

# JAIN IRRIGATION

## GST dampener; guidance maintained

India Equity Research | Midcap Agri

Jain Irrigation (JISL) reported muted Q1FY18 numbers with revenue growing only 1% YoY to INR 16.8bn as all segments reported flat growth or declined impacted by GST-related destocking and deferment. While standalone hi-tech agri revenue grew only 4% YoY to INR4.7bn, consolidated plastic division declined 5% YoY and agro processing declined 12% YoY on lower pick up by major customers like Coke India. EBITDA margin was flat at 14%. On the debt front, excluding the US acquisition (INR3.2bn), net debt fell by INR0.7bn YoY. While management has maintained guidance, we prune FY18 EBITDA growth estimate to 20% (JISL's guidance: 25% YoY growth) and revise FY18/19E EPS down 9/4% to factor in challenges in H1FY18 due to GST in all of the company's major segments. Maintain 'BUY' with revised TP of INR137 (INR142 earlier).

### Q1FY18: Key highlights

1) **Hi-tech agri input segment:** Standalone revenue grew only 4.4% YoY to INR4.7bn spearheaded by tissue culture (up 30% YoY) and exports (up 103% YoY) driven by shipments to Africa. However, project business was impacted by GST (down 47% YoY). The segment's consolidated revenue grew 12.4% YoY. The recent acquisition in US also contributed ~INR1.1bn (USD17.8mn). Excluding this, subsidiary revenue fell 12% YoY; impacted by currency and order execution delay 2) **Agro processing division:** Revenue declined ~12.3% because of lower pick up by Coke India due to proposed GST rollout and also due to INR appreciation; 3) **Plastic division:** Consolidated revenue declined ~4.8% primarily on account of sluggish demand (reduction in inventories with dealers) due to proposed GST rollout in India. However, plastic sheet business grew ~16.8%, predominantly in the US market; 4) net debt increased by ~INR4.5bn QoQ on account of the US acquisition (INR3.2bn) and seasonal requirement in agro processing business. Excluding the impact of the acquisition, net debt fell by INR0.7bn YoY.

### Outlook and valuations: GST dents performance; maintain 'BUY'

While management has maintained its guidance despite muted Q1FY18 performance, we have lowered our FY18E EBITDA growth to 20% and revised FY18/19E EPS down 9/4% to factor in challenges in H1FY18 due to GST in all of the company's major segments. We value JISL based on 15x FY19E EPS, yielding revised target price of INR137 (INR142 earlier). We maintain 'BUY'.

#### Financials (Consolidated)

(INR mn)

Year to March	Q1FY18	Q1FY17	% change	Q4FY17	% change	FY16	FY17	FY18E
Net revenues	16,812	16,601	1.3	22,316	(24.7)	63,222	67,698	81,999
EBITDA	2,343	2,377	(1.4)	3,452	(32.1)	8,183	9,402	11,320
Adjusted PAT	443	585	(24.2)	771	(42.5)	484	1,695	3,671
Adj. EPS (INR)	0.9	1.2	(24.7)	1.6	(42.5)	0.9	3.1	6.3
Diluted P/E (x)						32.1	14.4	10.4
EV/EBITDA (x)						8.5	7.0	5.8
ROAE (%)						4.2	9.1	10.9

#### EDELWEISS RATINGS

Absolute Rating	BUY
Investment Characteristics	Growth

#### MARKET DATA (R: JAIR.BO, B: JI IN)

CMP	: INR 95
Target Price	: INR 137
52-week range (INR)	: 120 / 76
Share in issue (mn)	: 460.2
M cap (INR bn/USD mn)	: 45 / 700
Avg. Daily Vol. BSE/NSE ('000)	: 6,082.8

#### SHARE HOLDING PATTERN (%)

	Current	Q4FY17	Q3FY17
Promoters *	30.7	30.7	30.7
MF's, FI's & BKs	7.3	5.9	5.4
FII's	41.5	42.0	42.7
Others	20.5	21.4	21.3
* Promoters pledged shares (% of share in issue)	:		2.9

#### PRICE PERFORMANCE (%)

	BSE Midcap Index	Stock	Stock over Index
1 month	0.6	(10.1)	(10.7)
3 months	1.6	(4.1)	(5.7)
12 months	19.8	21.7	1.9

