

Quarter gains led by rupee; retain Underperform

3Q performance led by rupee; Retain Underperform

Satyam's 3Q revenues disappointed, with volume growth of negative 1.5% QoQ vs. BofAMLe 3% QoQ. USD revenues were down 1.5% QoQ, missing BofAMLe by 4%, led by a volume decline and a cross currency hit. While EBITDA margin expanded by 87bps, it was largely led by rupee depreciation, unsustainable, in our view. Given muted hiring during 3Q and high exposure to discretionary spend (43% revs), revenue growth is likely to lag that of peers. While we marginally lower our revenue ests, we raise FY13e and 14e earnings by 5-8% to factor in rupee-led improvement in margins. Raise PO to Rs80; retain Underperform rating.

Weak top-line growth; challenges remain

Satyam's volume growth (-1.5% QoQ) came in weaker than expected. It realized a rupee rate of Rs53 vs. Rs48 in 2Q, leading to 9% QoQ growth in rupee revs. Hiring during the quarter, at 1%, was muted and is likely to remain muted in 4Q, as well. Given high exposure to discretionary spends, i.e., enterprise solutions (43% revs), and delays in decision-making, top-line growth is likely to lag that of peers. We forecast 10% yoy growth for FY13 vs. 15-18% for tier 1 vendors.

Strong margin performance; unsustainable, in our view

Helped by the rupee, Satyam was able to offset the impact of a wage hike during the quarter. However, given recent rupee appreciation, we expect both the top line and margins to be impacted in 4Q. With top-line growth likely to be muted, we think it would be challenging to enhance employee pyramid levels and improve utilization levels. With revenues likely to lag that of peers, margins to decline and likely lower other income, we expect earnings to decline in FY13. We retain our Underperform rating.

Estimates (Mar)

(Rs)	2010A	2011A	2012E	2013E	2014E
Net Income (Adjusted - mn)	2,923	4,938	9,652	7,098	8,161
EPS	2.48	4.20	8.20	6.03	6.94
EPS Change (YoY)	NM	68.9%	95.5%	-26.5%	15.0%
Dividend / Share	0	0	0	1.00	2.00
Free Cash Flow / Share	(1.21)	(2.68)	(3.15)	3.64	3.71
ADR EPS (US\$)	0.105	0.184	0.332	0.244	0.281
ADR Dividend / Share (US\$)	0	0	0	0.040	0.081

Valuation (Mar)

	2010A	2011A	2012E	2013E	2014E
P/E	30.65x	18.14x	9.28x	12.62x	10.98x
Dividend Yield	0%	0%	0%	1.31%	2.63%
EV / EBITDA*	14.36x	17.51x	8.18x	8.07x	7.01x
Free Cash Flow Yield*	-1.59%	-3.52%	-4.14%	4.78%	4.88%

* For full definitions of *iQmethod*SM measures, see page 9.

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Stock Data

Price (Common / ADR)	Rs76.15 / US\$2.86
Price Objective	Rs80.00 / US\$3.10
Date Established	2-Feb-2012 / 25-Aug-2011
Investment Opinion	C-3-9 / C-3-9
Volatility Risk	HIGH / HIGH
52-Week Range	Rs54.20-Rs94.20
Market Value (mn)	US\$1,812
Market Value (mn)	Rs89,590
Shares Outstanding (mn)	1,176.5 / 588.3
Average Daily Volume	4,404,701
BofAML Ticker / Exchange	XSAYAF / NSI
BofAML Ticker / Exchange	SAYCY / OTU
Bloomberg / Reuters	SCS IN / SATY.NS
ROE (2012E)	19.0%
Net Dbt to Eqty (Mar-2010A)	-58.5%
Est. 5-Yr EPS / DPS Growth	18.0% / 18.0%
Free Float	57.0%

Key Changes

(Rs)	Previous	Current
Price Obj.	78.00	80.00
2012E EPS	6.64	8.20
2013E EPS	5.60	6.03
2014E EPS	6.61	6.94
2012E EBITDA (m)	8,660.6	9,744.4
2013E EBITDA (m)	9,364.5	9,868.7
2014E EBITDA (m)	11,043.7	11,363.7

