J.P.Morgan

Asia Pacific Equity Research
02 April 2009

India Ahead of the Pack

Contents

India
Bharat Iyer[AC]
(91-22) 6639-3005
bharat.x.iyer@jpmorgan.com
J.P. Morgan India Private Limited

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India Monthly Wrap

March 09: Early signs of cyclical recovery

- **MSCI India (US$) gained a meaningful 12% over the month but underperformed MSCI Emerging markets index (US$) by 2%.** Materials, Energy, Telecom and Consumer Discretionary were relative outperformers, while staples, utilities and financials underperformed.
- **National election Schedule announced.** Election Commission announced the schedule for the National Elections. The Elections will be held over 5 phases from April 16th to May 13th and the results are expected to be out on May 16th. Leading opinion polls are predicting a fractured mandate, with the Congress led UPA coalition ahead, but well short of a majority.
- **RBI cuts policy rates by 50bps.** Reserve Bank of India cut the repo and reverse-repo by 50bps each during the last month. Cumulatively, the central bank has lowered the repo rate by 400bps and the reverse repo by 250bps since the beginning of the current easing in October last year. Further, with the dates for the elections being announced, any significant fiscal support is only expected after the new government takes over in June, thereby leaving monetary policy as the only policy tool till then.
- **Institutions turned buyers.** Foreign Institutional Investors (FIIs) and domestic mutual funds turned buyers of Indian equities over the month. FIIs and domestic mutual funds bought US$132 million and US$166 million respectively.
- **Other developments.** (1) IIP (-0.5% oya) continues to contract in January. (2) India's current account deficit widened to an all time high of US$14.6bn (5.1% of GDP) in Oct-Dec; while capital account slipped into a deficit – for the first time since 2Q98. (3) Auto sales and cement dispatch for February was better-than expected.

India Macro Strategy

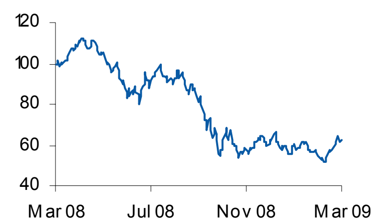
Bharat Iyer[AC]
(91-22) 6639-3005
bharat.x.iyer@jpmorgan.com

Bijay Kumar, CFA
(91-22) 6639 3016
bijay.kumar@jpmorgan.com

Gunjan Prithyani
(91-22) 6639-3093
gunjan.x.prithyani@jpmorgan.com

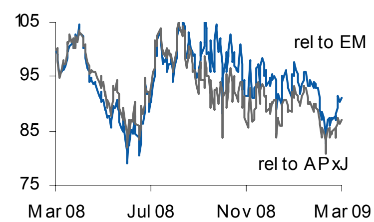
J.P. Morgan India Private Limited

BSE Sensex



Source: Datastream (rebased performance).

MSCI India relative



Source: MSCI, Datastream.

Sector and stock returns

%, Rs

Ranked sector returns			
One month		**Twelve months**	
Material	22.9	Consumer staples	(12)
Energy	18.0	Consumer Disc.	(23)
Telecom	15.5	Healthcare	(24)
Consumer Disc.	14.7	IT	(30)
Healthcare	13.6	Utilities	(30)
Industrials	12.6	Energy	(31)
IT	8.8	Industrials	(51)
Financials	7.7	Financials	(52)
Utilities	4.7	Material	(54)
Consumer staples	(2.4)	Telecom	(60)
MSCI India	**11.3**		**(40)**

Top and bottom five MSCI India			
One month		**Twelve months**	
Sterlite Inds.(India)	45	Hero Honda Motors	55
Hindalco Industries	34	Hindustan Unilever	4
Tata Communications	28	Tata Communications	0
Jaiprakash Associates	28	Cipla	0
Steel Authority Of India	27	Power Grid Corp.Of India	(2)
Hindustan Unilever	(6)	Unitech	(87)
NTPC	(2)	DLF	(74)
Bharat Petroleum	(2)	JSW Steel	(72)
Power Grid Corp.Of India	(1)	Reliance Capital	(71)
Zee Entertainment Ents.	(1)	Tata Steel	(70)

Source: Datastream.

Equity review

MSCI India (US$) gained a meaningful 12% over March but underperformed the MSCI Emerging Markets index by 2%. The equity markets rally over the last month was driven by positive cues from the US financial markets. Further, cyclical data points for the local economy also improved over the month with auto and cement sales growth surprising positively.

Materials, Energy, Telecom and Consumer Discretionary sectors were relative outperformers.

- Material sector's outperformance is on the back of continued strength in base metal prices, driven by weakening US$, re-stocking/state buying in China and expectations of an end-demand recovery.
- Energy sector outperformance was driven by rally in crude oil prices (+11% M/M) and positive news flow on start up of new fields.
- While telecom sector outlook remains challenging given regulatory issues & increasing competition, the recent rally has been on the back of significant under performance in the last one year. Strong outperformance of Tata Communications helped sectoral performance over the month.
- Consumer discretionary outperformance was on the back of buoyant auto sales given excise duty cuts and reduction in lending rates.

Consumer Staples, Utilities, and Financials underperformed over the month.

- Defensive sectors (Consumer Staples and Utilities) were key underperformers over the month.
- Financials underperformed as investor are wary of a substantial rise in NPAs (Non Performing Assets) and slowdown in operating performance ahead.

Foreign institutional investors (FII) turned buyers of Indian equities over the month. FIIs bought US$132 million over March. YTD net selling aggregates to US$ 1.5 bn.

Domestic mutual funds also bought US$166 million of equities over the month. . YTD net selling aggregates to US$ 315 mn

Economic review

Election Commission announced the schedule for the National Elections. The Elections will be held over 5 phases from April 16th to May 13th. Counting will be done on May 16th, and the results should be out on the same day. The new Lok Sabha is expected to be convened in the 1st week of June. Leading opinion polls are predicting a fractured mandate, with the Congress led UPA coalition ahead, but well short of a majority.

Reserve Bank of India cut the key policy rates by 50bp during the last month. This brings the repo and reverse repo rate to 5.0% and 3.5% respectively. Cumulatively, the central bank has lowered the repo rate by 400bp and the reverse repo by 250bp since the beginning of the current easing in October last year. Further, with the dates for the elections being announced, any significant fiscal support is only expected after the new government takes over in June, thereby leaving monetary policy as the only policy tool till then.

10-year treasury yield increased a meaningful 65bps to 7% over the month on the back of higher-than-expected bond issuance plan of RBI for 1H FY10.

Inflation continued its declining trend touching a 32-year low of 0.27%oya for the week ending March 14, from 0.44% the prior week. The improvement in WPI inflation owes primarily to the high base last year; even while manufacturing prices remain high.

Indian currency (INR) appreciated by a marginal 1% against the US$ over the month.

Indian foreign currency reserve increased marginally to US$243 billion. However, during the current fiscal year (April 2008 to date), FX reserve has shrunk by US$51 billion.

Bharat Iyer
(91-22) 6639-3005
bharat.x.iyer@jpmorgan.com

Other news

IP continues to contract in January: India's IP fell 0.5%oya (0.4%m/m, sa) in January, while the estimate for December was revised up from -2% oya to -0.6% oya. The January contraction is in line with expectations of a sharp inventory destocking this quarter after inventories rose more than 30%oya in 4Q08. Mining (-0.4%oya) and manufacturing (-0.8% oya) drove much of the decline. While capital goods production grew 15.4%oya, this is misleading given the low base of last year. On a positive note, consumer durables grew 2.5%oya after three months of contraction

Table 1: India—January industrial production

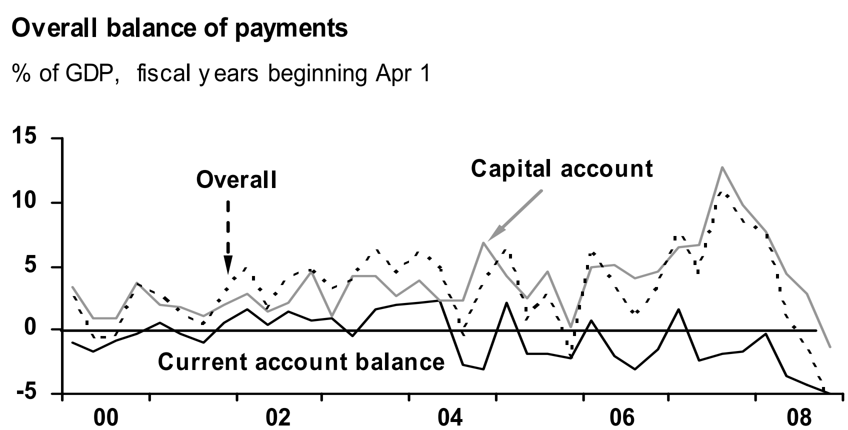
			%oya		m/m%, sa
	Jan-08	Dec-08	Jan-09	Dec-08	Jan-09
Overall IP	6.2	-0.6	-0.5	-1.0	-0.4
Manufacturing	6.7	-1.0	-0.8	-1.0	-0.3
Mining	2.9	1.8	-0.4	-0.4	-2.3
Electricity	3.7	1.6	1.8	-1.9	0.2

Source: Central Statistics Organization; seasonally adjusted data by J.P. Morgan.

Current account deficit hits all time high; overall BoP in deficit for second consecutive quarter:
India's current account deficit widened to an all time high of US$14.6bn (5.1% of GDP) in Oct-Dec; while capital account slipped into a deficit – for the first time since 2Q98 – of US$3.7 billion (1.3% of GDP). This brought the overall balance of payments to a deficit of US$17.9 billion (6.2% of GDP). This was the second straight quarter of overall BoP deficit, which India has not witnessed since 4Q1992.

