

CYIENT

Strong performance; positive outlook

India Equity Research | IT

Cyient's Q2FY18 revenue, at USD150.1mn (up 6.7% QoQ), beat Street's 6.6% growth estimate. EBITDA margin, at 14.6% (up 180bps QoQ), also surpassed the 13.9% estimate. Robust communication and transportation verticals spearheaded revenue surge. Management has maintained guidance of ~12.5% revenue growth and 50bps margin expansion leading to double-digit earnings spurt in FY18. Overall demand commentary was positive with strong growth anticipated in aerospace & defence, utilities & geospatial, transportation and semiconductor verticals. We remain positive on the stock given its superior growth profile (12.4%/13.3% revenue/PAT CAGR over FY17-19E) versus peers due to exposure to high growth ER&D & IoT segments. Maintain 'BUY' with TP of INR590.

Communications and transportation drive growth

Cyient's services and DLM businesses grew 4.2% and 33.7% QoQ, respectively. While utilities & geospatial and semiconductor businesses declined 0.5% and 4.8% QoQ, respectively, other businesses—aerospace & defence (2.9%), communications (6.5%), transportation (11.8%) and medical & healthcare (13.6% QoQ)—reported good growth. Amongst geographies, growth was led by EMEA and APAC, which jumped 15.7% and 6.8% QoQ, respectively; Americas grew 1.5% QoQ.

Strong margin expansion; guidance maintained

The company reported 180bps QoQ margin expansion despite 70bps wage hike impact. This was on account of better SG&A absorption and 50bps gross margin improvement, aided by higher offshoring, increased utilisation and improved onshore margins. Management highlighted short-term challenges in UTC engagement due to work load rebalancing, but is confident of revival from Q1FY19. Order intake fell 18% YoY, but is expected to rebound in H2. Management maintained FY18 guidance—double digit revenue growth for core business, ~20% growth for DLM business and 50bps margin expansion leading to double digit earnings growth.

Outlook and valuations: Strong business portfolio; maintain 'BUY'

We believe, double-digit revenue growth guidance in core business in an environment where most IT companies are guiding for mid-single digit revenue growth, demonstrates Cyient's better quality business mix, led by ER&D and IoT. At CMP, the stock is trading at 12.3x FY19E EPS. We maintain 'BUY/SP' with TP of INR590.

EDELWEISS 4D RATINGS

Absolute Rating	BUY
Rating Relative to Sector	Performer
Risk Rating Relative to Sector	High
Sector Relative to Market	Overweight

MARKET DATA (R: CYIE.BO, B: CYL IN)

CMP	: INR 517
Target Price	: INR 590
52-week range (INR)	: 565 / 405
Share in issue (mn)	: 112.6
M cap (INR bn/USD mn)	: 58 / 894
Avg. Daily Vol.BSE/NSE('000)	: 195.1

SHARE HOLDING PATTERN (%)

	Current	Q4FY17	Q3FY17
Promoters *	22.2	22.2	22.2
MF's, FI's & BK's	19.7	19.7	22.2
FII's	44.7	44.7	42.1
Others	13.5	13.5	13.6
* Promoters pledged shares (% of share in issue)	:		NIL

PRICE PERFORMANCE (%)

	Stock	Nifty	EW Tech Index
1 month	(2.4)	0.0	3.7
3 months	(1.5)	2.9	1.9
12 months	6.6	15.9	1.3

Financials

(INR mn)

Year to March	Q2FY18	Q1FY18	% Chg	Q2FY17	% Chg	FY17	FY18E	FY19E
Net revenues	9,654	9,070	6.4	9,136	5.7	36,066	39,331	44,853
EBITDA	1,409	1,160	21.5	1,283	9.8	4,847	5,526	6,553
Adjusted Profit	1,114	877	27.0	973	14.5	3,438	4,217	4,751
Diluted EPS (INR)	9.9	7.8	27.7	8.6	15.1	30.5	37.4	42.1
Diluted P/E (x)						15.8	13.8	12.3
EV/EBITDA (x)						10.4	8.7	7.0
EV/Revenues (x)						1.4	1.2	1.0

