

WELSPUN INDIA

Strong quarter despite industry headwinds

India Equity Research | Midcap Textiles



Welspun India's (WLSI) Q1FY19 performance stood in-line with estimates, driven by the 8% growth in volumes. This was despite India's home textile exports (towels and sheets) to the US plummeting in the current year (YTD'18). Reported revenue growth was flat primarily impacted by the change in the incentive structure post GST. EBITDA margin stood in line with guidance, improving ~160bps QoQ to 19.1%. The strong 40% beat on PAT was on account of lower depreciation and higher other income. Also, WLSI continued to prune debt. Factoring in Q1FY19 numbers, we maintain our 8% volume growth expectation for FY19, but moderate it to 6% for FY20. We maintain our target multiple at 7.0x EV/EBITDA, translating into target price of INR83. Increase in cotton prices and industry growth situation remain key monitorables. Maintain 'BUY'.

Strong industry beating performance; margins also stable

Despite the contraction in industry growth, YTD'18 (till May) India's towels/sheets exports to the US declined by 12%/9%. Meanwhile, WLSI reported strong industry beat with 8% YoY growth in volumes. Growth was majorly driven by existing clients' off-take along with some benefits arising from tying with certain ecommerce brands. Management had stated that despite a challenging industry scenario, things would start improving from Q1FY19 as the current online share in home textiles in the US has peaked. However, reported revenue growth stood flat due to change in the incentive structure post GST. On margin front also, WLSI reported ~160bps QoQ expansion to 19.1%, in line with the guided range. Compared to last year, margin was down ~200bps and EBITDA, at INR3.0bn, fell 9% YoY. Following the decline in depreciation and higher other income, reported PAT at INR1.3bn increased marginally YoY (40% above estimate).

Debt pay down continues; capex plans remain calibrated

WLSI continued to repay debt, with net debt down ~INR1.4bn QoQ to INR28.8bn. Capex guidance for FY19 remains at INR8bn and ~INR3-3.5bn for FY20. Majority of the capex is related to the carpet unit, which is expected to be commissioned by Q3FY20E.

Outlook and valuations: Bounce back in volumes; retain 'BUY'

Post Q1FY19, we maintain our 8% volume growth expectation for FY19 and expect this to moderate to 6% in FY20. We maintain our target multiple of 7.0x EV/EBITDA, giving us a target price of INR83. Maintain 'BUY'. Increase in cotton prices and industry growth situation remain key monitorables.

Financials

(INR mn)

Year to March	Q1FY19	Q1FY18	YoY (%)	Q4FY18	QoQ (%)	FY18	FY19E	FY20E
Net Revenues	15,492	15,394	0.6	15,062	2.8	60,506	66,566	72,094
EBITDA	2,965	3,242	(8.6)	2,635	12.5	11,234	13,451	15,153
Adjusted Profit	1,272	1,243	2.4	866	46.9	3,850	5,433	6,164
Adj. Dil. EPS	1.3	1.2	2.4	0.9	46.9	3.8	5.4	6.1
Diluted P/E (x)						14.1	10.0	8.8
EV/EBITDA (x)						7.5	5.7	5.0
ROAE (%)						15.7	19.4	18.9

EDELWEISS RATINGS

Absolute Rating	BUY
Investment Characteristics	Value

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

CMP	: INR 56
Target Price	: INR 83
52-week range (INR)	: 88 / 49
Share in issue (mn)	: 1,004.7
M cap (INR bn/USD mn)	: 57 / 826
Avg. Daily Vol. BSE/NSE ('000)	: 2,303.7

SHARE HOLDING PATTERN (%)

	Current	Q4FY18	Q3FY18
Promoters *	68.5	68.5	73.5
MF's, FI's & BKs	6.4	6.4	1.4
FII's	9.2	9.2	9.9
Others	16.0	16.0	15.2
* Promoters pledged shares (% of share in issue)	:		NIL

PRICE PERFORMANCE (%)

	BSE Midcap Index	Stock	Stock over Index
1 month	(4.6)	(12.7)	(8.1)
3 months	(10.6)	(3.8)	6.8
12 months	(1.1)	(43.5)	(42.4)

Nihal Mahesh Jham

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

July 30, 2018

Q1FY19 Concall highlights

Industry

- China could start importing cotton from the US, post trade war issues between US and China
- Company's product list has been left out of trade tariffs
- Destocking has subsided and company's order book is reflecting the same
- Industry will not be impacted by Pakistan's currency depreciation as the segments served are very different
- Incentives:
 - MEIS incentive will be in place for the remaining part of FY19