While a large BoP deficit was expected given the substantial loss of reserves in 4Q08, what was surprising was the strength of imports, which grew 8.9%oya to US$73 billion. The high import growth corroborates the 30%oya increase in inventories in 4Q08 in the face of declining domestic industrial production. The capital account turned into at a deficit of US$3.7 billion as compared to an average surplus ofUS$18.9 bn in the previous 4 quarters & US$7.9 bn in 3Q08. Net foreign investment outflow together with loss in banking capital drained the capital account.

Figure 1: Overall Balance of Payments



Source: Central Statistics Organization; seasonally adjusted data by J.P. Morgan.

DLF Limited

Company looking to sell wind power business - ALERT

Overweight

DLF.BO, DLFU IN

Price: Rs167.20

31 March 2009

Property

Saurabh Kumar[AC]
(91-22) 6639-3020
saurabh.s.kumar@jpmorgan.com

Gunjan Prithyani
(91-22) 6639-3093
gunjan.x.prithyani@jpmorgan.com

J.P. Morgan India Private Limited

- **Wind power business divestment likely:** According to news reports (*Source: Business Standard, DN&A*), DLF is looking to divest its wind power business (Rs15B investment). Adani, Essar Power, Infrastructure Leasing & Financial Services Ltd, CLP and the UK's BG Group Plc are reported to be interested in the business. The windmill business operates 250MW in four states (Tamil Nadu, Karnataka, Rajasthan and Gujarat).
- **Transaction to be value neutral at Rs10.9B:** We calculate the total tax benefit claimed for the company under the accelerated depreciation scheme for one year to be Rs4.08B. It is likely that the buyer of the business could offer a lower price to account for the tax benefits already claimed. We estimate that at Rs10.9B, the transaction would be value neutral for the company.
- **Financing pressures have eased at the margin:** After the recent rounds of refinancing (Rs27B raised at 12-3% interest rates), we estimate DLF has Rs16B in debt refinancing left till Jun09 (after that no debt maturity for next two years). Sale of wind power business is in line with the company's guidance of looking for a non-core asset divestment to ease cash flow pressures and reduce outstanding debt (Rs155B) on the balance sheet.
- **Additional asset sales could be likely:** We believe DLF could be looking at additional asset sales (land/hotels) in order to further reduce its debt levels. The company has acquired Rs60B of land and has invested Rs20B in power and Rs33B in hotels businesses (including the US$250MM Aman resorts acquisition in Nov07) post its IPO in Jun07.

Firstsource Solutions Ltd.

Large shareholder Metavante acquired by FINS - ALERT

Neutral

FISO.BO, FSOL IN

Price: Rs16.85

01 April 2009

eBusiness/IT Services

Nishit Jasani[AC]
(91-22) 6639-3008
nishit.x.jasani@jpmorgan.com

J.P. Morgan India Private Limited

Manoj Singla, CFA
(91-22) 6639-3017/(44-20) 7325-1191
manoj.singla@jpmorgan.com

J.P. Morgan India Private Limited

Bhavin Shah
(852) 2800-8538
bhavin.a.shah@jpmorgan.com

J.P. Morgan Securities (Asia Pacific) Limited

- **Fidelity National Information Services (FIS) today announced acquisition of Metavante Technologies (MT) – MT holds 20% stake in Firstsource (FSOL).** The acquisition will create the world's largest provider of integrated payment and financial processing services. FSOL had entered into a strategic partnership with Metavante where Metavante would market FSOL's offshore BPO services as part of their overall service offerings and FSOL would be Metavante's exclusive offshore and preferred onshore BPO service partner.

- **Implications:** We believe that FSOL failed to see any significant traction in the partnership with Metavante, especially due to the severe downturn in the US Banking space. While the acquisition creates a much bigger entity giving FSOL access to a large pool of a relatively underpenetrated segment of US-based mid-size banks, we are unaware of FIS' commitment to the deal signed by Metavante. We believe there is a chance that offshoring BPO work is not the priority for FIS near term given weak financial markets. Further, any decision to sell stake in FSOL could be a technical negative for FSOL stock – we will speak to the company over next few days to get more color on the same.

- **FCCB buyback:** Firstsource has bought back FCCB of face value worth US$49.7mn at discount of ~50%. FSOL has raised ECB of ~$25mn (interest cost below 10%) to fund the buyback. While the FCCB buyback should be a sentiment positive for the stock, the quantum is too small (US$257 million of outstanding FCCB before the buyback) to have any material impact on our FY10/11 EPS estimates, especially because FSOL has taken debt to fund this buyback.

- **Investment view:** We continue to believe that FSOL will see a difficult end-market environment both in financial services and healthcare for FY10, and we remain fundamentally cautious.

- **Note: Fidelity National Information Services Inc is covered by our US analyst Tien-Tsin Huang.**

See page 22 for analyst certification and important disclosures, including non-US analyst disclosures.

Indian IT Services

Expect muted 4QFY09 inline with consensus estimates; Infosys FY10 guidance remains key

India
eBusiness/IT Services

Manoj Singla, CFA[AC]
(91-22) 6639-3017/(44-20) 7325-1191
manoj.singla@jpmorgan.com

J.P. Morgan India Private Limited

Bhavin Shah
(852) 2800-8538
bhavin.a.shah@jpmorgan.com

J.P. Morgan Securities (Asia Pacific) Limited

Nishit Jasani
(91-22) 6639-3008
nishit.x.jasani@jpmorgan.com

J.P. Morgan India Private Limited

- **We expect a weak 4QFY09 from Indian IT sector, inline with consensus expectations and management commentary** over the last couple of months. We expect majority of the pricing pressure to show up in 4QFY09 along with some volume pressure due to delayed spend decisions. For large Indian IT players, we expect 4QFY09 to see ~0-2% Q/Q volume declines, ~3-4% price declines and ~4-6% US$ revenue decline. Lower utilisation and pricing decline should lead to 100-200bps EBITDA margin drop. Foreign exchange losses would vary depending on hedging positions. Overall, in Rupee-terms we estimate 5-6% Q/Q revenue decline, 6-12% EBITDA decline and 0-12% EPS decline.
- **Infosys FY10 guidance is the key to watch out for given that TCS and Wipro do not give annual guidance.** We expect Infosys to guide to flattish revenues in constant currency, implying ~3% US$ revenue decline and ~3-4% growth in Rupee terms. Moreover, we believe Infosys should be able to maintain margins in a narrow range with possibly a 50 bps decline, by offsetting pricing and volume pressure by moving more work offshore, lower variable pay and rupee depreciation tail-wind. As such, we expect EPS guidance to be inline with revenues at 3-4% EPS growth (~Rs 103-104/share). This would be ahead of current consensus estimates.
- **Investment view:** We remain positive fundamentally and believe that Indian IT sector remains well positioned given secular offshoring trend, strong balance sheets and continued cash flow generation. However stocks have outperformed YTD and we do agree that stocks could take a breather near-term. We would be buyers on dips. Infosys and TCS are our top-picks. We are incrementally more positve on Wipro.

4QFY09 preview

	Date	Sales JPM Est.	Q/Q (%)	Y/Y (%)	Sales Guidance	EBITDA JPM Est.	Q/Q (%)	Y/Y (%)	PAT JPM Est.	Q/Q (%)	Y/Y (%)	PAT Guidance	EPS (Rs) JPM Est.
TCS	20-Apr-09	69,342	-4.7	14.0		16,651	-12.3	14.3	11,860	-12.3	-6.3		12.1
Wipro	22-Apr-09	63,446	-3.0	13.4		12,061	-2.8	7.7	8,922	-0.6	1.9		6.1
Wipro Global IT		48,220	-4.8	17.5	50,683	9,534**	-5.9	13.8					
Infosys - Cons.	15-Apr-09	54,647	-5.6	20.4	54,940-56,990	18,074	-10.6	23.5	15,223	-3.0	25.3	15,169	26.6
HCL Technologies		26,118	4.8	34.3		4,817	-9.4	16.4	3,364	-5.5	4.2		5.0
Tech Mahindra		10,955	-3.2	7.2		3,023	-4.9	35.9	2,371	6.4	8.3		19.5
Patni		7,455	-13.0	5.6	7,469-7,518	932	-38.9	-4.5	471	-39.7	-35.0	655-703*	3.7
Mphasis BFL	2nd week of May	9,948	1.8	51.3		2,399	-6.6	120.9	1,833	-12.7	56.5		8.8
NIIT	3rd week of April	2,245	-6.3	-13.5		173	-31.0	-7.5	141	-31.9	-16.6		0.9
HCL Infosystems	27-Apr-09	31,590	0.6	4.7		907	-8.1	-26.3	582	5.3	-28.6		3.4
Mindtree	27-Apr-09	2,567	-6.8	22.3		629	-25.1	66.0	387	4,090.8	11.4		9.9
Allied Digital	3rd week of April	1,407	0.7	71.7		245	-5.0	21.8	160	-18.3	29.1		9.2
InfoEdge	30-Apr-09	604	2.5	-7.1		172	14.9	-14.1	150	-12.6	-3.6		5.5
OnMobile	Last week of April	1,109	-4.2	61.1		343	-15.4	100.5	222	-19.7	402.7		3.8
Firstsource Solutions	Last week of April	4,638	4.4	23.5		477	4.7	-23.4	-10	89.9	-104.3		0.0
MoserBaer	Last week of April	9,274	9.9	72.9		1,803	25.1	732.7	44	116.0	-102.3		0.3

Source: Company data, J.P. Morgan estimates. * Note: Patni guidance excludes forex loss of approx $7mn. ** - Global IT numbers are EBIT not EBITDA

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Manoj Singla, CFA
(91-22) 6639-3017/(44-20) 7325-1191
manoj.singla@jpmorgan.com

Expect 4QFY09 to be a weak quarter

We expect 4-5% Q/Q Rupee based revenue decline from large players driven by declining volumes and pricing cuts partly offset by rupee depreciation.

