

MAHINDRA HOLIDAYS & RESORTS

Members swell; rooms expand

India Equity Research | Leisure and Travel

Mahindra Holidays & Resorts' (MHRL) Q4FY17 revenue, at INR3.1bn, jumped 26% YoY. The spurt was driven by healthy member addition of 6,177 (up 27% YoY), highest in the past 5 quarters, propelling FY17 member addition growth to 14% (9% till 9mFY17). Management attributed this primarily to culmination of steps taken in previous quarters. However, the growth was accompanied by increase in expenses, including a one-time credit loss charge of INR210mn related to IND-AS, due to which EBITDA was flat YoY. While stable member addition will spur MHRL's growth, the company's focus on driving right member additions will enhance share of annuity income along with moderation in receivables, spurring cash generation. We value MHRL's standalone business and subsidiaries separately yielding target price of INR556. Maintain 'BUY'.

Robust Q4 member addition propels double digit growth for FY17

MHRL added 6,177 members during Q4FY17 despite a high base. This also propelled FY17 member addition to 14% YoY (9mFY17: 9%). Management attributed this to fruition of measures taken in previous quarters to drive member addition. Overall revenue at INR3.1bn jumped 26% YoY driven by Vacation Ownership income, which increased 41% YoY to INR1.9bn. ASF / Resort income rose 5%/15% YoY, respectively. Q4FY17 also included a one-off charge of INR210mn related to IND-AS; excluding which, EBITDA would have jumped 35% YoY compared to flat. The 14% YoY growth achieved in FY17 is impressive especially considering the impact demonetisation was expected to have on high discretionary items like MHRL's membership.

Room addition gains pace; to add 600 rooms at a capex of INR6bn

After not adding any rooms for the past 2 quarters, MHRL added 148 rooms in Q4FY17, taking the total to 273 rooms for FY17 (Q1FY17: 125). It is planning to add 600 rooms at 4 locations at a planned investment of INR6bn.

Outlook and valuations: Focus on quality; maintain 'BUY'

While stable member addition will spur MHRL's growth, the company's focus on driving right member additions will help enhance the share of annuity income along with moderation in receivables, spurring cash generation. We value standalone business using average DCF, P/E and EV/EBITDA valuations and subsidiaries separately. We maintain 'BUY' with target price of INR556 (INR557 earlier).

Financials (Consolidated)						(INR mn)		
Year to March	Q4FY17	Q4FY16	YoY %	Q3FY17	QoQ %	FY17	FY18E	FY19E
Net revenues	3,105	2,455	26.4	2,705	14.8	22,822	24,451	26,641
EBITDA	592	592	(0.1)	664	(10.9)	3,219	3,591	4,040
Adj. profit	318	305	4.5	357	(10.9)	1,486	1,678	1,971
Diluted EPS (INR)	3.6	3.5	4.5	4.1	(10.9)	16.8	19.0	22.3
Diluted P/E (x)						28.1	24.9	21.2
EV/EBITDA (x)						14.3	12.8	11.4
ROAE (%)						25.0	24.6	24.3

Note: Quarterly financials are for standalone

Edelweiss Research is also available on www.edelresearch.com, Bloomberg EDEL <GO>, Thomson First Call, Reuters and Factset.

EDELWEISS RATINGS			
Absolute Rating	BUY		
Investment Characteristics	Growth		
MARKET DATA (R: MAHH.BO, B: MHRL IN)			
CMP	: INR 473		
Target Price	: INR 556		
52-week range (INR)	: 514 / 360		
Share in issue (mn)	: 88.8		
M cap (INR bn/USD mn)	: 42 / 651		
Avg. Daily Vol. BSE/NSE ('000)	: 105.8		
SHARE HOLDING PATTERN (%)			
	Current	Q2FY17	Q1FY17
Promoters *	67.5	75.0	75.0
MF's, FI's & BKs	14.6	8.4	8.4
FII's	6.8	6.3	6.9
Others	11.1	10.4	9.8
* Promoters pledged shares (% of share in issue)	:	NIL	
PRICE PERFORMANCE (%)			
	BSE Midcap Index	Stock	Stock over Index
1 month	3.2	6.1	2.9
3 months	9.9	5.8	(4.1)
12 months	31.7	10.1	(21.5)

