

WIPRO

INR 454



Core business still a drag

ACCUMULATE

Wipro's Q4FY08 results came in line with our expectations at the revenue and EBITDA level, but were slightly ahead of our estimates in terms of net profit, effective tax rate for the quarter being lower at 11% as against our expectations of 12.5%. However, though overall revenue numbers are in line, breaking the business down to its constituents reveals the continued underperformance of the global IT-services business [compensated by the improved run rate and profitability of both the customer care and lighting (CC&L) and India & Asia-Pac IT-services and products (erstwhile Wipro Infotech)]. The highlight of the quarter was the improved profitability of Infocrossing (ahead of our expectations), but we still believe that the core global IT-services business needs to improve both run rate and profitability (margins). The guidance given for Q1FY09E for global IT-services (including Infocrossing) is USD 988 mn (implying a 3% sequential growth rate over Q4FY08). This quarterly guidance compares favourably with Infosys' guidance for the same period.

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Table 1: Performance versus guidance for Q4FY08

	Actual	Guidance	Edelweiss
Global IT-services (USD mn)	960	955	962
Overall revenues	55,954		56,349
EBITDA	10,729		11,008
EBITDA (%)	19.2%		19.5%
PAT	8,754		8,657
EPS (INR)	6		6

Source: Company, Edelweiss research

Reuters : WIPR.BO  
Bloomberg : WPRO IN

\* **Outlook and valuations – Quality of growth needs to improve; maintain 'ACCUMULATE'**

Many of the concerns on the global IT-services business that we have identified in our earlier review notes still remain. Over 75% of the value of the business is accounted for by the global IT-services business (as per our SOTP valuation). Given the uncertainty in improvement in this segment, we would still prefer better established peers such as TCS and Infosys that have a stable margin outlook. We believe that the stock's isolated move upwards is unlikely, given its premium valuations (about 17x FY09E); any re-rating hereon is likely to accompany/follow that of the sector. Our current fair value by the SOTP method works out to be INR 438 per share (INR 355 for global IT-services). Margin improvement in the global IT-services business in FY09E is key to stock performance in FY09E but we are yet to see catalysts in this regard. The company will have to demonstrate steady and impressive margin improvement in FY09E to justify current valuations. **We retain our 'ACCUMULATE' rating on the stock but with a more negative bias than before, believing that above cost of equity returns (13%), are difficult to get in the coming year.**

## Financials

Year to March	Q4Y08	Q3Y08	Growth %	Q1FY06	Growth %	FY08	FY09E
Revenue (INR mn)	55,954	52,361	6.9	43,345	29.1	197,428	252,310
Gross profit (INR mn)	16,462	15,655	5.2	13,528	21.7	58,597	75,353
EBITDA (INR mn)	10,729	10,359	3.6	9,449	13.5	38,866	49,862
EBIT (INR mn)	9,037	8,730	3.5	8,344	8.3	32,949	42,462
Net profit (INR mn)	8,754	8,261	6.0	8,614	1.6	31,383	39,590
EPS basic (INR)	6.0	5.7	5.8	6.0	0.3	22.2	27.2
P/E (x)						20.7	16.9
EV/EBITDA (x)						15.5	11.6
Market cap / Rev. (x)						3.4	2.7

## Market Data

52-week range (INR) : 600 / 325  
Share in issue (mn) : 1,461.5  
M cap (INR bn/USD mn) : 671.1/16,604.1  
Avg. Daily Vol. BSE/NSE ('000) : 1,250.4

## Share Holding Pattern (%)

Promoters : 79.4  
MFs, Fls & Banks : 2.5  
Fls : 5.2  
Others : 12.9

**Table 2: A look at Q4FY08: Negatives still eclipse the positives.**

Positives	Negatives
Infocrossing margins ahead of expectation	New client wins at 29 lowest in recent periods
Sequential guidance of 3% for global IT-services in Q1FY09E	Pricing declines after showing improvement for a brief period; trend not sustained
CC&L business segment shows vigorous growth and modest margin improvement	Utilization as a lever not available for margin improvement in FY09E as it is steady and high at 67% (offshore)
India & Asia-Pac IT shows traction and better margins helped by rising services component in the total mix	String of acquisitions in the past has not helped rev up growth in FY08 (32% growth excluding Infocrossing)
	Top-5 clients shows a weak-trend this quarter
	Client metrics still severely lagging relative to peers (Infosys and TCS)
	Margin improvement in global-IT services largely on account of R&D credit, gross margins slow down noticeably again

