



Persistent Systems PSYS IN

INDIA / SOFTWARE & SERVICES

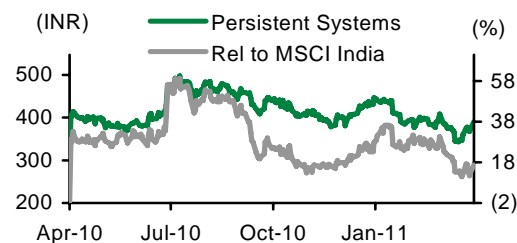
TARGET	INR510.00	BUY
PRIOR TP	INR530.00	
CLOSE	INR398.15	
UP/DOWNSIDE	+28.1%	

HOW WE DIFFER FROM THE STREET

	BNP	Consensus	% Diff
Target Price (INR)	510.00	489.14	4.3
EPS 2011 (INR)	34.14	35.40	-3.6
EPS 2012 (INR)	34.07	34.81	-2.1
	Positive	Neutral	Negative
Market Recs.	23	5	1

KEY STOCK DATA

YE Mar (INR m)	2011E	2012E	2013E
Revenue	7,697	9,902	12,198
Rec. net profit	1,369	1,394	1,786
Recurring EPS (INR)	34.14	34.07	42.80
Prior rec. EPS (INR)	35.93	35.82	45.62
Chg. In EPS est. (%)	(5.0)	(4.9)	(6.2)
EPS growth (%)	6.5	(0.2)	25.6
Recurring P/E (x)	11.7	11.7	9.3
Dividend yield (%)	1.6	0.8	0.8
EV/EBITDA (x)	8.8	7.1	5.7
Price/book (x)	2.1	1.8	1.5
Net debt/Equity	(2.9)	(6.7)	(13.2)
ROE (%)	19.8	17.3	18.8



Share price performance	1 Month	3 Month	12 Month
Absolute (%)	(2.0)	(15.5)	-
Relative to country (%)	(10.4)	(9.6)	-

Next results	April 2011
Mkt cap (USD m)	343
3m avg daily turnover (USD m)	0.4
Free float (%)	61
Major shareholder	Anand Deshpande (28%)
12m high/low (INR)	497.70/310.00
3m historic vol. (%)	33.6
ADR ticker	-
ADR closing price (USD)	-

Sources : Bloomberg consensus; BNP Paribas estimates

RECENT COMPANY & SECTOR RESEARCH

Demand vs talent see-saw	21 Jan 2011
On a strong growth path	20 Dec 2010
China raises solar targets?	2 Apr 2011
Latest on BT resin shortage.....	31 Mar 2011

INDUSTRY OUTLOOK ↑

CHANGE IN NUMBERS

If no scale, go for niche

- Recent management interaction suggests demand stays strong
- Infospectrum buy-out in line with company's long-term roadmap
- Revising estimates to factor in mid-term wage hike announced in 3Q
- We see the stock as a key long-term portfolio addition; retain BUY

Growth momentum stays strong
We reiterate BUY on Persistent Systems after our recent management discussions. We believe FY11 is likely to close at the upper end of the company's USD revenue guidance of USD167m-170m. Momentum in Persistent's four focus areas (cloud, mobility, collaboration and analytics) remains strong with the company on track to increase its revenue contribution to close to 45% (from ~40% now) by FY12E. With healthy demand continuing in the outsourced product development market, we see our ~30% FY12 USD revenue growth estimate as being achievable, and expect the company to conservatively guide for 26-29% growth in April.



Abhiram Eleswarapu
+91 22 6628 2406
abhiram.eleswarapu@asia.bnpparibas.com

Avinash Singh
+91 22 6628 2407
avinash.singh@asia.bnpparibas.com

Recent acquisition in line with long-term roadmap
We believe Persistent's recent acquisition of Infospectrum (for USD6m) fits with its roadmap to achieve USD500m in revenue, the key aspects of which remain: 1) expanded offerings, 2) better client management, 3) efficient HR strategy, and 4) niche acquisitions in select verticals and in the four focus areas. Infospectrum's focus on maritime, industrial automation, aerospace and defense verticals would expand Persistent's footprint. We understand the integration process has been completed and revenue contribution from Infospectrum has started.

Mid-term wage hike drives our earnings cuts
We revise our estimates to factor in the 3Q results and the company's announcement of a mid-term wage hike of ~10% in 4Q to counter attrition. Thus, we lower our FY12-13 EBIT margin estimates 130-140bps, leading to 5-6% EPS cuts. But our view of Persistent as a growth stock stays unchanged given we are still looking for FY11-13 revenue and PBT CAGR of 26% and 28% respectively. We expect EPS growth to resume in FY13 once higher tax rates are factored in for FY12.

