



## INDIA

TCS IN Outperform  
Price 15 Jan 10 Rs791.80

<b>12-month target</b>	<b>Rs</b>	<b>830.00</b>
<b>Upside/Downside</b>	<b>%</b>	<b>4.8</b>
<b>Valuation</b>	<b>Rs</b>	<b>830.00</b>
- DCF		
<b>GICS sector</b>	<b>Software &amp; Services</b>	
<b>Market cap</b>	<b>Rsbn</b>	<b>1,550</b>
<b>30-day avg turnover</b>	<b>US\$m</b>	<b>37.6</b>
<b>Market cap</b>	<b>US\$m</b>	<b>33,970</b>
<b>Number shares on issue</b>	<b>m</b>	<b>1,957</b>

### Investment fundamentals

Year end 31 Mar		2009A	2010E	2011E	2012E
Total revenue	bn	278.1	298.5	346.6	414.2
EBITDA	bn	71.8	82.6	92.9	109.8
EBITDA growth	%	26.0	15.1	12.5	18.2
EBIT	bn	66.0	75.1	83.6	98.9
EBIT growth	%	28.9	13.8	11.2	18.3
Adjusted profit	bn	51.7	62.5	71.0	80.4
EPS adj	Rs	26.42	31.93	36.25	41.09
EPS adj growth	%	3.0	20.8	13.5	13.3
PER adj	x	30.0	24.8	21.8	19.3
ROA	%	32.8	29.6	26.7	26.0
ROE	%	36.9	34.6	30.8	28.2
EV/EBITDA	x	21.5	18.7	16.6	14.0
Net debt/equity	%	-5.0	-12.4	-24.3	-34.2
P/BV	x	9.9	7.6	6.0	4.9

### CS IN rel BSE Sensex performance, & rec history



Note: Recommendation timeline - if not a continuous line, then there was no Macquarie coverage at the time or there was an embargo period.

Source: FactSet, Macquarie Research, January 2010

(all figures in INR unless noted)

Nitin Mohta

91 22 6653 3050

nitin.mohta@macquarie.com

Atul Soni

91 22 6653 3153

atul.soni@macquarie.com

18 January 2010

# Tata Consultancy Services

## Stellar 3Q; remains top sector pick

### Event

- TCS delivered strong 3Q results that exceeded our and street expectations on all financial parameters. EPS of Rs9.2 (up 10.7% QoQ and 32.9% YoY) was 15% higher than our and consensus expectation of Rs8. We maintain our positive view on the sector and are comfortable with our above consensus US\$ top-line growth of 27% for the sector leaders in FY11E. Maintain TCS as our top pick in the sector.

### Impact

- Management comments point to broad-based recovery.** Our positive thesis on the sector is based on demand recovery playing out for the Indian IT vendors in CY 2010. Sequential improvement across major verticals and management expectations of having turned the corner in Manufacturing, Telecom and Hi-Tech verticals strengthen our argument of revenue resurgence in FY11E. (Please see Figure 3 and Figure 4.)
- TCS expects aggressive FY11E hiring, lateral hiring picks up in 3Q.** Similar to the trend we have seen at Infosys, TCS management indicated their intent to hire aggressively in FY11E to meet the pick-up in demand. The company added 8,239 trainees in 3Q, ahead of its guidance of 8K given in 2Q. Importantly, lateral hiring picked up significantly in the quarter (3K in 3Q vs. 2K in 2Q). TCS expects to add another 3K lateral employees in 4Q FY10. Aggressive plans for a FY11E employee addition and significant uptick in lateral hiring signals a robust revenue growth outlook for the sector.
- Good 3Q results.** TCS delivered stellar results with US\$ revenue growth of 6.3% QoQ (vs. Infosys at 6.7%), INR revenue growth of 2.9% (vs. 2.8% for Infosys) and QoQ EBITDA margin expansion of 100bp (vs. 90bp for Infosys).
- Strong volume growth helps offset exchange headwinds.** TCS delivered 6.6% QoQ volume growth in the quarter (vs. 6.1% for Infosys). This helped the company to deliver 2.9% QoQ INR revenue growth despite a 1% negative impact on revenues due to INR appreciation. Pricing for the quarter remained flat (vs. +0.2% QoQ pricing improvement for Infosys).
- Improved productivity (+220bp), offshore leverage (+17bp), SG&A gains (+36bp), and currency (-167bp) resulted in a ~100bp margin expansion in 3Q.

### Earnings and target price revision

- No change.

### Price catalyst

- 12-month price target: Rs830.00 based on a DCF methodology.
- Catalyst: Finalisation of client IT budgets in February 2010.

### Action and recommendation

- TCS is our top pick, margin surprise poses upside risks to our estimates.** Favourable FX movement (current INR/US\$ expectation of 42 by Mar'11), would imply upside to our margin forecasts for Indian IT vendors.

## 3Q FY3/10 results review and analysis – Actuals vs expectations

Fig 1 3Q FY3/10 results – P&amp;L: YoY growth, QoQ growth and deviation from our expectations