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Refer to important disclosures on page 10 to 13. Analyst Certification on Page 8. Price Objective Basis/Risk on page 8. Link to Definitions on page 8.11132592

iQprofileSM Mahindra Satyam Ltd

Key Income Statement Data (Mar)	2010A	2011A	2012E	2013E	2014E
(Rs Millions)					
Sales	54,810	51,450	63,476	68,878	80,019
Gross Profit	14,014	13,215	20,529	22,105	24,405
Sell General & Admin Expense	(8,466)	(8,664)	(10,785)	(12,237)	(13,041)
Operating Profit	3,404	2,704	8,097	7,802	8,963
Net Interest & Other Income	(252)	2,845	3,827	1,790	1,918
Associates	NA	NA	NA	NA	NA
Pretax Income	3,152	5,549	11,924	9,592	10,881
Tax (expense) / Benefit	(222)	(578)	(2,272)	(2,494)	(2,720)
Net Income (Adjusted)	2,923	4,938	9,652	7,098	8,161
Average Fully Diluted Shares Outstanding	1,177	1,177	1,177	1,177	1,177

Key Cash Flow Statement Data

Net Income	2,923	4,938	9,652	7,098	8,161
Depreciation & Amortization	2,144	1,847	1,647	2,066	2,401
Change in Working Capital	(2,600)	(29)	(11,749)	(1,434)	(2,692)
Deferred Taxation Charge	NA	NA	NA	NA	NA
Other Adjustments, Net	(2,304)	(7,367)	55	0	0
Cash Flow from Operations	163	(611)	(396)	7,731	7,869
Capital Expenditure	(1,584)	(2,542)	(3,313)	(3,450)	(3,500)
(Acquisition) / Disposal of Investments	NA	NA	NA	NA	NA
Other Cash Inflow / (Outflow)	(20,620)	4,943	(552)	(100)	0
Cash Flow from Investing	(22,204)	2,401	(3,865)	(3,550)	(3,500)
Shares Issue / (Repurchase)	29,084	0	0	0	0
Cost of Dividends Paid	0	0	0	(1,341)	(2,682)
Cash Flow from Financing	21,036	(204)	(27)	(1,341)	(2,682)
Free Cash Flow	(1,421)	(3,153)	(3,709)	4,281	4,369
Net Debt	(21,346)	(27,223)	(22,458)	(25,298)	(26,985)
Change in Net Debt	(6,662)	(1,693)	4,711	(2,839)	(1,687)

Key Balance Sheet Data

Property, Plant & Equipment	9,865	9,499	11,165	12,549	13,648
Other Non-Current Assets	33,824	33,393	33,945	34,045	34,045
Trade Receivables	9,230	11,588	13,912	15,096	17,538
Cash & Equivalents	21,768	27,538	22,800	25,640	27,327
Other Current Assets	8,695	8,160	9,860	11,160	12,460
Total Assets	83,382	90,178	91,683	98,490	105,018
Long-Term Debt	NA	NA	NA	NA	NA
Other Non-Current Liabilities	12,304	12,304	12,304	12,304	12,304
Short-Term Debt	422	315	342	342	342
Other Current Liabilities	24,116	31,044	23,319	24,369	25,419
Total Liabilities	36,842	43,663	35,965	37,015	38,065
Total Equity	46,539	46,515	55,717	61,474	66,952
Total Equity & Liabilities	83,381	90,178	91,682	98,489	105,017

iQmethodSM - Bus Performance*

Return On Capital Employed	6.4%	8.5%	15.3%	10.1%	10.7%
Return On Equity	9.2%	10.7%	19.0%	12.2%	12.8%
Operating Margin	6.2%	5.3%	12.8%	11.3%	11.2%
EBITDA Margin	10.1%	8.8%	15.4%	14.3%	14.2%

iQmethodSM - Quality of Earnings*

Cash Realization Ratio	0.1x	-0.1x	0x	1.1x	1.0x
Asset Replacement Ratio	0.7x	1.4x	2.0x	1.7x	1.5x
Tax Rate (Reported)	7.0%	10.4%	19.1%	26.0%	25.0%
Net Debt-to-Equity Ratio	-45.9%	-58.5%	-40.3%	-41.2%	-40.3%
Interest Cover	10.3x	27.9x	NM	NM	NM

Key Metrics

* For full definitions of iQmethodSM measures, see page 9.

Company Description

Founded in 1988, Mahindra Satyam (earlier known as Satyam Computer Services) is one of the leading IT services firms from India. It has a strong presence in manufacturing verticals and is known for its expertise in ERP implementation services. Tech Mahindra, a leading IT/telecom player, owns a 43% stake in the company and is part of the Mahindra Group.

