

# QUESS CORP

## Staffing business gains market leadership

India Equity Research | Business Services

Quess Corp's (Quess) Q4FY18 earnings came largely in line with expectations, adjusted for one-time non-cash charge of INR390mn. For FY18, while top line grew 43% (~30% organic), EBITDA and PAT jumped 49% and 138%, respectively. In our view, the key highlight of FY18 was the company gaining market leadership in general staffing by adding ~43,000 employees (total 1,57,000). In addition to this boost in general staffing, the company continued to grow rapidly across segments, in line with our thesis that Quess is a play on all the key growth segments in the Indian business services sector. Retain 'BUY' with revised TP of INR1,315 (INR1,300 earlier) as we revise up FY19/20 PAT estimates 0.5% each to factor in FY18 numbers.

### Staffing booster in Q4FY18 gives market leadership

While the overall group's earnings were largely in line with consensus estimates (refer table inside), we believe the key highlight was Quess dislodging the previous market leader in general staffing and gaining leadership position. The company added 43k employees in its general staffing segment, taking its count to 157k. In our view, this run rate is likely to help Quess post ~25% sales growth in FY19 in general staffing. We also reiterate scale is the single most critical success enabler in staffing, and now the company should be able to leverage scale further. According to management, a sharpened focus and deeper mining in the BFSI segment accelerated growth in FY18.

### Other segments continue to fire

Quess' technology/facility management (FM) segments also delivered strong growth in Q4FY18—up 74%/28% YoY. While the technology segment benefited from acquisition of Tata Business Services, FM business' growth was organic. We believe, full impact of these acquisitions and robust growth in the FM sector should lead to overall consolidated sales surging ~30%. Margin expansion will enable the company deliver ~38% PAT growth in FY19, in our view.

### Outlook and valuations: Exposed to key growth areas; retain 'BUY'

We continue to value Quess on DCF basis and peg our revised target price at INR1,315 as we revise up FY19/20 PAT estimates 0.5% each to factor in FY18 numbers. We maintain 'BUY' and retain Quess as an integrated play on the Indian business services segment.

#### Financials

(INR mm)

Year to March	Q4FY18	Q4FY17	% change	Q3FY18	% change	FY18	FY19E	FY20E
Net rev. (INR mn)	18,908	12,395	52.5	15,840	19.4	61,673	79,988	80,569
EBITDA (INR mn)	1,093	703	55.4	909	20.3	3,544	5,073	4,795
Adj. PAT (INR mn)	758	333	127.2	610	24.2	3,098	4,291	3,283
Adj. Dil. EPS (INR)	5.2	2.3	127.2	4.1	24.2	21.1	29.2	22.3
Diluted P/E (x)							39.3	30.2
EV/EBITDA (x)							32.1	25.7
ROAE (%)							16.5	18.0

#### EDELWEISS RATINGS

<b>Absolute Rating</b>	<b>BUY</b>
Investment Characteristics	Growth

#### MARKET DATA (R: , B: QUESS IN)

CMP	: INR 1,159
Target Price	: INR 1,315
52-week range (INR)	: 1,253 / 750
Share in issue (mn)	: 145.5
M cap (INR bn/USD mn)	: 169 / 2,515
Avg. Daily Vol. BSE/NSE ('000)	: 208.0

#### SHARE HOLDING PATTERN (%)

	Current	Q3FY18	Q2FY18
Promoters *	71.7	71.7	50.1
MF's, FI's & BKs	4.5	4.5	14.7
FII's	7.2	7.2	3.6
Others	16.6	16.6	31.6
* Promoters pledged shares (% of share in issue)	:		NIL

#### RELATIVE PERFORMANCE (%)

	Sensex	Stock	Stock over Sensex
1 month	2.4	9.1	6.8
3 months	4.1	10.9	6.8
12 months	15.5	39.0	23.5

**Alok Deshpande**

+91 (22) 6620 3163

Alok.Deshpande@edelweissfin.com

May 18, 2018

**Table 1: Segment-wise quarterly performance**

	Q4FY18	Q4FY17	YoY % change	Q3FY18	QoQ % change
<b>People &amp; Services segment</b>					
Revenues	8,399	6,080	38.1	7,356	14.2
EBIT	377	298	26.5	352	7.0
(% margin)	4.5	4.9		4.8	
<b>Global Technology Solutions segment</b>					
Revenues	6,081	3,496	73.9	4,803	26.6
EBIT	385	216	78.6	310	24.2
(% margin)	6.3	6.2		6.5	
<b>Integrated Facility Management Segment</b>					
Revenues	2,891	2,250	28.5	2,634	9.8
EBIT	187	136	38.0	177	6.0
(% margin)	6.5	6.0		6.7	
<b>Industrials - Segment</b>					
Revenues	1,303	569	129.0	1,046	24.5
EBIT	49	27	79.4	38	27.0
(% margin)	3.7	4.8		3.7	

