

22 January 2010

Rohta India

Positives priced in; downgrade to Hold

Rating: Hold

Target Price: Rs240

Share Price: Rs194

- **Good results, fairly valued; downgrade to Hold.** Rohta India's US\$ revenue rose 10.3% qoq, while margin grew 208bps. Net profit rose 11.7% qoq, on better revenue and an expanded margin. However, the stock has run up 30% (7% higher than the CNX IT index during the same period) from Nov '09. We thus believe the positives are already priced in and downgrade the stock to Hold with a target price of Rs240.
- **Guidance maintained.** Rohta India maintained revenue guidance, of Rs15.3-15.7bn (11.4-14.4%) and EBIDTA margin guidance of 33-35% for FY10. We believe the guidance is achievable and forecast EPS of Rs16.0 and Rs20.0 for FY10/11, respectively.
- **Key 3Q highlights.** Rohta added only seven employees, taking total to 4,763. Billing rates increased for all the three businesses, GIS, EDA and EICT, with qoq increases of 0.9%, 4.8% and 0.3% respectively. The orderbook grew 3% qoq to Rs17.1bn in 2Q.
- **Change in estimates.** We increase FY11e earnings by 4.3% to Rs20.0; for FY10/FY12, we raise EPS estimates by 4.5%/2.5%, respectively, to Rs16 and Rs23.4.
- **Valuation.** We maintain our target multiple of 12x FY11e earnings. At our new target price of Rs240, the stock would trade at the peer group valuation of 12x FY11e earnings and at a 33% discount to IT large caps.

Tarun Sisodia+91 22 6626 6777
tarunsisodia@rathi.com**Naushil Shah**+91 22 6626 6708
naushilshah@rathi.com

Key data	RLTA IN / ROLT.BO
52-week high/low	Rs210/ Rs41
Sensex/Nifty	17051/5094
3-m average volume	US\$13.0m
Market cap	Rs31.3bn/US\$681m
Shares outstanding	161m
Free float	58.0%
Promoters	42.0%
Foreign Institutions	32.5%
Domestic Institutions	3.1%
Public	22.4%

Quarterly results

Year end 30 Jun	2QFY09	2QFY10	% yoy	1HFY09	1HFY10	% yoy
Sales (Rsm)	3,619	3,756	3.8	7,081	7,261	2.5
EBITDA (Rsm)	1,261	1,423	12.8	2,446	2,678	9.5
EBITDA margin (%)	34.8	37.9	304bps	34.5	36.9	234bps
Interest (Rsm)	11	115	902.6	11	198	1631.4
Depreciation (Rsm)	413	670	62.1	792	1,291	63.0
Other income (Rsm)	95	80	-16.3	245	179	-27.0
PBT (Rsm)	932	718	-22.9	1,888	1,368	-27.5
Tax (Rsm)	101	92	-9.2	207	182	-11.7
Tax rate (%)	10.9	12.8	194bps	10.9	13.3	239bps
PAT (Rsm)	830	626	-24.6	1,681	1,185	-29.5

Source: Company, Anand Rathi Research

Financials

Year end 30 Jun	FY11e	FY12e
Sales (Rsm)	18,500	21,452
Net profit (Rsm)	3,265	3,848
EPS (Rs)	20.0	23.4
Growth (%)	25.1	16.9
PE (x)	9.7	8.3
PBV (x)	1.6	1.4
RoE (%)	20.0	19.8
RoCE (%)	16.1	17.9
Dividend yield (%)	1.8	2.1
Net gearing (%)	35.0	21.3

Source: Company, Anand Rathi Research

Anand Rathi Financial Services Limited does and seeks to do business with companies covered in its research reports. Thus, investors should be aware that the firm may have a conflict of interest that could affect the objectivity of this report. Investors should consider this report as only a single factor in making their investment decision. Disclosures and analyst certifications are located in Appendix 1

Quick Glance – Financials and Valuations

Fig 1 – Income statement (Rsm)