Source: Edelweiss research

\* **Client metrics remain weak**

New client wins at 29 for the quarter is significantly lower than previous quarters. The company has attributed this in part to the slowdown in the US. The top five clients have grown at only 2.3% in the quarter as against 13.4% in Q3FY08. More worrying is slow progress on increasing the number of mega accounts (accounts crossing critical-mass thresholds of USD 50 mn and USD 100 mn) that lag peers such as Infosys and TCS. While Wipro does a comparable job of growing clients to the USD 20 mn size, it falls short in crossing them over to the USD 50 mn+ revenue threshold. Wipro has 11 clients that have contributed over USD 50 mn in FY08 (4 quarters annualized); Infosys by comparison has 17 while TCS had 19 as of Q3FY08.

\* **Decline in pricing reverses improvement seen in Q4FY08**

The company maintained that its new clients are coming in at 4-5% higher billing rates on average. The decline in pricing this quarter, however, takes us back to the Q2FY08 levels. On a Y-o-Y basis, pricing in Q4FY08 has gone up only modestly (0.75% for onsite and 1.5% for offshore). In an environment, where pricing is still benign, Wipro needs to do better.

\* **“String of pearls” acquisition strategy yet to rev up growth**

Wipro’s global IT-services business has grown at 32% (in dollar terms), excluding Infocrossing in FY08. The company’s growth however lags Infosys (35.3%) and TCS (38% expected). It seems that the **“string of pearls”** acquisition strategy to rev up growth by driving more downstream revenues is yet to bear the desired results.

\* **Limited margin levers in FY09E**

We believe that the significant two-margin levers for Wipro in FY09E are improved pricing and controlled wage hikes (8-10% offshore wage hike contemplated in FY09). Utilisation at 74% (current levels) is already close to optimal and may not improve further, going forward.

\* **CC&L and India/Asia-Pac (APAC) IT-services/products – The shining stars**

Running counter to the tepid performance of the global IT-services business (excluding Infocrossing), CC&L and India/APAC IT turned in a handsome performance clocking 18.7% and 8.4% sequential growth respectively. This was also accompanied by improved operating margins in both businesses (40bps and 70bps improvement respectively at the EBIT level).

\* **Margin improvement in Infocrossing pleasing**

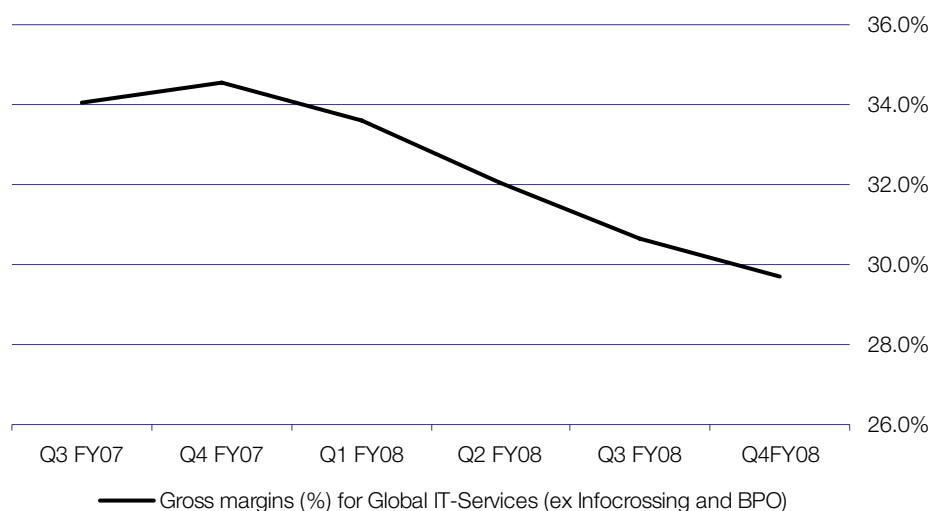
EBITDA margins of acquisitions at 16% (largely Infocrossing) showed a sharp increase with respect to the previous quarter (8.9% in Q3FY08E). This is attributable largely to the decline in

G&A spend; at the gross margin level there has actually been a sequential decline of 150bps. We would like to see if this improvement is sustained.