BUY: If no scale, go for niche

At a time when mid-cap IT services business models are coming into question and leading to weak valuations, we see Persistent as one that stands out because of its unique business. We see the stock as a leveraged play on the structural shifts that the software industry is undergoing (i.e., cloud computing, etc), and thus as a key long-term portfolio addition. We trim our DCF-based TP to INR510.00 (from INR530) to reflect the earnings revision. Our TP implies an FY13E P/E of 11.9x, in line with the current 12-m forward multiple. Risks: macro and FX uncertainty, and continued wage pressure.

RISK EXPERTS

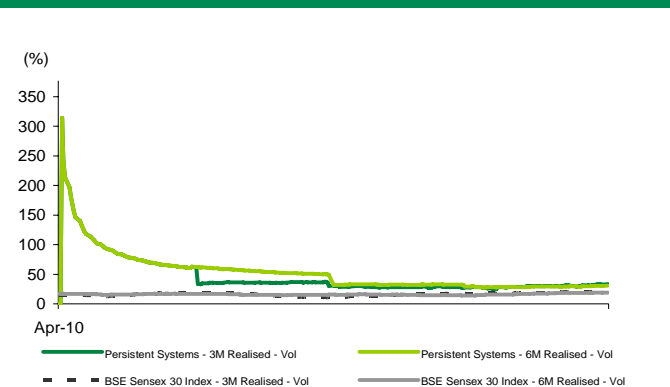
Year-end 31 Mar	Base		Best		Worst	
	2011E	2012E	2011E	2012E	2011E	2012E
USD/INR average	45.46	45.00	45.81	49.50	45.12	40.50
EPS (INR)	34.14	34.07	35.11	46.24	33.27	21.91
Change (%)			2.7	35.7	(2.7)	35.7

Sources: BNP Paribas estimates

Key Earnings Drivers & Sensitivity

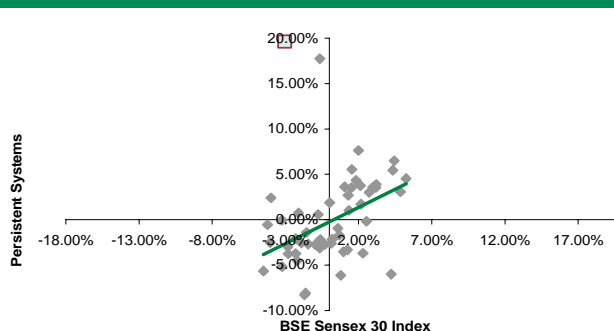
- The key macro factor that can impact Persistent's earnings is currency fluctuation, specifically the USD/INR rate.
- In our best and worst cases, we assume the FY12 average USD/INR rate changes by 10% vs. our base case. We calculate that, all else staying the same, this could cause a 36% variation to our base case FY12 EPS.

Persistent Systems and SENSEX Index (3M and 6M realised-vol)



Sources: Bloomberg; BNP Paribas

Regression – Persistent Systems to SENSEX Index



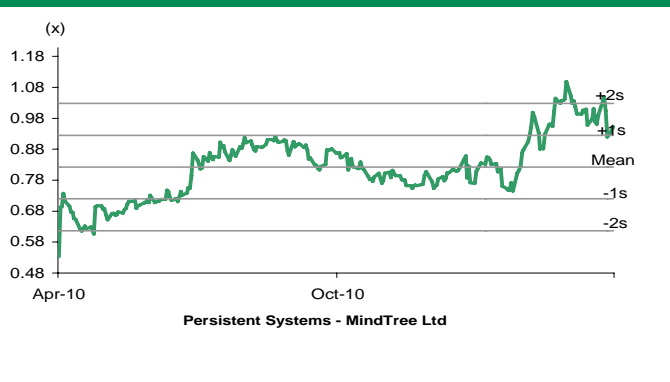
Persistent Systems = -17 + 0.0286 * SENSEX Index
 R Square = 0.1964
 Regression based on 52 observations of 5 years weekly data. Please refer to Appendix 1 for the explanation of R-square
 Sources: Bloomberg; BNP Paribas

India sector correlation matrix at 31 March 2011

India	Autos	Banks	Engineering & Construction	Metals & Mining	Oil & Gas	IT Services	Telecom	Utilities	Property
Autos	1.00	0.68	0.71	0.72	0.61	0.49	0.54	0.65	0.65
Banks		1.00	0.80	0.71	0.68	0.51	0.58	0.69	0.72
Engineering & Construction			1.00	0.75	0.70	0.49	0.62	0.74	0.78
Metals & Mining				1.00	0.73	0.50	0.55	0.73	0.77
Oil & Gas					1.00	0.53	0.53	0.69	0.66
IT Services						1.00	0.40	0.47	0.37
Telecom							1.00	0.62	0.60
Utilities								1.00	0.73
Property									1.00

