

# INFOSYS

## Buyback timeline in sight

India Equity Research | IT

Infosys has informed stock exchanges that its Board of Directors (BOD) will consider proposal to buy back shares at the upcoming Board meeting to be held on August 19, 2017. This has put to rest speculations on the timeline of the buyback. While the quantum and price of buyback is yet to be finalised, management's earlier figure of INR130bn (including dividend) hints at a much bigger buyback in the offing compared to those done by peers, TCS, HCL Tech and Wipro. For Infosys, the buyback will lead to higher RoE and payout ratio. We do not perceive this move to be an outcome of lower growth, instead it well means limited possibilities of large acquisitions going ahead, and consistent generation of cash. We maintain 'BUY' with a target price of INR1,155.

### Higher cash distribution, not a reflection of waning growth

Improving US corporate profits, higher interest rates in key client markets (USA) and improving macros have a strong co-relation with Indian IT exports growth. With these factors currently unfolding, we believe buybacks are not a reflection of maturing growth or lack of confidence in business, instead it is a more efficient method of distributing cash. In fact, Infosys has posted relatively better numbers than peers in past few quarters (refer table 1). Also, as industry/company's focus shifts to skill-sets based acquisitions, returning cash to shareholders is a prudent strategy, in our view.

### Outlook and valuations: Prudent strategy; maintain 'BUY'

With domestic IT companies shifting focus to small skill-based rather than large acquisitions, the need to maintain huge cash pile is waning. This implies higher distribution, either in the form of buybacks or increase in dividend payout. Reduction in cash will lead to higher RoCE, which will entail sector rerating. Moreover, Infosys' guidance of 6.5-8.5% in spite of multiple headwinds like technology transition (weakness in legacy business), project cancellations and automaton-led realisation dips highlights the company's strong fundamentals and client relationships. At CMP, the stock is trading at 14.8x and 13.5x FY18E and FY19E EPS, respectively. We maintain 'BUY/SO' with target price of INR1,155 (16x FY19E EPS).

### Financials

(INR mn)

Year to March	FY16	FY17	FY18E	FY19E
Net revenue	624,410	684,850	727,134	802,269
Rev. growth (%)	17.1	9.7	6.2	10.3
EBITDA	170,780	186,025	201,443	223,885
Adjusted Profit	134,900	143,530	151,091	165,021
Basic shares outstanding (mn)	2,286	2,286	2,286	2,286
Adjusted diluted EPS (INR)	59.0	62.8	66.1	72.2
EPS Growth (%)	9.4	6.4	5.2	9.2
Diluted P/E (x)	16.5	15.5	14.8	13.5
EV/EBITDA (x)	11.1	10.2	9.5	8.4
ROAE (%)	23.2	22.0	21.8	22.8

### EDELWEISS 4D RATINGS

Absolute Rating	BUY
Rating Relative to Sector	Outperform
Risk Rating Relative to Sector	Low
Sector Relative to Market	Overweight

### MARKET DATA (R: INFY.BO, B: INFO IN)

CMP	: INR 975
Target Price	: INR 1,155
52-week range (INR)	: 1,083 / 900
Share in issue (mn)	: 2,296.9
M cap (INR bn/USD mn)	: 2,240 / 34,921
Avg. Daily Vol.BSE/NSE('000)	: 3,889.5

### SHARE HOLDING PATTERN (%)

	Current	Q4FY17	Q3FY17
Promoters *	12.7	12.7	12.7
MF's, FI's & BK's	20.2	20.3	18.9
FII's	37.5	38.3	39.0
Others	29.5	28.6	29.4
* Promoters pledged shares (% of share in issue)	:	NIL	

### PRICE PERFORMANCE (%)

	Stock	Nifty	EW Technology Index
1 month	(0.9)	(0.2)	1.1
3 months	2.4	3.9	1.9
12 months	(5.6)	14.8	(3.4)

**Sandip Agarwal**  
 +91 22 6623 3474  
 sandip.agarwal@edelweissfin.com

**Pranav Kshatriya**  
 +91 22 4040 7495  
 pranav.kshatriya@edelweissfin.com

August 17, 2017

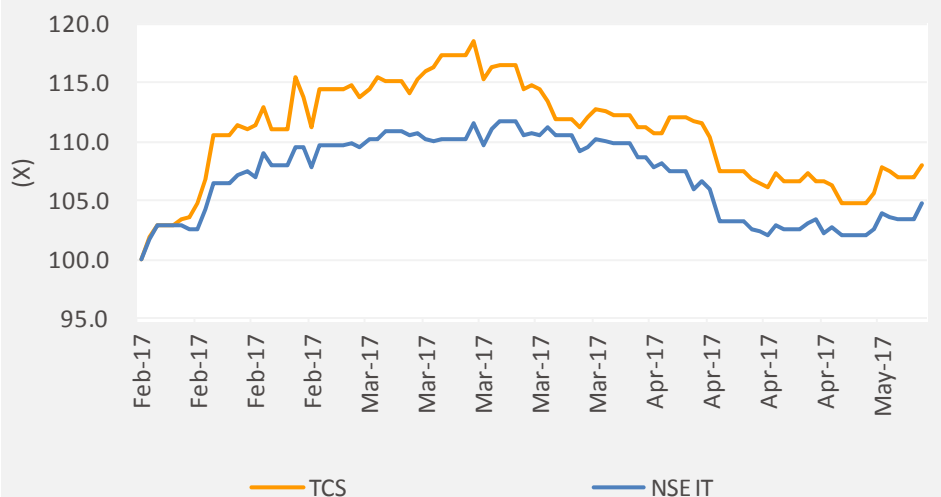
Table 1: CC revenue growth for large-cap IT companies