Consistent with street expectations and management commentary over the last few months, we expect a muted 4QFY09 across the sector. We believe that delayed IT budgeting decision has lead to some volume push-outs. As a result, we expect 4QFY09 to be a see Q/Q volume declines of ~0-2% Q/Q. Further, pricing decline should evince in estimates (as widely expected) to the tune of ~3-4% leading to ~4-6% decline in US$ revenues. Average rupee depreciation of ~1-2% against US$ in 4QFY09 should result in 4-5% Q/Q rupee based revenue decline.

We expect operating margins to be impacted by 150-200bps as pricing declines would be partly offset by rupee depreciation. Further, hedging losses should continue due to high hedging positions at most companies. Infosys remains relatively best positioned with the least hedging positions. However TCS is likely to have a high forex loss (~Rs 2.25 billion) in our view. Wipro and HCL Tech should also have foreign exchange losses.

Table 1: 4QFY09 expectations for large cap Indian IT players

	Sales JPM Est.	Q/Q (%)	Y/Y (%)	EBITDA JPM Est.	Q/Q (%)	Y/Y (%)	PAT JPM Est.	Q/Q (%)	Y/Y (%)	EPS (Rs) JPM Est.
TCS	69,342	-4.7	14.0	16,651	-12.3	14.3	11,860	-12.3	-6.3	12.1
Wipro	63,446	-3.0	13.4	12,061	-2.8	7.7	8,922	-0.6	1.9	6.1
Wipro Global IT	48,220	-4.8	17.5	9,534*	-5.9	13.8				
Infosys - Cons.	54,647	-5.6	20.4	18,074	-10.6	23.5	15,223	-3.0	25.3	26.6
HCL Technologies	26,118	4.8	34.3	4,817	-9.4	16.4	3,364	-5.5	4.2	5.0
Tech Mahindra	10,955	-3.2	7.2		3,023	-4.9	35.9	2,371	6.4	8.3

Source: Company reports and J.P. Morgan estimates, * - Global IT EBIT not EBITDA

Company specific estimates

Infosys and TCS are likely to see 4-6% decline in US$-based revenues and ~200bps decline in operating margins.

Wipro is likely to come in below its guidance due to cross-currency headwinds with revenue declining ~6-7% Q/Q and margins going down by 100bps.

HCL Technologies should report 4% organic US$ revenue decline with forex losses impacting net profit.

1. **Infosys should see ~4-5% Q/Q US$ based revenue decline** with ~200bps decline on EBIT margins. Overall, we expect EPS of Rs 26.6/share against guidance of Rs 26.49/share.
2. **TCS is likely to see** ~6% Q/Q US$ revenue decline in 3QFY09 and ~210bp EBIT margin decline due to pricing cuts of ~3-4% partly offset by positive impact from rupee depreciation. However, we expect significant hedging losses (~Rs 2.25 billion) to continue to impact bottom-line.
3. **Wipro Global IT should see ~6-7% US$ based revenue decline,** below its guidance of US$1,045mn largely due to cross-currency headwinds. We expect IT Services EBIT margins to decline by ~100bps due to pricing cuts.
4. **HCL Technologies should report 4% decline in organic US$ revenues.** Including Axon we expect HCL Tech to see 11% Q/Q US$ revenue growth. With part of the forex losses being booked in revenue line itself, we expect EBIT margins to go down by 270bps. We expect HCL Tech to continue to report foreign exchange losses given its large forex exposure of over US$1 billion.
5. **Tech Mahindra should have muted quarter** ~3% Q/Q rupee based revenue decline and 70 bps decline in EBIT margins. We believe that Tech Mahindra would be see impact of reduction in BT core business, which would be partly compensated by other large deals with BT ramping up.
6. **We expect Patni to report in line with its guidance.** We expect revenues of US$ 156m vs. guidance of US$ 154-155m. On net profit, we expect PAT of US$

Manoj Singla, CFA
(91-22) 6639-3017/(44-20) 7325-1191
manoj.singla@jpmorgan.com

9.8m (US$16.8m excluding forex loss) as compared to guidance of US$ 13.5-14.5m (excluding forex loss).

7. **Mid-cap space:** We expect mid-cap companies to report a muted 4QFY09 with weak US$ revenue growth accompanied by muted margins. Those with significant forex exposure are likely to suffer more on net profit front.

Infosys FY10 guidance remains the key

We expect Infosys management to be more cautious than usual in giving out FY10 guidance due to limited business visibility. Further guidance range could be increased to factor in the uncertain environment.

For FY10, we expect Infosys to guide for largely flat revenues in constant currency terms. However, cross-currency headwinds would imply US$ revenue growth guidance of -3% (3% revenue decline). Further, Infosys would guide at Rupee/US$ exchange rate of Rs 50.6/US$ (31st March 2009 spot rate) helping Rupee guidance by ~6-7%. As such, we expect Rupee-revenue guidance of ~3-4% revenue growth.

In terms of margins, we expect management to guide to margins remaining in a narrow range with possibly a 50 bps decline due to pricing pressures. However this should be made up by lower foreign exchange losses in FY10. As such, we expect EPS guidance to be inline with revenues at 3-4% EPS growth (~Rs 103-104/share).

Table 2: Our guidance expectations vs. estimates

Rs Mn		Guidance expectation		JPM estimates	
	FY09E	FY10E Y/Y growth	FY10E	FY10E Y/Y growth	FY10E
Revenue	214,860	3-4%	221,300-223,450	1.6%	218,332
EBITDA	70,819			1.0%	82,196
EPS	99.94	3-4%	103-104	3.7%	103.6

Source: Company reports and J.P. Morgan estimates.

Other points to watch for

IT spending budgets for CY2009

We would watch for management commentary on budget decisions for CY2009 and the extent of decline in IT budgets. Early indications are for double-digit decline in IT budgets but with a higher offshoring component. We believe application maintenance, infrastructure maintenance and BPO activities would continue to see high offshoring and drive revenues for Indian IT players.

Pricing pressure

While part of the pricing pressure showed up in 3QFY09 already, we expect 4QFY09 to show bulk of the major pricing cuts. We would look for color on extent of pricing decline and any accompanying volume guarantees.

Second tier performance

We believe that second tier players would be impacted more than top tier players due to vendor consolidation and higher pricing pressure. We would look for their commentary on the environment.

Currency – US$ strengthened against all currencies

Rupee has depreciated by 2.2% on average and 4.2% on an end-to-end basis against the US$.

Table 3: Currency movement - average

	Rs/US$	Rs/GBP	Rs/Euro	US$/Euro	US$/GBP	US$/A$
Average 3QFY09	48.6	76.6	64.4	1.32	1.57	0.67
Average 4QFY09	49.7	71.5	65.0	1.30	1.44	0.67
Change (%)	2.2	-6.7	1.0	-1.2	-8.5	-1.1

Source: Datastream

Table 4: Currency movement: End to End

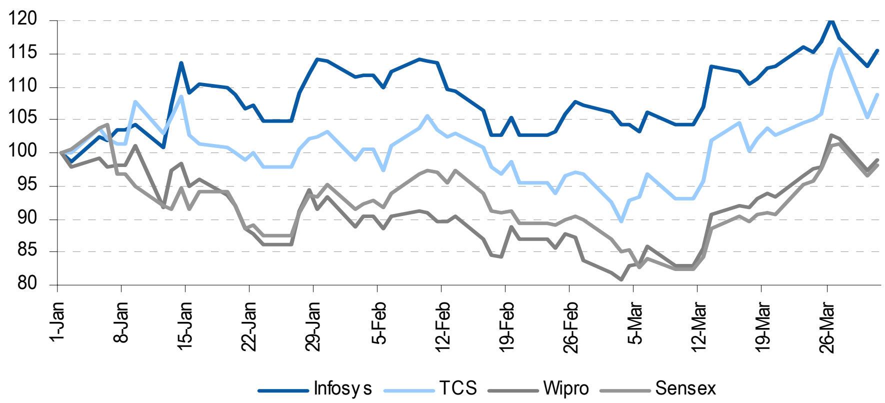
	Rs/US$	Rs/GBP	Rs/Euro	US$/Euro	US$/GBP	US$/A$
End 3QFY09	48.6	70.0	67.7	1.39	1.46	0.71
End 4QFY09	50.6	72.7	67.4	1.33	1.43	0.69
Change (%)	4.2	3.8	-0.5	-4.5	-1.9	-2.0

Source: Datastream.

Share price movement during the quarter

During 4QFY09, Infosys and TCS have outperformed the Sensex by 18% / 11%. Wipro has performed inline with the Sensex

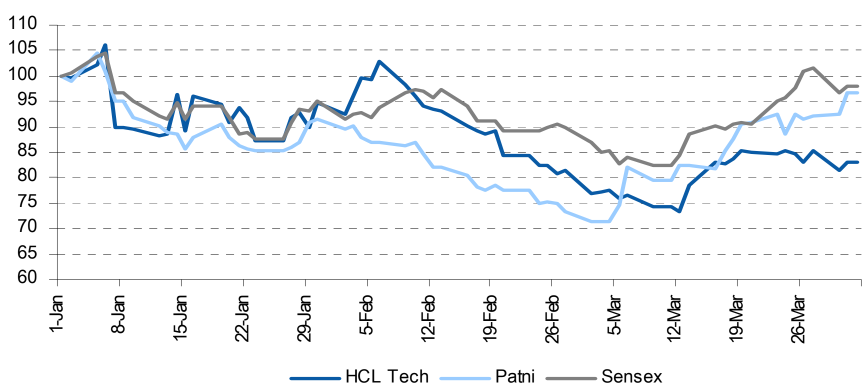
Figure 2: Movement in Tier 1 Indian IT stocks during 4QFY09



Source: Datastream

In Tier-2 Indian IT firms, HCL Tech underperformed the Sensex by 15% and Patni underperformed by 2%.