Source: BNP Paribas Sector Strategy

Long/short chart



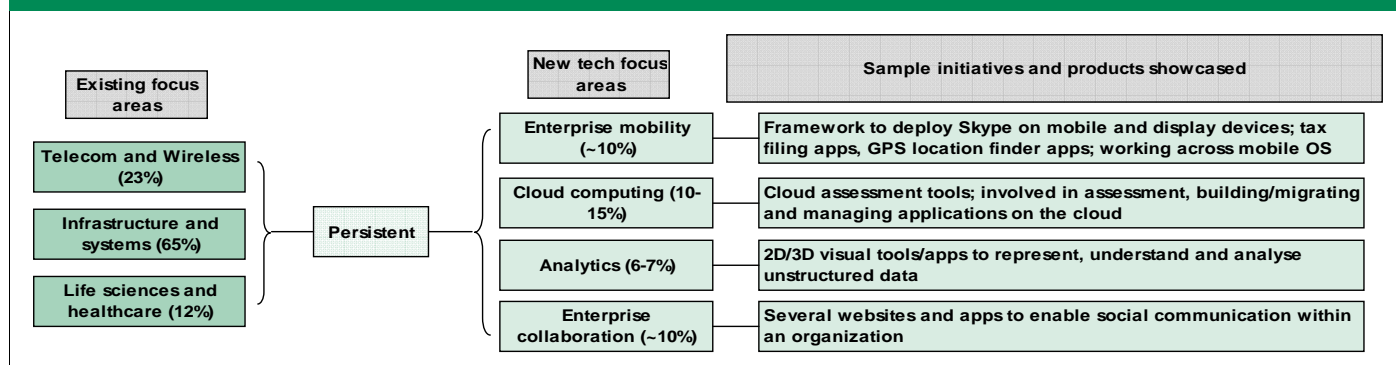
Sources: Bloomberg, BNP Paribas

The risk experts

The Risk Experts

- Our starting point for this page is a recognition of the macro factors that can have a significant impact on stock-price performance, sometimes independently of bottom-up factors.
- With our Risk Expert page, we identify the key macro risks that can impact stock performance.
- This analysis enhances the fundamental work laid out in the rest of this report, giving investors yet another resource to use in their decision-making process.

Exhibit 1: New tech focus areas - sample initiatives presented at the technology day in December 2010



Note : Figures in brackets indicate contribution to total revenue
Sources: Persistent Systems; BNP Paribas

Exhibit 2: Changes to our projections

Year-end 31 March	FY11E			FY12E			FY13E		
	Previous (INR m)	New (INR m)	Change (%)	Previous (INR m)	New (INR m)	Change (%)	Previous (INR m)	New (INR m)	Change (%)
USD/INR, end period	45.07	45.46	0.9	44.00	45.00	2.3	44.00	45.00	2.3
Revenue (USD m)	170	169	(0.3)	220	220	0.1	273	271	(0.5)
y-y change (%)	33.4	33.0		29.5	30.0		24.0	23.2	
Revenue	7,651	7,697	0.6	9,672	9,902	2.4	11,992	12,198	1.7
EBIT	1,315	1,197	(9.0)	1,749	1,662	(5.0)	2,225	2,090	(6.1)
EBIT margin (%)	17.2	15.6		18.1	16.8		18.6	17.1	
After-tax profit	1,448	1,369	(5.5)	1,473	1,394	(5.4)	1,913	1,786	(6.6)
EPS, diluted (INR)	35.93	34.14	(5.0)	35.82	34.07	(4.9)	45.62	42.80	(6.2)

Source: BNP Paribas estimates

Exhibit 3: DCF valuation summary

WACC (%)	13.3
Terminal growth rate (%)	5.0
Revenue growth – FY10-13E (%)	26.6
Revenue growth – FY13-20E (%)	10.0
Annual EBIT margin change – FY10-13E (bp)	(55)
Annual EBIT margin change – FY13-20E (bp)	(50)
DCF based March 2012 TP (INR)	510.00
Implied FY13E P/E (x)	11.9

