

WELSPUN INDIA

Capacity expansion aids volume surge

India Equity Research | Textiles

Welspun India's (WLSI) Q4FY16 result was marked by strong revenue growth (up 19% YoY and 9% QoQ), primarily led by strong volume growth as the entire additional capacity was commissioned during the quarter. EBITDA margin fell by marginal 90bps QoQ from the record high seen in Q3FY16. WLSI has announced capacity expansion across its 3 product lines: towels, bed sheets and rugs. We maintain our 7.0x EV/EBITDA multiple with TP pegged at INR115. Maintain 'BUY'.

Revenue growth ramps up driven by new capacity addition

Revenue, at INR16.3bn, moved up 19% YoY (highest quarterly growth this year), driven by capacity addition/available during the quarter. WLSI reported 9% QoQ growth in revenues versus flat sequential growth in Q3FY16 when it faced capacity constraints. Entire bed sheet capacity of 72mn mtrs (annual) was available during the quarter and the balance 5,000MT of towel capacity got commissioned taking the total annual capacity to 60,000MT. EBITDA margin, at 26.0%, came in line with expectation and moved up by 74bps YoY, though it fell by 90bps QoQ from the record high margins clocked in Q3FY16.

Asset-light value add capacity expansion announced

WLSI announced further capacity expansion, adding 12,000MT in terry towels (total: 72,000MT), 18mn mtrs in bed sheets (total: 90mn mtrs) and 2mn sq.mtrs in rugs (total: 10mn sq.mtrs) to be undertaken during FY17. This time, WLSI will source grey fabric from ancillary units, being set up around the plant, and will undertake mainly processing and final stitching and packing. As a result, capex incurred in FY17 will be only ~INR8bn, including INR2.5bn from existing expansion, compared to the INR25bn capex programme undertaken earlier.

Outlook and valuations: Strong FCF; maintain 'BUY'

FY16 was the second consecutive year when WLSI generated positive operating cash flow even after capex. While the company has announced capacity expansion, this phase is asset light and should be financed via internal cash generation. With capacity constraints eased, we expect growth to improve in FY18 as new capacity gets commissioned. We maintain our EV/EBITDA multiple at 7.0x giving us a target price of INR115. Maintain 'BUY'.

Financials						(INR mn)		
Year to March	Q4FY16	Q4FY15	YoY (%)	Q3FY16	QoQ (%)	FY16	FY17E	FY18E
Net Revenues	16,284	13,658	19.2	14,904	9.3	59,795	69,375	77,211
EBITDA	4,229	3,446	22.7	4,006	5.6	15,575	18,376	20,052
Adjusted Profit	1,933	1,614	19.8	1,741	11.0	7,029	8,583	9,421
Adj. Dil. EPS*	1.9	16.1	19.8	17.3	11.0	7.0	8.5	9.4
Diluted P/E (x)						14.2	11.6	10.6
EV/EBITDA (x)						8.0	6.8	5.8
ROAE (%)						40.8	36.7	31.1

* EPS growth adjusted for stock split

EDELWEISS RATINGS			
Absolute Rating	BUY		
Investment Characteristics	Growth		
MARKET DATA (R: WLSP.BO, B: WLSI IN)			
CMP	: INR 99		
Target Price	: INR 115		
52-week range (INR)	: 111 / 36		
Share in issue (mn)	: 1,004.7		
M cap (INR bn/USD mn)	: 100 / 1,494		
Avg. Daily Vol. BSE/NSE ('000)	: 849.2		
SHARE HOLDING PATTERN (%)			
	Current	Q3FY16	Q2FY16
Promoters *	73.5	73.5	73.5
MF's, FI's & BKs	8.7	8.7	4.3
FII's	5.0	5.0	7.5
Others	12.8	12.8	14.7
* Promoters pledged shares (% of share in issue)	:	NIL	
PRICE PERFORMANCE (%)			
	BSE Midcap Index	Stock	Stock over Index
1 month	4.6	(8.6)	(13.2)
3 months	7.7	18.9	11.2
12 months	5.4	153.8	148.3

