

WELSPUN INDIA

Backward integration takes it forward

India Equity Research | Textiles

Welspun India's (WLSI) Q3FY15 revenues grew 22% YoY to INR13.4bn, driven by an est. 15% surge in volumes. EBITDA spurted 42% YoY and 7% QoQ to INR3.4bn, while margins improved by 349bps YoY (285bps QoQ) to 25.3% as impact of backward integration kicked in. Though depreciation and interest rose significantly, PAT beat estimates coming in at INR1.4bn (up 31% YoY) gaining from lower tax rate. We introduce FY17 estimates and maintain 'BUY' with a target price of INR472.

Towels, bedsheet at near utilisation, carpets to drive growth

Growth in revenues was driven by an est. 15% YoY surge in overall volumes in Q3FY15. Terry towel/bed linen/rugs production grew by est. 23%/28%/19% YoY. There was a marginal fall in revenues QoQ mainly because of lower utilisation in bed sheet (94% versus 100% in Q2FY15). Till capacity is ramped up in towels/bedsheet, revenue growth in ensuing quarters will come from carpets as the company starts shipping to customers. Average USD realisation, as in Q2FY15, stood at INR64 for the quarter.

Backward integration aids significant improvement in margin

This was the first full quarter of the newly commissioned spindle capacity availability. During Q3FY15, 70% of the yarn requirement was met indigenously versus 40% in past few quarters. As a result, raw material cost fell by 390bps YoY (411bps QoQ). Impact of this was directly seen in EBITDA margin, which improved by 349bps YoY (285bps QoQ) to 25.3%. Though margins should sustain in ensuing quarters, management has still guided for long-term margin to be in the 22% range. While depreciation and interest cost increased on account of capitalisation of the vertical integration projects and discontinuation of interest subvention, respectively, lower tax outgo still resulted in the 31% jump in PAT to INR1.4bn.

Outlook and valuations: Growth triggers intact; maintain 'BUY'

FY16E growth in revenue/EBITDA will come from capacity expansion and higher utilisation at the recently commissioned yarn capacity. Despite the INR12bn capex completed till date, company has reduced its debt/equity and debt/EBITDA. Also, possible upside in earnings will come from interest benefits from the Gujarat government/interest subvention scheme. We introduce FY17 estimates and keeping our EV/EBITDA multiple of 5.0x our target price works out to INR472 (earlier INR426).

Maintain 'BUY'.

Financials

(INR mn)

Year to March	Q3FY15	Q3FY14	YoY	Q2FY15	QoQ	FY14	FY15E	FY16E
Net Revenues	13,459	11,029	22.0	14,135	(4.8)	44,954	53,459	63,337
EBITDA	3,400	2,402	41.6	3,169	7.3	9,211	12,236	14,984
Profit after tax	1,436	1,095	31.1	1,299	10.5	921	4,912	6,201
Dil. EPS (INR)	13.7	10.9	25.9	12.9	6.3	9.2	48.9	61.8
Dil. P/E (x)						41.8	7.8	6.2
EV/EBITDA (x)						7.2	5.6	4.5
ROAE (%)						8.8	37.2	34.5

EDELWEISS RATINGS

Absolute Rating	BUY
Investment Characteristics	Growth

MARKET DATA (R: WLSP.BO, B: WLSI IN)

CMP	: INR 383
Target Price	: INR 472
52-week range (INR)	: 408 / 86
Share in issue (mn)	: 100.5
M cap (INR bn/USD mn)	: 38 / 533
Avg. Daily Vol. BSE/NSE ('000)	: 257.3

SHARE HOLDING PATTERN (%)

	Current	Q2FY15	Q1FY15
Promoters *	73.4	73.3	73.4
MF's, FI's & BKs	5.9	6.1	5.9
FII's	0.2	1.7	0.2
Others	20.5	18.9	20.5
* Promoters pledged shares (% of share in issue)	:		NIL

PRICE PERFORMANCE (%)

	BSE Midcap Index	Stock	Stock over Index
1 month	6.8	1.2	(5.6)
3 months	15.2	20.6	5.4
12 months	64.7	274.9	210.2

Niraj Mansingka, CFA
 +91 22 6623 3315
 niraj.mansingka@edelweissfin.com

January 30, 2015

Q3FY15 con call**1. Industry/macros**

- a. Owing to lower oil prices, disposable income in the US grew by USD600, which should help increase wallet spend on home textiles.