Source: BNP Paribas estimates

Exhibit 4: Comparable company valuations

	BBG code	Share price (LC)	Market cap (USD m)	— FY1-3 —		FY1	— EV/EBIT —			— P/E —			PEG*	P/BV	Div. yield
				CAGR rev. (%)	CAGR EPS (%)	EBIT margin (%)	FY1E (x)	FY2E (x)	FY3E (x)	FY1E (x)	FY2E (x)	FY3E (x)	FY1E (x)	FY1E (x)	FY1E (%)
Indian IT services companies															
Large caps															
TCS	TCS IN	1,238	54,627	23.9	19.0	27.6	23.0	18.9	15.1	28.2	24.1	19.9	1.5	9.9	0.9
Infosys	INFO IN	3,279	42,444	23.1	24.0	29.9	20.8	16.6	13.6	27.2	21.7	17.7	1.1	7.1	1.6
Wipro	WPRO IN	481	26,634	21.2	19.1	18.9	19.4	15.6	12.8	22.6	19.2	15.9	1.2	5.1	0.9
HCL Tech	HCLT IN	486	7,513	20.7	30.6	13.8	15.5	11.2	9.1	21.7	15.4	12.7	0.7	4.0	1.2
Median				22.2	21.5	23.2	20.1	16.1	13.2	24.9	20.5	16.8	1.2	6.1	1.1
Mid caps															
Mphasis	MPHL IN	445	2,109	12.0	3.0	17.7	8.2	7.6	7.0	11.3	11.4	10.7	3.8	2.4	0.9
Satyam	SCS IN	71	1,887	15.7	94.8	3.2	33.7	10.7	5.2	30.6	14.5	8.1	0.3	1.7	-
Tech Mahindra^	TECHM IN	721	2,046	6.6	10.4	15.8	9.2	9.3	8.6	8.4	7.5	6.9	0.8	2.4	0.6
Patni	PATNI IN	474	1,425	14.4	4.8	16.4	7.2	6.3	5.7	11.8	11.2	10.7	2.5	1.7	0.8
MindTree	MTCL IN	400	363	16.2	31.0	8.7	11.2	7.1	6.2	14.4	9.6	8.4	0.5	2.1	0.9
Persistent	PSYS IN	400	361	25.9	12.0	15.6	10.5	7.6	6.0	11.7	11.7	9.3	1.0	2.1	0.8
Infinite	ICSL IN	168	167	22.7	23.5	15.6	4.9	3.9	3.1	6.9	5.9	4.5	0.3	1.8	na
KPIT Cummins	KPIT IN	174	311	23.6	22.4	12.0	11.0	8.2	6.2	14.6	12.0	9.8	0.7	2.8	0.5
Polaris Software	POL IN	195	437	17.0	11.4	12.5	7.3	6.1	5.2	9.7	9.1	7.9	0.9	1.8	1.8
Infotech Ent.	INFTC IN	160	401	22.6	21.6	12.5	9.5	7.0	5.6	12.5	10.3	8.4	0.6	1.7	0.9
Hexaware	HEXW IN	69	451	13.6	14.2	11.5	10.1	8.7	9.3	14.3	12.3	11.0	1.0	1.9	1.6
Educomp	EDSL IN	462	996	16.7	17.4	36.4	9.8	8.1	6.5	13.5	12.3	9.8	0.8	2.2	0.5
Rolta India	RLTA IN	147	536	13.4	16.9	22.8	8.9	7.3	6.4	7.9	6.5	5.8	0.5	1.3	2.7
Median				16.2	16.9	15.6	9.5	7.6	6.2	11.8	11.2	8.4	0.8	1.9	0.8
Global IT services players															
Accenture	ACN US	55	43,423	8.2	13.2	13.5	11.6	10.6	9.8	17.2	15.3	13.5	1.3	11.4	1.5
CSC	CSC US	49	7,661	3.7	7.4	7.2	7.4	6.4	5.9	9.5	9.0	8.2	1.3	1.0	0.5
Capgemini	CAP FP	42	8,022	5.1	15.9	7.2	7.9	6.9	6.2	16.2	14.0	12.1	1.0	1.4	2.6
Cognizant	CTSH US	82	25,052	22.4	21.4	18.8	20.7	16.9	14.1	28.9	24.0	19.6	1.4	5.7	-
Median				6.7	14.5	10.3	9.8	8.8	8.0	16.7	14.6	12.8	1.3	3.6	1.0

Note: Based on FY1-3 EPS CAGR; ^ ex-Satyam for EV/EBIT

Prices as of 5 April 2011 for Indian stocks and as of 4 April 2011 for Global IT services players

Sources: Bloomberg; Company reports; BNP Paribas estimates for Infosys (INFO IN, BUY), TCS (TCS IN, BUY), Wipro (WPRO IN, BUY), HCL Tech (HCLT IN, HOLD), Rolta India (RLTA IN, BUY), Tech Mahindra (TECHM IN, HOLD), Satyam (SCS IN, HOLD), MindTree (MTCL IN, HOLD), Mphasis (MPHL IN, HOLD) and Persistent (PSYS IN, BUY). Bloomberg consensus estimates for all other mentioned companies which are not rated.

