

ENGINEERS INDIA

Execution on track; improving prospects

India Equity Research | Engineering and Capital Goods

Engineers India (EIL) reported in line performance (adjusting for one-time LSTK settlement revenue of INR374mn) with revenue and EBITDA growth of 16% and 8% YoY, respectively. Key highlights: a) Consultancy (PMC) business maintained course with 21% YoY growth in past 3 quarters; b) With EIL bagging the PMC order (~INR10bn) for HPCL's Bhatinda refinery, order inflow stood robust at INR16bn in Q2FY18. Additional PMC work bagged for the Dangote refinery adds to EIL credentials in the international market; and c) Order book at INR89bn (15% plus YoY; 5.8x TTM revenues), strong domestic pipeline (Barmer and Mega refinery, among others) lends credence to our order inflow and revenue estimates. Maintain 'BUY' with TP of INR200 (18x FY19E) with strong revenue CAGR of 41% YoY over FY17-19 and robust RoE/RoCE of 19/28%.

Q2FY18: Key highlights

While EIL reported 27% YoY growth in revenue, adjusted for the one-time LSTK settlement revenues of INR374mn, it grew 16% YoY, driven by 21% growth in PMC segment. Adjusted LSTK revenues declined 8% YoY with GST implementation impacting execution. EBITDA margins fell by 180bps YoY, largely due to increase in employee cost. With projects nearing completion, LSTK margins (adjusting for one-time settlement revenues) stood at 19% aided by provision write backs. PMC margins remained healthy at 32%.

What we expect going ahead?

With sound execution capabilities, we believe P/L ramp up will continue over next 3-4 quarters. In past 3 quarters, while PMC segment continued to be the key growth driver (~21% YoY growth), we expect LSTK segment to pickup significantly in H2FY18 with execution of CPCL and HPCL Vizag orders. While in FY17, BS-VI modernisation orders impelled order intake, going ahead we believe government's thrust on expanding refining capacity will act as the key tailwind to order inflow growth.

Outlook and valuation: Robust visibility; maintain 'BUY'

While we do not anticipate any major hurdle to hamper P/L ramp up owing to robust order book, the key trigger for us remains the strong domestic oil and gas capex pipeline. We maintain 'BUY/SO'.

Financials

(INR mn)

Year to March	Q2FY18	Q2FY17	% change	Q1FY18	% change	FY17	FY18E	FY19E
Net revenues	4,291	3,389	26.6	3,754	14.3	14,486	18,004	28,810
EBITDA	1,390	937	48.3	817	70.0	3,022	3,536	5,847
Adj. Net profit	1,192	938	27.1	814	46.4	3,250	3,712	5,439
Dil. EPS (INR)	1.8	1.4	0.0	1.2	0.0	4.8	5.5	8.1
Diluted P/E (x)						37.5	32.9	22.4
ROAE (%)						11.7	13.3	18.8

EDELWEISS 4D RATINGS

Absolute Rating	BUY
Rating Relative to Sector	Outperform
Risk Rating Relative to Sector	Low
Sector Relative to Market	Overweight

MARKET DATA (R: ENGI.BO, B: ENGR IN)

CMP	: INR 181
Target Price	: INR 200
52-week range (INR)	: 184 / 118
Share in issue (mn)	: 673.9
M cap (INR bn/USD mn)	: 122 / 1,761
Avg. Daily Vol.BSE/NSE('000)	: 3,537.1

SHARE HOLDING PATTERN (%)

	Current	Q1FY18	Q4FY17
Promoters *	54.2	57.0	57.0
MF's, FI's & BK's	22.1	20.4	19.9
FII's	6.6	6.2	6.8
Others	17.1	16.4	16.3
* Promoters pledged shares (% of share in issue)	:	NIL	

PRICE PERFORMANCE (%)

	Stock	Nifty	EW Cap. Goods Index
1 month	20.3	6.0	7.0
3 months	13.4	3.0	2.6
12 months	35.4	19.8	23.7

Amit Mahawar

+91 22 4040 7451
 amit.mahawar@edelweissfin.com

Ashutosh Mehta

+91 (22) 2286 2748
 ashutosh.mehta@edelweissfin.com

Darshika Khemka

+91 22 4063 5544
 darshika.khemka@edelweissfin.com

October 27, 2017

Q2FY18 conference call: Key highlights

Guidance maintained:

- Revenue growth of 15% for FY18 and 25% for FY19.
- Order inflow for FY18 - INR23-24bn. If Rajasthan barmer refinery order is received in FY18, then the company can exceed its order inflow guidance.
- EBIT margin for PMC - 25-30% and LSTK - 5-7%.