(Amount in Rsm)	Dec-08 3Q FY09	Mar-09 4Q FY09	Jun-09 1Q FY10	Sep-09 2Q FY10	Dec-09 3Q FY10	(% Chg YoY)	(% Chg QoQ)	Dec-09E	Deviation (%)
<b>Revenues</b>									
Information technology and consultancy services	70,628	69,538	69,424	72,175	74,285	5.2%	2.9%	73,009	1.7%
Sale of equipment and software licenses	2,143	2,180	2,646	2,176	2,218	3.5%	1.9%	2,201	0.8%
<b>Total revenues</b>	<b>72,770</b>	<b>71,718</b>	<b>72,070</b>	<b>74,351</b>	<b>76,503</b>	<b>5.1%</b>	<b>2.9%</b>	<b>75,210</b>	<b>1.7%</b>
<b>Cost of revenues</b>									
Cost of information technology and consultancy services	38,371	37,394	36,628	38,419	39,137	2.0%	1.9%	39,060	0.2%
Cost of equipment and software licenses	1,933	1,822	2,610	1,892	1,822	-5.8%	-3.7%	1,981	-8.0%
<b>Total cost of revenues</b>	<b>40,304</b>	<b>39,216</b>	<b>39,238</b>	<b>40,311</b>	<b>40,959</b>	<b>1.6%</b>	<b>1.6%</b>	<b>41,041</b>	<b>-0.2%</b>
<b>Gross profit</b>	<b>32,466</b>	<b>32,501</b>	<b>32,832</b>	<b>34,040</b>	<b>35,544</b>	<b>9.5%</b>	<b>4.4%</b>	<b>34,169</b>	<b>4.0%</b>
<b>Gross profit margin (%)</b>	<b>44.6%</b>	<b>45.3%</b>	<b>45.6%</b>	<b>45.8%</b>	<b>46.5%</b>			<b>45.4%</b>	<b>2.3%</b>
<b>Operating expenses</b>									
SG&A expenses	14,339	15,402	14,830	14,408	14,568	1.6%	1.1%	15,042	-3.2%
R&D	106	99	109	101	89	-16.7%	-12.5%	110	-19.4%
<b>Total operating expenses</b>	<b>14,446</b>	<b>15,501</b>	<b>14,940</b>	<b>14,509</b>	<b>14,657</b>	<b>1.5%</b>	<b>1.0%</b>	<b>15,152</b>	<b>-3.3%</b>
<b>EBITDA</b>	<b>19,474</b>	<b>18,796</b>	<b>19,620</b>	<b>21,342</b>	<b>22,717</b>	<b>16.7%</b>	<b>6.4%</b>	<b>20,851</b>	<b>8.9%</b>
Depreciation included above in operating expense	1,454	1,796	1,727	1,811	1,829	25.8%	1.0%	1,834	-0.3%
<b>Operating income</b>	<b>18,020</b>	<b>17,000</b>	<b>17,893</b>	<b>19,531</b>	<b>20,888</b>	<b>15.9%</b>	<b>6.9%</b>	<b>19,017</b>	<b>9.8%</b>
<b>Operating margin (%)</b>	<b>24.8%</b>	<b>23.7%</b>	<b>24.8%</b>	<b>26.3%</b>	<b>27.3%</b>			<b>25.3%</b>	<b>8.0%</b>
<b>Other income/(expense)</b>									
Interest income	284	352	388	402	484	70.7%	20.3%	318	52.4%
Interest expense	(146)	(169)	(84)	(84)	(84)	-42.6%	-0.2%	(85)	-1.6%
Other non operating income, net	(1,985)	(1,569)	(110)	(463)	169	nmf	nmf	(164)	nmf
<b>Other income, net</b>	<b>(1,847)</b>	<b>(1,386)</b>	<b>194</b>	<b>(144)</b>	<b>570</b>	<b>nmf</b>	<b>nmf</b>	<b>68</b>	<b>nmf</b>
<b>Income before income taxes and minority interests</b>	<b>16,173</b>	<b>15,614</b>	<b>18,087</b>	<b>19,387</b>	<b>21,457</b>	<b>32.7%</b>	<b>10.7%</b>	<b>19,085</b>	<b>12.4%</b>
Income tax expense	2,481	2,293	2,655	2,909	3,241	30.7%	11.4%	3,245	-0.1%
<b>Income before minority interests</b>									
Minority interests	(167)	(189)	(226)	(240)	(242)	44.9%	1.0%	(263)	-8.2%
Equity in net earnings of affiliates	(1)	(1)	(2)	-	-	nmf	nmf	(2)	nmf
<b>Net income</b>	<b>13,525</b>	<b>13,132</b>	<b>15,203</b>	<b>16,239</b>	<b>17,975</b>	<b>32.9%</b>	<b>10.7%</b>	<b>15,575</b>	<b>15.4%</b>
<b>Basic and Diluted EPS</b>	<b>6.91</b>	<b>6.71</b>	<b>7.77</b>	<b>8.30</b>	<b>9.18</b>	<b>32.9%</b>	<b>10.7%</b>	<b>7.96</b>	<b>15.4%</b>
Weighted average no. of shares	1,957	1,957	1,957	1,957	1,957			1,957	

Source: Company data, Macquarie Research, January 2010

Fig 2 3Q FY3/10 results – Operating Metrics: YoY growth, QoQ growth

	Dec-08	Mar-09	Jun-09	Sep-09	Dec-09	(% Chg YoY)	(% Chg QoQ)
<b>Operating Metrics</b>							
<b>Employee Metrics</b>							
Total employees (including subs.)	130,343	143,761	141,642	141,962	149,654	14.8%	5.4%
Gross addition (excluding subs.)	11,755	3,522	1,154	3,836	11,377	-3.2%	196.6%
Net addition (excluding subs.)	8,717	521	(2,746)	(312)	7,417	na	na
Trainees added	8,704	2,227	316	1,820	8,239	-5.3%	352.7%
Experienced Professionals added	1,696	522	384	1,189	2,249	32.6%	89.2%
Overseas subsidiaries and Branches added	1,373	773	454	827	889	-35.3%	7.5%
<b>Utilization Rate</b>							
- Including trainees	71.8%	69.4%	71.3%	73.6%	77.2%	7.5%	4.9%
- Excluding trainees	79.9%	79.7%	79.2%	79.5%	81.1%	1.5%	2.0%
<b>Client Concentration</b>							
Top client	5.1%	4.7%	5.7%	6.8%	8.1%	58.8%	19.1%
Top 5 clients	17.3%	18.6%	19.4%	20.5%	21.5%	24.3%	4.9%
Top 10 clients	26.3%	26.9%	28.0%	28.9%	29.9%	13.7%	3.5%
US\$1m - US\$5m	395	405	423	409	419	6.1%	2.4%
US\$5m - US\$10m	166	172	178	171	178	7.2%	4.1%
US\$10m - US\$20m	112	111	113	111	112	0.0%	0.9%
US\$20m - US\$50m	59	62	59	62	61	3.4%	-1.6%
US\$50m - US\$100m	23	24	23	23	23	0.0%	0.0%
US\$100m+	7	7	6	6	6	-14.3%	0.0%
Active clients	965	985	933	896	917	-5.0%	2.3%
Clients added during the quarter	41	36	26	30	32	-22.0%	6.7%