Figure 3: Movement in Tier 2 Indian IT stocks during 4QFY09



Source: Datastream.

Table 5: Valuation

Year ending March					Mkt Cap	EPS			PER			EPS CAGR
Company	Ticker	Rating	PT (Rs)	Price	US$ M	FY09E	FY10E	FY11E	FY09E	FY10E	FY11E	FY09-11E
TCS	TCS IN	OW	700	545	10,503	51.5	57.3	65.8	10.6	9.5	8.3	13.0
Infosys	INFO IN	OW	1,500	1,374	15,510	99.9	103.6	117.5	13.7	13.3	11.7	8.4
Wipro Limited	WPRO IN	N	250	252	7,283	23.8	24.4	27.0	10.6	10.3	9.4	6.4
HCL Tech	HCLT IN	N	130	101	1,330	19.9	17.7	22.3	5.1	5.7	4.5	5.8
Tech MH	TECHM IN	OW	325	272	654	68.4	63.2	75.2	4.0	4.3	3.6	4.8
Patni	PATNI IN	OW	140	127	322	34.1	24.1	28.0	3.7	5.3	4.6	-9.5
Mid-caps												
Mphasis-BFL	MPHL IN	N	200	203	837	14.1	30.7	22.7	14.4	6.6	8.9	26.8
Mindtree	MTCL IN	OW	300	215	161	16.4	41.5	51.2	13.1	5.2	4.2	76.5
FirstSource Solutions	FSOL IN	N	10	17	143	0.3	0.6	3.1	65.6	29.8	5.5	245.2
NIIT Ltd	NIIT IN	UW	30	22	71	5.0	4.1	5.9	4.4	5.3	3.7	8.3
HCL Infosystems	HCLI IN	OW	110	77	258	14.1	15.8	18.6	5.4	4.8	4.1	14.8
Allied Digital	ALDS IN	OW	225	181	65	43.4	49.1	71.2	4.2	3.7	2.5	28.1
Info Edge	INFOE IN	UW	250	441	237	21.7	18.2	20.5	20.3	24.2	21.5	-2.8
Moser Baer	MBI IN	N	55	54	180	-13.4	6.1	6.8	n.m.	8.8	8.0	nm
OnMobile	ONMB IN	UW	200	312	355	14.4	15.8	19.4	21.6	19.8	16.1	15.9

Source: Bloomberg, J.P. Morgan estimates, Company data.
Dated as of 1 April, 2009

Table 6: Valuation (cont'd)

		ROE			P/BV		
Company	Ticker	FY09E	FY10E	FY11E	FY09E	FY10E	FY11E
TCS	TCS IN	36.4	31.7	28.2	3.5	2.7	2.1
Infosys	INFO IN	33.2	32.3	29.8	4.7	3.9	3.2
Wipro Limited	WPRO IN	25.4	22.6	21.1	2.6	2.1	1.8
HCL Tech	HCLT IN	24.5	22.3	24.7	1.3	1.2	1.0
Tech MH	TECHM IN	49.4	31.8	29.2	1.6	1.2	0.9
Patni	PATNI IN	16.2	11.2	12.1	0.6	0.6	0.5
Mid-caps							
Mphasis-BFL	MPHL IN	22.8	36.6	21.0	3.0	2.0	1.7
Mindtree	MTCL IN	11.4	24.9	24.5	1.5	1.2	1.0
FirstSource Solutions	FSOL IN	1.0	2.2	11.0	0.7	0.6	0.6
NIIT Ltd	NIIT IN	19.0	13.9	17.8	0.8	0.7	0.6
HCL Infosystems	HCLI IN	21.7	20.6	20.3	1.1	0.9	0.8
Allied Digital	ALDS IN	34.6	29.0	31.3	1.2	0.9	0.7
Info Edge	INFOE IN	20.0	14.3	14.2	3.7	3.2	2.9
Moser Baer	MBI IN	-13.2	6.2	6.5	0.5	0.4	0.4
OnMobile	ONMB IN	12.7	12.3	13.4	2.6	2.3	2.0

Source: Bloomberg, J.P. Morgan estimates, Company data.
Dated as of 1 April, 2009

J.P.Morgan

Asia Pacific Equity Research
01 April 2009

India Consumer

Off the shelf

Key highlights of our 39th edition of the consumer fortnightly:

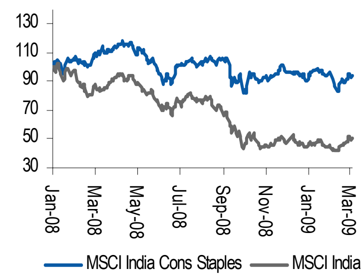
- **Domestic:** 1) Non-carbonated beverage segment is witnessing many new launches/relaunches ahead of the peak summer season. Domestic companies are actively revamping their product offering to compete with cola majors in this segment. Tata Tea is the latest to join this space with the launch of T!ON, a fruit-and tea-based cold beverage. Parle Agro has also relaunched its leading mango drink brand 'Frooti' and raised prices by c20%. It has also launched an affordable, packaged lemon juice 'LMN', priced in line with Pepsico's recent launch 'Nimbooz'. Dabur India is expected to launch a mid-price fruit-based drink in the next few weeks under a new brand. 2) Jyothy Laboratories is expanding beyond its fabric care products business into the laundry services business.
- **Key commodity trends:** Palm oil prices continue to inch up (up 5% over the fortnight) on higher demand and lower palm oil stocks. As per the recent USDA plantings intentions report, soybean acreage in the US is expected to be 76mn acres, 1-4% lower than J.P. Morgan and consensus expectations, which are slightly positive for palm oil. Sugar prices were firm during the fortnight on expectation of strong summer demand from beverage manufacturers and no decision by the government so far regarding duty free white sugar imports. Indian sugar production estimates were further revised downwards to 14.5mn tonnes for the current season as more cane is being diverted to jaggery.
- **International:** Beiersdorf's CEO recently highlighted that the company is open to acquisitions in Brazil, India, China and Russia. Given that the Indian skincare market is dominated by global brands and domestic companies are largely present at the mass end, we believe there is low probability that Beiersdorf could find suitable acquisition targets. It has been aggressive in launching various Nivea products in the country over the past two years and garner 2-3% market share.
- **Share price performance:** Over the past fortnight, BSE FMCG Index has been up 5%, underperforming the Sensex by 5%. GCPL was the key outperformer (6% rel perf) while UNSP was a laggard (-18% rel perf).

India
Food & Food Manufacture

Latika Chopra, CFA[AC]
(91-22) 6639 3014
latika.chopra@jpmorgan.com
J.P. Morgan India Private Limited

Vineet Sharma, CFA
(852) 2800-8523
vineet.k.sharma@jpmorgan.com
J.P. Morgan Securities (Asia Pacific) Limited

Relative performance of Indian consumer sector



Source: Datastream.

Consumer valuation table

Company	Price	MCAP	P/E		EV/EBITDA		P/Sales	
	Rs	US$mn	FY09E	FY10E	FY09E	FY10E	FY09E	FY10E
HUL	238	10,365	25.9	20.5	20.5	15.6	3.2	2.7
ITC	185	13,945	20.5	17.7	12.8	11.0	4.3	3.8
Colgate-Palmolive (India)	471	1,281	23.2	19.4	18.8	16.1	3.8	3.5
Godrej Consumer	133	687	20.8	16.3	16.5	11.6	2.5	2.3
Dabur	99	1,715	22.6	18.8	18.6	15.5	3.1	2.6
Nestle India	1556	3,000	26.8	22.3	17.2	14.3	3.5	3.0
United Spirits	649	1,402	23.8	16.9	12.0	10.1	1.4	1.2

Source: Bloomberg, Company reports and J.P. Morgan estimates. Price as of COB Mar 31, 2009.

Domestic Market – What's changing?

Tata Tea forays into non-carbonated drinks market with T!ON

Looking to expand its presence beyond tea and coffee in the domestic market, Tata Tea recently forayed into the cold beverage segment announcing the launch of T!ON, a tea-and fruit-based beverage. This product is priced at an affordable range of Rs22 for a 400ml bottle and is available in three flavors currently. Tata Tea is been looking to establish its presence in the non-carbonated beverage segment in India, which is estimated to be growing at 25-30% annually compared to 10-12% growth for the carbonated segment. Indian operations account for nearly 25% of the consolidated revenues of the company and offer higher growth prospects given that the demand for black tea is largely stagnant in developed markets such as Europe and US. The company is focusing on growing share of flavored (fruit and herbal) teas in overseas markets, which are witnessing higher growth rates.

Parle Agro peps up its fruit-based drinks portfolio, raises prices ahead of peak summer season

In order to tap into the fast growing demand for fruit-based non-carbonated drinks ahead of peak summer season, Parle Agro has revamped its leading drink brand 'Frooti' and has recently launched the lemon juice drink 'LMN' priced affordably at Rs10 for a 200ml tetra pack and Rs23 for a 500ml PET bottle. Earlier this month, Pepsico too launched non-carbonated lemon juice 'Nimbooz' under its 7Up brand. Parle Agro has also raised the prices of its largest selling brands, 'Frooti' and 'Appy' from Rs10 to Rs12 for a 200ml pack. Late last year, the company forayed into the pure fruit juice segment under the 'Saint Juice' brand priced at Rs95-100/litre.