Orders in pipeline

➤ Brownfield projects

- Numarligarh: Expansion from 3 to 9MMTPA
- Matura: Expansion from 8 to 11MMTPA; PMC order size could be INR1 bn
- Panipat: Expansion from 15 to 20MMTPA; PMC order size could be INR1 bn
- Gujarat: Expansion from 13.5 to 18.5MMTPA. PMC order size could be INR3.0-3.5 bn

➤ Greenfield project

- Rajasthan (9 MMTPA in first phase) and West coast (40 MMTPA in first phase). With size of these projects increasing, OMCs are moving towards petrochem integration projects.
- Project size is generally INR40bn per MMTPA and PMC work is ~2-5% of the total project cost. LSTK work could vary depending on scope of the project.

Status of ongoing projects

- **Dangote:** Phase I - Engineering and procurement is over. Construction activities delayed at site, but expected to resume soon.
- **Dangote expansion:** Variation order received is for concept and engineering for expansion of Dangote project. Execution of which has started.
- **Vizag refinery:** Execution has started. GST implementation led to slight slowdown in project execution. Execution period is 3.5 years.

Execution cycle is generally 5-10% in first year; 35-40% in second and third year.

Others comments

- Current employee utilisation at 85%. Peak utilisation level is at 88%. Could add 300-400 employees (either on roll or on contract basis) for expected pickup in execution in FY19.
- All EURO VI projects awarded in FY17.
- Wage revision impact of 17%.
- Increase in receivables from INR3.8bn to INR6bn was largely on account of tail ended billing on GST transition. Collections to pick up in the ensuing quarter.
- Increase in other liabilities, largely related to advances received on ongoing projects.

Table 1: Segmental Snapshot

Year to March	Q2FY18	Q2FY17	% change (YoY)	Q1FY18	% change (QoQ)	FY16	FY17
Segment revenue (INR mn)							
Consultancy	3,330	2,749	21.1	3,245	2.6	10,074	11,650
Turnkey	961	640	50.2	509	88.8	5,036	2,836
Total	4,291	3,389	26.6	3,754	14.3	15,110	14,486
Revenue mix (%)							
Consultancy	78	81		86		67	80
Turnkey	22	19		14		33	20
Segment EBIT (INR mn)							
Consultancy	1,057	863	22.6	863	22.6	2,383	3,592
Turnkey	486	285	70.8	285	70.8	169	1,036
Total	1,544	1,147	34.6	1,147	34.6	2,553	4,627
EBIT margin (%)							
Consultancy	31.8	31.4		26.6		23.7	30.8
Turnkey	50.6	44.5		55.9		3.4	36.5
Total	36.0	33.9		30.6		16.9	31.9

Source: Company, Edelweiss research

Table 2: Order Book and Order Intake Snapshot

	Q1FY16	Q2FY16	Q3FY16	Q4FY16	Q1FY17	Q2FY17	Q3FY17	Q4FY17	Q1FY18	Q2FY18
Order inflow										
Consultancy - Domestic	2,738	978	1,954	4,231	7,035	1,398	2,097	9,789	841	11,012
Consultancy - Overseas	2,187	318	15	1,337	1,339	102	612	591	150	2,722
Total Consultancy	4,925	1,296	1,969	5,568	8,374	1,500	2,709	10,380	991	13,734
Turnkey	0	0	0	2,200	12,660	0	0	21,458	2,447	2,350
Total Order Inflow	4,925	1,296	1,969	7,768	21,034	1,500	2,709	31,838	3,438	16,084
Orderbook										
Consultancy	26,896	26,828	27,150	30,100	35,750	32,500	33,220	40,208	37,690	48,100
Turnkey	9,758	7,733	6,560	7,786	18,920	18,460	17,940	37,411	39,290	40,710
Total Order Book	36,654	34,561	33,710	37,886	54,670	50,960	51,160	77,619	76,980	88,810

Source: Company, Edelweiss research

Financial snapshot

(INR mn)