USD mn	Q1FY16	Q2FY16	Q3FY16	Q4FY16	Q1FY17	Q2FY17	Q3FY17	Q4FY17	Q1FY18	Average
TCS	3.6	3.9	0.5	2.1	3.1	1.0	2.0	1.0	2.0	2.1
Infosys	4.4	6.9	1.1	1.9	1.7	3.9	(0.3)	0.0	2.7	2.5
HCLT	2.9	1.2	2.1	1.7	6.0	2.8	3.0	3.8	2.6	2.9
Wipro	0.2	3.1	1.4	2.7	2.0	0.9	0.6	1.7	0.3	1.4

Source: Companies, Edelweiss research

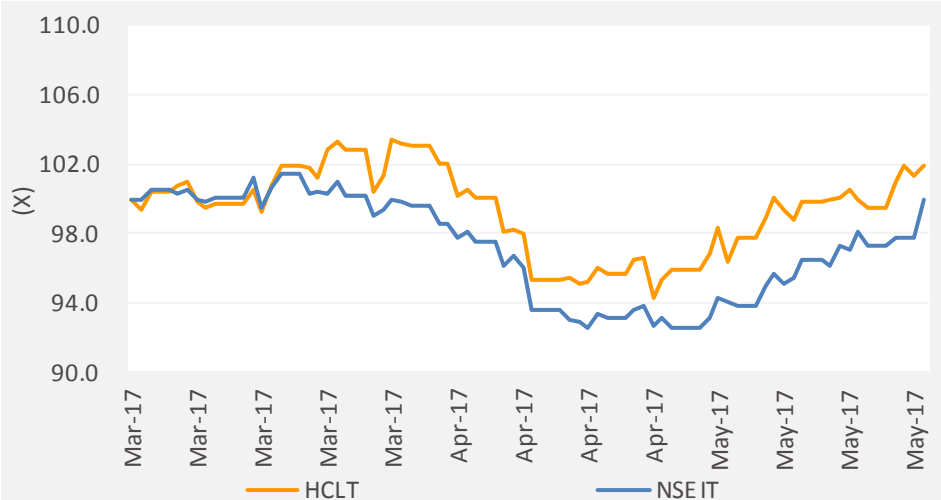
Note: HCL Tech revenues have been boosted from revenues from IBM deals and acquisition of Geometric, Butler Aerospace.

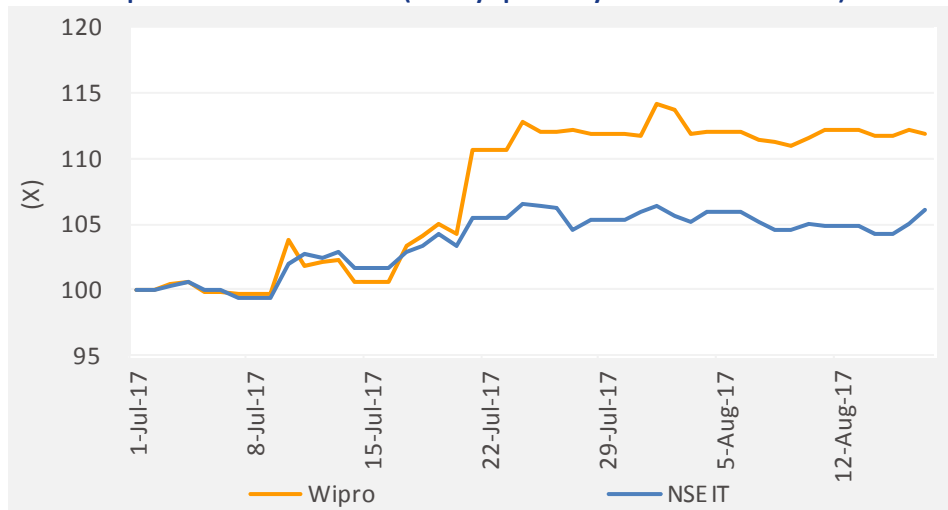
Chart 1: TCS stock vs. benchmark (15-days prior buy-back announcement)



Source: Bloomberg, Edelweiss research

Chart 2: HCL Tech stock vs. benchmark (15-days prior buy-back announcement)



**Chart 3: Wipro stock vs. benchmark (15-days prior buy-back announcement)**

Source: Bloomberg, Edelweiss research

## 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 1,164 active clients spread across Banking, Financial Services, Insurance, Retail, Manufacturing, and Utilities verticals and 50 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' total employee force stands at 198,553 and the company's TTM revenues stood at INR688bn (USD10.4bn).