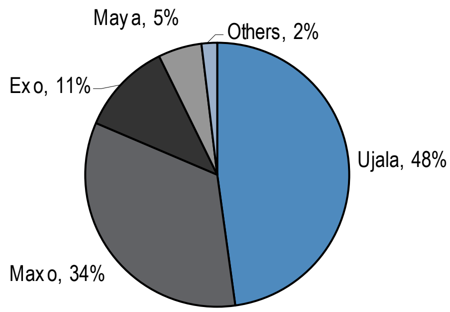
Cola majors are competing intensively to grab a higher share of drinks market in the current summer season. Coca-Cola launched 'Fanta Apple' nationally earlier last month. Domestic players like Dabur have also highlighted their plans to launch a mid-price fruit based beverage soon.

Jyothy Lab expands into fabric care services segment with 'Fabric Spa'

Jyothy Laboratories, a leading manufacturer of fabric care products, has ventured into services segment with the launch of 'Fabric Spa' with an initial investment of Rs400mn, starting with services in Bangalore. The company is looking to provide value-added laundry services at affordable rates to consumers. It has already started servicing some institutional clients in Bangalore. As per press reports (*The Hindu*), the company hopes to breakeven in 1-2 years targeting revenues of Rs100-150mn by FY10, implying 2-3% of its overall sales. It plans to open 25 collection and delivery centers across the city in a year and already has a 40,000 pieces a day capacity laundry facility.

Jyothy Laboratories derives nearly half of its revenues from its leading fabric care brand 'Ujala', with 'Maxo' (household insecticide) contributing 34% to sales, 'Exo (utensil cleaner) forming 11% share and 'Maya' (incense sticks) contributing 5% to overall sales.

Figure 4: Sales break-up for Jyothy Laboratories



Source: Company.

Agri and other key commodity price behavior

Palm oil prices were firm (up 4%) over the fortnight based on the high demand from Europe and India leading to a sharp increase in Malaysian palm oil exports and decline in palm oil stocks. Discount between palm and soya oil has contracted significantly which may dampen the demand for palm oil. Domestic soy bean prices were steady to weak after the government scrapped the 20% import duty on soy oil.

Sugar prices were firm during the fortnight on expectation of high summer demand from beverage manufacturers and no decision by the government so far regarding duty free white sugar imports. However, the government may look to release more sugar during the coming quarter which may cap sugar price gains. The government had earlier fixed a limit of 200 tonnes for sugar stocks held by dealers and directed them to sell supplies within 30 days of purchasing the commodity. As per news reports (*Bloomberg*), India Sugar Mills Association, has revised sugar production estimates further downwards to 14.5mn tonnes in the current season as more sugarcane is being diverted to jaggery.

Wheat prices were weak over the fortnight on account of steady demand amidst increased supplies. In the domestic market, wheat prices are quite high compared to international prices mainly on account of higher Minimum Support Price declared by the government ahead of the general elections (raised to Rs1,080/quintal from Rs1,000/quintal earlier). Wheat stocks with the government are expected to be around 14-15mn tonnes by April 1, 2009. The government is also likely to procure around 24mn tonnes in 2009-10. There are also increased concerns regarding paucity of storage for new wheat to be procured by the government in coming months.

Table 5: Price change for key agri and other commodities

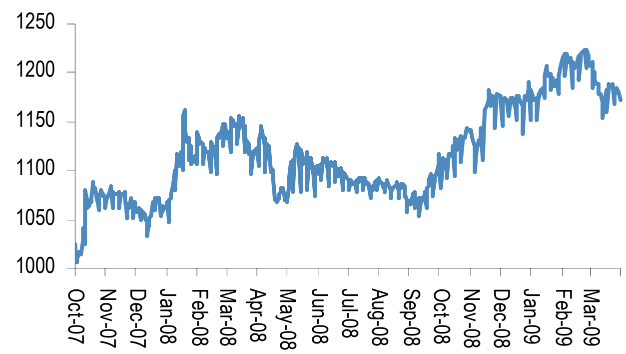
Commodity	Unit	Current Price	2 week	1 mnth	3 mnth	6 mnth	12 mnth
Palm Oil	M$/tonne	2,108	4.4%	9.6%	34.3%	-7.9%	-41.7%
Soy bean	Rs/quintal	2,339	-0.6%	0.8%	20.3%	19.1%	6.8%
Wheat	Rs/quintal	1,172	-0.8%	-3.2%	1.7%	5.8%	4.8%
Sugar	Rs/quintal	2220	1.1%	-1.6%	12.7%	19.7%	36.6%
Cotton	Rs/candy	22,235	2.6%	3.5%	-3.1%	-21.8%	-0.6%
Crude Oil	US$/barrel	49	-0.6%	9.2%	9.6%	-51.4%	-51.9%
Gold	US$/oz	919	0.4%	-2.5%	4.2%	5.5%	0.2%

Source: NCDEX, Bloomberg and Datastream, Note : 1 candy = 356Kg, 1 quintal = 100Kg. Price as of Mar 31, 2009.

Latika Chopra, CFA
(91-22) 6639 3014
latika.chopra@jpmorgan.com

Figure 5: Wheat price trends

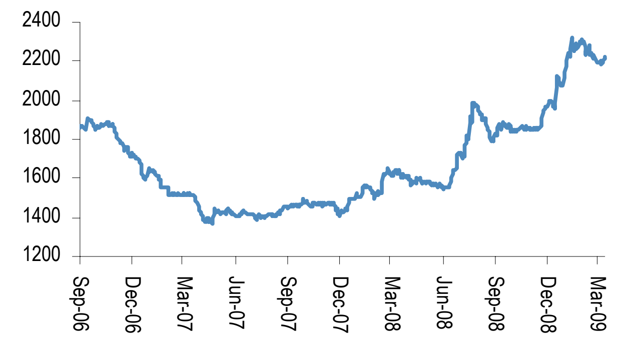
Rs/quintal



Source: NCDEX.

Figure 6: Sugar price trends

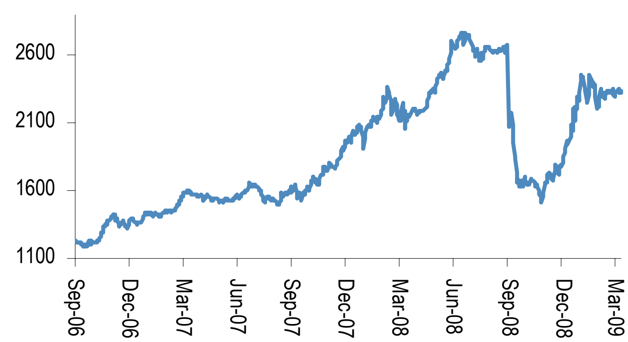
Rs/quintal



Source: NCDEX.

Figure 7: Soy bean price trends

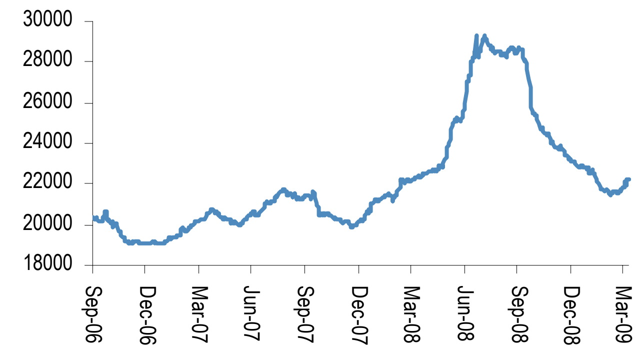
Rs/quintal



Source: NCDEX.

Figure 8: Cotton price trends

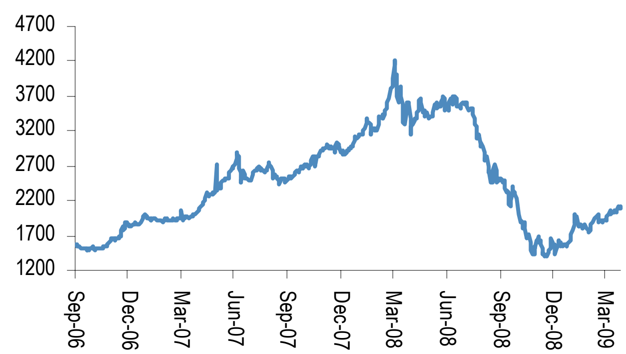
Rs/candy



Source: NCDEX.

Figure 9: Palm oil price trends

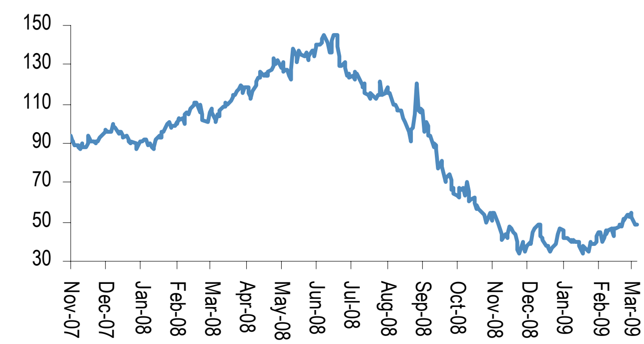
M$/tonne



Source: Bloomberg.

Figure 10: Crude oil price trends

US$/barrel



Source: Bloomberg.

International market developments

Beiersdorf open to emerging-market purchases

In a recent interview (*Reuters*), Beiersdorf's CEO mentioned that the company is open to acquisitions in China, Russia, Brazil and India. He further indicated that potential targets should be leaders in the skin and beauty care segment and complement its product range. Given that the Indian skincare market is dominated by global brands (Unilever, L'OReal, P&G) and local companies are largely present at the mass end, we believe there is very low probability that Beiersdorf would find acquisition targets in this market. In India, the company already sells its leading Nivea range of skincare products. It has been aggressive in new product launches over the past two years expanding its presence across face care, deodorants, men care, etc., and has garnered 2-3% market share of the skin cream category.

