

# AMARA RAJA BATTERIES

## Auto healthy; industrial sluggish

India Equity Research | Automobiles

Amara Raja Batteries' (AMRJ) Q4FY17 revenue grew 17% YoY, in line with estimate and FY17 revenue jumped 15% led by industry-leading growth in automotive business. However, gross margin plunged 580bps YoY due to surge in lead prices (~30% YoY), leading to EBITDA falling 4% (5% below estimate). Management is addressing rise in lead prices through pricing in Q1FY18. AMRJ expects healthy demand in passenger cars to sustain and 2 wheelers to pick up in the automotive business. Within industrial segment, management sounded bullish on e-rickshaws (INR15-20bn market), solar and motive segments. On sustained gains in replacement segment from unorganised players further bolstered by GST (refer THE SHIFT), deeper OEM penetration and strong scale up in home UPS batteries, we estimate 14%/17% sales/PAT CAGR, respectively, over FY17-19. Maintain 'BUY' with target price of INR954.

### 4 wheelers zoom; 2 wheeler OEMs, telecom sluggish

AMRJ's Q4FY17 sales jumped 17% YoY (in line). Overall 4-wheeler OEMs and replacement sales grew 12% each. While 2-wheeler replacement volumes slowed to 8%, 2-wheeler OEM volumes fell 15% YoY largely due to demonetisation-led demand slowdown. The industrial segment was flat due to challenges in telecom segment and decline in railways despite UPS growing 10%. For FY17, 4-wheeler replacement sales grew 15% (industry: 7.4%) and 2-wheeler replacement sales grew 20% (industry: 12%).

### Pricey lead hurts margin; prices hiked to counter impact

Gross margin plunged 580bps YoY and 300bps QoQ to 32%, lowest in ~5 years, led by 31% YoY and 7% QoQ rise in lead price. In the past 5-6 months, AMRJ has taken cumulative 9-10% price hikes to overcome the impact. Moreover, lead price has also declined. EBITDA margin dipped 310bps YoY to 13.7%, leading to EBITDA dip of 4.2% YoY. Management guided for operating margin to sustain at ~14-16%.

### Outlook and valuations: Power charged; maintain 'BUY'

Riding sustained gains in replacement segment from unorganised players further bolstered by GST (positive for sector), deeper OEM penetration and strong scale up in home UPS batteries (strong opportunity in e-rickshaws, solar and motive segments), we maintain 'BUY' with target price of INR954. At CMP, the stock is trading at 25.7x FY18E and 22x FY19E EPS.

#### Financials

(INR mn)

Year to March	Q4FY17	Q4FY16	% change	Q3FY17	% change	FY17E	FY18E	FY19E
Net revenues	13,445	11,449	17.4	13,280	1.2	53,172	59,828	69,117
EBITDA	1,844	1,925	(4.2)	2,051	(10.1)	10,210	9,591	11,054
Adj. net profit	992	1,091	(9.1)	1,123	(11.7)	4,785	5,573	6,518
Dil. EPS (INR)	5.8	6.4	(9.0)	6.6	(11.7)	28.0	32.6	38.2
Diluted PE (x)						29.9	25.7	22.0
EV/EBITDA (x)						16.6	14.6	12.5
ROE (%)						20.3	19.8	19.6

#### EDELWEISS RATINGS

Absolute Rating	BUY
Investment Characteristics	Growth

#### MARKET DATA (R: AMAR.BO, B: AMRJ IN)

CMP	: INR 837
Target Price	: INR 954
52-week range (INR)	: 1,080 / 806
Share in issue (mn)	: 170.8
M cap (INR bn/USD mn)	: 143 / 2,213
Avg. Daily Vol. BSE/NSE ('000)	: 385.8

#### SHARE HOLDING PATTERN (%)

	Current	Q2FY17	Q1FY17
Promoters *	52.1	52.1	52.1
MF's, FI's & BKs	8.9	8.0	7.8
FII's	19.7	21.7	21.5
Others	19.3	18.3	18.6
* Promoters pledged shares (% of share in issue)	:		NIL

#### PRICE PERFORMANCE (%)

	BSE Midcap Index	Stock	Stock over Index
1 month	(3.7)	(4.6)	(0.9)
3 months	5.1	(1.0)	(6.1)
12 months	28.4	(1.5)	(29.9)

