

SIEMENS

Resilient quarter; outlook sanguine

India Equity Research | Engineering and Capital Goods

Siemens (SIEM) reported 22% revenue growth for Q3FY17 in continuing business operations (Healthcare was sold recently), led by Energy vertical. For 9MFY17, SIEM's order intake grew 25% led by certain big ticket size contracts. We expect SIEM to benefit from the broad-based pickup in high-value orders across key sectors, and estimate 19% earnings CAGR over FY16-19, with RoE of ~12-13%. We prefer ABB India and Cummins, given better OPM and cash flow profiles. Rolling over to FY19 valuation estimates, we maintain 'HOLD' with a revised target price of INR1,450 (INR1,322 earlier) .

Revenue traction strong; 9MFY17 order intake surges

SIEM reported flat revenue growth, even as continuing business operations (ex-healthcare) reported 22% revenue growth mainly led by 54% growth in Energy vertical. Overall, EBITDA margin remained stable QoQ at 8.5% (excluding Healthcare from the base quarter it would have been ~100bps higher), which is broadly in line with consensus. In Q3FY17, order intake in ongoing business operations was muted, while it grew 25% for 9MFY17 led by large jobs in HVDC (T&D), oil & gas (ONGC) and railways, with good order pipeline in mobility and T&D. While private sector slowdown is due to low capex (more by opex), management cited strong visibility in railways, metro rail and state T&D capex. We expect ~INR35bn orders (~45% yoy growth) in Q4FY17.

Focus on digitisation sprucing up infrastructure

SIEM is transforming from being an equipment manufacturer/projects player to a highly customised solutions provider with its digitisation platform at the core of each vertical. Basically, the company will drive value-added products across industries - pharma, oil & gas, thermal plants, T&D - with higher share of digitisation to make overall infrastructure more efficient.

Outlook and valuations: Growth priced in; maintain 'HOLD'

While we are positive on SIEM's order book and top-line growth over next 2-3 years, we believe OPM scale up will be a key challenge, given project volatility and competition. We estimate 19% earnings CAGR over FY16-19 with RoE of ~13%. At CMP, the stock trades at 57x & 48x FY18/19E PE. We maintain 'HOLD/SP' with TP of INR1,450 (based on 50x FY19E PE, which is at 20% discount to ABB India).

EDELWEISS 4D RATINGS

Absolute Rating	HOLD
Rating Relative to Sector	Performer
Risk Rating Relative to Sector	Low
Sector Relative to Market	Overweight

MARKET DATA (R: SIEM.BO, B: SIEM IN)

CMP	: INR 1,397
Target Price	: INR 1,450
52-week range (INR)	: 1,471 / 1,011
Share in issue (mn)	: 356.1
M cap (INR bn/USD mn)	: 497 / 7,762
Avg. Daily Vol.BSE/NSE('000)	: 213.6

SHARE HOLDING PATTERN (%)

	Current	Q4FY17	Q3FY17
Promoters *	75.0	75.0	75.0
MF's, FI's & BK's	9.4	9.3	9.4
FII's	5.0	5.0	4.8
Others	10.6	10.7	10.8
* Promoters pledged shares (% of share in issue)	:	NIL	

PRICE PERFORMANCE (%)

	Stock	Nifty	EW Capital Goods Index
1 month	4.7	6.2	4.9
3 months	6.5	8.7	0.2
12 months	6.6	17.1	18.5

Financials

(INR mn)

Year to Sep.	Q3FY17	Q3FY16	% change	Q2FY17	% change	FY16	FY17E	FY18E
Net Revenues	26,508	26,204	1.2	29,288	(9.5)	1,08,088	1,12,922	1,38,005
EBITDA	2,255	2,262	(0.3)	2,786	(19.1)	9,731	10,557	13,180
Adjusted Profit	1,629	1,240	31.4	1,791	(9.1)	6,056	6,931	8,705
Adj. Diluted EPS	4.6	3.5	31.4	5.0	(9.1)	17.0	19.5	24.4
PE (x)						82.1	71.8	57.1
ROAE (%)						10.3	10.3	12.1

Amit Mahawar

+91 22 4040 7451

amit.mahawar@edelweissfin.com

Swarnim Maheshwari

+91 22 4040 7418

swarnim.maheshwari@edelweissfin.com

August 1, 2017

Table 1: Segmental snapshot (change)