Sandip Agarwal

+91 22 6623 3474

sandip.agarwal@edelweissfin.com

Pranav Kshatriya

+91 22 4040 7495

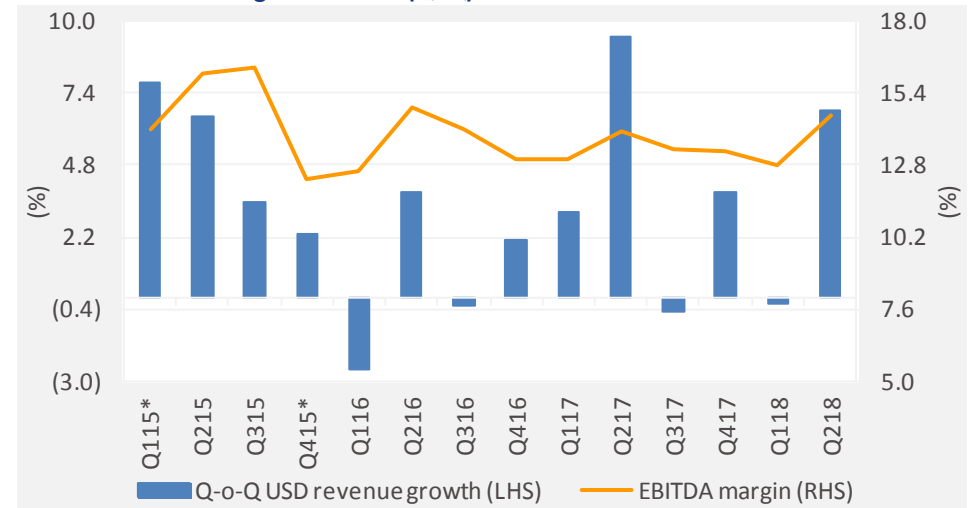
pranav.kshatriya@edelweissfin.com

October 12, 2017

Key highlights

- Revenue grew 6.4% QoQ to INR9,654mn. In USD terms, revenue at USD150.1mn rose 6.7% QoQ.
- EBITDA stood at INR1,409mn; EBITDA margin, at 14.6%, jumped 180bps.

Chart 1: USD revenue growth trend (QoQ)



Source: Company, Edelweiss research

Note: Q115 includes Softential revenues, Q415 includes DLM revenues

- **Net profit** came in at INR1,114mn versus INR877mn in Q1FY18.
- **Segmental performance:** While services revenue rose 4.2% QoQ, DLM revenue jumped 33.7% QoQ and 17.3% YoY.
- **Utilisation** in service business rose 180bps QoQ to 75.9%.
- **Client addition:** During the quarter, 27 new clients were added in core business (29 in previous quarter).
- **Employee metrics:** Service business employee count rose by 362 QoQ, while DLM employee count stood flat QoQ.
- **DSO in service business** rose to 82 from 79 in Q1FY18, while DSO in DLM business fell to 92 days from 102 in Q1FY18.
- **Top-5 and 10 clients:** While top-5 clients jumped 8.3% QoQ, top-10 clients rose 7.1% QoQ in service business.
- **Capex:** Stood at INR244mn (INR258mn in Q1FY18).
- **Hedge:** Cyient has outstanding hedges worth USD67.5mn, EUR21.2mn, GBP8.5mn and AUD16.9mn.
- **Cash and cash equivalents in hand:** Stood at INR9.9bn, i.e., ~INR88/share, as at September end.