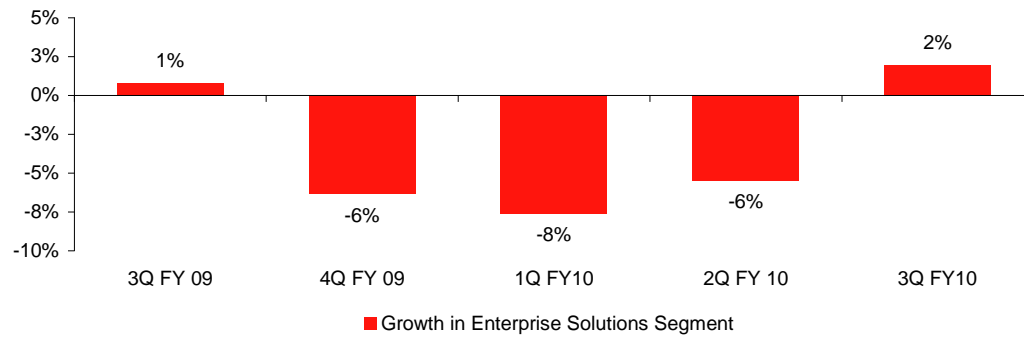
Source: Company data, Macquarie Research, January 2010

Fig 3 QoQ Growth Rate for TCS Industry Verticals from 4QFY09 to 3QFY10

	4Q FY 09	1Q FY10	2Q FY 10	3Q FY10
BFSI	1%	3%	6%	3%
Telecom	-6%	-3%	-2%	4%
Manufacturing	-9%	-6%	-2%	-2%
Retail & distribution	6%	2%	1%	3%
Hi Tech	-19%	-10%	1%	7%
Life sciences & healthcare	8%	0%	9%	1%
Transportation & Logistics	1%	-2%	-2%	0%
Energy & utilities	2%	0%	7%	25%
Media & Entertainment	3%	5%	3%	-2%
Others	7%	17%	7%	-4%

Source: Company data, Macquarie Research, January 2010

**Fig 4 Corporate Discretionary Spending on the rise in 3QFY10 after 3 quarters of decline**



Source: Company data, Macquarie Research, January 2010

Stocks mentioned in the report

- (INFO IN, Rs2,676, N, TP: Rs2,575, potential downside 4%)

Fig 5 Valuation comp sheet

Company name	Bloomberg Ticker	Reco	Market Cap (US\$ m)	Current Price (lcy)	Target Price (lcy)	Up/Down side(%)	EPS FY10	EPS FY11	PER (x) FY10	PER (x) FY11	RoE (FY10)	EPS CAGR (FY10-12E)	PEG
<b>Large Cap - Indian IT Services</b>													
Infosys	INFO IN	N	33,530	2676	2575	-3.8%	107.2	114.3	25.0	23.4	30.2	11.2%	2.10
TCS	TCS IN	OP	33,842	791	830	4.9%	31.9	36.3	24.8	21.8	33.9	14.6%	1.50
Wipro	WPRO IN	OP	23,596	736	780	6.0%	30.3	33.9	24.3	21.7	26.3	8.0%	2.72
HCL Tech	HCLT IN	NR	5,436	369	NR	NR	18.9	24.8	19.6	14.9	28.9	24.9%	0.60
Mahindra Satyam	SCS IN	NR	2,995	117	NR	NR	10.6	4.8	11.0	24.1	26.0	-7.6%	3.15
Tech Mahindra	TECHM IN	NR	3,037	1137	NR	NR	52.8	62.8	21.5	18.1	63.4	24.3%	0.75
<b>International IT Services</b>													
Accenture	ACN US	NR	31,376	43	NR	NR	2.7	3.0	16.0	14.3	58.6	10.7%	1.33
Amdocs	DOX US	NR	5,832	28	NR	NR	2.2	2.4	13.1	12.1	10.8	5.1%	2.35
Cap Gemini	CAP FP	NR	5,217	34	NR	NR	2.0	2.2	17.4	15.4	11.6	15.8%	0.98
Cognizant	CTSH US	NR	14,078	48	NR	NR	1.9	2.1	25.8	22.4	25.1	12.3%	1.82
Convergys	CVG US	NR	1,433	12	NR	NR	1.1	1.2	10.4	9.9	-7.0	7.6%	1.29
CSC	CSC US	NR	8,523	56	NR	NR	5.0	5.2	11.2	10.8	20.3	5.2%	2.08
Logica PLC	LOG LN	NR	1,986	124	NR	NR	0.1	0.1	1216.7	1098.2	2.1	11.1%	98.55
Paxys	PAX PM	NR	3,388	3	NR	NR	na	na	na	na	na	na	na
IBM GS	IBM US	NR	172,699	131	NR	NR	9.9	10.9	13.3	12.1	58.8	9.4%	1.29
<b>Other IT Services</b>													
Aptech	APTR IN	NR	203	199	NR	NR	na	na	na	na	21.7	na	na
Educomp	EDSL IN	NR	1,519	733	NR	NR	26.8	36.5	27.3	20.1	37.9	34.1%	0.59
Everonn	ESIL IN	NR	139	421	NR	NR	25.0	34.3	16.9	12.3	14.3	42.6%	0.29
Oracle Financial Services	OFSS IN	NR	4,511	2463	NR	NR	97.7	115.9	25.2	21.3	23.4	11.7%	1.81
Mindtree	MTCL IN	NR	604	699	NR	NR	48.1	52.5	14.5	13.3	9.6	11.0%	1.21
NIIT	NIIT IN	NR	276	77	NR	NR	na	na	na	na	na	na	na
NIIT Tech	NITEC IN	NR	240	187	NR	NR	21.1	21.9	8.8	8.5	27.7	10.9%	0.78
Patni	PATNI IN	NR	1,466	519	NR	NR	36.3	39.1	14.3	13.3	15.7	5.4%	2.47
Polaris	POL IN	NR	417	193	NR	NR	14.8	19.3	13.1	10.0	18.3	26.6%	0.38
Rolta	RLTA IN	NR	714	203	NR	NR	na	na	na	na	na	na	na
<b>BPO</b>													
EXL Service	EXLS US	NR	519	18	NR	NR	0.5	0.7	39.4	27.1	8.3	-26.6%	1.02
Firstsource	FSOL IN	NR	345	37	NR	NR	1.7	2.7	21.3	13.5	2.9	na	na
Genpact	G US	NR	3,268	15	NR	NR	0.7	0.8	21.0	18.8	12.0	-39.2%	0.48
WNS	WNS US	NR	639	15	NR	NR	1.0	1.3	15.8	11.2	3.9	-12.1%	0.93

Note: Share price data as of 15 Jan 2010. Data for Not rated companies are based on Bloomberg consensus estimates.

