

April 20, 2007

Stock Rating  
**Overweight**

Industry View  
**Attractive**

## Satyam Computer Services

### Confident F2008 Outlook

**Quick Comment:** We found Satyam's F4Q07 report to be encouraging. The results were strong and higher than expected; management is confident on the F2008 outlook; and Satyam continues to make strong progress on the HR front.

**What's New:** Satyam recorded 7% QoQ revenue growth in F4Q07; 9.5% growth in US\$ terms. EBITDA margins declined by 160 bps QoQ, which was as expected given the RSU charges in 4Q and lower provisions in 3Q. Net income of Rs3.94bn was well above our Rs3.52bn expectation though other income has been higher.

The company guides for 28-30% revenue growth and 27-29% EPS growth for F2008. Rupee revenue growth guidance is 20-22% and EPS growth guidance is 18-20%, at an exchange rate of 42.30. EPS guidance is for Rs25.32-25.73. Management guides for 5-5.5% QoQ revenue growth in 1Q (US\$) and 1.2-1.7% (rupee), 4% EPS growth (US\$) and flat EPS (rupee). It expects flat margins in F2008, despite the currency headwind. This could be challenging though, given the wage increases, additional RSU expense and the rupee appreciation.

Attrition for the trailing 12 months has dropped from 17.6% to 15.7%, and F4Q07 attrition (annualized) has fallen to 13.2% vs. 21.9% 12 months ago. The CFO expects positive momentum in billing rates in F2008.

**Implications:** We think the revenue outlook is indicative of continuing strength in demand for Satyam and for the sector. While EPS growth in rupee terms is low compared to recent numbers, this is due to the currency and we are encouraged by the fact that management expects to keep margins constant despite the rupee appreciation.

We will publish a follow-up note updating our estimates for the F4Q07 numbers. Our current F08 EPS estimate is Rs25.34.

#### Key Ratios and Statistics

Reuters: SATY.BO Bloomberg: SCS IN

##### India Software

Price target	Rs575.00
Shr price, close (Apr 18, 2007)	Rs461.60
Mkt cap, curr (mn)	Rs303,314
52-Week Range	Rs524.90-270.50
Sh out, basic, curr (mn)	648.9

Morgan Stanley does and seeks to do business with companies covered in its research reports. As a result, investors should be aware that the firm may have a conflict of interest that could affect the objectivity of this report. Investors should consider this report as only a single factor in making their investment decision. Customers of Morgan Stanley in the U.S. can receive independent, third-party research on the company covered in this report, at no cost to them, where such research is available. Customers can access this independent research at [www.morganstanley.com/equityresearch](http://www.morganstanley.com/equityresearch) or can call 1-800-624-2063 to request a copy of this research.

**For analyst certification and other important disclosures, refer to the Disclosure Section.**

+ = Analysts employed by non-U.S. affiliates are not registered pursuant to NASD/NYSE rules.

### Key Highlights

- **Robust US\$-denominated guidance:** In US\$ terms, management expects to grow revenue by 30% to US\$1.9bn and EPS by 29% to US\$1.18, at the higher end of the guidance range. F2008 revenue and EPS growth guidance is 22% and 20%, respectively, to Rs79bn and Rs25.7. It has assumed an average exchange rate of Rs42.3/US\$ for F2008. In rupee terms, the guidance is muted for F1Q08, with 2% QoQ revenue growth and flat earnings – it expects 5.5% revenue growth and 3.7% EPS growth in US\$ terms.

- **Management expects flat margins despite the recent strength in the rupee ... could be challenging though:** The company expects to maintain flat margins in F2008 notwithstanding the wage hike (16% average wage hike for offshore employees and 5% hike for onsite employees in F2008), RSU charges and the nearly 6% average rupee appreciation that it assumes in its guidance (which would have impacted margins negatively by about 200 bps). Key margin levers that it sees are pricing (2-3% average improvement; which will help margins by 200 bps), SG&A improvements; further improvement in the profitability of subsidiaries; possibly higher offshore proportion of revenue; improvement in the execution of fixed price projects; and further flattening of the employee pyramid.