Nilesh Doshi

+91 22 6620 3103
nileshv.doshi@edelweissfin.com

Nihal Mahesh Jham

+91 22 6623 3352
nihal.jham@edelweissfin.com

April 26, 2016

Q4FY16 Analyst meet: Key highlights

- **Q4FY16/FY16 results**

- WLSI was declared as the No.1 home textile supplier in the US for the fourth consecutive year.
- Overall revenue growth at 13% YoY in FY16 was led by 12% volume growth, 2% price decline and 3% exchange gain.
- Margin expanded driven by foreign currency benefit (3% on revenue), increased backward integration and change in product mix.
- Capacity utilisation

Table 1: Capacity utilisation

Segment	Capacity	Utilisation (%)
Towels (MT)	60,000	92.0
Sheets (Mn mtrs)	72	92.0
Rugs (Mn sq.mtrs)	8	76.0

Source: Company, Edelweiss research

- Terry towels market share in USA reached 20% in CY15 from 14.7% in CY13, while bed linen market share moved up to 11.3% from 7.3% in CY13).
- **Innovative/branded products**
 - Share of innovative products stood at 34% in FY16 (versus 31% in FY15), while that of branded sales stood at 13% (versus 11 % in FY15).
 - Launch of innovative products by WLSI such as 'Hygro cotton' towels is gaining strong traction. Revenue clocked ~USD150mn in FY16 and is expected to touch ~ USD 200mn in FY17.
 - On similar lines, the company is confident of growing it's other innovative products 'Nano Care'and 'Drylon'. WLSI plans to launch similar products in bed linen segment, too.
 - Domestic retail business clocked stupendous 47% YoY growth in FY16
- **Future growth**
 - Globally, the company is seeing humungous opportunity in hospitality and health care segments.
 - Future focus areas include providing value-added services/partnership approach for large retailers in terms of inventory management, product placement, real-time data analytics, etc. This will help maintain the company's strong relationship with retailers.
 - Focus on sales through e-commerce will continue and it expects to maintain it at ~5 % levels on higher base.

- **Capex**

- WLSI has commissioned incremental capacity in bed linen and terry towels.
- Further capacity expansion has been announced in all segments:

Table 2: Additional capacity

Segment	Addition Capacity	Total capacity
Towels (MT)	12,000	72,000
Sheets (Mn mtrs)	18	90
Rugs (Mn sq.mtrs)	2	10