Year to March	Q2FY18	Q2FY17	% change	Q1FY18	% change	YTD17	FY18E	FY19E
Net revenues	4,291	3,389	26.6	3,754	14.3	8,045	18,004	28,810
Staff costs	1,888	1,544	22.3	1,938	(2.6)	3,826	7,789	8,183
Other operating expenses	1,014	908	11.7	998	1.6	2,012	6,679	14,779
Total expenditure	2,901	2,452	18.3	2,936	(1.2)	5,838	14,468	22,962
EBITDA	1,390	937	48.3	817	70.0	2,207	3,536	5,847
Depreciation	62	53	17.3	60	3.8	122	212	221
EBIT	1,328	884	50.1	758	75.2	2,085	3,323	5,627
Other income	467	561	(16.8)	456	2.3	923	2,187	2,441
Interest	1	-	113.0	-	68.3	1	10	10
Add: Exceptional items								
Profit before tax	1,793	1,445	24.1	1,213	47.8	3,007	5,500	8,057
Tax	602	508	18.6	400	50.6	1,001	1,787	2,619
Reported net profit	1,192	938	27.1	814	46.4	2,006	3,712	5,439
Adjusted Profit	1,192	938	27.1	814	46.4	2,006	3,712	5,439
Equity capital(FV INR 2)	1,685	1,685		1,685		1,685	1,685	1,685
Diluted shares (mn)	674	674		674		674	674	674
Adjusted Diluted EPS	1.8	1.4	27.1	1.2	46.4	3.0	5.5	8.1
As % of net revenues								
Employee cost	44.0	45.6		51.6		47.6	43.3	28.4
Other operating expenses	23.6	26.8		26.6		25.0	37.1	51.3
EBITDA	32.4	27.7		21.8		27.4	19.6	20.3
Reported net profit	27.8	27.7		21.7		24.9	20.6	18.9

Company Description

EIL was established in 1965 as a private limited company pursuant to the formation agreement between the Government of India and Bechtel International Company (BIC). It is a Navratna PSU and is one of India's leading engineering consulting and EPC company with more than five decades of experience on landmark projects with global energy majors. Significant track record across entire oil & gas value chain including 10 green-field refineries, 41 oil & gas processing plants, 40 offshore process platforms, 46 pipelines and 9 petrochemical complexes. The company has 2,500 highly experienced professionals and technical workforce with in-house and collaborative R&D support with 16 registered patents. It is majorly involved in executing project management consultancy for refineries. The company also execute turnkey projects for refineries, consultancy for petrochemicals and metallurgical segment and also involved in consultancy of fertilizers and strategic storage terminals and pipelines. EIL also have presence in infrastructure space and is planning to increase its participation in water treatment and smart cities. The company broadly works in two segments, which are, consultancy and turnkey.

Investment Theme

Policy push, robust demand to drive massive OMC capex: OMCs' spending capability has jumped 3x post deregulation. Moreover, at 6% demand for petroleum products, India is likely to face deficit situation by FY19-20E. This warrants significant capex, implying improving business prospects for EIL

Bottom-up project analysis pegs opportunity pie at INR2.3tn: Our bottom-up analysis indicates total refining capex of ~INR2.3tn, of which EIL's consultancy business scope is pegged roughly at ~INR75bn (equivalent to current order book)

EIL's global competitiveness to drive 2x sales over FY16-19E: EIL's better revenue mix and lower employee cost render it more competitive than global peers on gross margin and EBITDA margin parameters. Improving order book is set to double EIL's revenue per employee to ~ INR 10mn.

Revenue to double by FY19E on back of 46% order book CAGR: With more than 70% market share in OMCs' refining capex historically, EIL's order book is set to post 46% CAGR over FY16-19E, which is likely to take revenue visibility at ~5x versus 2.5x in FY16

Key Risks

Retention of existing and appointment of new employees: The ability to retain its experienced work force and to suitably ramp up its human resources are always a key monitorable. Any material change to its work force can adversely impact financials.

Slowdown in refining capex: While EIL is fairly diversified into various businesses including petrochemical, pipelines, fertilisers, power, EPC, etc., its current mainstay is refining. Any slowdown/cancellations in the planned refining capex could impact future estimates and profitability of the company.

High exposure to big-ticket EPC projects: Disproportionate exposure to large LSTK contracts poses higher business risks. Any cost overruns in such projects can be detrimental for financials and future prospects of the company.

Upside risk from Petro Chemical projects: Our assumption for order intake doesn't factor in any orders from petrochemical CAPEX. Any orders won by EIL from petrochemical CAPEX can lead to upsides in our estimates.