Source: Bloomberg, Macquarie Research, January 2010

## Tata Consultancy Services (TCS IN, Outperform, Target Price: Rs830.00)

Quarterly Results					Profit & Loss						
	2Q/10A	3Q/10E	4Q/10E	1Q/11E		2009A	2010E	2011E	2012E		
<b>Revenue</b>	m	74,351	75,210	76,886	79,102	<b>Revenue</b>	m	278,129	298,516	346,624	414,222
<b>Gross Profit</b>	m	34,040	34,169	34,558	35,553	<b>Gross Profit</b>	m	123,709	135,598	155,795	186,085
Cost of Goods Sold	m	40,311	41,041	42,329	43,548	Cost of Goods Sold	m	154,420	162,918	190,829	228,136
<b>EBITDA</b>	m	21,342	20,851	20,786	21,312	<b>EBITDA</b>	m	71,781	82,599	92,906	109,782
Depreciation	m	1,811	1,834	2,097	2,099	Depreciation	m	5,766	7,469	9,345	10,921
Amortisation of Goodwill	m	0	0	0	0	Amortisation of Goodwill	m	0	0	0	0
Other Amortisation	m	0	0	0	0	Other Amortisation	m	0	0	0	0
<b>EBIT</b>	m	19,531	19,017	18,690	19,213	<b>EBIT</b>	m	66,015	75,130	83,561	98,861
Net Interest Income	m	319	233	434	569	Net Interest Income	m	506	1,290	3,572	6,591
Associates	m	0	-2	-2	-2	Associates	m	-7	-6	-8	-8
Exceptionals	m	0	0	0	0	Exceptionals	m	0	0	0	0
Forex Gains / Losses	m	0	0	0	0	Forex Gains / Losses	m	0	0	0	0
Other Pre-Tax Income	m	-463	-164	-132	-18	Other Pre-Tax Income	m	-5,190	-869	148	433
<b>Pre-Tax Profit</b>	m	19,387	19,083	18,990	19,798	<b>Pre-Tax Profit</b>	m	61,324	75,545	87,272	105,876
Tax Expense	m	-2,909	-3,245	-3,229	-3,366	Tax Expense	m	-9,011	-12,037	-14,838	-23,294
<b>Net Profit</b>	m	16,478	15,839	15,762	16,432	<b>Net Profit</b>	m	52,312	63,508	72,435	82,581
Minority Interests	m	-240	-263	-290	-319	Minority Interests	m	-604	-1,018	-1,479	-2,166
<b>Reported Earnings</b>	m	16,239	15,575	15,472	16,113	<b>Reported Earnings</b>	m	51,709	62,489	70,955	80,415
<b>Adjusted Earnings</b>	m	16,239	15,575	15,472	16,113	<b>Adjusted Earnings</b>	m	51,709	62,489	70,955	80,415
EPS (rep)		8.30	7.96	7.90	8.23	EPS (rep)		26.42	31.93	36.25	41.09
EPS (adj)		8.30	7.96	7.90	8.23	EPS (adj)		26.42	31.93	36.25	41.09
EPS Growth yoy (adj)	%	28.7	15.2	17.8	6.0	EPS Growth (adj)	%	3.0	20.8	13.5	13.3
						PE (rep)	x	10.1	24.8	21.8	19.3
						PE (adj)	x	10.1	24.8	21.8	19.3
EBITDA Margin	%	28.7	27.7	27.0	26.9	Total DPS		7.00	8.00	9.00	10.00
EBIT Margin	%	26.3	25.3	24.3	24.3	Total Div Yield	%	2.6	1.0	1.1	1.3
Earnings Split	%	26.0	24.9	24.8	22.7	Weighted Average Shares	m	1,957	1,957	1,957	1,957
Revenue Growth	%	6.9	3.4	7.2	9.8	Period End Shares	m	1,957	1,957	1,957	1,957
EBIT Growth	%	15.9	5.5	9.9	7.4						
<b>Profit and Loss Ratios</b>					<b>Cashflow Analysis</b>						
		2009A	2010E	2011E	2012E		2009A	2010E	2011E	2012E	
Revenue Growth	%	23.0	7.3	16.1	19.5	<b>EBITDA</b>	m	71,781	82,599	92,906	109,782
EBITDA Growth	%	26.0	15.1	12.5	18.2	Tax Paid	m	0	0	0	0
EBIT Growth	%	28.9	13.8	11.2	18.3	Chgs in Working Cap	m	-20,366	20,412	38,117	28,820
Gross Profit Margin	%	44.5	45.4	44.9	44.9	Net Interest Paid	m	0	0	0	0
EBITDA Margin	%	25.8	27.7	26.8	26.5	Other	m	0	-35,197	-57,320	-53,964
EBIT Margin	%	23.7	25.2	24.1	23.9	<b>Operating Cashflow</b>	m	51,415	67,814	73,702	84,638
Net Profit Margin	%	18.8	21.3	20.9	19.9	Acquisitions	m	-1,568	-48,943	303	0
Payout Ratio	%	26.5	25.1	24.8	24.3	Capex	m	-11,139	-13,457	-15,677	-14,256
EV/EBITDA	x	7.1	18.7	16.6	14.0	Asset Sales	m	420,697	532,764	208,927	0
EV/EBIT	x	7.8	20.5	18.4	15.6	Other	m	-444,975	-503,231	-209,230	-0
<b>Balance Sheet Ratios</b>						<b>Investing Cashflow</b>	m	-36,985	-32,867	-15,677	-14,256
ROE	%	36.9	34.6	30.8	28.2	Dividend (Ordinary)	m	-21,823	-32,153	-19,590	-13,734
ROA	%	32.8	29.6	26.7	26.0	Equity Raised	m	39	54	0	0
ROIC	%	46.2	41.6	38.1	39.2	Debt Movements	m	-378	9	62	0
Net Debt/Equity	%	-5.0	-12.4	-24.3	-34.2	Other	m	5,699	13,309	-1,278	-11,320
Interest Cover	x	nmf	nmf	nmf	nmf	<b>Financing Cashflow</b>	m	-16,463	-18,782	-20,806	-25,054
Price/Book	x	3.3	7.6	6.0	4.9	<b>Net Chg in Cash/Debt</b>	m	3,088	16,316	37,220	45,328
Book Value per Share		80.0	104.6	130.9	160.3	<b>Free Cashflow</b>	m	40,276	54,358	58,026	70,382
						<b>Balance Sheet</b>		2009A	2010E	2011E	2012E
						Cash	m	14,839	32,687	69,907	115,235
						Receivables	m	60,429	62,533	78,443	88,820
						Inventories	m	366	295	475	539
						Investments	m	17,257	29,258	29,258	29,258
						Fixed Assets	m	37,490	43,397	49,729	53,064
						Intangibles	m	25,906	26,238	26,238	26,238
						Other Assets	m	71,403	85,507	92,517	100,923
						<b>Total Assets</b>	m	227,691	279,916	346,568	414,078
						Payables	m	47,440	52,099	63,785	72,272
						Short Term Debt	m	5,158	4,828	4,890	4,890
						Long Term Debt	m	1,762	1,949	1,949	1,949
						Provisions	m	0	0	0	0
						Other Liabilities	m	13,654	12,864	16,194	17,681
						<b>Total Liabilities</b>	m	68,013	71,740	86,818	96,792
						Shareholders' Funds	m	156,545	204,655	256,230	313,766
						Minority Interests	m	3,133	3,521	3,521	3,521
						Other	m	0	0	0	0
						<b>Total S/H Equity</b>	m	159,678	208,176	259,751	317,287
						<b>Total Liab &amp; S/H Funds</b>	m	227,691	279,916	346,568	414,078