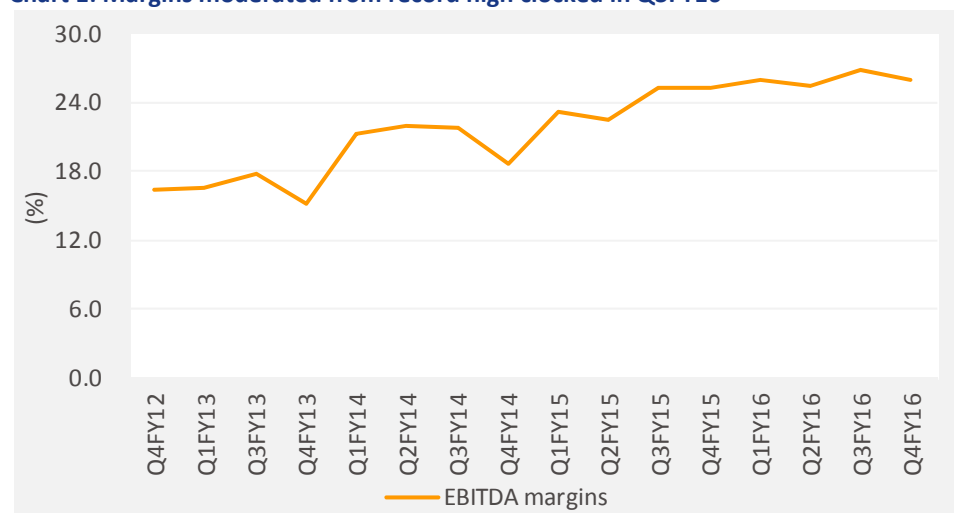
Source: Company, Edelweiss research

- Incremental capacity will not be fully integrated and will mainly be processing and stitching capabilities.
- WSLI is moving towards developing ancillary units around its existing plant for spinning and weaving and would leverage its processing capabilities including new product development and customer relationship for volume growth going forward.
- Earlier planned capex for Vapi plant modernisation will continue and get completed in FY17.
- The company stated post this capex plan, future capex will be to the tune of depreciation.

- **Vision 2020**

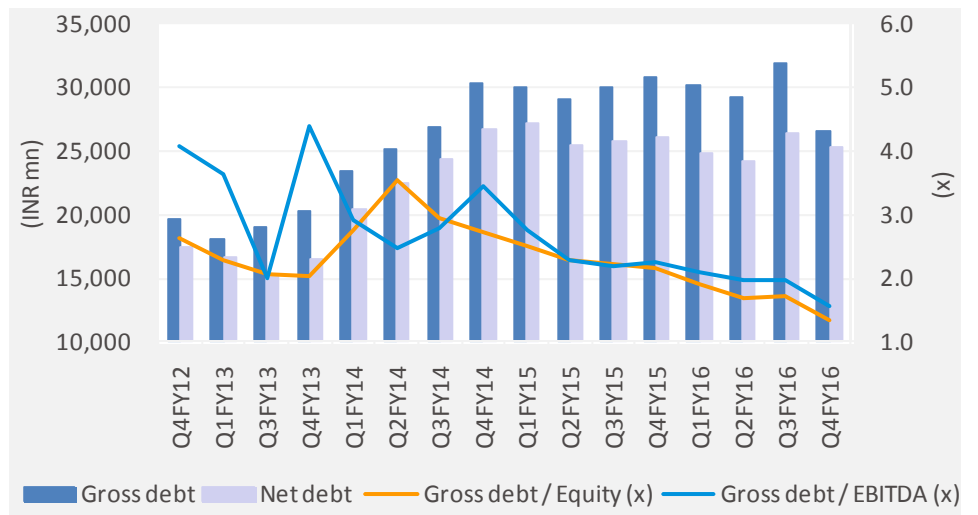
- Revenue: USD2bn
- 50% of revenue from innovative and branded products
- Domestic share of revenue at 20%, mainly from own brands and retail program
- Net debt : Nil