2. Capacity utilisation

- i. Towel : 100% plus
- ii. Sheets: 94%
- iii. Rugs/carpet: 57%
- b. Post capex, towel capacity will rise by 10-12% and in sheeting by 15%.
- c. As and when capacity touches 90%, the company plans to augment capacity.

3. Spinning

- a. Spinning mill operated at 70% capacity. It will take one more quarter for optimal production.
- b. Currently, 70% of the yarn requirement is met from in-house utilisation. Post 100% spinning capacity utilisation, it will be 75%.

4. Revenues/realisation

- a. Of the total revenue growth, 15% was volume driven (for 9mFY15).
- b. 30% contribution came from innovative/in-house products.
- c. The company expects significant volume growth from carpets from the next quarter as it starts shipping to customers.
 - i. Current rugs/carpet growth: 5-7%, future: 9%.
- d. Dollar realisation was INR64/USD in the quarter like in the previous one.

5. Geography/exports

- a. Geography breakup - USA: 60%, Europe: 17%, RoW: 19% and India: 4%
- b. Geography-wise growth -US, Europe and India: 20% plus, others: 15% (for 9mFY15)

6. Cotton prices and raw material (RM) stock

- a. The company has already met 50% of the yearly cotton requirement and will procure 80% by March'15 as per its policy.
- b. It believes cotton is at the lowest point possible. It is way below minimum support price which cannot continue.
- c. But, prices will remain under pressure in the immediate term.
- d. Average cotton price was INR31,000-33,000/candy.

7. Domestic market (Including Spaces/Welhomes)

- a. Total revenue in India grew by 30% YoY.
- b. Branded sales grew 52% YoY.
- c. 5% of domestic business is coming from e-commerce.
- d. Domestic business is breaking even.

8. Margins

- a. **3-4% margin improvement was led by backward integration.**
- b. The company has still guided for 22% margins as raw cotton is at its lowest price and also many benefits could be withdrawn.
- c. Also, the company is in discussion with clients to pass on the benefits.

9. Capex and expansion

- a. Remaining INR12bn will be spent in next 18-24 months to enhance capacity in all segments. INR5bn has already been committed.
- b. Capital employed should increase by INR10bn inclusive of all capex.

10. Working capital

- a. Inventory days in Q3FY15: 73, FY14: 80.
- b. Cash conversion cycle was 60 days in the quarter.

11. Interest/debt

- a. Total debt: INR30bn
 - i. Long term: INR19.4bn
 - TUF loans: INR15.5bn (INR8bn is under the Gujarat government incentive too)
 - Non-TUF: INR3.75bn
 - ii. Short term: INR10.6bn
- b. The company is still to account for the Gujarat state subsidy interest benefit of almost INR90-100mn, as it has still not been confirmed, though it is sure of getting it.
- c. Gujarat benefits will accrue from October 1, if given.
- d. In this quarter, 3% interest subvention on Working capital scheme from the central government was not available. **Total quarterly impact was INR90mn,** which had led to an INR300mn PBT loss in FY14.
- e. The company expects the interest subvention scheme may come back this coming quarter as the budget and new foreign trade policy will be announced.
- f. Going ahead, new debt should cost 3% (13% average cost, 5% TUF benefit, 5% Gujarat benefit).
- g. INR3bn debt on captive power is at full cost.
- h. The company turned free cash flow positive this quarter.

12. Dividend

The company plans to put a dividend policy in place once capex of INR7-8bn is through.

13. Guidance

- a. The company has guided for double-digit/mid-teen growth for the next 5 years.
- b. Depreciation will rise in ensuing quarters, but interest will decline as the Gujarat government benefit could be claimed.
- c. Tax rate to be 33% going ahead. Cash tax rate will be 20%.

14. Other

The company had a very productive week at the Hemtex fair in Europe.

Post the backward integration, margins have significantly expanded this quarter.

Increased integration in the coming quarters will lead to an increase in WLSI's ROE and ROCE.

Gross Debt/EBITDA and Gross Debt/Equity remain at comfortable levels.