We think this could be a bit challenging though. We estimate the additional impact of the RSUs could pressure margins to the extent of 80-90bps and the currency could impact margins by 200 bps. There would be an impact on account of wage inflation as well.

- **Better than expected F4Q07 results:** Satyam reported 7% QoQ revenue growth to Rs17.8bn. The growth was 9.5% in US\$ terms. EBITDA margins declined by 160 bps sequentially – margins were marginally ahead of our estimates. Net income rose 17% QoQ vs. our expectation of 5% growth, though higher other income largely contributed to it – it had forex gains of Rs40m vs. a loss of 350m in F3Q07.

The company added around 1265 employees (net) in the quarter to take the total to 35,670. The company added 15 clients (net) in the quarter.

- **Good progress on the HR front:** The company reported impressive improvement in attrition – attrition for the trailing 12 months has dropped from 17.6% to 15.7%, and F4Q07 attrition (annualized) fell to 13.2% vs. 21.9% 12 months ago. Wage increases for F2008 have been slightly higher for offshore employees, but by not too much – management expects a 16% average wage hike for offshore employees and a 5% hike for onsite employees in F2008. Infosys and TCS have announced a 12-15% increase.

- **Some positive momentum in billing rates:** The company has seen an increase in billing rates for a few quarters now, though to a lesser extent than its larger peers. Onsite and offshore rates were up 1.7% and 1.4% YoY for the quarter. The management expects 2-3% average improvement in F2008.

- **Continuing growth for the enterprise solutions (package implementation) business:** The enterprise solution business grew at 9% sequentially for the quarter and by 43% YoY in F2007, faster than overall growth.

- **60% revenue growth guidance for BPO:** Nipuna's F07 revenue rose 91% to US\$38.3m and management expects US\$61m of revenue for F2008. The subsidiary was EBITDA positive in F2007. It has 2,916 employees, with infrastructure for about 5,000.

- **Qualitative management comments:** "Entering the year with a strong sentiment", "positive pricing environment, 2-3% average improvement in F2008, will help in keeping margins flat", "three large deals signed in F07, robust pipeline, better than same time last year", "the enterprise business is getting better",

#### Company Description

Satyam Computer Services Ltd. is a leading player in the offshore IT services industry and has gained strong positioning in the enterprise solutions area (package implementation). It offers a wide array of IT services and offers BPO services through Nipuna, a separate subsidiary.

#### India Software

Industry View: Attractive

#### MSCI Country: India

Asia Strategist's Recommended Weight: 1.7%  
MSCI Asia/Pac All Country Ex Jp Weight: 6.3%