All figures in INR unless noted.

Source: Company data, Macquarie Research, January 2010

## Important disclosures:

**Recommendation definitions****Macquarie - Australia/New Zealand**

Outperform – return >5% in excess of benchmark return  
 Neutral – return within 5% of benchmark return  
 Underperform – return >5% below benchmark return

**Macquarie – Asia/Europe**

Outperform – expected return >+10%  
 Neutral – expected return from -10% to +10%  
 Underperform – expected return <-10%

**Macquarie First South - South Africa**

Outperform – expected return >+10%  
 Neutral – expected return from -10% to +10%  
 Underperform – expected return <-10%

**Macquarie - Canada**

Outperform – return >5% in excess of benchmark return  
 Neutral – return within 5% of benchmark return  
 Underperform – return >5% below benchmark return

**Macquarie - USA**

Outperform (Buy) – return >5% in excess of Russell 3000 index return  
 Neutral (Hold) – return within 5% of Russell 3000 index return  
 Underperform (Sell) – return >5% below Russell 3000 index return

**Recommendations** – 12 months

**Note:** Quant recommendations may differ from Fundamental Analyst recommendations

**Volatility index definition\***

This is calculated from the volatility of historical price movements.

**Very high-highest risk** – Stock should be expected to move up or down 60–100% in a year – investors should be aware this stock is highly speculative.

**High** – stock should be expected to move up or down at least 40–60% in a year – investors should be aware this stock could be speculative.

**Medium** – stock should be expected to move up or down at least 30–40% in a year.

**Low-medium** – stock should be expected to move up or down at least 25–30% in a year.

**Low** – stock should be expected to move up or down at least 15–25% in a year.

\* Applicable to Australian/NZ/Canada stocks only

**Financial definitions**

All "Adjusted" data items have had the following adjustments made:

Added back: goodwill amortisation, provision for catastrophe reserves, IFRS derivatives & hedging, IFRS impairments & IFRS interest expense  
 Excluded: non recurring items, asset revals, property revals, appraisal value uplift, preference dividends & minority interests

**EPS** = adjusted net profit / epowa\*

**ROA** = adjusted ebit / average total assets

**ROA Banks/Insurance** = adjusted net profit / average total assets

**ROE** = adjusted net profit / average shareholders funds

**Gross cashflow** = adjusted net profit + depreciation

\*equivalent fully paid ordinary weighted average number of shares

All Reported numbers for Australian/NZ listed stocks are modelled under IFRS (International Financial Reporting Standards).

**Recommendation proportions – For quarter ending 31 December 2009**

	AU/NZ	Asia	RSA	USA	CA	EUR	
Outperform	47.94%	60.52%	37.50%	43.42%	65.26%	41.60%	(for US coverage by MCUSA, 3.76% of stocks covered are investment banking clients)
Neutral	35.58%	18.70%	53.13%	49.06%	29.11%	36.80%	(for US coverage by MCUSA, 4.51% of stocks covered are investment banking clients)
Underperform	16.48%	20.79%	9.38%	7.52%	5.63%	21.60%	(for US coverage by MCUSA, 0.00% of stocks covered are investment banking clients)

**Company Specific Disclosures:**

The analyst and/or associated parties own or have other interests in securities issued by Tata Consultancy Services Ltd.

Important disclosure information regarding the subject companies covered in this report is available at [www.macquarie.com/research/disclosures](http://www.macquarie.com/research/disclosures).

**Analyst Certification:**

The views expressed in this research accurately reflect the personal views of the analyst(s) about the subject securities or issuers and no part of the compensation of the analyst(s) was, is, or will be directly or indirectly related to the inclusion of specific recommendations or views in this research. The analyst principally responsible for the preparation of this research receives compensation based on overall revenues of Macquarie Group Ltd ABN 94 122 169 279 (AFSL No. 318062) (MGL) and its related entities (the Macquarie Group) and has taken reasonable care to achieve and maintain independence and objectivity in making any recommendations.

