

INFOSYS TECHNOLOGIES

INR 1,676

**Absence of cues that signal near-term upside(s) ACCUMULATE**

July 11, 2008

Infosys Technologies' (Infosys) Q1FY09 results do not offer much by way of improved confidence. Both, the Q1FY09 results and current state of confidence point to status quo rather than a discernable improving trend. We had indicated in our preview that Indian IT vendors could enter into their Q1FY09 earnings call issuing commentary that continues to bear caution amidst confidence that prospects of back-ended growth remain intact. Indian IT companies will continue to encourage investors to see their earlier issued annual FY09 guidance as a realistic bar and not a low bar. Given that Infosys has not raised revenue growth guidance (in USD terms) this time (Q1FY09 results), it does seem that the company is still taking a cautious view in an environment it terms as "challenging."

Results slightly below expectations...

Infosys's Q1FY09 revenues came in at INR 48.5 bn (USD 1.15 bn), below our expectations of INR 49.4 bn (USD 1.17 bn), while net profits (backing out tax write-backs) came in at INR 12.7 bn versus our expectation of INR 13.2 bn. The meager outperformance in Q1FY09, relative to Infosys's guided Q1FY09 (in USD terms), has not given room to the company to raise its FY09E USD annual growth guidance (19-21%). EBITDA margins trailed our expectations on account of much lower utilisation, which impacted margins by 150bps.

...though revenue guidance for Q2 is positive

Sequential revenue growth guidance of 6.1% for Q2 (in USD at the upper-end) provides comfort that Infosys's visibility for the next three quarters is looking up. But given the mute Q1, we will hesitate to model in CQGR of more than 7% for the remaining three quarters of the year, thus limiting our revenue growth for FY09E to 23% (USD).

Outlook and valuations: Attractive, maintain 'ACCUMULATE'

Our FY09E picture is largely unchanged and this assumes a very moderate revenue outperformance (of 2%) relative to guidance. We retain our FY09 EPS estimates of INR 102.7, but believe that room for outperformance in revenue growth for FY09E, relative to guidance, is limited (USD). In our view, Infosys is telling investors that upsides to the first-issued revenue growth guidance (21% at the upper-end) means that it not witnessing a materially better environment. Investors point to the absence of the FY09 USD revenue guidance upgrade and a subdued Q1FY09 as negatives and have reacted accordingly. In our view, these negatives are adequately factored in. Valuations seem reasonable at 16.3x FY09E and 14x FY10E, though we believe that stock catalysts are likely to be deferred to H2. We maintain our 'ACCUMULATE' recommendation on the stock.

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Bloomberg : INFO IN

Market Data

52-week range (INR) : 2,140 / 1,212
Share in issue (mn) : 572.2
M cap (INR bn/USD mn) : 959.0/22,302.4
Avg. Daily Vol. BSE ('000) : 1,997.7

Share Holding Pattern (%)

Promoters : 16.5
MFs, FIs & Banks : 7.1
FIIs : 33.4
Others : 43.0

Relative Performance (%)

	Sensex	Stock	Stock over Sensex
1 month	(8.3)	(11.9)	6.0
3 months	(11.9)	24.3	36.2
12 months	(6.6)	(6.4)	0.2

Financials

Year to March	Q109	Q408	Growth %	Q108	Growth %	FY08	FY09E
Revenue (INR mn)	48,540	45,420	6.9	37,730	28.7	166,920	219,774
Gross profit (INR mn)	21,000	20,600	1.9	16,040	30.9	74,850	103,074
EBITDA (INR mn)	14,790	14,780	0.1	10,840	36.4	52,380	72,020
Net profit (INR mn)	13,020	12,490	4.2	10,790	20.7	46,650	59,251
Diluted EPS (INR)	22.8	21.8	4.2	18.9	20.5	81.3	102.7
Diluted P/E (x)						20.6	16.3
EV/EBITDA (x)						17.0	11.6
Mkt. cap / Revenue (x)						5.7	4.4

Understanding the reason for the anemic growth in Q1FY09

We attribute the rather anemic growth for the quarter to the significant sequential ramp-down of Infosys's top-client, which we presume to be British Telecom (BT). Contribution from this client has declined 22% in USD terms (down to 7.9% from 10.3% in Q4FY08). Ex-BT revenues grew 3.8% sequentially (USD). However, Infosys declined to comment on whether BT is likely to ramp down further as we go into Q2 and beyond in FY09E. We believe that the worst in this account must be over for Infosys to be able to give a decent revenue growth guidance of 6% (USD) for Q2.