Q1FY19 highlights:

- Growth was driven majorly by existing client's off-take. Also derived some benefits from tying with certain eCommerce brands
- For Q1FY19, company realised INR66.8/USD
- Depreciation fell significantly due to an aggressive depreciation policy
- Company incurred INR690mn of capex in Q1FY19

Raw material

- MSP equivalent prices of cotton are around INR43,000-44,000/candy and current prices are ruling around INR48,000/candy
- Company believes if the INR rate remains at similar level margins will not be impacted

Brands

- 18% growth in Spaces and Wimbledon
- Christy's ecommerce revenue more than doubled from last year

Hedging

- Company has already covered 50-55% of the bookings at INR67/USD.
- Hedges for next year are in excess of INR70/USD

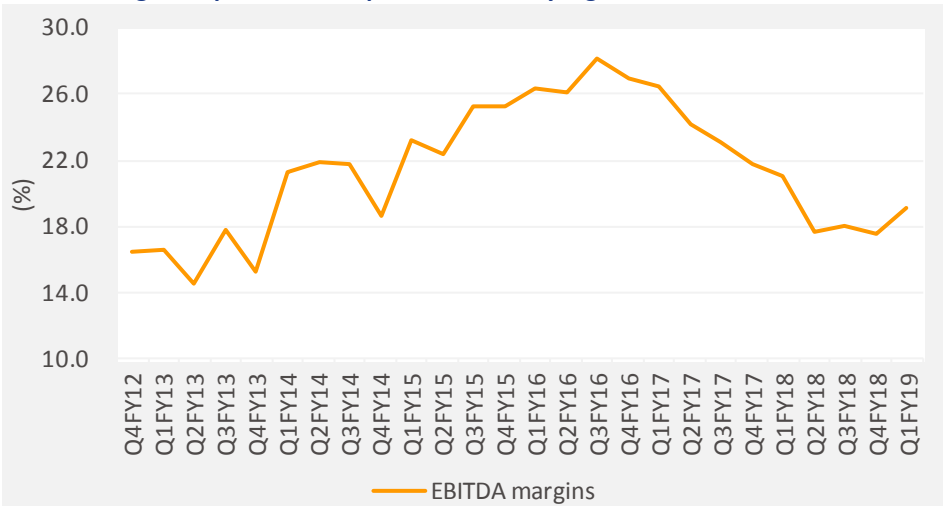
Capex

- Current year capex in textile is a mere INR1bn
- Flooring capex: INR11bn
 - FY19: INR7.5-8bn
 - FY20: INR3-3.5bn

Guidance

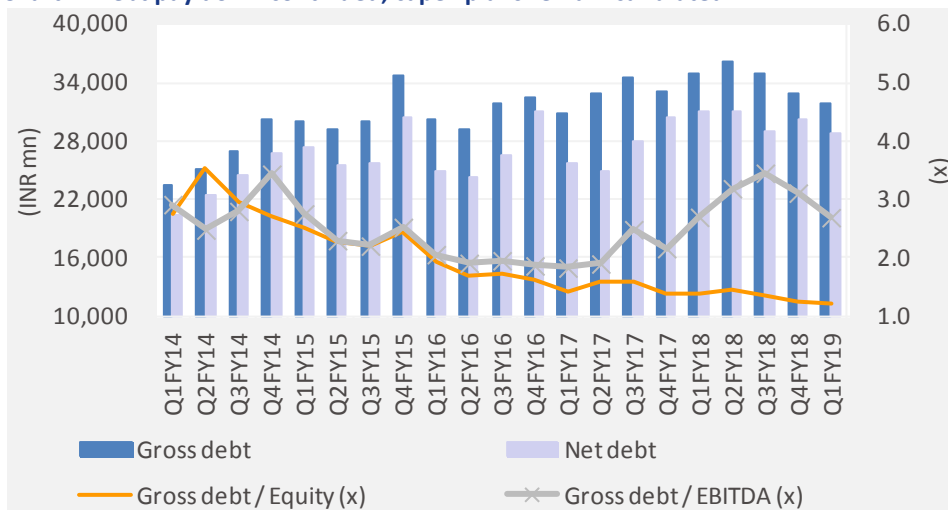
- Looking at margins of 19-20%

Chart 1: Margins improved ~160bps QoQ driven by higher volumes and better mix



Source: Company, Edelweiss research

Chart 2: Debt pay down continued; capex plans remain calibrated



Source: Company, Edelweiss research

Table 1: Towels – Industry growth has contracted

USD mn	YTD'17	YTD'18	%YoY	Apr-May'17	Apr-May'18	%YoY
India	326	286	(12.4)	135	113	(15.9)
China	205	194	(5.2)	93	82	(12.5)
Pakistan	156	146	(6.8)	67	62	(8.0)
Turkey	47	45	(4.1)	21	19	(10.3)
Bangladesh	21	19	(6.6)	9	8	(10.0)
Others	55	58	5.6	24	27	13.2
World	809	747	(7.6)	348	310	(11.0)