FINANCIAL STATEMENTS

Persistent Systems

Profit and Loss (INR m)					
Year Ending Mar	2009A	2010A	2011E	2012E	2013E
Revenue	5,938	6,012	7,697	9,902	12,198
Cost of sales ex depreciation	(3,324)	(3,687)	(5,084)	(6,573)	(8,156)
Gross profit ex depreciation	2,614	2,324	2,613	3,329	4,042
Other operating income	0	0	0	0	0
Operating costs	(826)	(860)	(1,005)	(1,208)	(1,439)
Operating EBITDA	1,788	1,464	1,608	2,121	2,602
Depreciation	(297)	(335)	(410)	(458)	(512)
Goodwill amortisation	0	0	0	0	0
Operating EBIT	1,491	1,128	1,197	1,662	2,090
Net financing costs	(806)	112	300	329	356
Associates	0	0	0	0	0
Recurring non operating income	0	0	0	0	0
Non recurring items	(15)	0	2	0	0
Profit before tax	671	1,241	1,499	1,991	2,446
Tax	(10)	(91)	(128)	(597)	(661)
Profit after tax	661	1,150	1,371	1,394	1,786
Minority interests	0	0	0	0	0
Preferred dividends	0	0	0	0	0
Other items	0	0	0	0	0
Reported net profit	661	1,150	1,371	1,394	1,786
Non recurring items & goodwill (net)	15	0	(2)	0	0
Recurring net profit	676	1,150	1,369	1,394	1,786
Per share (INR)					
Recurring EPS *	18.84	32.05	34.14	34.07	42.80
Reported EPS	20.69	35.74	35.72	35.61	44.73
DPS	1.12	2.58	6.27	3.13	3.13
Growth					
Revenue (%)	39.8	1.2	28.0	28.6	23.2
Operating EBITDA (%)	95.8	(18.1)	9.8	31.9	22.7
Operating EBIT (%)	135.6	(24.3)	6.1	38.8	25.7
Recurring EPS (%)	(22.1)	70.1	6.5	(0.2)	25.6
Reported EPS (%)	(24.0)	72.8	0.0	(0.3)	25.6
Operating performance					
Gross margin inc depreciation (%)	39.0	33.1	28.6	29.0	28.9
Operating EBITDA margin (%)	30.1	24.3	20.9	21.4	21.3
Operating EBIT margin (%)	25.1	18.8	15.6	16.8	17.1
Net margin (%)	11.4	19.1	17.8	14.1	14.6
Effective tax rate (%)	1.4	7.3	8.6	30.0	27.0
Dividend payout on recurring profit (%)	6.0	8.0	18.4	9.2	7.3
Interest cover (x)	1.9	-	-	-	-
Inventory days	0.0	0.0	0.0	0.0	0.0
Debtor days	54.7	72.8	69.9	61.7	58.9
Creditor days	0.0	0.0	0.0	0.0	0.0
Operating ROIC (%)	37.1	25.8	23.9	28.7	33.4
Operating ROIC – WACC (%)	21.7	10.3	8.5	13.3	17.9
ROIC (%)	28.6	18.1	13.6	14.5	16.3
ROIC – WACC (%)	13.2	2.7	(1.8)	(1.0)	0.9
ROE (%)	18.7	22.2	19.8	17.3	18.8
ROA (%)	27.3	16.5	13.6	12.1	13.5

* Pre exceptional, pre-goodwill and fully diluted

Sources: Persistent Systems; BNP Paribas estimates

Translates into USD revenue growth of 33% in FY11, 30% in FY12 and 23.2% in FY13

EBIT margin to drop due to a mid-term wage hike, but we expect it to recover led by a more normalised wage cycle and increasing contribution from higher margin IP

Tax rate expected to increase as government-granted tax benefits expire. EPS growth to return in FY13 after higher tax rates are factored in FY12

Persistent Systems

Cash Flow (INR m)					
Year Ending Mar	2009A	2010A	2011E	2012E	2013E
Recurring net profit	676	1,150	1,369	1,394	1,786
Depreciation	297	335	410	458	512
Associates & minorities	0	0	0	0	0
Other non-cash items	127	(373)	(176)	0	0
Recurring cash flow	1,100	1,112	1,603	1,852	2,298
Change in working capital	(386)	126	(254)	(246)	(255)
Capex - maintenance	(503)	(476)	(603)	(495)	(610)
Capex – new investment	0	0	0	0	0
Free cash flow to equity	211	762	746	1,111	1,433
Net acquisitions & disposals	16	1	2	0	0
Dividends paid	(36)	(27)	(188)	(144)	(146)
Non recurring cash flows	(164)	(710)	(1,898)	(600)	(500)
Net cash flow	27	26	(1,338)	367	787
Equity finance	(15)	1,618	(417)	0	0
Debt finance	45	89	71	0	0
Movement in cash	57	1,733	(1,684)	367	787

Per share (INR)

Recurring cash flow per share	34.42	34.56	41.77	47.32	57.56
FCF to equity per share	6.61	23.68	19.44	28.37	35.89

Balance Sheet (INR m)

Year Ending Mar	2009A	2010A	2011E	2012E	2013E
Working capital assets	1,618	2,341	2,801	3,229	3,819
Working capital liabilities	(914)	(1,710)	(1,593)	(1,775)	(2,110)
Net working capital	705	630	1,208	1,454	1,709
Tangible fixed assets	2,177	2,318	2,511	2,547	2,645
Operating invested capital	2,882	2,949	3,718	4,001	4,354
Goodwill	0	0	0	0	0
Other intangible assets	0	0	0	0	0
Investments	880	1,562	3,483	4,083	4,583
Other assets	20	7	14	14	14
Invested capital	3,783	4,517	7,215	8,098	8,951
Cash & equivalents	(165)	(1,918)	(212)	(579)	(1,365)
Short term debt	0	0	0	0	0
Long term debt *	0	0	0	0	0
Net debt	(165)	(1,918)	(212)	(579)	(1,365)
Deferred tax	0	0	0	0	0
Other liabilities	0	0	0	0	0
Total equity	3,948	6,435	7,427	8,677	10,316
Minority interests	0	0	0	0	0
Invested capital	3,783	4,517	7,215	8,098	8,951

