

ESSEL PROPACK

Stable quarter; Egypt shines

India Equity Research | Miscellaneous



Essel Propack's (EPL) Q4FY17 consolidated revenue at INR6.1bn rose 12% YoY driven by Europe, which jumped 41% YoY to INR1.4bn. While AMESA & EAP grew 8% & 10%, respectively, below par US & Mexico performance marred good performance in Americas (declined 3%). India revenues grew 4% YoY; stellar growth in Egypt (revenues up 26% YoY) was a key quarter highlight. While growth in EAP revived, Europe was stable. We expect the impact of one-off's seen in FY17 to fade and estimate EPL to clock 13% revenue CAGR with ~420bps improvement in RoCE over FY17-19 to 22.6%. We maintain our FY19E EV/EBITDA at 9.0x, yielding target price of INR301. We maintain 'BUY'.

Good show in AMESA driven by Egypt; EAP stable

EPL's India operations (standalone) reported only 4% YoY growth as demonetisation impact lingered in Q4FY17 as well, especially during January-February 2017. The company has pegged demonetisation-related revenue and EBIT loss in Q4FY17 at INR195mn and INR69mn, respectively. A key quarter standout was Egypt's stellar performance—revenue jumped 26% YoY—in oral as well as non-oral segments. Growth finally picked up in EAP with 10% YoY spurt in Q4FY17 (9mFY17: -1%). While non-oral was strong, off-take issues at key customers continued to dent oral care. We expect growth in AMESA to pick up as the impact of demonetisation fades, along with continued good show in Egypt, with non-oral being EAP's growth driver.

EDG spurs Europe; Americas stutters

Europe jumped 41% driven by acquisition of Essel Deutschland, Germany (EDG), with improvement in profitability. Americas, yet again, disappointed as US and Mexico (had performed well till date) revenue was impacted by lower-than-planned off take by key customers and discontinuance of plastic tubes. We expect growth in Americas to pick up driven by stabilisation of Colombia operations in FY18 and correction of blip in Mexico's performance.

Outlook and valuations: On growth path; maintain 'BUY'

While FY17 performance was impacted by demonetisation-related one offs, plant issues at Columbia & India and integration of EDG, EPL is confident of resolving them and achieving its 20:20:20 target. We build in 13% revenue CAGR (EPL guidance 15% for FY18) with ~420bps improvement in RoCE over FY17-19E to 22.6%. We maintain our FY19E EV/EBITDA at 9.0x, yielding target price of INR301. We maintain 'BUY'.

Financials		(INR mn)						
Year to March	Q4FY17	Q4FY16	YoY (%)	Q3FY17	QoQ (%)	FY17	FY18E	FY19E
Net Revenues	6,126	5,490	11.6	5,881	4.2	23,023	26,680	29,398
EBITDA	1,199	984	21.8	921	30.1	4,213	5,017	5,803
Adjusted Profit	520	449	15.8	399	30.2	1,792	2,112	2,680
Diluted EPS (INR)	3.3	2.9	15.8	2.5	30.2	11.4	13.4	17.1
Diluted P/E (x)						23.0	19.5	15.4
EV/EBITDA (x)						11.2	9.2	7.7
ROAE (%)						18.3	20.8	22.1

EDELWEISS RATINGS

Absolute Rating	BUY
Investment Characteristics	Growth

MARKET DATA (R: ESSL.BO, B: ESEL IN)

CMP	: INR 259
Target Price	: INR 301
52-week range (INR)	: 276 / 179
Share in issue (mn)	: 157.2
M cap (INR bn/USD mn)	: 41 / 630
Avg. Daily Vol. BSE/NSE ('000)	: 119.8

SHARE HOLDING PATTERN (%)

	Current	Q2FY17	Q1FY17
Promoters *	57.1	57.0	57.0
MF's, FI's & BKs	4.9	4.6	4.8
FII's	14.4	13.7	12.6
Others	23.7	24.7	25.6
* Promoters pledged shares (% of share in issue)	:	NIL	