Chart 1: Margins moderated from record high clocked in Q3FY16



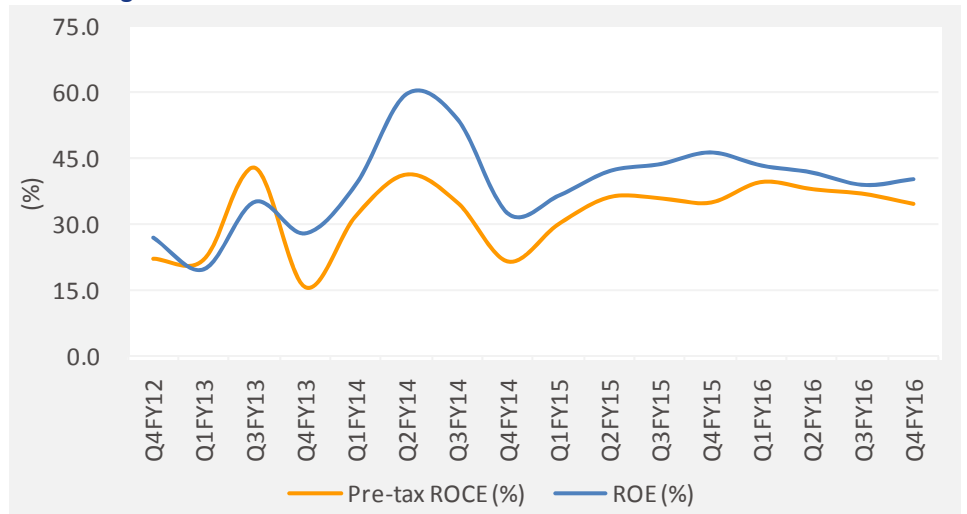
Source: Company, Edelweiss research

Chart 2: Gross debt/equity declined from 2.1x (Q4FY15) to 1.3x



Source: Company, Edelweiss research

Chart 3: High RoE and RoCE maintained



Source: Company, Edelweiss research

Financial snapshot

(INR mn)

Year to March	Q4FY16	Q4FY15	% change	Q3FY16	% change	FY16	FY17E	FY18E
Net revenues	16,284	13,658	19.2	14,904	9.3	59,795	69,375	77,211
Staff costs	1,379	1,180	16.8	1,421	(3.0)	5,364	6,025	6,604
Direct costs	7,329	6,332	15.7	6,220	17.8	26,612	31,093	35,268
Other expenses	3,347	2,700	23.9	3,257	2.7	12,243	13,882	15,287
EBITDA	4,229	3,446	22.7	4,006	5.6	15,575	18,376	20,052
Depreciation	1,042	1,009	3.3	997	4.5	3,750	4,908	5,542
EBIT	3,187	2,437	30.8	3,008	5.9	11,825	13,468	14,510
Other income	269	290	(7.2)	172	56.1	915	999	1,021
Interest	663	569	16.5	592	11.9	2,362	1,725	1,537
Add: Exceptional items								
Profit before tax	2,792	2,157	29.4	2,588	7.9	10,378	12,741	13,994
Provision for taxes	825	508	62.5	814	1.4	3,224	4,013	4,408
Minority interest	35	36	(3.3)	34	2.7	125	145	165
Reported net profit	1,933	1,614	19.8	1,741	11.0	7,029	8,583	9,421
Adjusted Profit	1,933	1,614	19.8	1,741	11.0	7,029	8,583	9,421
Diluted shares (mn)	1,005	100		100		1,005	1,005	1,005
Adjusted Diluted EPS	1.9	16.1		17.3		7.0	8.5	9.4
As % of net revenues								
Direct costs	45.0	46.4		41.7		44.5	44.8	45.7
Employee cost	8.5	8.6		9.5		9.0	8.7	8.6
Other expenses	20.6	19.8		21.9		20.5	20.0	19.8
EBITDA	26.0	25.2		26.9		26.0	26.5	26.0
Reported net profit	11.9	11.8		11.7		11.8	12.4	12.2
Tax rate	29.5	23.5		31.4		31.1	31.5	31.5

Company Description

Established in 1985, Welspun India today, it 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.

Margin sustainability: WLSI has consistently improved its margin. While the rise is partially attributed to currency, it has been primarily driven by increase in share of innovative products. Driven by its confidence in sustaining these margins, it has upgraded its margin guidance from 20-22% to 23-24%.

Robust free cash flow & consistently lowering leverage: WLSI is at the end of its massive INR25bn capex programme it had undertaken in FY14, with only INR7bn to be spent over the next 9 months. The company's confidence in generating free cash is also evident from its recently announced dividend policy of 25% payout ratio. Going forward, it is expected to generate strong free cash flows and lower its leverage further. Gross debt/equity has fallen from 2.2x at FY15 end to 1.7x as of now. We estimate this to fall below 1.0x by FY18E.