Exhibit 1

**Consolidated Quarterly Financials (Rs Mn)**

Quarter Ending	Jun-06	QoQ	YoY	Sep-06	QoQ	YoY	Dec-06	QoQ	YoY	Mar-07	QoQ	YoY
<b>Revenues</b>	<b>14,429</b>	<b>10%</b>	<b>36%</b>	<b>16,019</b>	<b>11%</b>	<b>39%</b>	<b>16,611</b>	<b>3.7%</b>	<b>31%</b>	<b>17,792</b>	<b>7.1%</b>	<b>35%</b>
Personnel expenses	8,316	11%	30%	9,827	18%	45%	9,674	-2%	31%	10,763	11%	43%
% of revenue	57.6%	54 bps	-273 bps	61.3%	371 bps	266 bps	58.2%	-311 bps	-5 bps	60.5%	226 bps	340 bps
Cost of software and hardware	7	-22%	240%	4	-49%	35%	7	111%	12%	5	-32%	-43%
% of revenue	0.0%	-2 bps	3 bps	0.0%	-3 bps	0 bps	0.0%	2 bps	-1 bps	0.0%	-2 bps	-4 bps
Operating and admin exp	2,556	12%	43%	2,563	0%	28%	2,830	10%	33%	2,922	3%	28%
% of revenue	17.7%	34 bps	84 bps	16.0%	-171 bps	-136 bps	17.0%	104 bps	24 bps	16.4%	-62 bps	-95 bps
<b>EBITDA</b>	<b>3,550</b>	<b>6%</b>	<b>47%</b>	<b>3,625</b>	<b>2%</b>	<b>31%</b>	<b>4,100</b>	<b>13%</b>	<b>30%</b>	<b>4,102</b>	<b>0%</b>	<b>23%</b>
<i>Margins (%)</i>	<i>24.6%</i>	<i>-86 bps</i>	<i>187 bps</i>	<i>22.6%</i>	<i>-197 bps</i>	<i>-130 bps</i>	<i>24.7%</i>	<i>205 bps</i>	<i>-18 bps</i>	<i>23.1%</i>	<i>-162 bps</i>	<i>-241 bps</i>
Depreciation	362	-3%	16%	375	4%	8%	394	5%	15%	354	-10%	-5%
Interest	26	55%	443%	27	7%	253%	32	19%	21%	74	130%	350%
Other income	745	158%	218%	282	-62%	-11%	102	-64%	-69%	704	592%	144%
<b>PBT</b>	<b>3,908</b>	<b>20%</b>	<b>68%</b>	<b>3,505</b>	<b>-10%</b>	<b>29%</b>	<b>3,776</b>	<b>8%</b>	<b>21%</b>	<b>4,378</b>	<b>16%</b>	<b>35%</b>
Tax	368	-7%	-6%	307	-17%	-8%	403	31%	4%	442	10%	11%
<i>Tax rate (%)</i>	<i>9.4%</i>	<i>-283 bps</i>	<i>-746 bps</i>	<i>8.8%</i>	<i>-66 bps</i>	<i>-347 bps</i>	<i>10.7%</i>	<i>193 bps</i>	<i>-175 bps</i>	<i>10.1%</i>	<i>-58 bps</i>	<i>-214 bps</i>
PAT	3,540	24%	83%	3,198	-10%	34%	3,372	5%	24%	3,936	17%	38%
Share of loss in associate company and MI	(1)	-167%	-104%	NA	-	-	-	-	-	-	-	-
<b>Net income</b>	<b>3,541</b>	<b>24%</b>	<b>86%</b>	<b>3,198</b>	<b>-10%</b>	<b>35%</b>	<b>3,372</b>	<b>5%</b>	<b>25%</b>	<b>3,936</b>	<b>17%</b>	<b>38%</b>