Year end 30 Jun	FY08	FY09	FY10e	FY11e	FY12e
Net sales	10,722	13,728	15,286	18,500	21,452
Sales growth (%)	50.7	28.0	11.4	21.0	16.0
- Op. expenses	6,825	9,093	9,559	11,482	13,367
EBIDTA	3,897	4,635	5,727	7,017	8,085
EBITDA margins (%)	36.3	33.8	37.5	37.9	37.7
- Interest	-	126	434	498	498
- Depreciation	1,383	1,867	2,645	2,874	2,913
+ Other income	170	690	331	304	260
- Tax	388	402	392	684	1,085
PAT	2,297	2,931	2,586	3,265	3,848
PAT growth (%)	33.0	27.6	(11.8)	26.2	17.9
Consolidated PAT	2,306	2,938	2,594	3,272	3,856
FDEPS (Rs/share)	14.3	18.2	16.0	20.0	23.4
CEPS (Rs/share)	22.9	29.8	32.3	37.5	41.0
DPS (Rs/share)	3.0	3.0	3.0	3.5	4.0

Source: Company, Anand Rathi Research

Fig 2 – Balance sheet (Rsm)

Year end 30 Jun	FY08	FY09	FY10e	FY11e	FY12e
Share capital	1,609	1,610	1,624	1,637	1,650
Reserves & surplus	10,628	13,038	15,062	17,664	20,747
Shareholders' fund	12,237	14,648	16,686	19,301	22,397
Debt	6,938	9,967	9,967	9,967	9,967
Minority interests	15	8	8	8	8
Capital employed	19,190	24,624	26,661	29,276	32,373
Fixed assets	8,222	15,264	16,089	16,786	17,414
Investments	4,816	3,364	3,364	3,364	3,364
Working capital	3,553	4,620	5,015	5,762	6,317
Cash	2,598	1,376	2,193	3,363	5,277
Capital deployed	19,190	24,624	26,661	29,276	32,373
No. of shares (m)	161	161	162	164	165
Net Debt/Equity (%)	12.9	57.8	47.8	35.0	21.3
W C turn (days)	121.0	122.8	119.7	113.7	107.5

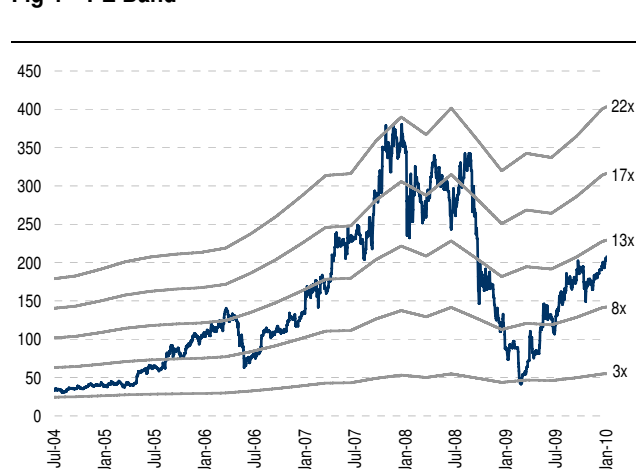
Source: Company, Anand Rathi Research

Fig 3 – Cash flow statement (Rsm)

Year end 30 Jun	FY08	FY09	FY10e	FY11e	FY12e
Consolidated PAT	2,306	2,938	2,594	3,272	3,856
+ Depreciation	1,432	1,879	2,645	2,874	2,913
Cash profit	3,738	4,817	5,239	6,146	6,769
- Incr/(Decr) in WC	117	1,067	395	747	555
Operating cash flow	3,621	3,750	4,844	5,399	6,214
- Capex	3,477	8,909	3,470	3,572	3,541
Free cash flow	143	(5,159)	1,374	1,827	2,673
- Dividend	569	569	570	670	772
+ Equity raised	(346)	24	13	13	13
+ Debt raised	761	3,029	-	-	-
- Investments	3,780	(1,452)	-	-	-
- Misc. items	-	-	-	-	-
Net cash flow	(3,791)	(1,223)	818	1,170	1,914
+ Opening cash	6,390	2,598	1,376	2,193	3,363
Closing cash	2,598	1,376	2,193	3,363	5,277