PRICE PERFORMANCE (%)

	BSE Midcap Index	Stock	Stock over Index
1 month	(3.7)	2.3	6.0
3 months	5.1	13.5	8.4
12 months	28.4	33.3	4.9

Nihal Mahesh Jham

+91 22 6623 3352

nihal.jham@edelweissfin.com

May 25, 2017

Q4FY17 conference call: Key highlights

- **India**
 - Performance in the month of March was stable.
 - In Egypt, EPL hiked prices in a timely manner. Egypt has a strong oral care share; focus is to drive beauty and cosmetics.
- **EAP (China)**
 - China costs are rising faster than revenue.
 - Overall industry has been facing pressure.
- **Europe**
 - Business development of non-oral care in Europe has not been as per expectation. Therefore, performance has been below par.
 - Focus in Europe is on the non-oral market.
 - Targeting 20% plus growth in this region.
 - **German JV/subsidiary**
- In FY18, EPL expects it to turn profitable and by FY19 margin will be at par with rest of Europe.
- **Americas**
 - Expects Americas to revert to growth track.
 - Columbia's turnaround in FY18 should drive margin.
 - Mexico did well last year; expects it to grow further.
 - EPL plans to focus on non-oral care segment in the US .
- **Other**
 - GST will not have any impact.
- **Guidance**
 - Eyeing 15% overall growth for FY18.

