

September 30, 2009

UPDATE

BSE-30: 17,126

Upgrade cycle to continue. We expect the revenue upgrade cycle to continue and expect Tier-I names to report strong performance in the Sep'09 quarter. A pick-up in demand from the financial services vertical, lower project cancellations and favorable cross-currency movements will contribute to outperformance of guidance. We recommend playing the IT demand recovery story through Tier-I names. Infosys and Wipro are our top picks. Rupee appreciation is the key risk to our call.

Expect 2 to 4.5% sequential revenue growth from Tier 1 companies

We expect Tier-I companies to report US\$ revenue growth of 2% to 4.5%, highest in the past six quarters. We expect Infosys to report sequential revenue growth of 4.5% versus flat revenue guidance and Wipro to report revenue growth of 3% versus guidance of 0.2%-2%. We attribute the likely outperformance to (1) release of IT budgets after delays in finalization, (2) uptick in demand from the financial services vertical and gains from vendor consolidation and (3) favorable cross-currency movements that will likely help revenue growth by 1-2% pts.

Expect upgrade in FY2010E constant currency revenue and EPS guidance of Infosys

We expect 4% upward revision in FY2010E US\$ revenue guidance from Infosys; revenue guidance likely to be reset to 1% decline to 1% growth versus 3-5% decline earlier. We note that the upgrades would not be driven by a sudden surge in demand but extreme conservatism adopted by Infosys for the Sep'09 quarter and FY2010E guidance. We expect Infosys to guide for 2% qoq growth for the Dec'09 quarter. We expect Infosys to increase FY2010E EPS guidance to Rs100-102 from Rs94.6-96 earlier.

Key metrics to watch out for—pricing and hiring

We expect reported constant currency pricing to decline by 0.5% to 1% qoq. The decline will be led by the impact of contracts renegotiated in 1HCY09. We do not expect incremental pricing pressure in the latest negotiation cycle; we would watch closely for management comments on pricing. We would monitor recruitment trends for companies which have adopted just in time hiring (Wipro and HCLT) to gauge the extent of improvement in the demand environment.

Play the IT demand recovery through Tier-I names

We expect Tier-I names to trade at an up-cycle multiple of 17-21X. Infosys and Wipro are our top picks. With the exception of Mindtree, we are Cautious on mid-sized companies on account of (1) under-investment in sales and marketing may lead to a significant lag in volumes recovery and (2) indiscriminate personnel decisions will likely hurt margins.

Company data and valuation summary

Company	Price (Rs)		Mkt cap.		PER (X)	
	30-Sep-09	Rating	(Rs mn)	(US\$ mn)	2010E	2011E
HCL Technologies	341	REDUCE	236,856	4,924	20.4	15.0
Hexaware Technologies	81	REDUCE	11,585	241	10.0	9.3
Infosys Technologies	2,306	BUY	1,323,874	27,520	21.6	19.2
Mindtree	621	BUY	25,541	531	15.8	12.4
Mphasis BFL	667	REDUCE	139,042	2,890	16.1	15.8
Patni Computer Systems	460	REDUCE	59,152	1,230	13.6	12.5
Polaris Software Lab	151	SELL	14,889	310	10.9	11.7
Satyam Computer Services	119	NR	80,393	1,671		
TCS	621	ADD	1,215,421	25,266	19.9	17.6
Wipro	602	ADD	880,270	18,299	21.4	18.2
Technology		Neutral	3,906,630	81,210	20.2	17.7

Source: Kotak Institutional Equities estimates

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Important disclosures appear at the back

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The prices in this report are based on the market close of September 30, 2009.

KEY CONSIDERATIONS FOR SEPTEMBER 2009 QUARTER AND FY2010E

We expect 2-4.5% sequential US\$ revenue growth from Tier-I IT companies; the highest in the past six quarters. In constant currency terms, we expect revenue growth to range from 1 to 3%. We expect the companies to exceed their net income guidance, helped by better-than-expected revenue growth and operating margin performance. We expect an increase in FY2010E revenue guidance and EPS guidance of Infosys. Key factors to watch would be (1) hiring by Wipro and HCL Tech, (2) commentary on pricing and early peek into CY2010E budget discussions with clients, (3) Dec'09 quarter revenue growth guidance, and (4) trends and commentary on demand from the BFS vertical.