#### Rohan Gupta

+91 22 4040 7416  
rohan.gupta@edelweissfin.com

#### Nihal Mahesh Jham

+91 22 6623 3352  
nihal.jham@edelweissfin.com

August 16, 2017

### Q1FY18 Concall highlights:

#### Q1FY18:

- Higher depreciation on revaluation on assets due to IND-AS. Employee expenses were higher due to increments last year, which were from July of last year.
- In other expenses, freight jumped by INR70mn, repairs by INR40mn, dealer commission by INR60mn and debtor provisioning by INR60mn
- Domestic MIS sales were good in Rajasthan and Gujarat, but Maharashtra, AP and Karnataka were muted. Expects to recover this by H2FY18.

#### GST:

- Pipe 18% (neutral).
- Agro processing 12% (neutral).
- GST on MIS has come in higher than before at 18%. While 12% will be neutral rate, JISL and industry are trying for 5-6% rate. This will lead to a pricing increase as of now.

#### MIS:

- **Sugarcane opportunity:**
  - Positive impact of sugar business will flow only come from Q3/Q4 once sugar planting starts.
  - JISL has majority market share in Maharashtra.
  - It also has good relations with the farming community. This is likely to drive the retail business in Maharashtra.
  - JISL does not need capacity addition to service this demand.
  - If these installations starts by late October-early November, it could be a INR2-3bn opportunity.
  - Typically, sugarcane has been 1/3<sup>rd</sup> of the retail MIS business.
  - In terms of working capital investment, the model for this will be similar to cash and carry.
  - This business in a short time requires significant capacity. Also, needs good relations with sugarcane inspectors, factory etc. Only 2-3 companies have been able to execute this earlier.
- Exports to Tanzania are part of a large project there. Even in ensuing quarters, JISL expects exports to remain strong.
- **International MIS:**
  - 2 businesses, one in Israel and one in US.
  - During Q1FY18, Israel currency became strong versus a basket of currencies.
  - This led to 2.0-2.5% currency impact.
  - This was a reasonably ordinary quarter for the international MIS business.
  - For the balance year, JISL expects the currency impact to wane. Also, some projects will hit the revenue booking threshold.

- Is building 10% organic revenue growth in the exports business. The US acquisition will be over and above that.

- Guided range of EBITDA margin in MIS is 20-22%.

### **Debt:**

- Continues to focus on balance sheet. Looking at debt: EBITDA of 3x by end of this year.
- Most of the FCF generation happens only in Q2.
- Currently, the company has adequate level of USD earning for its USD related debt liabilities.
- In Q4FY17, company had positive cash flow post WC. In Q1FY18, cash flow generation will be negative.
- Expects interest cost/rate to come down by Q3FY18.

### **Food processing business:**

- Export growth was strong, but domestic business was impacted by GST.
- Some orders have been postponed. Therefore, JISL remains confident of 20% revenue growth.
- Onion growth was sharp, but overall food was muted.
- The company is looking at investing in spices. It will start contributing from Q4FY18.
- JISL is planning enter the orange juice concentrate market. Will start investment from H2FY18.
- On the retail front, has more than 100,000 retail stores, distributors in each state, has tie-ups with 8 large modern retail formats.
- Global level EBITDA in the food business has been around 13%.

### **Others:**

#### ● **Solar business**

- Solar water pumps used in agriculture. Captured in MIS business. It has been doing well in this segment. JISL is looking at 40% growth.
- There is a possibility in the future of this business going retail as prices are coming down and farmers may be able to afford.
- JISL is not focusing on solar panels and street lights.

### **Guidance:**

- Looking at 25% EBITDA growth in FY18.
  - MIS: >60%, followed by food & pipe business.
- Looking at capex of INR3bn. IN1bn is maintenance capex. This excludes the acquisition payment.