Source: Company Data, Morgan Stanley Research

Exhibit 2

**Quarterly Operating Metrics**

Quarter ending	Jun-05	Sep-05	Dec-05	Mar-06	Jun-06	Sep-06	Dec-06	Mar-07
<b>Revenue Breakdown by Geography</b>								
North America	67.8%	66.8%	64.4%	63.9%	65.9%	65.9%	64.3%	62.6%
Japan	1.5%	1.2%	1.2%	1.9%	1.1%	1.7%	1.7%	1.5%
Europe	17.2%	18.3%	18.5%	18.6%	17.6%	18.0%	19.0%	19.9%
RoW	13.6%	13.7%	15.9%	15.6%	15.4%	14.5%	15.1%	16.1%
<b>Revenue Breakdown by Technology</b>								
Software development and maintenance	51.3%	50.1%	50.1%	50.7%	48.5%	48.0%	47.3%	46.4%
Consulting and enterprise business soln	37.4%	39.4%	39.4%	39.3%	40.3%	40.4%	42.0%	42.6%
Extended engineering solutions	7.2%	6.6%	6.4%	6.4%	6.0%	6.4%	6.8%	7.0%
Infrastructure management services	4.2%	3.9%	4.1%	3.7%	5.2%	5.2%	3.9%	4.0%
<b>Revenue Breakdown by Verticals</b>								
BFSI	27.0%	28.7%	28.0%	28.8%	29.7%	28.6%	25.6%	24.7%
Manufacturing	28.8%	29.2%	27.6%	28.9%	27.8%	26.7%	27.1%	27.2%
TIMES *	19.4%	19.2%	18.5%	18.3%	19.1%	20.4%	20.7%	21.8%
Healthcare	6.0%	5.6%	7.2%	6.2%	6.5%	7.3%	7.6%	8.0%
Others	18.9%	17.3%	18.6%	17.9%	16.9%	17.0%	19.0%	18.3%
<b>Client Concentration</b>								
Top Client's contribution to revenue	9.9%	9.0%	9.4%	8.0%	7.1%	6.7%	6.3%	6.1%
Top 5 clients' contribution to revenue	27.2%	25.7%	24.6%	24.3%	22.7%	22.3%	21.6%	22.2%
Top 10 clients' contribution to revenue	39.4%	38.7%	36.8%	35.9%	34.4%	33.9%	34.2%	36.3%
Gross Clients Added	31	32	35	22	34	35	34	35
Total Clients	410	429	452	469	489	504	523	538
Net Clients Added	20	19	23	17	20	15	19	15
Repeat Business	91.9%	92.4%	92.1%	91.4%	87.7%	86.1%	85.7%	88.7%
\$1 Mn clients	134	137	142	150	142	154	164	180
\$5 Mn clients	38	43	49	46	51	54	54	57
\$10 Mn clients	21	22	25	27	33	32	32	35
<b>Billing Rates (US\$per Person Hour)</b>								
Onsite	56	56	56	56	56	56	57	57
Offshore	23	23	23	23	23	23	23	23
Domestic	13	13	14	14	14	14	14	14
<b>Utilization Rates</b>								
Onsite	97.1%	97.0%	97.6%	97.8%	97.0%	97.0%	96.8%	96.6%
Offshore	76.8%	79.4%	79.7%	79.9%	79.6%	78.8%	77.6%	78.4%
Domestic	98.4%	94.8%	98.2%	94.3%	96.1%	95.6%	89.4%	96.9%
Offshore with trainees	74.2%	74.7%	74.3%	72.2%	71.2%	71.1%	68.5%	71.3%
<b>Staff</b>								
No of Employees	20,505	22,482	23,432	26,511	27,634	31,659	34,405	35,670
Nipuna	1,612	1,673	1,639	1,765	2,005	2,446	2,825	2,916
Software Professionals	19,023	20,890	21,790	24,801	25,853	29,830	32,594	33,812
Attrition Rates	16.7%	16.2%	18.0%	19.2%	19.6%	18.3%	17.6%	15.7%
<b>Revenue Breakdown by Contract Type</b>								
Fixed Price	38.2%	34.9%	35.4%	34.1%	37.9%	39.4%	37.4%	35.1%
Time & Materials	61.8%	65.1%	64.6%	65.9%	62.1%	60.7%	62.6%	64.9%
DSO	76	72	75	80	77	80	82	87

\* includes Infrastructure, Media, Entertainment and Semiconductor businesses from Sep-03 onwards  
 Source: Company Data, Morgan Stanley Research

 <p>MORGAN STANLEY <b>ModelWare</b></p>	<p><b>Morgan Stanley ModelWare is a proprietary analytic framework that helps clients uncover value, adjusting for distortions and ambiguities created by local accounting regulations.</b> For example, ModelWare EPS adjusts for one-time events, capitalizes operating leases (where their use is significant), and converts inventory from LIFO costing to a FIFO basis. ModelWare also emphasizes the separation of operating performance of a company from its financing for a more complete view of how a company generates earnings.</p>
--	--

## Disclosure Section

The information and opinions in this report were prepared or are disseminated by Morgan Stanley Dean Witter Asia Limited (which accepts the responsibility for its contents) and/or Morgan Stanley Dean Witter Asia (Singapore) Pte. (Registration number 199206298Z, regulated by the Monetary Authority of Singapore, which accepts the responsibility for its contents), and/or Morgan Stanley Asia (Singapore) Securities Pte Ltd (Registration number 200008434H, regulated by the Monetary Authority of Singapore, which accepts the responsibility for its contents), and/or Morgan Stanley Taiwan Limited and/or Morgan Stanley & Co International Limited, Seoul Branch, and/or Morgan Stanley Dean Witter Australia Limited (A.B.N. 67 003 734 576, holder of Australian financial services license No. 233742, which accepts responsibility for its contents), and/or JM Morgan Stanley Securities Private Limited and their affiliates (collectively, "Morgan Stanley").