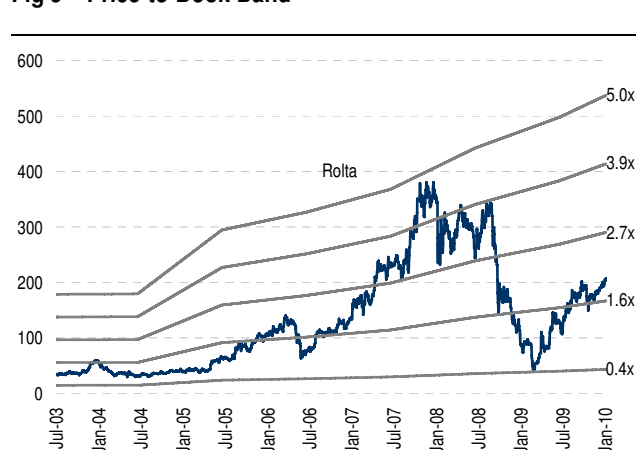
Source: Company, Anand Rathi Research

Fig 4 – PE Band



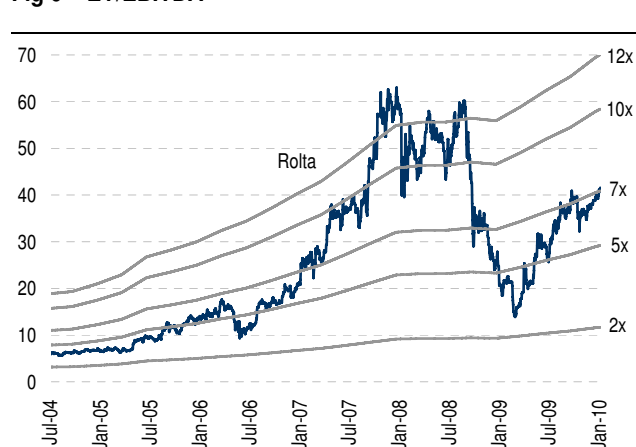
Source: Anand Rathi Research

Fig 5 – Price-to-Book Band



Source: Anand Rathi Research

Fig 6 – EV/EBITDA



Source: Anand Rathi Research

Results Review

Rolta India's 2QFY10 revenue grew 7.2% qoq (rupee) and 10.3% (US\$). The margin rose 208bps, mainly on account of lower sequential wage costs and other SGA costs. Net profit increased 11.7% qoq, better than expected.

Revenue analysis

Revenue for 2QFY10 stood at Rs3,756m, 4.8% better than our estimates in rupee terms. The average Rs/US\$ rate realized for 2QFY10 was 46.7 vis-à-vis our assumption of 46.5.

In dollar terms, revenue stood at US\$80.5m, a 10.3% qoq increase and 4.4% higher than our estimates.

GeoSpatial Information Systems (GIS) did better than our expectation. Revenue for this vertical stood at Rs1,868m, 6.5% better than our estimates in rupee terms. Rolta India had 2,172 employees in 2QFY10 (as against our expectation of 2,264). Utilisation stood at 81% vs our expectation of 82%.

Engineering Design (EDA) did better than we expected. Revenue for this vertical stood at Rs951m, 8% better than our estimates in rupee terms. Rolta India had 1,156 employees in 2QFY10 (against our expected 1,197). Utilisation stood at 76.8% vs our expectation of 77%.

Enterprise Information and Communications (EICT) belied our expectation. Revenue for this vertical stood at Rs937m, 1.2% lower than our estimates in rupee terms. Rolta India had 843 employees in 2QFY10 (against our expectation of 888). Utilisation stood at 72.2% vs our expectation of 74%.