Table 7: Beiersdorf - LFL sales growth in Consumer

%

	Q107	Q207	Q307	Q407	FY07	Q108	Q208	Q308	Q408	FY08
Germany	6.7%	2.1%	-5.8%	-3.6%	0.2%	-2.8%	3.8%	5.1%	0.6%	1.7%
Western Europe	5.9%	3.3%	3.8%	4.3%	4.3%	6.9%	0.3%	4.8%	0.7%	3.0%
Eastern Europe	25.1%	27.3%	33.0%	17.4%	25.4%	22.6%	15.4%	21.2%	14.5%	18.5%
Europe	**8.7%**	**5.8%**	**4.6%**	**4.7%**	**6.0%**	**6.8%**	**3.6%**	**7.6%**	**3.2%**	**5.2%**
North America	10.2%	9.5%	1.3%	-1.8%	4.9%	-0.4%	3.1%	6.9%	5.9%	3.8%
Latin America	19.8%	36.8%	16.0%	13.0%	20.0%	31.1%	20.4%	14.1%	20.4%	20.9%
Americas	**14.3%**	**22.3%**	**9.1%**	**6.4%**	**12.4%**	**13.7%**	**12.5%**	**11.1%**	**14.7%**	**13.1%**
ROW	**25.7%**	**30.8%**	**13.5%**	**31.6%**	**24.7%**	**20.8%**	**24.9%**	**22.3%**	**12.0%**	**20.1%**
Total	**11.6%**	**10.4%**	**6.5%**	**8.3%**	**9.3%**	**9.7%**	**7.6%**	**10.5%**	**6.5%**	**8.6%**

Source: Company reports.

Latika Chopra, CFA
(91-22) 6639 3014
latika.chopra@jpmorgan.com

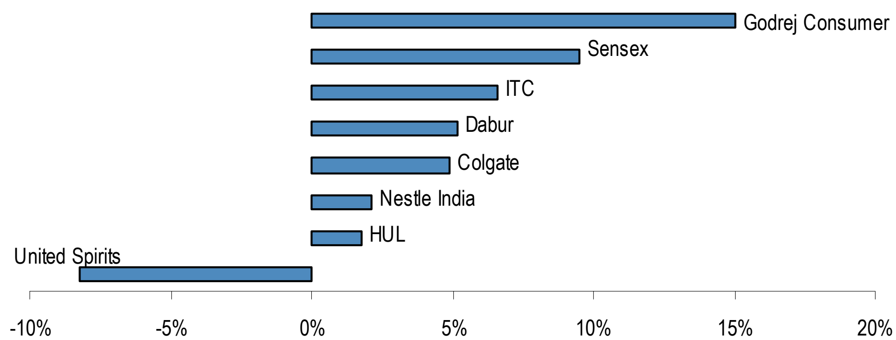
Price performance of consumer stocks

Table 6: Stock price performance

				Absolute Percentage Change				Relative Percentage Change			
	Last Price	52 WH	52 WL	5 day	1 Mth	6 Mth	12 Mth	5 day	1 Mth	6 Mth	12 Mth
HUL	238	272	185	-1%	-6%	-6%	4%	-3%	-15%	19%	42%
ITC	185	232	132	6%	1%	-2%	-10%	3%	-8%	23%	28%
Colgate	471	482	341	3%	1%	16%	23%	1%	-8%	41%	61%
Godrej Consumer	133	146	90	11%	5%	21%	8%	8%	-5%	45%	46%
Dabur	99	116	60	5%	9%	9%	-10%	3%	0%	33%	27%
Nestle India	1556	1870	1220	2%	4%	-7%	4%	0%	-5%	17%	42%
United Spirits	649	1874	426	0%	4%	-49%	-57%	-2%	-5%	-24%	-19%

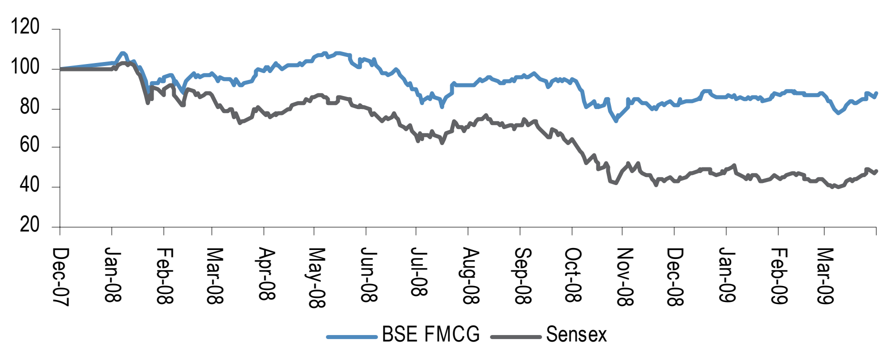
Source: Bloomberg. Price as of EOD 31 Mar 2009.

Figure 11: Share price performance over past fortnight



Source: Bloomberg. Price as of EOD 31 Mar 2009.

Figure 12: BSE FMCG vs Sensex

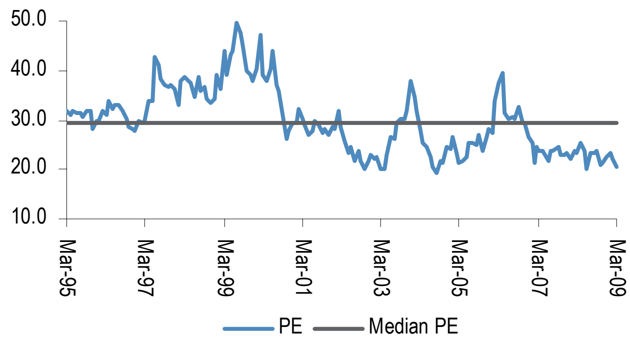


Source: Bloomberg.

Latika Chopra, CFA
(91-22) 6639 3014
latika.chopra@jpmorgan.com

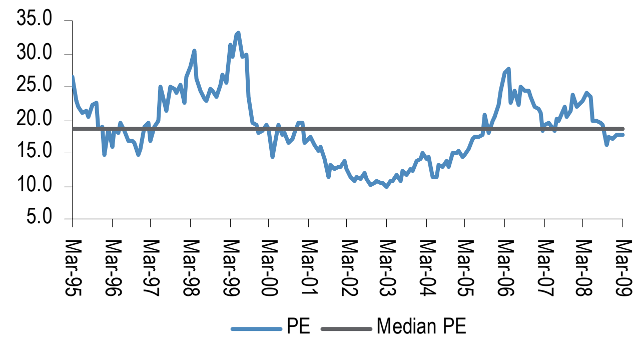
Valuations

Figure 13: Rolling 1-yr forward P/E (x) of HUL



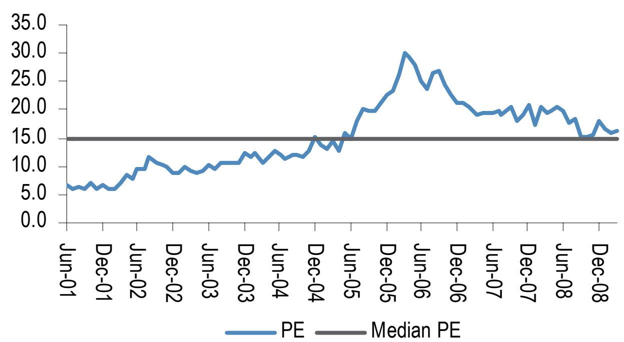
Source: Bloomberg, Company Reports and J.P. Morgan estimates.

Figure 14: Rolling 1-yr forward P/E (x) of ITC



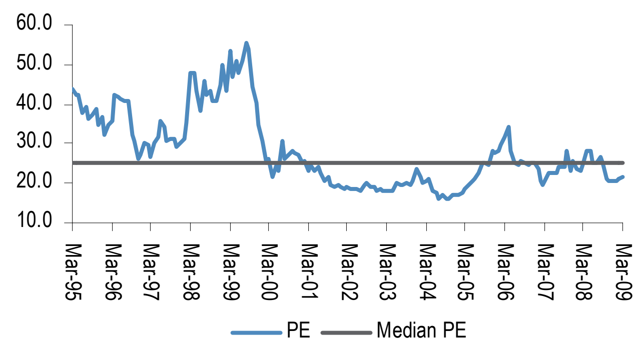
Source: Bloomberg, Company Reports and J.P. Morgan estimates.

Figure 15: Rolling 1-yr forward P/E (x) of Godrej Consumer



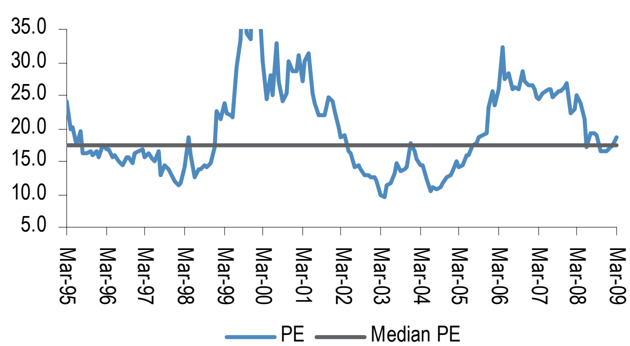
Source: Bloomberg, Company Reports and J.P. Morgan estimates.