Financial snapshot

(INR mn)

Year to March	Q2FY18	Q1FY18	% Change	Q2FY17	% Change	YTD18	FY18E	FY19E
Net revenues	9,654	9,070	6.4	9,136	5.7	18,724	39,331	44,853
Employee expenses	6,236	5,904	5.6	5,990	4.1	12,140	25,421	28,701
Cost of purchases	593	618	(4.0)	591	0.3	1,211	2,530	2,915
Operating & admin expenses	1,416	1,388	2.0	1,272	11.3	2,804	5,854	6,683
Total expenditure	8,245	7,910	4.2	7,853	5.0	16,155	33,805	38,299
EBITDA	1,409	1,160	21.5	1,283	9.8	2,569	5,526	6,553
Depreciation	260	261	(0.4)	232	12.1	521	1,052	1,158
EBIT	1,149	899	27.8	1,051	9.3	2,048	4,475	5,396
Other income	407	351	16.0	184	121.0	758	1,337	947
Interest	57	52	9.6	52	9.6	109	213	213
Profit before tax	1,499	1,198	25.1	1,183	26.7	2,697	5,598	6,130
Tax	421	373	12.9	267	57.7	794	1,541	1,539
Minority interest	(17)	(27)	NA	(11)	NA	(43)	(78)	(78)
Reported net profit	1,114	877	27.0	916	21.6	1,947	4,217	4,751
Share of IASI profit	19	25	(24.0)	46	(58.7)	44	82	82
Adjusted Profit	1,114	877	27.0	973	14.5	1,991	4,217	4,751
Diluted EPS (INR)	9.9	7.8	27.7	8.6	15.1	17.7	37.4	42.1
Diluted P/E (x)							13.8	12.3
EV/EBITDA (x)							8.7	7.0
EV/Revenues (x)							1.2	1.0

As % of net revenues

Employee cost	64.6	65.1		65.6		64.8	64.6	64.0
Operating & admin exp.	14.7	15.3		13.9		15.0	14.9	14.9
EBITDA	14.6	12.8		14.0		13.7	14.1	14.6
EBIT	11.9	9.9		11.5		10.9	11.4	12.0
Reported net profit	11.5	9.7		10.6		10.6	10.7	10.6
Tax rate	28.1	31.1		22.6		29.4	27.5	25.1

Company Description

Cyient is a 13,568 plus employee software services company with competencies in: (a) UT&DA services (catering to utility, transportation, and government segments); (b) engineering design services (for engineering, manufacturing, and industrial products verticals); and (c) software services (to clients in data and technology services, engineering design, and IT services). The company's past twelve month revenues stood at INR37.3bn (USD567.5mn).

Investment Theme

Outsourcing of engineering services is expected to reach USD38-50bn by FY20E compared with USD2bn now, as per a Nasscom-Booz Allen Hamilton study. As one of the leading offshore engineering services firms for the manufacturing industry, Cyient is poised to grab the increasing opportunities. The company has strong domain knowledge and complete solution capability in the GIS segment along with healthy pipeline of deals. The company's skills in the areas of mapping and designing across diverse segments and in a variety of end-user IT environments give it an edge.

Key Risks

- Significant appreciation of INR against USD, EUR and GBP.
- Inadequate availability of skilled manpower.
- Sustained slowdown in engineering services spending

Financial Statements

Key Assumptions

Year to March	FY16	FY17	FY18E	FY19E
Macro				
GDP(Y-o-Y %)	7.9	6.6	6.8	7.4
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)	65.5	67.1	65.0	66.0
Company				
Employee nos	1	2	2	2
Total employees	12,498	13,084	13,898	14,898
Net additions	(446)	586	814	1,000
Cost assumptions	1	2	2	2
Cost per emp. (INR '000)	1,580	1,849	1,884	1,993
Cost per emp. YoY gr.	15.5	17.0	1.9	5.8
G&A expenses (% of rev.)	13.8	14.4	14.9	14.9
Financial assumptions	1	2	2	2
Depreciation	6.7	6.9	7.1	10.0
Cash yield (%)	6.9	7.0	5.8	7.0
Tax rate as % of PBT	23.4	22.9	27.5	25.1
Capex (INR mn)	1,282	1,038	700	700
Debtor days	68	64	63	62
Payable days	53	55	58	54
Cash conversion cycle	14	9	5	8

Income statement

(INR mn)