\* **Gross margin trend in core IT-services (excluding Infocrossing and BPO) worrying**

Chart 1 lays out the trend of gross margins of the global IT-services business. We note that utilization is likely to be less of a lever in helping margins in FY09E, putting the onus on pricing and productivity improvements for margins in FY09E.

**Chart 1: Gross margins for global IT (ex Infocrossing and BPO) has been consistently trending down in the recent quarters**



Source: Edelweiss research

**SOTP Valuation:** Our SOTP valuation suggests that

- (a) Global IT will account for about INR 345 per share (about USD 12.5 bn by value)
- (b) Customer care and lighting contributes INR 33 per share (about USD 1.2 bn by value)
- (c) Indian IT products and services (system integration) contributes about INR 30 per share (about USD 1.1 bn by value), this includes the value of partnerships as well
- (d) Cash and equivalents about INR 27 per share

Overall adding (a), (b), (c) and (d), including partnerships, Wipro is fairly valued at about INR 438 levels with little upside, a finding also supported by an overall DCF methodology

**Table 3: Our SOTP valuation of Wipro indicates little near-term upside**

1. Global IT	(INR mn)		
	FY08	FY09E	FY10E
Revenues	136,187	172,385	213,861
EBITDA	33,235	38,061	44,517
EBIT	27,841	32,889	38,101
Effective tax rate	11.5%	12.0%	21.0%
Tax	3,202	3,947	8,001
PAT	25,797	28,943	30,100
<b>Target multiple</b>		<b>17.5</b>	<b>17.5</b>
<b>Value of IT (INR mn)</b>		<b>506,498</b>	<b>526,746</b>
<b>Value of IT per share (INR/share)</b>		<b>347</b>	<b>361</b>

**2. Consumer care & lighting (CC&L)**

	FY08	FY09E	FY10E
Revenues	14,214	22,369	30,198
EBITDA	2,098	3,355	4,530
as % of revenues	14.8%	15.0%	15.0%
EBIT	1,814	2,908	3,926
Effective tax rate	15%	13%	15%
Taxes	272	378	589
PAT	1,511	2,481	3,273
<b>Target multiple</b>		<b>19.5</b>	<b>19.5</b>
<b>Value of CC&amp;L (INR mn)</b>		<b>48,384</b>	<b>63,817</b>
<b>Value of CC&amp;L per share (INR/share)</b>		<b>33</b>	<b>44</b>

**3. Wipro Infotech (or system integration - SI)**

	FY08	FY09E	FY10E
Revenues	34,528	44,056	55,366
EBITDA	2,874	4,185	6,644
as % of revenues	8.3%	9.5%	12.0%
EBIT (as % of revenues)	7.3%	8.5%	11.0%
EBIT	2,529	3,745	6,090
Effective tax rate	14%	12.5%	12.5%
Tax	341	468	761
PAT	2,187	3,277	5,329
<b>Target multiple</b>		<b>13.5</b>	<b>14.5</b>
<b>Value of SI per share (INR mn)</b>		<b>44,235</b>	<b>77,270</b>
<b>Value of SI per share (INR/share)</b>		<b>30</b>	<b>53</b>

<b>Total value in INR mn</b>	<b>599,116</b>	<b>667,832</b>
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<b>Intrinsic value per share</b>	<b>411</b>	<b>458</b>
+ cash per share	27	33
<b>Total intrinsic value per share (INR)</b>	<b>438</b>	<b>491</b>