Nihal Mahesh Jham
+91 22 6623 3352
nihal.jham@edelweissfin.com

May 22, 2017

Chart 1: 6,177 net members added this quarter, up 27% YoY

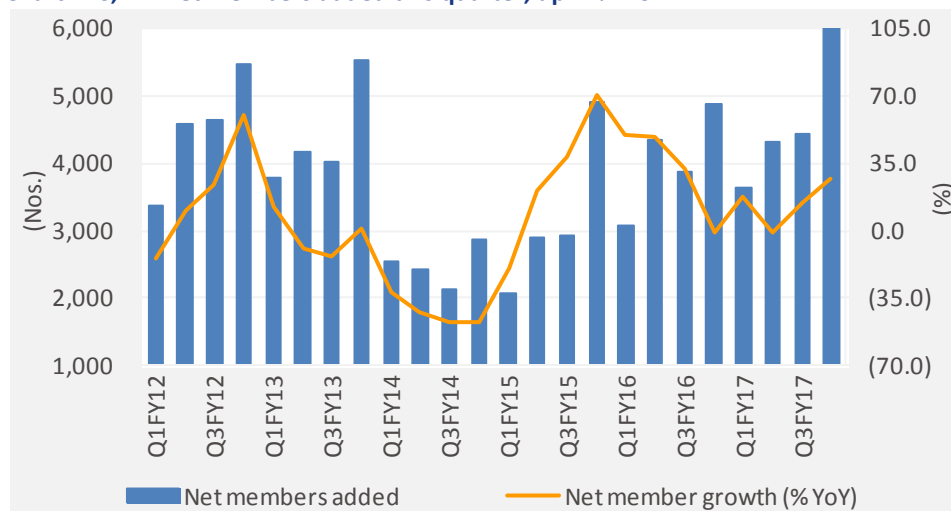
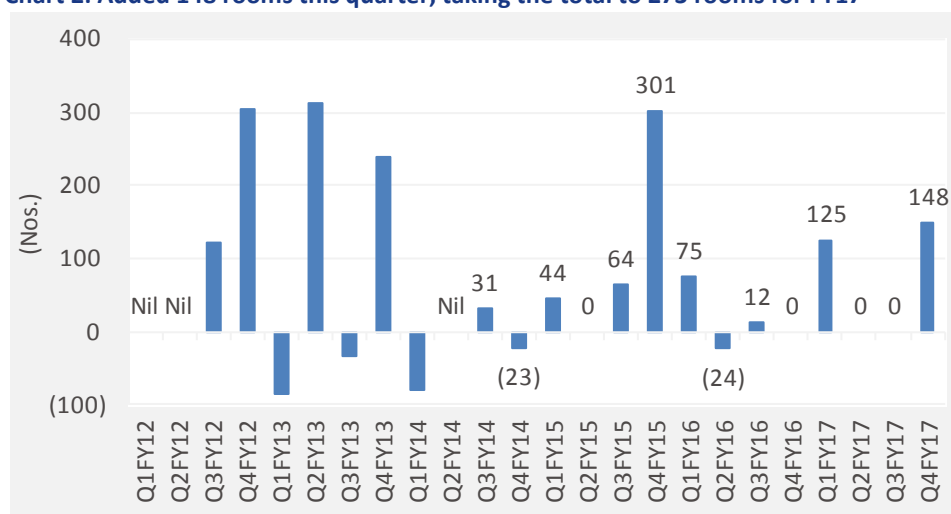


Chart 2: Added 148 rooms this quarter, taking the total to 273 rooms for FY17



Source: Company, Edelweiss research

Table 1: Valuation of MHRL

DCF Value (INR/share)	831
P/E ratio (INR/share)	420
EV/EBITDA ratio (INR/share)	378
Target value of standalone operations (INR/share)	543
Add: Valuation of Holiday Club + Other sub(INR/share)	13
Target price (INR/share)	556
CMP (INR/share)	473
upside/downside (%)	17.6

Source: Edelweiss research

Financial snapshot

(INR mn)