Year to March	FY16	FY17	FY18E	FY19E
Net revenue	30,964	36,066	39,331	44,853
Cost of revenues	20,099	23,650	25,421	28,701
Gross profit	10,865	12,416	13,910	16,152
Total SG&A expenses	6,633	7,569	8,384	9,598
EBITDA	4,232	4,847	5,526	6,553
Depreciation	893	953	1,052	1,158
EBIT	3,340	3,894	4,475	5,396
Add: Other income	1,064.7	874.1	1,336.53	946.91
Less: Interest Expense	199	188	213	213
Profit Before Tax	4,206	4,580	5,598	6,130
Less: Provision for Tax	986	1,047	1,541	1,539
Less: Minority Interest	(18)	(43)	(78)	(78)
Associate profit share	122	123	82	82
Reported Profit	3,360	3,699	4,217	4,751
Adjusted Profit	3,360	3,699	4,217	4,751
Shares o /s (mn)	112	112	112	112
Adjusted Basic EPS	29.9	32.9	37.5	42.3
Diluted shares o/s (mn)	113	113	113	113
Adjusted Diluted EPS	29.8	32.8	37.4	42.1
Adjusted Cash EPS	37.8	41.4	46.9	52.6
Dividend per share (DPS)	11.3	10.0	10.0	10.0
Dividend Payout Ratio(%)	43.7	35.3	30.9	23.7

Common size metrics

Year to March	FY16	FY17	FY18E	FY19E
Cost of revenues	64.9	65.6	64.6	64.0
Gross margin	35.1	34.4	35.4	36.0
SG&A expenses	21.4	21.0	21.3	21.4
EBITDA margins	13.7	13.4	14.1	14.6
EBIT margins	10.8	10.8	11.4	12.0
Net Profit margins	10.8	10.1	10.5	10.4

Growth ratios (%)

Year to March	FY16	FY17	FY18E	FY19E
Revenues	13.2	16.5	9.1	14.0
EBITDA	5.5	14.5	14.0	18.6
PBT	(5.6)	8.9	22.2	9.5
Adjusted Profit	(4.9)	10.1	14.0	12.7
EPS	(5.8)	10.1	14.0	12.7

Balance sheet		(INR mn)			
As on 31st March	FY16	FY17	FY18E	FY19E	
Share capital	564	563	563	563	
Reserves & Surplus	18,536	20,610	23,312	26,939	
Shareholders' funds	19,099	21,173	23,875	27,502	
Short term borrowings	1,147	1,159	1,043	939	
Total Borrowings	1,830	1,883	1,695	1,525	
Def. Tax Liability (net)	(146)	201	201	201	
Sources of funds	20,911	23,283	25,797	29,254	
Gross Block	13,219	14,385	15,085	15,785	
Net Block	3,129	3,017	2,665	2,208	
Capital work in progress	108	265	265	265	
Intangible Assets	3,555	4,493	4,493	4,493	
Total Fixed Assets	6,792	7,775	7,423	6,966	
Non current investments	796	1,032	1,238	1,486	
Cash and Equivalents	7,741	9,706	11,521	13,442	
Sundry Debtors	6,145	6,496	7,112	8,110	
Loans & Advances	2,734	3,013	3,442	4,130	
Other Current Assets	2,974	3,241	3,888	4,277	
Current Assets (ex cash)	11,853	12,750	14,442	16,517	
Trade payable	3,107	4,021	4,033	4,448	
Other Current Liab	3,164	3,959	4,795	4,708	
Total Current Liab	6,271	7,980	8,828	9,157	
Net Curr Assets-ex cash	5,583	4,770	5,614	7,360	
Uses of funds	20,911	23,283	25,797	29,254	
BVPS (INR)	169.9	188.3	212.4	244.6	