Note: Till May-18

Source: OTEXA, Edelweiss research

Table 2: Bed sheets – Trend similar for towels

USD mn	YTD'17	YTD'18	%YoY	Apr-May'17	Apr-May'18	%YoY
India	388	353	(9.0)	157	154	(1.6)
China	145	143	(2.0)	62	58	(5.8)
Pakistan	116	118	1.5	46	50	8.3
Turkey	1	6	783.1	0	3	756.2
Bangladesh	3	1	(56.3)	1	0	(26.8)
Others	69	54	(22.2)	27	13	(52.8)
World	721	688	(4.7)	292	292	(0.1)

Note: Till May-18

Source: OTEXA, Edelweiss research

Financial snapshot

(INR mn)

Year to March	Q1FY19	Q1FY18	% change	Q4FY18	% change	FY18	FY19E	FY20E
Net revenues	15,492	15,394	0.6	15,062	2.8	60,506	66,566	72,094
Staff costs	1,742	1,660	4.9	1,690	3.1	6,754	7,191	7,657
Direct costs	7,614	7,436	2.4	7,339	3.8	30,235	33,021	35,378
Other expenses	3,171	3,056	3.7	3,398	(6.7)	12,283	12,902	13,906
EBITDA	2,965	3,242	(8.6)	2,635	12.5	11,234	13,451	15,153
Depreciation	1,059	1,183	(10.5)	1,301	(18.6)	5,042	4,625	5,378
EBIT	1,906	2,059	(7.4)	1,335	42.8	6,192	8,827	9,775
Interest	342	356	(3.9)	381	(10.1)	1,408	1,393	1,364
Other income	286	132	116.6	287	(0.2)	812	720	839
Add: Exceptional items								
Profit before tax	1,850	1,835	0.8	1,241	49.1	5,597	8,154	9,250
Provision for taxes	522	550	(5.1)	342	52.5	1,615	2,568	2,914
Minority interest	56	43	31.0	32	73.5	132	152	172
Reported net profit	1,272	1,243	2.4	866	46.9	3,850	5,433	6,164
Adjusted Profit	1,272	1,243	2.4	866	46.9	3,850	5,433	6,164
Diluted shares (mn)	1,005	1,005		1,005		1,005	1,005	1,005
Adjusted Diluted EPS	1.3	1.2	2.4	0.9	46.9	3.8	5.4	6.1
Diluted P/E (x)	-	-		-		14.1	10.0	8.8
EV/EBITDA (x)	-	-		-		7.5	5.7	5.0
ROAE (%)	-	-		-		15.7	19.4	18.9
Direct costs	49.2	48.3		48.7		50.0	49.6	49.1
Employee cost	11.2	10.8		11.2		11.2	10.8	10.6
Other expenses	20.5	19.9		22.6		20.3	19.4	19.3
EBITDA	19.1	21.1		17.5		18.6	20.2	21.0
Reported net profit	8.2	8.1		5.8		6.4	8.2	8.6
Tax rate	28.2	29.9		27.6		28.9	31.5	31.5

Company Description

Established in 1985, Welspun India (WLSI) currently 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.

WLSI 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: WLSI enjoys longstanding relationships with top retailers in the US and Europe and supplies to 14 of the top-30 global retailers. The company commands 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. WLSI derives ~30% of sales from innovative products.

Robust free cash flow & consistently lowering leverage: WLSI has calibrated its capex programme post the change in industry scenario. The company's confidence in generating free cash is also evident from its dividend policy of 25% payout ratio. Going forward, it is expected to generate strong free cash flows and further lower its leverage. Gross debt/equity fell from 2.2x as at FY15 end to 1.2x as of FY18. We estimate this to fall below 1.0x by FY20E.

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.

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.

