the other emerging verticals, such as Retail, and Energy & Utilities, will continue to dominate Wipro’s vertical portfolio.

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## **Key Segment Highlights**

### **□ Wipro Technologies**

- In Q4 FY07, Global IT Services and Products accounted for 70% of the total revenues and 87% of the PBIT.
- Technology Business and Enterprise Business contributed 33% and 67% respectively to the top line of Global IT services. The BPO business contributed 8.3% to the company's topline.
- The company added a total of 44 new clients, thus taking its active client headcount to 620.
- With a net addition of 1041 employees to IT Services and 601 employees to BPO, Wipro's total employee strength reached 67,818.

### **□ Wipro Infotech: India & Asia-Pac IT Services and Products**

- Wipro Infotech accounted for 18% of the total revenues and 9% of the PBIT in Q4 FY07.
- Wipro Infotech recorded revenues of Rs.7.84 bn, marking a growth of 38% Y-o-Y. The EBIT margin for the quarter was 9.3%. The Services business contributed 31.4% of the total revenues in the quarter.

### **□ Wipro Consumer Care and Lighting**

- In Q4 FY07, Wipro Consumer Care and Lighting business recorded revenues of Rs.2.03 bn and an EBIT of Rs.246 mn, contributing 5% to the total revenues and 3% to the overall EBIT.



## *Earnings Model – Wipro Limited Consolidated*

Rs. Million (YE 31st March)	FY06	Q1	Q2	Q3	Q4	FY07	Q1E	Q2E	Q3E	Q4E	FY08E	FY09E
<b>Total Revenue</b>	<b>106,541</b>	<b>31,616</b>	<b>35,807</b>	<b>40,001</b>	<b>43,546</b>	<b>150,970</b>	<b>44,470</b>	<b>46,794</b>	<b>49,736</b>	<b>53,051</b>	<b>194,051</b>	<b>241,704</b>
Cost of Revenue	68,574	20,336	23,299	26,584	28,505	98,724	28,661	30,533	33,074	34,642	126,911	158,316
<b>Gross Profit</b>	<b>37,967</b>	<b>11,280</b>	<b>12,509</b>	<b>13,417</b>	<b>15,040</b>	<b>52,246</b>	<b>15,809</b>	<b>16,261</b>	<b>16,661</b>	<b>18,409</b>	<b>67,140</b>	<b>83,388</b>
Selling & Marketing Expenses	6,904	2,077	2,216	2,262	2,802	9,357	2,921	2,896	2,813	3,414	12,043	15,106
General & Administration Expenses	5,177	1,445	1,779	2,053	2,496	7,773	2,032	2,325	2,561	3,041	9,959	12,689
<b>Total Cost</b>	<b>80,655</b>	<b>23,857</b>	<b>27,293</b>	<b>30,900</b>	<b>33,804</b>	<b>115,854</b>	<b>33,615</b>	<b>35,753</b>	<b>38,448</b>	<b>41,097</b>	<b>148,913</b>	<b>186,112</b>
<b>EBIDTA</b>	<b>25,886</b>	<b>7,758</b>	<b>8,514</b>	<b>9,102</b>	<b>9,742</b>	<b>35,116</b>	<b>10,856</b>	<b>11,041</b>	<b>11,288</b>	<b>11,954</b>	<b>45,138</b>	<b>55,592</b>
Less: Depreciation	3,096	895	983	1,011	1,091	3,979	1,353	1,353	1,353	1,353	5,410	7,333
EBIT	22,790	6,864	7,531	8,091	8,651	31,137	9,503	9,688	9,935	10,601	39,727	48,259
Non-Operating Income( incl of Extra ordinary)	1,023.7	318.3	462.6	550.0	644.5	1,975.3	725	725	725	725	2,901.1	3,442.7
PBT	23,778	7,179	7,960	8,593	9,256	32,988	10,180	10,365	10,612	11,279	42,437	51,510
Less: Total Tax	3,391	1,041	1,050	1,031	1,446	4,568	1,527	1,555	1,592	1,692	6,366	7,727
Profit after Tax before minority interest	20,387	6,139	6,910	7,561	7,810	28,420	8,653	8,811	9,021	9,587	36,071	43,784
Minority Interest	1	0	0	4	2	-6	2	2	2	2	-8	-9
Share in Associates	288	65	92	89	49	295	91	93	95	101	379	461
<b>Profit After Tax</b>	<b>20,674</b>	<b>6,204</b>	<b>7,002</b>	<b>7,654</b>	<b>7,861</b>	<b>28,721</b>	<b>8,746</b>	<b>8,905</b>	<b>9,117</b>	<b>9,690</b>	<b>36,459</b>	<b>44,254</b>
Earnings Per Share (In Rs.)												
Diluted	14.5	4.3	4.8	5.3	5.5	19.9	6.0	6.1	6.3	6.7	25.1	30.2
Weighted average Shares Outstanding (mn)	1,427.9	1,441.2	1,445.6	1,449.8	1,441.5	1,441.5	1,447.7	1,450.8	1,454.0	1,457.0	1,452.4	1,467.4
Gross Margin	35.6%	35.7%	34.9%	33.5%	34.5%	34.6%	35.6%	34.8%	33.5%	34.7%	34.6%	34.5%
EBIDTA Margin	24.3%	24.5%	23.8%	22.8%	22.4%	23.3%	24.4%	23.6%	22.7%	22.5%	23.3%	23.0%
EBIT Margin	21.4%	21.7%	21.0%	20.2%	19.9%	20.6%	21.4%	20.7%	20.0%	20.0%	20.5%	20.0%
PBT Margin	22.3%	22.7%	22.2%	21.5%	21.3%	21.9%	22.9%	22.2%	21.3%	21.3%	21.9%	21.3%
NPM	19.4%	19.6%	19.6%	19.1%	18.1%	19.0%	19.7%	19.0%	18.3%	18.3%	18.8%	18.3%
Effective Tax Rate	14.3%	14.5%	13.2%	12.0%	15.6%	13.8%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%