On balance, Q1FY09 for Infosys is negative

Negatives

- Infosys's revenues for the quarter grew 1.2% sequentially in USD terms.
- Its top client's (BT) revenues have declined sequentially—by 23% with respect to March 2008.
- EBITDA margin decline of 210bps (30.5% versus 32.5% in Q4FY08).
- Guidance in USD terms unchanged in FY09 (negative).
- Excluding products and BPO, sequential revenue growth for services was a mere 0.5%.
- Stable incremental pricing, which may have implications for FY10E.
- Utilisation has dipped to 72.2% (excluding trainees), which impacted margins by 150bps—the lowest in six years, which we believe is due to sluggish volumes.
- Decision-making cycles are not getting any shorter; they are lengthening in Europe as well.

Positives

- Rest of the business (excluding BT) has grown 3.8% sequentially (USD).
- Guidance for the next quarter in USD terms at >6%.
- Net employee adds for the quarter is about 3,200.
- Client addition robust.

Revenue and EPS revision a non-event

We are relatively indifferent to the upward revision in FY09E revenues (INR 213-216 bn) and EPS (INR 99.4-101.6), as that has come through completely because of INR depreciation (assumed at INR 43.04 for the rest of the year against INR 40.02 at the beginning of the year).

Flattish incremental pricing will have implications for FY10E

Select troubled BFSI players are attempting to renegotiate rates downwards mid-way through the year, in exchange of more volumes. Will Infosys bite? Really, the company does not have too much choice with regard to a specific customer if it is significant in volume. Besides the challenging environment, what makes it difficult for Infosys (indeed the Indian IT sector) to incrementally demand higher rates today compared to one year ago is the deprecating course of the INR vis-à-vis the USD. Our conversations with management suggest that there is no breakdown of pricing discipline as yet in the industry. However, given that the commentary on pricing has toned down quite noticeably of late, we believe that revenue growth in FY10E will be almost entirely volume driven with little pricing upsides after contracts signed in FY09E play out in the next fiscal. This is incrementally negative (even if slightly) for FY10E.

BFSI revenues up 4% for the quarter, while retail is up 3.7% (Q-o-Q)

It is tempting to think of this as a positive, but we will desist. If further hits are likely down the road in these domains (BFSI and retail), Infosys could struggle to have adequately compensating factors. Manufacturing and utilities are verticals that show strength in this environment. Notably, telecom showed a 2.2% decline (Q-o-Q) excluding BT but Infosys is confident that this will reverse as traction from telecom service providers picks up.