### Analyst Certification

The following analysts hereby certify that their views about the companies and their securities discussed in this report are accurately expressed and that they have not received and will not receive direct or indirect compensation in exchange for expressing specific recommendations or views in this report: Anantha Narayan.

Unless otherwise stated, the individuals listed on the cover page of this report are research analysts.

### Global Research Conflict Management Policy

This research has been published in accordance with our conflict management policy, which is available at [www.morganstanley.com/institutional/research/conflictpolicies](http://www.morganstanley.com/institutional/research/conflictpolicies).

### Important US Regulatory Disclosures on Subject Companies

The following analyst, strategist, or research associate (or a household member) owns securities in a company that he or she covers or recommends in this report: Ashish Jain - Infosys Technologies (common stock); Anantha Narayan - Infosys Technologies (common stock), Tata Consultancy Services (common stock). Morgan Stanley policy prohibits research analysts, strategists and research associates from investing in securities in their sub industry as defined by the Global Industry Classification Standard ("GICS," which was developed by and is the exclusive property of MSCI and S&P). Analysts may nevertheless own such securities to the extent acquired under a prior policy or in a merger, fund distribution or other involuntary acquisition.

As of March 30, 2007, Morgan Stanley beneficially owned 1% or more of a class of common equity securities of the following companies covered in this report: HCL Technologies, Hexaware Technologies Limited, Infosys Technologies, Patni Computer Systems, Satyam Computer Services, Tata Consultancy Services.

As of March 30, 2007, Morgan Stanley held a net long or short position of US\$1 million or more of the debt securities of the following issuers covered in this report (including where guarantor of the securities): i-flex Solutions Ltd..

Within the last 12 months, Morgan Stanley managed or co-managed a public offering of securities of MindTree Consulting Limited.

Within the last 12 months, Morgan Stanley has received compensation for investment banking services from i-flex Solutions Ltd., MindTree Consulting Limited, Patni Computer Systems, Polaris Software Lab Ltd..

In the next 3 months, Morgan Stanley expects to receive or intends to seek compensation for investment banking services from i-flex Solutions Ltd., Tata Consultancy Services, Wipro Ltd..

Within the last 12 months, Morgan Stanley has provided or is providing investment banking services to, or has an investment banking client relationship with, the following companies covered in this report: i-flex Solutions Ltd., MindTree Consulting Limited, Patni Computer Systems, Polaris Software Lab Ltd., Tata Consultancy Services, Wipro Ltd..

The research analysts, strategists, or research associates principally responsible for the preparation of this research report have received compensation based upon various factors, including quality of research, investor client feedback, stock picking, competitive factors, firm revenues and overall investment banking revenues.

Morgan Stanley & Co. Incorporated makes a market in the securities of Infosys Technologies.

Certain disclosures listed above are also for compliance with applicable regulations in non-US jurisdictions.

**STOCK RATINGS**

Different securities firms use a variety of rating terms as well as different rating systems to describe their recommendations. For example, Morgan Stanley uses a relative rating system including terms such as Overweight, Equal-weight or Underweight (see definitions below). A rating system using terms such as buy, hold and sell is not equivalent to our rating system. Investors should carefully read the definitions of all ratings used in each research report. In addition, since the research report contains more complete information concerning the analyst's views, investors should carefully read the entire research report and not infer its contents from the rating alone. In any case, ratings (or research) should not be used or relied upon as investment advice. An investor's decision to buy or sell a stock should depend on individual circumstances (such as the investor's existing holdings) and other considerations.

