

# WELSPUN INDIA

## Industry headwinds mar FY18

India Equity Research | Midcap Textiles

Welspun India's (WLSI) Q4FY18 performance, as expected, was muted with revenues contracting 14% YoY impacted by currency, change in drawback rates and most importantly continued destocking by clients. To tackle an adverse year, the company had cut FY18 capex to INR3bn (earlier guidance was INR7bn), consequent to which net debt was stable at INR30bn. Company is increasing its investment in the flooring unit to INR11bn with capacity to double from earlier levels. Going ahead, WLSI expects the destocking issues to resolve and revenue/volume growth of 8-10% with margin at 19-20% for FY19E. Factoring in 8%/7% volume growth for FY19/20E, we maintain our target EV/EBITDA multiple of 7.0x, giving us a TP of INR84. Maintain 'BUY'.

### Sector headwinds continue to impact; margin guidance of 19-20%

Q4FY18 revenue at INR15.1bn (Est.INR15.8bn) was down 14% YoY, the highest drop in FY18, impacted by client destocking and adverse currency. FY18 revenue fell ~9% on: a) lower volumes - ~5.0%; b) adverse currency - ~1.6%; and c) change in drawback rates - ~2.2%. Management stated industry scenario remains challenging, but things would start improving from Q1FY19 as they believe current share of online segment in home textiles in the US has peaked. The company is guiding for 8-10% revenue growth in FY19. On margin front, WLSI does not expect a sharp improvement despite the recent INR depreciation as certain costs, including cotton, will end up getting impacted. WLSI expects its margins to be between 19-20% for FY19E.

### Debt stable YoY; capex pruned to INR3bn and flooring postponed

Capex incurred in FY18 was INR3bn (vs. guidance of INR7bn) and, majorly towards expanding towel capacity. Net debt at INR30.3bn was stable YoY. With WLSI shifting flooring facility from Gujarat to Telangana, expected investment has increased to INR11bn (~INR7bn earlier) as the degree of backward integration has increased and also doubled capacity from earlier stated levels. Commercial production at this unit is expected to start in Q3FY20. FY19 capex is expected to be INR9bn. Management is now targeting to become a net debt free by FY23E (from FY20E earlier).

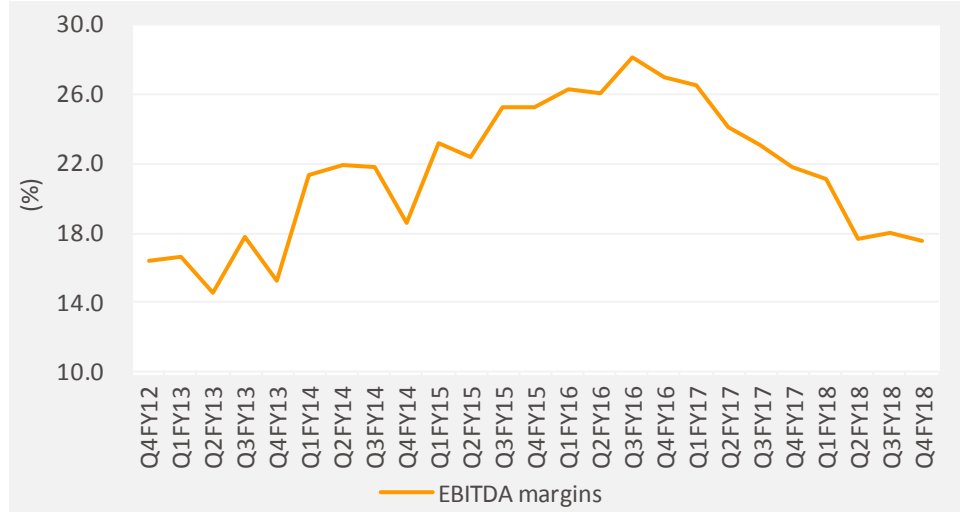
### Outlook and valuations: Volumes to bounce back; maintain 'BUY'

We are building in 8% volume growth for FY19 and expect it to moderate to 7% in FY20. We maintain our target multiple of 7.0x EV/EBITDA with our target price of INR84. Maintain 'BUY'. At CMP, the stock trades at 10.7x FY20E EPS.