Fig 7 – Quarterly details

(Rsm)	3Q08	4Q08	1Q09	2Q09	3Q09	4Q09	1Q10	2Q10
GIS	1,370	1,425	1,490	1,549	1,562	1,595	1,710	1,868
Growth % (yoy)	28.5	27.5	23.7	18.6	14.0	11.9	14.8	20.6
Growth % (qoq)	4.9	4.0	4.5	4.0	0.9	2.1	7.2	9.2
% of revenue	47.5	44.4	43.0	42.8	47.1	47.9	48.8	49.7
EDA	916	987	1,060	1,094	900	861	882	951
Growth % (yoy)	62.7	48.5	42.4	31.9	(1.7)	(12.8)	(16.8)	(13.1)
Growth % (qoq)	10.4	7.8	7.4	3.2	(17.7)	(4.3)	2.4	7.7
% of revenue	31.8	30.7	30.6	30.2	27.1	25.9	25.2	25.3
EICT	598	798	912	977	858	871	913	937
Growth % (yoy)	163.8	222.0	248.6	247.0	43.4	9.1	0.1	(4.1)
Growth % (qoq)	112.5	33.5	14.2	7.2	(12.2)	1.5	4.8	2.7
% of revenue	20.7	24.9	26.3	27.0	25.8	26.2	26.0	24.9
Total	2,884	3,211	3,461	3,619	3,320	3,327	3,505	3,756

Source: Company, Anand Rath Research

EBITDA margin

The EBITDA margin came 398bps higher than we expected on account of better-than-expected revenue and lower-than-expected wage costs and other operating costs.

Non-operating items

Other income – ‘Other income’ was lower than our estimate. Rolta booked only Rs4m of the FCCB re-purchase gain as ‘other income’ while the other Rs126m gain was booked to the balance sheet.

In 2QFY10, Rolta has purchased US\$15m of its outstanding FCCBs (original size of US\$150, convertible in 2012 at Rs368.70). This buyback has resulted in gains of Rs130m. So, with this purchase, the outstanding FCCBs would be US\$96.69m, due for redemption in 2012.

Effective tax rate – The tax rate stood at 12.8% vis-à-vis our assumption of 13%.

PAT growth

PAT was 18.8% higher than our estimates chiefly on account of better-than-expected revenue and EBITDA margin.

Fig 8 – Quarterly details

(Rsm)	3Q08	4Q08	1Q09	2Q09	3Q09	4Q09	1Q10	2Q10
Sales	2,884	3,211	3,461	3,619	3,320	3,327	3,505	3,756
Growth % (yoy)	55.4	58.1	56.6	49.7	15.1	3.6	1.3	3.8
Growth % (qoq)	19.3	11.4	7.8	4.6	(8.3)	0.2	5.3	7.2
EBITDA	1,008	1,122	1,185	1,261	1,065	1,125	1,255	1,423
EBITDA margin (%)	34.9	34.9	34.2	34.8	32.1	33.8	35.8	37.9
Growth % (yoy)	28.9	40.3	41.1	35.9	5.7	0.3	5.9	12.8
Growth % (qoq)	8.6	11.3	5.6	6.5	(15.6)	5.6	11.6	13.4
Depreciation	353	378	379	413	498	578	621	670
Interest expense	-	-	-	11	58	57	83	115
Other income	105	(134)	150	95	81	364	99	80
PBT	760	609	956	932	591	855	650	718
Taxes	103	110	105	101	101	94	90	92
PAT	657	500	851	830	489	761	559	626
Growth % (yoy)	44.2	2.3	58.1	37.9	(25.5)	52.2	(34.3)	(24.6)
Growth % (qoq)	9.1	(23.9)	70.3	(2.4)	(41.0)	55.4	(26.5)	11.9
EPS (Rs)	4.1	3.2	5.3	5.2	3.1	4.7	3.5	3.9

Source: Company, Anand Rathi Research

Other key points

- Rolta has maintained its revenue guidance of Rs15.3bn-15.7bn and the EBITDA margin guidance of 33-35% for FY10.
- The order book increased 2.1% and 8% qoq, respectively, for the GIS and EDA segments. For the EICT segment, the order book slipped 1.6% qoq, to Rs3.65bn. Overall, the order book climbed 3% to Rs17.1bn.
- Cash and cash equivalents as of Dec-end stood at Rs1.55bn, while the debt stood at Rs11bn (of which Rs550m was of FCCB).
- DSO days for the quarter stood at 134 (was 133 in 1QFY10).