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				
Order intake (INR mn)				
Consultancy & Engineering Projects OI	13,760	22,963	27,556	31,689
Lumpsum Turnkey Projects OI	2,200	34,118	23,883	26,271
OB Conversion Rate (%)				
Consultancy & Engineering Projects	26	22	21	21
Lumpsum Turnkey Projects	36	7	7	13
Tax rate (%)	29.5	34.0	32.5	32.5

Income statement

(INR mn)

Year to March	FY16	FY17	FY18E	FY19E
Income from operations	15,110	14,486	18,004	28,810
Materials costs	5,804	2,269	4,411	10,948
Employee costs	5,906	7,440	7,789	8,183
Other mfg expenses	1,429	1,756	2,268	3,832
Total operating expenses	13,138	11,464	14,468	22,962
EBITDA	1,972	3,022	3,536	5,847
Depreciation	249	225	212	221
EBIT	1,723	2,797	3,323	5,627
Add: Other income	2,478	2,237	2,187	2,441
Less: Interest Expense	1	32	10	10
Profit Before Tax	4,199	5,002	5,500	8,057
Less: Provision for Tax	1,438	1,751	1,787	2,619
Reported Profit	2,762	3,250	3,712	5,439
Adjusted Profit	2,762	3,250	3,712	5,439
Shares o/s (mn)	674	674	674	674
Adjusted Basic EPS	4.1	4.8	5.5	8.1
Diluted shares o/s (mn)	674	674	674	674
Adjusted Diluted EPS	4.1	4.8	5.5	8.1
Adjusted Cash EPS	4.5	5.2	5.8	8.4
Dividend per share (DPS)	2.0	3.0	4.0	5.0
Dividend Payout Ratio(%)	58.4	74.4	86.8	74.1

Common size metrics

Year to March	FY16	FY17	FY18E	FY19E
Operating expenses	87.0	79.1	80.4	79.7
Materials costs	38.4	15.7	24.5	38.0
Staff costs	39.1	51.4	43.3	28.4
Other mfg expenses	9.5	12.1	12.6	13.3
Depreciation	1.6	1.6	1.2	0.8
Interest Expense	-	0.2	0.1	-
EBITDA margins	13.0	20.9	19.6	20.3
EBIT margins	11.4	19.3	18.5	19.5
Net Profit margins	18.3	22.4	20.6	18.9

Growth ratios (%)

Year to March	FY16	FY17	FY18E	FY19E
Revenues	(12.1)	(4.1)	24.3	60.0
EBITDA	(8.7)	53.3	17.0	65.4
PBT	(10.2)	19.1	10.0	46.5
Adjusted Profit	(10.3)	17.7	14.2	46.5
EPS	(10.3)	17.7	14.2	46.5

Balance sheet		(INR mn)			
As on 31st March	FY16	FY17	FY18E	FY19E	
Share capital	1,685	3,369	3,369	3,369	
Reserves & Surplus	25,885	24,390	24,879	26,288	
Shareholders' funds	27,570	27,760	28,248	29,657	
Long Term Liabilities	78	76	76	76	
Def. Tax Liability (net)	(2,143)	(2,098)	(2,098)	(2,098)	
Sources of funds	25,505	25,738	26,227	27,636	
Gross Block	3,815	3,916	4,166	4,416	
Net Block	2,379	2,254	2,292	2,321	
Capital work in progress	170	181	181	181	
Intangible Assets	95	451	75	75	
Total Fixed Assets	2,644	2,886	2,547	2,577	
Non current investments	755	5,695	5,695	5,695	
Cash and Equivalents	26,158	23,105	27,198	28,989	
Inventories	10	11	12	30	
Sundry Debtors	3,633	3,831	3,946	6,314	
Loans & Advances	416	419	436	448	
Other Current Assets	5,117	4,541	5,642	5,924	
Current Assets (ex cash)	9,177	8,801	10,036	12,717	
Trade payable	2,025	2,229	1,631	3,899	
Other Current Liab	11,203	12,520	17,618	18,442	
Total Current Liab	13,228	14,749	19,249	22,341	
Net Curr Assets-ex cash	(4,052)	(5,948)	(9,213)	(9,624)	
Uses of funds	25,505	25,738	26,227	27,636	
BVPS (INR)	40.9	41.2	41.9	44.0	

Free cash flow		(INR mn)			
Year to March	FY16	FY17	FY18E	FY19E	
Reported Profit	2,762	3,250	3,712	5,439	
Add: Depreciation	249	225	212	221	
Interest (Net of Tax)	1	21	7	7	
Others	(1,778)	(982)	4,348	(1,616)	
Less: Changes in WC	349	820	3,266	411	
Operating cash flow	885	1,694	5,014	3,640	
Less: Capex	304	446	(126)	250	
Free Cash Flow	580	1,248	5,140	3,390	

Cash flow metrics		FY16	FY17	FY18E	FY19E
Year to March					
Operating cash flow	885	1,694	5,014	3,640	
Investing cash flow	690	6,731	2,313	2,191	
Financing cash flow	(1,613)	(765)	(3,234)	(4,040)	
Net cash Flow	(38)	7,660	4,093	1,791	
Capex	(304)	(446)	126	(250)	
Dividend paid	(1,613)	(2,418)	(3,224)	(4,030)	