Financials	(INR mn)							
Year to March	Q4FY18	Q4FY17	YoY (%)	Q3FY18	QoQ (%)	FY18	FY19E	FY20E
Net Revenues	15,062	17,572	(14.3)	13,980	7.7	60,506	65,859	71,352
EBITDA	2,635	3,829	(31.2)	2,523	4.4	11,234	13,441	15,067
Adjusted Profit	866	1,530	(43.4)	774	11.9	3,982	5,381	6,129
Adj. Dil. EPS	0.9	1.5	(43.4)	0.8	11.9	4.0	5.4	6.1
Diluted P/E (x)						16.5	12.2	10.7
EV/EBITDA (x)						7.8	6.4	5.7
ROAE (%)						15.4	18.2	18.0

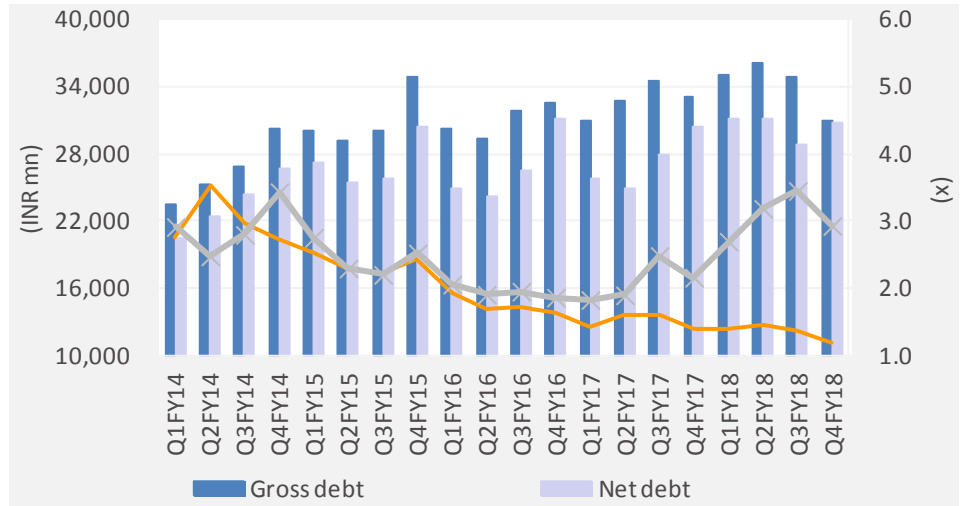
EDELWEISS RATINGS			
Absolute Rating	BUY		
Investment Characteristics	Value		
MARKET DATA (R: WLSP.BO, B: WLSI IN)			
CMP	: INR 65		
Target Price	: INR 84		
52-week range (INR)	: 93 / 50		
Share in issue (mn)	: 1,004.7		
M cap (INR bn/USD mn)	: 65 / 963		
Avg. Daily Vol. BSE/NSE ('000)	: 2,245.9		
SHARE HOLDING PATTERN (%)			
	Current	Q3FY18	Q2FY18
Promoters *	73.5	73.5	73.5
MF's, FI's & BKs	1.4	1.4	1.4
FII's	9.9	9.9	11.8
Others	15.2	15.2	13.3
* Promoters pledged shares (% of share in issue)	:	NIL	
PRICE PERFORMANCE (%)			
	BSE Midcap Index	Stock	Stock over Index
1 month	(3.9)	24.0	27.9
3 months	(2.8)	0.4	3.2
12 months	7.0	(26.7)	(33.7)
Nihal Mahesh Jham +91 22 6623 3352 nihal.jham@edelweissfin.com			
May 17, 2018			

**Chart 1: Margin improvement below expectation**



Source: Company, Edelweiss research

**Chart 2: Debt remained stable as capex plans have been pruned**



Source: Company, Edelweiss research

## Financial snapshot

(INR mn)

Year to March	Q4FY18	Q4FY17	% change	Q3FY18	% change	FY18	FY19E	FY20E
Net revenues	15,062	17,572	(14.3)	13,980	7.7	60,506	65,859	71,352
Staff costs	1,690	1,677	0.8	1,687	0.2	6,754	7,191	7,657
Direct costs	7,339	8,677	(15.4)	6,900	6.4	30,235	32,562	34,932
Other expenses	3,398	3,388	0.3	2,869	18.5	12,283	12,665	13,695
EBITDA	2,635	3,829	(31.2)	2,523	4.4	11,234	13,441	15,067
Depreciation	1,301	1,365	(4.7)	1,272	2.3	5,042	5,127	5,729
EBIT	1,335	2,464	(45.8)	1,252	6.6	6,192	8,314	9,338
Interest	381	430	(11.4)	345	10.3	1,408	1,143	1,153
Other income	287	156	84.5	164	75.5	812	714	821
Add: Exceptional items	-	9	(100.0)	-	-	-	-	-
Profit before tax	1,241	2,198	(43.6)	1,070	15.9	5,597	7,885	9,006
Provision for taxes	342	653	(47.7)	275	24.4	1,615	2,484	2,837
Minority interest	32	6	414.3	21	55.0	-	20	40
Reported net profit	866	1,539	(43.7)	774	11.9	3,982	5,381	6,129
Adjusted Profit	866	1,530	(43.4)	774	11.9	3,982	5,381	6,129
Diluted shares (mn)	1,005	1,005		1,005		1,005	1,005	1,005
Adjusted Diluted EPS	0.9	1.5	(43.4)	0.8	11.9	4.0	5.4	6.1
Diluted P/E (x)	-	-		-		16.5	12.2	10.7
EV/EBITDA (x)	-	-		-		7.8	6.4	5.7
ROAE (%)	-	-		-		15.4	18.2	18.0
Direct costs	48.7	49.4		49.4		50.0	49.4	49.0
Employee cost	11.2	9.5		12.1		11.2	10.9	10.7
Other expenses	22.6	19.3		20.5		20.3	19.2	19.2
EBITDA	17.5	21.8		18.1		18.6	20.4	21.1
Reported net profit	5.8	8.7		5.5		6.6	8.2	8.6
Tax rate	27.6	29.7		25.7		28.9	31.5	31.5