<b>Today</b>	<b>1 year-hence</b>
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Source: Edelweiss research

**Other details**

- ♦ Highlights for the global IT business for FY08
  - ♦ Total revenues – INR 136 bn (USD 4.3 bn), representing a 23% increase (INR terms) Y-o-Y (38% USD). Excluding Infocrossing, the growth rate was 18% (INR) or 32% (USD).
  - ♦ Operating margins (EBIT as percentage of revenues) under US GAAP for this business segment stood at 20.7% (versus 23.8% in FY07). Operating profits (EBIT) grew 7% in FY08 over FY07.
  - ♦ Excluding Infocrossing and BPO, EBIT for IT-services grew at 4% in FY08 over FY07. EBIT margins at 21.4% declined almost 400bps from FY07 levels of 25.3%.
- ♦ Highlights for India/APAC IT services and products
  - ♦ Revenues at INR 34.5 bn (USD 865 mn - 18% of total revenues) represent a 44% increase over FY07E. Operating margins were lower with respect to FY07, as the company continued to drive a greater share of revenues from this segment from products rather than the higher-margin services.

- Operating margins (EBIT as a percentage of revenues) for this business segment stood at 7.5% in FY08 versus 8.5% in FY07.
- Highlights for customer care and lighting (CC&L)
  - Revenues from this segment at INR 14.6 bn (USD 365 mn) contributed about 7% to total revenues. This grew about 93% over last year (FY07).
  - EBIT grew at 72%. Operating margins (EBIT as a percentage of revenues) stood at 12.6% in FY07.

Financials snapshot								(INR mn)
Year to March	Q4Y08	Q3Y08	Growth %	Q4FY07	Growth %	FY08	FY09E	FY10E
Global IT	37,899	35,973	5.4	30,357	24.8	136,187	172,385	213,861
India and AsiaPac IT	9,983	9,207	8.4	7,800	28.0	34,528	44,056	55,366
Consumer care & lighting	4,807	4,050	18.7	2,107	128.1	14,639	22,369	30,198
Others	3,265	3,131	4.3	3,081	6.0	12,074	13,500	15,000
Revenues	55,954	52,361	6.9	43,345	29.1	197,428	252,310	314,424
Global IT	26,639	24,941	6.8	19,873	34.0	93,455	117,948	146,889
India and AsiaPac IT	7,505	7,123	5.4	6,091	23.2	26,583	33,438	41,525
Consumer care & lighting	2,670	2,472	8.0	1,347	98.3	8,681	13,421	18,119
Others	2,678	2,170	23.4	2,506	6.8	10,112	12,150	13,500
Total direct cost	39,492	36,706	7.6	29,817	32.4	138,831	176,957	220,032
Gross profit	16,462	15,655	5.2	13,528	21.7	58,597	75,353	94,392
SG&A	7,454	6,409	16.3	5,083	46.6	24,627	31,791	39,303
R&D	(221)	296	(174.7)	63	(449.4)	405	500	625
Amortization	192	220	(12.7)	38	410.2	616	600	540
EBITDA	10,729	10,359	3.6	9,449	13.5	38,866	49,862	62,464
Depreciation	1,500	1,409	6.5	1,067	40.6	5,301	6,800	8,000
EBIT	9,037	8,730	3.5	8,344	8.3	32,949	42,462	53,924
Other income	(22)	455	(104.8)	835	(102.6)	2,199	2,300	3,000
Foreign exchange gain / (loss)	750	169	343.8	(9)	(8,902.8)	(125)	-	-
Earnings before tax and minority int.	9,765	9,354	4.4	9,170	6.5	35,023	44,762	56,924
Tax	1,095	1,074	2.0	596	83.8	3,873	5,371	11,954
Adj. net income	8,670	8,280	4.7	8,575	1.1	31,150	39,390	44,970
Extraordinary item	-	-	-	-	-	-	-	-
Equity in earnings of affiliates	100	(14)	(814.3)	39	155.4	257	200	250
Reported net income	8,754	8,261	6.0	8,614	1.6	31,383	39,590	45,220
EPS basic (INR)	6.0	5.7	5.8	6.0	0.3	22.2	27.2	30.6
		7.6%						
<b>% of revenue</b>								
Gross profit	29.4	29.9		31.2		29.7	29.9	30.0
SG&A	13.3	12.2		11.7		12.5	12.6	12.5
EBITDA	19.2	19.8		21.8		19.7	19.8	19.9
EBIT	16.2	16.7		19.2		16.7	16.8	17.2
Reported net profit	15.6	15.8		19.9		15.9	15.7	14.4
Tax rate	11.2	11.5		6.5		11.1	12.0	21.0