Change in estimates and valuation

We raise our FY10/11/12 EPS estimates, by 4.5%/4.3%/2.5% respectively, to Rs16, Rs20.0 and Rs23.4. We maintain our target multiple of 12x FY11e earnings and arrive at a target price of Rs240. Hence, we downgrade the stock to a Hold.

Fig 9 – Change in estimates

(Rsm)	FY10e			FY11e			FY12e		
	Old	New	% chg	Old	New	% chg	Old	New	% chg
Revenue	15,070	15,286	1.4	18,193	18,500	1.7	21,132	21,452	1.5
Consolidated PAT	2,481	2,594	4.5	3,136	3,272	4.3	3,760	3,856	2.5
EPS	15.3	16.0	4.5	19.2	20.0	4.3	22.8	23.4	2.5

Source: Company, Anand Rathi Research

Major estimate changes

- 1 Pricing changes have occurred due to differences in actual and estimated 2QFY10 prices. The pricing changes do not factor in any cross-currency movements.
- 2 Volume assumptions for FY10/11/12 are a combination of healthy traction and changes in the headcount of the three businesses during 2QFY10. The company has mentioned it would be more focused on higher productivity than merely adding headcount.

Valuation

We raise our target price to Rs240, implying a target multiple of 12x FY11e FDEPS of Rs20.0 (earlier target multiple was 12x FY11e earnings maintained). This is in line with the peer group, which trades at 12x FY11e earnings. Hence, we downgrade the stock to a Hold. At this valuation, Rolta India would trade at a 33% discount to the IT large caps.

Fig 10 – IT companies' FY11 consensus PEs @ current price

IT large caps	1-year forward PE	IT mid-caps	1-year forward PE
Infosys	21.0	Patni Computers*	13.0
TCS	21.0	Mindtree*	12.2
Wipro	21.1	Firstsource*	13.5
HCL Tech	15.1	Hexaware*	9.8
Tech Mahindra	17.5	NIIT*	13.4
Mphasis	12.7	Allied Digital	8.0
IT large caps	18.1	IT Mid-caps	12.0

Source: Anand Rathi Research. *Bloomberg consensus

The stock trades at PEs of 12.1x and 9.7x our FY10e and FY11e earnings.

Fig 11 – Income statement

Year end 30 Jun (Rsm)	FY08	FY09	FY10e	FY11e	FY12e
Revenues	10,722	13,728	15,286	18,500	21,452
Growth (%)	50.7	28.0	11.4	21.0	16.0
Avg. currency rate (Rs/US\$)	40.5	48.6	46.3	45.0	45.0
Depreciation (%)	(7.1)	19.8	(4.6)	(2.8)	-
Employees	5,269	4,980	5,268	6,408	6,985
Growth (%)	30.8	(5.5)	5.8	21.6	9.0
Employees (less: Sales)	4,686	4,382	4,656	5,776	6,321
Growth (%)	88.9	88.0	88.4	90.1	90.5
Revenue/software engineer (US\$ '000)	65.0	62.4	73.1	78.8	78.8
Growth (%)	20.8	(4.0)	17.1	7.9	-
Expenses	6,825	9,093	9,559	11,482	13,367
As % of revenue (%)	63.7	66.2	62.5	62.1	62.3
Employee cost	3,201	5,487	5,320	6,332	7,217
As % of revenue (%)	29.9	40.0	34.8	34.2	33.6
Cost / Employee (Rs '000)	688.5	1,070.7	1,038.2	1,084.7	1,193.1
Wage inflation (%)	45.4	55.5	(3.0)	4.5	10.0
Other costs	3,624	3,606	4,240	5,150	6,150
As % of revenue (%)	33.8	26.3	27.7	27.8	28.7
EBITDA	3,897	4,635	5,727	7,017	8,085
EBITDA margin (%)	36.3	33.8	37.5	37.9	37.7
Interest	-	126	434	498	498
Depreciation	1,383	1,867	2,645	2,874	2,913
Other income	170	690	331	304	260
PBT	2,685	3,333	2,978	3,949	4,934
Tax	388	402	392	684	1,085
Effective tax rate (%)	14.4	12.1	13.2	17.3	22.0
PAT	2,297	2,931	2,586	3,265	3,848
Minority interest	9	7	7	7	7
Consolidated PAT	2,306	2,938	2,594	3,272	3,856
Extraordinary expense	-	-	-	-	-
Reported PAT	2,306	2,938	2,594	3,272	3,856