## **IMPORTANT DISCLOSURES**

### ***Price Target***

Price targets (if any) are derived from a subjective and/or quantitative analysis of financial and nonfinancial data of the concerned company using a combination of P/E, P/Sales, earnings growth, discounted cash flow (DCF) and its stock price history.

*The risks that may impede achievement of the price target/investment thesis are -*

- **Change in the economic climate / legislation against Indian offshore development in the countries where the company provides its services**
- **Billing Rate pressure from clients**
- **Fluctuation on US\$-Rupee exchange rate**
- **Salary and wage inflation & high employee attrition**
- **Availability of tax holidays and incentives from Government of India**



## ***Rating system of First Global***

Our rating system consists of three categories of ratings: Positive, Neutral and Negative. Within each of these categories, the rating may be absolute or relative. When assigning an absolute rating, the price target, if any, and the time period for the achievement of this price target, are given in the report. Similarly when assigning a relative rating, it will be with respect to certain market/sector index and for a certain period of time, both of which are specified in the report.

### **Rating in this report is relative to: S&P CNX Nifty**

#### **Positive Ratings**

*(i) Buy (B) – This rating means that we expect the stock price to move up and achieve our specified price target, if any, over the specified time period.*

*(ii) Buy at Declines (BD) – This rating means that we expect the stock to provide a better (lower) entry price and then move up and achieve our specified price target, if any, over the specified time period.*

*(ii) Outperform (OP) – This is a relative rating, which means that we expect the stock price to outperform the specified market/sector index over the specified time period.*

#### **Neutral Ratings**

*(i) Hold (H) – This rating means that we expect no substantial move in the stock price over the specified time period.*

*(ii) Marketperform (MP) – This is a relative rating, which means that we expect the stock price to perform in line with the performance of the specified market/sector index over the specified time period.*

#### **Negative Ratings**

*(i) Sell (S) – This rating means that we expect the stock price to go down and achieve our specified price target, if any, over the specified time period.*

*(ii) Sell into Strength (SS) – This rating means that we expect the stock to provide a better (higher) exit price in the short term, by going up. Thereafter, we expect it to move down and achieve our specified price target, if any, over the specified time period.*

*(iii) Underperform (UP) – This is a relative rating, which means that we expect the stock price to underperform the specified market/sector index over the specified time period.*

*(iv) Avoid (A) – This rating means that the valuation concerns and/or the risks and uncertainties related to the stock are such that we do not recommend considering the stock for investment purposes.*



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