## Company Description

Wipro is India's leading Indian company with business interests in IT and BPO services exports, domestic hardware, consumer lighting, and consumer care. It has the widest range of services, including systems integration, IT-enabled services, package implementation, software application development and maintenance, and R&D services. Wipro is the first P CMM Level 5 and SEI CMM Level 5 certified IT services company in the world. It has more than 590 clients spanning the BFSI, manufacturing, retail, utilities, and telecom verticals. Its IT services exports team has more than 61,844 employees and BPO operation has 20,278 employees. The company's revenues for the last twelve months stood at INR 197 bn (USD 5.1 bn).

## Investment Theme

Industry revenues are forecasted to grow at 25-30% over FY10 and as a dominant player Wipro is expected to gradually increase its share of the total pie. Wipro recently has been at the forefront in its 'string of pearls' acquisition strategy. Early investments in new service lines such as BPO, infrastructure management, and testing highlight the company's endeavor to be looked upon as a one-stop end-to-end integrated solutions provider. Successful transition in the BPO business from voice to non-voice business is a good example of this focus. Being the leader in infrastructure-management and testing services too opens up good opportunities for the company, which along with its peers, is in pursuit of multiple mega off-shoring deals in the industry.

## Key Risks

Key risks to our investment theme include – a) sustained economic slowdown in the US, b) maintaining the margins, while pursuing large deals, c) significant increase in the salary hikes and attrition rate creating cost pressures, and d) any substantial appreciation of Rupee against US dollar, Euro, and GBP.

## Financial Statements

<b>Income statement</b>						<b>(INR mn)</b>
<b>Year to March</b>	<b>FY05</b>	<b>FY06</b>	<b>FY07</b>	<b>FY08</b>	<b>FY09E</b>	
Revenues	81,353	106,107	149,431	197,428	252,310	
Cost of revenues	53,855	71,647	102,200	138,831	176,957	
Gross profit	27,498	34,460	47,231	58,597	75,353	
Research and development	273	202	268	405	500	
Selling & marketing expenses	5,467	6,764	9,173	13,807	17,662	
General and administrative exp	3,743	5,239	7,639	10,820	14,129	
Selling, general and administrative exp	9,210	12,003	16,812	24,627	31,791	
Amortization	140	64	269	616	600	
Operating expenditure	9,623	12,269	17,349	25,648	32,891	
EBIT	17,875	22,191	29,882	32,949	42,462	
Depreciation	2,438	3,101	3,931	5,301	6,800	
EBITDA	20,453	25,356	34,082	38,866	49,862	
Total other income	873	1,345	2,888	2,199	2,300	
Foreign exchange gain/(loss)	(92)	(288)	(236)	(125)	-	
Profit before tax	18,656	23,248	32,535	35,023	44,762	
Tax	2,693	3,264	3,723	3,873	5,371	
Profit after tax	15,963	19,984	28,812	31,150	39,390	
Extraordinary income (loss)	(207)	-	39	-	-	
Other items	77	287	318	233	200	
Net profit	15,833	20,270	29,169	31,383	39,590	
Adjusted EPS basic (INR)	11.4	14.4	20.4	22.2	27.2	
CEPS (INR)	13.2	16.7	23.3	26.4	32.2	
Dividend (%)	250.0	150.0	298.0	250.0	300.0	
Dividend pay out (%)	25.3	23.8	34.2	26.5	26.0	