Free cash flow		(INR mn)			
Year to March	FY16	FY17	FY18E	FY19E	
Reported Profit	3,360	3,699	4,217	4,751	
Add: Depreciation	893	953	1,052	1,158	
Interest (Net of Tax)	152	145	154	160	
Others	(647)	(664)	(2,240)	(796)	
Less: Changes in WC	973	(813)	844	1,747	
Operating cash flow	2,785	4,945	2,339	3,526	
Less: Capex	1,282	1,038	700	700	
Free Cash Flow	1,503	3,907	1,639	2,826	

Cash flow metrics		FY16	FY17	FY18E	FY19E
Year to March					
Operating cash flow		2,785	4,945	2,339	3,526
Investing cash flow		(848)	(1,803)	437	81
Financing cash flow		(803)	(657)	(825)	(1,686)
Net cash Flow		1,133	2,485	1,951	1,921
Capex		(1,282)	(1,038)	(700)	(700)
Dividend paid		(1,619)	(1,492)	(424)	(1,304)

Profitability and efficiency ratios		FY16	FY17	FY18E	FY19E
Year to March					
ROAE (%)		17.7	18.1	18.4	18.2
ROACE (%)		21.5	21.6	23.9	23.2
Debtors Days		68	64	63	62
Payable Days		53	55	58	54
Cash Conversion Cycle		14	9	5	8
Current Ratio		3.1	2.8	2.9	3.3

Operating ratios		FY16	FY17	FY18E	FY19E
Year to March					
Total Asset Turnover		1.5	1.6	1.6	1.6
Fixed Asset Turnover		4.3	5.1	5.4	6.5
Equity Turnover		1.6	1.8	1.7	1.7

Valuation parameters		FY16	FY17	FY18E	FY19E
Year to March					
Adj. Diluted EPS (INR)		29.8	32.8	37.4	42.1
Y-o-Y growth (%)		(5.8)	10.1	14.0	12.7
Adjusted Cash EPS (INR)		37.8	41.4	46.9	52.6
Diluted P/E (x)		17.3	15.8	13.8	12.3
P/B (x)		3.0	2.7	2.4	2.1
EV / Sales (x)		1.7	1.4	1.2	1.0
EV / EBITDA (x)		12.3	10.4	8.7	7.0
Dividend Yield (%)		2.2	1.9	1.9	1.9

Peer comparison valuation

Name	Market cap (USD mn)	Diluted P/E (X)		EV / EBITDA (X)		ROAE (%)	
		FY18E	FY19E	FY18E	FY19E	FY18E	FY19E
Cyient	894	13.8	12.3	8.7	7.0	18.4	18.2
ECLERX SERVICES	751	13.7	12.3	8.2	6.8	26.5	24.8
HCL Technologies	20,082	14.2	13.0	11.2	9.9	25.2	24.3
Hexaware Technologies	1,278	-	-	(0.7)	(0.7)	27.4	27.3
Infosys	32,723	14.0	12.8	9.0	7.9	21.8	22.8
Persistent Systems	805	14.9	12.7	8.6	6.9	17.4	18.0
Tata Consultancy Services	77,140	19.0	17.6	13.8	12.5	30.0	30.5
Tech Mahindra	7,109	13.8	12.1	9.2	7.4	17.2	17.6
Wipro	21,941	16.2	14.2	12.7	11.0	16.9	17.2
Median	-	14.0	12.7	9.0	7.4	21.8	22.8
AVERAGE	-	13.3	11.9	9.0	7.6	22.3	22.3

Source: Edelweiss research

Additional Data

Directors Data

B. Sucharitha	Non -Executive Director	B.V.R. Mohan Reddy	Executive Chairman
M.M. Murugappan	Independent Director	G.V. Prasad	Independent Director
K. Ramachandran	Independent Director	Vikas Sehgal	Independent Director
Alain De Taeye	Non-Executive Director	Krishna Bodanapu	Managing Director & CEO
SHANKAR NARAYANAN	Non-Executive Director	THOMAS W. PRETE	Non-Executive Director
HARSH MANGLIK	Independent Director	SOM MITTAL	Independent Director