Expect 1-4% outperformance of constant currency revenue growth guidance

Infosys and Wipro have guided for flat to marginal sequential growth for 2QFY10. We expect Infosys to outperform the upper-end of constant currency guidance by 3.7% and Wipro to be close to the upper-end of its constant currency guidance range. Exhibit 1 depicts the Sep'09 quarter guidance of various IT companies. Outperformance will largely be driven by (1) excessively conservative guidance of these companies; and (2) faster-than-expected releases of budgets by financial services clients.

Exhibit 1: Revenue and EPS guidance for various Indian IT companies for Sep 2009 quarter

	Actuals	Guidance (lower-end or single point)			Guidance (upper-end)		
	Jun-09	Sep-09	qoq (%)	yoy (%)	Sep-09	qoq (%)	yoy (%)
Infosys							
Revenues (US\$ mn)	1,121	1,110	(1.0)	(8.7)	1,130	0.8	(7.1)
Revenues (Rs bn)	54.7	53.2	(2.8)	(1.9)	54.1	(1.1)	(0.1)
EPS (Rs)	26.7	23.7	(11.2)	(5.4)	24.1	(9.6)	(3.7)
EPADS (US\$)	0.55	0.50	(9.1)	(10.7)	0.51	(7.3)	(8.9)
Re/US\$ rate	47.9						
Wipro							
Revenues Combined IT services (US\$ mn) (a)	1,033	1,035	0.2	(6.8)	1,053	2.0	(5.1)
Patni							
Revenues (US\$ mn)	162	163	0.7	(11.2)	165	1.9	(10.1)
Net income (US\$ mn) (b)	32.8	22.5	(31.4)	(2.7)	23.5	(28.3)	1.6

Note:

(a) Global IT services + Wipro Infotech's services business (India + Middle East).

(b) Net income for Patni ex-forex gains/losses.

Source: Companies, Kotak Institutional Equities

The USD, on an average, depreciated against the EURO by 4.8%, against the GBP by 5.7% and against the AUD by 9.3% during the quarter (see Exhibit 2). We expect this favorable cross-currency movement to aid US\$ revenue growth by 1-2% pts for the Tier-I companies.

Exhibit 2: Movement of Rupee and major non-USD invoicing currencies versus the US\$

	Sep-08	Dec-08	Mar-09	Jun-09	Sep-09	Sep 09 rate built in Infosys guidance
INR - USD						
Average	43.77	48.78	49.80	48.82	48.40	
Period-end	46.98	48.68	50.74	47.91	48.02	
Average reported by Infosys	44.50	49.42	50.24	48.77		47.91
GBP - USD						
Average	1.89	1.57	1.44	1.55	1.64	
Period-end	1.78	1.46	1.43	1.65	1.59	
Average reported by Infosys	1.87	1.54	1.43	1.55		1.66
EUR - USD						
Average	1.50	1.32	1.31	1.36	1.43	
Period-end	1.41	1.40	1.33	1.40	1.46	
Average reported by Infosys	1.49	1.32	1.29	1.36		1.41
AUD - USD						
Average	0.89	0.67	0.67	0.76	0.83	
Period-end	0.79	0.70	0.69	0.81	0.87	
Average reported by Infosys	0.87	0.67	0.66	0.76		0.81
INR - GBP						
Average	82.81	76.51	71.61	75.79	79.43	
Period-end	83.66	71.21	72.56	78.84	76.44	
Average reported by Infosys	83.22	76.11	71.84	75.59		
INR - EUR						
Average	65.76	64.25	65.08	66.58	69.19	
Period-end	66.21	68.01	67.50	67.23	70.24	
Average reported by Infosys	66.31	65.23	64.81	66.33		
INR - AUD						
Average	38.85	32.72	33.14	37.20	40.32	
Period-end	37.23	34.31	35.18	38.64	42.01	
Infy reported	38.72	33.11	33.16	37.07		

Source: Bloomberg

OPM performance to be strong despite rupee appreciation and pricing pressure

Operating margin performance will vary depending on the decisions taken by Tier-I companies to step up investments in sales and marketing; other business metrics will largely be stable. We expect Infosys' operating margin to decline 100 bps sequentially, largely on the back of investment in S&M. We forecast a 30-bps sequential increase in Wipro's operating margin on further productivity gains and favorable cross-currency movement. We expect a 70-bps qoq operating margin expansion for TCS.