**General Disclaimers:**

Macquarie Securities (Australia) Ltd; Macquarie Capital (Europe) Ltd; Macquarie Capital Markets Canada Ltd; Macquarie Capital Markets North America Ltd; Macquarie Capital (USA) Inc; Macquarie Capital Securities Ltd; Macquarie Capital Securities (Singapore) Pte Ltd; Macquarie Securities (NZ) Ltd; and Macquarie First South Securities (Pty) Limited are not authorized deposit-taking institutions for the purposes of the Banking Act 1959

(Commonwealth of Australia), and their obligations do not represent deposits or other liabilities of Macquarie Bank Limited ABN 46 008 583 542 (MBL) or MGL. MBL does not guarantee or otherwise provide assurance in respect of the obligations of any of the above mentioned entities. MGL provides a guarantee to the Monetary Authority of Singapore in respect of the obligations and liabilities of Macquarie Capital Securities (Singapore) Pte Ltd for up to SGD 35 million. This research has been prepared for the general use of the wholesale clients of the Macquarie Group and must not be copied, either in whole or in part, or distributed to any other person. If you are not the intended recipient you must not use or disclose the information in this research in any way. If you received it in error, please tell us immediately by return e-mail and delete the document. We do not guarantee the integrity of any e-mails or attached files and are not responsible for any changes made to them by any other person. MGL has established and implemented a conflicts policy at group level (which may be revised and updated from time to time) (the "Conflicts Policy") pursuant to regulatory requirements (including the FSA Rules) which sets out how we must seek to identify and manage all material conflicts of interest. Nothing in this research shall be construed as a solicitation to buy or sell any security or product, or to engage in or refrain from engaging in any transaction. In preparing this research, we did not take into account your investment objectives, financial situation or particular needs. Before making an investment decision on the basis of this research, you need to consider, with or without the assistance of an adviser, whether the advice is appropriate in light of your particular investment needs, objectives and financial circumstances. There are risks involved in securities trading. The price of securities can and does fluctuate, and an individual security may even become valueless. International investors are reminded of the additional risks inherent in international investments, such as currency fluctuations and international stock market or economic conditions, which may adversely affect the value of the investment. This research is based on information obtained from sources believed to be reliable but we do not make any representation or warranty that it is accurate, complete or up to date. We accept no obligation to correct or update the information or opinions in it. Opinions expressed are subject to change without notice. No member of the Macquarie Group accepts any liability whatsoever for any direct, indirect, consequential or other loss arising from any use of this research and/or further communication in relation to this research. Clients should contact analysts at, and execute transactions through, a Macquarie Group entity in their home jurisdiction unless governing law permits otherwise.

**Country-Specific Disclaimers:**

**Australia:** In Australia, research is issued and distributed by Macquarie Securities (Australia) Ltd (AFSL No. 238947), a participating organisation of the Australian Securities Exchange. **New Zealand:** In New Zealand, research is issued and distributed by Macquarie Securities (NZ) Ltd, a NZX Firm.

**Canada:** In Canada, research is prepared, approved and distributed by Macquarie Capital Markets Canada Ltd, a participating organisation of the Toronto Stock Exchange, TSX Venture Exchange & Montréal Exchange. Macquarie Capital Markets North America Ltd., which is a registered broker-dealer and member of FINRA, accepts responsibility for the contents of reports issued by Macquarie Capital Markets Canada Ltd in the United States and sent to US persons. Any person wishing to effect transactions in the securities described in the reports issued by Macquarie Capital Markets Canada Ltd should do so with Macquarie Capital Markets North America Ltd. The Research Distribution Policy of Macquarie Capital Markets Canada Ltd is to allow all clients that are entitled to have equal access to our research. **United Kingdom:** In the United Kingdom, research is issued and distributed by Macquarie Capital (Europe) Ltd, which is authorised and regulated by the Financial Services Authority (No. 193905). **Hong Kong:** In Hong Kong, research is issued and distributed by Macquarie Capital Securities Ltd, which is licensed and regulated by the Securities and Futures Commission. **Japan:** In Japan, research is issued and distributed by Macquarie Capital Securities (Japan) Limited, a member of the Tokyo Stock Exchange, Inc., Osaka Securities Exchange Co. Ltd, and Jasdak Securities Exchange, Inc. (Financial Instruments Firm, Kanto Financial Bureau (kin-sho) No. 231, a member of Japan Securities Dealers Association and Financial Futures Association of Japan). **South Africa:** In South Africa, research is issued and distributed by Macquarie First South Securities (Pty) Limited, a member of the JSE Limited. **Singapore:** In Singapore, research is issued and distributed by Macquarie Capital Securities (Singapore) Pte Ltd (Company Registration Number: 198702912C), a Capital Markets Services license

holder under the Securities and Futures Act to deal in securities and provide custodial services in Singapore. Pursuant to the Financial Advisers (Amendment) Regulations 2005, Macquarie Capital Securities (Singapore) Pte Ltd is exempt from complying with sections 25, 27 and 36 of the Financial Advisers Act. All Singapore-based recipients of research produced by Macquarie Capital (Europe) Limited, Macquarie Capital Markets Canada Ltd, Macquarie First South Securities (Pty) Limited and Macquarie Capital (USA) Inc. represent and warrant that they are institutional investors as defined in the Securities and Futures Act. **United States:** In the United States, research is issued and distributed by Macquarie Capital (USA) Inc., which is a registered broker-dealer and member of FINRA. Macquarie Capital (USA) Inc. accepts responsibility for the content of each research report prepared by one of its non-US affiliates when the research report is distributed in the United States by Macquarie Capital (USA) Inc. Macquarie Capital (USA) Inc.'s affiliate's analysts are not registered as research analysts with FINRA, may not be associated persons of Macquarie Capital (USA) Inc., and therefore may not be subject to FINRA rule restrictions on communications with a subject company, public appearances, and trading securities held by a research analyst account. Any persons receiving this report directly from Macquarie Capital (USA) Inc. and wishing to effect a transaction in any security described herein should do so with Macquarie Capital (USA) Inc. Important disclosure information regarding the subject companies covered in this report is available at [www.macquarie.com/research/disclosures](http://www.macquarie.com/research/disclosures), or contact your registered representative at 1-888-MAC-STOCK, or write to the Supervisory Analysts, Research Department, Macquarie Securities, 125 W.55th Street, New York, NY 10019.

© Macquarie Group

<b>Auckland</b> Tel: (649) 377 6433	<b>Bangkok</b> Tel: (662) 694 7999	<b>Calgary</b> Tel: (1 403) 218 6650	<b>Hong Kong</b> Tel: (852) 2823 3588	<b>Jakarta</b> Tel: (62 21) 515 1818	<b>Johannesburg</b> Tel: (2711) 583 2000	<b>Kuala Lumpur</b> Tel: (60 3) 2059 8833
<b>London</b> Tel: (44 20) 3037 4400	<b>Manila</b> Tel: (63 2) 857 0888	<b>Melbourne</b> Tel: (613) 9635 8139	<b>Montreal</b> Tel: (1 514) 925 2850	<b>Mumbai</b> Tel: (91 22) 6653 3000	<b>Perth</b> Tel: (618) 9224 0888	<b>Seoul</b> Tel: (82 2) 3705 8500
<b>Shanghai</b> Tel: (86 21) 6841 3355	<b>Singapore</b> Tel: (65) 6231 1111	<b>Sydney</b> Tel: (612) 8232 9555	<b>Taipei</b> Tel: (886 2) 2734 7500	<b>Tokyo</b> Tel: (81 3) 3512 7900	<b>Toronto</b> Tel: (1 416) 848 3500	<b>New York</b> Tel: (1 212) 231 2500

Available to clients on the world wide web at [www.macquarieresearch.com](http://www.macquarieresearch.com) and through Thomson Financial, FactSet, Reuters, Bloomberg, CapitalIQ and TheMarkets.com.



