

SUPRAJIT ENGINEERING

Stellar quarter; Phoenix getting into the groove

India Equity Research | Automobiles



Suprajit Engineering's (SEL) Q4FY16 consolidated EBIDTA (ex Phoenix Lamps (PHLL), acquired in June 2015) at INR367mn (up 43% YoY) was ~22% above estimate driven by revenue beat and contained expenses. PHLL surprised with 3% YoY revenue growth and 15.2% margin. Key highlights: 1) PHLL restructuring largely over, with Q4 reflecting normalised business; 2) SEL is expected to maintain 5-10% growth rate higher than industry; 3) rising commodity costs can exert some pressure on margins. Maintain 'BUY' with TP of INR177(from INR174).

Strong operating performance across segments

Consolidated revenue (ex PHLL) stood at INR1.8bn (up 17% YoY), driven by market share gains in 2- and 4-W segments. EBIDTA margin, adjusted for QIP issue expenses, surprised positively at 20.2% (versus our estimate of 16.8%) gaining from lower commodity costs. However, we do not expect such high margins to sustain. PHLL reported revenues of INR9bn, up 3% YoY, with margin at 15.2%.

All-round revenue traction

Management was confident of maintaining revenue run rate going ahead including that of PHLL. They also seemed confident of ramping up PHLL's margins to its core business levels. However, margin pressures are likely to persist on higher commodity prices, unless management is able to pass on the same or improve cost efficiencies.

Outlook and valuations: Improving outlook; maintain 'BUY'

We believe that SEL is well placed to capitalise on its traditional business. We are positively surprised by the improvement in PHLL's business with implementation of its INR300mn capex program. We expect PHLL to regain lost market share as **the restructuring phase is behind**. We are now incorporating Phoenix in our estimates. Over FY16-18, we expect consolidated EPS to log CAGR of ~20% and RoE to improve from 23% to 25% (including PHLL). We maintain 'BUY' with TP of INR177 (18x SEL's FY18 core EPS, INR 12 cash/share and INR 30 for PHLL).

EDELWEISS RATINGS

Absolute Rating	BUY
Investment Characteristics	Growth

MARKET DATA (R: SUPE.BO, B: SEL IN)

CMP	: INR 162
Target Price	: INR 177
52-week range (INR)	: 166 / 117
Share in issue (mn)	: 131.3
M cap (INR bn/USD mn)	: 21 / 317
Avg. Daily Vol. BSE/NSE ('000)	: 63.5

SHARE HOLDING PATTERN (%)

	Current	Q3FY16	Q2FY16
Promoters *	47.4	51.8	51.8
MF's, FI's & BKs	14.3	7.6	2.5
FII's	-	-	4.6
Others	38.4	40.6	41.0
* Promoters pledged shares (% of share in issue)	:	NIL	

PRICE PERFORMANCE (%)

	BSE Midcap Index	Stock	Stock over Index
1 month	2.9	15.5	12.6
3 months	18.7	24.5	5.8
12 months	6.1	30.7	24.7

Financials

(INR mn)

Year to March	Q4FY16	Q4FY15	% change	Q3FY16	% change	FY16	FY17E	FY18E
Total income	1,816	1,548	17.3	1,822	(0.3)	9,525	11,630	13,710
EBITDA	332	257	29.1	303	9.8	1,543	1,876	2,343
Adj. net profit	108	133	(19.1)	178	(39.3)	841	934	1,199
Dil. EPS (INR)	0.8	1.0	(19.1)	1.4	(39.3)	6.4	7.1	9.1
Dil. P/E (x)						24.7	22.3	17.3
EV/EBITDA (x)						14.4	10.9	8.5