Net income performance will vary depending on the extent of forex losses

We forecast sequential net income decline of 2% for Infosys, 9% growth for Wipro and 1% growth for TCS. Variation in net income will largely hinge on margin decisions and the extent of forex losses for various companies. Exhibit 3 depicts the forex hedges outstanding for various companies as of June 30, 2009.

We highlight that our Sep'09 estimates for Wipro are based on IFRS while historical financials are based on US GAAP. Adjusted for the difference in intangible amortization accounting between the two standards, we expect 4.5% sequential growth in Wipro's net income for the Sep'09 quarter.

Exhibit 3: Currency hedges of the top Indian IT companies over the past few quarters (US\$ mn)

	Sep-07	Dec-07	Mar-08	Jun-08	Sep-08	Dec-08	Mar-09	Jun-09
TCS	2,800	3,100	2,900	2,300	1,800	2,000	2,000	2,000
HCL Tech	1,860	2,300	2,700	2,000	1,900	1,580	1,288	813
Wipro (a)	1,100	2,450	3,500	3,000	2,600	2,100	1,900	1,600
Infosys	1,401	1,150	759	811	932	576	506	598

Note:

(a) Gross outstanding hedges. Net hedges (after assigning to assets on the balance sheet) at end-June 2009 were US\$1,200 mn.

Source: Companies, Kotak Institutional Equities

US\$ revenue and EPS guidance likely to be revised upwards

We expect 4% upward revision in Infosys' FY2010E US\$ revenue guidance, 3% on account of improved demand visibility and 1% from revised cross-currency assumptions. We expect revised US\$ revenue guidance of US\$4.63-4.71 bn, down 1% to up 1%. The increase in guidance is likely to be driven by a normalization of IT spending, a pick-up in deal flows and the accrual of gains from vendor consolidation.

We expect the growth momentum in revenue to flow through to the margins; accordingly, we expect an upward revision in FY2010E's operating margin and EPS guidance. We expect Infosys' revised EPS guidance to be Rs100-102, up from Rs94.6-96 earlier.

Conservative guidance trend likely to continue for Dec'09 quarter

We expect conservative sequential revenue growth guidance from Infosys and Wipro and take into consideration (1) lesser billing days; and (2) possibility of extended shut downs on lines seen in Dec'08. We expect Infosys to guide for 2% sequential revenue growth and Wipro to guide for 1-2% qoq growth for the Dec'09 quarter.

Key areas of focus

- ▶ **Hiring trends.** Hiring numbers for Wipro and HCLT would be a key indicator of demand outlook. Unlike peers, Wipro and HCLT have aligned hiring to demand outlook. Wipro had pushed back the joining dates of all campus recruits. Noticing an uptick in demand, we understand that Wipro has given joining dates and has now honored all campus commitments (for the FY2009 joiners).
- ▶ **Discussion on CY2010E IT budgets.** We expect preliminary discussions on CY2010E IT budgets to start in October 2009. Broad indications on budget spending and customer expectations on pricing will likely be a key area of focus. We do not expect any incremental rate pressure for offshore players in the CY2010 budgeting cycle.
- ▶ **Mid-year wage hikes.** Our channel checks indicate that some of the Tier-I companies are considering a mid-year wage hike for select employees. We would keenly monitor management commentary on this issue—a mid-term wage hike for specific skill-sets or experience band could be further validation of improving demand visibility. For example, wage hikes for project/program managers or transition experts could be a sign of new project ramp-ups.