Manufacturing was the fastest growing vertical in Q1FY09

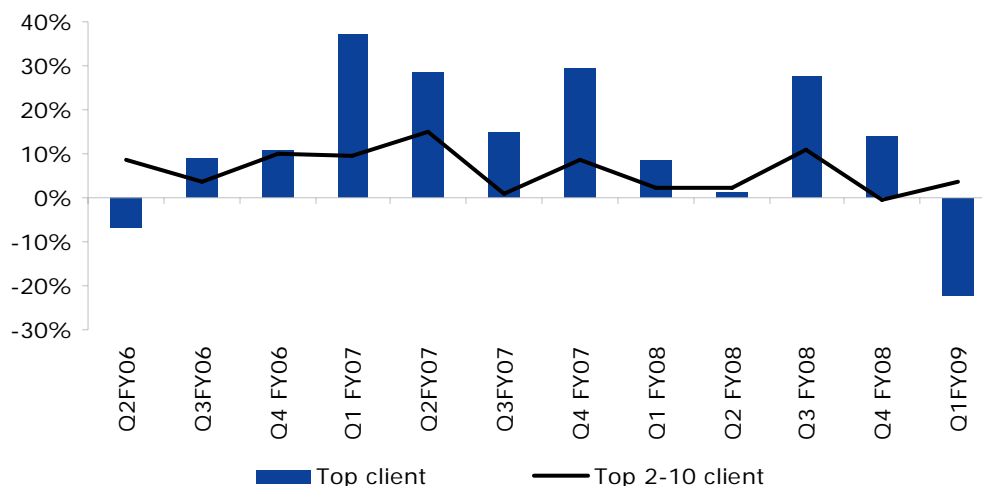
	Q1 FY07	Q2FY07	Q3FY07	Q4 FY07	Q1 FY08	Q2 FY08	Q3 FY08	Q4 FY08	Q1FY09
Banking & Finance	194.0	229.0	254.5	255.4	270.0	294.3	319.8	307.2	319.9
Q-o-Q growth	12.1	18.0	11.1	0.4	5.7	9.0	8.6	(3.9)	4.1
Insurance	46.2	50.0	62.4	63.9	65.0	78.7	79.1	79.9	78.5
Q-o-Q growth	14.6	8.2	24.8	2.3	1.7	21.1	0.6	1.0	(1.8)
Manufacturing	95.7	104.4	105.1	111.3	126.2	142.1	158.3	187.3	212.5
Q-o-Q growth	11.3	9.1	0.6	5.9	13.4	12.6	11.4	18.3	13.5
Retail	64.0	67.1	86.2	93.2	100.2	127.8	130.1	135.9	140.9
Q-o-Q growth	5.8	4.9	28.4	8.1	7.5	27.5	1.8	4.5	3.7
Telecom	116.8	141.0	150.2	189.0	204.2	210.5	228.7	257.0	227.5
Q-o-Q growth	20.9	20.7	6.6	25.8	8.0	3.1	8.6	12.3	(11.4)
Energy & utilities	35.6	41.8	44.3	41.4	45.5	54.2	56.4	59.4	62.4
Q-o-Q growth	13.4	17.2	6.1	(6.6)	9.8	19.1	4.1	5.4	5.0

Source: Company

Several important service lines have shown declines/subdued performance for the quarter

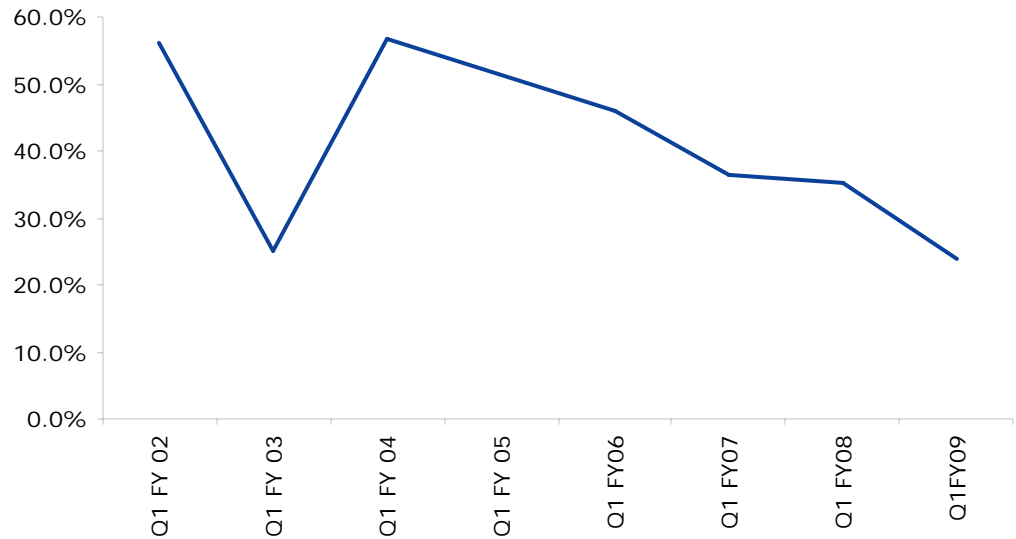
Leading the declines for the quarter are application maintenance (decline of 4.9% Q-o-Q and 7.2% Y-o-Y) and development (0.7% decline Q-o-Q; 35.9% growth Y-o-Y). On the other hand, engineering services (growth of 23.6% Q-o-Q and 95.6% Y-o-Y), consulting (up 25.3% Q-o-Q and 44.8% Y-o-Y), BPO (earlier Progeon) (up 6.2% Q-o-Q and 45.2% Y-o-Y), and products (growth of 6.6% Q-o-Q and 51.7% Y-o-Y) have been the fastest growing segments this quarter on sequential basis.