Chirag Shah

+91 22 6623 3367
chirag.shah@edelweissfin.com

Karthik Subramaniam

+91 22 6620 3156
karthik.subramaniam@edelweissfin.com

May 31, 2016

Q4FY16 conference call: Key highlights

Domestic demand

- SEL continued to outperform industry - 13% versus 3% during FY16.
- EBITDA margins improved owing to lower commodity prices.
- During Apr-May 2016 industry growth was encouraging; SEL continues to outperform industry.
- Revenue mix for SEL and subsidiaries: 2W: 52%, auto 33%; aftermarket 10% and non-auto 5%.
- Revenue mix including PHLL: 2W - 40%, auto - 25%, aftermarket - 32% (entire exports are to aftermarket), non-auto - 3%.
- PHLL's revenue mix: Domestic 35% (40% 2W, 30-35% auto, rest aftermarket), 65% exports (50-55% own subsidiaries in Europe and balance being direct exports).
- Revenue regional split: SEL - domestic at 81%, global 19%. Including PHLL – domestic at 66% and global at 34%

Phoenix Lamps

- Expects revenue to log some growth in FY17. Margins should start improving and trend towards SEL's levels.
- Pressure on revenue is expected as some competitors have started getting aggressive post acquisition of the business by SEL.
- Investments of INR300mn will lead to qualitative improvement in PHLL thereby increasing efficiencies and hence margins. Q4FY16 will set the base for margins.
- In aftermarket, there is competition from Korea and Chinese players.
- In FY16, PHLL produced ~55mn lamps versus ~87mn capacity; realisation of INR57 per unit may not see major improvement unless there is change in product mix.

Cable business

- New capacity in Chennai will cater to *Royal Enfield* and *Yamaha*. The plant is expected to go commercial in June. In initial phase, it will work on transferring *Yamaha* biz from Bangalore to Chennai. Thereon, it will work on *Royal Enfield*. Volume ramp up will commence in FY18.
- Honda Motorcycle (HMSI): Current share of business at ~35% (30% start of year). By end FY17, hopeful of achieving ~50% share.
- Cable production at 167mn versus 200mn capacity in FY16.
- Sanand was operational for 3-4 months, supplying to HMSI.
- Passenger cars market share is ~35%. Bagged new orders in export markets, which will start contributing from FY18.
- Demand outlook for non-auto business remains subdued.

SEL FY18 Core EPS	7.5
Target Multiple	18
SEL value per share	135
Surplus cash per share	12
PHLL value per share	30
Target price	177

Source: Edelweiss research

Table 2: Financial snapshot (Standalone)

Year to March	Q4FY16	Q4FY15	% change	Q3FY16	% change
Total income	1,572	1,333	18.0	1,591	(1.2)
Raw Material	956	846	13.0	981	(2.6)
Staff costs	185	157	17.4	192	(4.0)
Other expenses	189	107	76.7	133	42.2
Adj EBIDTA	243	223	9.0	284	(14.5)
Other income	35	(8)	(549.6)	30	16.9
Interest	64	32	96.2	47	36.0
Depreciation	23	15	50.2	21	8.7
Total tax	79	60	32.7	83	(4.2)
Adjusted PAT	101	108	(6.4)	153	(34.1)

As % of total income

Year to March	Q4FY16	Q4FY15	bps change	Q3FY16	bps change
Raw material	60.8	63.4	(266)	61.7	(91)
Staff costs	11.8	11.8	(6)	12.1	(35)
Other expenses	12.0	8.0	400	8.4	367
EBIDTA	15.4	16.7	(128)	17.8	(241)
Adjusted PAT	6.4	8.1	(167)	9.6	(321)
Tax rate	41.4	35.6	584	33.6	784

Source: Edelweiss research

Financial snapshot

(INR mn)

Year to March	Q4FY16	Q4FY15	% change	Q3FY16	% change	FY16	FY17E	FY18E
Net revenues	1,816	1,548	17.3	1,822	(0.3)	9,525	11,630	13,710
Raw material costs	1,096	912	20.2	1,053	4.1	5,635	6,793	7,963
Staff costs	216	181	19.7	235	(8.0)	1,253	1,585	1,836
Other expenses	171	198	(13.6)	231	(25.9)	1,093	1,376	1,568
EBITDA	332	257	29.1	303	9.8	1,543	1,876	2,343
Depreciation	27	17	54.2	25	7.9	158	212	230
EBIT	305	240	27.3	278	9.9	1,386	1,663	2,113
Other income	(25)	(5)	NA	65	NA	155	183	198
Interest	67	39	70.6	51	32.2	250	207	207
Add: Exceptional items	29	-	-	17	73.3	(57)	-	-
Profit before tax	213	196	9.0	293	(27.1)	1,234	1,639	2,104
Provision for taxes	77	62	23.2	98	(21.8)	431	543	699
Minority interest	40	-	-	28	42.5	-	-	-
Reported net profit	137	133	2.3	194	(29.8)	803	1,096	1,405
Adjusted Profit	108	133	(19.1)	178	(39.3)	841	934	1,199
Diluted shares (mn)	120	120	-	131	-	131	131	131
Adjusted Diluted EPS	0.8	1.1	-	1.4	-	6.4	7.1	9.1
Diluted P/E (x)	-	-	-	-	-	24.7	22.3	17.3
EV/EBITDA (x)	-	-	-	-	-	14.4	10.9	8.5
ROACE (%)	-	-	-	-	-	26.4	23.7	27.1