Source: Company information

**Financial snapshot - (Consolidated)**

(INR mn)

Year to March	Q4FY18	Q4FY17	% change	Q3FY18	% change	FY18	FY19E	FY20E
Revenues	18,908	12,395	52.5	15,840	19.4	61,673	79,988	80,569
Employee Exp + other COGS	15,554	10,517	47.9	13,480	15.4	52,215	67,300	65,717
Gross Profit	3,353	1,878	78.5	2,360	42.1	9,457	12,688	14,852
Others	2,260	1,175	92.3	1,450	55.8	5,914	7,615	10,057
Total expenditure	17,814	11,692	52.4	14,930	19.3	58,129	74,915	75,774
EBITDA	1,093	703	55.4	909	20.3	3,544	5,073	4,795
Depreciation	285	131	116.6	183	55.5	747	574	657
EBIT	809	572	41.4	726	11.4	2,796	4,499	4,138
Interest	252	166	52.0	177		755	918	730
Other income	240	30	698.5	126	90.5	569	931	313
Profit Before Tax	797	436	82.6	675	18.0	2,611	4,511	3,722
Less: Provision for Tax	31	100	(68.8)	74	(58.1)	(483)	90	439
Less: Minority Interest	0	0		0		0	150	0
Add: Share of profit from associates	(8)	(3)		9		4	20	0
Reported Profit	758	333	127.2	610	24.2	3,098	4,291	3,283
Adjusted Profit	758	333	127.2	610	24.2	3,098	4,291	3,283
Equity capital (FV INR 10)	1,455	1,455		1,455		1,455	1,455	1,455
No. of Diluted shares outstanding (mn)	147	147		147		147	147	147
Adjusted Diluted EPS	5.2	2.3	127.2	4.1	24.2	21.1	29.2	22.3
P/E (x)							39.3	30.2
EV/EBITDA (x)							32.1	25.7
ROAE(%)							16.5	18.0

**As % of net revenues**

Raw material	82.3	84.8		85.1		84.7	84.1	81.6
Staff expenses	17.7	15.2		14.9		15.3	15.9	18.4
Other expenses	12.0	9.5		9.2		9.6	9.5	12.5
EBITDA	5.8	5.7		5.7		5.7	6.3	6.0
Net profit	4.0	2.7		3.9		5.0	5.4	4.1

### Company Description

Quess Corp (Quess), India's leading integrated business services provider, was established in 2007. Headquartered in Bengaluru, the company has pan-India presence with 65 offices across 34 cities along with overseas footprint in North America, the Middle East and South-East Asia. Quess operates in nine countries - USA, Canada, Sri Lanka, UAE, India, Malaysia, Philippines, Singapore and Vietnam. The company serves over 1,700 plus customers across five segments namely, industrials, integrated facility management, people & services, global technology solutions and internet business. Quess employs over 2,50,000 personnel (including Terrier Security Services). The company currently has seven ISO certified lines of businesses.

### Investment Theme

We expect 15% plus sales CAGR in all four of Quess's verticals driven by both organic and inorganic growth. The company enjoys huge advantage of scale in general staffing in India (largest in India with 150k associates & ~41% of group sales) as we believe that the larger players benefit from both market share gains and higher margins. Further, Quess's presence in specialised staffing (31% of sales) should lead to improved margin profile going forward. Facility management is a high growth sector and the company is focusing on ramping this up sharply (~16% of sales). We believe Quess has an eclectic portfolio of services that offers an attractive growth mix. The company's three areas of exposure, viz., general staffing, specialised staffing and facility management are expected to almost triple by FY25, in our view, led by strong domestic structural drivers. Ergo, Quess is an exciting integrated play on the burgeoning growth opportunity in business services in India.

### Key Risks

- We expect sector headcount for flexi-staffing to grow by at least 11-12% annually. Quess, being a market leader, should be able to deliver at least this level of growth which is also our base case headcount assumption. Any shortfall in this will pose downside risk to our estimates and target price.
- Inability of the company to consistently improve margins will pose a downside risk to our investment thesis.
- Higher than expected competitive pressure leading to lower headcount growth or loss of market share is a downside risk.
- Any unreasonable acquisition or failure to efficiently manage any acquired business could pose downside risks.