Investment Thesis

Our Underperform rating is driven by our view that rich valuations are unlikely to sustain given the low margin profile and return ratios as compared to peers. Also, we believe revenue growth is likely to lag peers given that margin expansion is likely to be challenging. We would watch out for large deal closures which would help drive faster revenue growth and expand margins.

Stock Data

Shares / ADR	2.00
Price to Book Value	1.6x

Key Changes (ADR)

(US\$)	Previous	Current
2012E EPS	0.27	0.33
2013E EPS	0.23	0.24
2014E EPS	0.27	0.28

Challenges remain; Retain Underperform

Satyam's 3Q results reaffirmed our view of likely lower revenue growth as compared to peers, given high exposure to discretionary spend. 3Q revenues declined 1.5% in USD terms, missing BofAMLe by 4%. This was driven by a 1.5% decline in volume and the impact from a cross currency hit. While margins improved despite 3Q being a salary-hike quarter, the improvement was driven by rupee depreciation and, hence, is unsustainable, in our view.

While we marginally lower our revenue estimates, we raise FY13E and 14E earnings by 5-8% to factor in the rupee-led improvement in margins. We raise FY12 earnings by 24% to factor in the rupee-led margin expansion and higher forex gains during the quarter. We raise our PO to Rs80 and we retain our Underperform rating.

Our Underperform rating is driven by our view that:

#1) Revenue growth likely to lag that of peers: Satyam derives ~43% of its revenues from discretionary spend, such as enterprise solutions. Given headwinds from the weak macro environment and the delay in decision-making cycles, discretionary spends are likely to be under pressure. Besides, hiring for Satyam was muted during 3Q and is likely to remain muted in 4Q as well. Management highlighted that it has given offers to ~2,300 freshers and is likely to adopt just-in-time hiring. Also, anecdotal evidence indicates limited competitive intensity in large deals from Satyam, which could restrict growth, in our view.

#2) Margin performance unsustainable: Satyam reported an 87bps QoQ improvement in margins. It was able to offset the impact of wage hikes due to the rupee depreciation during the quarter. Satyam realized an INR rate of Rs53 vs. Rs50 for peers and Rs48 during 2Q, leading to 9% growth in rupee realization. With the rupee already appreciating, 4Q revenues and margins are likely to be impacted, in our view. With top-line growth likely to be muted, we think it will be difficult to enhance employee pyramid levels and improve utilization levels.

#3) YOY decline in other income likely: Other income in FY12 is expected to be at Rs3.9bn. However, this includes Rs1.3bn of forex gains (translations gains), which is unlikely to recur in FY13, and one-off income from the sale of MF units. Given rupee appreciation, we could also see a reversal leading to losses. Consequently, we expect other income to reduce to Rs1.9bn in FY13 from Rs3.9bn, down 50 % yoy.

Including unbilled revenues, Satyam booked 50% revenues at quarter end rate i.e. Rs53 in last qrt. Likely to be impacted in 4Q

3Q highlights

- Revenue, at USD 325mn, is 4.4% lower than our estimates, led by decline in volumes. Revenue in rupee terms, at 17.18bn, is 1.1% ahead of our estimates, led by rupee depreciation.
- EBITDA stood at Rs 2781mn, 28% ahead of our estimates. EBITDA margins improved 87bps QoQ, 300bps ahead of our estimates, led by rupee depreciation. Satyam realized a rupee rate of Rs53 vs. our assumption of Rs50, and was able to offset the decline in margins from rupee depreciation.
- PAT grew 29% QoQ, 80% ahead of our estimate, largely due to increased other income driven by forex gains. It reported other income of Rs1.5bn vs. our expectation of Rs443mn.

- 35 gross new client additions in the quarter

- Client concentration remains a concern. Top ten contributes 41% to revenues vs. 20-25% for Tier one vendors.

Table 1: Client concentration

	3Q FY11	4Q FY11	1Q FY12	2Q FY12	3Q FY12
Top client	10%	9%	10%	10%	11%
Top 5 Clients	27%	26%	26%	27%	27%
Top 10 clients	40%	39%	39%	39%	41%

Source: Company, BofA Merrill Lynch Global Research

High top 10 client concentration

- Deterioration in client buckets. Number of clients contributing USD 5mn, USD10mn reduced during the quarter led by ramp-down in projects.