## Asia Research

### Head of Equity Research

John O'Connell (Global Co – Head)	(612) 8232 7544
David Rickards (Global Co – Head)	(44 20) 3037 4399
Chris Hunt (Asia – Head)	(852) 3922 1119
Tim Smart (Asia – Deputy Head)	(852) 3922 3565

### Automobiles/Auto Parts

Leah Jiang (China)	(8621) 2412 9020
Clive Wiggins (Japan)	(813) 3512 7856
Dan Lucas (Japan)	(813) 3512 6050
ES Kwak (Korea)	(822) 3705 8644
Linda Huang (Taiwan)	(8862) 2734 7521

### Banks and Non-Bank Financials

Ismael Pili (Asia)	(813) 3512 5979
Nick Lord (Asia)	(852) 3922 4774
Sarah Wu (China)	(852) 3922 4068
Jemmy Huang (Hong Kong, Taiwan)	(8862) 2734 7530
Mudit Painuly (India)	(9122) 6653 3044
Ferry Wong (Indonesia)	(6221) 515 7335
Chan Hwang (Korea)	(822) 3705 8643
Michael Na (Korea)	(822) 2095 7222
Chin Seng Tay (Malaysia, S'pore)	(65) 6231 2837
Nadine Javellana (Philippines)	(632) 857 0890
Matthew Smith (Taiwan)	(8862) 2734 7514
Alastair Macdonald (Thailand)	(662) 694 7741

### Chemicals/Textiles

Christina Lee (Hong Kong)	(852) 3922 3571
Jal Irani (India)	(9122) 6653 3040
Shawn Park (Korea)	(822) 3705 8669
Sunaina Dhanuka (Malaysia)	(603) 2059 8993

### Conglomerates

Gary Pinge (Asia)	(852) 3922 3557
Leah Jiang (China)	(8621) 2412 9020

### Consumer

Mohan Singh (Asia)	(852) 3922 1111
Jessie Qian (China, Hong Kong)	(852) 3922 3568
Toby Williams (Japan)	(813) 3512 7392
HongSuk Na (Korea)	(822) 3705 8678
Edward Ong (Malaysia)	(603) 2059 8982
Alex Pomento (Philippines)	(632) 857 0899
Linda Huang (Taiwan)	(8862) 2734 7521

### Emerging Leaders

Jake Lynch (Asia)	(8621) 2412 9007
Minoru Tayama (Japan)	(813) 3512 6058
Robert Burghart (Japan)	(813) 3512 7853

### Industrials

Inderjeetsingh Bhatia (India)	(9122) 6653 3166
Christopher Cintavey (Japan)	(813) 3512 7432
Janet Lewis (Japan)	(813) 3512 7475
Chang Han Joo (Korea)	(822) 3705 8511
Sunaina Dhanuka (Malaysia)	(603) 2059 8993
David Gambrell (Thailand)	(662) 694 7753

### Insurance

Mark Kellock (Asia)	(852) 3922 3567
Makarim Salman (Japan)	(813) 3512 7421

## Sales

### Regional Heads of Sales

Chris Gray (ASEAN)	(65) 6231 2888
Justin Crawford (Asia)	(852) 3922 2065
Peter Slater (Boston)	(1 617) 598 2502
Jeffrey Shiu (China & Hong Kong)	(852) 3922 2061
Thomas Renz (Geneva)	(41) 22 818 7712
Andrew Mouat (India)	(9122) 6653 3200
Stanley Dunda (Indonesia)	(6221) 515 1555
Kenneth Yap (Indonesia)	(6221) 515 1555
JJ Kim (Korea)	(822) 3705 8799
Jason Lee (Malaysia)	(603) 2059 8888
Gino C Rojas (Philippines)	(632) 857 0761
Greg Norton-Kidd (New York)	(1 212) 231 2527
Luke Sullivan (New York)	(1 212) 231 2507
Scot Mackie (New York)	(1 212) 231 2848

### Media

Jessie Qian (China, Hong Kong)	(852) 3922 3568
Shubham Majumder (India)	(9122) 6653 3049
George Hogan (Japan)	(813) 3512 7851
Prem Jearajasingam (Malaysia)	(603) 2059 8989
Alex Pomento (Philippines)	(632) 857 0899

### Oil and Gas

Laban Yu (Asia)	(852) 3922 4691
Christina Lee (Hong Kong)	(852) 3922 3571
Jal Irani (India)	(9122) 6653 3040
Polina Diyachkina (Japan)	(813) 3512 7886
Shawn Park (Korea)	(822) 3705 8669
Edward Ong (Malaysia)	(603) 2059 8982
Sunaina Dhanuka (Malaysia)	(603) 2059 8993
Linda Huang (Taiwan)	(8862) 2734 7521
Trevor Buchinski (Thailand)	(662) 694 7829

### Pharmaceuticals

Christina Lee (Hong Kong)	(852) 3922 3571
Abhishek Singhal (India)	(9122) 6653 3052
Naomi Kumagai (Japan)	(813) 3512 7474

### Property

Callum Bramah (Asia)	(852) 3922 4731
Eva Lee (China, Hong Kong)	(852) 3922 3573
Chris Cheng (China, Hong Kong)	(852) 3922 3581
Hiroshi Okubo (Japan)	(813) 3512 7433
Chang Han Joo (Korea)	(822) 3705 8511
Tuck Yin Soong (Singapore)	(65) 6231 2838
Elaine Cheong (Singapore)	(65) 6231 2839
Corinne Jian (Taiwan)	(8862) 2734 7522
Patti Tomaitrichitr (Thailand)	(662) 694 7727