Chart 1: Share of Europe has increased post consolidation of EDG

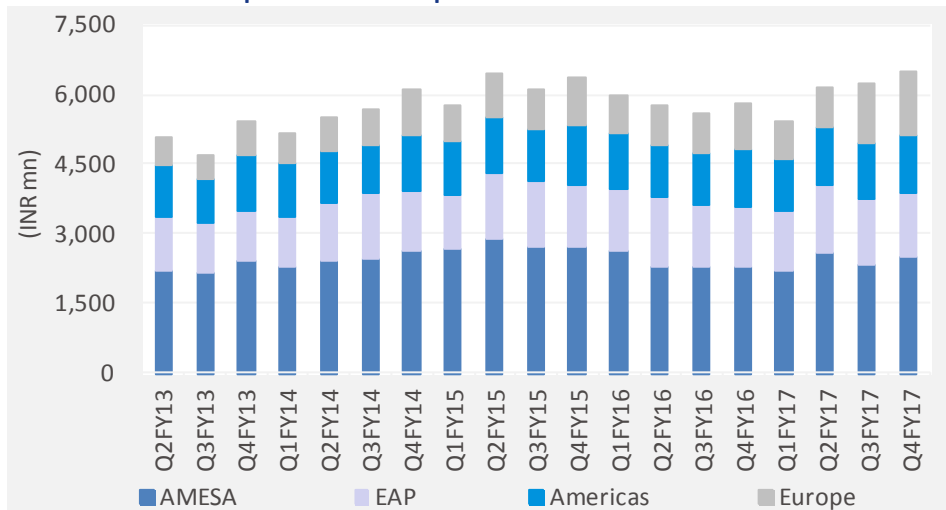


Chart 2: AMESA saw the highest spurt in margins this quarter

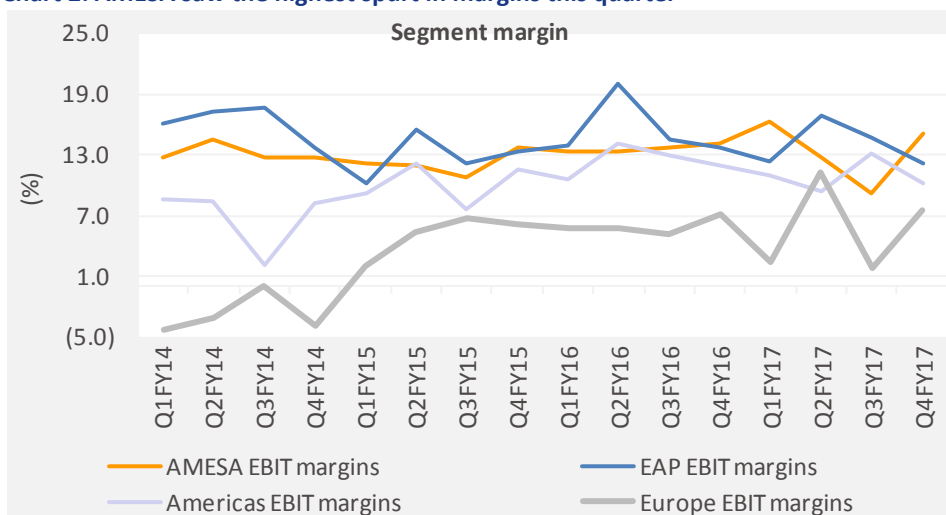
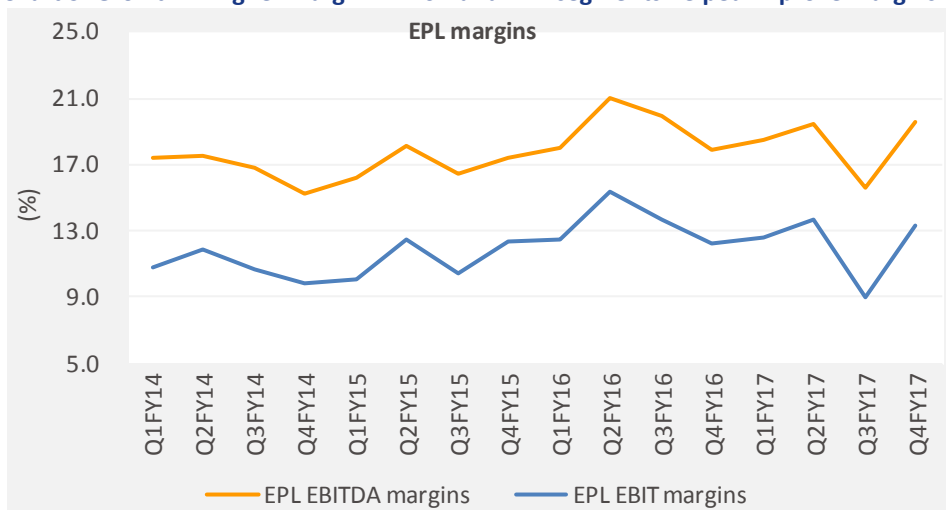


Chart 3: Growth in higher margin AMESA and EAP segments helped improve margins



Source: Company, Edelweiss research

Table 1: Essel Propack TP at INR301 per share at 9.0x FY19E EV/EBITDA

Particulars	
EV/EBITDA (x)	9.0
FY19E EBITDA (INR mn)	5,803
FY18E Target EV (INR mn)	52,223
FY18E Debt (INR mn)	7,439
FY18E Cash (INR mn)	2,599
FY18E Minority Interest adjustment (INR mn)	308
FY18E Investment (INR mn)	200
FY18E Target Equity Value (INR mn)	47,275
Number of shares (mn)	157
Mar '18 Target Price (INR/share)	301

Source: Edelweiss research

Financial snapshot

(INR mn)

