

Indian IT Services

World Bank discloses debarments of Indian IT firms - ALERT

- World Bank discloses debarred entities:** The World Bank Group has decided to make public the names of all companies that have been debarred from receiving direct contracts from the Bank Group under its corporate procurement program. World Bank stated that this change was made in the interest of fairness and transparency. There are currently three companies that have been debarred along with their affiliates under the Bank Group's corporate procurement program. (See table below).
- Wipro admits debarment:** Wipro has accepted that in June 2007, the World Bank found Wipro in breach of its internal policy of providing improper benefits to Bank staff, making it ineligible to bid for World Bank contracts in 2007-11 timeframe. World Bank's contribution to Wipro is insignificant (less than US\$1m cumulative revenue in last eight years).
- Cause of Wipro's debarment:** In 2000, during its IPO of ADS, Wipro used an SEC approved Directed Share Program (DSP) to offer ADSs to employees and clients at the IPO price. Under this program some World Bank's employees and their family/friends bought 1,750 ADSs for ~\$72,000 at the IPO price. The World Bank in 2007 ruled that such transaction violated their standard practices and accordingly debarred Wipro.
- We continue to believe that Wipro is one of the best corporates in India in terms of corporate governance.** However, such disclosures increase apprehension amongst investors in the backdrop of the Satyam fraud - this is evident in 10% price decline in Wipro's stock today. We believe that it would be in the best interest of Indian IT companies to be prompt in disclosing price sensitive information to investors given nervousness post the Satyam debacle.
- On a sector basis, we remain positive on a 12 month view with Infosys and TCS as our top picks. However, we do expect near-term share price pressure due to weak Mar-09 quarter guidance from companies and uncertainty on 2009 IT budgets.**

eBusiness/IT Services

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Table 1: List of debarred by World Bank under its Corporate Procurement Program

Company	Debarred Term	Debarred from	Reason
Satyam	8 years	Sep-08	Providing improper benefits to Bank staff and failing to maintain documentation to support fees charged for its subcontractors.
Wipro	4 years	Jun-07	Providing improper benefits to Bank staff
Megasoft	4 years	Dec-07	Participating in a joint venture with Bank staff while also conducting business with the Bank

Source: World Bank website.

See page 3 for analyst certification and important disclosures, including non-US analyst disclosures.

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Asia Pacific Equity Research
12 January 2009

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Companies Recommended in This Report (all prices in this report as of market close on 09 January 2009)

Infosys Technologies (INFY.BO/Rs1,195.10/Overweight), Tata Consultancy Services (TCS.BO/Rs535.65/Overweight), Wipro Ltd. (WIPR.BO/Rs250.65/Neutral)

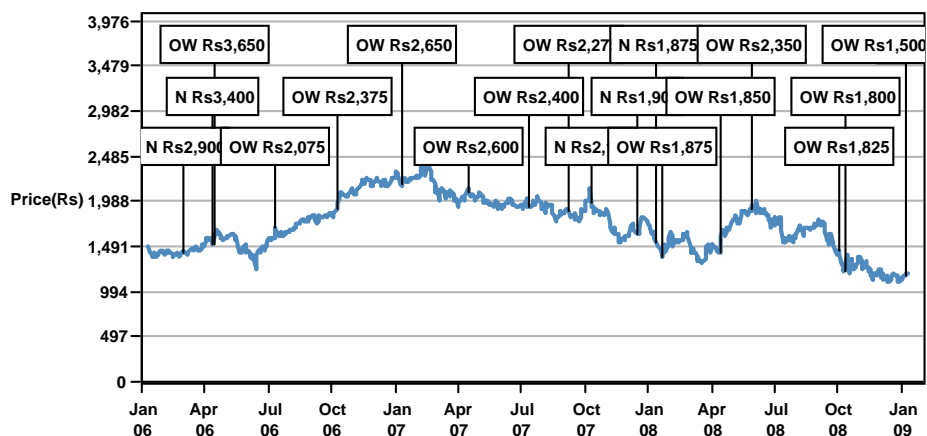
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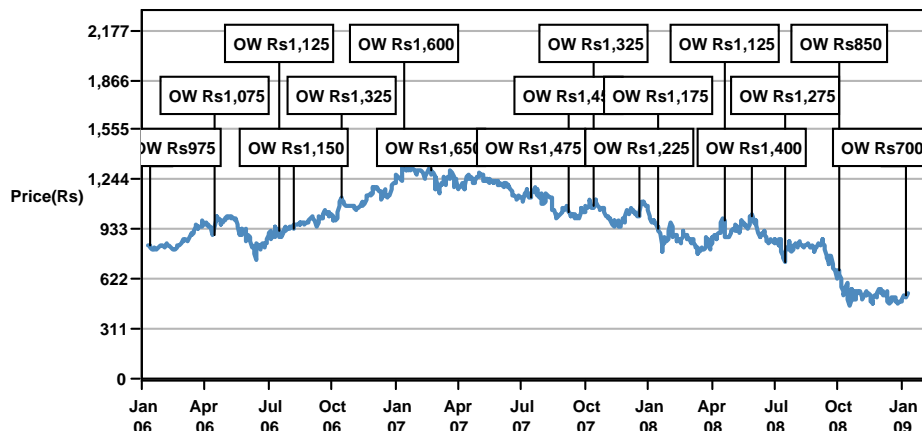
Infosys Technologies (INFY.BO) Price Chart