Standalone	Q3FY17	Q3FY16	Y-o-Y growth (%)	YTD FY17	YTD FY16	Y-o-Y growth (%)
Revenues (INR mn)						
Power & Gas	3,035	3272.13	(7.2)	10,523.3	9,722.0	8.2
Energy	12,145	7904.8	53.6	33,040.1	24,580.9	34.4
Building technologies	1,119	892.21	25.4	3,202.8	2,478.6	29.2
Mobility	2,710	2469.73	9.7	9,310.8	7,497.1	24.2
Digital factory	4,723	4462.2	5.9	14,386.9	12,926.5	11.3
Process Industries	5,491	5084.35	8.0	16,769.3	15,179.3	10.5
Healthcare	0	4942.05	NM	0.0	12,754.0	
Others	361	217.8	66.0	992.6	635.4	56.2
Total	29,584	29,245	1.2			9.2
EBIT (INR mn)						
Power & Gas	161	242.64	(33.4)	1,376.3	1,001.3	37.4
Energy	798	405.37	97.0	2,287.6	1,685.9	35.7
Building technologies	66	60.28	9.7	142.0	145.2	(2.2)
Mobility	245	130.82	87.6	650.0	457.1	42.2
Digital factory	336	173.63	93.4	864.7	840.3	2.9
Process Industries	83.82	296.33	(71.7)	305.8	779.8	(60.8)
Healthcare	0	302.4	NM	0.0	466.1	
Others	84	67	25.1	286.4	233.5	22.6
Total	1,775	1,678	5.7			2.3
EBIT margins (%)						
Power & Gas	5.3	7.4		13.1	10.3	
Energy	6.6	5.1		6.9	6.9	
Building technologies	5.9	6.8		4.4	5.9	
Mobility	9.1	5.3		7.0	6.1	
Digital factory	7.1	3.9		6.0	6.5	
Process Industries	1.5	5.8		1.8	5.1	
Healthcare	NA				3.7	
Others	23.2	30.7		28.9	36.8	
Total	6.0	5.7				

Source: Company, Edelweiss research

Financial snapshot: Standalone

(INR mn)

Year to September	Q3FY17	Q3FY16	% change	Q2FY17	% change	FY16	YTD FY17	FY17E	FY18E
Total revenues (net)	26,508	26,204	1.2	29,288	(9.5)	108,088	78,729	112,922	138,005
Direct cost	17,472	17,365	0.6	19,960	(12.5)	71,812	52,200	75,695	92,231
Staff cost	3,522	3,668	(4.0)	3,339	5.5	14,529	10,226	15,094	18,516
Other operating expenses	3,260	2,909	12.1	3,204	1.7	12,016	8,926	11,576	14,078
Total expenditure	24,254	23,942	1.3	26,503	(8.5)	98,357	71,352	102,365	124,825
EBITDA	2,255	2,262	(0.3)	2,786	(19.1)	9,731	7,377	10,557	13,180
Depreciation	480	625	(23.2)	502	(4.3)	2,263	1,464	2,247	2,327
EBIT	1,775	1,637	8.4	2,284	(22.3)	7,468	5,913	8,310	10,853
Interest	14	15	(9.7)	21	(33.5)	59	55	80	88
Other income	731	279	162.1	529	38.2	1,639	1,882	2,037	2,131
Exceptional items	0	0		72		29,923	72	0	0
PBT	2,492	1,900	31.1	2,863	(13.0)	38,971	7,811	10,268	12,897
Tax	863	661	30.6	1,001	(13.8)	10,091	2,713	3,337	4,191
Reported Profit	1,629	1,240	31.4	1,863	(12.6)	28,880	5,098	6,931	8,705
Adjusted Profit	1,629	1,240	31.4	1,791	(9.1)	6,056	6,056	6,931	8,705
Equity capital(FV:INR2)	712	712	0.0	712	0.0	712	712	712	712
No. of Diluted shares outstand	356	356	0.0	356	0.0	356	356	356	356
Adjusted Diluted EPS	4.6	3.5	31.4	5.0	(9.1)	17.0	17.0	19.5	24.4

as % of net revenues

0

Direct cost	65.9	66.3	(0.4)	68.1		66.4	66.3	67.0	66.8
Staff cost	13.3	14.0		11.4		13.4	13.0	13.4	13.4
Other operating expenses	18.7	16.7	1.9	16.1		11.1	11.3	10.3	10.2
EBITDA	8.5	8.6	(0.1)	9.5		9.0	9.4	9.3	9.6
Adjusted profit	6.1	4.7	1.4	6.1		5.6	7.7	6.1	6.3
Tax rate	34.6	34.8		34.9		25.9	34.7	32.5	32.5

Company Description

Siemens India (SIEM) is a 55% subsidiary of Siemens AG, Germany, which has presence in more than 190 countries. SIEM offers diverse products and services solutions in power generation, transmission and distribution, automation and drives, industrial solution and healthcare. It has nation-wide sales and service network, 17 manufacturing plants, and 500 strong networks of channel partners.