* includes convertibles and preferred stock which is being treated as debt

Per share (INR)

Book value per share	124	169	194	222	258
Tangible book value per share	124	169	194	222	258

Financial strength

Net debt/equity (%)	(4.2)	(29.8)	(2.9)	(6.7)	(13.2)
Net debt/total assets (%)	(3.4)	(23.5)	(2.3)	(5.5)	(11.0)
Current ratio (x)	2.0	2.5	1.9	2.1	2.5
CF interest cover (x)	1.3	-	-	-	-

Valuation	2009A	2010A	2011E	2012E	2013E
Recurring P/E (x) *	21.1	12.4	11.7	11.7	9.3
Recurring P/E @ target price (x) *	27.1	15.9	14.9	15.0	11.9
Reported P/E (x)	19.2	11.1	11.1	11.2	8.9
Dividend yield (%)	0.3	0.6	1.6	0.8	0.8
P/CF (x)	11.6	11.5	9.5	8.4	6.9
P/FCF (x)	60.3	16.8	20.5	14.0	11.1
Price/book (x)	3.2	2.4	2.1	1.8	1.5
Price/tangible book (x)	3.2	2.4	2.1	1.8	1.5
EV/EBITDA (x) **	6.9	8.8	8.8	7.1	5.7
EV/EBITDA @ target price (x) **	8.8	11.5	11.5	9.1	7.4
EV/invested capital (x)	3.3	2.9	2.1	1.9	1.6

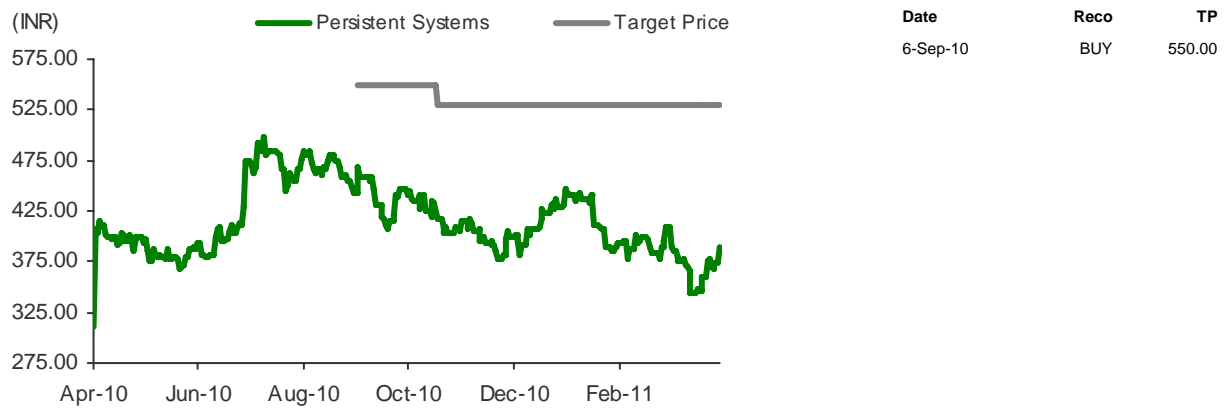
* Pre exceptional, pre-goodwill and fully diluted

** EBITDA includes associate income and recurring non-operating income

Sources: Persistent Systems; BNP Paribas estimates

HISTORY OF CHANGE IN INVESTMENT RATING AND/OR TARGET PRICE

Persistent Systems (PSYS IN)



Abhiram Eleswarapu started covering this stock from 6 September 2010
 Price and TP are in local currency

Valuation and risks: Key risks to our DCF-based TP are macro and FX uncertainty, and continued wage pressure

Sources: Bloomberg, BNP Paribas

DISCLAIMERS & DISCLOSURES

ANALYST(S) CERTIFICATION

Abhiram Eleswarapu, BNP Paribas Securities India Pvt Ltd, +91 22 6628 2406, abhiram.eleswarapu@asia.bnpparibas.com.

Avinash Singh, BNP Paribas Securities India Pvt Ltd, +91 22 6628 2407, avinash.singh@asia.bnpparibas.com.

The analyst(s) or strategist(s) herein each referred to as analyst(s) named in this report certifies that (i) all views expressed in this report accurately reflect the personal view of the analyst(s) with regard to any and all of the subject securities, companies, or issuers mentioned in this report; (ii) no part of the compensation of the analyst(s) was, is, or will be, directly or indirectly, relate to the specific recommendation or views expressed herein; and (iii) is not aware of any other actual or material conflicts of interest concerning any of the subject securities companies, or issuers referenced herein as of the time of this certification.