## Investment Theme

Infosys, in the recent past, lost market share to peers like TCS and HCL Technologies due to lack of strong presence in Infrastructure management services, lack of presence in emerging geographies and its aversion to provide flexibility in structuring contracts and offer discounted pricing to clients. The restructuring exercise also led to some distractions which led to slower growth compared to peers. We believe, on the back of the investments made it is likely to reduce the gap in revenue growth with peers and is best placed to expand its margins due to current low level of utilisation and possibility of increase in offshore execution coupled with higher contribution from non-linear business.

## Key Risks

Key risks to our investment theme include – slower pick up in IT spend particularly on the discretionary side, appreciation of INR against USD, Euro and GBP.

## Financial Statements

### Key Assumptions

Year to March	FY16	FY17	FY18E	FY19E
<b>Macro</b>				
GDP(Y-o-Y %)	7.2	6.5	7.1	7.7
Inflation (Avg)	4.9	4.5	4.0	4.5
Repo rate (exit rate)	6.8	6.3	5.8	5.8
USD/INR (Avg)	65.0	67.5	66.0	66.0
<b>Company</b>				
PRODS + BPO -Offsh. eff	93.6	93.6	93.6	93.6
PRODS + BPO - Onsite eff	6.4	6.4	6.4	6.4
PRODS+BPO-Onsite Utiliztn	93.0	93.0	93.0	93.0
PRODS+BPO-Offsh. Utiliztn	87.0	87.0	87.0	87.0
Gross additions	52,545	44,235	45,000	52,500
Freshers Added (BPO)	8,288	2,321	9,000	2,000
Emp. Added (BPO:Support)	582	312	750	2,415
Emp. Added (Banking grp)	(3,787)	497	997	196
Average attrition	22.2	16.8	15.8	14.0
<b>Efforts</b>				
IT Srvs - Onsite eff	25.6	29.9	30.0	30.0
IT Srvs- Offsh. eff	74.4	70.2	70.0	70.0
<b>Utilisation</b>				
IT Srvs - Onsite Utiliztn	93.0	95.0	95.0	95.0
IT Sers-Offsh. Utiliztn	76.9	80.9	79.3	79.0
Pricing change	0.1	0.1	0.1	-
Services-onsite	2.1	2.1	2.1	2.1
Services-offshore	(0.4)	(0.4)	(0.4)	(0.4)
<b>Cost assumptions</b>				
Salary hike - Onsite	(5.2)	0.2	(4.1)	-
Salary hike - Offshore	(6.3)	4.1	(4.2)	-
Travelling cost	2.6	2.4	2.3	8.5
Other costs	0.3	0.1	7.7	19.7
S&M expenses (% of rev.)	5.5	5.2	5.1	33.6
G&A expenses (% of rev.)	6.9	6.9	6.7	44.3
<b>Financial assumptions</b>				
Cash yield (%)	8.3	9.5	8.2	8.6
Tax rate as % of PBT	28.0	28.1	28.8	29.0
Capex (INR mn)	27,600	27,600	47,104	19,547
Debtor days	81	81	82	79
Payable days	104	104	108	105
Cash conversion cycle	(23)	(23)	(26)	(27)

### Income statement

(INR mn)

Year to March	FY16	FY17	FY18E	FY19E
Net revenue	624,410	684,850	727,134	802,269
Cost of revenues	376,400	415,525	439,371	486,123
Gross profit	248,010	269,325	287,762	316,146
Total SG&A expenses	77,230	83,300	86,320	92,261
S&M expenses	34,310	35,910	37,254	40,113
G&A expenses	42,920	47,390	49,066	52,147
EBITDA	170,780	186,025	201,443	223,885
Depreciation	14,590	17,005	18,885	20,380
EBIT	156,190	169,020	182,558	203,505
Add: Other income	31,230.00	30,490.00	29,730.25	28,918.74
Profit Before Tax	187,420	199,510	212,288	232,424
Less: Provision for Tax	52,520	55,980	61,197	67,403
Reported Profit	134,900	143,530	151,091	165,021
Adjusted Profit	134,900	143,530	151,091	165,021
Shares o /s (mn)	2,286	2,286	2,286	2,286
Adjusted Basic EPS	59.0	62.8	66.1	72.2
Diluted shares o/s (mn)	2,286	2,286	2,286	2,286
Adjusted Diluted EPS	59.0	62.8	66.1	72.2
Adjusted Cash EPS	65.4	70.2	74.3	81.1
Dividend per share (DPS)	24.3	25.7	39.7	43.3
Dividend Payout Ratio(%)	48.1	48.0	70.2	70.2