Source : Company, Anand Rathi Research

Fig 12 – Balance sheet

Year end 30 Jun (Rsm)	FY08	FY09e	FY10e	FY11e	FY12e
Equity	1,609	1,610	1,624	1,637	1,650
Reserves	10,232	12,631	14,655	17,257	20,340
Shareholders' funds	11,841	14,242	16,279	18,894	21,991
Debt	6,938	9,967	9,967	9,967	9,967
Minority	15	8	8	8	8
Capital employed	18,795	24,217	26,254	28,869	31,966
Fixed assets	8,222	15,264	16,089	16,786	17,414
Investments	4,816	3,364	3,364	3,364	3,364
Deferred tax assets	(395)	(407)	(407)	(407)	(407)
Cash	2,598	1,376	2,193	3,363	5,277
Working capital	3,553	4,620	5,015	5,762	6,317
Capital employed	18,795	24,217	26,254	28,869	31,966

Source : Company, Anand Rathi Research

Fig 13 – Cash flow statement

Year end 30 Jun (Rsm)	FY08	FY09e	FY10e	FY11e	FY12e
PAT	2,306	2,938	2,594	3,272	3,856
+ non-cash expense	1,432	1,879	2,645	2,874	2,913
Cash profit	3,738	4,817	5,239	6,146	6,769
- Increase/(decrease) in working capital	117	1,067	395	747	555
Operating cash flow	3,621	3,750	4,844	5,399	6,214
- Capex	3,477	8,909	3,470	3,572	3,541
Free cash flow	143	(5,159)	1,374	1,827	2,673
+ Equity raised	(346)	24	13	13	13
+ Debt raised	761	3,029	-	-	-
- Investments	3,780	(1,452)	-	-	-
- Dividend paid	569	569	570	670	772
- Misc. expense	-	-	-	-	-
Net change in cash	(3,791)	(1,223)	818	1,170	1,914
Opening cash	6,390	2,598	1,376	2,193	3,363
Closing cash	2,598	1,376	2,193	3,363	5,277

Source : Company, Anand Rathi Research

Fig 14 – RoE, RoCE analysis

Year end 30 Jun	FY08	FY09	FY10e	FY11e	FY12e
EBIT/Sales (%)	25.0	25.2	22.3	24.0	25.3
Sales/Avg.CE (x)	0.6	0.6	0.6	0.7	0.7
EBIT/ Avg.CE (RoCE) (%)	15.2	16.1	13.5	16.1	17.9
Avg. CE/Avg.Equity (x)	1.6	1.6	1.7	1.6	1.5
PBT/EBIT (x)	1.1	1.2	1.0	1.0	1.0
PAT/PBT (x)	0.9	0.9	0.9	0.8	0.8
Cons.PAT/PAT (x)	1.0	1.0	1.0	1.0	1.0
PAT/Avg. Equity (RoE) (%)	22.1	28.1	18.8	20.0	19.8