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 FY15 with a net debt/equity of 1.8x. It is in the midst of a capex programme with a remaining outlay of INR6bn. 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	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
Company				
Towel cap. (MT)	50,000	55,000	60,000	72,000
Bed-linen cap. (000 mts)	60,000	66,000	72,000	90,000
Rugs/carpets cap. (MT)	15,000	15,000	17,500	25,000
Towel utilis. (%)	102	101	99	89
Bed-linen utilis. (%)	97	101	99	87
Rugs/carpets utilis. (%)	58	76	80	68
Raw Material (% net rev)	48.0	44.5	44.8	45.7
Other exp (% net rev)	19.6	20.5	20.0	19.8
Depreciation rate (%)	7.6	7.2	7.8	8.0
Dividend per share	10.5	1.3	1.6	1.8
Capex (INR mn)	5,795	11,126	10,288	3,340
Inventory % of costs	43.3	41.5	41.0	41.0
Debtors % of revenues	8.4	10.2	10.2	10.2
OCA % of revenues	2.8	2.8	2.8	2.8
Loans & adv (% net rev)	14.1	10.7	10.7	10.7
Incremental debt	558	(4,219)	(357)	(4,100)

Income statement

(INR mn)

Year to March	FY15	FY16	FY17E	FY18E
Net revenue	53,025	59,795	69,375	77,211
Materials costs	25,443	26,612	31,093	35,268
Gross profit	27,582	33,183	38,282	41,943
Employee costs	4,460	5,364	6,025	6,604
Other Expenses	10,380	12,243	13,882	15,287
EBITDA	12,742	15,575	18,376	20,052
Depreciation	3,329	3,750	4,908	5,542
EBIT	9,412	11,825	13,468	14,510
Add: Other income	949	915	999	1,021
Less: Interest Expense	2,829	2,362	1,725	1,537
Profit Before Tax	7,533	10,378	12,741	13,994
Less: Provision for Tax	2,090	3,224	4,013	4,408
Less: Minority Interest	45	125	145	165
Reported Profit	5,398	7,029	8,583	9,421
Adjusted Profit	5,398	7,029	8,583	9,421
Shares o/s (mn)	100	1,005	1,005	1,005
Adjusted Basic EPS	53.7	7.0	8.5	9.4
Diluted shares o/s (mn)	100	1,005	1,005	1,005
Adjusted Diluted EPS	53.7	7.0	8.5	9.4
Adjusted Cash EPS	89.3	10.7	13.4	14.9
Dividend per share (DPS)	10.5	1.3	1.6	1.8
Dividend Payout Ratio(%)	23.5	22.3	23.0	23.0

Common size metrics

Year to March	FY15	FY16	FY17E	FY18E
Operating expenses	76.0	74.0	73.5	74.0
Materials costs	48.0	44.5	44.8	45.7
Staff costs	8.4	9.0	8.7	8.6
S G & A expenses	19.6	20.5	20.0	19.8
Depreciation	6.3	6.3	7.1	7.2
Interest Expense	5.3	4.0	2.5	2.0
EBITDA margins	24.0	26.0	26.5	26.0
Net Profit margins	10.3	12.0	12.6	12.4

Growth ratios (%)

Year to March	FY15	FY16	FY17E	FY18E
Revenues	21.3	12.8	16.0	11.3
EBITDA	38.3	22.2	18.0	9.1
PBT	626.3	37.8	22.8	9.8
Adjusted Profit	486.3	30.2	22.1	9.8
EPS	485.6	30.2	22.1	9.8