Year to March	Q4FY17	Q4FY16	% change	Q3FY17	% change	FY17	FY18E	FY19E
Net revenues	3,105	2,455	26.4	2,705	14.8	22,822	24,451	26,641
Staff costs	646	485	33.3	573	12.9	5,128	5,433	5,992
S&m expenses	692	552	25.4	593	16.7	3,328	3,647	4,076
Other expenses	1,174	826	42.1	875	34.2	11,147	11,780	12,532
Operating expenses	2,513	1,863	34.9	2,041	23.1	19,603	20,860	22,600
EBITDA	592	592	(0.1)	664	(10.9)	3,219	3,591	4,040
Depreciation	148	186	(20.2)	154	(3.8)	1,059	1,158	1,311
EBIT	443	406	9.1	510	(13.1)	2,160	2,432	2,729
Other income	53	44	18.5	43	23.1	278	300	391
Interest	-	-	(67.7)	-	122.0	197	208	199
Profit before tax	496	451	10.1	553	(10.3)	2,241	2,525	2,920
Provision for taxes	178	146	21.8	196	(9.2)	786	816	916
Reported net profit	318	305	4.5	357	(10.9)	1,486	1,678	1,971
Adjusted Profit	318	305	4.5	357	(10.9)	1,486	1,678	1,971
Diluted shares (mn)	88	88		88		88	88	88
Diluted EPS (INR)	3.6	3.5	4.5	4.1	(10.9)	16.8	19.0	22.3
Diluted P/E (x)	-	-		-		28.1	24.9	21.2
EV/EBITDA (x)	-	-		-		14.3	12.8	11.4
ROAE (%)	-	-		-		25.0	24.6	24.3
Employee cost	20.8	19.7		21.2		22.5	22.2	22.5
Other expenditure	37.8	33.6		32.3		48.8	48.2	47.0
Selling & marketing exp	22.3	22.5		21.9		14.6	14.9	15.3
Operating expenses	80.9	75.9		75.4		85.9	85.3	84.8
EBITDA	19.1	24.1		24.6		14.1	14.7	15.2
Reported net profit	10.2	12.4		13.2		6.5	6.9	7.4
Tax rate	35.8	32.4		35.4		35.1	32.3	31.4

Company Description

MHRL is a leading player in leisure and hospitality sector in India and offers a unique vacation ownership model to Indian consumers with resorts spread across India and abroad. Company provides holiday resorts over a period of time to members by charging an upfront membership fee and an annual charge, while retaining the title of the property. Members can avail a week of holiday annually for 25 continuous years, across any of the resorts based on certain preconditions. The company uses the upfront membership fee charged from members to build resorts. The company has almost 180,000 members spread across different membership schemes.

Club Mahindra is the flagship brand of the company along with Club Mahindra Fundays and Club Mahindra Travel. MHRL has also invested and now owns 86.4% stake (18.8% earlier) in Holiday Club resorts, Finland. Holiday Club offers conventional vacation ownership program and also engages in resort management contracts earning fee from managing resorts.

Investment Theme

Domestic Tourism boom: MHRL with its unique business model is in a sweet spot to gain from growth in the Indian domestic tourism.

Rising Resort level Income: Rising food & beverage and holiday activity revenue from members will increase profitability at resort level.

Asset ownership: Ownership rights of resort property partly financed with upfront payment from members lies with MHRL.

Key Risks

Low net member addition: New member addition member cancellations and consumer dissatisfaction are some of the factors that could provide risk to our estimates.

Aggressive accounting policy: Company follows an aggressive revenue recognition policy with 60% revenue being recognized upfront and services being offered over 25 years.

Financial Statements

Key Assumptions

Year to March	FY16	FY17	FY18E	FY19E
Macro				
GDP(Y-o-Y %)	7.2	6.5	7.1	7.7
Inflation (Avg)	4.9	4.8	5.0	5.2
Repo rate (exit rate)	6.8	6.3	6.3	6.3
USD/INR (Avg)	65.0	67.5	67.0	67.0
Company				
Net members added (#)	16,185	18,420	20,815	23,312
Resorts operational (#)	45	49	53	57
Net rooms addition (#)	63	273	259	386
Members: Room ratio (x)	67	66	67	66
Occupancy (%)	81.0	85.0	82.5	82.5
Room nights occupied (#)	742,685	861,227	947,551	1,040,688
Adm.fees/member (INR mn)	0.3	0.4	0.4	0.4
Ad spend/member (INR mn)				
Capex/net room (INR mn)	6	7	7	8
Tax rate (%)	32.4	35.0	32.0	31.0
Dividend payout (%)	50.7	35.9	28.9	22.4
Capex (INR bn)	2	2	2	4
Debtors (% of revenues)	94.2	90.2	97.8	94.7
Dep. (% gross block)	6.2	4.5	4.7	4.7
Yield on cash	28.8	35.8	12.0	15.0