## Financial snapshot

(INR mn)

Year to March	Q1FY18	Q1FY17	% change	Q4FY17	% change	FY17	FY18E	FY19E
Net revenues	16,812	16,601	1.3	22,316	(24.7)	67,698	81,999	93,662
Raw material	8,292	8,946	(7.3)	12,123	(31.6)	35,947	45,177	51,485
Staff costs	2,128	1,662	28.0	1,953	9.0	7,383	8,610	9,835
Other expenses	4,049	3,616	12.0	4,788	(15.4)	14,966	16,892	19,294
Total expenditure	14,469	14,224	1.7	18,864	(23.3)	58,296	70,678	80,614
EBITDA	2,343	2,377	(1.4)	3,452	(32.1)	9,402	11,320	13,048
Depreciation	851	687	23.9	845	0.7	3,014	3,054	3,245
EBIT	1,492	1,690	(11.7)	2,607	(42.8)	6,389	8,267	9,804
Other income	133	89	49.6	113	17.9	612	643	675
Interest	1,155	1,086	6.4	1,141	1.3	4,594	4,146	3,580
Profit before tax	470	693	(32.2)	1,580	(70.2)	2,407	4,764	6,898
Provision for taxes	6	84	(92.8)	809	(99.2)	667	905	1,311
Minority interest	-	-	-	-	-	68	188	235
Associate profit share	-	-	-	-	-	23	-	-
Profit- Discontinued Ops								
Exceptional Items								
Reported net profit	443	585	(24.2)	771	(42.5)	1,695	3,671	5,353
Adjusted Profit	443	585	(24.2)	771	(42.5)	1,695	3,671	5,353
Diluted shares (mn)	479	477		479		552	586	586
Adjusted Diluted EPS	0.9	1.2	(24.7)	1.6	(42.5)	3.1	6.3	9.1
Diluted P/E (x)	-	-		-		31.3	15.3	10.5
EV/EBITDA (x)	-	-		-		8.4	7.1	5.7
ROAE (%)	-	-		-		4.2	8.4	10.6
<b>As % of net revenues</b>								
Raw material	49.3	53.9		54.3		53.1	55.1	55.0
Employee cost	12.7	10.0		8.8		10.9	10.5	10.5
Other expenses	24.1	21.8		21.5		22.1	20.6	20.6
EBITDA	13.9	14.3		15.5		13.9	13.8	13.9
Reported net profit	2.6	3.5		3.5		2.5	4.5	5.7

## Change in Estimates

	FY18E			FY19E			Comments
	New	Old	% change	New	Old	% change	
Net Revenue	81,999	85,924	(4.6)	93,662	96,405	(2.8)	
EBITDA	11,320	11,735	(3.5)	13,048	13,302	(1.9)	
EBITDA Margin	13.8	13.7		13.9	13.8		
Adjusted PAT	3,671	4,011	(8.5)	5,353	5,563	(3.8)	
Net Profit Margin	4.7	4.9		6.0	6.0		
Capex	6,328	6,661	(5.0)	2,458	2,515	(2.3)	

## Company Description

Established in 1986, Jain Irrigation Systems (JISL) is currently the world's second largest and India's largest micro irrigation company. It has four major business divisions—micro irrigation systems (MIS), piping systems, agro processing, and plastic sheets. Apart from these, it also derives a minor portion of revenues from tissue culture, hybrid & grafted plants, and solar devices. In FY12, at a consolidated level, MIS revenue share was at 54%, piping products at 20%, agro processed products at 17%, plastic sheets at 4% and others at 5%. JISL has a global presence in more than 100 countries with a robust dealer and distribution network; it has 24 plants and employs over 6,000 people. JISL has been named by Standard & Poor's in May 2007 as one of the eight Indian companies expected to emerge as challengers to the world's leading companies.

## Investment Theme

India is likely to have an opportunity of ~INR 450 bn under micro irrigation over the next six to seven years. JISL stands to gain the most, being the market leader in this space. Standalone sales of JISL's MIS segment have posted a CAGR of 56% during 2005-12. While JISL is currently sacrificing some growth to rationalise their high receivables in MIS, we expect JISL to get multiple re-rating from the point when it shows improvement in working capital cycle by lowering the receivables and commencing the proposed NBFC.

## Key Risks

Withdrawal of subsidies for micro irrigation is a key risk that could cause JISL's growth rates to slow down drastically.

Poor monsoon, seasonality and cyclical nature of agriculture could impact the company's agro-processing division by hitting the availability as well as prices of agro commodities. Though poor monsoon is unlikely to impact MIS in the short term, in case of recurring monsoon failure, the segment's growth may slow down.