Egyptian cotton issue: Egyptian cotton products manufactured by WLSI came under the scanner when Target, cut ties with the company. Post the event, other major customers have however continued their regular sourcing of other products from WLSI. But, any further customer issues will be a negative for the company.

Financial Statements

Key Assumptions

Year to March	FY17	FY18	FY19E	FY20E
Macro				
GDP(Y-o-Y %)	7.1	6.5	7.1	7.6
Inflation (Avg)	4.5	3.6	4.5	5.0
Repo rate (exit rate)	6.3	6.0	6.3	6.5
USD/INR (Avg)	67.1	64.5	68.0	69.0
Company				
Raw Material (% net rev)	45.8	50.0	49.6	49.1
Other exp (% net rev)	20.8	20.3	19.4	19.3
Towel cap. (MT)	72,000	80,000	80,000	80,000
Bed-linen cap. (000 mts)	90,000	90,000	90,000	90,000
Rugs/carpets cap. (MT)	25,000	25,000	25,000	31,250
Towel utilis. (%)	97	76	81	85
Bed-linen utilis. (%)	73	80	84	88
Rugs/carpets utilis. (%)	72	65	78	72
Depreciation rate (%)	11.9	10.6	8.9	9.2
Dividend per share	0.7	0.7	1.0	1.2
Capex (INR mn)	7,003	3,378	6,000	7,000
Inventory % of costs	42.1	43.2	42.0	42.0
Debtors % of revenues	14.5	15.4	14.0	14.0
OCA % of revenues	10.9	9.2	9.5	11.0
Loans & adv (% net rev)	3.9	9.2	4.0	4.0
Incremental debt	636	(307)	(3,637)	784

Income statement

(INR mn)

Year to March	FY17	FY18	FY19E	FY20E
Net revenue	66,405	60,506	66,566	72,094
Materials costs	30,396	30,235	33,021	35,378
Gross profit	36,009	30,271	33,544	36,716
Employee costs	6,373	6,754	7,191	7,657
Other Expenses	13,803	12,283	12,902	13,906
EBITDA	15,834	11,234	13,451	15,153
Depreciation	5,054	5,042	4,625	5,378
EBIT	10,780	6,192	8,827	9,775
Less: Interest Expense	1,583	1,408	1,393	1,364
Add: Other income	805.52	812.33	719.71	838.83
Profit Before Tax	5,355	5,597	8,154	9,250
Less: Provision for Tax	1,731	1,615	2,568	2,914
Less: Minority Interest	48	132	152	172
Add: Exceptional items	(4,648)	-	-	-
Reported Profit	3,576	3,850	5,433	6,164
Exceptional Items	(3,145)	-	-	-
Adjusted Profit	6,721	3,850	5,433	6,164
Shares o/s (mn)	1,005	1,005	1,005	1,005
Adjusted Basic EPS	6.7	3.8	5.4	6.1
Diluted shares o/s (mn)	1,005	1,005	1,005	1,005
Adjusted Diluted EPS	6.7	3.8	5.4	6.1
Adjusted Cash EPS	12.2	9.2	10.6	12.1
Dividend per share (DPS)	0.7	0.7	1.0	1.2
Dividend Payout Ratio(%)	22.0	20.4	20.0	20.0

Common size metrics

Year to March	FY17	FY18	FY19E	FY20E
Materials costs	45.8	50.0	49.6	49.1
Staff costs	9.6	11.2	10.8	10.6
S G & A expenses	20.8	20.3	19.4	19.3
Operating expenses	76.2	81.4	79.8	79.0
Depreciation	7.6	8.3	6.9	7.5
Interest Expense	2.4	2.3	2.1	1.9
EBITDA margins	23.8	18.6	20.2	21.0
Net Profit margins	10.2	6.6	8.4	8.8

Growth ratios (%)

Year to March	FY17	FY18	FY19E	FY20E
Revenues	12.1	(8.9)	10.0	8.3
EBITDA	(0.6)	(29.1)	19.7	12.7
PBT	(50.2)	4.5	45.7	13.4
Adjusted Profit	(8.8)	(42.7)	41.1	13.5
EPS	(8.8)	(42.7)	41.1	13.5