### Common size metrics - as % of revenues

<b>Year to March</b>	<b>FY05</b>	<b>FY06</b>	<b>FY07</b>	<b>FY08</b>	<b>FY09E</b>	
Cost of revenues	66.2	67.5	68.4	70.3	70.1	
Gross margin	33.8	32.5	31.6	29.7	29.9	
SG&A expenses	11.3	11.3	11.3	12.5	12.6	
EBITDA margin	25.1	23.9	22.8	19.7	19.8	
EBIT margin	22.0	20.9	20.0	16.7	16.8	
Net profit margin	19.5	19.1	19.5	15.9	15.7	

### Growth metrics (%)

<b>Year to March</b>	<b>FY05</b>	<b>FY06</b>	<b>FY07</b>	<b>FY08</b>	<b>FY09E</b>	
Revenues	39.2	30.4	40.8	32.1	27.8	
EBITDA	60.7	24.0	34.4	14.0	28.3	
EBIT	71.2	24.1	34.7	10.3	28.9	
Net profit	58.5	28.0	43.9	7.6	26.2	
EPS	58.0	26.6	41.2	9.3	22.1	

<b>Balance sheet</b>					(INR mn)
<b>Year to March</b>	<b>FY05</b>	<b>FY06</b>	<b>FY07</b>	<b>FY08</b>	<b>FY09E</b>
Equity share capital	1,407	2,852	2,918	2,927	2,934
Share premium account	13,273	16,521	24,508	27,640	30,076
Reserves	42,049	59,392	74,042	97,747	127,071
Total shareholders funds	56,729	78,764	101,468	128,315	160,081
Borrowings	690	1,100	4,551	1,461	-
Minority holding	533	(0)	(0)	24	24
<b>Sources of fund</b>	<b>57,952</b>	<b>79,864</b>	<b>106,019</b>	<b>129,800</b>	<b>160,105</b>
Goodwill and other Intangible asset	5,978	8,335	15,369	15,020	14,713
Gross fixed assets	20,398	24,816	37,287	46,149	54,319
Less: Accumulated depreciation	9,801	13,287	20,937	26,013	32,097
Net fixed assets	10,597	11,529	16,350	20,136	22,222
Capital WIP	2,604	6,249	10,191	9,172	10,273
Investments	23,727	31,372	34,010	45,225	58,622
Deferred tax asset	451	224	(34)	(34)	(34)
Cash & bank balances	5,671	8,858	19,650	25,261	33,566
Debtors	14,806	20,593	28,467	35,699	44,932
Unbilled revenue	2,740	4,336	5,096	6,625	8,348
Inventories	1,769	2,065	4,150	6,010	8,250
Loans and advances	3,732	6,707	12,371	14,227	16,787
Total current assets	28,717	42,559	69,734	87,823	111,883
Sundry creditors	10,708	15,172	19,845	23,673	28,407
Other liabilities	3,415	5,231	19,756	23,645	28,226
Total current liabilities	14,123	20,402	39,601	47,318	56,633
Working capital	14,594	22,156	30,133	40,505	55,250
<b>Application of funds</b>	<b>57,952</b>	<b>79,864</b>	<b>106,019</b>	<b>130,024</b>	<b>161,046</b>
Book value per share (BV) (INR)	41	56	71	91	110

<b>Cash flow statement</b>					(INR mn)
<b>Year to March</b>	<b>FY05</b>	<b>FY06</b>	<b>FY07</b>	<b>FY08</b>	<b>FY09E</b>
Cash flow from operations	18,227	23,000	34,240	37,925	46,790
Cash for working capital	250	(3,453)	(4,078)	(4,761)	(6,440)
Net operating cashflow(A)	18,477	19,547	30,162	33,164	40,351
Net purchase of fixed assets	(7,189)	(10,150)	(19,043)	(8,110)	(9,564)
Net purchase of investments	(3,809)	(6,019)	(1,684)	(11,555)	(13,374)
Others	8	(486)	(650)	614	200
Cash flow from investments(B)	(10,990)	(16,654)	(21,377)	(19,050)	(22,738)
Dividends	(7,576)	(3,998)	(8,873)	(8,554)	(10,290)
Proceeds from issue of equity	2,843	4,767	8,894	3,141	2,443
Proceeds from LTB/STB	(405)	(464)	2,036	(3,090)	(1,461)
<b>Cash flow from financing (C)</b>	<b>(5,138)</b>	<b>305</b>	<b>2,058</b>	<b>(8,503)</b>	<b>(9,307)</b>