As % of net revenues

Raw material	60.4	58.9	-	57.8	-	59.2	58.4	58.1
Employee cost	11.9	11.7	-	12.9	-	13.2	13.6	13.4
Other expenses	9.4	12.8	-	12.7	-	11.5	11.8	11.4
EBITDA	18.3	16.6	-	16.6	-	16.2	16.1	17.1
Adjusted net profit	5.9	8.6	-	9.8	-	8.8	8.0	8.7
Reported net profit	7.5	8.6	-	10.7	-	8.4	9.4	10.2
Tax rate	36.0	31.8	-	33.5	-	33.4	33.1	33.2

Company Description

SEL, incorporated in 1985, is India's largest automotive cable maker with an annual cable capacity of 150mn. The Suprajit Group has 15 plants—14 in India and 1 in the UK, which also operates as a tech centre. The company's customer list includes most Indian automotive majors. It also exports to many marquee global customers. Currently, it is the market leader in 2W with ~65% market share and commands ~30% share in 4W

Investment Theme

Enviably track record: SEL has a robust (>20%) revenue/APAT CAGR record over past decade further complemented by best-in-class RoCEs (>30%) driven by customer diversification, prudent cost control, market share gain and high capital efficiency

Suprajit 1.0: Diversification spring board for growth: SEL's strategy to diversify customer base and geography has been key catalyst for above industry growth over past decade.

Suprajit 2.0: After market, exports key growth drivers: Replacement market (INR 5bn industry; SEL's share ~9%) holds immense potential. Its pricing/quality will drive growth. Advent of GST can be a key growth catalyst. Exports (globally >USD3bn industry; SEL's share <1%) key focus area—well entrenched clients, superior quality, expanding footprint and attractive value proposition to accelerate client addition and new business orders

New product development/acquisition provide option value: Set up a dedicated team to identify acquisition targets (with proprietary technology) and new product development (parking brake lever, gear shifter etc), not factored in our estimates

Leader in 2Ws, further penetration in 4Ws to drive revenue: SEL supplies ~60% of 2W industry's cable requirements; ramp up in supplies to Honda and replacement market to drive growth. 4W potential remains huge (SEL only ~30% share).

Key Risks

Slowdown in demand

SEL derives ~90% revenue from OEMs. Hence, any slowdown in the overall industry can impact the company's revenue. Similarly slowdown in demand in US/Europe can impact SEL's revenue

Commodity risk

Steel is a major raw material for SEL which is sourced both locally and from China. While any steep changes in input costs are passed on to domestic OEMs (with a lag), the arrangement in exports markets are different with risk largely taken by SEL.

Currency risk

SEL derives ~17% revenue from exports (of which ~7% revenue is billed in INR). Also, it imports ~10% of revenue and thus has a natural hedge. With exports becoming a key growth driver, we believe natural hedge will become non-existent and SEL will be exposed to currency risks.