Chart 1: EBITDA margins at highest levels

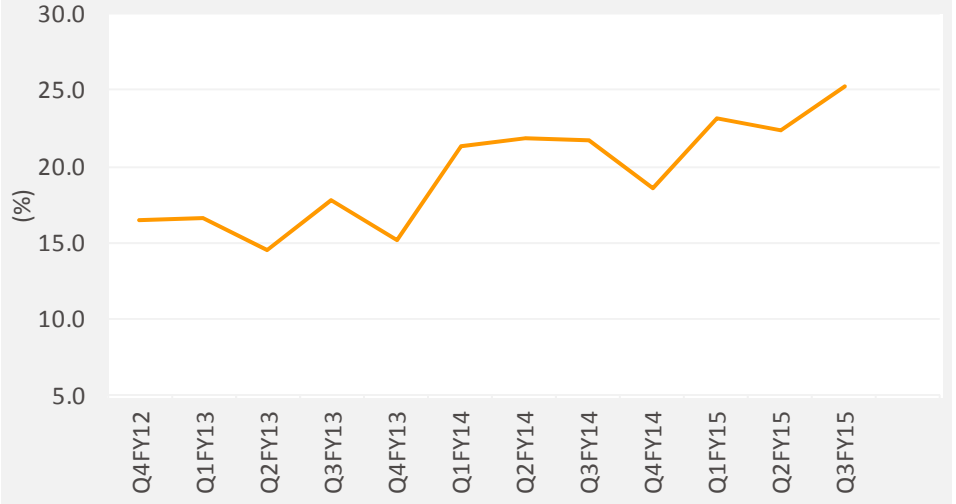


Chart 2: ROCE and ROE based on the quarterly numbers

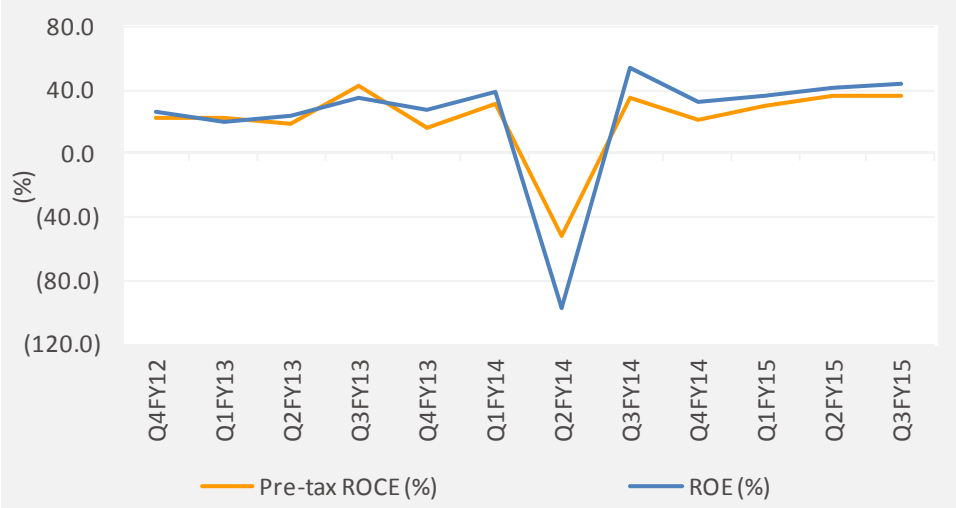
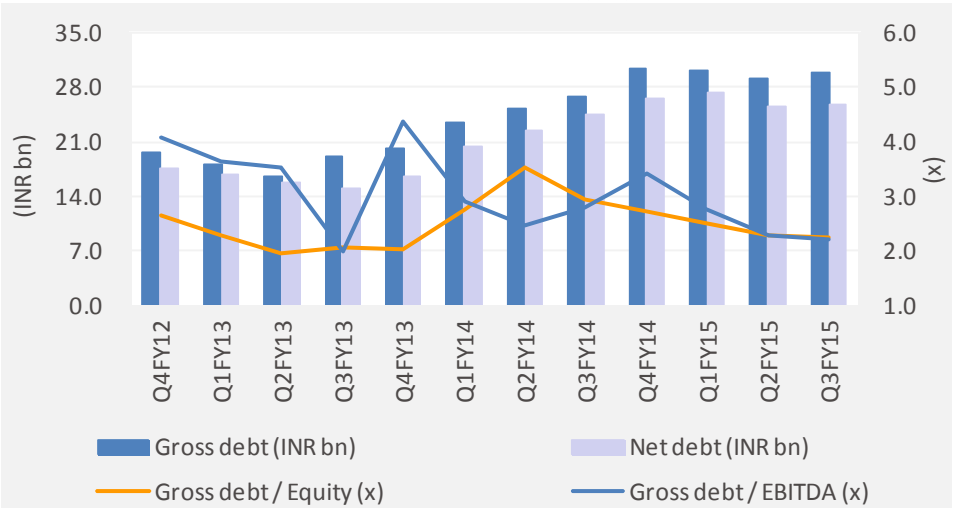