Exhibit 4: Results preview for the quarter ending Sep'09 (Rs mn)

Key financials	Sep-08	Jun-09	Sep-09	%qoq	%yoy	Comments/What to look for
TCS: Results (October 16)						
Revenues (US\$ mn)	1,574	1,480	1,517	2.5	(3.6)	• Expect 2.5% sequential growth in US\$ revenues--0.7% constant currency and 1.8% cross-currency movement benefit.
Revenues	69,534	72,070	73,274	1.7	5.4	• We build in OPM expansion of 70 bps qoq, despite margin Re appreciation. Driven by improvement in utilization and sustained flow-through impact of cost-cutting measures taken by the company over the past few quarters.
Operating profit	18,197	19,619	20,422	4.1	12.2	• We build in forex losses of Rs700 mn versus Rs841 mn in the previous quarter.
Adjusted net profit	12,615	15,203	15,362	1.0	21.8	• Expect investor focus on (1) change in demand environment over the past three months, (2) status of vendor rationalization decisions, (3) pricing renegotiations with key clients and (4) status on execution and profitability of large deals.
Operating profit margin (%)	26.2	27.2	27.9			
Wipro: Results (October 27)						
Total revenues	64,094	63,188	64,390	1.9	0.5	• We expect 3.1% sequential growth in US\$ revenue to US\$1,065 mn against company's guidance of US\$1,035-1,053 mn. We build in constant currency growth of 1.7% qoq and cross-currency movement benefit of 1.4%.
Global IT revenues (US\$ mn)	1,110	1,033	1,065	3.1	(4.1)	• Expect 30 bps sequential expansion in EBIT margins for the IT services business.
Global IT revenues	47,523	48,205	49,559	2.8	4.3	• Expect Wipro to guide for a 1-2% sequential revenue growth for the Dec 2009 quarter.
Operating profit	11,321	10,903	11,997	10.0	6.0	• Expect investor focus on (1) hiring status; Wipro had deferred the joining dates of its campus joiners, (2) commentary on the demand outlook in key verticals like BFSI, TSP, and Telecom OEMs, and (3) trends on pricing renegotiations
Adj. net profit	9,462	9,796	10,696	9.2	13.0	• Our estimates for the Sep 2009 quarter are based on IFRS. Historical financials are US GAAP based.
Total Operating profit margin (%)	17.7	17.3	18.6			
Global IT - OPM (%) (b)	20.8	22.1	22.4			
Infosys Technologies: Results (October 09)						
Revenues (US\$ mn)	1,218	1,121	1,171	4.5	(3.8)	• We expect revenues of US\$1,171 mn (+4.5% qoq) for the Sep 2009 quarter versus company's guidance of US\$1,110 - 1,130 mn. Our estimate builds in 3% constant currency revenue growth (mostly volume-led) and 1.6% cross-currency movement benefit.
Revenues	54,180	54,720	56,601	3.4	4.5	• Expect a 100 bps sequential decline in EBITDA margins on account of (1) Re appreciation, (2) higher sales and marketing costs and (3) impact of local hiring on gross margins.
Operating profit	17,940	18,680	18,735	0.3	4.4	• Infosys has Rs310 mn of forex gains in the previous quarter; we build in forex losses of Rs150 mn for the quarter, primarily driven by MTM losses on translation of GBP receivables (GBP end-of-quarter rate lower for Sep 2009 than June 2009 quarter).
Adjusted net profit	14,320	15,270	14,999	(1.8)	4.7	• Expect Infosys to guide for a 2% sequential revenue growth for the Dec 2009 quarter; expect meaningful upward revision in full-year revenues and EPS guidance.
Operating profit margin (%)	33.1	34.1	33.1			• Expect investor focus on (1) status of IT budget flows and decision-making, (2) commentary on vendor rationalization situations and (3) pricing scenario among existing and new clients.
HCL Technologies: Results (October 27/28)						
Revenues (US\$ mn)	505	607	627	3.2	24.2	• Expect 3.2% sequential growth in consolidated US\$ revenues; we build in ~2.2% cross-currency benefits and a moderate 1% constant currency revenue growth.
Revenues	23,693	29,085	30,099	3.5	27.0	• Previous quarter financials included US\$8 mn pass-through revenues.
Operating profit	5,131	6,280	6,494	3.4	26.6	• Expect flat margins for the quarter.
Adjusted net profit	3,380	3,147	3,052	(3.0)	(9.7)	• Previous quarter net income includes forex loss of US\$21 mn. We build in forex losses of US\$32.5 mn for the Sep 2009 quarter.
EBITDA margin (%)	21.7	21.6	21.6			
Patni Computer Systems: Results (October 4th week)						
Revenues (US\$ mn)	183.5	161.9	167.3	3.3	(8.8)	• We expect the company to beat the upper end of its US\$ revenue guidance of US\$163-165 mn; our estimate of US\$167.3 mn revenues implies a qoq growth of 3.3% and a yoy decline of 8.8%.
Revenues	8,141	7,755	8,031	3.6	(1.3)	• Expect flat operating margins (ex-forex items) for the quarter.
Operating profit	1,102	1,162	1,197	3.0	8.6	• We factor in forex losses of US\$3.5 mn for the quarter. The company had a forex loss of US\$4.1 mn in the previous quarter. We build in interest income of US\$3.6 mn for Sep 2009 versus US\$11.2 mn in the previous quarter. A substantial portion of Patni's treasury investments matures in the June quarter and the company books large realization gains in the June quarter every year.
Adjusted net profit	1,078	1,373	1,112	(19.0)	3.2	• We expect net income (ex forex loss) of US\$26.6 mn, ahead of the company's guidance of US\$22.5-23.5 mn.
Operating profit margin (%)	13.5	15.0	14.9			• Expect investor focus on (1) initiatives taken by the new senior management team to revive organic revenue engine, and (2) cash utilization plans. Patni had ~US\$350 mn of cash on books as at end-June 2009.