Source: Reuters and J.P. Morgan; price data adjusted for stock splits and dividends.
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Date	Rating	Share Price (Rs)	Price Target (Rs)
01-Mar-06	N	1414.30	2900.00
14-Apr-06	N	1510.40	3400.00
17-Apr-06	OW	1510.40	3650.00
13-Jul-06	OW	1693.22	2075.00
11-Oct-06	OW	1906.00	2375.00
12-Jan-07	OW	2183.00	2650.00
16-Apr-07	OW	2087.60	2600.00
12-Jul-07	OW	1929.70	2400.00
10-Sep-07	OW	1871.50	2275.00
12-Oct-07	N	1976.00	2150.00
18-Dec-07	N	1621.95	1900.00
14-Jan-08	N	1530.20	1875.00
23-Jan-08	OW	1377.55	1875.00
15-Apr-08	OW	1422.45	1850.00
29-May-08	OW	1912.65	2350.00
02-Oct-08	OW	1453.90	1825.00
11-Oct-08	OW	1226.70	1800.00
06-Jan-09	OW	1174.45	1500.00

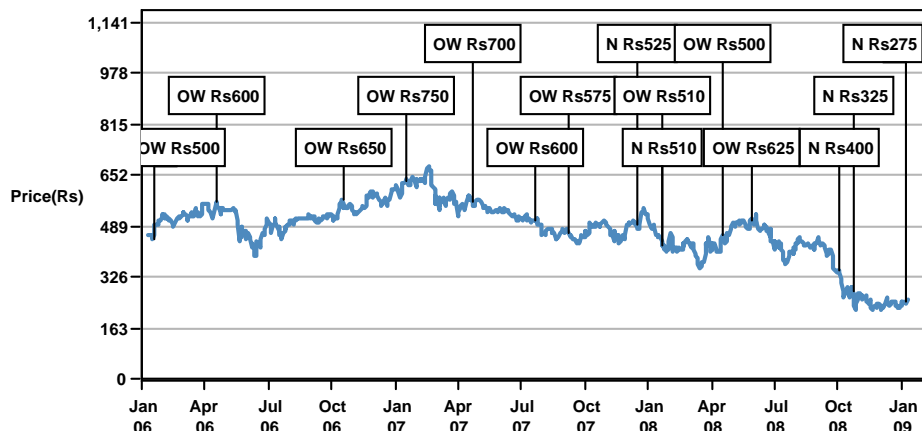
Tata Consultancy Services (TCS.BO) Price Chart



Date	Rating	Share Price (Rs)	Price Target (Rs)
12-Jan-06	OW	835.82	975.00
17-Apr-06	OW	898.42	1075.00
19-Jul-06	OW	920.88	1125.00
08-Aug-06	OW	936.00	1150.00
16-Oct-06	OW	1130.45	1325.00
15-Jan-07	OW	1327.90	1600.00
21-Feb-07	OW	1297.20	1650.00
16-Jul-07	OW	1136.85	1475.00
10-Sep-07	OW	1046.95	1450.00
15-Oct-07	OW	1073.65	1325.00
20-Dec-07	OW	1021.35	1225.00
16-Jan-08	OW	938.25	1175.00
21-Apr-08	OW	992.55	1125.00
29-May-08	OW	1009.70	1400.00
17-Jul-08	OW	727.35	1275.00
02-Oct-08	OW	671.00	850.00
06-Jan-09	OW	515.00	700.00

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Wipro Ltd. (WIPR.BO) Price Chart



Date	Rating	Share Price (Rs)	Price Target (Rs)
18-Jan-06	OW	449.25	500.00
19-Apr-06	OW	570.15	600.00
18-Oct-06	OW	574.70	650.00
17-Jan-07	OW	636.85	750.00
23-Apr-07	OW	567.00	700.00
22-Jul-07	OW	507.80	600.00
10-Sep-07	OW	466.95	575.00
17-Dec-07	N	495.20	525.00
21-Jan-08	N	439.80	510.00
23-Jan-08	OW	428.85	510.00
18-Apr-08	OW	459.20	500.00
29-May-08	OW	506.15	625.00
02-Oct-08	N	349.10	400.00
23-Oct-08	N	279.25	325.00
06-Jan-09	N	245.65	275.00

Source: Reuters and J.P. Morgan; price data adjusted for stock splits and dividends.
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