Income statement

(INR mn)

Year to March	FY16	FY17	FY18E	FY19E
Net revenue	16,021	22,822	24,451	26,641
Employee costs	3,622	5,128	5,433	5,992
S&M expenses	2,515	3,328	3,647	4,076
Other Expenses	7,251	11,147	11,780	12,532
Operating expenses	13,389	19,603	20,860	22,600
EBITDA	2,633	3,219	3,591	4,040
Depreciation	976	1,059	1,158	1,311
EBIT	1,657	2,160	2,432	2,729
Add: Other income	108.49	278.32	300.37	390.6
Less: Interest Expense	152	197	208	199
Profit Before Tax	1,614	2,241	2,525	2,920
Less: Provision for Tax	564	786	816	916
Associate profit share	(149)	-	-	-
Reported Profit	868	1,486	1,678	1,971
Adjusted Profit	868	1,486	1,678	1,971
Shares o/s (mn)	88	88	88	88
Basic EPS (INR)	9.9	16.8	19.0	22.3
Diluted shares o/s (mn)	88	88	88	88
Adj. Diluted EPS (INR)	9.9	16.8	19.0	22.3
Adjusted Cash EPS	21.6	28.8	33.7	38.6
Dividend per share (DPS)	5.0	5.0	5.5	5.0
Dividend Payout Ratio(%)	50.7	35.9	28.9	22.4

Common size metrics

Year to March	FY16	FY17	FY18E	FY19E
Operating expenses	83.6	85.9	85.3	84.8
EBITDA margins	16.4	14.1	14.7	15.2
EBIT margins	10.3	9.5	9.9	10.2
Net Profit margins	5.4	6.5	6.9	7.4

Growth ratios (%)

Year to March	FY16	FY17	FY18E	FY19E
Revenues	97.3	42.4	7.1	9.0
EBITDA	46.0	22.3	11.6	12.5
Adjusted Profit	(11.0)	71.2	12.9	17.5
EPS	(11.1)	70.8	12.9	17.5

Leisure and Travel

Balance sheet		(INR mn)			
As on 31st March	FY16	FY17	FY18E	FY19E	
Share capital	881	882	882	882	
Reserves & Surplus	4,181	5,092	6,182	7,619	
Shareholders' funds	5,061	5,974	7,064	8,502	
Minority Interest	307	283	314	348	
Short term borrowings	112	182	262	262	
Long term borrowings	6,321	6,938	6,400	6,400	
Total Borrowings	6,434	7,120	6,662	6,662	
Long Term Liabilities	17,369	19,255	22,432	25,757	
Def. Tax Liability (net)	(456)	(440)	(304)	(176)	
Sources of funds	28,716	32,191	36,168	41,093	
Gross Block	17,134	16,648	19,009	22,503	
Net Block	12,115	11,577	13,227	15,872	
Capital work in progress	1,472	2,396	2,468	2,477	
Intangible Assets	555	471	664	735	
Total net fixed assets	14,143	14,443	16,360	19,083	
Non current investments	32	65	50	50	
Cash and Equivalents	1,693	3,113	2,656	2,811	
Inventories	3,794	3,954	4,103	4,199	
Sundry Debtors	9,344	10,200	12,918	14,396	
Loans & Advances	1,495	1,435	2,290	2,491	
Other Current Assets	5,298	5,918	6,335	7,433	
Current Assets (ex cash)	19,931	21,507	25,647	28,519	
Trade payable	2,577	2,749	3,352	3,631	
Other Current Liab	4,506	4,187	5,192	5,739	
Total Current Liab	7,083	6,937	8,544	9,370	
Net Curr Assets-ex cash	12,848	14,570	17,102	19,149	
Uses of funds	28,716	32,191	36,168	41,093	
BVPS (INR)	57.5	67.7	80.1	96.4	