Balance sheet		(INR mn)			
As on 31st March	FY17	FY18	FY19E	FY20E	
Share capital	1,005	1,005	1,005	1,005	
Reserves & Surplus	22,967	25,052	29,398	34,330	
Shareholders' funds	23,971	26,057	30,403	35,334	
Minority Interest	355	467	619	792	
Long term borrowings	20,160	17,028	15,000	14,000	
Short term borrowings	12,954	15,779	14,170	15,955	
Total Borrowings	33,114	32,807	29,170	29,955	
Long Term Liabilities	2,354	2,266	2,526	2,528	
Def. Tax Liability (net)	1,466	1,366	1,934	2,578	
Sources of funds	61,260	62,962	64,652	71,186	
Gross Block	43,572	45,938	52,323	59,117	
Net Block	35,011	32,529	34,291	35,708	
Capital work in progress	564	829	444	650	
Intangible Assets	1,879	2,070	2,078	2,086	
Total Fixed Assets	37,454	35,427	36,813	38,445	
Non current investments	29	278	278	278	
Cash and Equivalents	2,857	2,661	6,884	9,073	
Inventories	12,810	13,054	13,869	14,859	
Sundry Debtors	9,601	9,310	9,319	10,093	
Loans & Advances	2,567	5,582	2,663	2,884	
Other Current Assets	7,265	5,558	6,324	7,930	
Current Assets (ex cash)	32,242	33,504	32,175	35,766	
Trade payable	7,517	6,447	7,836	8,410	
Other Current Liab	3,804	2,461	3,661	3,965	
Total Current Liab	11,321	8,907	11,497	12,375	
Net Curr Assets-ex cash	20,920	24,596	20,677	23,391	
Uses of funds	61,260	62,962	64,652	71,186	
BVPS (INR)	23.9	25.9	30.3	35.2	
Contingent Liability	414.3	414.3	414.3	414.3	

Free cash flow		(INR mn)			
Year to March	FY17	FY18	FY19E	FY20E	
Reported Profit	3,576	3,850	5,433	6,164	
Add: Depreciation	5,054	5,042	4,625	5,378	
Interest (Net of Tax)	1,071	1,001	954	934	
Others	143	(679)	287	235	
Less: Changes in WC	1,522	3,764	(4,179)	2,712	
Operating cash flow	8,322	5,450	15,478	9,999	
Less: Capex	7,003	3,378	6,000	7,000	
Free Cash Flow	1,319	2,072	9,478	2,999	

Peer comparison valuation

Name	Market cap (USD mn)	Diluted P/E (X)		EV / EBITDA (X)		ROAE (%)	
		FY19E	FY20E	FY19E	FY20E	FY19E	FY20E
Welspun India	826	10.4	9.2	5.9	5.2	19.4	18.9
Arvind	1,604	20.5	15.5	10.9	8.7	12.6	14.7
Himatsingka Seide	391	10.5	8.2	7.3	5.3	19.1	20.4
Median	-	10.5	9.2	7.3	5.3	19.1	18.9
AVERAGE	-	13.8	11.0	8.0	6.4	17.0	18.0

Source: Edelweiss research

Cash flow metrics		FY17	FY18	FY19E	FY20E
Year to March					
Operating cash flow		8,322	5,450	15,478	9,999
Financing cash flow		(990)	(2,500)	(5,964)	(1,640)
Investing cash flow		(7,124)	(3,015)	(5,290)	(6,171)
Net cash Flow		208	(64)	4,223	2,188
Capex		(7,003)	(3,378)	(6,000)	(7,000)
Dividend paid		(63)	(783)	(1,087)	(1,233)

Profitability and efficiency ratios

Year to March	FY17	FY18	FY19E	FY20E
ROAE (%)	30.5	15.7	19.4	18.9
ROACE (%)	21.1	12.0	16.0	16.8
Inventory Days	113	126	121	121
Debtors Days	50	57	51	49
Payable Days	85	84	79	84
Cash Conversion Cycle	77	99	94	86
Current Ratio	3.1	4.1	3.4	3.6
Gross Debt/EBITDA	2.1	2.9	2.2	2.0
Gross Debt/Equity	1.4	1.2	0.9	0.8
Adjusted Debt/Equity	1.4	1.3	1.0	0.8
Net Debt/Equity	1.2	1.1	0.7	0.6
Interest Coverage Ratio	6.8	4.4	6.3	7.2

Operating ratios

Year to March	FY17	FY18	FY19E	FY20E
Total Asset Turnover	1.1	1.0	1.0	1.1
Fixed Asset Turnover	1.9	1.7	1.9	1.9
Equity Turnover	3.0	2.4	2.3	2.1