Profitability and efficiency ratios		FY16	FY17	FY18E	FY19E
Year to March					
ROAE (%)	10.2	11.7	13.3	18.8	
ROACE (%)	15.6	18.2	19.7	27.9	
Inventory Days	1	2	1	1	
Debtors Days	93	94	79	65	
Payable Days	141	342	160	92	
Cash Conversion Cycle	(48)	(246)	(80)	(27)	
Current Ratio	2.7	2.2	1.9	1.9	
Adjusted Debt/Equity	-	-	-	-	
Interest Coverage Ratio	1,661.1	88.2	332.3	562.7	

Operating ratios		FY16	FY17	FY18E	FY19E
Year to March					
Total Asset Turnover	0.6	0.6	0.7	1.1	
Fixed Asset Turnover	5.8	5.6	7.1	12.1	
Equity Turnover	0.6	0.5	0.6	1.0	

Valuation parameters		FY16	FY17	FY18E	FY19E
Year to March					
Adj. Diluted EPS (INR)	4.1	4.8	5.5	8.1	
Y-o-Y growth (%)	(10.3)	17.7	14.2	46.5	
Adjusted Cash EPS (INR)	4.5	5.2	5.8	8.4	
Diluted P/E (x)	44.3	37.6	32.9	22.5	
P/B (x)	4.4	4.4	4.3	4.1	
EV / Sales (x)	5.9	6.3	4.9	3.0	
EV / EBITDA (x)	48.7	32.8	26.9	15.9	
Dividend Yield (%)	1.1	1.7	2.2	2.8	

Additional Data

Directors Data

Sanjay Gupta	Chairman	Ajay Narayan Deshpande	Director (Technical)
V.C.Bhandari	Director HR	R K Sabharwal	Director Commercial
Sandeep Poundrik	Government Nominee Director	Sandeep Poundrik	Government Nominee Director
Sushma Taishete	Government Nominee Director	Sushma Taishete	Government Nominee Director
Shazia Ilmi	Government Nominee Director		

Auditors - Arun K. Agarwal & Associates

Holding – Top10

	Perc. Holding		Perc. Holding
Government of india	50.79	Life insurance corp	5.79
Icici prudential ass	5.26	L&t investment manag	1.93
Ac r shares infra b	1.65	Uti asset management	1.5
General insurance co	1.25	Reliance capital tru	1.08
Vanguard group	0.97	Tata asset managemen	0.84

**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
24 Mar 2017	President of India	Sell	3459433.00

**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): Engineering and Capital Goods

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
27-Oct-27	Cummins India	Q2 miss a temporary blip; growth positioning intact; Result Update	912	Buy
26-Oct-17	ABB India	GST-led spillover mars show; promising outlook; Result Update	1,398	Buy
23-Oct-17	Havells India	Cost efficiency makes good for subdued volumes; Result Update	541	Buy

1Distribution of Ratings / Market Cap

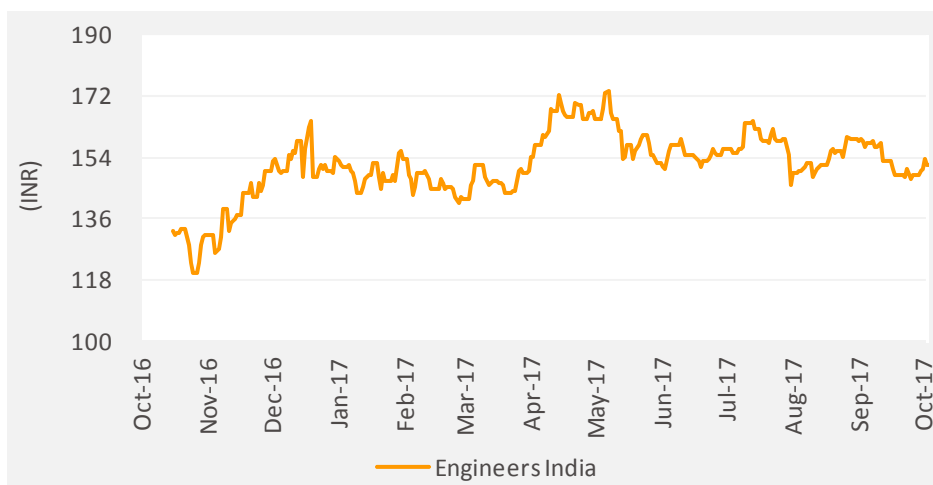
Edelweiss Research Coverage Universe

	Buy	Hold	Reduce	Total
Rating Distribution*	161	67	11	229
* 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