**Shradha Sheth**  
 +91 22 6623 3308  
 shradha.sheth@edelweissfin.com

**Sanyam Jain**  
 +91 22 4040 7412  
 sanyam.jain@edelweissfin.com

May 25, 2017

**Q4FY17: Key highlights**

- **Sales** grew 17% YoY led by robust double-digit growth in 4W segment. 2W OEM and telecom sales within industrial were muted.
- **Auto:** Within 4W, sales grew a healthy 12% each in replacement as well as OEM. 2W replacement segment slowed down to 8% YoY and OEM sales declined 15% due to demonetisation. However, management expects sustained demand for passenger cars and 2W, which will help it consolidate its strong position further. For FY17, 4W replacement sales grew 15% versus 7.4% for industry; 2W replacement sales grew 20% versus 12% for industry.
- On the industrial front, demand slackened due to tepid telecom segment, which was impacted by RJio entry in lithium ion batteries. UPS grew 10% YoY. Going forward, telecom is expected to grow in line with industry at 6-7%. Management sounded bullish on e-rickshaws, solar and motive segments opportunity within industrials. According to management, e-rickshaws is an INR15-20bn market wherein AMRJ's sales are mere 2%. Electrification will be adopted in 3W (e-rickshaws), metro rail (e-commuting for last mile). Within renewable energy, energy storage applications (ultra mega solar power plants) is also a strong opportunity, according to management.
- **Market share:** AMRJ has maintained market share in most segments. The company has 35% /12% market share in 4W/2W OEM segments, while in 4W/2W replacement market it has market share of 30% and 32% each having gained share by 2% last year.

**Table 1: Segment-wise market share**

	(%)
<b>OEM</b>	
4W	1/3rd of the OEM market
2W	12 to 15
<b>Replacement:</b>	
4W	30.0
2W	30.0
Telecom	60.0

*Source: Company*

- **Home UPS:** AMRJ commenced sales of manufactured tubular batteries in Q1FY17 and grew 13% in Q4FY17 and 23% for full year. Management highlighted the capacity utilisation was at ~55% and 70-75% by FY17 end.
- **New CEO:** AMRJ has appointed Mr. Vijay Anand as CEO from April 1, 2017, as CEO, who has been in the system for many years.
- **Gross margin:** Gross margin plunged 580bps YoY due to surge in lead prices (~30% YoY), leading to EBITDA decline of 4% (below estimate). Management has guided that the rise in lead prices is being addressed through pricing in Q1FY18. Management expects to maintain sustainable margin of 14-16% going forward.
- **Lead cost:** Stood at USD2,278/MT versus USD1,738/MT in Q4FY17 and USD2,138/MT in Q3FY17.
- **Raw material cost stabilising:** Raw material prices inched up in H2 to USD2,100-2,200/MT from USD1,800/MT, on an average of 29%. However, they have cooled off by 10% in past 2 months.

- **Pricing actions:** In the replacement segment, over the past 6 months, the company has hiked prices 9-10% (2/3rd pricing action in Q4FY17 and 1/3rd in last two months) cumulatively which will offset the rise in lead price impact.
- **Capex:** In anticipation of burgeoning demand for 2W, it is planning to set up a new plant to expand existing 2W capacity from 11mn units to 25mn units p.a. with introduction of new punch grid technology. The expansion will be in phased manner with the first phase entailing capex of INR2.5bn and expanding capacity by 4mn p.a. (3 lines) in FY18. Second phase of 4mn units will be in FY20 and balance 2.5mn units each will come up in FY21-22. In FY18, AMRJ expects to incur capex of INR4.5bn with INR2bn for regular maintenance and INR2.5bn for phase 1 expansion of 4mn units of the 2W plant.

**Table 2: Capex guidance**

(INR bn)	FY17	FY18
4w batteries expansion by 2.25 mn units	1.8	
2w batteries expansion by 4 mn units	less than 2	2.5
Regular capex	Less than 2.25	2
<b>Total capex</b>	<b>4</b>	<b>4.5</b>

Source: Company

- **GST:** Currently, unorganised replacement segment constitutes 25-30% of the battery sector, while in CV segment it is 40-50%. The battery industry attracts tax rate of ~27-28% comprising 12.5% excise duty, 12.5% VAT and 2% CST. GST at ~28% will reduce the current price differential of 15-25% and aid in quicker shift from unorganised to organised segment. Management expects strong benefit in trucks and tractors (unorganised market at >50%) due to GST implementation.