Q-o-Q decline of top client was responsible for much of the muted Q1 revenue



Source: Company, Edelweiss research

Y-o-Y volume growth is sharply declining, is at the lowest level but may not have bottomed out yet



Source: Company

Other key points:

- **Guidance:** Q2 revenue growth guidance in USD stands at 5.2–6.1% and EPS guidance stands at INR 23.52-23.95 (growth of 3.4-5.3%). **The company has also raised its FY09E revenue and EPS guidance by 7.0% and 7.6%, respectively. This has been purely on account of the INR/USD assumption changing from 40.02 to 43.04.**
- Revenues were reported at INR 48.5 bn (up 6.9% Q-o-Q; 28.7% Y-o-Y), while net profit stood at INR 13.0 bn (up 4.2% Q-o-Q; 20.7% Y-o-Y). However, net profit included tax reversal of INR 310 mn, excluding which Q-o-Q growth stood at 1.8%.
- Gross profit increased modestly to INR 21.0 bn (up 1.9% Q-o-Q and 30.9% Y-o-Y). Salary hikes (effected this quarter), visa costs, and decline in utilisation led to 210bps decrease in gross margins.
- EBITDA margin at 30.5% was down 200bps Q-o-Q, mainly on account of decline in gross margins. Rupee depreciation helped partly offset the salary hike and visa costs restricted the decline to 2 percentage points.
- Utilisation (excluding trainees) for the quarter fell from 75.4% to 72.2%. This is one of the lowest levels reported by the company in the past six years. We reckon lower volumes as the reason for decline in utilisation rates.
- Excluding the growth in BPO and products, revenues from IT services increased only 0.6% Q-o-Q and 22.2% Y-o-Y.
- Growth in IT services volumes continued to decline on Y-o-Y basis and now stands at 18.5%; Q-o-Q volumes were up a meager 0.5%. Offshore volumes on Q-o-Q basis were flat, while onsite volumes increased 1.1%.
- Q-o-Q billing rates remained flat for both offshore and onsite. However, since the Q4 pricing level was maintained, on Y-o-Y basis onsite rates were up 4.0% and offshore by 4.5%.
- New client addition stood at 49 for the quarter—the highest-ever in Infosys history, taking the total active client count to 567. Out of 49 clients, six were Fortune-500 companies.

- The number of clients contributing revenues in excess of USD 1 mn stand at 325 compared with 310 in the previous quarter and 285 a year ago.
- Net employee addition was 3,192 (gross 7,182) for the quarter, taking the total employee count to 94,379. The attrition rate inched up to 13.6%.
- Manufacturing posted the highest sequential growth of 13.5% for the company during the quarter. BFS, the much-impacted sector, grew 4.1% Q-o-Q in USD terms, while retail, which is expected to be under pressure, posted 3.7% Q-o-Q growth.

Financials snapshot

									(INR mn)
Year to March	Q109	Q408	Growth %	Q108	Growth %	FY08	FY09E	FY10E	
Total revenues	48,540	45,420	6.9	37,730	28.7	166,920	219,774	259,053	
Software dev expenses	27,540	24,820	11.0	21,690	27.0	92,070	116,700	138,464	
Gross profit	21,000	20,600	1.9	16,040	30.9	74,850	103,074	120,589	
Selling & marketing exp	2,570	2,230	15.2	2,050	25.4	9,160	13,406	15,543	
General & admin exp	3,640	3,590	1.4	3,150	15.6	13,310	17,648	20,413	
Overhead expenditure	6,210	5,820	6.7	5,200	19.4	22,470	31,054	35,957	
EBITDA	14,790	14,780	0.1	10,840	36.4	52,380	72,020	84,633	
Depreciation	1,690	1,570	7.6	1,440	17.4	5,980	7,692	9,067	
EBIT	13,100	13,210	(0.8)	9,400	39.4	46,400	64,328	75,566	
Other income	1,170	1,390	(15.8)	2,530	(53.8)	7,040	6,000	7,702	
PBT	14,270	14,600	(2.3)	11,930	19.6	53,440	70,328	83,268	
Tax	1,250	2,110	(40.8)	1,140	9.6	6,850	11,077	13,739	
Adjusted net profit	13,020	12,490	4.2	10,790	20.7	46,590	59,251	69,529	
Reported net profit	13,020	12,490	4.2	10,790	20.7	46,650	59,251	69,529	
EPS basic (INR)	22.8	21.8	4.2	18.9	20.5	81.5	103.0	120.0	