Balance sheet		(INR mn)			
As on 31st March	FY15	FY16	FY17E	FY18E	
Share capital	1,005	1,005	1,005	1,005	
Reserves & Surplus	13,314	18,872	25,481	32,735	
Shareholders' funds	14,318	19,877	26,486	33,740	
Minority Interest	378	503	648	812	
Short term borrowings	14,905	8,755	10,275	7,175	
Long term borrowings	15,946	17,877	16,000	15,000	
Total Borrowings	30,851	26,632	26,275	22,175	
Long Term Liabilities	1,020	1,296	1,508	1,681	
Def. Tax Liability (net)	641	1,178	1,178	1,178	
Sources of funds	47,208	49,486	56,095	59,586	
Gross Block	42,980	54,104	63,895	67,984	
Net Block	24,442	31,818	36,703	35,252	
Capital work in progress	1,564	1,564	2,062	1,312	
Intangible Assets	1,828	1,828	1,836	1,844	
Total Fixed Assets	27,834	35,210	40,601	38,408	
Non current investments	15	30	30	30	
Cash and Equivalents	4,657	1,777	1,776	5,734	
Inventories	11,006	11,046	12,748	14,460	
Sundry Debtors	4,467	6,114	7,093	7,895	
Loans & Advances	7,474	6,419	7,448	8,289	
Other Current Assets	1,500	1,676	1,944	2,164	
Current Assets (ex cash)	24,447	25,255	29,233	32,807	
Trade payable	6,910	10,080	11,730	13,146	
Other Current Liab	2,835	2,706	3,816	4,247	
Total Current Liab	9,745	12,786	15,545	17,393	
Net Curr Assets-ex cash	14,702	12,469	13,688	15,414	
Uses of funds	47,208	49,486	56,095	59,586	
BVPS (INR)	142.5	19.8	26.4	33.6	

Free cash flow		(INR mn)			
Year to March	FY15	FY16	FY17E	FY18E	
Reported Profit	5,398	7,029	8,583	9,421	
Add: Depreciation	3,329	3,750	4,908	5,542	
Interest (Net of Tax)	2,044	1,628	1,182	1,053	
Others	871	(181)	(455)	(537)	
Less: Changes in WC	2,399	(2,509)	1,007	1,554	
Operating cash flow	9,243	14,735	13,210	13,926	
Less: Capex	5,795	11,126	10,288	3,340	
Free Cash Flow	3,449	3,609	2,922	10,586	

Peer comparison valuation

Name	Market cap (USD mn)	Diluted P/E (X)		EV / EBITDA (X)		ROAE (%)	
		FY17E	FY18E	FY17E	FY18E	FY17E	FY18E
Welspun India	1,494	11.6	10.6	6.8	5.8	36.7	31.1
Arvind	1,083	14.2	11.8	8.4	7.6	15.7	16.4
Himatsingka Seide	319	10.5	9.1	9.2	6.8	19.4	18.9
Median	-	11.6	10.6	8.4	6.8	19.4	18.9
AVERAGE	-	12.1	10.5	8.1	6.7	24.0	22.1

Source: Edelweiss research

Cash flow metrics

Year to March	FY15	FY16	FY17E	FY18E
Operating cash flow	9,243	14,735	13,210	13,926
Investing cash flow	(6,071)	(9,355)	(9,299)	(2,328)
Financing cash flow	(3,102)	(8,028)	(3,911)	(7,640)
Net cash Flow	71	(2,647)	-	3,958
Capex	(5,795)	(11,126)	(10,288)	(3,340)
Dividend paid	(711)	(1,571)	(1,974)	(2,167)

Profitability and efficiency ratios

Year to March	FY15	FY16	FY17E	FY18E
ROAE (%)	41.7	40.8	36.7	31.1
ROACE (%)	23.8	27.5	28.8	28.2
Inventory Days	122	151	111	113
Debtors Days	30	32	35	35
Payable Days	94	117	128	129
Cash Conversion Cycle	58	67	18	19
Current Ratio	3.0	2.1	2.0	2.2
Gross Debt/EBITDA	2.4	1.7	1.4	1.1
Gross Debt/Equity	2.1	1.3	1.0	0.6
Adjusted Debt/Equity	2.1	1.3	1.0	0.6
Net Debt/Equity	1.8	1.2	0.9	0.5
Interest Coverage Ratio	3.3	5.0	7.8	9.4

