

RELIANCE CAPITAL

Reliance Home Finance: A deep dive into business model

India Equity Research | Banking and Financial Services

Reliance Home Finance is set to be listed and in this context we met Mr. Ravindra Sudhalkar, CEO, Reliance Home Finance (RHF), to gain insights in the company's performance on critical parameters and its strategy going ahead. Key takeaways: (1) focus on retail home loans to sustain riding government's housing push (to rise to 60% over 2 years from 54% currently). This, along with niche in self employed LAP segment, will sustain growth momentum. Expects to cross INR500bn AUM by FY20 (INR130bn as on FY17); (2) focus on cost rationalisation along with digital leverage will help cut cost. Targeting to cut cost/income to <25% (>40% in Q1FY18); and (3) strong credit appraisal & monitoring systems will ensure stable/improving asset quality. Focus on better quality book will ensure better risk adjusted margin. In essence, RHF is targeting RoA of >1.5%.

Huge opportunistic play: Growth momentum to sustain

Management aims to capitalise on the affordable housing opportunity (19% of AUM), while maintaining optimal product mix, capitalising on its niche in the self-employed/LAP segment (21% of AUM). Simultaneously, while RHF intends to maintain proportion of project finance (23% currently), focus will sharpen on cross-sell opportunities and also building retail pipeline. The company's target is to boost AUM by >50% over FY17-20E, taking overall AUM to INR500bn (INR130bn in FY17).

Business demerger will ensure sharper focus

The demerger of the home finance business along with separate listing (record date of September 6, 2017) will entail sharper focus (pointed business targets) and more efficient capital allocation. Large opportunistic landscape and reinvigorated management team will help RHF sustain growth momentum and attain superior return ratios.

Outlook: Riding huge opportunities; maintain 'BUY'

Given the huge opportunities in the housing segment (under-penetration /government/regulator support), we believe there is immense scope for RHF to sustain/improve growth momentum. The business is currently high growth average margins business. While cost ratios (>40% in Q1FY18) are currently taking a toll on returns, scaling business along with cost focus (efficient cost allocation and digital initiatives) will help the company improve cost ratios and, consequently, improve returns profile (take RoA to 1.5% levels versus current 1% levels) while asset quality continues to be stable given strong risk management framework.

Financials

	(INR mn)			
Year to March	FY14	FY15	FY16	FY17
Net revenue	1,563	1,982	2,789	3,609
Net profit	434	691	868	1,726
Networth	4,643	5,333	6,201	10,985
RoA (%)	NA	1.7	1.5	2.0
ROE (%)	NA	13.8	15.0	20.1

EDELWEISS 4D RATINGS

Absolute Rating	BUY
Rating Relative to Sector	Performer
Risk Rating Relative to Sector	Medium
Sector Relative to Market	Overweight

MARKET DATA (R: RLCP.BO, B: RCAPT IN)

CMP	: INR 857
Target Price	: INR 871
52-week range (INR)	: 880 / 407
Share in issue (mn)	: 252.7
M cap (INR bn/USD mn)	: 216 / 3,388
Avg. Daily Vol.BSE/NSE('000)	: 3,840.1

SHARE HOLDING PATTERN (%)

	Current	Q4FY17	Q3FY17
Promoters *	52.0	52.0	52.0
MF's, FI's & BK's	12.1	12.2	11.7
FII's	18.1	17.5	17.4
Others	17.8	18.3	18.8
* Promoters pledged shares (% of share in issue)	:	NIL	

PRICE PERFORMANCE (%)

	Stock	Nifty	EW Banks and Financial Services Index
1 month	8.5	(1.3)	(1.9)
3 months	41.4	2.7	4.1
12 months	47.6	13.0	22.7