Competition from the unorganized sector as well as supply from China may impact the MIS business. However, only from the context of manufacturing MIS systems, it is a low entry barrier business, and competencies needed to manage the inherent issues of weather, dealing with government, small holdings by Indian farmers etc., limit the scope of most players in the Indian MIS market.

Most of JISL's activities are working capital intensive, which may constrain the company from achieving targeted growth.

USD/INR volatility may impact export revenues as well as margins. As the company is having high D/E, interest rate tightening may impact profitability.

## Financial Statements

## Key Assumptions

Year to March	FY16	FY17	FY18E	FY19E
<b>Macro</b>				
GDP(Y-o-Y %)	7.2	6.5	7.1	7.7
Inflation (Avg)	4.9	4.5	4.0	4.5
Repo rate (exit rate)	6.8	6.3	5.8	5.8
USD/INR (Avg)	65.0	67.5	66.0	66.0
<b>Company</b>				
Raw Material (% net rev)	55.2	53.1	55.1	55.0
Employee cost (% of rev)	10.5	10.9	10.5	10.5
Other exp (% net rev)	21.3	22.1	20.6	20.6
MIS revenue growth (%)	(1.2)	11.2	30.3	15.0
Piping prod rev gwth (%)	9.7	13.4	6.0	14.2
Agro-proc. rev gwth (%)	6.5	4.9	19.8	14.1
Net borrowings (INR mn)	33,368	31,886	29,776	23,895
Capex (INR mn)	22,884	2,492	6,328	2,458
Debtor days	119	120	105	100
Inventory days	197	215	188	179
Payable days	141	146	127	125
Cash conversion cycle	175	189	166	154
Dep. (% gross block)	5.8	4.7	4.5	4.5

## Income statement

(INR mn)

Year to March	FY16	FY17	FY18E	FY19E
Net revenue	63,222	67,698	81,999	93,662
Materials costs	34,890	35,947	45,177	51,485
Gross profit	28,332	31,751	36,822	42,177
Employee costs	6,664	7,383	8,610	9,835
Other Expenses	13,485	14,966	16,892	19,294
Operating expenses	20,149	22,349	25,502	29,129
EBITDA	8,183	9,402	11,320	13,048
Depreciation	2,970	3,014	3,054	3,245
EBIT	5,213	6,389	8,267	9,804
Add: Other income	332.8	612.00	642.6	674.73
Less: Interest Expense	4,910	4,594	4,146	3,580
Profit Before Tax	635	2,407	4,764	6,898
Less: Provision for Tax	181	667	905	1,311
Less: Minority Interest	3	68	188	235
Associate profit share	32	23	-	-
Reported Profit	484	1,695	3,671	5,353
Adjusted Profit	484	1,695	3,671	5,353
Shares o/s (mn)	477	479	513	513
Basic EPS (INR)	1.0	3.5	7.2	10.4
Diluted shares o/s (mn)	549	552	586	586
Adj. Diluted EPS (INR)	0.9	3.1	6.3	9.1
Adjusted Cash EPS	7.2	9.8	13.1	16.8
Dividend per share (DPS)	0.5	0.6	0.7	0.7
Dividend Payout Ratio(%)	61.3	17.0	9.8	6.7

## Common size metrics

Year to March	FY16	FY17	FY18E	FY19E
Operating expenses	31.9	33.0	31.1	31.1
Gross margin	44.8	46.9	44.9	45.0
Interest Expense	7.8	6.8	5.1	3.8
EBITDA margins	12.9	13.9	13.8	13.9
EBIT margins	8.2	9.4	10.1	10.5
Net Profit margins	0.8	2.6	4.7	6.0

## Growth ratios (%)

Year to March	FY16	FY17	FY18E	FY19E
Revenues	2.8	7.1	21.1	14.2
EBITDA	(4.4)	14.9	20.4	15.3
PBT	(65.4)	279.0	97.9	44.8
Adjusted Profit	(76.7)	250.3	116.6	45.8
EPS	(79.4)	248.4	104.2	45.8