Operating ratios

Year to March	FY15	FY16	FY17E	FY18E
Total Asset Turnover	1.2	1.2	1.3	1.3
Fixed Asset Turnover	2.3	2.0	1.9	2.0
Equity Turnover	4.1	3.4	2.9	2.5

Valuation parameters

Year to March	FY15	FY16	FY17E	FY18E
Adj. Diluted EPS (INR)	53.7	7.0	8.5	9.4
Y-o-Y growth (%)	485.6	30.2	22.1	9.8
Adjusted Cash EPS (INR)	89.3	10.7	13.4	14.9
Diluted P/E (x)	18.4	14.2	11.6	10.6
P/B (x)	6.9	5.0	3.8	3.0
EV / Sales (x)	2.4	2.1	1.8	1.5
EV / EBITDA (x)	9.9	8.0	6.8	5.8
Dividend Yield (%)	1.1	1.3	1.7	1.8

Additional Data

Directors Data

Mr. B K Goenka	Chairman	Mr. R. R. Mandawewala	Managing Director
Ms. Dipali Goenka	Executive 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 available data*

Holding – Top10

	Perc. Holding		Perc. Holding
Goldman Sachs Group	2.70	Reliance Capital	1.14
HSBC Asset Mgmt India	0.68	Dimensional Fund Advisors	0.58
Prudential ICICI	0.54	Vanguard Group	0.47
BNP Paribas Asset Mgmt	0.31	Wasatch Advisors	0.29
Capital Securities	0.24	Frank Russell Trust Co	0.19

**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
----------------	-------------------	-----	------------

No Data Available

**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): Textiles

Arvind, Himatsingka Seide, Trident Ltd, Welspun India

Recent Research

Date	Company	Title	Price (INR)	Recos
08-Feb-16	Arvind	Brand & Retail margins revival continues; <i>Result Update</i>	289	Hold
05-Feb-16	Welspun India	Record margin yet again; stellar prospects; <i>Result Update</i>	883	Buy
04-Feb-16	Himatsingka Seide	Portfolio realignment impacts retail growth;	190	Buy

Distribution of Ratings / Market Cap

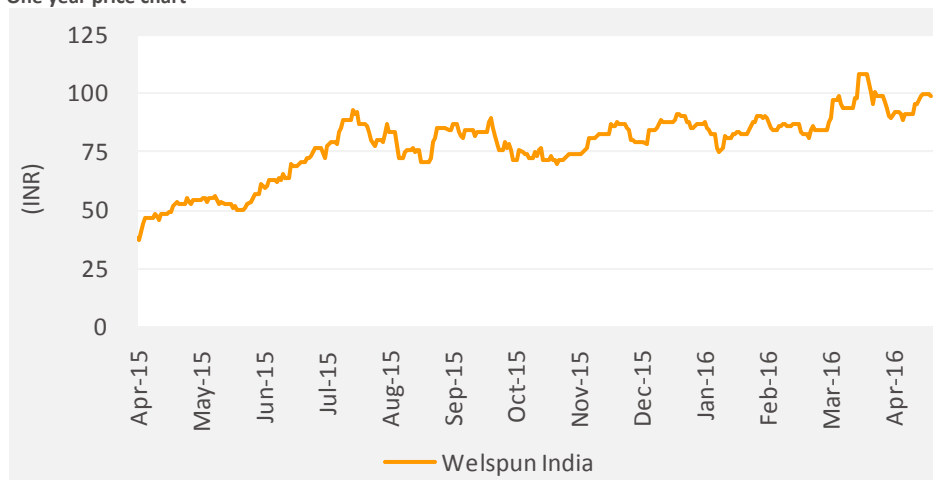
Edelweiss Research Coverage Universe

	Buy	Hold	Reduce	Total
Rating Distribution*	152	61	12	225
* stocks under review				
	> 50bn	Between 10bn and 50 bn	< 10bn	
Market Cap (INR)	158	61	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

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