Financial Statements

Key Assumptions

Year to March	FY15	FY16	FY17E	FY18E
Macro				
GDP(Y-o-Y %)	7.2	7.4	7.9	8.3
Inflation (Avg)	5.9	4.8	5.0	5.2
Repo rate (exit rate)	7.5	6.8	6.0	6.0
USD/INR (Avg)	61.1	65.0	67.5	67.0
Sector				
4W - domestic vol (% YoY)	5.1	8.0	12.0	14.0
2W - domestic vol (% YoY)	8.0	3.0	10.0	10.0
Company				
4W	15.8	20.0	25.0	30.0
2W	4.4	8.0	11.0	15.0
Aftermarket - Revenue assumptions	8	18	15	20
Non-Auto	8.3	(5.0)	10.0	10.0
Export - Revenue assumptions	34	13	23	20
Avg. Interest rate (%)	9.9	9.7	10.1	10.1
Depreciation rate (%)	3.4	3.6	4.5	4.6
Tax rate (%)	32.7	33.4	33.1	33.2
Dividend payout (%)	22.7	16.4	19.2	19.6
Net borrowings (INR mn)	910	(1,034)	(1,034)	(1,834)
Capex (INR mn)	409	1,789	300	300
Debtor days	73	64	58	47
Inventory days	66	67	59	41
Payable days	57	49	50	47
Cash conversion cycle	82	82	67	41

Income statement

(INR mn)

Year to March	FY15	FY16	FY17E	FY18E
Income from operations	6,118	9,525	11,630	13,710
Materials costs	3,729	5,635	6,793	7,963
Manufacturing expenses	603	1,093	1,376	1,568
Employee costs	826	1,253	1,585	1,836
Total operating expenses	5,157	7,982	9,754	11,366
EBITDA	961	1,543	1,876	2,343
Depreciation	90	158	212	230
EBIT	871	1,386	1,663	2,113
Add: Other income	41	155	183	198
Less: Interest Expense	164	250	207	207
Add: Exceptional items	-	(57)	-	-
Profit Before Tax	747	1,234	1,639	2,104
Less: Provision for Tax	245	431	543	699
Reported Profit	503	803	1,096	1,405
Exceptional Items	-	(38)	-	-
Adjusted Profit	503	841	934	1,199
Shares o/s (mn)	120	131	131	131
Adjusted Basic EPS	4.2	6.4	7.1	9.1
Diluted shares o/s (mn)	120	131	131	131
Adjusted Diluted EPS	4.2	6.4	7.1	9.1
Adjusted Cash EPS	4.9	7.6	8.7	10.9
Dividend per share (DPS)	1.0	1.1	1.4	1.8
Dividend Payout Ratio(%)	26.5	19.2	22.5	22.9

Common size metrics

Year to March	FY15	FY16	FY17E	FY18E
Operating expenses	84.3	83.8	83.9	82.9
Materials costs	61.0	59.2	58.4	58.1
Staff costs	13.5	13.2	13.6	13.4
S G & A expenses	9.9	11.5	11.8	11.4
Depreciation	1.5	1.7	1.8	1.7
Interest Expense	2.7	2.6	1.8	1.5
EBITDA margins	15.7	16.2	16.1	17.1
Net Profit margins	8.2	8.8	8.0	8.7

Growth ratios (%)

Year to March	FY15	FY16	FY17E	FY18E
Revenues	12.2	55.7	22.1	17.9
EBITDA	3.9	60.7	21.5	24.9
PBT	0.4	65.1	32.8	28.3
Adjusted Profit	(1.0)	67.3	11.1	28.4
EPS	(1.0)	52.9	11.1	28.4

Balance sheet		(INR mn)			
As on 31st March	FY15	FY16	FY17E	FY18E	
Share capital	120	131	131	131	
Reserves & Surplus	2,288	4,344	5,069	5,993	
Shareholders' funds	2,408	4,476	5,200	6,124	
Minority Interest	-	542	704	909	
Short term borrowings	1,005	1,829	1,376	1,376	
Long term borrowings	655	757	679	679	
Total Borrowings	1,660	2,586	2,056	2,056	
Def. Tax Liability (net)	91	86	86	86	
Sources of funds	4,159	7,690	8,046	9,176	
Gross Block	2,652	4,441	4,741	5,041	
Net Block	1,843	3,474	3,561	3,631	
Capital work in progress	7	7	7	7	
Total Fixed Assets	1,850	3,481	3,569	3,638	
Cash and Equivalents	1,173	1,676	3,090	3,890	
Inventories	799	1,669	983	1,166	
Sundry Debtors	1,250	2,096	1,612	1,927	
Loans & Advances	200	628	346	413	
Other Current Assets	13	10	13	13	
Current Assets (ex cash)	2,263	4,404	2,953	3,520	
Trade payable	568	944	933	1,116	
Other Current Liab	559	926	632	756	
Total Current Liab	1,127	1,870	1,566	1,872	
Net Curr Assets-ex cash	1,135	2,534	1,388	1,648	
Uses of funds	4,159	7,690	8,046	9,176	
BVPS (INR)	20.1	34.1	39.6	46.6	