Year to March	Q4FY17	Q4FY16	% change	Q3FY17	% change	FY17	FY18E	FY19E
Net revenues	6,126	5,490	11.6	5,881	4.2	23,023	26,680	29,398
Staff costs	1,018	917	11.0	1,061	(4.1)	4,058	4,281	4,495
Direct costs	2,690	2,514	7.0	2,666	0.9	10,079	12,313	13,515
Other expenses	1,220	1,075	13.5	1,233	(1.0)	4,673	5,069	5,586
EBITDA	1,199	984	21.8	921	30.1	4,213	5,017	5,803
Depreciation	379	309	22.6	392	(3.2)	1,415	1,506	1,602
EBIT	820	675	21.4	529	54.8	2,798	3,511	4,201
Other income	56	105	(47.0)	205	(72.8)	353	280	363
Interest	151	153	(1.0)	152	(0.6)	575	488	424
Add: Exceptional items	(83)	(87)	NA	-		157	-	-
Profit before tax	642	541	18.6	582	10.2	2,732	3,303	4,140
Provision for taxes	186	159	17.2	186	0.1	787	941	1,159
Minority interest	-	-		-		53	61	75
Associate profit share	6	5	3.8	3	103.7	11	-	-
Profit- Discontinued Ops								
Reported net profit	461	387	19.0	399	15.5	1,903	2,300	2,906
Adjusted Profit	520	449	15.8	399	30.2	1,792	2,300	2,906
Diluted shares (mn)	157	157		157		157	157	157
Adjusted Diluted EPS	3.3	2.9	15.8	2.5	30.2	11.4	14.6	18.5
Diluted P/E (x)	-	-		-		23.0	17.9	14.2
EV/EBITDA (x)	-	-		-		11.2	9.2	7.7
ROAE (%)	-	-		-		18.3	20.8	22.2

As % of net revenues

Direct costs	43.9	45.8		45.3		43.8	46.1	46.0
Employee cost	16.6	16.7		18.0		17.6	16.0	15.3
Other expenses	19.9	19.6		21.0		20.3	19.0	19.0
EBITDA	19.6	17.9		15.7		18.3	18.8	19.7
Reported net profit	8.5	8.2		6.8		7.8	8.6	9.9
Tax rate	29.0	29.4		31.9		28.8	28.5	28.0

Company Description

EPL, earlier known as Essel Packaging, was incorporated in 1982 and is a part of the Essel Group. The company is one of the largest specialty packaging players globally manufacturing laminated plastic tubes, extruded plastic tubes, caps & closures and flexible laminates. Its products are extensively used in packaging of oral care products, cosmetics, food and pharmaceuticals. EPL sells over 6bn tubes to over 400 clients globally. The company's clientele includes the world's biggest oral and non-oral care players such as Colgate, Unilever, P&G and GSK. It has manufacturing operations at 25 facilities in 12 countries across the world.

Investment Theme

Innovation DNA spurring market share gains:

The packaging industry has been innovation driven. EPL has enhanced its laminated tubes market share from ~28% in CY02 to ~34% currently, a feat it accomplished owing to sizeable investments in innovation. R&D and innovations have been the company's unequivocal hallmarks, enabling it to pioneer the paradigm shift in packaging, redefining the market and unlocking growth potential.

RoE kickers: Non-oral care focus, turn around in subsidiaries

To propel growth, EPL has set sights on the global 22bn tubes non-oral market. We expect strong growth in non-oral revenues, riding conversions in US & Europe and growth in cosmetics, foods & pharma in China & India. Oral care is anticipated to remain the cash cow and log stable revenue growth. Earlier, losses in Americas and Europe had hammered EPL's performance. However, these subsidiaries are now turning around.

Key Risks

Sustained rise in crude prices

EPL's raw materials are crude oil based polymers, which are highly correlated to the movement in crude prices ($r=0.78$). Though there is a pass through mechanism in its contracts, there is a lag period for the same. In the past too, a significant increase in crude/polymer prices had resulted in contraction in margins.

Pace of adoption/conversion to laminated packaging in non-oral segments

EPL's growth will be driven by the non-oral segment, particularly in China and India. Though the overall non-oral market (food, cosmetics and pharma) is expected to grow at 8% plus levels, the company's higher growth will be dependent on increase in penetration/adoption of laminated packaging.