Source : Company, Anand Rathi Research

Fig 15 – Key ratios @ Rs194

Year end 30 Jun	FY08	FY09	FY10e	FY11e	FY12e
Diluted shares (m)	160.9	161.0	162.4	163.7	165.0
FDEPS (Rs)	14.3	18.2	16.0	20.0	23.4
CEPS (Rs)	22.9	29.8	32.3	37.5	41.0
BV (Rs)	73.6	88.5	100.3	115.4	133.2
P/E (x)	13.5	10.6	12.1	9.7	8.3
P/C (x)	8.5	6.5	6.0	5.2	4.7
P/B (x)	2.6	2.2	1.9	1.7	1.5
EV/Sales (x)	3.1	2.9	2.6	2.0	1.7
EV/EBITDA (x)	8.4	8.5	6.8	5.4	4.4
Net gearing (%)	12.9	57.8	47.8	35.0	21.3
Working capital turnover (days)	121	123	120	114	107
DPS (Rs)	3.0	3.0	3.0	3.5	4.0
Dividend payout (%)	24.7	19.4	22.0	20.5	20.0
Dividend yield (%)	1.5	1.5	1.5	1.8	2.1

Source : Company, Anand Rathi Research

Rolta India fact sheet

Employee details	1Q09	2Q09	3Q09	4Q09	1Q10	2Q10
Verticals-wise	5,522	5,558	5,292	4,980	4,756	4,763
GIS	2,236	2,287	2,248	2,206	2,184	2,172
EDA	1,778	1,723	1,548	1,323	1,147	1,156
EICT	929	932	889	853	838	843
Support, marketing & others	579	616	607	598	587	592
Utilisation rates (%)						
GIS	81.3	81.8	76.8	79.1	81.4	81.0
EDA	77.4	74.4	63.2	68.3	73.6	76.8
EICT	80.9	75.8	66.7	71.2	73.1	72.2
Average billing rates (US\$/hr)						
GIS	20.9	21.6	21.1	21.6	22.3	22.5
EDA	28.8	29.3	27.0	26.7	26.3	27.6
EICT	151.3	152.1	145.9	145.8	146.0	146.4
Order book (Rsm)						
GIS	6,892	7,144	7,458	7,792	8,152	8,322
EDA	5,073	5,018	4,513	4,613	4,727	5,107
EICT	3,748	3,756	3,552	3,692	3,708	3,648
Total	15,713	15,918	15,523	16,097	16,587	17,077
Segment-wise revenue (Rsm)						
GIS	1,490	1,549	1,562	1,595	1,710	1,868
EDA	1,060	1,094	900	861	882	951
EICT	912	977	858	871	913	937
Total	3,461	3,619	3,320	3,327	3,505	3,756
Segment-wise profits (Rsm)						
GIS	617	667	637	700	800	915
EDA	418	436	319	315	338	381
EICT	150	158	109	110	116	127
Total	1,185	1,261	1,065	1,125	1,255	1,423