GENERAL DISCLAIMER

This report was produced by BNP Paribas Securities India Pvt Ltd, a member company of the BNP Paribas Group. "BNP Paribas" is the marketing name for the global banking and markets business of BNP Paribas Group¹. This report is for the use of intended recipients only and may not be reproduced (in whole or in part) or delivered or transmitted to any other person without our prior written consent. By accepting this report, the recipient agrees to be bound by the terms and limitations set forth herein.

BNP Paribas analysts prudently perform analysis and create quantitative models and estimates derived from their own review of publicly available data without any assistance from any represented company. BNP Paribas analyst estimates and models reflect the analysts' current judgment only; they are neither all-inclusive nor can they be guaranteed. "The analysts' analysis and models are subject to change based on various other factors. Valuations are based on internal quantitative models and qualitative interpretation. No representation or warranty, express or implied, is made that such information or analysis is accurate, complete or verified and it should not be relied upon as such.

Analysts' compensation is not linked to investment banking or capital markets transactions performed by BNP Paribas or the profitability or revenues of particular trading desks.

BNP Paribas analysts may participate in company events such as site visits and are prohibited from accepting payment by the company of associated expenses unless pre-approved by authorized members of Research management.

This report does not constitute a personal recommendation or take into account the particular investment objectives, financial situations, or needs of individual clients. Customers are advised to use the information contained herein as just one of many inputs and considerations prior to engaging in any trading activity. This report does not constitute a prospectus or other offering document or an offer or solicitation to buy or sell any securities or other investments. This report is not intended to provide the sole basis of any evaluation of the subject securities and companies mentioned in this report. Information and opinions contained in this report are published for reference of the recipients and are not to be relied upon as authoritative or without the recipient's own independent verification, or taken in substitution for the exercise of judgment by the recipient. Additionally, the products mentioned in this report may not be available for sale in certain jurisdictions.

BNP Paribas is not aware of any other actual or material conflicts of interest concerning any of the subject securities and companies referenced herein as of the time of publication of the research report.

This report is prepared for professional investors and is being distributed in Hong Kong by BNP Paribas Securities (Asia) Limited to persons whose business involves the acquisition, disposal or holding of securities, whether as principal or agent. BNP Paribas Securities (Asia) Limited, a subsidiary of BNP Paribas, is regulated by the Securities and Futures Commission for the conduct of dealing in securities, advising on securities and providing automated trading services.

This report is being distributed in the United Kingdom by BNP Paribas London Branch to persons who are not private customers as defined under U.K. securities regulations. BNP Paribas London Branch, a branch of BNP Paribas, is regulated by the Financial Services Authority for the conduct of its designated investment business in the U.K. This report may be distributed in the United States by BNP PARIBAS SECURITIES ASIA or by BNP Paribas Securities Corp.

This report may be distributed in the United States only to "major institutional investors" (as such term is defined in Rule 15a-6 under the Securities Exchange Act of 1934, as amended) and is not intended for the use of any person or entity that is not a major institutional investor. Where this report has been distributed in the United States it will have been reviewed by a FINRA S16 qualified registered supervisory analyst or a S24 qualified and authorized person, in accordance with FINRA requirements concerning third party affiliated research. All U.S. institutional investors receiving this report should effect transactions in securities discussed in the report through BNP Paribas Securities Corp. BNP Paribas Securities Corp. is a member of the New York Stock Exchange, the Financial Industry Regulatory Authority and the Securities Investor Protection Corporation. Reproduction, distribution or publication of this report in any other places or to persons to whom such distribution or publication is not permitted under the applicable laws or regulations of such places is strictly prohibited.

This report is distributed in Singapore by BNP Paribas Securities (Singapore) Limited ("BNPPSSL") and may be distributed in Singapore only to an accredited investor or an expert investor, each as defined under the Financial Advisers Regulations ("FAR") and the Securities and Futures Act (Chapter 289) of Singapore, as amended from time to time. In relation to the distribution to such categories of investors, BNPPSSL and its representatives are exempted under Regulation 35 of the FAR from the requirements in Section 36 of the Financial Advisers Act of Singapore, regarding the disclosure of certain interests in, or certain interests in the acquisition or disposal of, securities referred to in this report.

This report is being distributed in Australia by BNP Paribas Sydney Branch, registered in Australia as ABN 23 000 000 117 at 60 Castlereagh Street Sydney NSW 2000. BNP Paribas Sydney Branch is licensed under the Banking Act 1959 and the holder of Australian Financial Services Licence no. 238043 and therefore subject to regulation by the Australian Securities & Investments Commission in relation to delivery of financial services. By accepting this document you agree to be bound by the foregoing limitations, and acknowledge that information and opinions in this document relate to financial products or financial services which are delivered solely to wholesale clients (in terms of the Corporations Act 2001, sections 761G and 761GA; Corporations Regulations 2001, division 2, reg. 7.1.18 & 7.1.19) and/or professional investors (as defined in section 9 of the Corporations Act 2001).