## Financial Statements

### Key assumptions

Year to March	FY17	FY18E	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	66.0	66.0
<b>Segmental sales growth (%)</b>				
P&S	20.3	22.7	28.1	10.0
GTS	28.4	57.9	39.5	14.3
IFM	51.2	82.7	17.4	16.2
Industrial AM	16.8	65.1	35.0	10.0
<b>Segmental EBITDA margin (%)</b>				
P&S	5.4	5.5	5.6	5.7
GTS	7.8	7.2	7.3	7.3
IFM	6.0	7.3	7.3	7.3
Industrial AM	8.4	5.1	4.6	4.6
<b>Cost and financial assumptions</b>				
Gross margins (%)	14.1	15.3	15.9	16.1
Opex (%)	8.6	9.6	9.5	9.3
EBITDA margins (%)	5.5	5.7	6.3	6.8
Capex (INR mn)	(1,312)	(5,292)	(1,000)	(1,000)
Net borrowings (INR mn)	2,814	(677)	(6,183)	(12,425)
Receivable (days)	39	42	48	51
Inventory (days)	23	20	22	22
Payable (days)	371	290	437	524
Cash conversion cycle (days)	(310)	(228)	(367)	(451)

### Income statement

Year to March	FY17	FY18E	FY19E	FY20E
<b>(INR mn)</b>				
Net revenues	43,149	61,673	79,988	90,163
Raw material costs	714	1,422	1,422	1,422
Employee expenses	36,339	50,793	65,878	74,257
Gross profit	6,096	9,457	12,688	14,483
Other expenses	3,717	5,914	7,615	8,383
Operating expenses	3,717	5,914	7,615	8,383
Total expenditure	4,431	7,336	9,037	9,805
EBITDA	2,379	3,544	5,073	6,100
Depreciation & amortisation	333	747	574	654
EBIT	2,046	2,796	4,499	5,446
Less: Interest Expense	479	755	918	846
Add: Other income	154	569	931	1,318
Profit before tax	1722	2611	4511	5918
Provision for tax	504	(483)	90	178
Less: Minority Interest	-	-	150	180
Add: Share of profit from assoc.	1	4	20	20
Add: Exceptional Items	-	-	-	-
Reported Profit	1,219	3,098	4,291	5,581
Adjusted Profit	1,219	3,098	4,291	5,581
No. of Shares outstanding (mn)	126.8	145.5	145.5	145.5
Adjusted Basic EPS	9.61	21.3	29.5	38.4
No. of dil. Sh. outstanding (mn)	124.7	147.0	147.0	147.0
Adjusted Diluted EPS	9.6	21.3	29.5	38.4
Adjusted Cash EPS	14	19	33	42
Dividend per share (DPS)	0.0	0.0	0.0	0.0
Dividend Payout Ratio (%)	-	-	-	-

### Common size metrics (% net revenues)

Year to March	FY17	FY18E	FY19E	FY20E
Gross margin	14.1	15.3	15.9	16.1
Operating expenses	8.6	9.6	9.5	9.3
EBITDA margins	5.5	5.7	6.3	6.8
EBIT margin	4.7	4.5	5.6	6.0
Interest	1.1	1.2	1.1	0.9
Net profit margin	2.8	5.0	5.6	6.4

### Growth metrics (%)

Year to March	FY17	FY18E	FY19E	FY20E
Revenues	25.6	42.9	29.7	12.7
EBITDA	57.5	48.9	43.2	20.2
PBT	50.1	51.6	72.8	31.2
Adjusted Profit	50.1	154.2	38.5	30.0
EPS	34.1	121.5	38.5	30.0