### Resources / Metals and Mining

Andrew Dale (Asia)	(852) 3922 3587
Xiao Li (China)	(852) 3922 4626
YeeMan Chin (China)	(852) 3922 3562
Christina Lee (Hong Kong)	(852) 3922 3571
Rakesh Arora (India)	(9122) 6653 3054
Adam Worthington (Indonesia)	(65) 6231 2981
Riaz Hyder (Indonesia)	(6221) 2598 8486
Polina Diyachkina (Japan)	(813) 3512 7886

### Technology

Michael Bang (Asia)	(822) 3705 8659
Patrick Yau (Hong Kong)	(852) 3922 1264
Zona Chen (Hong Kong)	(852) 3922 3578
Damian Thong (Japan)	(813) 3512 7877
David Gibson (Japan)	(813) 3512 7880
George Chang (Japan)	(813) 3512 7854
Michiko Kakiya (Japan)	(813) 3512 7868
Yukihiro Goto (Japan)	(813) 3512 5984
Chia-Lin Lu (Taiwan)	(8862) 2734 7526
Daniel Chang (Taiwan)	(8862) 2734 7516
James Chiu (Taiwan)	(8862) 2734 7517

### Telecoms

Shubham Majumder (Asia)	(9122) 6653 3049
Ramakrishna Maruvada (ASEAN)	(65) 6231 2842
Bin Liu (China)	(852) 3922 3634
Tim Smart (China)	(852) 3922 3565
Riaz Hyder (Indonesia)	(6221) 2598 8486
Nathan Ramler (Japan)	(813) 3512 7875
Prem Jearajasingam (Malaysia)	(603) 2059 8989

### Regional Heads of Sales cont'd

Sheila Schroeder (San Francisco)	(1 415) 835 1235
Angus Kent (Thailand)	(662) 694 7601
Michael Newman (Tokyo)	(813) 3512 7920
Charles Nelson (UK/Europe)	(44) 20 3037 4832
Rob Fabbro (UK/Europe)	(44) 20 3037 4865
Nick Ainsworth (Generalist)	(852) 3922 2010

### Sales Trading

Adam Zaki (Asia)	(852) 3922 2002
Mike Keen (Europe)	(44) 20 3037 4905
Yat Quan Tan (Hong Kong)	(852) 3922 2028
Stanley Dunda (Indonesia)	(6221) 515 1555
Michael Santos (Philippines)	(632) 857 0813
Dominic Shore (Thailand)	(662) 694 7707

### Transport & Infrastructure

Anderson Chow (Asia)	(852) 3922 4773
Jonathan Windham (Asia)	(852) 3922 5417
Wei Sim (China, Hong Kong)	(852) 3922 3598
Janet Lewis (Japan)	(813) 3512 7475
Chang Han Joo (Korea)	(822) 3705 8511
ES Kwak (Korea)	(822) 3705 8644
Sunaina Dhanuka (Malaysia)	(603) 2059 8993

### Utilities

Adam Worthington (Asia)	(65) 6231 2981
Carol Cao (China, Hong Kong)	(852) 3922 4075
Jeff Evans (India)	(9122) 3356 3053
Prem Jearajasingam (Malaysia)	(603) 2059 8989
Alex Pomento (Philippines)	(632) 857 0899

### Commodities

Jim Lennon	(4420) 3037 4271
Max Layton	(4420) 3037 4273
Bonnie Liu	(8621) 2412 9008
Rakesh Arora	(9122) 6653 3054

### Data Services

Andrea Clohessy (Asia)	(852) 3922 4076
Eric Yeung	(852) 3922 4077

### Economics

Richard Jerram (Asia)	(813) 3512 7855
Rajeev Malik (ASEAN, India)	(65) 6231 2841
Richard Gibbs (Australia)	(612) 8232 3935
Paul Cavey (China)	(852) 3922 3570

### Quantitative

Martin Emery (Asia)	(852) 3922 3582
Viking Kwok (Asia)	(852) 3922 4735
George Platt (Australia)	(612) 8232 6539
Patrick Hansen (Japan)	(813) 3512 7876

### Strategy/Country

Michael Kurtz (Asia)	(8621) 2412 9002
Daniel McCormack (Asia)	(852) 3922 4073
Mark Matthews (Asia)	(852) 3922 3585
Jal Irani (India)	(9122) 6653 3040
Ferry Wong (Indonesia)	(6221) 515 7335
David Gibson (Japan)	(813) 3512 7880
Peter Eadon-Clarke (Japan)	(813) 3512 7850
Chan Hwang (Korea)	(822) 3705 8643
Prem Jearajasingam (Malaysia)	(603) 2059 8989
Edward Ong (Malaysia)	(603) 2059 8982
Alex Pomento (Philippines)	(632) 857 0899
Tuck Yin Soong (ASEAN, Singapore)	(65) 6231 2838
Daniel Chang (Taiwan)	(8862) 2734 7516
Alastair Macdonald (Thailand)	(662) 694 7741

### Find our research at

Macquarie:	<a href="http://www.macquarie.com.au/research">www.macquarie.com.au/research</a>
Thomson:	<a href="http://www.thomson.com/financial">www.thomson.com/financial</a>
Reuters:	<a href="http://www.knowledge.reuters.com">www.knowledge.reuters.com</a>
Bloomberg:	MAC GO
Factset:	<a href="http://www.factset.com/home.aspx">http://www.factset.com/home.aspx</a>
CapitalIQ	<a href="http://www.capitaliq.com">www.capitaliq.com</a>
TheMarkets.com	<a href="http://www.themarkets.com">www.themarkets.com</a>
Email <a href="mailto:macresearch@macquarie.com">macresearch@macquarie.com</a> for access	

### Sales Trading cont'd

Mario Argyrides (Korea)	(822) 3705 8610
Edward Robinson (London)	(44) 20 3037 4902
Matthew Ryan (Singapore)	(65) 6231 2888
Isaac Huang (Taiwan)	(8862) 2734 7582
Phil Sellaroli (Tokyo)	(813) 3512 7837

### Alternative Strategies

Convertibles - Roland Sharman	(852) 3922 2095
Depository Receipts - Robert Ansell	(852) 3922 2094
Derivatives - Wayne Edelist	(852) 3922 2134
Futures - Tim Smith	(852) 3922 2113
Structured Products - Andrew Terlich	(852) 3922 2013