## Change in Estimates

	FY19E			FY20E			Comments
	New	Old	% change	New	Old	% change	
Net Revenue	65,859	68,053	(3.2)	71,352	72,000	(0.9)	
EBITDA	13,441	14,247	(5.7)	15,067	15,330	(1.7)	
EBITDA Margin	20.4	20.9		21.1	21.3		
Adjusted Profit	5,381	5,701	(5.6)	6,129	6,247	(1.9)	
After Tax							
Net Profit Margin	8.2	8.5		8.6	8.8		
Capex	7,000	7,000	0.0	8,500	4,000	112.5	

### Company Description

Established in 1985, Welspun India today, it is one of the top three home textile manufacturers globally and the largest home textile company in Asia. It has modern manufacturing facilities at Anjar and Vapi in Gujarat where it produces an entire range of home textiles for bed & bath category. The company has state-of-the-art completely vertically integrated plants, right from spinning to confectioning.

Welspun has been ranked No.1 among home textile suppliers in the US (Source: Home Textile Today). It has a distribution network in over 32 countries including US, UK, Europe, Canada and Australia.

In addition to manufacturing facilities, which predominantly supply to private labels, the company also maintains its own brands Christy, Hygrocotton, Welhome and Spaces - Home and Beyond; it also has a tie up with Nautica for North American markets.

### Investment Theme

Innovation, diversified client and product base cement dominance: Welspun enjoys long standing relationships with top retailers in the US and Europe and supplies to 14 of the top 30 global retailers. It commands a lion's share of home textiles exported out of India. Increasing geographical and client diversification is improving the company's risk metrics. It has seven trademarks and has applied for six patents till date. Welspun derives ~30% of sales from innovative products.

Margin sustainability: WLSI has consistently improved its margin. While the rise is partially attributed to currency, it has been primarily driven by increase in share of innovative products. Driven by its confidence in sustaining these margins, it has upgraded its margin guidance from 20-22% to 23-24%.

Robust free cash flow & consistently lowering leverage: WLSI is at the end of its massive INR25bn capex programme it had undertaken in FY14, with only INR8bn to be spent in FY17. The company's confidence in generating free cash is also evident from its recently announced dividend policy of 25% payout ratio. Going forward, it is expected to generate strong free cash flows and lower its leverage further. Gross debt/equity has fallen from 2.1x at FY15 end to 1.3x as of FY16. We estimate this to fall below 1.0x by FY18E.

### Key Risks

Raw material risk: Raw material costs, primarily cotton yarn, account for 50% of the overall expenses and are a prime driver of profitability. Volatility in cotton prices can impact the profitability adversely.

Currency fluctuations: Welspun exports more than 90% of its production. With a network spanning 50 countries, the company is exposed to currency fluctuations which can significantly impact profitability.

Egyptian cotton issue: Egyptian cotton products manufactured by WLSI came under the scanner when Target, cut ties with the company. Post the event, other major customers have however continued their regular sourcing of other products from WLSI. But, any further customer issues will be a negative for the company.

## Financial Statements

### Key Assumptions

Year to March	FY17	FY18	FY19E	FY20E
<b>Macro</b>				
GDP(Y-o-Y %)	6.6	6.5	7.1	7.6
Inflation (Avg)	4.5	3.8	4.5	5.0
Repo rate (exit rate)	6.3	6.0	6.0	6.5
USD/INR (Avg)	67.1	64.5	65.0	66.0
<b>Company</b>				
Raw Material (% net rev)	45.8	50.0	49.4	49.0
Other exp (% net rev)	20.8	20.3	19.2	19.2
Capex (INR mn)	7,003	2,565	7,000	8,500
Towel cap. (MT)	72,000	80,000	80,000	80,000
Bed-linen cap. (000 mts)	90,000	90,000	90,000	90,000
Rugs/carpets cap. (MT)	25,000	25,000	25,000	31,250
Towel utilis. (%)	97	76	81	85
Bed-linen utilis. (%)	73	80	84	88
Rugs/carpets utilis. (%)	72	65	78	72
Depreciation rate (%)	11.9	10.6	9.8	9.6
Dividend per share	0.7	0.7	1.0	1.2
Inventory % of costs	42.1	41.0	41.0	41.0
Debtors % of revenues	14.5	14.0	14.0	14.0
OCA % of revenues	10.9	10.9	11.0	11.0
Loans & adv (% net rev)	3.9	3.9	4.0	4.0
Incremental debt	636	(5,104)	(1,890)	1,623