Auditors - Deloitte Haskins and Sells, Chartered Accountants

**as per last annual report*

Holding - Top10

	Perc. Holding		Perc. Holding
First Carlyle Ventures Mauritius	9.86	Amansa Holdings	6.43
Commonwealth Bank of Australia	5.02	Infocad Enterprises Ltd	5.00
Deutsche Sec Mauritius	4.85	Templeton Asset Management	4.73
ICICI Prudential Life Insurance	4.27	Amansa Capital	3.69
Birla Sun Life Asset Management	3.23	T Rowe Price	3.02

**as per last available data*

Bulk Deals

Data	Acquired / Seller	B/S	Qty Traded	Price
12 Jan 2017	Oppenheimer Funds Inc. A/C Oppenheimer Global Fun	Sell	629618	494.05
21 Dec 2016	Vanguard Emerg Mkts Stock Index Fd A Series Of V I E I F	Sell	564000	494.90

**in last one year*

Insider Trades

Reporting Data	Acquired / Seller	B/S	Qty Traded
03 Feb 2017	BVR Mohan Reddy	Sell	11256634.00
03 Feb 2017	B Sucharitha	Sell	5628317.00

**in last one year*

Company	Absolute reco	Relative reco	Relative risk	Company	Absolute reco	Relative reco	Relative Risk
Cyient	BUY	SP	H	ECLERX SERVICES	HOLD	SP	M
HCL Technologies	BUY	SP	H	Hexaware Technologies	HOLD	SP	M
Info Edge	BUY	SP	M	Infosys	HOLD	SP	L
Just Dial	REDUCE	SU	M	Persistent Systems	BUY	SP	L
Tata Consultancy Services	HOLD	SP	L	Tech Mahindra	BUY	SP	M
Wipro	BUY	SP	L				

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): IT

Cyient, ECLERX SERVICES, HCL Technologies, Hexaware Technologies, Infosys, Info Edge, Just Dial, Persistent Systems, Tata Consultancy Services, Tech Mahindra, Wipro

Recent Research

Date	Company	Title	Price (INR)	Recos
29-Sep-17	IT Q2FY18 Result Preview	Cross currency to aid revenue momentum; <i>Result Preview</i>		
25-Sep-17	Infibeam	Striding the e-commerce beam; <i>Visit Note</i>	143	Not Rated
18-Sep-17	TCS	BFSI and retail not firing as yet; <i>Visit Note</i>	2,499	Hold

Distribution of Ratings / Market Cap

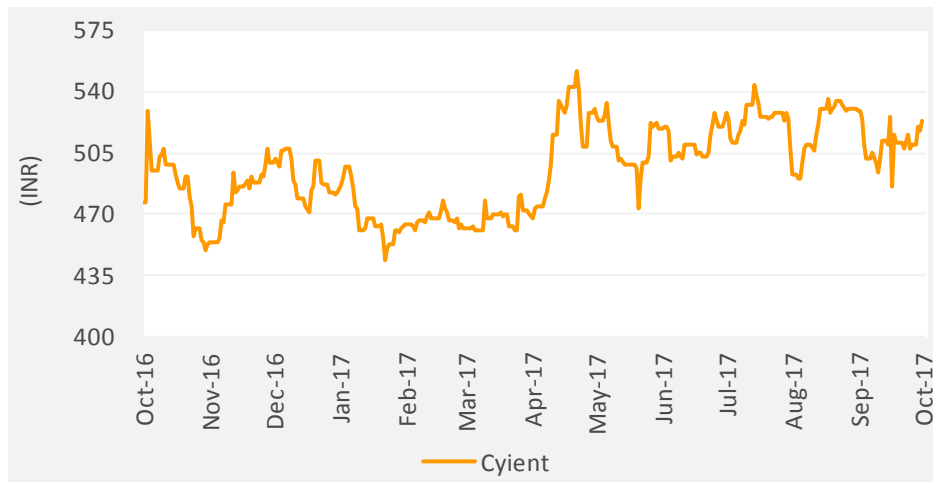
Edelweiss Research Coverage Universe

	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
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