Balance sheet		(INR mn)			
As on 31st March	FY17	FY18E	FY19E	FY20E	
Share capital	1,268	1,455	1,455	1,455	
Reserves & surplus	11,780	23,153	27,444	33,025	
Shareholder equity	13,048	24,608	28,899	34,480	
Minority interest	9	16	166	346	
Long term borrowings	2,744	2,686	2,486	2,286	
Short term borrowings	4,696	6,976	5,976	4,976	
Total Borrowings	7,440	9,662	8,462	7,262	
Long Term Liab. & Prov.	1,860	2,536	3,289	3,707	
Deferred Tax Liability (net)	(401)	(1,556)	(1,556)	(1,556)	
<b>Sources of funds</b>	<b>21,955</b>	<b>35,266</b>	<b>39,260</b>	<b>44,239</b>	
Gross Block	1,172	3,685	4,685	5,685	
Net Block	560	2,325	2,750	3,097	
Capital work in progress	1,969	3,032	3,032	3,032	
Intangible assets	9,264	10,981	10,981	10,981	
Total net fixed assets	11,793	16,338	16,763	17,110	
Non current investments	776	888	888	888	
Cash and cash equivalents	4,626	10,339	14,645	19,687	
Inventories	71	85	85	85	
Sundry Debtors	5,094	9,207	11,941	13,460	
Loans & Advances	1,697	5,055	5,055	5,055	
Other Current Assets	4,177	5,517	5,517	5,517	
Total Current Assets (ex cash)	11,038	19,864	22,598	24,117	
Trade payable	778	1,481	1,921	2,165	
Other Current Liab. & ST. Prov.	5,501	10,684	13,715	15,399	
Total Current Liab. & Prov.	6,278	12,165	15,636	17,564	
Net Current Assets (ex cash)	4,760	7,699	6,962	6,553	
<b>Uses of funds</b>	<b>21,955</b>	<b>35,266</b>	<b>39,260</b>	<b>44,239</b>	
Book Value per share (INR)	103	169	199	237	

## Free cash flow

Year to March	FY17	FY18E	FY19E	FY20E
Reported Profit	1,219	3,098	4,291	5,581
Add: Depreciation	333	747	574	654
Add: Interest	321	506	615	567
Add: Others	402	(3,799)	7,595	6,917
Gross cash flow	2,274	552	13,076	13,718
Less: Changes in WC	1,538	(541)	6,583	6,948
Operating cash flow	736	1,092	6,493	6,770
Less: Capex	1,312	5,292	1,000	1,000
<b>Free Cash Flow</b>	<b>(576)</b>	<b>(4,200)</b>	<b>5,493</b>	<b>5,770</b>

## Cash flow metrics

Year to March	FY17	FY18E	FY19E	FY20E
Operating cash flow	736	1,092	6,493	6,770
Financing cash flow	7,008	14,058	(2,118)	(2,046)
Investing cash flow	(5,758)	(6,697)	(69)	318
Net cash flow	1,986	8,454	4,306	5,042
Capex	(1,312)	(5,292)	(1,000)	(1,000)
Dividends paid	-	-	-	-

## Profitability ratios

Year to March	FY17	FY18E	FY19E	FY20E
Gross profit margin	14.1	15.3	15.9	16.1
EBITDA margin	5.5	5.7	6.3	6.8
Pre-tax Return on Capital Employed	15.8	12.3	15.1	17.0
Return on Average Equity (ROAE)	14.7	16.5	16.0	17.6
ROA (%)	8.6	10.8	11.5	13.4
Current ratio	2.5	2.5	2.4	2.5
Quick ratio	1.7	1.6	1.4	1.4
Cash ratio	0.7	0.8	0.9	1.1
Receivable turnover (x)	9.4	8.6	7.6	7.1
Inventory turnover (x)	16.0	18.3	16.7	16.7
Payables turnover (x)	1.0	1.3	0.8	0.7
Receivables (days)	39	42	48	51
Inventory (days)	23	20	22	22
Payables (days)	371	290	437	524
Cash conversion cycle (days)	(310)	(228)	(367)	(451)
Net Debt/Equity	0.2	(0.0)	(0.2)	(0.4)
Debt/EBITDA	3.1	2.7	1.7	1.2
Adjusted debt/Equity (x)	0.6	0.4	0.3	0.2
Long term debt / Capital employed	12.5	7.6	6.3	5.2
Total debt / Capital employed (%)	33.9	27.4	21.6	16.4
Interest coverage (x)	4.3	3.7	4.9	6.4

## Operating ratios (x)

Year to March	FY17	FY18E	FY19E	FY20E
Total asset turnover	3.0	2.2	2.1	2.2
Fixed asset turnover	7.0	5.3	5.9	6.5
Equity turnover	5.2	3.3	3.0	2.8