### Common size metrics

Year to March	FY16	FY17	FY18E	FY19E
Cost of revenues	60.3	60.7	60.4	60.6
Gross margin	39.7	39.3	39.6	39.4
G&A expenses	6.9	6.9	6.7	6.5
S&M expenses	5.5	5.2	5.1	5.0
SG&A expenses	12.4	12.2	11.9	11.5
EBITDA margins	27.4	27.2	27.7	27.9
EBIT margins	25.0	24.7	25.1	25.4
Net Profit margins	21.6	21.0	20.8	20.6

### Growth ratios (%)

Year to March	FY16	FY17	FY18E	FY19E
Revenues	17.1	9.7	6.2	10.3
EBITDA	14.6	8.9	8.3	11.1
PBT	8.6	6.5	6.4	9.5
Adjusted Profit	9.4	6.4	5.3	9.2
EPS	9.4	6.4	5.2	9.2

Balance sheet		(INR mn)			
As on 31st March	FY16	FY17	FY18E	FY19E	
Share capital	11,440	11,440	11,440	11,440	
Reserves & Surplus	606,350	678,380	683,896	741,080	
Shareholders' funds	617,790	689,820	695,336	752,520	
Long Term Liabilities	1,150	1,530	1,170	1,170	
Def. Tax Liability (net)	(55,100)	(60,490)	(65,580)	(65,580)	
<b>Sources of funds</b>	<b>563,840</b>	<b>630,860</b>	<b>630,926</b>	<b>688,110</b>	
Gross Block	174,740	197,180	212,291	228,649	
Net Block	105,300	117,160	145,669	152,844	
Intangible Assets	47,490	44,280	44,310	44,310	
Total Fixed Assets	152,790	161,440	189,979	197,154	
Non current investments	18,110	63,820	60,610	60,610	
Cash and Equivalents	327,720	325,950	309,826	349,756	
Sundry Debtors	143,590	159,700	165,406	180,904	
Loans & Advances	45,640	51,400	53,360	53,360	
Other Current Assets	8,380	8,680	7,560	7,560	
Current Assets (ex cash)	197,610	219,780	226,326	241,824	
Trade payable	113,860	122,490	137,544	142,965	
Other Current Liab	18,530	17,640	18,270	18,270	
Total Current Liab	132,390	140,130	155,814	161,235	
Net Curr Assets-ex cash	65,220	79,650	70,511	80,589	
<b>Uses of funds</b>	<b>563,840</b>	<b>630,860</b>	<b>630,926</b>	<b>688,110</b>	
BVPS (INR)	270.3	301.8	304.1	329.2	

Free cash flow		(INR mn)			
Year to March	FY16	FY17	FY18E	FY19E	
Reported Profit	134,900	143,530	151,091	165,021	
Add: Depreciation	14,590	17,005	18,885	20,380	
Others	(10,870)	(5,475)	(15,190)	-	
Less: Changes in WC	16,190	14,430	(9,139)	10,078	
Operating cash flow	122,430	140,630	163,925	175,323	
Less: Capex	34,700	27,600	47,104	19,547	
<b>Free Cash Flow</b>	<b>87,730</b>	<b>113,030</b>	<b>116,821</b>	<b>155,776</b>	

Cash flow metrics		FY16	FY17	FY18E	FY19E
Year to March					
Operating cash flow		122,430	140,630	163,925	175,323
Investing cash flow		(31,160)	(170,740)	(44,914)	(19,547)
Financing cash flow		(67,970)	(70,610)	(139,315)	(115,845)
Net cash Flow		23,300	(100,720)	(20,304)	39,930
Capex		(34,700)	(27,600)	(47,104)	(19,547)
Dividend paid		(68,130)	(69,390)	(139,695)	(115,845)

Profitability and efficiency ratios		FY16	FY17	FY18E	FY19E
Year to March					
ROAE (%)		23.2	22.0	21.8	22.8
ROACE (%)		32.2	30.5	30.7	32.1
Debtors Days		79	81	82	79
Payable Days		103	104	108	105
Cash Conversion Cycle		(24)	(23)	(26)	(27)
Current Ratio		4.0	3.9	3.4	3.7

Operating ratios		FY16	FY17	FY18E	FY19E
Year to March					
Total Asset Turnover		1.2	1.1	1.2	1.2
Fixed Asset Turnover		4.4	4.4	4.1	4.1
Equity Turnover		1.1	1.0	1.0	1.1

Valuation parameters		FY16	FY17	FY18E	FY19E
Year to March					
Adj. Diluted EPS (INR)		59.0	62.8	66.1	72.2
Y-o-Y growth (%)		9.4	6.4	5.2	9.2
Adjusted Cash EPS (INR)		65.4	70.2	74.3	81.1
Diluted P/E (x)		16.5	15.5	14.8	13.5
P/B (x)		3.6	3.2	3.2	3.0
EV / Sales (x)		3.0	2.7	2.5	2.3
EV / EBITDA (x)		11.1	10.2	9.5	8.4
Dividend Yield (%)		2.5	2.6	4.1	4.4