Source: Company, Kotak Institutional Equities estimates

Exhibit 5: Results preview for the quarter ending Sep'09 (Rs mn)

Key financials	Sep-08	Jun-09	Sep-09	%qoq	%yoy	Comments/What to look for
Polaris Software Lab: Results (October 4th week)						
Revenues (US\$ mn)	80.2	66.6	67.5	1.3	(15.8)	• Expect a modest 1.3% sequential growth in US\$ revenue, driven primarily by cross-currency movement benefits.
Revenues	3,511	3,255	3,262	0.2	(7.1)	• We expect a 210 bps qoq decline in operating margins on account of (1) Re appreciation, and (2) expense normalization; Polaris reduced its workforce as well as other operating costs aggressively through the downturn.
Operating profit	575	552	484	(12.3)	(15.8)	• Client acquisition pace and account mining remain the key; the company needs to make its Intellect wins count by mining these accounts.
Adjusted net profit	344	318	311	(2.2)	(9.6)	• Expect investor focus on (1) revenue outlook and impact of ongoing vendor consolidation (likely negative for Polaris) in some of the company's major clients and (2) pricing trends in the BFSI vertical.
Operating profit margin (%)	16.4	17.0	14.9			
Hexaware Technologies: Results (October 4th week)						
Revenues (US\$ mn)	66.3	53.6	55.0	2.6	(17.1)	• We expect Hexaware to report revenues of US\$55 mn, +2.6% qoq, and ahead of the company's guidance of US\$52.5-54.5 mn.
Revenues	2,946	2,591	2,632	1.6	(10.7)	• Expect 110 bps sequential decline in operating margin on account of marginal Re appreciation during the quarter, an uptick in gross hiring, and increased S&M investments.
Operating profit	393	558	537	(3.8)	36.7	• We build in forex losses of Rs120 mn at the other income level
Adjusted net profit	115	396	355	(10.5)	207.9	• Expect investor focus on (1) efforts being made to revive the revenue growth engine, and (2) sustainability of recent cost-control initiatives.
Operating profit margin (%)	13.3	21.5	20.4			
MindTree Consulting: Results (October 26)						
Revenues (US\$ mn)	73.0	62.1	65.2	5.1	(10.7)	• We expect a 5.1% sequential growth in US\$ revenues; we build in ~4% constant currency growth with 1% growth accruing from favorable cross-currency movements.
Revenues	3,120	3,048	3,155	3.5	1.1	• Expect 180 bps sequential expansion in margins on account of (1) higher utilization, and (2) non-recurrence of one-off, margin-impacting events (like execution issues with a FP contract).
Operating profit	867	507	580	14.4	(33.1)	• We model forex loss of Rs20 mn versus gain of Rs305 mn in the June 2009 quarter. MT had booked massive gains on its large MTM forex hedge book in the previous quarter.
Adjusted net profit	373	567	331	(42)	(11)	• Expect investor focus on (1) status of large BFSI and manufacturing accounts like AIG, Volvo, and Unilever, and (2) hedging philosophy going forward; we highlight that company's forex policy is a key investor concern.
Operating profit margin (%)	27.8	16.6	18.4			
		Jul-09	Oct-09	%qoq		
Mphasis BFL: Results (November/December)						
Revenues (US\$ mn)		232	244	5.3		• Expect a strong 5.3% sequential growth in revenues driven by sustained momentum in some of the new deal ramp-ups and favorable cross-currency movements.
Revenues		11,056	11,657	5.4		• We build in OPM expansion of 110 bps into our Oct 2009 quarter estimates.
Operating Profit		2,919	3,207	9.8		• We build in an effective tax rate of 9.7% versus 6% in the previous quarter.
Adjusted net Profit		2,293	2,450	6.9		• Expect investor focus on (1) further clarity on HP/EDS' offshoring strategy in India and (2) movement in billing rates.
Operating profit margin (%)		26.4	27.5			