Balance sheet		(INR mn)			
As on 31st March	FY16	FY17	FY18E	FY19E	
Share capital	953	959	1,026	1,026	
Reserves & Surplus	39,690	40,619	46,391	53,845	
Shareholders' funds	40,643	41,578	47,417	54,872	
Minority Interest	1,025	1,089	1,277	1,512	
Short term borrowings	21,315	12,348	12,348	10,348	
Long term borrowings	16,198	22,199	22,199	20,199	
Total Borrowings	37,513	34,547	34,547	30,547	
Long Term Liabilities	1,253	1,269	1,269	1,269	
Def. Tax Liability (net)	3,186	3,394	3,394	3,394	
<b>Sources of funds</b>	<b>83,620</b>	<b>81,876</b>	<b>87,904</b>	<b>91,593</b>	
Gross Block	62,547	64,781	70,931	73,273	
Net Block	44,351	43,572	46,668	45,765	
Capital work in progress	604	642	820	937	
Intangible Assets	3,976	4,203	4,203	4,203	
Total Fixed Assets	48,931	48,417	51,691	50,904	
Non current investments	707	1,068	1,068	1,068	
Cash and Equivalents	4,145	2,661	4,771	6,652	
Inventories	19,064	23,196	23,336	27,142	
Sundry Debtors	21,743	22,822	24,559	26,934	
Loans & Advances	891	937	937	937	
Other Current Assets	10,686	10,965	10,965	10,965	
Current Assets (ex cash)	52,383	57,920	59,797	65,978	
Trade payable	13,405	15,380	16,114	19,200	
Other Current Liab	9,143	12,810	13,310	13,810	
Total Current Liab	22,548	28,191	29,424	33,010	
Net Curr Assets-ex cash	29,836	29,729	30,373	32,968	
<b>Uses of funds</b>	<b>83,620</b>	<b>81,876</b>	<b>87,904</b>	<b>91,593</b>	
BVPS (INR)	85.3	86.7	92.4	107.0	

Free cash flow		(INR mn)			
Year to March	FY16	FY17	FY18E	FY19E	
Reported Profit	484	1,695	3,671	5,353	
Add: Depreciation	2,970	3,014	3,054	3,245	
Interest (Net of Tax)	3,290	3,078	2,778	2,399	
Others	1,769	2,161	1,368	1,181	
Less: Changes in WC	(2,844)	(106)	644	2,595	
Operating cash flow	11,357	10,053	10,226	9,583	
Less: Capex	22,884	2,492	6,328	2,458	
<b>Free Cash Flow</b>	<b>(11,528)</b>	<b>7,561</b>	<b>3,899</b>	<b>7,125</b>	

Cash flow metrics		FY16	FY17	FY18E	FY19E
Year to March					
Operating cash flow		11,357	10,053	10,226	9,583
Investing cash flow		(23,180)	(2,447)	(6,140)	(2,223)
Financing cash flow		9,189	(8,319)	(1,977)	(5,479)
Net cash Flow		(2,634)	(713)	2,110	1,881
Capex		(22,884)	(2,492)	(6,328)	(2,458)
Dividend paid		(287)	(346)	(432)	(432)

Profitability and efficiency ratios		FY16	FY17	FY18E	FY19E
Year to March					
ROAE (%)		1.5	4.2	8.4	10.6
ROACE (%)		7.8	9.0	11.1	12.3
ROA		0.7	2.0	4.3	6.0
Inventory Days		197	215	188	179
Debtors Days		119	120	105	100
Payable Days		141	146	127	125
Cash Conversion Cycle		175	189	166	154
Current Ratio		2.5	2.1	2.2	2.2
Gross Debt/EBITDA		4.6	3.7	3.1	2.3
Gross Debt/Equity		0.9	0.8	0.7	0.5
Adjusted Debt/Equity		0.9	0.8	0.7	0.5
Net Debt/Equity		0.8	0.7	0.6	0.4
Interest Coverage Ratio		1.1	1.4	2.0	2.7

Operating ratios		FY16	FY17	FY18E	FY19E
Year to March					
Total Asset Turnover		0.9	0.8	1.0	1.0
Fixed Asset Turnover		1.7	1.4	1.7	1.9
Equity Turnover		2.0	1.6	1.8	1.8