Free cash flow		(INR mn)			
Year to March	FY16	FY17	FY18E	FY19E	
Reported Profit	868	1,486	1,678	1,971	
Add: Depreciation	976	1,059	1,158	1,311	
Interest (Net of Tax)	99	128	136	127	
Others	(2,632)	597	586	(187)	
Less: Changes in WC	(2,906)	(1,023)	3	(1,309)	
Operating cash flow	2,217	4,293	3,555	4,531	
Less: Capex	1,712	2,976	3,075	4,034	
Free Cash Flow	506	1,317	481	497	

Peer comparison valuation

Name	Market cap (USD mn)	Diluted P/E (X)		EV / EBITDA (X)		ROAE (%)	
		FY18E	FY19E	FY18E	FY19E	FY18E	FY19E
Mahindra Holidays & Resorts	651	24.9	21.2	12.8	11.4	24.6	24.3
Cox & Kings	593	10.0		6.6		12.2	
EIH Ltd	1,275	65.5	43.6	23.9	18.0	4.7	6.6
Indian Hotels Co Ltd	2,163	67.1	38.2	22.0	18.0	6.3	10.3
Median	-	45.2	40.9	17.4	18.0	9.2	17.3
AVERAGE	-	41.8	34.4	16.3	15.8	11.9	13.7

Source: Edelweiss research

Cash flow metrics		FY16	FY17	FY18E	FY19E
Year to March					
Operating cash flow		2,217	4,293	3,555	4,531
Investing cash flow		(4,415)	(3,123)	(2,288)	(3,644)
Financing cash flow		3,507	(43)	(1,253)	(733)
Net cash Flow		1,309	1,127	14	154
Capex		(1,712)	(2,976)	(3,075)	(4,034)
Dividend paid		(427)	(534)	(587)	(534)

Profitability and efficiency ratios

Year to March	FY16	FY17	FY18E	FY19E
ROAE (%)	14.3	25.0	24.6	24.3
ROACE (%)	17.8	18.7	19.3	19.8
Inventory Days	97	62	60	57
Debtors Days	206	156	173	187
Payable Days	69	67	53	56
Cash Conversion Cycle	234	151	179	188
Current Ratio	3.1	3.5	3.3	3.3
Gross Debt/EBITDA	2.4	2.2	1.9	1.6
Gross Debt/Equity	1.2	1.1	0.9	0.8
Adjusted Debt/Equity	1.7	1.6	1.3	1.1
Net Debt/Equity	0.9	0.7	0.6	0.5
Interest Coverage Ratio	10.9	11.0	11.7	13.7

Operating ratios

Year to March	FY16	FY17	FY18E	FY19E
Total Asset Turnover	0.6	0.7	0.7	0.7
Fixed Asset Turnover	1.3	1.7	1.6	1.6
Equity Turnover	2.5	3.9	3.6	3.3

Valuation parameters

Year to March	FY16	FY17	FY18E	FY19E
Adj. Diluted EPS (INR)	9.9	16.8	19.0	22.3
Y-o-Y growth (%)	(11.1)	70.8	12.9	17.5
Adjusted Cash EPS (INR)	21.6	28.8	33.7	38.6
Diluted P/E (x)	48.0	28.1	24.9	21.2
P/B (x)	8.2	7.0	5.9	4.9
EV / Sales (x)	2.9	2.0	1.9	1.7
EV / EBITDA (x)	17.7	14.3	12.8	11.4
Dividend Yield (%)	1.1	1.1	1.2	1.1

Additional Data

Directors Data

A K Nanda	Non-Executive Chairman	Cyrus J Guzder	Independent Director
Vineet Nayyar	Non-Executive Director	Rohit Khattar	Independent Director
Sridar A Iyengar	Independent Director	Sanjeev Aga	Director
V. S. Parthasarathy	Director	Radhika Shastry	Director
Kavinder Singh	Managing Director & CEO	S. Krishnan	CFO & Whole time Director

Auditors - Deloitte Haskins & Sells

**as per last available data*

Holding - Top 10

	Perc. Holding		Perc. Holding
HDFC Asset Mgmt	5.40	Government Pension Fund - Norway	3.97
Norges Bank Invst Mgmt	3.97	SBI Funds Mgmt	3.42
Sundaram Asset Mgmt	1.52	Reliance Capital Asset Mgmt	1.22
BNP Paribas Asset Mgmt	0.82	PPFAS Asset Mgmt	0.65
Dimensional Fund Advisors	0.51	Principal PNB Asset Mgmt	0.26