Chart 3: Stable Gross Debt/EBITDA and Gross debt/Equity levels



Source: Edelweiss research

Financial snapshot

(INR mn)

Year to March	Q3FY15	Q3FY14	% change	Q2FY15	% change	YTD15	FY15E	FY16E
Net revenues	13,459	11,029	22.0	14,135	(4.8)	39,367	53,459	63,337
Staff costs	1,132	873	29.7	1,143	(0.9)	3,279	4,516	5,182
Direct costs	6,324	5,612	12.7	7,223	(12.4)	19,112	24,686	28,507
Other expenses	2,602	2,142	21.5	2,600	0.1	7,680	12,021	14,664
EBITDA	3,400	2,402	41.6	3,169	7.3	9,296	12,236	14,984
Depreciation & amortization	918	501	83.3	717	28.0	2,321	3,004	3,675
EBIT	2,483	1,901	30.6	2,452	1.2	6,976	9,232	11,309
Other income	147	344	(57.4)	191	(23.3)	660	915	896
Interest	816	568	43.6	731	11.7	2,260	3,219	3,149
Profit before tax	1,813	1,677	8.1	1,913	(5.2)	5,376	6,928	9,056
Tax	369	580	(36.4)	591	(37.6)	1,582	2,078	2,898
Net profit	1,436	1,095	31.1	1,299	10.5	3,784	4,912	6,201
Diluted EPS (INR)	13.7	10.9	25.9	12.9	6.3	37.1	48.9	61.8

As % of net revenues

Direct costs	47.0	50.9		51.1		48.5	46.2	45.0
Employee cost	8.4	7.9		8.1		8.3	8.4	8.2
Other expenses	19.3	19.4		18.4		19.5	22.5	23.2
EBITDA	25.3	21.8		22.4		23.6	22.9	23.7
Reported net profit	10.7	9.9		9.2		9.6	9.2	9.8
Tax rate	20.3	34.6		30.9		29.4	30.0	32.0

Change in estimate table

	New	Old	FY15E	FY16E		% change	Comments
			% change	New	Old		
Sales	53,459	53,643	(0.3)	63,337	64,964	(2.5)	Prices reduced to pass on benefits
EBITDA	12,236	11,758	4.1	14,984	14,728	1.7	Effect of Backward integration
EBITDA margin	22.9	21.9		23.7	22.7		
Reported PAT	4,912	4,656	5.5	6,201	5,947	4.3	Effect of Backward integration
PAT margin	9.2	8.7		9.8	9.2		

Company Description

Established in 1985, Welspun India is one of the top three home textile manufacturers globally and the largest home textile company in Asia. It has modern manufacturing facilities at Anjar and Vapi in Gujarat where it produces an entire range of home textiles for bed & bath category. The company has state-of-the-art completely vertically integrated plants, right from spinning to confectioning.

Welspun has been ranked No.1 among home textile suppliers in the US (Source: Home Textile Today). It has a distribution network in over 32 countries including US, UK, Europe, Canada and Australia.

In addition to manufacturing facilities, which predominantly supply to private labels, the company also maintains its own brands Christy, Hygrocotton, Welhome and Spaces - Home and Beyond; it also has a tie up with Nautica for North American markets.

Investment Theme

Innovation, diversified client and product base cement dominance: Welspun enjoys long standing relationships with top retailers in the US and Europe and supplies to 14 of the top 30 global retailers. It commands a lion's share of home textiles exported out of India. Increasing geographical and client diversification is improving the company's risk metrics. It has seven trademarks and has applied for six patents till date. Welspun derives ~30% of sales from innovative products.