Financial Statements

Key Assumptions

Year to March	FY16	FY17	FY18E	FY19E
Macro				
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
Company				
Rev. growth - AMESA (%)	(12.3)	1.9	12.3	12.8
Revenue growth - EAP (%)	2.3	1.3	6.1	8.8
Rev. growth -Americas(%)	(1.3)	2.3	10.8	8.6
Rev. growth - Europe (%)	(3.1)	25.3	40.7	8.2
EBIT margins - AMESA (%)	13.4	13.0	15.4	16.6
EBIT margins - EAP (%)	15.7	14.1	15.8	16.3
EBIT margins-Americas(%)	12.4	10.9	12.7	13.7
EBIT margins -Europe(%)	6.0	5.6	5.1	6.1
Capex (INR mn)	1,943	2,957	1,629	1,798
Debtor days	61	56	53	52
Inventory days	68	81	74	72
Payable days	57	50	49	53

Income statement

(INR mn)

Year to March	FY16	FY17	FY18E	FY19E
Net revenue	21,275	23,023	26,680	29,398
Materials costs	9,235	10,079	12,313	13,515
Gross profit	12,040	12,944	14,367	15,883
Employee costs	3,744	4,058	4,281	4,495
Other Expenses	4,258	4,673	5,069	5,586
EBITDA	4,038	4,213	5,017	5,803
Depreciation	1,232	1,415	1,506	1,602
EBIT	2,806	2,798	3,511	4,201
Add: Other income	238.2	353.00	280.39	363.48
Less: Interest Expense	609	575	488	424
Add: Exceptional items	23	157	-	-
Profit Before Tax	2,459	2,732	3,303	4,140
Less: Provision for Tax	776	787	941	1,159
Less: Minority Interest	30	53	61	75
Associate profit share	48	11	-	-
Reported Profit	1,701	1,903	2,300	2,906
Exceptional Items	16	111	-	-
Adjusted Profit	1,685	1,792	2,300	2,906
Shares o /s (mn)	157	157	157	157
Adjusted Basic EPS	10.7	11.4	14.6	18.5
Diluted shares o/s (mn)	157	157	157	157
Adjusted Diluted EPS	10.7	11.4	14.6	18.5
Adjusted Cash EPS	18.6	20.9	24.0	28.4
Dividend per share (DPS)	2.2	2.8	3.4	4.3
Dividend Payout Ratio(%)	24.5	23.4	23.4	23.4

Common size metrics

Year to March	FY16	FY17	FY18E	FY19E
Operating expenses	81.0	81.7	81.2	80.3
Materials costs	43.4	43.8	46.1	46.0
Staff costs	17.6	17.6	16.0	15.3
S G & A expenses	20.0	20.3	19.0	19.0
Depreciation	5.8	6.1	5.6	5.4
Interest Expense	2.9	2.5	1.8	1.4
EBITDA margins	19.0	18.3	18.8	19.7
Net Profit margins	8.1	8.0	8.9	10.1

Growth ratios (%)

Year to March	FY16	FY17	FY18E	FY19E
Revenues	(8.4)	8.2	15.9	10.2
EBITDA	3.3	4.3	19.1	15.7
PBT	22.5	11.1	20.9	25.3
Adjusted Profit	24.7	6.3	28.4	26.3
EPS	24.7	6.3	28.4	26.3