#### Peer comparison valuation

Name	Market cap (USD mn)	Diluted P/E (X)		EV / EBITDA (X)		ROAE (%)	
		FY18E	FY19E	FY18E	FY19E	FY18E	FY19E
Infosys	34,921	14.8	13.5	9.5	8.4	21.8	22.8
Cyient	877	13.5	11.9	8.3	6.7	18.5	18.4
ECLERX SERVICES	796	14.4	12.9	8.7	7.2	26.5	24.8
HCL Technologies	19,232	13.4	12.3	10.5	9.4	25.2	24.3
Hexaware Technologies	1,247	-	-	(0.7)	(0.7)	27.4	27.3
Persistent Systems	780	14.2	12.1	8.1	6.6	17.4	18.0
Tata Consultancy Services	76,562	18.6	17.2	13.5	12.2	30.0	30.5
Tech Mahindra	6,388	12.3	10.8	8.0	6.4	17.2	17.6
Wipro	21,998	16.0	14.0	12.6	10.8	16.9	17.2
Median	-	14.2	12.3	8.7	7.2	21.8	22.8
AVERAGE	-	13.0	11.6	8.7	7.4	22.3	22.3

Source: Edelweiss research

## Additional Data

### Directors Data

Ravi Venkatesan	Independent Director	R Seshasayee	Chairman of the Board
Kiran Mazumdar-Shaw	Independent Director	U. B. Pravin Rao	President and Whole-time Director
Dr. Vishal Sikka	CEO and MD	Pravin Rao	Chief Operating Officer
Prof. John W. Etchemendy	Independent Director	Roopa Kudva	Independent Director
Dr. Punita Kumar-Sinha	Independent Director		

Auditors - BSR & Co., Chartered Accountants

### Holding – Top10

	Perc. Holding		Perc. Holding
Life Insurance Corp of India	7.03	Blackrock	5.02
Vanguard Group	2.59	Oppenheimer Funds	2.43
GIC Private Ltd	2.29	HDFC Asset Management Co Ltd	1.80
Abu Dhabi Investment Authority	1.75	ICICI Prudential Asset Mgmt	1.43
ICICI Prudential Life Insurance	1.34	T Rowe Price Group Inc	1.21

*\*as per last available data*

### Bulk Deals

Data	Acquired / Seller	B/S	Qty Traded	Price
No Data Available				

*\*in last one year*

### Insider Trades

Reporting Data	Acquired / Seller	B/S	Qty Traded
No Data Available			

*\*in last one year*

Company	Absolute reco	Relative reco	Relative risk	Company	Absolute reco	Relative reco	Relative Risk
Cyient	BUY	SP	H	ECLERX SERVICES	HOLD	SP	M
HCL Technologies	BUY	SP	H	Hexaware Technologies	HOLD	SP	M
Info Edge	BUY	SP	M	Infosys	BUY	SO	L
Just Dial	REDUCE	SU	M	Persistent Systems	BUY	SP	L
Tata Consultancy Services	HOLD	SP	L	Tech Mahindra	BUY	SP	M
Wipro	BUY	SP	L				

## ABSOLUTE RATING

Ratings	Expected absolute returns over 12 months
Buy	More than 15%
Hold	Between 15% and - 5%
Reduce	Less than -5%

## RELATIVE RETURNS RATING

Ratings	Criteria
Sector Outperformer (SO)	Stock return > 1.25 x Sector return
Sector Performer (SP)	Stock return > 0.75 x Sector return
	Stock return < 1.25 x Sector return
Sector Underperformer (SU)	Stock return < 0.75 x Sector return

Sector return is market cap weighted average return for the coverage universe within the sector

## RELATIVE RISK RATING

Ratings	Criteria
Low (L)	Bottom 1/3rd percentile in the sector
Medium (M)	Middle 1/3rd percentile in the sector
High (H)	Top 1/3rd percentile in the sector

Risk ratings are based on Edelweiss risk model

## SECTOR RATING

Ratings	Criteria
Overweight (OW)	Sector return > 1.25 x Nifty return
Equalweight (EW)	Sector return > 0.75 x Nifty return
	Sector return < 1.25 x Nifty return
Underweight (UW)	Sector return < 0.75 x Nifty return



**Edelweiss Securities Limited**, Edelweiss House, off C.S.T. Road, Kalina, Mumbai – 400 098.

Board: (91-22) 4009 4400, Email: [research@edelweissfin.com](mailto:research@edelweissfin.com)

Aditya Narain

Head of Research

[aditya.narain@edelweissfin.com](mailto:aditya.narain@edelweissfin.com)