Valuation parameters		FY16	FY17	FY18E	FY19E
Year to March					
Adj. Diluted EPS (INR)		0.9	3.1	6.3	9.1
Y-o-Y growth (%)		(79.4)	248.4	104.2	45.8
Adjusted Cash EPS (INR)		7.2	9.8	13.1	16.8
Diluted P/E (x)		107.8	30.9	15.1	10.4
P/B (x)		1.1	1.1	1.0	0.9
EV / Sales (x)		1.3	1.2	1.0	0.8
EV / EBITDA (x)		9.7	8.3	7.0	5.7
Dividend Yield (%)		0.5	0.6	0.7	0.7

## Additional Data

### Directors Data

Ashok B. Jain	Chairman	Anil B. Jain	Vice Chairman & Managing Director
Ajit B. Jain	Joint Managing Director	Atul B. Jain	Joint Managing Director
R. Swaminathan	Director - Technical	Devendra Raj Mehta	Director
Ghanshyam Dass	Director	Radhika Pereira	Director
Vasant V. Warty	Director	Harishchand Prasad Singh	Director

Auditors - Haribhakti & Co.

*\*as per last available data*

### Holding Top -10

	Perc. Holding		Perc. Holding
Dimensional Fund Advisors	3.55	MKCP Institutional Investor	2.52
College Retirement Equities Fund	3.45	Manulife Financial Corp	1.81
Franklin Resources	3.32	TIAA Cref International Equities Fund	1.74
JAF Products Ltd	3.06	SR Global	1.74
International Finance Corp	2.86	Morgan Stanley	1.58

*\*as per last available data*

### Bulk Deals

Data	Acquired / Seller	B/S	Qty Traded	Price
30 Mar 2017	Citigroup Global Markets Mauritius Pvt Ltd	Sell	5220000	93.05
23 Feb 2017	Nomura Singapore Ltd	Sell	3379000	93.59
14 Sep 2016	Tiaa-Cref Funds-Tiaa-Cref Emerging Markets Equity Fund	Buy	3300060	93.44
14 Sep 2016	College Retirement Equities Fund Stock Account	Sell	3848210	92.68

*\*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](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):**

Bayer Cropscience, Dhanuka Agritech, Jain Irrigation, PI Industries, Rallis India, Sharda Cropchem, UPL

**Recent Research**

Date	Company	Title	Price (INR)	Recos
11-Aug-17	<b>Dhanuka Agritech</b>	GST impacts growth; guidance maintained; <i>Result Update</i>	758	Buy
16-Oct-09	<b>TCS</b>	Firing on all cylinders again; <i>Result Update</i>	598	Buy
21-May-09	<b>Mphasis</b>	Continuing to ride on parentage; <i>Result Update</i>	285	Buy

**Distribution of Ratings / Market Cap**

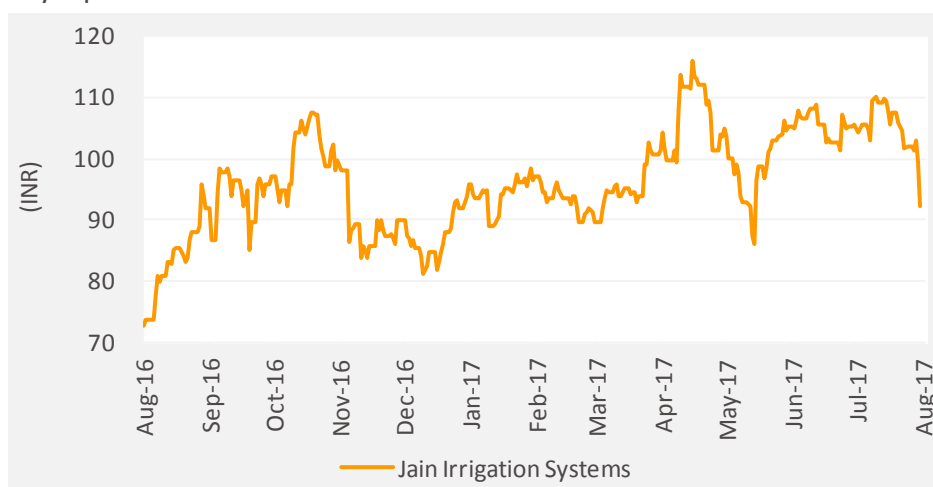
Edelweiss Research Coverage Universe

	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
<b>Buy</b>	appreciate more than 15% over a 12-month period
<b>Hold</b>	appreciate up to 15% over a 12-month period
<b>Reduce</b>	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