Balance sheet		(INR mn)			
As on 31st March	FY16	FY17	FY18E	FY19E	
Share capital	314	314	314	314	
Reserves & Surplus	9,334	10,076	11,838	14,063	
Shareholders' funds	9,648	10,390	12,152	14,377	
Minority Interest	81	57	119	194	
Short term borrowings	1,594	869	2,439	2,534	
Long term borrowings	5,534	6,050	5,000	3,500	
Total Borrowings	7,128	6,918	7,439	6,034	
Long Term Liabilities	194	233	265	265	
Def. Tax Liability (net)	197	317	284	243	
Sources of funds	17,248	17,916	20,259	21,113	
Gross Block	25,970	28,927	30,556	32,355	
Net Block	9,128	11,167	11,290	11,486	
Capital work in progress	512	114	114	114	
Intangible Assets	173	707	707	707	
Total Fixed Assets	9,813	11,988	12,111	12,307	
Non current investments	304	153	200	200	
Cash and Equivalents	844	1,028	2,554	2,858	
Inventories	1,987	2,460	2,530	2,777	
Sundry Debtors	3,312	3,766	4,020	4,430	
Loans & Advances	1,284	1,140	1,250	1,250	
Other Current Assets	2,538	1,962	2,134	2,352	
Total current assets	9,120	9,328	9,935	10,809	
Trade payable	1,282	1,473	1,855	2,036	
Other Current Liab	1,551	3,108	2,685	3,025	
Total Current Liab	2,833	4,581	4,540	5,061	
Net current assets	6,287	4,747	5,394	5,747	
Uses of funds	17,248	17,916	20,259	21,113	
BVPS (INR)	61.4	66.1	77.4	91.5	
Contingent Liability	782.6	782.6	782.6	782.6	

Free cash flow		(INR mn)			
Year to March	FY16	FY17	FY18E	FY19E	
Reported Profit	1,701	1,903	2,300	2,906	
Add: Depreciation	1,232	1,415	1,506	1,602	
Interest (Net of Tax)	417	410	349	306	
Others	305	1,513	(738)	(574)	
Less: Changes in WC	(192)	(1,579)	616	353	
Operating cash flow	3,655	5,240	3,417	4,239	
Less: Capex	1,943	2,579	1,629	1,798	
Free Cash Flow	1,903	4,240	1,172	2,087	

Peer comparison valuation

Name	Market cap (USD mn)	Diluted P/E (X)		EV / EBITDA (X)		ROAE (%)	
		FY18E	FY19E	FY18E	FY19E	FY18E	FY19E
Essel Propack	630	19.3	15.2	9.1	7.6	20.8	22.1
AptarGroup	5,206	22.3	19.9	11.2	10.7	19.3	20.1
Bemis Co Inc.	4,077	15.7	14.1	9.3	8.9	19.8	16.3
Median	-	19.3	15.2	9.3	8.9	19.8	20.1
AVERAGE	-	19.1	16.4	9.9	9.1	20.0	19.5

Source: Edelweiss research

Cash flow metrics		FY16	FY17	FY18E	FY19E
Year to March					
Operating cash flow		3,655	5,240	3,417	4,239
Investing cash flow		(424)	(2,075)	(1,386)	(1,425)
Financing cash flow		(3,283)	(1,230)	(506)	(2,509)
Net cash Flow		(52)	1,935	1,525	305
Capex		(1,943)	(2,579)	(1,629)	(1,798)
Dividend paid		(357)	(445)	(538)	(680)

Profitability and efficiency ratios

Year to March	FY16	FY17	FY18E	FY19E
ROAE (%)	19.4	18.3	20.8	22.2
ROACE (%)	17.7	18.4	20.5	22.6
Inventory Days	68	81	74	72
Debtors Days	61	56	53	52
Payable Days	57	50	49	53
Cash Conversion Cycle	71	87	78	72
Current Ratio	3.5	2.3	2.8	2.7
Gross Debt/EBITDA	1.8	1.6	1.5	1.0
Gross Debt/Equity	0.7	0.7	0.6	0.4
Adjusted Debt/Equity	0.8	0.7	0.7	0.5
Net Debt/Equity	0.6	0.6	0.4	0.2
Interest Coverage Ratio	4.6	4.9	7.2	9.9

Operating ratios

Year to March	FY16	FY17	FY18E	FY19E
Total Asset Turnover	1.2	1.3	1.4	1.4
Fixed Asset Turnover	2.3	2.2	2.2	2.4
Equity Turnover	2.4	2.3	1.7	1.5