## Valuation parameters

Year to March	FY17	FY18E	FY19E	FY20E
Adjusted Diluted EPS (INR)	9.6	21.3	29.5	38.4
Y-o-Y growth (%)	34.1	121.5	38.5	30.0
Adjusted Cash EPS (INR)	13.7	18.6	33.1	42.4
Dil. Price to Earn. Ratio (P/E) (x)	120.7	54.5	39.3	30.2
Price to Book Ratio (P/B) (x)	11.3	6.9	5.8	4.9
Enterprise Value / Sales (x)	3.5	2.7	2.0	1.7
Enterprise Value / EBITDA (x)	63.0	47.4	32.1	25.7
Dividend Yield (%)	0.0	0.0	0.0	0.0

## Additional Data

### Directors Data

Ajit Isaac	Chairman and Managing Director	Pravir Kumar Vohra	Non-Executive, Independent Director
Subrata Kumar Nag	CEO and Executive Director	Revathy Ashok	Non-Executive, Independent Director
Madhavan Karunakaran Menon	Non-Executive Director	Pratip Chaudhuri	Non-Executive, Independent Director
Chandran Ratnaswami	Non-Executive Director	Sanjay Anandaram	Non-Executive, Independent Director

Auditors - BSR & Associates. LLP

*\*as per last annual report*

### Fund holding

	Perc. Holding		Perc. Holding
Sundaram Asset Management	1.92	Axis Asset Management	0.85
Steadview Capital	1.20	Wasatch Advisors	0.74
India Capital Fund Ltd	1.14	ICICI Prudential Life Insurance	0.48
ABSL Asset Management	1.06	Vanguard Group	0.48
Motilal Oswal Asset Management	1.04	Norges Bank	0.45

*\*as per last available data*

### Bulk Deals

Data	Acquired / Seller	B/S	Qty Traded	Price
22/03/2018	Ramdas Pai	Sell	1000000	1023
22/03/2018	Memg Family Office	Buy	1000000	1023
31/01/2018	Sundaram Mutual Fund Sundaram Select Midcap	Buy	1535381	950
31/01/2018	Ramdas Madhava Pai	Sell	1863008	950.05
1/31/2018	Vasanthi Ramdas Pai	Sell	3158504	950.44

*\*as per last available data*

### Insider Trades

Reporting Data	Acquired / Seller	B/S	Qty Traded
11/29/2017	Thomas Cook (India) Limited	Sell	750000
11/29/2017	Ajit Abraham Isaac	Sell	100000
11/28/2017	Thomas Cook (India) Limited	Sell	6750000
11/28/2017	Ajit Abraham Isaac	Sell	900000

*\*in last one year*

**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): Business Services

Qess Corp Ltd, Security and Intelligence Services India Ltd, TeamLease Services Ltd

#### Recent Research

Date	Company	Title	Price (INR)	Recos
17-May-18	SIS India	Strong growth continues...; Result Update	1379	Buy
23-Apr-18	India Business Services	The buzz is getting louder; Sector Update		

#### Distribution of Ratings / Market Cap

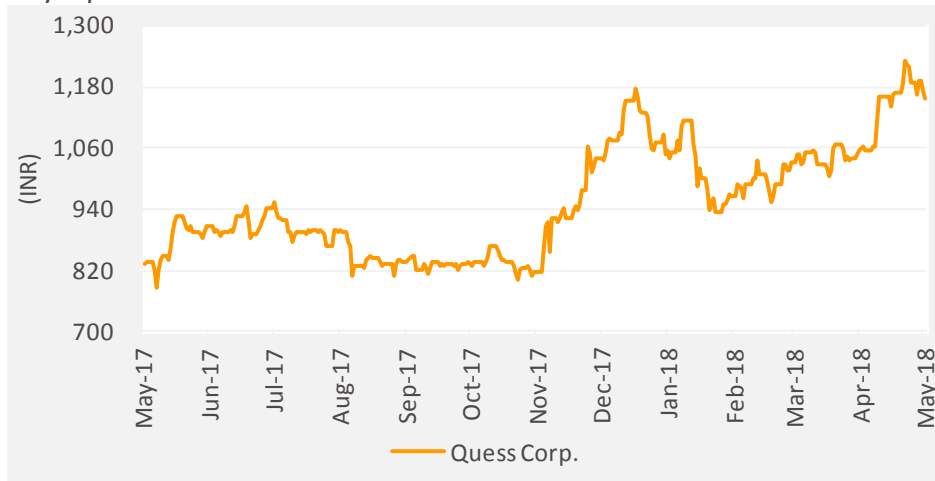
Edelweiss Research Coverage Universe

	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