### Income statement

(INR mn)

Year to March	FY17	FY18	FY19E	FY20E
Net revenue	66,405	60,506	65,859	71,352
Materials costs	30,396	30,235	32,562	34,932
Gross profit	36,009	30,270	33,297	36,419
Employee costs	6,373	6,754	7,191	7,657
Other Expenses	13,803	12,283	12,665	13,695
EBITDA	15,834	11,234	13,441	15,067
Depreciation	5,054	5,042	5,127	5,729
EBIT	10,780	6,192	8,314	9,338
Less: Interest Expense	1,583	1,408	1,143	1,153
Add: Other income	805.52	812.2	713.58	821.28
Profit Before Tax	5,355	5,597	7,885	9,006
Less: Provision for Tax	1,731	1,615	2,484	2,837
Less: Minority Interest	48	-	20	40
Add: Exceptional items	(4,648)	-	-	-
Reported Profit	3,576	3,982	5,381	6,129
Exceptional Items	(3,145)	-	-	-
Adjusted Profit	6,721	3,982	5,381	6,129
Shares o/s (mn)	1,005	1,005	1,005	1,005
Adjusted Basic EPS	6.7	4.0	5.4	6.1
Diluted shares o/s (mn)	1,005	1,005	1,005	1,005
Adjusted Diluted EPS	6.7	4.0	5.4	6.1
Adjusted Cash EPS	12.2	9.4	11.0	12.4
Dividend per share (DPS)	0.7	0.7	1.0	1.2
Dividend Payout Ratio(%)	22.0	19.7	20.0	20.0

### Common size metrics

Year to March	FY17	FY18	FY19E	FY20E
Materials costs	45.8	50.0	49.4	49.0
Staff costs	9.6	11.2	10.9	10.7
S G & A expenses	20.8	20.3	19.2	19.2
Operating expenses	76.2	81.4	79.6	78.9
Depreciation	7.6	8.3	7.8	8.0
EBITDA margins	23.8	18.6	20.4	21.1
Interest Expense	2.4	2.3	1.7	1.6
Net Profit margins	10.2	6.6	8.2	8.6

### Growth ratios (%)

Year to March	FY17	FY18	FY19E	FY20E
Revenues	12.1	(8.9)	8.8	8.3
EBITDA	(0.6)	(29.1)	19.6	12.1
PBT	(50.2)	4.5	40.9	14.2
Adjusted Profit	(8.8)	(40.8)	35.1	13.9
EPS	(8.8)	(40.8)	35.1	13.9

Balance sheet		(INR mn)			
As on 31st March	FY17	FY18	FY19E	FY20E	
Share capital	1,005	1,005	1,005	1,005	
Reserves & Surplus	22,967	26,163	30,467	35,371	
Shareholders' funds	23,971	27,167	31,472	36,375	
Minority Interest	355	355	375	415	
Long term borrowings	20,160	15,907	15,000	14,000	
Short term borrowings	12,954	12,102	11,119	13,742	
Total Borrowings	33,114	28,009	26,119	27,742	
Long Term Liabilities	2,354	2,520	2,522	2,524	
Def. Tax Liability (net)	1,466	1,855	2,404	3,031	
<b>Sources of funds</b>	<b>61,260</b>	<b>59,907</b>	<b>62,893</b>	<b>70,088</b>	
Gross Block	43,572	46,403	53,405	61,721	
Net Block	35,011	32,802	34,679	37,269	
Capital work in progress	564	298	296	479	
Intangible Assets	1,879	1,887	1,895	1,903	
Total Fixed Assets	37,454	34,987	36,870	39,651	
Non current investments	29	29	29	29	
Cash and Equivalents	2,857	6,424	5,569	8,359	
Inventories	12,810	12,396	13,350	14,322	
Sundry Debtors	9,601	8,471	9,220	9,989	
Loans & Advances	2,567	2,339	2,634	2,854	
Other Current Assets	7,265	6,619	7,244	7,849	
Current Assets (ex cash)	32,242	29,825	32,450	35,014	
Trade payable	7,517	7,424	7,744	8,327	
Other Current Liab	3,804	3,933	4,281	4,638	
Total Current Liab	11,321	11,357	12,025	12,965	
Net Curr Assets-ex cash	20,920	18,468	20,425	22,049	
<b>Uses of funds</b>	<b>61,260</b>	<b>59,907</b>	<b>62,893</b>	<b>70,088</b>	
BVPS (INR)	23.9	27.0	31.3	36.2	