To our readers in Taiwan: Information on securities that trade in Taiwan is distributed by BNP Paribas Securities (Taiwan) Co., Ltd. Such information is for your reference only. The reader should independently evaluate the investment risks and is solely responsible for their investment decision. Information on securities that do not trade in Taiwan is for informational purposes only and is not to be construed as a recommendation or a solicitation to trade in such securities. BNP Paribas Securities (Taiwan) Co., Ltd. may not execute transactions for clients in these securities. This publication may not be distributed to the public media or quoted or used by the public media without the express written consent of BNP Paribas.

The distribution of this report in other jurisdictions or to residents of other jurisdictions may also be restricted by law, and persons into whose possession this report comes should inform themselves about, and observe, any such restrictions. By accepting this report you agree to be bound by the foregoing instructions. This report is not directed to, or intended for distribution to or use by, any person or entity that is a citizen or resident of or located in any locality, state, country, or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation.

All research reports are disseminated and available to all clients simultaneously through our internal client websites. For all research available on a particular stock, please contact the relevant BNP Paribas research team or the author(s) of this report.

¹ No portion of this report was prepared by BNP Paribas Securities Corp. personnel, and references to "BNP Paribas" in this General Disclaimer section and in the immediately following Important Disclosures section refer to BNP Paribas Securities India Pvt Ltd only.

IMPORTANT DISCLOSURES

The disclosure column in the following table lists the important disclosures applicable to each company that has been rated and/or recommended in this report:

Company	Disclosure (as applicable)
NA	NA

BNP Paribas represents that:

1. Within the past year, it has managed or co-managed a public offering for this company, for which it received fees.
2. It had an investment banking relationship with this company in the last 12 months.
3. It received compensation for investment banking services from this company in the last 12 months.
4. It beneficially own 1% or more of the market capitalization of this company.
5. It makes a market in securities issued by this company.
6. The analyst(s) or an individual who assisted in the preparation of this report (or a member of his/her household) has a financial interest position in securities issued by this company or derivatives thereof.
7. The analyst (or a member of his/her household) is an officer, director, or advisory board member of this company.

Additional Disclosures

Within the next three months, BNP Paribas may receive or seek compensation in connection with an investment banking relationship with one or more of the companies referenced herein.

Target price history, stock price charts, valuation and risk details, and equity rating histories applicable to each company rated in this report is available in our most recently published reports available on our website: <http://equities.bnpparibas.com>, or you can contact the analyst named on the front of this note or your BNP Paribas representative.

All share prices are as at market close on 5 April 2011 unless otherwise stated.

RECOMMENDATION STRUCTURE

Stock Ratings

Stock ratings are based on absolute upside or downside, which we define as (target price* - current price) / current price.

BUY (B). The upside is 10% or more.

HOLD (H). The upside or downside is less than 10%.

REDUCE (R). The downside is 10% or more.

Unless otherwise specified, these recommendations are set with a 12-month horizon. Thus, it is possible that future price volatility may cause a temporary mismatch between upside/downside for a stock based on market price and the formal recommendation.

* In most cases, the target price will equal the analyst's assessment of the current fair value of the stock. However, if the analyst doesn't think the market will reassess the stock over the specified time horizon due to a lack of events or catalysts, then the target price may differ from fair value. In most cases, therefore, our recommendation is an assessment of the mismatch between current market price and our assessment of current fair value.

Industry Recommendations

Improving (↑): The analyst expects the fundamental conditions of the sector to be positive over the next 12 months.

Neutral (↔): The analyst expects the fundamental conditions of the sector to be maintained over the next 12 months.

Deteriorating (↓): The analyst expects the fundamental conditions of the sector to be negative over the next 12 months.

Country (Strategy) Recommendations

Overweight (O). Over the next 12 months, the analyst expects the market to score positively on two or more of the criteria used to determine market recommendations: index returns relative to the regional benchmark, index sharpe ratio relative to the regional benchmark and index returns relative to the market cost of equity.

Neutral (N). Over the next 12 months, the analyst expects the market to score positively on one of the criteria used to determine market recommendations: index returns relative to the regional benchmark, index sharpe ratio relative to the regional benchmark and index returns relative to the market cost of equity.

Underweight (U). Over the next 12 months, the analyst does not expect the market to score positively on any of the criteria used to determine market recommendations: index returns relative to the regional benchmark, index sharpe ratio relative to the regional benchmark and index returns relative to the market cost of equity.

RATING DISTRIBUTION (as at 4 April 2011)

Total BNP Paribas coverage universe	559	Investment Banking Relationship	(%)
Buy	366	Buy	5.46
Hold	140	Hold	3.57
Reduce	53	Reduce	1.89

Should you require additional information concerning this report please contact the relevant BNP Paribas research team or the author(s) of this report.

© 2011 BNP Paribas Group