**Global Stock Ratings Distribution**

(as of March 31, 2007)

For disclosure purposes only (in accordance with NASD and NYSE requirements), we include the category headings of Buy, Hold, and Sell alongside our ratings of Overweight, Equal-weight and Underweight. Morgan Stanley does not assign ratings of Buy, Hold or Sell to the stocks we cover. Overweight, Equal-weight, and Underweight are not the equivalent of buy, hold, and sell but represent recommended relative weightings (see definitions below). To satisfy regulatory requirements, we correspond Overweight, our most positive stock rating, with a buy recommendation; we correspond Equal-weight and Underweight to hold and sell recommendations, respectively.

Stock Rating Category	Coverage Universe		Investment Banking Clients (IBC)		
	Count	% of Total	Count	% of Total	% of Rating Category
<b>Overweight/Buy</b>	<b>843</b>	<b>38%</b>	<b>292</b>	<b>44%</b>	<b>35%</b>
<b>Equal-weight/Hold</b>	<b>991</b>	<b>45%</b>	<b>284</b>	<b>42%</b>	<b>28%</b>
<b>Underweight/Sell</b>	<b>364</b>	<b>17%</b>	<b>95</b>	<b>14%</b>	<b>26%</b>
<b>Total</b>	<b>2,198</b>		<b>671</b>		

Data include common stock and ADRs currently assigned ratings. An investor's decision to buy or sell a stock should depend on individual circumstances (such as the investor's existing holdings) and other considerations. Investment Banking Clients are companies from whom Morgan Stanley or an affiliate received investment banking compensation in the last 12 months.

**Analyst Stock Ratings**

Overweight (O or Over) - The stock's total return is expected to exceed the total return of the relevant country MSCI Index, on a risk-adjusted basis over the next 12-18 months.

Equal-weight (E or Equal) - The stock's total return is expected to be in line with the total return of the relevant country MSCI Index, on a risk-adjusted basis over the next 12-18 months.

Underweight (U or Under) - The stock's total return is expected to be below the total return of the relevant country MSCI Index, on a risk-adjusted basis, over the next 12-18 months.

More volatile (V) - We estimate that this stock has more than a 25% chance of a price move (up or down) of more than 25% in a month, based on a quantitative assessment of historical data, or in the analyst's view, it is likely to become materially more volatile over the next 1-12 months compared with the past three years. Stocks with less than one year of trading history are automatically rated as more volatile (unless otherwise noted). We note that securities that we do not currently consider "more volatile" can still perform in that manner.

Unless otherwise specified, the time frame for price targets included in this report is 12 to 18 months.

**Analyst Industry Views**

Attractive (A): The analyst expects the performance of his or her industry coverage universe over the next 12-18 months to be attractive vs. the relevant broad market benchmark, as indicated below.

In-Line (I): The analyst expects the performance of his or her industry coverage universe over the next 12-18 months to be in line with the relevant broad market benchmark, as indicated below.

Cautious (C): The analyst views the performance of his or her industry coverage universe over the next 12-18 months with caution vs. the relevant broad market benchmark, as indicated below.

Benchmarks for each region are as follows: North America - S&P 500; Latin America - relevant MSCI country index or MSCI Latin America Index; Europe - MSCI Europe; Japan - TOPIX; Asia - relevant MSCI country index.

Stock price charts and rating histories for companies discussed in this report are available at [www.morganstanley.com/companycharts](http://www.morganstanley.com/companycharts) or from your local investment representative. You may also request this information by writing to Morgan Stanley at 1585 Broadway, (Attention: Equity Research Management), New York, NY, 10036 USA.

## Other Important Disclosures

For a discussion, if applicable, of the valuation methods used to determine the price targets included in this summary and the risks related to achieving these targets, please refer to the latest relevant published research on these stocks. Research is available through your sales representative or on Client Link at [www.morganstanley.com](http://www.morganstanley.com) and other electronic systems.