Investment Theme

Siemens (SIEM) is one of the most diversified industrial equipment/solutions company with exposure in power, T&D, railways, oil and gas, cement and steel etc. The company is a major beneficiary of large project pickup in the economy which is largely driven by T&D, metals, oil and gas etc. The company also has major exposure to export markets especially the Middle East where it benefits purely on competence basis. With major government thrust to promote public infrastructure capex in large value sectors, we expect Siemens to see a robust growth in the order book in the next 3 to 5 years. However, on the private capex side especially steel etc. we expect pick up to happen after 12-15 months.

Key Risks

Slowdown across major verticals (Steel, Power etc.) could hamper growth prospects of the company.

Increasing competitive intensity could impact the margins of the company & hence the profitability.

Financial Statements

Key Assumptions

Year to September	FY16	FY17E	FY18E	FY19E
Macro				
GDP(Y-o-Y %)	7.2	6.5	7.1	7.7
Inflation (Avg)	4.9	4.5	4.0	4.5
Repo rate (exit rate)	6.8	6.3	5.8	5.8
USD/INR (Avg)	65.0	67.5	66.0	66.0
Company				
Order inflow growth (%)	25	35	20	15
Dep. (% gross block)	8.3	8.0	8.0	8.0

Income statement

(INR mn)

Year to September	FY16	FY17E	FY18E	FY19E
Income from operations	108,088	112,922	138,005	158,617
Direct costs	71,812	75,695	92,231	105,608
Employee costs	14,529	15,094	18,516	21,282
Other Expenses	12,016	11,576	14,078	16,260
Total operating expenses	98,357	102,365	124,825	143,150
EBITDA	9,731	10,557	13,180	15,467
Depreciation	2,263	2,247	2,327	2,447
EBIT	7,468	8,310	10,853	13,020
Add: Other income	1,639.14	2,037.22	2,131.5	2,374.92
Less: Interest Expense	59	80	88	96
Add: Exceptional items	29,923	-	-	-
Profit Before Tax	38,971	10,268	12,897	15,299
Less: Provision for Tax	10,091	3,337	4,191	4,972
Reported Profit	28,880	6,931	8,705	10,327
Exceptional Items	22,825	-	-	-
Adjusted Profit	6,056	6,931	8,705	10,327
Shares o/s (mn)	356	356	356	356
Basic EPS (INR)	17.0	19.5	24.4	29.0
Diluted shares o/s (mn)	356	356	356	356
Adjusted Diluted EPS	17.0	19.5	24.4	29.0
Adjusted Cash EPS	23.4	25.8	31.0	35.9
Dividend per share (DPS)	33.5	8.5	8.5	7.0
Dividend Payout Ratio(%)	49.5	52.4	41.7	28.9

Common size metrics

Year to September	FY16	FY17E	FY18E	FY19E
Operating expenses	91.0	90.7	90.4	90.2
EBITDA margins	9.0	9.3	9.6	9.8
Net Profit margins	5.6	6.1	6.3	6.5

Growth ratios (%)

Year to September	FY16	FY17E	FY18E	FY19E
Revenues	2.8	4.5	22.2	14.9
EBITDA	(0.1)	8.5	24.8	17.4
Adjusted Profit	51.2	14.4	25.6	18.6

Balance sheet		(INR mn)			
As on 30th September	FY16	FY17E	FY18E	FY19E	
Share capital	712	712	712	712	
Reserves & Surplus	65,107	68,409	73,485	80,822	
Shareholders' funds	65,819	69,121	74,197	81,534	
Long Term Liabilities	2,537	2,537	2,537	2,537	
Sources of funds	65,103	68,405	73,481	80,819	
Gross Block	27,088	28,088	29,088	30,588	
Net Block	11,955	10,708	9,381	8,434	
Capital work in progress	791	791	791	791	
Total Fixed Assets	12,746	11,499	10,172	9,225	
Non current investments	1,647	1,647	1,647	1,647	
Cash and Equivalents	35,094	38,298	40,983	45,852	
Inventories	9,993	10,576	12,887	14,756	
Sundry Debtors	30,159	32,648	39,900	52,410	
Loans & Advances	24,523	26,975	28,998	30,448	
Current Assets (ex cash)	64,675	70,199	81,785	97,615	
Sundry creditors	33,050	37,230	45,097	57,511	
Provisions	16,009	16,009	16,009	16,009	
Total Current Liab	49,059	53,239	61,106	73,519	
Net Curr Assets-ex cash	15,616	16,960	20,679	24,095	
Net Deferred tax	(3,253)	(3,253)	(3,253)	(3,253)	
Uses of funds	65,103	68,405	73,481	80,819	
BVPS (INR)	184.8	194.1	208.4	229.0	