Free cash flow		(INR mn)			
Year to March	FY17	FY18	FY19E	FY20E	
Reported Profit	3,576	3,982	5,381	6,129	
Add: Depreciation	5,054	5,042	5,127	5,729	
Interest (Net of Tax)	1,071	1,001	783	790	
Others	143	(16)	195	169	
Less: Changes in WC	1,522	(2,619)	1,955	1,622	
Operating cash flow	8,322	12,628	9,531	11,195	
Less: Capex	7,003	2,565	7,000	8,500	
<b>Free Cash Flow</b>	<b>1,319</b>	<b>10,063</b>	<b>2,531</b>	<b>2,695</b>	

## Peer comparison valuation

Name	Market cap (USD mn)	Diluted P/E (X)		EV / EBITDA (X)		ROAE (%)	
		FY19E	FY20E	FY19E	FY20E	FY19E	FY20E
Welspun India	963	12.2	10.7	6.4	5.7	18.2	18.0
Arvind	1,613	20.2	15.3	10.8	8.6	12.6	14.7
Himatsingka Seide	515	12.4	10.8	7.0	6.0	20.5	19.7
Median	-	12.4	10.8	7.0	6.0	18.2	18.0
AVERAGE	-	14.9	12.2	8.1	6.8	17.1	17.5

Source: Edelweiss research

Cash flow metrics		FY17	FY18	FY19E	FY20E
Year to March					
Operating cash flow		8,322	12,628	9,531	11,195
Financing cash flow		(990)	(7,298)	(4,089)	(716)
Investing cash flow		(7,124)	(1,763)	(6,296)	(7,689)
Net cash Flow		208	3,567	(854)	2,790
Capex		(7,003)	(2,565)	(7,000)	(8,500)
Dividend paid		(63)	(786)	(1,076)	(1,226)

## Profitability and efficiency ratios

Year to March	FY17	FY18	FY19E	FY20E
ROACE (%)	21.1	12.4	15.9	16.6
ROAE (%)	30.5	15.4	18.2	18.0
Inventory Days	113	123	118	118
Debtors Days	50	55	49	49
Payable Days	85	90	85	84
Cash Conversion Cycle	77	88	82	83
Current Ratio	3.1	3.2	3.2	3.3
Gross Debt/EBITDA	2.1	2.5	1.9	1.8
Gross Debt/Equity	1.4	1.0	0.8	0.8
Adjusted Debt/Equity	1.4	1.0	0.8	0.8
Net Debt/Equity	1.2	0.8	0.6	0.5
Interest Coverage Ratio	6.8	4.4	7.3	8.1

## Operating ratios

Year to March	FY17	FY18	FY19E	FY20E
Total Asset Turnover	1.1	1.0	1.1	1.1
Fixed Asset Turnover	1.9	1.7	1.8	1.9
Equity Turnover	3.0	2.3	2.2	2.1

## Valuation parameters

Year to March	FY17	FY18	FY19E	FY20E
Adj. Diluted EPS (INR)	6.7	4.0	5.4	6.1
Y-o-Y growth (%)	(8.8)	(40.8)	35.1	13.9
Adjusted Cash EPS (INR)	12.2	9.4	11.0	12.4
Diluted P/E (x)	9.7	16.4	12.2	10.7
P/B (x)	2.7	2.4	2.1	1.8
EV / Sales (x)	1.4	1.4	1.3	1.2
EV / EBITDA (x)	6.1	7.8	6.4	5.7
Dividend Yield (%)	1.0	1.0	1.5	1.8

## Additional Data

### Directors Data

Mr. B K Goenka	Chairman	Mr. R. R. Mandawewala	Managing Director
Ms. Dipali Goenka	Executive Director	Mr. Arun Tadarwal	Independent Director
Mr. Ram Gopal Sharma	Independent Director	Pradeep Poddar	Independent Director
Arvind Kumar Singhal	Independent Director	Padma Betai	Nominee Director-IDBI Bank

Auditors -

*\*as per last available data*

### Holding – Top10

	Perc. Holding		Perc. Holding
DSP Blackrock	4.87	FIAM Emerging Markets	3.82
Alliance Bernstein	1.55	Aditya Birla Asset Mgmt	1.30
Vanguard	1.30	Lazard Emerging Markets	1.06
Wasatch Advisors	0.79	Dimensional Fund Advisors LP	0.73
Birla Sun Life Insurance	0.51	L&T Mutual Fund	0.51

*\*as per last available data*

### Bulk Deals

Data	Acquired / Seller	B/S	Qty Traded	Price
10 Jan 2018	Dsp Blackrock Mutual Fund - Balanced Fund	Buy	7152682	72.70
10 Jan 2018	Dsp Blackrock Mutual Fund - Micro Cap Fund	Buy	16506190	72.70
10 Jan 2018	Mgn Agro Properties Pvt Ltd	Sell	48096381	72.71
10 Jan 2018	Dsp Blackrock Mutual Fund - Tax Saver Fund	Buy	6785420	72.70
10 Jan 2018	Dsp Blackrock Mutual Fund - Opportunities Fund	Buy	6800000	72.70