as % of net revenues

Gross profit	43.3	45.4		42.5		44.8	46.9	46.6
Selling & marketing exp	5.3	4.9		5.4		5.5	6.1	6.0
Admin exp	7.5	7.9		8.3		8.0	8.0	7.9
EBITDA	30.5	32.5		28.7		31.4	32.8	32.7
Adjusted net profit	26.8	27.5		28.6		27.9	27.0	26.8
Reported net profit	26.8	27.5		28.6		27.9	27.0	26.8
Tax rate	8.8	14.5		9.6		12.8	15.8	16.5

Company Description

Infosys is the second-largest IT services company in India providing consulting and IT services to clients globally. It is also among the fastest growing IT services organization in the world and a leader in the offshore services space with a pioneer in Global delivery model. Infosys provides business consulting, application development and maintenance and engineering services to 567 active clients spread across Banking, Financial Services, Insurance, Retail, Manufacturing, and Utilities verticals and 29 countries. The company has also its own proprietary core banking software – Finacle used by some of the leading banks in India, Middle East, Africa and Europe. Infosys also has a BPO arm, Infosys BPO whose contribution to revenues for FY08 stood at USD 236 mn. Infosys' IT services employee force stands at 94,379 and the company's revenues for FY08 stood at INR 166.9 bn (USD 4.2 bn).

Investment Theme

Infosys is known for its excellent project execution skills, which makes it the most preferred tier 1 vendor. With rapidly increasing numbers of service lines and domain capabilities, Infosys has readied itself for multiple possible points of initiating and growing client engagements. The company has also demonstrated its ability to engage with larger client organizations and winning increasing proportion of their wallet share. Infosys' growth over the last three to four years reflect its abilities to benefit from the improving macro environment, as reflected in its above-peer group growth in its offshore revenues, key verticals and service lines.

Key Risks

Key risks to our investment theme include –

Slowdown in US,

Significant increase in the salary hikes and attrition rate creating cost pressures

Reduction in the number of H1B visas granted by US will have an adverse impact and

Incremental appreciation of rupee against US dollar, Euro and GBP.

Financial Statements

Income statement					(INR mn)
Year to March	FY06	FY07	FY08	FY09E	FY10E
Revenues	95,216	138,930	166,920	219,774	259,053
Cost of revenues	50,654	74,580	92,070	116,700	138,464
Gross profit	44,562	64,350	74,850	103,074	120,589
S&M expenses	6,005	9,290	9,160	13,406	15,543
G&A expenses	7,639	11,150	13,310	17,648	20,413
Total SG&A expenses	13,643	20,440	22,470	31,054	35,957
EBITDA	30,918	43,910	52,380	72,020	84,633
Depreciation & amortization	4,371	5,140	5,980	7,692	9,067
EBIT	26,547	38,770	46,400	64,328	75,566
Other income	2,240	3,450	6,920	6,000	7,702
Foreign exchange gain/(loss)	(844)	270	120	0	0
Others	10	20	0	0	0
Profit before tax	27,933	42,470	53,440	70,328	83,268
Tax	3,132	3,860	6,850	11,077	13,739
Core profit	24,801	38,610	46,590	59,251	69,529
Profit after tax	24,801	38,610	46,590	59,251	69,529
Minority int. and others - paid/(recd.)	202	50	0	0	0
Net profit after minority interest	24,600	38,560	46,590	59,251	69,529
Shares outstanding (mn)	546	557	571	575	579
EPS (INR) basic	45.1	69.2	81.5	103.0	120.0
Diluted shares (mn)	562	569	573	577	581
EPS (INR) diluted	43.8	67.7	81.3	102.7	119.6
CEPS (INR)	53.3	78.8	92.3	116.3	135.7
Dividend per share	22.7	11.7	20.0	25.0	27.5
Dividend (%)	900.0	232.3	400.0	500.0	550.0
Dividend pay out (%)	57.0	19.5	28.7	28.4	26.8