Table 2: Number of million dollar clients

	3Q FY11	4Q FY11	1Q FY12	2Q FY12	3Q FY12
US\$ 1mn	121	144	130	124	125
US \$ 5mn	45	48	47	47	46
US \$ 10mn	31	33	36	35	30
US \$ 20mn	10	12	14	16	16
US \$ 50mn	2	3	3	3	3

Source: Company, BofA Merrill Lynch Global Research

Management continues to focus on top 30 to 100 accounts

- Employee hiring to remain muted for the quarter and is likely to be muted in 4Q as well. Management highlighted that hiring would be need-based. Utilization improved by 1% to 75% in 3QFY12

Table 3: Employee base

	3Q FY11	4Q FY11	1Q FY12	2Q FY12	3Q FY12
Total headcount	28832	29266	31438	32092	32280
QoQ increase	2.7%	1.5%	7.4%	2.1%	0.6%
Attrition % IT (Stand alone)	25.0%	22.0%	17.0%	15.6%	16.0%

Source: Company, BofA Merrill Lynch Global Research

Net hiring fell to 0.6% vs. 2.1% last quarter while attrition increased marginally to 16% vs. 15.6% last quarter

- Revenue contribution from Europe improved on a QoQ basis. This was driven by improvement across key verticals, including BFSI, healthcare and life sciences.

Table 4: Revenue contribution across geography

(In %)	3Q FY11	4Q FY11	1Q FY12	2Q FY12	3Q FY12
Europe	30	25	24	24	29
Americas	52	51	50	52	52
Rest of world	18	24	26	24	18

Source: Company, BofA Merrill Lynch Global Research

Europe contribution to revs increased to 29% vs. 24% in 2QFY12

- Growth in BFSI vertical continues at double digits, while healthcare and life sciences see a dip due to ramp-down of two projects

Table 5: QoQ revenue growth across verticals

BFSI saw highest QoQ growth of 20%

	4Q FY11	1Q FY12	2Q FY12	3Q FY12
Manufacturing	11%	4%	10%	9%
Technology, Media & Entertainment	8%	10%	16%	-1%
BFSI	2%	-2%	23%	20%
Retail, T&L	8%	14%	1%	9%
Healthcare & Life Sciences	-4%	-9%	10%	-7%
Others	17%	-4%	0%	20%

Source: Company, BofA Merrill Lynch Global Research

■ Cost structure continues to be volatile

Table 6: Volatile cost structure

Rs in mn	3Q FY11	4Q FY11	1Q FY12	2Q FY12	3Q FY12
Operating costs	2885	2929	2938	3740	3937
% Sales	23%	21%	20%	24%	23%
Growth yoy	13%	2%	0%	27%	5%

Source: Company, BofA Merrill Lynch Global Research

3QFY12 results

Table 7: 3QFY12 results

Rs in mn	3Q FY12	2Q FY12	QoQ	3QFY11	YoY	BofAMLe	Variance
Revenues (USD mn)	325	330	-1.5%	284	14%	340	-4.4%
Revenues	17181	15777	9%	12793	34%	16998	1.1%
Salaries	11503	10502	10%	9669	19%	11914	-3.4%
Operating and Admin Costs	2897	2858	1%	2305	26%	2915	-0.6%
Total Expenditure	14400	13360	8%	11974	20%	14829	-2.9%
EBITDA	2781	2417	15%	819	240%	2169	28.2%
Depreciation	385	396	-3%	381	1%	425	-9.4%
EBIT	2396	2021	19%	438	447%	1744	37.3%
Interest	27	20	32%	23	17%	45	-40.0%
Other Income	1513	967	56%	873	73%	443	241.2%
PBT	3881	2968	31%	1288	201%	2143	81.1%
Exceptional Items	0	0	NA	533	NA	0	NA
Tax	790	578	37%	159	397%	429	84.4%
PAT	3091	2390	29%	596	419%	1714	80.3%
Recurring PAT	3091	2390	29%	1129	174%	1714	80.3%
Margins							
Gross Margins	33%	33%	-39bps	24%	863bps	30%	313bps
EBITDA %	16%	15%	87bps	6%	978bps	13%	342bps
EBIT%	14%	13%	113bps	3%	1052bps	10%	368bps
PAT % (Recurring)	18%	15%	285bps	9%	917bps	10%	791bps