Capex underway to bolster already formidable capacity: The company is undertaking a major capex programme to enhance its cost base, lending it pricing power and opportunities to increase market share globally. This will propel vertical integration to ~75% (~35% currently). The capex is being funded by low-cost subsidised debt, which will increase capacity without substantial interest burden.

Returns: High capacity utilisation and increased backward integration will drive 364bps expansion in EBITDA margin over FY14-16E. Similarly, RoEs are likely to maintain upward trend and cross the 35% mark in FY16E (890bps expansion over FY13-16E).

Key Risks

Raw material risk: Raw material costs, primarily cotton yarn, account for 50% of the overall expenses and are a prime driver of profitability. Volatility in cotton prices can impact the profitability adversely.

Leveraged balance sheet: Welspun ended FY14 with a net debt/equity of 2.5x. It is in the midst of a capex programme with a remaining outlay of INR12bn. This is likely to keep leverage levels high in the future and may pressurise profitability.

Currency fluctuations: Welspun exports more than 90% of its production. With a network spanning 50 countries, the company is exposed to currency fluctuations which can significantly impact profitability.

Financial Statements

Key Assumptions

Year to March	FY14	FY15E	FY16E	FY17E
Macro				
GDP(Y-o-Y %)	4.7	5.4	6.3	7.3
Inflation (Avg)	9.5	6.8	5.5	5.5
Repo rate (exit rate)	8.0	7.8	6.8	6.3
USD/INR (Avg)	60.5	61.0	62.0	62.0
Company				
Terry towel capacity (MT)	45,000	50,000	60,000	60,000
Bed Linen capacity (000 Mts)	55,000	60,000	72,000	72,000
Rugs/carpets capacity (MT)	12,000	15,000	20,000	20,000
Terry towel capacity utilisation (%)	99	98	86	88
Bed linen capacity utilisation (%)	89	92	85	90
Rugs/carpets capacity utilisation (%)	68	51	60	75
Raw Material Cost as % Net Revenue	50.4	46.2	45.0	44.6
Other expenses as % of net revenues	21.5	22.5	23.2	23.8
Average Depreciation rate (%)	5.5	6.5	6.6	6.5
Dividend per share	3.0	6.0	7.0	8.0
Capex (INR mn)	13,679	9,284	9,357	3,100
Inventory as % of total costs (%)	44.5	44.0	44.0	44.0
Receivables as % of net revenues (%)	9.2	9.0	9.0	9.0
Other current assets as % of net revenues (%)	6.8	7.0	7.0	7.0
Loans and advances as % of net revenues (%)	12.0	12.0	12.0	12.0
Incremental debt (INR mn)	10,014	535	(513)	(2,265)

Income statement

(INR mn)

Year to March	FY14	FY15E	FY16E	FY17E
Net revenue	44,954	53,459	63,337	66,762
Materials costs	22,673	24,686	28,507	29,785
Gross profit	22,281	28,773	34,830	36,977
Employee costs	3,400	4,516	5,182	5,947
Other Expenses	9,670	12,021	14,664	15,871
EBITDA	9,211	12,236	14,984	15,159
Depreciation & Amortization	6,863	3,004	3,675	3,973
EBIT	2,348	9,232	11,309	11,186
Other income	1,042	915	896	931
Interest expenses	2,352	3,219	3,149	2,528
Profit before tax	1,037	6,928	9,056	9,589
Provision for tax	199	2,078	2,898	3,069
Net profit	838	4,849	6,158	6,521
Profit after minority interest	921	4,912	6,201	6,543
Shares outstanding (mn)	100	100	100	100
Diluted EPS (INR)	9.2	48.9	61.8	65.2
CEPS (INR)	63.0	86.5	108.3	115.3
Dividend per share (INR)	3.0	6.0	7.0	8.0
Dividend payout (%)	32.7	12.3	11.3	12.3

Common size metrics

Year to March	FY14	FY15E	FY16E	FY17E
Gross margin	49.6	53.8	55.0	55.4
EBITDA margins	20.5	22.9	23.7	22.7
EBIT margins	5.2	17.3	17.9	16.8
Net profit margins	1.9	9.1	9.7	9.8

Growth ratios (%)

Year to March	FY14	FY15E	FY16E	FY17E
Revenues	23.3	18.9	18.5	5.4
EBITDA	54.9	32.8	22.5	1.2
Net profit	(59.0)	433.5	26.2	5.5
EPS	(59.7)	433.5	26.2	5.5