Figure 16: Rolling 1-yr forward P/E (x) of Nestle India



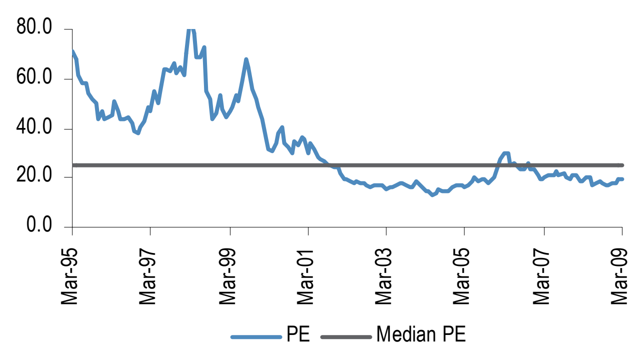
Source: Bloomberg, Company Reports and J.P. Morgan estimates.

Figure 17: Rolling 1-yr forward P/E (x) of Dabur



Source: Bloomberg, Company Reports and J.P. Morgan estimates.

Figure 18: Rolling 1-yr forward P/E (x) of Colgate India



Source: Bloomberg, Company Reports and J.P. Morgan estimates.

City gas distribution

GAIL wins 4 cities, Marginally negative for IGL - ALERT

Natural Gas

Pradeep Mirchandani, CFA[AC]
(91-22) 6639 3041
pradeep.a.mirchandani@jpmorgan.com

Adarsh Parasrampuria
(91-22) 6639-3097
adarsh.x.parasrampuria@jpmorgan.com

J.P. Morgan India Private Limited

- **GAIL wins 4 cities:** According to media reports (*Business Standard*), GAIL has won CGD bids for 4 cities (Devas, Kota Meerut and Sonepat) and GAIL-HPCL JV has won 1 bid for Kakinada (RIL gas had also bid for Kakinada). Last date for bids for Mathura had been extended till 1st April 2009.
- **Marginally negative for IGL:** We believe the bid results (no success in Sonepat) could be negative for IGL as it was expanding its CNG coverage and had been acquiring land in Sonepat to set up CNG stations as per earlier authorizations received from state authorities. Geographical expansion beyond the NCR region remains a concern for future growth of IGL, in our view.
- **PNGRB's networth criteria need clarity:** IGL is appealing to APTEL (Appellate tribunal for electricity – electricity body also deals with cases relating to gas distribution) regarding PNGRB's networth criterion. Applicant networth is one of the criteria for CGD bidding. As per the norms, Rs4.0bn would be deducted from Rs7.0bn of IGL's current networth for capital requirements towards current distribution circle thus limiting IGL's ability to bid for more circles. However, IGL technically qualified for Meerut and Sonepat circles and management does not see the networth norm impacting future bidding by IGL.
- **Lower risk of regulatory timeline slippage:** Since inception PNGRB has introduced regulations for authorizations of CGD and transmission companies and the regulator has been pro-active in inviting CGD bids and allocation for the first 5 cities and also plans to invite bids for 14 more cities shortly. Hence, we see lower risk of delay (approval/authorization) from the regulatory front for the CGD and transmission companies.

CGD Bid Winners

City	Bidders	Winners
Devas	GAIL, GSPC Gas, IOC-Adani (JV)	GAIL
Kakinada	RIL, Bhagyanagar gas	Bhagyanagar gas
Kota	GAIL, IOC-Adani (JV), Cairn-BPCL (JV),	GAIL
Meerut	GAIL, IOC-Adani (JV), IGL	GAIL
Sonepat	GAIL, IOC-Adani (JV), Cairn-BPCL (JV), IGL, DCM Infra	GAIL
Mathura	GAIL	Bids till 1st April

Source: Media sources (Business Standard), Infraline.

J.P.Morgan

India Telecom

Recent TDSAT ruling highlights regulatory uncertainty, remain cautious - ALERT

- The Telecom Dispute Settlement Appellate Tribunal (TDSAT) in a statement mentioned that GSM operators cannot hold more than 6.2 Mhz spectrum in a circle, as per the license agreement *(as per Business Line)*. Also it has rejected a petition earlier filed by the Cellular Operators' Association of India (COAI) against the Government's decision to allow RCOM to offer services using GSM and CDMA technologies.
- **Likely to impact existing players (Bharti/BSNL/Vodafone/Idea):** Bharti, BSNL and Vodafone have spectrum above 6.2Mhz in most of their circles (detailed table below). Based on data compiled by us, Bharti/Idea/BSNL/Vodafone have more than 6.2Mhz of spectrum in 10/7/19/8 circles. While it is unlikely that the spectrum above 6.2Mhz would be withdrawn, we could see government charge a fee on spectrum above 6.2Mhz. However the matter could escalate to Supreme Court before a decision is taken.
- **Continues to reflect the regulatory risks:** We believe this move reflects the continued regulatory uncertainty in the Indian Telecom sector. While the actual impact is still not known, it is a sentiment negative for the incumbents.
- **Investment view**: News flow on the Indian Telecom sector continues to point towards increasing competition, falling tariffs and an uncertain regulatory environment. As such, we remain fundamentally cautious on the sector.

India Telecom

Manoj Singla, CFA[AC]
(91-22) 6639-3017/(44-20) 7325-1191
manoj.singla@jpmorgan.com

J.P. Morgan India Private Limited

Rumit Dugar
(91-22) 6639 3015
rumit.x.dugar@jpmorgan.com

J.P. Morgan India Private Limited

Tim Storey
(852) 2800-8563
tim.storey@jpmorgan.com

J.P. Morgan Securities (Asia Pacific) Limited

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Table 8: India Telecom: Spectrum Details

	RCOM CDMA	RCOM GSM	Bharti	BSNL GSM+CDMA	VOD-Essar	IDEA	BPL	Aircel	Spice	TTSL CDMA	MTNL GSM+CDMA
Metro circles											
Kolkata	5.0	6.2	8.0	10.0+2.5	9.8	4.4		4.4	A	3.75	
Chennai	5.0	4.4	8.6	10.0+2.5	8.0	4.4		8.6	A	3.75	
Delhi	5.0	4.4	10.0		10.0	8.0		4.4	Y	5.0	12.4+3.75
Mumbai	5.0	4.4	9.2		10.0	4.4	10.0	4.4	A	5.0	12.4+5.0
'A' circles											
Andhra Pradesh	5.0	4.4	9.2	10.0+2.5	6.2	8.0		4.4	4.4	5.0	
Gujarat	3.75	4.4	6.2	7.4+2.5	9.8	6.2		4.4	A	3.75	
Karnataka	5.0	4.4	9.8	10.0+2.5	8.0	Spice		4.4	6.2	3.75	
Maharashtra	5.0	4.4	6.2	10.0+2.5	6.2	9.8		4.4	4.4	5.0	
Tamil Nadu	5.0	4.4	9.2	10.0+2.5	7.2	4.4		9.8	A	2.5	
'B' circles											
Haryana	3.75	4.4	6.2	10.0+2.5	6.2	6.2		4.4	Y	3.75	
Kerala	5.0	4.4	6.2	10.0+2.5	6.2	8.0		4.4	A	3.75	
Madhya Pradesh	3.75	6.2	6.2	10.0+2.5	4.4	8.0		4.4	A	5.0	
Punjab	3.75	4.4	7.8	6.2+2.5	6.2	Spice		4.4	7.8	3.75	
Rajasthan	3.75	4.4	6.2	8.0+2.5	6.2	6.2		4.4	A	3.75	
Uttar Pradesh (east)	5.0	4.4	6.2	10.0+2.5	8.0	6.2		4.4	A	3.75	
Uttar Pradesh (west)	5.0	4.4	6.2	10.0+2.5	6.2	8.0		4.4	A	3.75	
West Bengal and A&N	3.75	6.2	6.2	8.0+2.5	6.2	4.4		4.4	A	3.75	
'C' circles											
Assam	Y	6.2	6.2	10.0+2.5	4.4	4.4		6.2	A	2.5	
Bihar	5.0	8.0	8.0	10.0+2.5	4.4	4.4		4.4	A	3.75	
Himachal Pradesh	2.5	6.2	6.2	10.0+2.5	4.4	4.4		2.5	A	2.5	
North East	Y	6.2	4.4	10.0+2.5	4.4	4.4		4.4	A	2.5	
Orissa	3.75	6.2	8.0	10.0+2.5	4.4	4.4		4.4	A	2.5	
J&K	2.5	4.4	6.2	8.0+2.5	4.4	4.4		4.4	A	2.5	
Spectrum > 6.2Mhz		1	10	19	8	7		2			2

Source: TRAI

Notes: 'Green background' indicates that startup spectrum has been obtained yet to begin operations. 'Y' indicates that license obtained but awaiting spectrum. 'A' indicates 'applied for license'. Blue Background indicates existing operator

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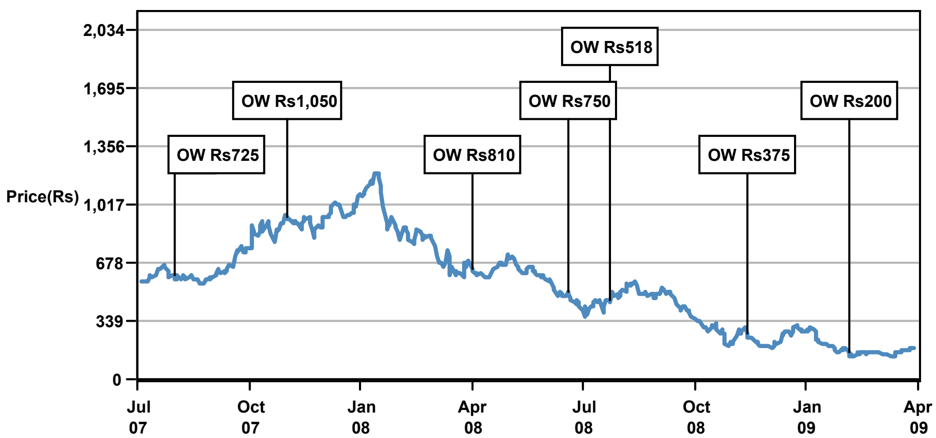