Valuation parameters

Year to March	FY16	FY17	FY18E	FY19E
Adj. Diluted EPS (INR)	10.7	11.4	14.6	18.5
Y-o-Y growth (%)	24.7	6.3	28.4	26.3
Adjusted Cash EPS (INR)	18.6	20.9	24.0	28.4
Diluted P/E (x)	24.1	22.7	17.7	14.0
P/B (x)	4.2	3.9	3.3	2.8
EV / Sales (x)	2.2	2.0	1.7	1.5
EV / EBITDA (x)	11.7	11.1	9.1	7.6
Dividend Yield (%)	0.8	1.1	1.3	1.7

Additional Data

Directors Data

Dr. Subhash Chandra	Non- Executive Chairman	Ashok Goel	Vice Chairman & MD
Atul Goel	Director	Boman Moradian	Independent Director
Mukund Chitale	Independent Director	Radhika Pereira	Independent Director

Auditors - MGB & Co LLP

**as per last available data*

Holding – Top10

	Perc. Holding		Perc. Holding
Clareville Cap	3.05	Gagandeep Credit Cap	2.21
FIL Ltd	2.15	NTASIAN Discovery Master Fund	1.86
Warburg Invest	1.75	DSP Blackrock	1.33
Amrit Petroleums	1.32	Dimensional Fund Advisors	1.27
UTI Asset Management	1.21	Veena Investments	1.20

**as per last available data*

Bulk Deals

Data	Acquired / Seller	B/S	Qty Traded	Price
28 Mar 2017	L N Minerals LLP	Sell	1400000	235.71
28 Mar 2017	Goel Laxmi Narain	Buy	1400000	235.73

**as per last available data*

Insider Trades

Reporting Data	Acquired / Seller	B/S	Qty Traded
10 Mar 2017	Ashok Goel	Buy	100000.00

**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): Miscellaneous

Essel Propack

Recent Research

Date	Company	Title	Price (INR)	Recos
06-Feb-17	Essel Propack	Demonetisation impacts India performance; <i>Result Update</i>	248	Buy
07-Dec-16	Essel Propack	Focus sustains on innovation, margin; <i>Result Update</i>	245	Buy
28-Oct-16	Essel Propack	India shines again; one-offs dent margin; <i>Result Update</i>	245	Buy

Distribution of Ratings / Market Cap

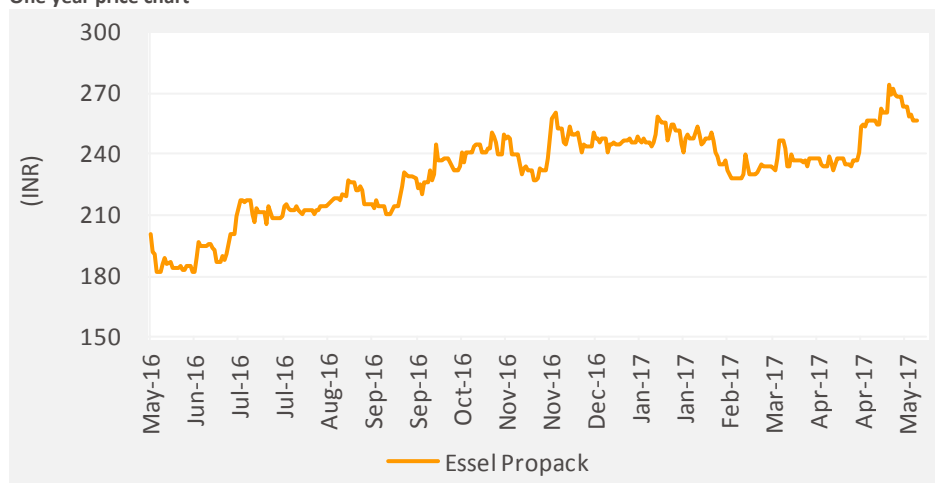
Edelweiss Research Coverage Universe

	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