Source: Company, BofA Merrill Lynch Global Research

Financials

Table 8: Profit and loss statement

(Rs.mn), Year end March	FY10	FY11	FY12E	FY13E	FY14E
Revenues	54810	51450	63476	68878	80019
Employee cost	40796	38235	42946	46772	55615
Gross profit	14014	13215	20529	22105	24405
Operating and Admin expenses	8466	8664	10785	12237	13041
Total costs	49262	46899	53731	59009	68655
EBITDA	5548	4551	9744	9869	11364
Depreciation	2144	1847	1647	2066	2401
EBIT	3404	2704	8097	7802	8963
Other income	77	2942	3965	1910	2028
Interest and financing charges	329	97	138	120	110
PBT	3152	5549	11924	9592	10881
Exceptional expenses	4169	6411	0	0	0
PBT	-1017	-862	11924	9592	10881
Tax expenses	222	578	2272	2494	2720
PAT	-1239	-1440	9652	7098	8161
Minority interest	7	33	0	0	0
PAT post minority interest	-1246	-1473	9652	7098	8161
Recurring PAT	2923	4938	9652	7098	8161

Source: Company, BofA Merrill Lynch Global Research

Table 9: Balance sheet

(Rs.mn), Year end March	FY10	FY11	FY12E	FY13E	FY14E
Capital	2352	2353	2353	2353	2353
Reserves and surplus	43947	43860	53062	58819	64297
Networth	46300	46213	55416	61173	66651
Loan funds	422	315	342	342	342
Amounts pending investigation	12304	12304	12304	12304	12304
Total liabilities	59266	59134	68364	74121	79599
Gross Block	25635	28084	32084	35334	38634
Net Block	6134	6812	9165	10349	11248
Capital WIP	3731	2687	2000	2200	2400
Net Fixed assets	9865	9499	11165	12549	13648
Investments	6268	4348	4900	5000	5000
Total Fixed assets	16198	13928	16146	17630	18729
Inventories	0	592	592	592	592
Debtors	9230	11588	13912	15096	17538
Cash and bank balances	21768	27538	22800	25640	27327
Other current assets	4956	3786	4736	5286	5836
Loans and advances	3739	3782	4532	5282	6032
Total current assets	39693	47286	46573	51896	57325
Total Current liabilities & Provisions	24116	31044	23319	24369	25419
Net current assets	15577	16242	23254	27527	31906
P&L account (Debit Balances)	27491	28964	28964	28964	28964
Total assets	59266	59134	68364	74121	79599

Source: Company, BofA Merrill Lynch Global Research

Table 10: Cash flow statement

(Rs.mn), Year end March	FY10	FY11	FY12E	FY13E	FY14E
Profit (loss) before tax	-1017	-862	11924	9592	10881
Depreciation/amortisation	2144	1847	1647	2066	2401
Operating profit before working capital	3708	6006	13571	11659	13282
Sundry debtors	5912	-1984	-2324	-1184	-2442
Other current assets	-1633	1404	-950	-550	-550
Loans and advance	492	-128	-750	-750	-750
Current liabilities and provn	-4100	1255	-7725	1050	1050
Cash generation from operations	1108	-161	1822	10225	10590
Taxes paid (net)	-945	-450	-2272	-2494	-2720
Net cash from operating activities	163	-611	-396	7731	7869
Purchase of FA	-1584	-2542	-3313	-3450	-3500
Purchase of current investments- MF	-18498	-3000	-552	-100	0
Net cash (Used in) Investing activities	-22204	2401	-3865	-3550	-3500
Repayment from secured loans taken	-7667	-107	0	0	0
Dividend Paid	0	0	0	-1341	-2682
Net cash from financing activities	21036	-204	-27	-1341	-2682
Net Increase in cash & cash equivalents	-1005	1586	-4738	2839	1687
Cash and equivalents at the beginning of the yr	4644	3378	27538	22800	25640
Cash and equivalents at the end of the yr	3378	5055	22800	25640	27327