## Automobiles

### Financial snapshot

(INR mn)

Year to March	Q4FY17	Q4FY16	% change	Q3FY17	% change	FY17	FY18E	FY19E
Net revenues	13,445	11,449	17.4	13,280	1.2	53,172	59,828	69,117
Dec/(inc) in stock	(471)	(734)	NA	(1,012)	NA	(1,711)		
Raw material	9,349	7,121	31.3	9,323	0.3	32,811	38,164	44,444
Purchase of finished goods	266	740	(64.0)	317	(16.0)	2,074	885	487
Staff costs	705	624	13.1	723	(2.5)	2,778	3,291	3,801
Other expenses	1,752	1,773	(1.2)	1,878	(6.7)	7,010	7,897	9,331
Total expenditure	11,601	9,524	21.8	11,229	3.3	42,961	50,237	58,063
EBITDA	1,844	1,925	(4.2)	2,051	(10.1)	10,210	9,591	11,054
Depreciation	499	376	32.6	480	3.9	1,912	1,990	2,253
EBIT	1,345	1,549	(13.2)	1,570	(14.4)	8,299	7,601	8,800
Other income	151	97	54.6	133	13.7	492	598	782
Interest	15	14	8.7	14	8.7	58	21	16
Add: Prior period items								
Add: Exceptional items								
Profit before tax	1,480	1,632	(9.3)	1,689	(12.4)	8,733	8,178	9,566
Provision for taxes	489	542	(9.8)	566	(13.7)	2,237	2,605	3,048
Minority interest								
Associate profit share								
Profit- Discontinued Ops								
Reported net profit	992	1,091	(9.1)	1,123	(11.7)	4,785	5,573	6,518
Adjusted Profit	992	1,091	(9.1)	1,123	(11.7)	4,785	5,573	6,518
Diluted shares (mn)	171	171		171		171	171	171
Reported eps (inr)	6.0	5.6		5.9		-	-	-
Adjusted Diluted EPS	5.8	6.4	(9.0)	6.6	(11.7)	28.0	32.6	38.2
Diluted P/E (x)	-	-		-		29.9	25.7	22.0
EV/EBITDA (x)	-	-		-		16.6	14.6	12.5
ROAE (%)	-	-		-		20.3	19.8	19.6
<b>As % of net revenues</b>								
Raw material	68.0	62.3		65.0		61.7	63.8	64.3
Employee cost	5.2	5.4		5.4		5.2	5.5	5.5
Other expenses	13.0	15.5		14.1		13.2	13.2	13.5
EBITDA	13.7	16.8		15.4		19.2	16.0	16.0
Adjusted net profit	7.4	9.5		8.5		9.0	9.3	9.4
Tax rate	33.0	33.2		33.5		25.6	31.9	31.9

## Company Description

AMRJ is the second largest automotive battery manufacturer and the largest supplier of industrial storage batteries in India. It is a joint venture between the Galla family and US based Johnson Control (JCI) with 26% each. JCI, the global leader in lead-acid automotive batteries and advanced batteries for start-stop, hybrid and electric vehicles, provides technical support to AMRJ. The company has been a technology leader in the Indian market, having introduced VRLA (valve-regulated lead acid) batteries for the first time for industrial applications and two wheelers. In the automotive segment too, AMRJ was first to introduce batteries with five-year warranties and zero maintenance fully charged batteries. Its business model is derisked as it caters to automotive as well as industrial segments. Sales are well diversified among automotive and industrial segments at 60% and 40%, respectively.

## Investment Theme

Having established its strong foothold in the auto replacement space, the company is increasing its capacity in OEMs by 47% in 4-wheelers and 75% in 2-wheelers, which will provide the scale and operational efficiency. Also company is expanding capacity by 32% in telecom segment and 100% in UPS segment which will set a base to capture industrial growth over next three years.

## Key Risks

### Prolonged slowdown in OEM

Ongoing slowdown in OEM sales starting FY12 could last till FY14. The current weakness in auto OEM sales has raised concerns on auto replacement growth starting FY16 (3.0-3.5% year replacement cycle). We note that first-time replacement accounts for only about ~45% of total replacement demand for auto batteries. Thus, overall replacement battery demand could slowdown, but to a lesser extent. However, a prolonged slowdown in OEM can impact the industry's and AMRJ's growth.