Balance sheet		(INR mn)			
As on 31st March	FY14	FY15E	FY16E	FY17E	
Equity capital	1,003	1,003	1,003	1,003	
Reserves & surplus	10,093	14,301	19,680	25,284	
Shareholders funds	11,097	15,304	20,683	26,287	
Minority interest (BS)	316	254	211	189	
Short term debt	11,349	13,813	11,307	9,349	
Long term debt	18,944	17,015	19,008	18,701	
Total Borrowings	30,293	30,828	30,315	28,050	
Deferred tax liability (net)	434	1,196	2,193	3,247	
Sources of funds	42,140	47,583	53,402	57,773	
Tangible assets	18,395	28,853	34,753	34,191	
Intangible assets	1,890	1,895	1,903	1,911	
CWIP (incl. intangible)	5,324	1,148	932	623	
Total net fixed assets	25,609	31,896	37,588	36,725	
Non current investments	473	500	500	500	
Current Investments	641	750	750	750	
Cash and equivalents	2,332	296	889	1,498	
Inventories	10,094	10,862	12,543	13,106	
Sundry debtors	4,117	4,811	5,700	6,009	
Loans and advances	5,376	6,415	7,600	8,011	
Other assets	3,041	3,742	4,434	4,673	
Total current assets	24,960	26,127	31,166	33,297	
Trade payable	6,144	7,008	8,220	8,773	
Other current liabilities and	3,399	4,683	8,383	4,726	
Total current liabilities &	9,544	11,691	16,603	13,499	
Net current assets	13,085	14,140	13,675	18,300	
Uses of funds	42,140	47,583	53,402	57,773	
Book value per share (INR)	110.6	152.5	206.1	262.0	

Free cash flow		(INR mn)			
Year to March	FY14	FY15E	FY16E	FY17E	
Net profit	921	4,912	6,201	6,543	
Depreciation	6,863	3,004	3,675	3,973	
Deferred tax	(1,465)	762	996	1,055	
Others	(2,705)	195	3,183	(7,655)	
Gross cash flow	3,614	8,872	14,055	3,916	
Less: Changes in WC	(2,008)	(1,055)	465	(4,626)	
Operating cash flow	5,622	9,927	13,590	8,542	
Less: Capex	13,679	9,284	9,357	3,100	
Free cash flow	(8,057)	643	4,233	5,442	

Cash flow metrics		FY14	FY15E	FY16E	FY17E
Year to March					
Operating cash flow		5,622	9,927	13,590	8,542
Investing cash flow		(12,821)	(8,512)	(8,471)	(2,179)
Financing cash flow		7,228	(3,451)	(4,526)	(5,754)
Net cash flow		29	(2,036)	592	609
Capex		(13,679)	(9,284)	(9,357)	(3,100)
Dividends paid		(352)	(704)	(822)	(939)

Profitability and efficiency ratios		FY14	FY15E	FY16E	FY17E
Year to March					
ROAE (%)		8.8	37.2	34.5	27.9
ROACE (%)		6.5	21.1	23.0	20.6
Inventory day		147	155	150	157
Debtors days		28	30	30	32
Payable days		89	97	97	104
Cash conversion cycle (days)		86	88	83	85
Debt/Equity (x)		2.5	1.9	1.4	1.0

Operating ratios		FY14	FY15E	FY16E	FY17E
Year to March					
Total asset turnover		1.2	1.2	1.3	1.2
Fixed asset turnover		2.0	1.9	1.8	1.8
Equity turnover		4.3	4.0	3.5	2.8

Valuation parameters		FY14	FY15E	FY16E	FY17E
Year to March					
Diluted EPS (INR)		9.2	48.9	61.8	65.2
Y-o-Y growth (%)		(59.7)	433.5	26.2	5.5
CEPS (INR)		63.0	86.5	108.3	115.3
EV/Sales (x)		1.5	1.3	1.1	1.0
EV/EBITDA (x)		7.2	5.6	4.5	4.3

Additional Data

Directors Data

Mr. B K Goenka	Chairman	Mr. R. R. Mandawewala	Managing Director
Ms. Dipali Goenka	Executive Director	Mr. D. B. Engineer	Independent Director
Mr. A. K. Dasgupta	Independent Director	Mr. Arun Todarwal	Independent Director
Mr. Ram Gopal Sharma	Independent Director	Mr. Ajay Sharma	Nominee Director
Mr. Arvind Kumar Singhal	Additional Director		