Valuation parameters

Year to March	FY17	FY18	FY19E	FY20E
Adj. Diluted EPS (INR)	6.7	3.8	5.4	6.1
Y-o-Y growth (%)	(8.8)	(42.7)	41.1	13.5
Adjusted Cash EPS (INR)	12.2	9.2	10.6	12.1
Diluted P/E (x)	8.4	14.7	10.4	9.2
P/B (x)	2.4	2.2	1.9	1.6
EV / Sales (x)	1.3	1.4	1.2	1.1
EV / EBITDA (x)	5.5	7.8	5.9	5.2
Dividend Yield (%)	1.2	1.2	1.8	2.1

Additional Data

Directors Data

Mr. B K Goenka	Chairman	Mr. R. R. Mandawewala	Managing Director
Ms. Dipali Goenka	Executive Director	Mr. Arun Todarwal	Independent Director
Mr. Ram Gopal Sharma	Independent Director	Pradeep Poddar	Independent Director
Arvind Kumar Singhal	Independent Director	Padma Betai	Nominee Director-IDBI Bank

Auditors -

**as per last available data*

Holding – Top10

	Perc. Holding		Perc. Holding
DSP Blackrock	4.87	FIAM Emerging Markets	3.82
Aditya Birla Asset Mgmt	1.69	Vanguard	1.3
Lazard Emerging Markets	1.06	Wasatch Advisors	0.79
L&T Mutual Fund	0.78	Dimensional Fund Advisors LP	0.76
GAM Holdings	0.66	Birla Sun Life Insurance	0.51

**as per last available data*

Bulk Deals

Data	Acquired / Seller	B/S	Qty Traded	Price
10 Jan 2018	Dsp Blackrock Mutual Fund - Balanced Fund	Buy	7152682	72.70
10 Jan 2018	Dsp Blackrock Mutual Fund - Micro Cap Fund	Buy	16506190	72.70
10 Jan 2018	Mgn Agro Properties Pvt Ltd	Sell	48096381	72.71
10 Jan 2018	Dsp Blackrock Mutual Fund - Tax Saver Fund	Buy	6785420	72.70
10 Jan 2018	Dsp Blackrock Mutual Fund - Opportunities Fund	Buy	6800000	72.70

**as per last available data*

Insider Trades

Reporting Data	Acquired / Seller	B/S	Qty Traded
11 Jan 2018	MGN Agro Proerties Private Limited	Sell	50236257.00

**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

Aditya Narain

Head of Research

aditya.narain@edelweissfin.com

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

Arvind, Himatsingka Seide, Trident Ltd, Welspun India

Recent Research

Date	Company	Title	Price (INR)	Recos
29-May-18	Himatsingka Seide	Debt spikes amid stable performance; <i>Result Update</i>	354	Buy
17-May-18	Welspun India	Industry headwinds mar FY18; <i>Result Update</i>	65	Buy
01-Feb-18	Arvind	Strong surge in brand margins; <i>Result Update</i>	406	Buy

Distribution of Ratings / Market Cap

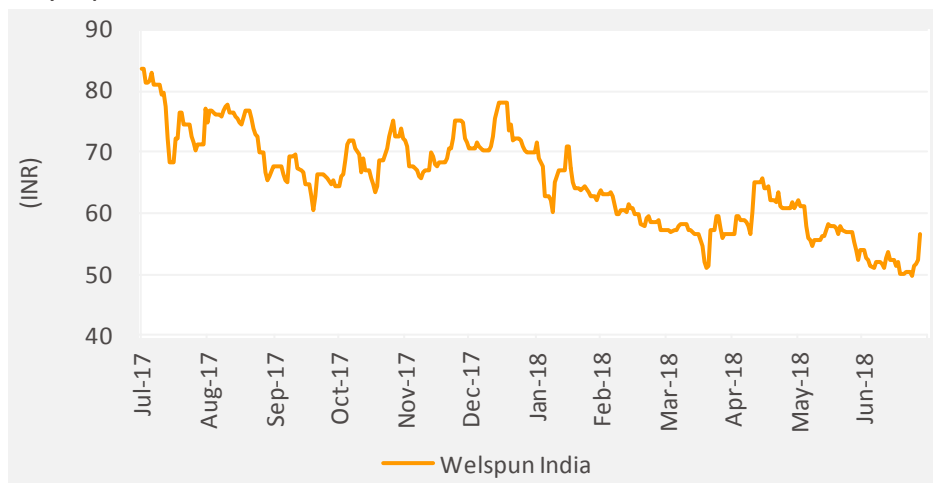
Edelweiss Research Coverage Universe

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

Rating Interpretation

Rating	Expected to
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