*\*as per last available data*

### Insider Trades

Reporting Data	Acquired / Seller	B/S	Qty Traded
11 Jan 2018	MGN Agro Proerties Private Limited	Sell	50236257.00

*\*as per last available data*

**Edelweiss Securities Limited**, Edelweiss House, off C.S.T. Road, Kalina, Mumbai – 400 098.

Board: (91-22) 4009 4400, Email: [research@edelweissfin.com](mailto:research@edelweissfin.com)

Aditya Narain

Head of Research

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

## Coverage group(s) of stocks by primary analyst(s): Midcap Textiles

Arvind, Himatsingka Seide, Trident Ltd, Welspun India

### Recent Research

Date	Company	Title	Price (INR)	Recos
01-Feb-18	Arvind	Strong surge in brand margins; <i>Result Update</i>	406	Buy
09-Nov-17	Arvind	Brands strong, but textiles weak; demerger announced; <i>Result Update</i>	436	Buy
08-Nov-17	Himatsingka Seide	Margin blip due to one-offs; <i>Result Update</i>	360	Buy

### Distribution of Ratings / Market Cap

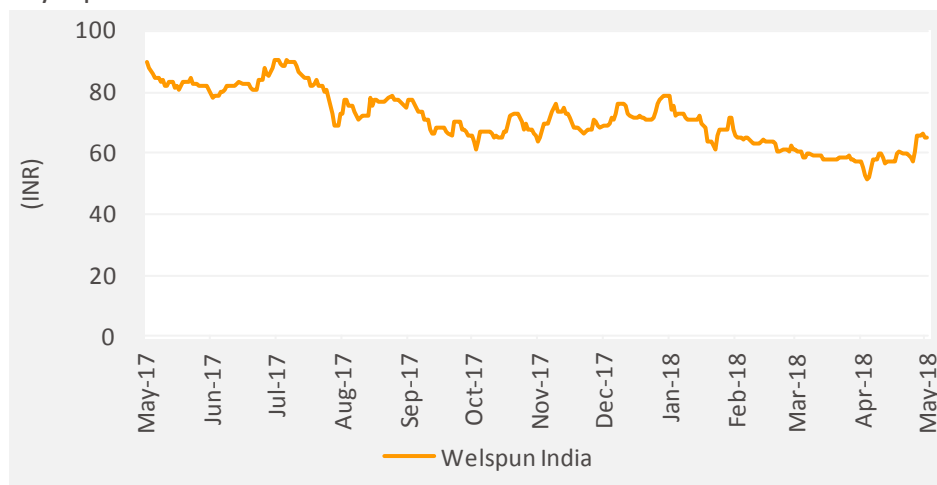
#### Edelweiss Research Coverage Universe

	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](http://www.edelweissfin.com)) are organized around five broad business groups – Credit including Housing and SME Finance, Commodities, Financial Markets, Asset Management and Life Insurance.

This Report has been prepared by Edelweiss Securities Limited in the capacity of a Research Analyst having SEBI Registration No. INH200000121 and distributed as per SEBI (Research Analysts) Regulations 2014. This report does not constitute an offer or solicitation for the purchase or sale of any financial instrument or as an official confirmation of any transaction. Securities as defined in clause (h) of section 2 of the Securities Contracts (Regulation) Act, 1956 includes Financial Instruments and Currency Derivatives. The information contained herein is from publicly available data or other sources believed to be reliable. This report is provided for assistance only and is not intended to be and must not alone be taken as the basis for an investment decision. The user assumes the entire risk of any use made of this information. Each recipient of this report should make such investigation as it deems necessary to arrive at an independent evaluation of an investment in Securities referred to in this document (including the merits and risks involved), and should consult his own advisors to determine the merits and risks of such investment. The investment discussed or views expressed may not be suitable for all investors.

This information is strictly confidential and is being furnished to you solely for your information. This information should not be reproduced or redistributed or passed on directly or indirectly in any form to any other person or published, copied, in whole or in part, for any purpose. This report is not directed or intended for distribution to, or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject ESL and associates / group companies to any registration or licensing requirements within such jurisdiction. The distribution of this report in certain jurisdictions may be restricted by law, and persons in whose possession this report comes, should observe, any such restrictions. The information given in this report is as of the date of this report and there can be no assurance that future results or events will be consistent with this information. This information is subject to change without any prior notice. ESL reserves the right to make modifications and alterations to this statement as may be required from time to time. ESL or any of its associates / group companies shall not be in any way responsible for any loss or damage that may arise to any person from any inadvertent error in the information contained in this report. ESL is committed to providing independent and transparent recommendation to its clients. Neither ESL nor any of its associates, group companies, directors, employees, agents or representatives shall be liable for any damages whether direct, indirect, special or consequential including loss of revenue or lost profits that may arise from or in connection with the use of the information. Our proprietary trading and investment businesses may make investment decisions that are inconsistent with the recommendations expressed herein. Past performance is not necessarily a guide to future performance. The disclosures of interest statements incorporated in this report are provided solely to enhance the transparency and should not be treated as endorsement of the views expressed in the report. The information provided in these reports remains, unless otherwise stated, the copyright of ESL. All layout, design, original artwork, concepts and other Intellectual Properties, remains the property and copyright of ESL and may not be used in any form or for any purpose whatsoever by any party without the express written permission of the copyright holders.