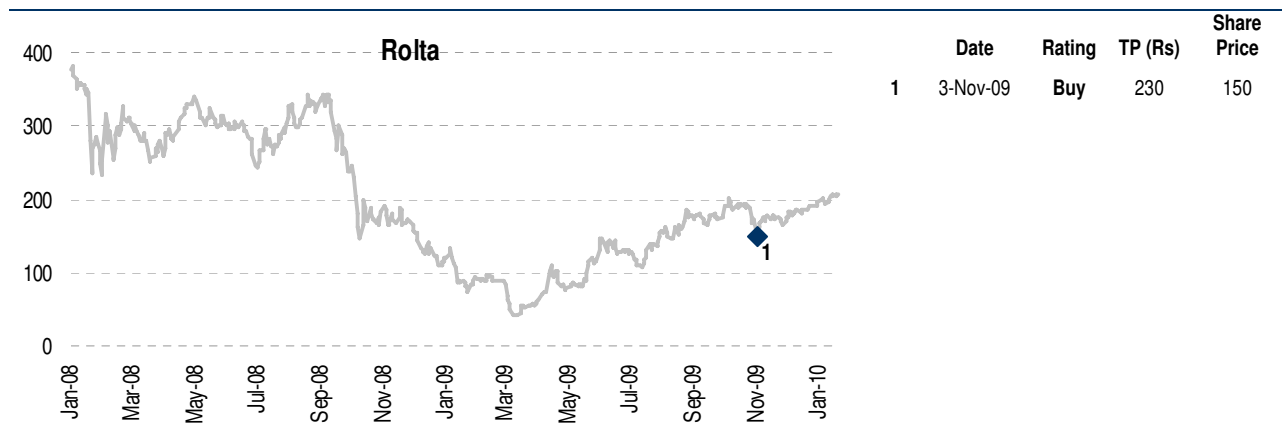
Source: Company Reports

Appendix 1

Analyst Certification

The views expressed in this research report accurately reflect the personal views of the analyst(s) about the subject securities or issuers and no part of the compensation of the research analyst(s) was, is, or will be directly or indirectly related to the specific recommendations or views expressed by the research analyst(s) in this report.

Important Disclosures on subject companies Rating and Target Price History (as of 21 January 2010)



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

Anand Rathi Ratings Definitions

Analysts' ratings and the corresponding expected returns take into account our definitions of Large Caps (>US\$1bn) and Mid/Small Caps (<US\$1bn) as described in the Ratings Table below.

Ratings Guide

	Buy	Hold	Sell
Large Caps (>US\$1bn)	>20%	5-20%	<5%
Mid/Small Caps (<US\$1bn)	>30%	10-30%	<10%

Anand Rathi Research Ratings Distribution (as of 2 Nov 09)

	Buy	Hold	Sell
Anand Rathi Research stock coverage (98)	53%	12%	35%
% who are investment banking clients	8%	0%	0%

Other Disclosures

This report has been issued by Anand Rathi Financial Services Limited (ARFSL), which is regulated by SEBI.

The information herein was obtained from various sources; we do not guarantee its accuracy or completeness. Neither the information nor any opinion expressed constitutes an offer, or an invitation to make an offer, to buy or sell any securities or any options, futures or other derivatives related to such securities ("related investments"). ARFSL and its affiliates may trade for their own accounts as market maker / jobber and/or arbitrageur in any securities of this issuer(s) or in related investments, and may be on the opposite side of public orders. ARFSL, its affiliates, directors, officers, and employees may have a long or short position in any securities of this issuer(s) or in related investments. ARFSL or its affiliates may from time to time perform investment banking or other services for, or solicit investment banking or other business from, any entity mentioned in this report. This research report is prepared for private circulation. It does not have regard to the specific investment objectives, financial situation and the particular needs of any specific person who may receive this report. Investors should seek financial advice regarding the appropriateness of investing in any securities or investment strategies discussed or recommended in this report and should understand that statements regarding future prospects may not be realized. Investors should note that income from such securities, if any, may fluctuate and that each security's price or value may rise or fall. Past performance is not necessarily a guide to future performance. Foreign currency rates of exchange may adversely affect the value, price or income of any security or related investment mentioned in this report.

This document is intended only for professional investors as defined under the relevant laws of Hong Kong and is not intended for the public in Hong Kong. The contents of this document have not been reviewed by any regulatory authority in Hong Kong. No action has been taken in Hong Kong to permit the distribution of this document. This document is distributed on a confidential basis. This document may not be reproduced in any form or transmitted to any person other than the person to whom it is addressed.

If this report is made available in Hong Kong by, or on behalf of, Anand Rathi Financial Services (HK) Limited., it is attributable to Anand Rathi Financial Services (HK) Limited., Unit 1211, Bank of America Tower, 12 Harcourt Road, Central, Hong Kong. Anand Rathi Financial Services (HK) Limited. is regulated by the Hong Kong Securities and Futures Commission.

Anand Rathi Financial Services Limited and Anand Rathi Share & Stock Brokers Limited are members of The Stock Exchange, Mumbai, and the National Stock Exchange of India.

© 2010 Anand Rathi Financial Services Limited. All rights reserved. This report or any portion hereof may not be reprinted, sold or redistributed without the written consent of Anand Rathi Financial Services Limited.

Additional information on recommended securities/instruments is available on request.