### Coverage group(s) of stocks by primary analyst(s): IT

Cyient, ECLERX SERVICES, HCL Technologies, Hexaware Technologies, Infosys, Info Edge, Just Dial, Persistent Systems, Tata Consultancy Services, Tech Mahindra, Wipro

#### Recent Research

Date	Company	Title	Price (INR)	Recos
11-Aug-17	<b>eClerx Services</b>	Improving outlook; positives priced in; <i>Result Update</i>	1,252	Hold
04-Aug-17	<b>Just Dial</b>	Reinvesting in core; <i>Visit Note</i>	357	Reduce
03-Aug-17	<b>Cognizant</b>	Digital business buoys revenue growth; <i>Result Excerpts</i>		

#### Distribution of Ratings / Market Cap

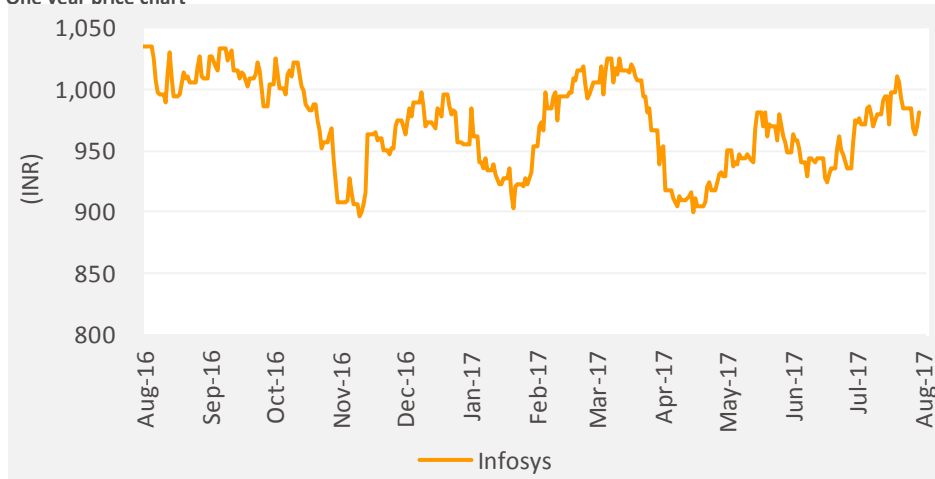
##### Edelweiss Research Coverage Universe

	Buy	Hold	Reduce	Total
Rating Distribution*	161	67	11	240
* 1stocks under review				
	> 50bn	Between 10bn and 50 bn	< 10bn	
Market Cap (INR)	156	62	11	

#### Rating Interpretation

Rating	Expected to
<b>Buy</b>	appreciate more than 15% over a 12-month period
<b>Hold</b>	appreciate up to 15% over a 12-month period
<b>Reduce</b>	depreciate more than 5% over a 12-month period

One year price chart



## DISCLAIMER

Edelweiss Securities Limited (“ESL” or “Research Entity”) is regulated by the Securities and Exchange Board of India (“SEBI”) and is licensed to carry on the business of broking, depository services and related activities. The business of ESL and its Associates (list available on [www.edelweissfin.com](http://www.edelweissfin.com)) are organized around five broad business groups – Credit including Housing and SME Finance, Commodities, Financial Markets, Asset Management and Life Insurance.

This Report has been prepared by Edelweiss Securities Limited in the capacity of a Research Analyst having SEBI Registration No. INH200000121 and distributed as per SEBI (Research Analysts) Regulations 2014. This report does not constitute an offer or solicitation for the purchase or sale of any financial instrument or as an official confirmation of any transaction. Securities as defined in clause (h) of section 2 of the Securities Contracts (Regulation) Act, 1956 includes Financial Instruments and Currency Derivatives. The information contained herein is from publicly available data or other sources believed to be reliable. This report is provided for assistance only and is not intended to be and must not alone be taken as the basis for an investment decision. The user assumes the entire risk of any use made of this information. Each recipient of this report should make such investigation as it deems necessary to arrive at an independent evaluation of an investment in Securities referred to in this document (including the merits and risks involved), and should consult his own advisors to determine the merits and risks of such investment. The investment discussed or views expressed may not be suitable for all investors.

This information is strictly confidential and is being furnished to you solely for your information. This information should not be reproduced or redistributed or passed on directly or indirectly in any form to any other person or published, copied, in whole or in part, for any purpose. This report is not directed or intended for distribution to, or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject ESL and associates / group companies to any registration or licensing requirements within such jurisdiction. The distribution of this report in certain jurisdictions may be restricted by law, and persons in whose possession this report comes, should observe, any such restrictions. The information given in this report is as of the date of this report and there can be no assurance that future results or events will be consistent with this information. This information is subject to change without any prior notice. ESL reserves the right to make modifications and alterations to this statement as may be required from time to time. ESL or any of its associates / group companies shall not be in any way responsible for any loss or damage that may arise to any person from any inadvertent error in the information contained in this report. ESL is committed to providing independent and transparent recommendation to its clients. Neither ESL nor any of its associates, group companies, directors, employees, agents or representatives shall be liable for any damages whether direct, indirect, special or consequential including loss of revenue or lost profits that may arise from or in connection with the use of the information. Our proprietary trading and investment businesses may make investment decisions that are inconsistent with the recommendations expressed herein. Past performance is not necessarily a guide to future performance. The disclosures of interest statements incorporated in this report are provided solely to enhance the transparency and should not be treated as endorsement of the views expressed in the report. The information provided in these reports remains, unless otherwise stated, the copyright of ESL. All layout, design, original artwork, concepts and other Intellectual Properties, remains the property and copyright of ESL and may not be used in any form or for any purpose whatsoever by any party without the express written permission of the copyright holders.