Common size metrics - as % of revenues

Year to March	FY06	FY07	FY08	FY09E	FY10E
Cost of revenues	53.2	53.7	55.2	53.1	53.5
Gross margin	46.8	46.3	44.8	46.9	46.6
G&A expenses	8.0	8.0	8.0	8.0	7.9
S&M expenses	6.3	6.7	5.5	6.1	6.0
SG&A expenses	14.3	14.7	13.5	14.1	13.9
EBITDA margin	32.5	31.6	31.4	32.8	32.7
EBIT margin	27.9	27.9	27.8	29.3	29.2
Net profit margins	26.0	27.8	27.9	27.0	26.8

Growth metrics (%)

Year to March	FY06	FY07	FY08	FY09E	FY10E
Revenues	33.5	45.9	20.1	31.7	17.9
EBITDA	32.4	42.0	19.3	37.5	17.5
EBIT	29.6	46.0	19.7	38.6	17.5
PBT	28.6	52.0	25.8	31.6	18.4
Net profit	30.0	56.7	20.8	27.2	17.3
EPS	30.7	54.6	20.0	26.3	16.5

Balance sheet					
(INR mn)					
Year to March	FY06	FY07	FY08	FY09E	FY10E
Equity share capital	1,380	2,860	2,860	2,877	2,897
Share premium account	15,430	27,680	28,510	38,510	48,510
Reserves	52,850	82,010	106,580	149,002	199,889
Total shareholders funds	69,660	112,550	137,950	190,389	251,296
Minority Interest	680	40	0	0	0
Sources of funds	70,340	112,590	137,950	190,389	251,296
Goodwill and other intangible asset	410	5,890	6,890	6,890	6,890
Gross fixed assets	29,420	40,530	47,500	60,000	72,500
Less: Accumulated depreciation	13,280	18,360	19,860	27,552	36,619
Net fixed assets	16,140	22,170	27,640	32,448	35,881
Capital WIP	5,710	9,650	13,240	12,290	11,340
Investments	7,550	250	720	1,152	1,843
Deferred tax asset	650	920	1,190	1,190	1,190
Cash & bank balances	34,290	58,340	69,500	119,808	173,739
Debtors	16,080	24,360	32,970	32,721	38,569
Loans and advances	12,970	12,510	27,710	34,638	43,297
Total current assets	63,340	95,210	130,180	187,167	255,605
Sundry creditors	9,340	14,690	19,120	22,944	27,533
Provisions	14,120	6,810	22,790	27,804	33,921
Total current liabilities	23,460	21,500	41,910	50,748	61,453
Working capital	39,880	73,710	88,270	136,419	194,152
Application of funds	70,340	112,590	137,950	190,389	251,296
Book value per share (BV) (INR)	124	198	241	330	432

Free cash flow

Year to March	FY06	FY07	FY08	FY09E	FY10E
Net profit	24,600	38,560	46,590	59,251	69,529
Depreciation	4,371	5,140	5,980	7,692	9,067
Deferred tax	137	170	150	0	0
Others	(9,654)	1,120	(8,490)	0	(0)
Gross cash flow	19,454	44,990	44,230	66,943	78,596
Less: Changes in working capital	(3,927)	9,780	3,400	(2,159)	3,802
Operating cash flow	23,381	35,210	40,830	69,103	74,794
Less: Capex	9,485	15,050	10,560	11,550	11,550
Free cash flow	13,896	20,160	30,270	57,553	63,244