ESL shall not be liable for any delay or any other interruption which may occur in presenting the data due to any reason including network (Internet) reasons or snags in the system, break down of the system or any other equipment, server breakdown, maintenance shutdown, breakdown of communication services or inability of the ESL to present the data. In no event shall ESL be liable for any damages, including without limitation direct or indirect, special, incidental, or consequential damages, losses or expenses arising in connection with the data presented by the ESL through this report.

We offer our research services to clients as well as our prospects. Though this report is disseminated to all the customers simultaneously, not all customers may receive this report at the same time. We will not treat recipients as customers by virtue of their receiving this report.

ESL and its associates, officer, directors, and employees, research analyst (including relatives) worldwide may: (a) from time to time, have long or short positions in, and buy or sell the Securities, mentioned herein or (b) be engaged in any other transaction involving such Securities and earn brokerage or other compensation or act as a market maker in the financial instruments of the subject company/company(ies) discussed herein or act as advisor or lender/borrower to such company(ies) or have other potential/material conflict of interest with respect to any recommendation and related information and opinions at the time of publication of research report or at the time of public appearance. ESL may have proprietary long/short position in the above mentioned scrip(s) and therefore should be considered as interested. The views provided herein are general in nature and do not consider risk appetite or investment objective of any particular investor; readers are requested to take independent professional advice before investing. This should not be construed as invitation or solicitation to do business with ESL.

ESL or its associates may have received compensation from the subject company in the past 12 months. ESL or its associates may have managed or co-managed public offering of securities for the subject company in the past 12 months. ESL or its associates may have received compensation for investment banking or merchant banking or brokerage services from the subject company in the past 12 months. ESL or its associates may have received any compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company in the past 12 months. ESL or its associates have not received any compensation or other benefits from the Subject Company or third party in connection with the research report. Research analyst or his/her relative or ESL's associates may have financial interest in the subject company. ESL and/or its Group Companies, their Directors, affiliates and/or employees may have interests/ positions, financial or otherwise in the Securities/Currencies and other investment products mentioned in this report. ESL, its associates, research analyst and his/her relative may have other potential/material conflict of interest with respect to any recommendation and related information and opinions at the time of publication of research report or at the time of public appearance.

Participants in foreign exchange transactions may incur risks arising from several factors, including the following: ( i) exchange rates can be volatile and are subject to large fluctuations; ( ii) the value of currencies may be affected by numerous market factors, including world and national economic, political and regulatory events, events in equity and debt markets and changes in interest rates; and (iii) currencies may be subject to devaluation or government imposed exchange controls which could affect the value of the currency. Investors in securities such as ADRs and Currency Derivatives, whose values are affected by the currency of an underlying security, effectively assume currency risk.

Research analyst has served as an officer, director or employee of subject Company: No

ESL has financial interest in the subject companies: No

ESL's Associates may have actual / beneficial ownership of 1% or more securities of the subject company at the end of the month immediately preceding the date of publication of research report.

Research analyst or his/her relative has actual/beneficial ownership of 1% or more securities of the subject company at the end of the month immediately preceding the date of publication of research report: No

ESL has actual/beneficial ownership of 1% or more securities of the subject company at the end of the month immediately preceding the date of publication of research report: No

Subject company may have been client during twelve months preceding the date of distribution of the research report.

There were no instances of non-compliance by ESL on any matter related to the capital markets, resulting in significant and material disciplinary action during the last three years except that ESL had submitted an offer of settlement with Securities and Exchange commission, USA (SEC) and the same has been accepted by SEC without admitting or denying the findings in relation to their charges of non registration as a broker dealer.

A graph of daily closing prices of the securities is also available at [www.nseindia.com](http://www.nseindia.com)

### **Analyst Certification:**

The analyst for this report certifies that all of the views expressed in this report accurately reflect his or her personal views about the subject company or companies and its or their securities, and no part of his or her compensation was, is or will be, directly or indirectly related to specific recommendations or views expressed in this report.