Note:

(a) Result date yet to be announced for some companies; tentative date indicated based on past pattern for each company.

Source: Company, Kotak Institutional Equities estimates

Exhibit 6: Valuation summary of key Indian technology companies

Company	30-Sep-09		Mkt cap.		EPS (Rs)			PER (X)			EV/EBITDA (X)			EV/Sales (X)		
	Price (Rs)	Rating	(Rs m)	(US\$ m)	2009E	2010E	2011E	2009E	2010E	2011E	2009E	2010E	2011E	2009E	2010E	2011E
HCL Technologies	341	REDUCE	236,856	4,924	17.5	16.7	22.8	19.5	20.4	15.0	10.9	10.0	9.3	2.3	2.1	1.8
Hexaware Technologies	81	REDUCE	11,585	241	4.1	8.1	8.7	19.6	10.0	9.3	6.9	4.2	4.1	0.8	0.8	0.7
Infosys Technologies	2,306	BUY	1,323,874	27,520	102.4	106.7	120.0	22.5	21.6	19.2	16.8	15.5	12.9	5.6	5.1	4.2
Mindtree	621	BUY	25,541	531	13.2	39.2	50.1	46.9	15.8	12.4	8.0	11.0	8.0	2.1	2.0	1.7
Mphasis BFL	667	REDUCE	139,042	2,890	14.2	41.5	42.2	47.1	16.1	15.8	35.8	11.8	10.5	7.3	3.2	2.6
Patni Computer Systems	460	REDUCE	59,152	1,230	26.8	33.8	36.7	17.2	13.6	12.5	8.8	6.7	6.5	1.4	1.3	1.2
Polaris Software Lab	151	SELL	14,889	310	13.1	13.8	12.9	11.5	10.9	11.7	4.9	5.9	6.3	0.8	0.8	0.8
TCS	621	ADD	1,215,421	25,266	26.4	31.2	35.3	23.5	19.9	17.6	16.5	14.3	12.4	4.2	3.9	3.3
Wipro	602	ADD	880,270	18,299	25.7	28.1	33.1	23.4	21.4	18.2	17.2	15.2	12.7	3.4	3.2	2.6
Technology		Neutral	3,906,630	81,210				23.0	20.2	17.7	16.1	14.0	12.0	4.0	3.6	3.0
KS universe (b)			38,723,306	804,975				19.1	16.2	13.7	12.1	9.7	8.3	1.8	1.8	1.6