Cash flow statement

(INR mn)					
Year to March	FY06	FY07	FY08	FY09E	FY10E
Cash flow from operations	24,581	39,980	46,930	66,943	78,596
Cash for working capital	(1,200)	(4,770)	(6,100)	2,159	(3,802)
Operating cashflow (A)	23,381	35,210	40,830	69,103	74,794
Net purchase of fixed assets	(10,890)	(21,560)	(15,950)	(11,550)	(11,550)
Net purchase of investments	4,550	7,460	(710)	(432)	(691)
Others	2,110	2,890	5,460	0	0
Investments cashflow (B)	(4,230)	(11,210)	(11,200)	(11,982)	(12,241)
Dividends	(4,030)	(15,320)	(8,350)	(16,830)	(18,641)
Proceeds from issue of equity	6,460	12,160	580	10,017	10,020
Financing cash flow (C)	2,430	(3,160)	(7,770)	(6,813)	(8,621)
Free cash flow	12,491	13,650	24,880	57,553	63,244
Exchange rate differences (D)	90	(70)	410	0	0
Change in cash (A+B+C) + (D)	21,671	20,770	22,270	50,308	53,931

Ratios

Year to March	FY06	FY07	FY08	FY09E	FY10E
ROAE (%)	39.7	42.3	37.2	36.1	31.5
ROACE (%)	24.1	21.7	18.6	19.7	17.2
Debtors (days)	57	53	63	55	50
Payable (days)	30	32	37	35	36
Cash conversion cycle	26	22	26	20	15
Current ratio	2.7	4.4	3.1	3.7	4.2
Fixed assets turnover (x)	6.7	7.3	6.7	7.3	7.6
Total asset turnover(x)	0.4	0.4	0.3	0.3	0.3
Equity turnover(x)	1.5	1.5	1.3	1.3	1.2

Cash flow metrics

Year to March	FY06	FY07	FY08	FY09E	FY10E
Operating cash flow	23,381	35,210	40,830	69,103	74,794
Financing cash flow	2,430	(3,160)	(7,770)	(6,813)	(8,621)
Investing cash flow	(4,230)	(11,210)	(11,200)	(11,982)	(12,241)
Net cash flow	21,581	20,840	21,860	50,308	53,931
Capex	9,485	15,050	10,560	11,550	11,550
Dividend paid	(4,030)	(15,320)	(8,350)	(16,830)	(18,641)
Share issuance/(Buyback)	6,458	13,730	830	10,017	10,020

Valuation parameters

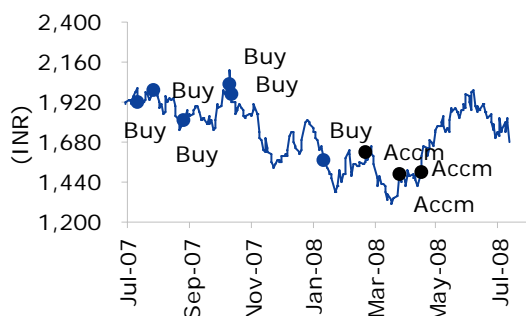
Year to March	FY06	FY07	FY08	FY09E	FY10E
Diluted EPS (INR)	43.8	67.7	81.3	102.7	119.6
Y-o-Y growth (%)	0.3	0.5	0.2	0.3	0.2
CEPS (INR)	53.3	78.8	92.3	116.3	135.7
Diluted P/E (x)	38.3	24.8	20.6	16.3	14.0
Price/BV(x)	13.5	8.5	7.0	5.1	3.9
EV/Revenues (x)	9.2	6.3	5.3	3.8	3.1
EV/EBITDA (x)	28.3	19.9	17.0	11.7	9.4
EV/EBITDA (x) +1 yr forward	19.9	16.7	12.3	10.0	

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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

Infosys



Recent Research

Date	Company	Title	Price (INR) Recos
04-Jul-08	IT	Visibility to back ended Growth is key to continued Outperformer; <i>Result Review</i>	
3-Jul-08	IT	<i>The clock is ticking; Sector Update</i>	
20-Jun-08	IT	Viewing wealth creation using the paradigm of per employee metrics; <i>Sector Update</i>	
17-Jun-08	IT	<i>Fact Sheet</i>	

Distribution of Ratings / Market Cap

Edelweiss Research Coverage Universe

	Buy	Accumulate	Reduce	Sell	Total
Rating Distribution*	101	62	14	2	188

* 8 stocks under review / 1 rating withheld

	> 50bn	Between 10bn and 50 bn	< 10bn
Market Cap (INR)	77	70	41

Rating Interpretation

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

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