### Increased competition

The battery space could get competitive in the future; there are a number of players vying to be a credible No. 3 in the next two-three years.

### Exit of Johnson Controls

Johnson Controls which has 26% stake in AMRJ brings technology advantage with 36% share globally. Thereby, the exit of JCI could be a risk for further innovation.

## Financial Statements

## Key Assumptions

Year to March	FY16	FY17	FY18E	FY19E
<b>Macro</b>				
GDP(Y-o-Y %)	7.2	6.5	7.1	7.7
Inflation (Avg)	4.9	4.8	5.0	5.2
Repo rate (exit rate)	6.8	6.3	6.3	6.3
USD/INR (Avg)	65.0	67.5	67.0	67.0
<b>Company</b>				
<b>Capacity (mn units)</b>				
4W	8.3	10.5	10.5	10.5
2W	10.8	10.8	15.0	15.0
Medium VRLA (UPS)	3.7	4.3	4.9	5.5
Large VRLA (Telecom)	1,200.0	1,200.0	1,440.0	1,728.0
4W OEM	46	43	44	47
2W OEM	16	16	17	19
4W Replacement	32	34	35	39
2W Replacement	30	32	34	36
Medium VRLA (UPS)	42	42	42	42
Large VRLA (Telecom)	60	61	61	61
4W OEM	12.2	10.6	10.5	10.7
2W OEM	2.3	2.1	2.2	2.4
4W Replacement	29.4	28.6	28.4	29.6
2W Replacement	7.3	7.6	8.0	8.3
Trading	1.4	1.1	0.9	0.7
Auto	52.7	49.9	50.1	51.8
Medium VRLA (UPS)	13.3	12.2	11.8	11.4
Large VRLA (Telecom)	27.6	24.8	23.3	21.9
Railway and Others	5.5	4.9	4.9	4.9
Industrial	46.4	49.3	49.1	47.5
Trade batteries	7.0	3.1	1.5	0.7
Cost assumptions	-	1	1	1
Raw Material (% net rev)	62.3	65.6	65.3	65.0
Other exp (% net rev)	18.9	18.4	18.7	19.0
Depreciation rate (%)	8.3	9.0	8.1	8.1
Tax rate (%)	29.6	31.9	31.9	-
Dividend payout (%)	15.9	17.4	18.0	839.9
Capex (INR mn)	(4,904)	(4,000)	(4,500)	(4,000)

## Income statement

(INR mn)

Year to March	FY16	FY17	FY18E	FY19E
Income from operations	46,752	53,172	59,828	69,117
Direct costs	31,421	37,490	41,981	48,318
Employee costs	2,429	2,778	3,291	3,801
Amintistration expenses	1,556	1,382	1,675	1,935
Selling & Advt. exp	2,542	3,022	3,291	4,009
Total operating expenses	37,948	44,672	50,237	58,063
EBITDA	8,804	8,499	9,591	11,054
Depreciation	1,407	1,912	1,990	2,253
EBIT	7,397	6,588	7,601	8,800
Add: Other income	458.8	492.4	597.54	781.66
Less: Interest Expense	55	58	21	16
Profit Before Tax	7,801	7,022	8,178	9,566
Less: Provision for Tax	2,310	2,237	2,605	3,048
Reported Profit	5,490	4,785	5,573	6,518
Adjusted Profit	5,490	4,785	5,573	6,518
Shares o/s (mn)	171	171	171	171
Adjusted Basic EPS	32.1	28.0	32.6	38.2
Diluted shares o/s (mn)	171	171	171	171
Adjusted Diluted EPS	32.1	28.0	32.6	38.2
Adjusted Cash EPS	41.7	39.2	44.3	51.4
Dividend per share (DPS)	4.3	4.2	5.0	5.9
Dividend Payout Ratio(%)	15.9	17.4	18.0	18.0

## Common size metrics

Year to March	FY16	FY17	FY18E	FY19E
Operating expenses	81.2	84.0	84.0	84.0
Direct Cost	67.2	70.5	70.2	69.9
Amintistration expenses	3.3	2.6	2.8	2.8
Depreciation	3.0	3.6	3.3	3.3
Interest Expense	0.1	0.1	-	-
EBITDA margins	18.8	16.0	16.0	16.0
Net Profit margins	11.7	9.0	9.3	9.4