Company	Target Price	O/S shares (mn)	EPS growth (%)			Net Profit (Rs mn)			EBITDA (Rs mn)			Sales (Rs mn)		
			2009E	2010E	2011E	2009E	2010E	2011E	2009E	2010E	2011E	2009E	2010E	2011E
HCL Technologies	275	695	14.5	(4.6)	36.5	12,993	12,514	16,381	22,774	25,331	26,287	106,301	119,711	132,121
Hexaware Technologies	60	144	(46.4)	97.1	7.4	590	1,162	1,248	1,289	1,895	1,706	11,520	10,369	10,818
Infosys Technologies	2,500	574	29.6	4.1	12.5	58,800	61,228	68,870	71,950	75,371	87,670	216,930	228,030	267,767
Mindtree	650	41	(50.5)	196.0	27.9	496	1,613	2,064	3,309	2,354	3,043	12,375	12,647	14,515
Mphasis BFL	450	208	15.7	192.6	1.8	2,954	8,644	8,802	3,868	11,407	12,095	19,065	42,525	49,370
Patni Computer Systems	320	129	(19.3)	26.1	8.6	3,636	4,347	4,722	5,188	6,381	6,229	31,633	31,826	33,184
Polaris Software Lab	80	99	76.0	5.4	(6.4)	1,294	1,364	1,278	2,335	1,878	1,778	13,779	13,228	13,890
TCS	600	1,957	3.1	17.8	13.3	51,753	60,989	69,115	71,781	79,949	89,949	278,129	293,309	334,205
Wipro	630	1,462	15.8	9.1	17.7	37,635	41,074	48,332	50,559	55,285	63,705	254,564	265,123	309,032
Technology			15.3	13.4	14.4	170,151	192,935	220,812	233,053	259,851	292,462	944,296	1,016,770	1,164,901
KS universe (b)			2.2	18.2	18.3									

Note

(a) HCL Technologies is June fiscal year-ending

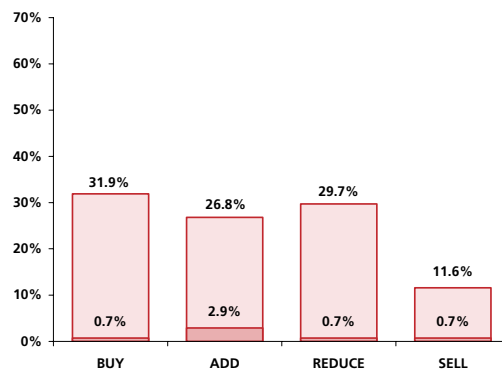
(b) Patni Computers Systems and Hexaware Technologies are December year-ending.

Source: Company reports, Kotak Institutional Equities estimates

"I, Kawaljeet Saluja, hereby certify that all of the views expressed in this report accurately reflect my personal views about the subject company or companies and its or their securities. I also certify that no part of my compensation was, is or will be, directly or indirectly, related to the specific recommendations or views expressed in this report."

Kotak Institutional Equities Research coverage universe

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Percentage of companies covered by Kotak Institutional Equities, within the specified category.

Percentage of companies within each category for which Kotak Institutional Equities and/or its affiliates has provided investment banking services within the previous 12 months.

* The above categories are defined as follows: Buy = We expect this stock to outperform the BSE Sensex by 10% over the next 12 months; Add = We expect this stock to outperform the BSE Sensex by 0-10% over the next 12 months; Reduce = We expect this stock to underperform the BSE Sensex by 0-10% over the next 12 months; Sell = We expect this stock to underperform the BSE Sensex by more than 10% over the next 12 months. These ratings are used illustratively to comply with applicable regulations. As of 30/6/2009 Kotak Institutional Equities Investment Research had investment ratings on 138 equity securities.

Source: Kotak Institutional Equities

As of June 30, 2009

Analyst coverage

Companies that the analyst mentioned in this document follow

Covering Analyst: Kawaljeet Saluja	
Company name	Ticker
Bharti Airtel	BRTI.BO
HCL Technologies	HCLT.BO
Hexaware Technologies	HEXT.BO
Idea Cellular	IDEA.BO
Infosys Technologies	INFY.BO
Mahanagar Telephone Nigam	MTNL.BO
MindTree Consulting	MINT.BO
Mphasis BFL	MBFL.BO
Patni Computer Systems	PTNI.BO
Polaris Software Lab	POLS.BO
Reliance Communications	RLCM.BO
Tata Communications	TATA.BO
Tata Consultancy Services	TCS.BO
Wipro	WIPR.BO

Source: Kotak Institutional Equities Research

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ADD. We expect this stock to outperform the BSE Sensex by 0-10% over the next 12 months.

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SELL. We expect this stock to underperform the BSE Sensex by more than 10% over the next 12 months.

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