This report does not provide individually tailored investment advice. It has been prepared without regard to the individual financial circumstances and objectives of persons who receive it. The securities discussed in this report may not be suitable for all investors. Morgan Stanley recommends that investors independently evaluate particular investments and strategies, and encourages investors to seek the advice of a financial adviser. The appropriateness of a particular investment or strategy will depend on an investor's individual circumstances and objectives. The securities, instruments, or strategies discussed in this report may not be suitable for all investors, and certain investors may not be eligible to purchase or participate in some or all of them.

This report is not an offer to buy or sell or the solicitation of an offer to buy or sell any security or to participate in any particular trading strategy. The "Important US Regulatory Disclosures on Subject Companies" section lists all companies mentioned in this report where Morgan Stanley owns 1% or more of a class of common securities of the companies. For all other companies mentioned in this report, Morgan Stanley may have an investment of less than 1% in securities or derivatives of securities of companies mentioned in this report, and may trade them in ways different from those discussed in this report. Employees of Morgan Stanley not involved in the preparation of this report may have investments in securities or derivatives of securities of companies mentioned in this report, and may trade them in ways different from those discussed in this report. Derivatives may be issued by Morgan Stanley or associated persons.

Morgan Stanley and its affiliate companies do business that relates to companies covered in its research reports, including market making and specialized trading, risk arbitrage and other proprietary trading, fund management, commercial banking, extension of credit, investment services and investment banking. Morgan Stanley sells to and buys from customers the securities/instruments of companies covered in its research reports on a principal basis.

With the exception of information regarding Morgan Stanley, reports prepared by Morgan Stanley research personnel are based on public information. Morgan Stanley makes every effort to use reliable, comprehensive information, but we make no representation that it is accurate or complete. We have no obligation to tell you when opinions or information in this report change apart from when we intend to discontinue research coverage of a subject company. Facts and views presented in this report have not been reviewed by, and may not reflect information known to, professionals in other Morgan Stanley business areas, including investment banking personnel.

Morgan Stanley research personnel conduct site visits from time to time but are prohibited from accepting payment or reimbursement by the company of travel expenses for such visits.

The value of and income from your investments may vary because of changes in interest rates or foreign exchange rates, securities prices or market indexes, operational or financial conditions of companies or other factors. There may be time limitations on the exercise of options or other rights in your securities transactions. Past performance is not necessarily a guide to future performance. Estimates of future performance are based on assumptions that may not be realized. Unless otherwise stated, the cover page provides the closing price on the primary exchange for the subject company's securities.

To our readers in Taiwan: Information on securities that trade in Taiwan is distributed by Morgan Stanley Taiwan Limited ("MSTL"). Such information is for your reference only. The reader should independently evaluate the investment risks and is solely responsible for their investment decisions. This publication may not be distributed to the public media or quoted or used by the public media without the express written consent of Morgan Stanley. 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. MSTL may not execute transactions for clients in these securities.

To our readers in Hong Kong: Information is distributed in Hong Kong by and on behalf of, and is attributable to, Morgan Stanley Dean Witter Asia Limited as part of its regulated activities in Hong Kong. If you have any queries concerning this publication, please contact our Hong Kong sales representatives.

Certain information in this report was sourced by employees of the Shanghai Representative Office of Morgan Stanley Dean Witter Asia Limited for the use of Morgan Stanley Dean Witter Asia Limited.