Free cash flow		(INR mn)			
Year to March	FY15	FY16	FY17E	FY18E	
Reported Profit	503	803	1,096	1,405	
Add: Depreciation	90	158	212	230	
Interest (Net of Tax)	110	166	139	138	
Others	13	(15)	(114)	(129)	
Less: Changes in WC	(202)	1,398	(1,146)	261	
Operating cash flow	918	(286)	2,479	1,384	
Less: Capex	409	1,789	300	300	
Free Cash Flow	509	(2,075)	2,179	1,084	

Cash flow metrics		FY15	FY16	FY17E	FY18E
Year to March					
Operating cash flow		918	(286)	2,479	1,384
Investing cash flow		(737)	(2,003)	(267)	(252)
Financing cash flow		(208)	2,016	(948)	(482)
Net cash Flow		(27)	(273)	1,264	650
Capex		(409)	(1,789)	(300)	(300)
Dividend paid		133	161	210	275

Profitability and efficiency ratios		FY15	FY16	FY17E	FY18E
Year to March					
ROAE (%)		22.6	21.6	20.1	21.7
ROACE (%)		23.7	26.4	23.7	27.1
Inventory Days		66	67	59	41
Debtors Days		73	64	58	47
Payable Days		57	49	50	47
Cash Conversion Cycle		82	82	67	41
Current Ratio		3.0	3.3	3.9	4.0
Gross Debt/EBITDA		1.7	1.7	1.1	0.9
Gross Debt/Equity		0.7	0.5	0.3	0.3
Adjusted Debt/Equity		0.7	0.5	0.3	0.3
Net Debt/Equity		0.2	0.2	(0.2)	(0.3)
Interest Coverage Ratio		5.3	5.5	8.0	10.2

Operating ratios		FY15	FY16	FY17E	FY18E
Year to March					
Total Asset Turnover		1.6	1.6	1.5	1.6
Fixed Asset Turnover		3.6	3.6	3.3	3.8
Equity Turnover		2.7	2.6	2.1	2.1

Valuation parameters		FY15	FY16	FY17E	FY18E
Year to March					
Adj. Diluted EPS (INR)		4.2	6.4	7.1	9.1
Y-o-Y growth (%)		(1.0)	52.9	11.1	28.4
Adjusted Cash EPS (INR)		4.9	7.3	10.0	12.5
Diluted P/E (x)		38.7	25.3	22.8	17.8
P/B (x)		8.1	4.8	4.1	3.5
EV / Sales (x)		3.2	2.3	1.8	1.4
EV / EBITDA (x)		20.8	14.7	11.2	8.7
Dividend Yield (%)		0.6	0.6	0.8	1.1

Peer comparison valuation

Name	Market cap (USD mn)	Diluted P/E (X)		EV / EBITDA (X)		ROAE (%)	
		FY17E	FY18E	FY17E	FY18E	FY17E	FY18E
Suprajit Engineering	317	22.8	17.8	11.2	8.7	20.1	21.7
Amara Raja Batteries	2,132	25.4	21.1	14.2	12.0	24.1	23.9
Exide Industries	2,076	20.8	18.5	11.5	10.0	14.1	13.8
Motherson Sumi Systems	5,600	23.1	17.3	9.3	7.4	35.4	35.8
Median	-	22.9	18.1	11.4	9.3	22.1	22.8
AVERAGE	-	23.0	18.7	11.5	9.5	23.4	23.8

Source: Edelweiss research

Additional Data

Directors Data

Mr K Ajith Kumar Rai	Chairman & MD	Dr. C Mohan	Executive Director
Mr Diwakar S Shetty	Director	Mr Ian Williamson	Director
Mr B S Patil	Director	Mr M Jayarama Shetty	Director