## Growth ratios (%)

Year to March	FY16	FY17	FY18E	FY19E
Revenues	11.0	13.7	12.5	15.5
EBITDA	24.2	(3.5)	12.8	15.2
PBT	27.9	(10.0)	16.5	17.0
Adjusted Profit	32.1	(12.8)	16.5	17.0
EPS	32.1	(12.8)	16.5	17.0

Balance sheet		(INR mn)			
As on 31st March	FY16	FY17	FY18E	FY19E	
Share capital	171	171	171	171	
Reserves & Surplus	20,988	25,760	30,330	35,675	
Shareholders' funds	21,159	25,931	30,500	35,846	
Short term borrowings	725	690	690	390	
Total Borrowings	725	690	690	390	
Long Term Liabilities	383	404	404	404	
Deferred revenue	538	815	815	815	
<b>Sources of funds</b>	<b>22,804</b>	<b>27,840</b>	<b>32,410</b>	<b>37,455</b>	
Gross Block	19,463	22,739	26,239	29,239	
Net Block	13,479	14,844	16,354	17,101	
Capital work in progress	1,228	2,403	3,403	4,403	
Intangible Assets	41	77	77	77	
Total Fixed Assets	14,748	17,324	19,834	21,581	
Non current investments	254	248	248	248	
Cash and Equivalents	1,503	2,987	3,983	5,211	
Inventories	6,016	8,170	7,842	9,132	
Sundry Debtors	5,922	5,705	6,884	7,953	
Other Current Assets	1,065	1,413	1,413	1,413	
Current Assets (ex cash)	13,003	15,287	16,139	18,498	
Trade payable	3,493	4,184	3,973	4,262	
Other Current Liab	3,211	3,821	3,821	3,821	
Total Current Liab	6,704	8,006	7,794	8,083	
Net Curr Assets-ex cash	6,299	7,281	8,344	10,415	
<b>Uses of funds</b>	<b>22,804</b>	<b>27,840</b>	<b>32,410</b>	<b>37,455</b>	
BVPS (INR)	123.9	151.8	178.6	209.9	

Free cash flow		(INR mn)			
Year to March	FY16	FY17	FY18E	FY19E	
Reported Profit	5,490	4,785	5,573	6,518	
Add: Depreciation	1,399	1,912	1,990	2,253	
Interest (Net of Tax)	37	39	14	11	
Others	(123)	239	(14)	(11)	
Less: Changes in WC	(677)	(973)	(1,063)	(2,071)	
Operating cash flow	6,126	6,002	6,500	6,701	
Less: Capex	4,904	4,000	4,500	4,000	
<b>Free Cash Flow</b>	<b>1,222</b>	<b>2,002</b>	<b>2,000</b>	<b>2,701</b>	

Cash flow metrics					
Year to March	FY16	FY17	FY18E	FY19E	
Operating cash flow	6,126	6,002	6,500	6,701	
Investing cash flow	(3,938)	(4,000)	(4,500)	(4,000)	
Financing cash flow	(1,637)	(868)	(1,003)	(1,473)	
Net cash Flow	551	1,134	997	1,227	
Capex	(4,904)	(4,000)	(4,500)	(4,000)	
Dividend paid	(1,614)	(835)	(1,003)	(1,173)	

Profitability and efficiency ratios					
Year to March	FY16	FY17	FY18E	FY19E	
ROAE (%)	28.8	20.3	19.8	19.6	
ROACE (%)	39.7	29.2	28.4	28.4	
Inventory Days	59	69	70	64	
Debtors Days	45	40	38	39	
Payable Days	29	37	35	31	
Cash Conversion Cycle	75	72	73	72	
Current Ratio	2.2	2.3	2.6	2.9	
Gross Debt/EBITDA	0.1	0.1	0.1	-	
Gross Debt/Equity	-	-	-	-	
Adjusted Debt/Equity	-	-	-	-	
Interest Coverage Ratio	133.8	114.2	367.2	543.1	