ESL shall not be liable for any delay or any other interruption which may occur in presenting the data due to any reason including network (Internet) reasons or snags in the system, break down of the system or any other equipment, server breakdown, maintenance shutdown, breakdown of communication services or inability of the ESL to present the data. In no event shall ESL be liable for any damages, including without limitation direct or indirect, special, incidental, or consequential damages, losses or expenses arising in connection with the data presented by the ESL through this report.

We offer our research services to clients as well as our prospects. Though this report is disseminated to all the customers simultaneously, not all customers may receive this report at the same time. We will not treat recipients as customers by virtue of their receiving this report.

ESL and its associates, officer, directors, and employees, research analyst (including relatives) worldwide may: (a) from time to time, have long or short positions in, and buy or sell the Securities, mentioned herein or (b) be engaged in any other transaction involving such Securities and earn brokerage or other compensation or act as a market maker in the financial instruments of the subject company/company(ies) discussed herein or act as advisor or lender/borrower to such company(ies) or have other potential/material conflict of interest with respect to any recommendation and related information and opinions at the time of publication of research report or at the time of public appearance. ESL may have proprietary long/short position in the above mentioned scrip(s) and therefore should be considered as interested. The views provided herein are general in nature and do not consider risk appetite or investment objective of any particular investor; readers are requested to take independent professional advice before investing. This should not be construed as invitation or solicitation to do business with ESL.

ESL or its associates may have received compensation from the subject company in the past 12 months. ESL or its associates may have managed or co-managed public offering of securities for the subject company in the past 12 months. ESL or its associates may have received compensation for investment banking or merchant banking or brokerage services from the subject company in the past 12 months. ESL or its associates may have received any compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company in the past 12 months. ESL or its associates have not received any compensation or other benefits from the Subject Company or third party in connection with the research report. Research analyst or his/her relative or ESL's associates may have financial interest in the subject company. ESL and/or its Group Companies, their Directors, affiliates and/or employees may have interests/ positions, financial or otherwise in the Securities/Currencies and other investment products mentioned in this report. ESL, its associates, research analyst and his/her relative may have other potential/material conflict of interest with respect to any recommendation and related information and opinions at the time of publication of research report or at the time of public appearance.

Participants in foreign exchange transactions may incur risks arising from several factors, including the following: ( i) exchange rates can be volatile and are subject to large fluctuations; ( ii) the value of currencies may be affected by numerous market factors, including world and national economic, political and regulatory events, events in equity and debt markets and changes in interest rates; and (iii) currencies may be subject to devaluation or government imposed exchange controls which could affect the value of the currency. Investors in securities such as ADRs and Currency Derivatives, whose values are affected by the currency of an underlying security, effectively assume currency risk.

Research analyst has served as an officer, director or employee of subject Company: No

ESL has financial interest in the subject companies: No

ESL's Associates may have actual / beneficial ownership of 1% or more securities of the subject company at the end of the month immediately preceding the date of publication of research report.

Research analyst or his/her relative has actual/beneficial ownership of 1% or more securities of the subject company at the end of the month immediately preceding the date of publication of research report: No

ESL has actual/beneficial ownership of 1% or more securities of the subject company at the end of the month immediately preceding the date of publication of research report: No

Subject company may have been client during twelve months preceding the date of distribution of the research report.

There were no instances of non-compliance by ESL on any matter related to the capital markets, resulting in significant and material disciplinary action during the last three years except that ESL had submitted an offer of settlement with Securities and Exchange commission, USA (SEC) and the same has been accepted by SEC without admitting or denying the findings in relation to their charges of non registration as a broker dealer.

A graph of daily closing prices of the securities is also available at [www.nseindia.com](http://www.nseindia.com)

#### **Analyst Certification:**

The analyst for this report certifies that all of the views expressed in this report accurately reflect his or her personal views about the subject company or companies and its or their securities, and no part of his or her compensation was, is or will be, directly or indirectly related to specific recommendations or views expressed in this report.