**Ratios**

<b>Year to March</b>	<b>FY05</b>	<b>FY06</b>	<b>FY07</b>	<b>FY08</b>	<b>FY09E</b>
ROE (%)	30.7	29.9	32.4	27.3	27.5
ROCE (%)	33.7	32.2	32.2	27.9	29.3
Debtor days	66	71	70	66	65
Fixed asset T/O	8.8	9.6	10.7	10.8	11.9

**Valuation parameters**

<b>Year to March</b>	<b>FY05</b>	<b>FY06</b>	<b>FY07</b>	<b>FY08</b>	<b>FY09E</b>
Adjusted EPS (INR)	11.4	14.4	20.4	22.2	27.2
<i>Y-o-Y growth (%)</i>	<i>58.0</i>	<i>26.6</i>	<i>41.2</i>	<i>9.3</i>	<i>22.1</i>
BVPS (INR)	40.8	56.0	70.8	90.9	109.8
PER (x)	40.4	31.9	22.6	20.7	16.9
Pr/CF (x)	36.7	28.7	20.2	18.3	14.4
P/BV (x)	11.8	8.5	6.6	5.2	4.2
EV/EBITDA (x)	31.4	24.9	18.2	15.5	11.6
EV/Revenues (x)	7.9	5.9	4.2	3.0	2.3
Market cap/Revenues (x)	8.2	6.3	4.5	3.4	2.7

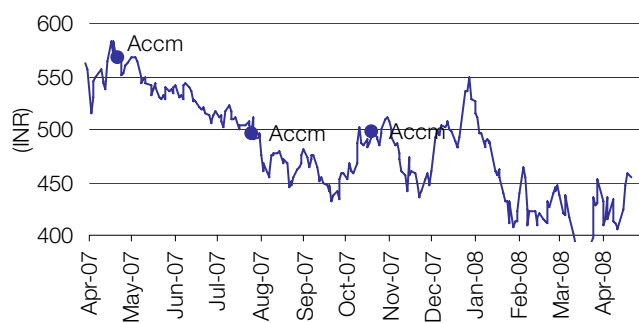
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**Coverage group(s) of stocks by primary analyst(s): Information Technology:**

Geometric, HCL Tech, Hexaware, i-flex, Infosys, Infotech, Mastek, Mphasis, Patni, Rolta, Sasken, Satyam, TCS, Take Solutions and Wipro

**Wipro**



**Recent Research**

Date	Company	Title	Price (INR)	Recos
17-Apr-08	<b>Rolta</b>	Momentum sustained, Result Update	312	Buy
16-Apr-08	<b>Satyam Computer</b>	To guide higher or not?; Event Update	454	Buy
15-Apr-08	<b>Infosys Technologies</b>	A good guidance in difficult times; Result Update	1,510	Accum.
15-Apr-08	<b>HCL Technologies</b>	Outperforming expectations; Result Update	245	Buy.

**Distribution of Ratings / Market Cap**

**Edelweiss Research Coverage Universe**

	Buy	Accumulate	Reduce	Sell	Total
Rating Distribution*	104	57	10	1	192

\* 15 stocks under review / 5 rating withheld

	> 50bn	Between 10bn and 50 bn	< 10bn
Market Cap (INR)	85	76	31

**Rating Interpretation**

Rating	Expected to
<b>Buy</b>	appreciate more than 20% over a 12-month period
<b>Accumulate</b>	appreciate up to 20% over a 12-month period
<b>Reduce</b>	depreciate up to 10% over a 12-month period
<b>Sell</b>	depreciate more than 10% over a 12-month period

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