Operating ratios					
Year to March	FY16	FY17	FY18E	FY19E	
Total Asset Turnover	2.3	2.1	2.0	2.0	
Fixed Asset Turnover	4.1	3.7	3.8	4.1	
Equity Turnover	2.5	2.3	2.1	2.1	

Valuation parameters					
Year to March	FY16	FY17	FY18E	FY19E	
Adj. Diluted EPS (INR)	32.1	28.0	32.6	38.2	
Y-o-Y growth (%)	32.1	(12.8)	16.5	17.0	
Adjusted Cash EPS (INR)	41.7	39.2	44.3	51.4	
Diluted P/E (x)	26.1	29.9	25.7	21.9	
P/B (x)	6.8	5.5	4.7	4.0	
EV / Sales (x)	3.0	2.7	2.3	2.0	
EV / EBITDA (x)	16.2	16.6	14.6	12.5	
Dividend Yield (%)	0.5	0.5	0.6	0.7	

## Additional Data

### Directors Data

Dr Ramchandra Galla	Chairman	Jaydev Galla	Vice Chairman & Managing Director
Shu Qing Yang	Non Executive Director	Raphael John Shemanski	Non Executive Director
Nagarjun Valluripalli	Non Executive Director	N Sri Vishnu Raju	Non Executive Director
T R Narayanaswamy	Non Executive Director	Raymond J Brown	Non Executive Director
Bhairavi Tushar Jani	Non Executive Director		

Auditors - Deloitte Haskins & Sells LLP

### Holding – Top10

	Perc. Holding		Perc. Holding
Johnson controls mau	26	Johnson controls mau	26
Galla jayadev	7.51	Galla jayadev	7.51
Galla ramachandra n	7.49	Galla ramachandra n	7.49
Gourineni ramadevi	4.72	Gourineni ramadevi	4.72
Galla amara kumari	3.08	Galla amara kumari	3.08

*\*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](mailto:research@edelweissfin.com)

Aditya Narain

Head of Research

[aditya.narain@edelweissfin.com](mailto:aditya.narain@edelweissfin.com)

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

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

**Recent Research**

Date	Company	Title	Price (INR)	Recos
23-May-17	<b>Tata Motors</b>	Good quarter; capex guidance raised; <i>Result Update</i>	450	Hold
23-May-17	<b>Motherson Sumi Systems</b>	Good quarter; margin scale up key; <i>Result Update</i>	422	Hold
22-May-17	<b>Bajaj Auto</b>	Weak quarter, exports bottoming out; <i>Result Update</i>	2,914	Hold

**Distribution of Ratings / Market Cap**

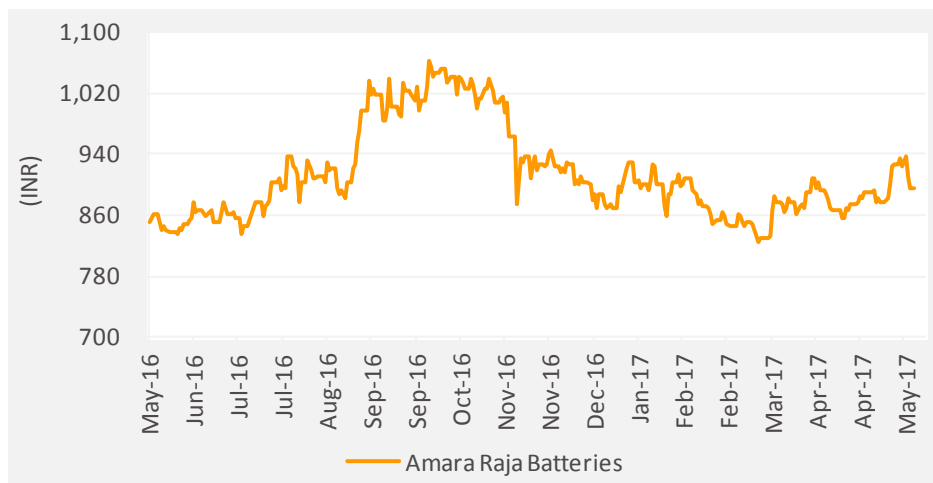
Edelweiss Research Coverage Universe

	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
<b>Buy</b>	appreciate more than 15% over a 12-month period
<b>Hold</b>	appreciate up to 15% over a 12-month period
<b>Reduce</b>	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](http://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](http://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