Auditors -

**as per last annual report*

Holding – Top10

	Perc. Holding		Perc. Holding
Krishiraj trading It	50.09	Welspun mercantile l	11.2
Welspun wintex ltd	8.39	Welspun infratech It	2.74
Reliance capital ass	2.68	Max new york life in	1.16
Goldman sachs asset	1.05	Prudential icici ass	0.98
Tata asset managemen	0.6	Welspun finance ltd	0.54

**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
15 May 2014	KRISHIRAJ TRADING LIMITED	Buy	66179.00
08 May 2014	Krishiraj Trading Limited	Buy	216506.00
06 Mar 2014	Welspun Infra Developers Private Limited	Buy	1849773.00
06 Mar 2014	IDBI Bank Limited	Sell	3130192.00

**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

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

Arvind, Himatsingka Seide, Welspun India

Recent Research

Date	Company	Title	Price (INR)	Recos
12-Nov-14	Himatsingka Seide	Manufacturing shines, retail & distribution disappoints; <i>Result Update</i>	95	Buy
08-Nov-14	Arvind	Brand story intact; fairly valued; <i>Result Update</i>	299	Hold
06-Nov-14	Welspun India	Expands capacity, reduces leverage;	336	Buy

Distribution of Ratings / Market Cap

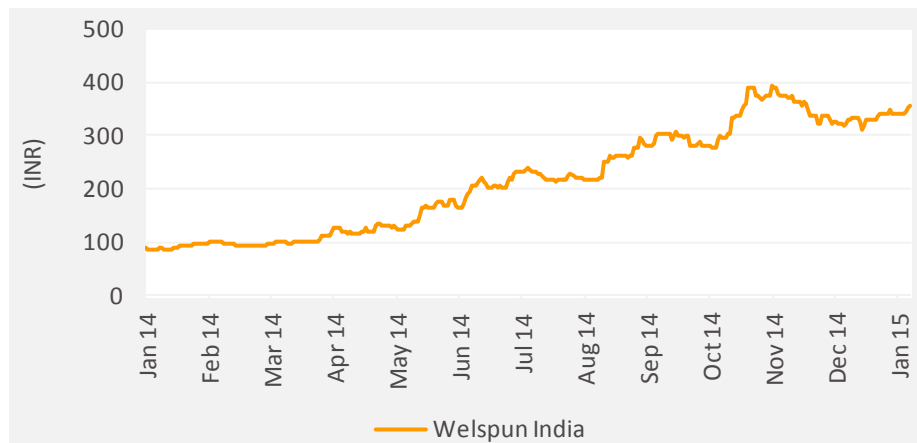
Edelweiss Research Coverage Universe

	Buy	Hold	Reduce	Total
Rating Distribution*	150	46	10	207
* 1 stocks under review				
	> 50bn	Between 10bn and 50 bn	< 10bn	
Market Cap (INR)	143	58	6	

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

This report has been prepared by Edelweiss Securities Limited (Edelweiss). 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. 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 the securities of companies 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 Edelweiss and affiliates/ 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. Edelweiss reserves the right to make modifications and alterations to this statement as may be required from time to time. Edelweiss or any of its affiliates/ 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. Edelweiss is committed to providing independent and transparent recommendation to its clients. Neither Edelweiss nor any of its affiliates, 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. 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 Edelweiss. All layout, design, original artwork, concepts and other Intellectual Properties, remains the property and copyright of Edelweiss 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.

Edelweiss 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 Edelweiss to present the data. In no event shall the Edelweiss 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 Edelweiss through this report.

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, Enclave Capital, LLC ("Enclave"). Transactions in securities discussed in this research report should be effected through Enclave Capital, LLC.

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.

Disclosures under the provisions of SEBI (Research Analysts) Regulations 2014 (Regulations)

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 are organized around five broad business groups – Credit including Housing and SME Finance, Commodities, Financial Markets, Asset Management and Life Insurance. 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. Research reports are distributed as per Regulation 22(1) of the Regulations. An application is filed for obtaining registration under Regulation 3 of the Regulations.

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

Access the entire repository of Edelweiss Research on www.edelresearch.com