#### **Additional Disclaimers**

##### **Disclaimer for U.S. Persons**

This research report is a product of Edelweiss Securities Limited, which is the employer of the research analyst(s) who has prepared the research report. The research analyst(s) preparing the research report is/are resident outside the United States (U.S.) and are not associated persons of any U.S. regulated broker-dealer and therefore the analyst(s) is/are not subject to supervision by a U.S. broker-dealer, and is/are not required to satisfy the regulatory licensing requirements of FINRA or required to otherwise comply with U.S. rules or regulations regarding, among other things, communications with a subject company, public appearances and trading securities held by a research analyst account.

This report is intended for distribution by Edelweiss Securities Limited only to "Major Institutional Investors" as defined by Rule 15a-6(b)(4) of the U.S. Securities and Exchange Act, 1934 (the Exchange Act) and interpretations thereof by U.S. Securities and Exchange Commission (SEC) in reliance on Rule 15a 6(a)(2). If the recipient of this report is not a Major Institutional Investor as specified above, then it should not act upon this report and return the same to the sender. Further, this report may not be copied, duplicated and/or transmitted onward to any U.S. person, which is not the Major Institutional Investor.

In reliance on the exemption from registration provided by Rule 15a-6 of the Exchange Act and interpretations thereof by the SEC in order to conduct certain business with Major Institutional Investors, Edelweiss Securities Limited has entered into an agreement with a U.S. registered broker-dealer, Edelweiss Financial Services Inc. ("EFSI"). Transactions in securities discussed in this research report should be effected through Edelweiss Financial Services Inc.

#### **Disclaimer for U.K. Persons**

The contents of this research report have not been approved by an authorised person within the meaning of the Financial Services and Markets Act 2000 ("FSMA").

In the United Kingdom, this research report is being distributed only to and is directed only at (a) persons who have professional experience in matters relating to investments falling within Article 19(5) of the FSMA (Financial Promotion) Order 2005 (the "Order"); (b) persons falling within Article 49(2)(a) to (d) of the Order (including high net worth companies and unincorporated associations); and (c) any other persons to whom it may otherwise lawfully be communicated (all such persons together being referred to as "relevant persons").

This research report must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this research report relates is available only to relevant persons and will be engaged in only with relevant persons. Any person who is not a relevant person should not act or rely on this research report or any of its contents. This research report must not be distributed, published, reproduced or disclosed (in whole or in part) by recipients to any other person.

#### **Disclaimer for Canadian Persons**

This research report is a product of Edelweiss Securities Limited ("ESL"), which is the employer of the research analysts who have prepared the research report. The research analysts preparing the research report are resident outside the Canada and are not associated persons of any Canadian registered adviser and/or dealer and, therefore, the analysts are not subject to supervision by a Canadian registered adviser and/or dealer, and are not required to satisfy the regulatory licensing requirements of the Ontario Securities Commission, other Canadian provincial securities regulators, the Investment Industry Regulatory Organization of Canada and are not required to otherwise comply with Canadian rules or regulations regarding, among other things, the research analysts' business or relationship with a subject company or trading of securities by a research analyst.

This report is intended for distribution by ESL only to "Permitted Clients" (as defined in National Instrument 31-103 ("NI 31-103")) who are resident in the Province of Ontario, Canada (an "Ontario Permitted Client"). If the recipient of this report is not an Ontario Permitted Client, as specified above, then the recipient should not act upon this report and should return the report to the sender. Further, this report may not be copied, duplicated and/or transmitted onward to any Canadian person.

ESL is relying on an exemption from the adviser and/or dealer registration requirements under NI 31-103 available to certain international advisers and/or dealers. Please be advised that (i) ESL is not registered in the Province of Ontario to trade in securities nor is it registered in the Province of Ontario to provide advice with respect to securities; (ii) ESL's head office or principal place of business is located in India; (iii) all or substantially all of ESL's assets may be situated outside of Canada; (iv) there may be difficulty enforcing legal rights against ESL because of the above; and (v) the name and address of the ESL's agent for service of process in the Province of Ontario is: Bamac Services Inc., 181 Bay Street, Suite 2100, Toronto, Ontario M5J 2T3 Canada.

#### **Disclaimer for Singapore Persons**

In Singapore, this report is being distributed by Edelweiss Investment Advisors Private Limited ("EIAPL") (Co. Reg. No. 201016306H) which is a holder of a capital markets services license and an exempt financial adviser in Singapore and (ii) solely to persons who qualify as "institutional investors" or "accredited investors" as defined in section 4A(1) of the Securities and Futures Act, Chapter 289 of Singapore ("the SFA"). Pursuant to regulations 33, 34, 35 and 36 of the Financial Advisers Regulations ("FAR"), sections 25, 27 and 36 of the Financial Advisers Act, Chapter 110 of Singapore shall not apply to EIAPL when providing any financial advisory services to an accredited investor (as defined in regulation 36 of the FAR). Persons in Singapore should contact EIAPL in respect of any matter arising from, or in connection with this publication/communication. This report is not suitable for private investors.

Copyright 2009 Edelweiss Research (Edelweiss Securities Ltd). All rights reserved