This publication is disseminated in Japan by Morgan Stanley Japan Securities Co., Ltd.; in Hong Kong by Morgan Stanley Dean Witter Asia Limited (which accepts responsibility for its contents); in Singapore by Morgan Stanley Dean Witter Asia (Singapore) Pte. (Registration number 199206298Z) and/or Morgan Stanley Asia (Singapore) Securities Pte Ltd (Registration number 200008434H), regulated by the Monetary Authority of Singapore, which accepts responsibility for its contents; in Australia by Morgan Stanley Dean Witter Australia Limited A.B.N. 67 003 734 576, holder of Australian financial services licence No. 233742, which accepts responsibility for its contents; in Korea by Morgan Stanley & Co International Limited, Seoul Branch; in India by JM Morgan Stanley Securities Private Limited; in Canada by Morgan Stanley Canada Limited, which has approved of, and has agreed to take responsibility for, the contents of this publication in Canada; in Germany by Morgan Stanley Bank AG, Frankfurt am Main, regulated by Bundesanstalt fuer Finanzdienstleistungsaufsicht (BaFin); in Spain by Morgan Stanley, S.V., S.A., a Morgan Stanley group company, which is supervised by the Spanish Securities Markets Commission (CNMV) and states that this document has been written and distributed in accordance with the rules of conduct applicable to financial research as established under Spanish regulations; in the United States by Morgan Stanley & Co. Incorporated, which accepts responsibility for its contents. Morgan Stanley & Co. International plc, authorized and regulated by Financial Services Authority, disseminates in the UK research that it has prepared, and approves solely for the purposes of section 21 of the Financial Services and Markets Act 2000, research which has been prepared by any of its affiliates. Private U.K. investors should obtain the advice of their Morgan Stanley & Co. International plc representative about the investments concerned. In Australia, this report, and any access to it, is intended only for "wholesale clients" within the meaning of the Australian Corporations Act.

The trademarks and service marks contained herein are the property of their respective owners. Third-party data providers make no warranties or representations of any kind relating to the accuracy, completeness, or timeliness of the data they provide and shall not have liability for any damages of any kind relating to such data. The Global Industry Classification Standard ("GICS") was developed by and is the exclusive property of MSCI and S&P.

Morgan Stanley has based its projections, opinions, forecasts and trading strategies regarding the MSCI Country Index Series solely on publicly available information. MSCI has not reviewed, approved or endorsed the projections, opinions, forecasts and trading strategies contained herein. Morgan Stanley has no influence on or control over MSCI's index compilation decisions.

This report or any portion hereof may not be reprinted, sold or redistributed without the written consent of Morgan Stanley.

Morgan Stanley research is disseminated and available primarily electronically, and, in some cases, in printed form.

**Additional information on recommended securities is available on request.**





**The Americas**

1585 Broadway  
 New York, NY 10036-8293  
**United States**  
 Tel: +1 (1) 212 761 4000

**Europe**

25 Cabot Square, Canary Wharf  
 London E14 4QA  
**United Kingdom**  
 Tel: +44 (0) 20 7 425 8000

**Japan**

4-20-3 Ebisu, Shibuya-ku  
 Tokyo 150-6008  
**Japan**  
 Tel: +81 (0) 3 5424 5000

**Asia/Pacific**

Three Exchange Square  
 Central  
**Hong Kong**  
 Tel: +852 2848 5200

**Industry Coverage: India Software**

<b>Company (Ticker)</b>	<b>Rating (as of)</b>	<b>Price (04/19/2007)</b>
<b>Anantha Narayan</b>		
HCL Technologies (HCLT.BO)	E (01/30/2004)	Rs322.45
Hexaware Technologies Limited (HEXT.BO)	O (06/22/2006)	Rs172.4
Infosys Technologies (INFY.BO)	O (04/17/2006)	Rs2,039.65
MindTree Consulting Limited (MINT.BO)	U-V (04/10/2007)	Rs807.4
MphasiS BFL Group (MBFL.BO)	E (03/15/2004)	Rs304.2
Patni Computer Systems (PTNI.BO)	O (08/08/2005)	Rs430.3
Polaris Software Lab Ltd. (POLS.BO)	E (02/20/2007)	Rs194.6
Satyam Computer Services (SATY.BO)	O (03/18/2002)	Rs447.85
Tata Consultancy Services (TCS.BO)	O (09/29/2004)	Rs1,243
Wipro Ltd. (WIPR.BO)	E (03/22/2002)	Rs578.9
i-flex Solutions Ltd. (IFLX.BO)	E (10/31/2005)	Rs2,435.15

Stock Ratings are subject to change. Please see latest research for each company.