Source: Company, BofA Merrill Lynch Global Research

Table 11: Ratios and valuations

	FY10	FY11	FY12E	FY13E	FY14E
Growth					
Revenue- USD	-40%	0%	13%	10%	16%
Revenue- INR	-38%	-6%	23%	9%	16%
EBITDA	84%	-18%	114%	1%	15%
EBIT	-1484%	-21%	199%	-4%	15%
PAT- recurring	-258%	69%	95%	-26%	15%
Margins %					
Gross margin	26%	26%	32%	32%	30%
EBITDA	10%	9%	15%	14%	14%
EBIT	6%	5%	13%	11%	11%
PAT	5%	10%	15%	10%	10%
Tax rate	-22%	-67%	19%	26%	25%
Per Share Data					
Diluted EPS (Rs.)	2	4	8	6	7
CEPS (Rs.)	4	6	10	8	9
Book Value (Rs.)	39	39	47	52	57
Dividend Per share (Rs)	0	0	0	1	2
PE- Diluted(x)	35	21	11	14	13
EV/ EBITDA(x)	14	18	8	8	7
EV/ EBIT(x)	23	30	10	10	9
EV/ Sales(x)	2	2	2	2	1
Return Ratios					
ROANW	9%	11%	19%	12%	12%
ROACE	19%	15%	19%	14%	14%

Source: Company, BofA Merrill Lynch Global Research

Price objective basis & risk

Mahindra Satyam Ltd (XSYAF / SAYCY)

Our price objective of Rs80/ADR:US\$3.1 is based on 13x FY13E earnings, on a par with peers such as HCL Technologies.

Upside risks to our estimates are faster-than-anticipated margin expansion and the closure of large deals. Downside risks would be higher-than-anticipated wage hikes and a slowdown in IT offshore spends.

Link to Definitions

Technology

Click [here](#) for definitions of commonly used terms.

Analyst Certification

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India - Software & IT Services Coverage Cluster

Investment rating	Company	BofA Merrill Lynch ticker	Bloomberg symbol	Analyst
BUY				
	D.B.Corp Ltd	XDDCF	DBCL IN	Pratish Krishnan
	Dish TV India Ltd	XCETF	DITV IN	Pratish Krishnan
	ExlService Holdi	EXLS	EXLS US	Mitali Ghosh
	Firstsource	FSSOF	FSOL IN	Kunal Tayal
	Genpact Ltd	G	G US	Mitali Ghosh
	Hathway Cable & Datacom Ltd	XHKYF	HATH IN	Pratish Krishnan
	HCL	XHCLF	HCLT IN	Mitali Ghosh
	Hexaware Tech	XFTCF	HEXW IN	Pratish Krishnan
	Jagran Prakashan Ltd	JGRPF	JAGP IN	Pratish Krishnan
	Mphasis Ltd	MPSSF	MPHL IN	Pratish Krishnan
	Rolta India	RLTAF	RLTA IN	Pratish Krishnan
	Rolta India-GDR	XLROF	RTI LI	Pratish Krishnan
	Tata Consultancy	TACSF	TCS IN	Mitali Ghosh
	Wipro	WIPRF	WPRO IN	Mitali Ghosh
	Wipro	WIT	WIT US	Mitali Ghosh
	Zee Entertainment	XZETF	Z IN	Pratish Krishnan
NEUTRAL				
	Infosys Tech	INFYF	INFO IN	Mitali Ghosh
	Infosys Tech - A	INFY	INFY US	Mitali Ghosh
	Infotech Enterprises Ltd	IFKFF	INFTC IN	Pratish Krishnan
	Sun TV Network Ltd	SUTVF	SUNTV IN	Pratish Krishnan
	Tech Mahindra	TMHAF	TECHM IN	Pratish Krishnan
UNDERPERFORM				
	Mahindra Satyam Ltd	XSYAF	SCS IN	Pratish Krishnan
	Mahindra Satyam Ltd	SAYCY	SAYCY US	Pratish Krishnan
	Mastek	MSKDF	MAST IN	Pratish Krishnan
	Persistent Systems	XPSYF	PSYS IN	Kunal Tayal
	WNS (Holdings) L	WNS	WNS US	Kunal Tayal
RVW				
	Educomp Solu	EUSOF	EDSL IN	Pratish Krishnan

*iQmethod*SM 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	$\text{EV} = \text{Current Share Price} * \text{Current Shares} + \text{Minority Equity} + \text{Net Debt} + \text{Sales} + \text{Other LT Liabilities}$	
EV / EBITDA	Enterprise Value	Basic EBIT + Depreciation + Amortization