Free cash flow		(INR mn)			
Year to September	FY16	FY17E	FY18E	FY19E	
Reported Profit	28,880	6,931	8,705	10,327	
Add: Depreciation	2,263	2,247	2,327	2,447	
Interest (Net of Tax)	44	54	59	65	
Others	(24,813)	(2,011)	(2,103)	(65)	
Less: Changes in WC	(18)	1,345	3,718	3,416	
Operating cash flow	6,392	5,876	5,270	9,357	
Less: Capex	(799)	1,000	1,000	1,500	
Free Cash Flow	7,191	4,876	4,270	7,857	

Cash flow metrics		FY16	FY17E	FY18E	FY19E
Year to September					
Operating cash flow		6,392	5,876	5,270	9,357
Investing cash flow		2,396	957	1,044	(1,500)
Financing cash flow		(16,071)	(3,629)	(3,629)	(2,989)
Net cash Flow		(7,283)	3,204	2,685	4,869
Capex		(2,979)	(1,000)	(1,000)	(1,500)
Dividend paid		(16,071)	(3,629)	(3,629)	(2,989)

Profitability and efficiency ratios		FY16	FY17E	FY18E	FY19E
Year to September					
ROAE (%)		10.3	10.3	12.1	13.3
ROACE (%)		15.6	15.3	18.1	19.8
Inventory Days		50	50	46	48
Debtors Days		102	102	96	106
Payable Days		176	169	163	177
Cash Conversion Cycle		(25)	(18)	(21)	(23)
Current Ratio		2.0	2.0	2.0	2.0
Interest Coverage Ratio		126.4	104.2	123.7	134.9

Operating ratios		FY16	FY17E	FY18E	FY19E
Year to September					
Total Asset Turnover		1.9	1.7	1.9	2.1
Fixed Asset Turnover		8.4	10.0	13.7	17.8
Equity Turnover		1.8	1.7	1.9	2.0

Valuation parameters		FY16	FY17E	FY18E	FY19E
Year to September					
Adj. Diluted EPS (INR)		17.0	19.5	24.4	29.0
Y-o-Y growth (%)		51.2	14.4	25.6	18.6
Adjusted Cash EPS (INR)		23.4	25.8	31.0	35.9
Diluted P/E (x)		82.1	71.8	57.1	48.2
P/B (x)		7.6	7.2	6.7	6.1
EV / Sales (x)		4.5	4.2	3.5	3.0
EV / EBITDA (x)		47.5	43.5	34.6	29.2
Dividend Yield (%)		2.4	0.6	0.6	0.5

Peer comparison valuation

Name	Market cap (USD mn)	Diluted P/E (X)		P/B (X)		ROAE (%)	
		FY17E	FY18E	FY17E	FY18E	FY17E	FY18E
Siemens	8,082	74.8	59.5	7.5	7.0	10.3	12.1
ABB India	4,696	80.1	59.8	9.2	8.2	12.0	14.5
Median	-	77.4	59.7	8.3	7.6	11.1	13.3
AVERAGE	-	77.4	59.7	8.3	7.6	11.1	13.3

Source: Edelweiss research

Additional Data

Directors Data

Deepak S Parekh	Chairman	Armin Bruck	Managing Director
Joe Kaeser	Additional Director	Johannes Apitzsch	Alternate Director
Darius C Shroff	Director	Narendra J Jhaveri	Director
Keki Dadiseth	Director	Yezdi H Malegam	Director
Pradip V Nayak	Director	Roland Busch	Director
Sunil D Mathur	Executive Director & Chief Financial Officer		

Auditors - S R B C & Co. LLP

**as per last annual report*

Holding – Top10

	Perc. Holding		Perc. Holding
Siemens ag	71.7	Life insurance corp	5.02
Siemens metals tech	3.3	Hdfc asset management	1.75
Vanguard group	0.83	Blackrock	0.69
Reliance capital tru	0.56	Axis asset managemen	0.33
Goldman sachs group	0.24	Sundaram asset manag	0.18