**as per last available data*

Bulk Deals

Data	Acquired / Seller	B/S	Qty Traded	Price
10 Mar 2017	Mahindra & Mahindra Ltd	Sell	6658565	412.12
10 Mar 2017	Sbi Mutual Fund	Buy	2892221	410.00
10 Mar 2017	Hdfc Trustee Co.Ltd A/C Hdfc Midcap Opp Fund	Buy	2439000	410.00

**as per last available data*

Insider Trades

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

**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

Aditya Narain

Head of Research

aditya.narain@edelweissfin.com

Coverage group(s) of stocks by primary analyst(s): Leisure and Travel

Cox & Kings, Mahindra Holidays & Resorts

Recent Research

Date	Company	Title	Price (INR)	Recos
2-Feb-17	Mahindra Holidays & Resorts	Unscathed by demonetisation; <i>Result Update</i>	434	Buy
29-Nov-16	Cox and Kings	Currency and Brexit roil show; <i>Result Update</i>	163	Buy
18-May-16	Mahindra Holidays & Resorts	Soft member addition; annuity income spurts; <i>Result Update</i>	422	Buy

Distribution of Ratings / Market Cap

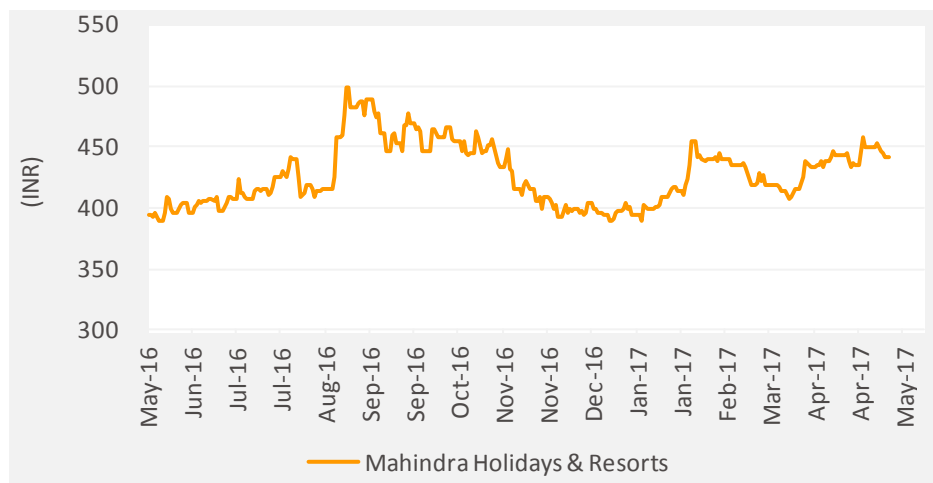
Edelweiss Research Coverage Universe

	Buy	Hold	Reduce	Total
Rating Distribution*	161	67	11	240
* 1stocks under review				
	> 50bn	Between 10bn and 50 bn	< 10bn	
Market Cap (INR)	156	62	11	

Rating Interpretation

Rating	Expected to
Buy	appreciate more than 15% over a 12-month period
Hold	appreciate up to 15% over a 12-month period
Reduce	depreciate more than 5% over a 12-month period

One year price chart



DISCLAIMER

Edelweiss Securities Limited (“ESL” or “Research Entity”) is regulated by the Securities and Exchange Board of India (“SEBI”) and is licensed to carry on the business of broking, depository services and related activities. The business of ESL and its Associates (list available on www.edelweissfin.com) are organized around five broad business groups – Credit including Housing and SME Finance, Commodities, Financial Markets, Asset Management and Life Insurance.

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

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

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

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

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

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

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

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

ESL has financial interest in the subject companies: No

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

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

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

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

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

A graph of daily closing prices of the securities is also available at www.nseindia.com

Analyst Certification:

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

Additional Disclaimers

Disclaimer for U.S. Persons

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

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

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

Disclaimer for U.K. Persons

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

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

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

Disclaimer for Canadian Persons

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

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

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

Disclaimer for Singapore Persons

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

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