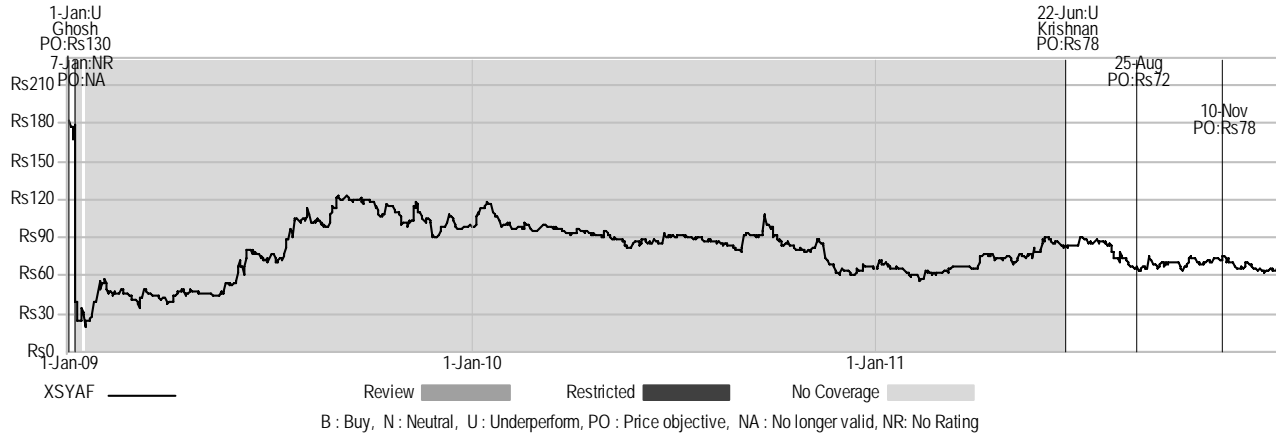
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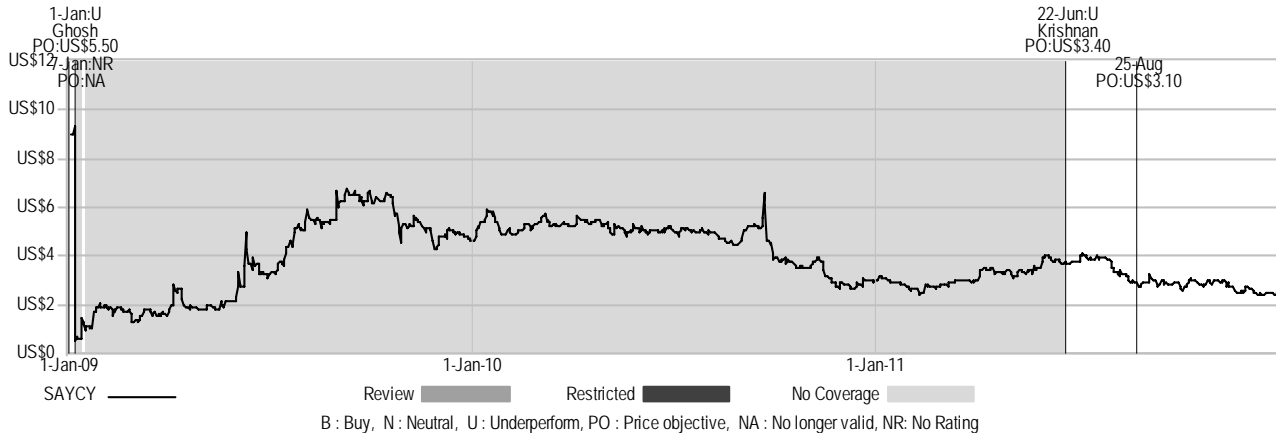
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XSAYF Price Chart



The Investment Opinion System is contained at the end of the report under the heading "Fundamental Equity Opinion Key". Dark grey shading indicates the security is restricted with the opinion suspended. Medium grey shading indicates the security is under review with the opinion withdrawn. Light grey shading indicates the security is not covered. Chart is current as of [December 31, 2011] or such later date as indicated.

SAYCY Price Chart



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Investment Rating Distribution: Technology Group (as of 01 Jan 2012)

Coverage Universe	Count	Percent	Inv. Banking Relationships*	Count	Percent
Buy	122	56.48%	Buy	87	77.68%
Neutral	50	23.15%	Neutral	35	76.09%
Sell	44	20.37%	Sell	20	48.78%

Investment Rating Distribution: Global Group (as of 01 Jan 2012)

Coverage Universe	Count	Percent	Inv. Banking Relationships*	Count	Percent
Buy	2029	52.00%	Buy	1337	72.11%
Neutral	1009	25.86%	Neutral	657	71.34%
Sell	864	22.14%	Sell	487	60.20%

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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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Underperform	N/A	≥ 20%

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