Date	Rating	Share Price (Rs)	Price Target (Rs)
01-Aug-07	OW	611.70	725.00
01-Nov-07	OW	948.80	1050.00
01-Apr-08	OW	646.50	810.00
18-Jun-08	OW	505.90	750.00
21-Jul-08	OW	457.05	518.00
12-Nov-08	OW	267.65	375.00
03-Feb-09	OW	153.20	200.00

Source: Reuters and J.P. Morgan; price data adjusted for stock splits and dividends.
Initiated coverage Aug 01, 2007. This chart shows J.P. Morgan's continuing coverage of this stock; the current analyst may or may not have covered it over the entire period.
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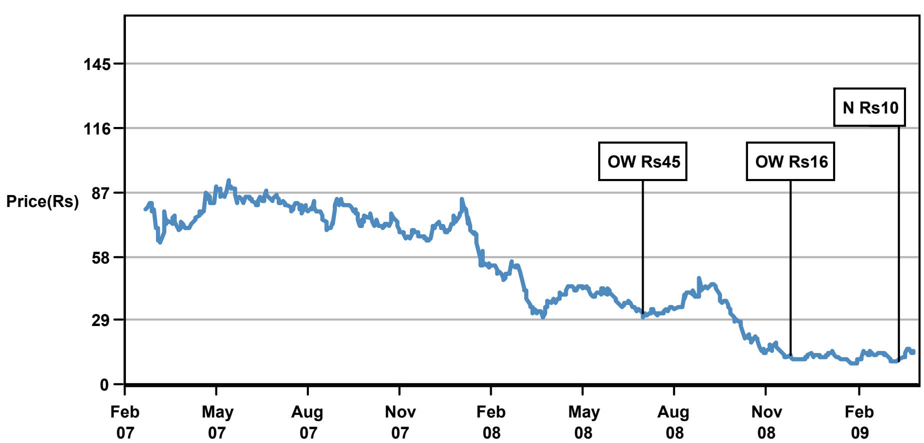
Firstsource Solutions Ltd. (FISO.BO) Price Chart



Date	Rating	Share Price (Rs)	Price Target (Rs)
01-Jul-08	OW	32.15	45.00
25-Nov-08	OW	12.90	16.00
12-Mar-09	N	10.73	10.00

Source: Reuters and J.P. Morgan; price data adjusted for stock splits and dividends.
Initiated coverage Jul 01, 2008. This chart shows J.P. Morgan's continuing coverage of this stock; the current analyst may or may not have covered it over the entire period.
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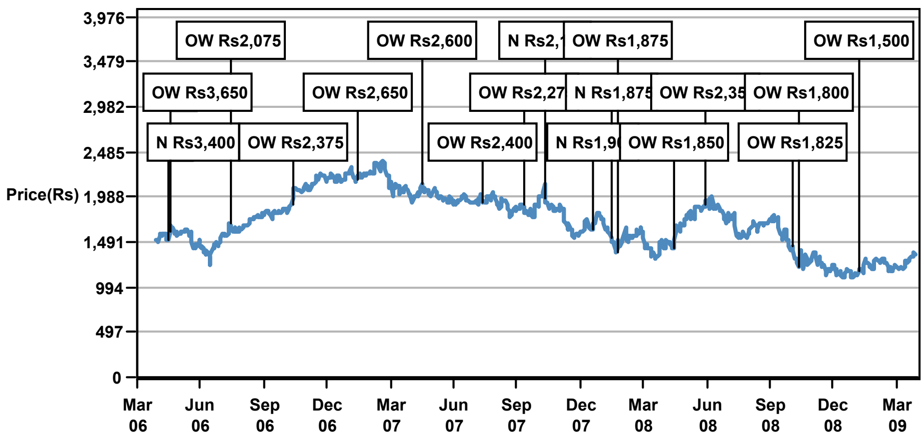
Bharat Iyer
(91-22) 6639-3005
bharat.x.iyer@jpmorgan.com

Infosys Technologies (INFY.BO) Price Chart



Source: Reuters and J.P. Morgan; price data adjusted for stock splits and dividends.
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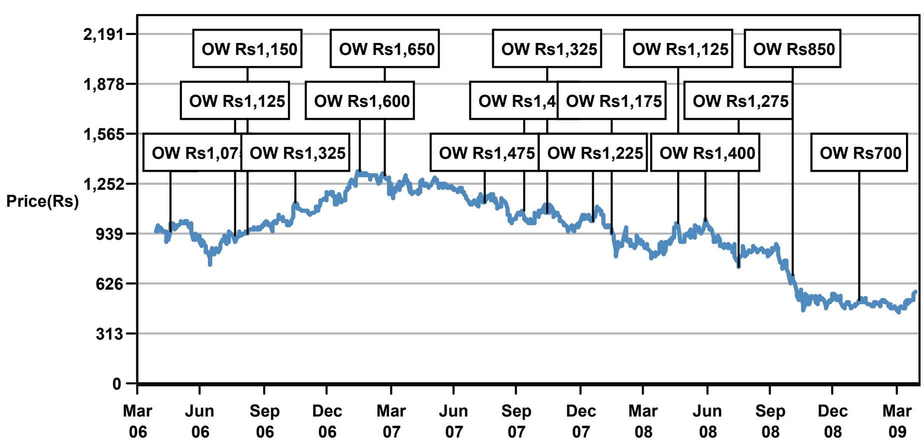
J.P. Morgan ratings: OW = Overweight, N = Neutral, UW = Underweight.

Date	Rating	Share Price (Rs)	Price Target (Rs)
14-Apr-06	N	1510.40	3400.00
17-Apr-06	OW	1615.15	3650.00
13-Jul-06	OW	1693.22	2075.00
11-Oct-06	OW	1906.00	2375.00
12-Jan-07	OW	2183.00	2650.00
16-Apr-07	OW	2128.30	2600.00
12-Jul-07	OW	1929.70	2400.00
10-Sep-07	OW	1908.85	2275.00
12-Oct-07	N	1976.00	2150.00
18-Dec-07	N	1621.95	1900.00
14-Jan-08	N	1530.20	1875.00
23-Jan-08	OW	1377.55	1875.00
15-Apr-08	OW	1422.45	1850.00
29-May-08	OW	1912.65	2350.00
02-Oct-08	OW	1453.90	1825.00
11-Oct-08	OW	1226.70	1800.00
06-Jan-09	OW	1174.45	1500.00

Tata Consultancy Services (TCS.BO) Price Chart



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J.P. Morgan ratings: OW = Overweight, N = Neutral, UW = Underweight.

Date	Rating	Share Price (Rs)	Price Target (Rs)
17-Apr-06	OW	951.80	1075.00
19-Jul-06	OW	920.88	1125.00
08-Aug-06	OW	936.00	1150.00
16-Oct-06	OW	1130.45	1325.00
15-Jan-07	OW	1327.90	1600.00
21-Feb-07	OW	1297.20	1650.00
16-Jul-07	OW	1136.85	1475.00
10-Sep-07	OW	1077.30	1450.00
15-Oct-07	OW	1063.10	1325.00
20-Dec-07	OW	1021.35	1225.00
16-Jan-08	OW	938.25	1175.00
21-Apr-08	OW	1000.90	1125.00
29-May-08	OW	1009.70	1400.00
17-Jul-08	OW	727.35	1275.00
02-Oct-08	OW	671.00	850.00
06-Jan-09	OW	515.00	700.00

Bharat Iyer
(91-22) 6639-3005
bharat.x.iyer@jpmorgan.com

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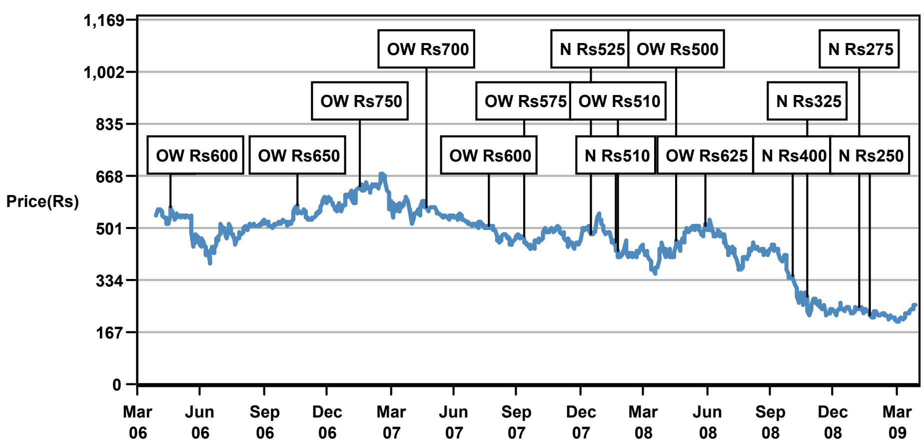

Date	Rating	Share Price (Rs)	Price Target (Rs)
19-Apr-06	OW	570.15	600.00
18-Oct-06	OW	574.70	650.00
17-Jan-07	OW	636.85	750.00
23-Apr-07	OW	567.00	700.00
22-Jul-07	OW	507.80	600.00
10-Sep-07	OW	478.40	575.00
17-Dec-07	N	484.60	525.00
21-Jan-08	N	455.35	510.00
23-Jan-08	OW	428.85	510.00
18-Apr-08	OW	459.20	500.00
29-May-08	OW	506.15	625.00
02-Oct-08	N	349.10	400.00
23-Oct-08	N	279.25	325.00
06-Jan-09	N	245.65	275.00
22-Jan-09	N	219.75	250.00

Source: Reuters and J.P. Morgan; price data adjusted for stock splits and dividends.
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