### **Additional Disclaimers**

#### **Disclaimer for U.S. Persons**

This research report is a product of Edelweiss Securities Limited, which is the employer of the research analyst(s) who has prepared the research report. The research analyst(s) preparing the research report is/are resident outside the United States (U.S.) and are not associated persons of any U.S. regulated broker-dealer and therefore the analyst(s) is/are not subject to supervision by a U.S. broker-dealer, and is/are not required to satisfy the regulatory licensing requirements of FINRA or required to otherwise comply with U.S. rules or regulations regarding, among other things, communications with a subject company, public appearances and trading securities held by a research analyst account.

This report is intended for distribution by Edelweiss Securities Limited only to "Major Institutional Investors" as defined by Rule 15a-6(b)(4) of the U.S. Securities and Exchange Act, 1934 (the Exchange Act) and interpretations thereof by U.S. Securities and Exchange Commission (SEC) in reliance on Rule 15a 6(a)(2). If the recipient of this report is not a Major Institutional Investor as specified above, then it should not act upon this report and return the same to the sender. Further, this report may not be copied, duplicated and/or transmitted onward to any U.S. person, which is not the Major Institutional Investor.

In reliance on the exemption from registration provided by Rule 15a-6 of the Exchange Act and interpretations thereof by the SEC in order to conduct certain business with Major Institutional Investors, Edelweiss Securities Limited has entered into an agreement with a U.S. registered broker-dealer, Edelweiss Financial Services Inc. ("EFSI"). Transactions in securities discussed in this research report should be effected through Edelweiss Financial Services Inc.

#### **Disclaimer for U.K. Persons**

The contents of this research report have not been approved by an authorised person within the meaning of the Financial Services and Markets Act 2000 ("FSMA").

In the United Kingdom, this research report is being distributed only to and is directed only at (a) persons who have professional experience in matters relating to investments falling within Article 19(5) of the FSMA (Financial Promotion) Order 2005 (the "Order"); (b) persons falling within Article 49(2)(a) to (d) of the Order (including high net worth companies and unincorporated associations); and (c) any other persons to whom it may otherwise lawfully be communicated (all such persons together being referred to as "relevant persons").

This research report must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this research report relates is available only to relevant persons and will be engaged in only with relevant persons. Any person who is not a relevant person should not act or rely on this research report or any of its contents. This research report must not be distributed, published, reproduced or disclosed (in whole or in part) by recipients to any other person.

#### **Disclaimer for Canadian Persons**

This research report is a product of Edelweiss Securities Limited ("ESL"), which is the employer of the research analysts who have prepared the research report. The research analysts preparing the research report are resident outside the Canada and are not associated persons of any Canadian registered adviser and/or dealer and, therefore, the analysts are not subject to supervision by a Canadian registered adviser and/or dealer, and are not required to satisfy the regulatory licensing requirements of the Ontario Securities Commission, other Canadian provincial securities regulators, the Investment Industry Regulatory Organization of Canada and are not required to otherwise comply with Canadian rules or regulations regarding, among other things, the research analysts' business or relationship with a subject company or trading of securities by a research analyst.

This report is intended for distribution by ESL only to "Permitted Clients" (as defined in National Instrument 31-103 ("NI 31-103")) who are resident in the Province of Ontario, Canada (an "Ontario Permitted Client"). If the recipient of this report is not an Ontario Permitted Client, as specified above, then the recipient should not act upon this report and should return the report to the sender. Further, this report may not be copied, duplicated and/or transmitted onward to any Canadian person.

ESL is relying on an exemption from the adviser and/or dealer registration requirements under NI 31-103 available to certain international advisers and/or dealers. Please be advised that (i) ESL is not registered in the Province of Ontario to trade in securities nor is it registered in the Province of Ontario to provide advice with respect to securities; (ii) ESL's head office or principal place of business is located in India; (iii) all or substantially all of ESL's assets may be situated outside of Canada; (iv) there may be difficulty enforcing legal rights against ESL because of the above; and (v) the name and address of the ESL's agent for service of process in the Province of Ontario is: Bamac Services Inc., 181 Bay Street, Suite 2100, Toronto, Ontario M5J 2T3 Canada.

#### **Disclaimer for Singapore Persons**

In Singapore, this report is being distributed by Edelweiss Investment Advisors Private Limited ("EIAPL") (Co. Reg. No. 201016306H) which is a holder of a capital markets services license and an exempt financial adviser in Singapore and (ii) solely to persons who qualify as "institutional investors" or "accredited investors" as defined in section 4A(1) of the Securities and Futures Act, Chapter 289 of Singapore ("the SFA"). Pursuant to regulations 33, 34, 35 and 36 of the Financial Advisers Regulations ("FAR"), sections 25, 27 and 36 of the Financial Advisers Act, Chapter 110 of Singapore shall not apply to EIAPL when providing any financial advisory services to an accredited investor (as defined in regulation 36 of the FAR. Persons in Singapore should contact EIAPL in respect of any matter arising from, or in connection with this publication/communication. This report is not suitable for private investors.

Copyright 2009 Edelweiss Research (Edelweiss Securities Ltd). All rights reserved