Auditors - Messrs Varma & Varma

**as per last available data*

Holding – Top10

	Perc. Holding		Perc. Holding
Rai k ajith kumar	33.7	Rai supriya a	10.92
Sundaram clayton ltd	4.39	Prudential icici ass	3.66
Commonwealth bank of	2.4	Tvs motor company lt	2.2
Dsp blackrock invest	2.03	Bajaj allianz life i	1.46
Malabar india fund I	1.41	Punja shobita	1.39

**as per last available data*

Bulk Deals

Data	Acquired / Seller	B/S	Qty Traded	Price
------	-------------------	-----	------------	-------

No Data Available

**as per last available data*

Insider Trades

Reporting Data	Acquired / Seller	B/S	Qty Traded
14 Jan 2016	Ashutosh Rai	Buy	1200000.00
14 Jan 2016	Supriya Ajith	Sell	1281600.00
14 Jan 2016	Akhilesh Rai	Buy	163200.00
14 Jan 2016	Ajith Kumar Rai	Sell	1281600.00
14 Jan 2016	Aashish Rai	Buy	1200000.00

**as per last available data*

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

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

Nirav Sheth

Head Research

nirav.sheth@edelweissfin.com

Coverage group(s) of stocks by primary analyst(s): Automobiles

Ashok Leyland, Amara Raja Batteries, Bajaj Auto, Eicher Motors, Exide Industries, Hero MotoCorp, Minda Corporation, Mahindra & Mahindra Ltd, Maruti Suzuki India Ltd, Motherson Sumi Systems, Suprajit Engineering, Tata Motors Ltd

Recent Research

Date	Company	Title	Price (INR)	Recos
31-May-16	Tata Motors	JLR surprises on all counts; <i>Result Update</i>	421	Buy
31-May-16	Mahindra & Mahindra	Inline quarter; pinning hopes on monsoon; <i>Result Update</i>	1,331	Buy
26-May-16	Bajaj Auto	Inline quarter; exports revival critical; <i>Result Update</i>	2,505	Hold

Distribution of Ratings / Market Cap

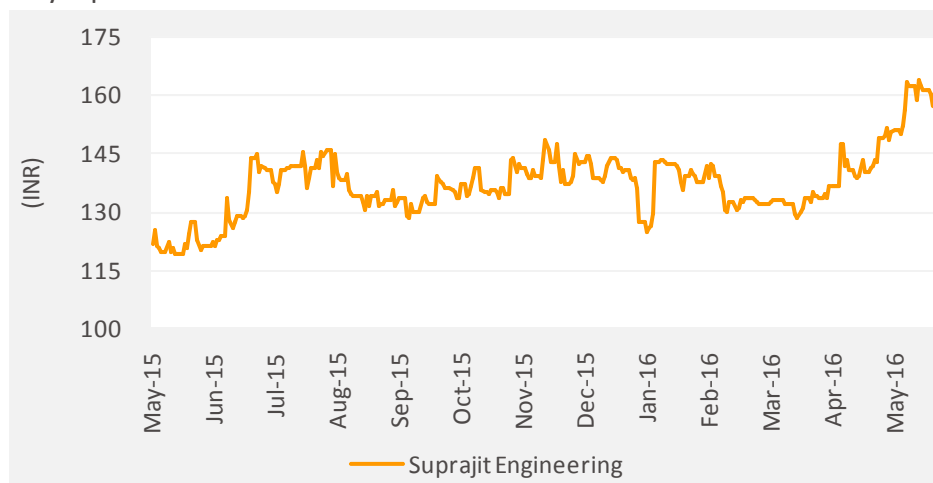
Edelweiss Research Coverage Universe

	Buy	Hold	Reduce	Total
Rating Distribution*	158	59	12	229
* - stocks under review				
	> 50bn	Between 10bn and 50 bn	< 10bn	
Market Cap (INR)	156	62	11	

Rating Interpretation

Rating	Expected to
Buy	appreciate more than 15% over a 12-month period
Hold	appreciate up to 15% over a 12-month period
Reduce	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) 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

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