**in last one year*

Bulk Deals

Data	Acquired / Seller	B/S	Qty Traded	Price
No Data Available				

**in last one year*

Insider Trades

Reporting Data	Acquired / Seller	B/S	Qty Traded
No Data Available			

**in last one year*

Company	Absolute reco	Relative reco	Relative risk	Company	Absolute reco	Relative reco	Relative Risk
ABB India	BUY	SO	L	Bharat Forge	BUY	SO	M
Bharat Heavy Electricals	BUY	SO	M	CG Power and Industrial Solutions	HOLD	SP	M
Cummins India	BUY	SO	L	Engineers India Ltd	BUY	SO	L
Greaves Cotton	HOLD	SP	M	Kalpitaru Power	BUY	SO	M
KEC International	BUY	SP	M	Larsen & Toubro	BUY	SO	M
Praj Industries	BUY	None	None	Ramkrishna Forgings	BUY	SP	M
Siemens	HOLD	SP	L	TD Power Systems	HOLD	None	None
Techno Electric & Engineering	BUY	SO	M	Thermax	REDUCE	SP	L
Triveni Turbine	BUY	None	None	VA Tech Wabag	BUY	None	None

ABSOLUTE RATING

Ratings	Expected absolute returns over 12 months
Buy	More than 15%
Hold	Between 15% and - 5%
Reduce	Less than -5%

RELATIVE RETURNS RATING

Ratings	Criteria
Sector Outperformer (SO)	Stock return > 1.25 x Sector return
Sector Performer (SP)	Stock return > 0.75 x Sector return
	Stock return < 1.25 x Sector return
Sector Underperformer (SU)	Stock return < 0.75 x Sector return

Sector return is market cap weighted average return for the coverage universe within the sector

RELATIVE RISK RATING

Ratings	Criteria
Low (L)	Bottom 1/3rd percentile in the sector
Medium (M)	Middle 1/3rd percentile in the sector
High (H)	Top 1/3rd percentile in the sector

Risk ratings are based on Edelweiss risk model

SECTOR RATING

Ratings	Criteria
Overweight (OW)	Sector return > 1.25 x Nifty return
Equalweight (EW)	Sector return > 0.75 x Nifty return
	Sector return < 1.25 x Nifty return
Underweight (UW)	Sector return < 0.75 x Nifty return

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):

ABB India, Bharat Heavy Electricals, Bharat Forge, CG Power and Industrial Solutions, Engineers India Ltd, Greaves Cotton, KEC International, Cummins India, Kalpataru Power, Larsen & Toubro, Praj Industries, Ramkrishna Forgings, Siemens, TD Power Systems, Techno Electric & Engineering, Thermax, Triveni Turbine, VA Tech Wabag

Recent Research

Date	Company	Title	Price (INR)	Recos
28-Jul-17	Larsen & Toubro	On steady turf; healthy domestic prospects; <i>Result Update</i>	1,161	Buy
20-Jul-17	ABB India	Slow operational improvement; outlook encouraging; <i>c Result Update</i>	1,462	Buy
09-Jun-17	KEC International	On a strong turf; <i>Visit Note</i>	261	Buy

Distribution of Ratings / Market Cap

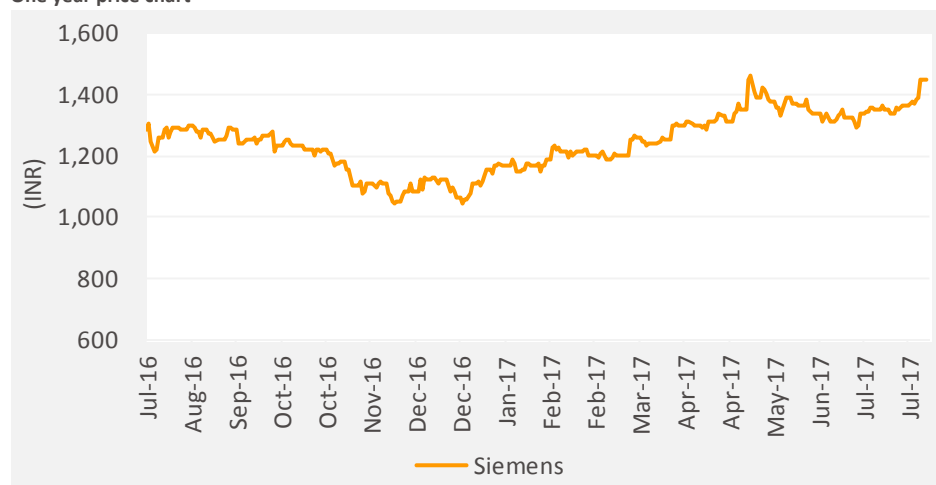
Edelweiss Research Coverage Universe

	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