Kunal Shah

+91 22 4040 7579
kunal.shah@edelweissfin.com

Nilesh Parikh

+91 22 4063 5470
nilesh.parikh@edelweissfin.com

Prakhar Agarwal

+91 22 6620 3076
prakhar.agarwal@edelweissfin.com

Malav Simaria

+91 22 6623 3357
malav.simaria@edelweissfin.com

September 4, 2017

Banking and Financial Services

Table 1: Comparative snapshot

	AUM (INR bn)	AUM Gr. (%)	Composition (%)	Segment Comp. (%)	Sourcing (%)	ATS (INR mn)	NIMs (%)	Spreads (%)	GNPAs (%)	CAR (%)				
HDFC	3,557	FY17	16 Individuals	72	HDFC Sales	50	2.6	FY17	3.2	Total -2.29	1.1	14.7		
		FY16	15 Corporate	7	HDFC Bank	27		FY16	3.3	Ind. -1.9				
		FY15	16 Construction Finance Lease Rental Discounting	13 8	Other DSAs Direct Walk-ins	17 6		FY15	3.4	Non-Ind. -3.18				
LIC Housing	1,471	FY17	15 Retail Home Loans	83	Salaried	84	HLA	63	2.1 *	FY17	2.8	2.18 *	0.7	15.6 ^
		FY16	16 Retail LAP/Non Core	13	Self-Emp.	16	DSA	17		FY16	2.6			
		FY15	19 Developer Loans	4			CRA	7		FY15	2.3			
Indiabulls Housing	945	FY17	33 Mortgage Loans	78			Direct Sales Team	65	HL -2.4	FY17	4.1	3.24	0.8	20.9 ^
		FY16	31 HL	57			External Channels	10	LAP -7.3	FY16	4.4			
		FY15	27 LAP Corporate Mortgage Loans	22 22			Branch Walk-ins e-Home loans	5 20		FY15	4.5			
Dewan Housing	882	FY17	20 Home Loans	66	Self-Emp.	50			1.4 **	FY17	2.6		1.0	18.7
		FY16	22 LAP	17	Salaried	50				FY16	2.8			
		FY15	27 Project Finance SME	15 3						FY15	2.8			
PNB Housing	468	FY17	51 Individual Housing	59	Salaried	41	In-House	66	Ind. Hous. -3.1	FY17	3.0	2.14	0.4	20.3
		FY16	59 Construction Finance	11	Self-Emp.	39	DSA	34	Non-Hous. -7.9	FY16	3.1			
		FY15	63 LAP LRD Non-residential Premises Corporate Term	16 6 4 5	Corporate	20				FY15	3.0			
Can Fin Homes	138	FY17	25 Housing	89	Salaried	75			Housing -1.8	FY17	3.5	2.75	0.4	19.2
		FY16	29 Non-Housing	11	Others	25			Non-Hous. -0.9	FY16	3.2			
		FY15	41						FY15	2.5				
Reliance Home	130	FY17	52 Home Loan	35	Salaried	22	DST	39		FY17	3.4		0.8	
		FY16	28 Affordable Housing	19	Self-Emp.	78	DSA	61		FY16	4.2			
		FY15	53 LAP Construction Finance	21 23						FY15	4.5			
Repco Home	90	FY17	16 Individual Home	80	Salaried	40			1.4	FY17	4.5	2.90	4.0	
		FY16	28 LAP	20	Others	60				FY16	4.5			
		FY15	29							FY15	4.5			

Source: Company

Note: Data as of Q1FY18. * Incremental, ** Q1FY18, ^ FY17

Table 2: Comparative valuation snapshot

(INR)	FY18E							FY19E						
	HDFC	LICHF	IHFL	DHFL	PNBH	CANFIN	REPCO	HDFC	LICHF	IHFL	DHFL	PNBH	CANFIN	REPCO
EPS	43.1	41.0	80.8	35.7	44.1	111.4	33.5	50.5	45.7	97.7	41.1	56.6	141.9	41.0
BVPS	215.8	254.5	311.0	278.2	371.4	567.0	211.9	243.4	294.4	356.3	304.5	428.1	703.4	248.8
RoE (%)	19.9	18.8	27.3	13.8	12.4	23.3	17.0	20.9	18.4	29.3	14.5	13.9	22.6	17.8
P/E (x)	21.9	16.6	15.1	14.5	36.8	25.9	19.3	18.7	14.9	12.5	12.6	28.7	20.3	15.8
P/BV (x)	4.4	2.7	3.9	1.9	4.4	5.1	3.0	3.5	2.3	3.4	1.7	3.8	4.1	2.6

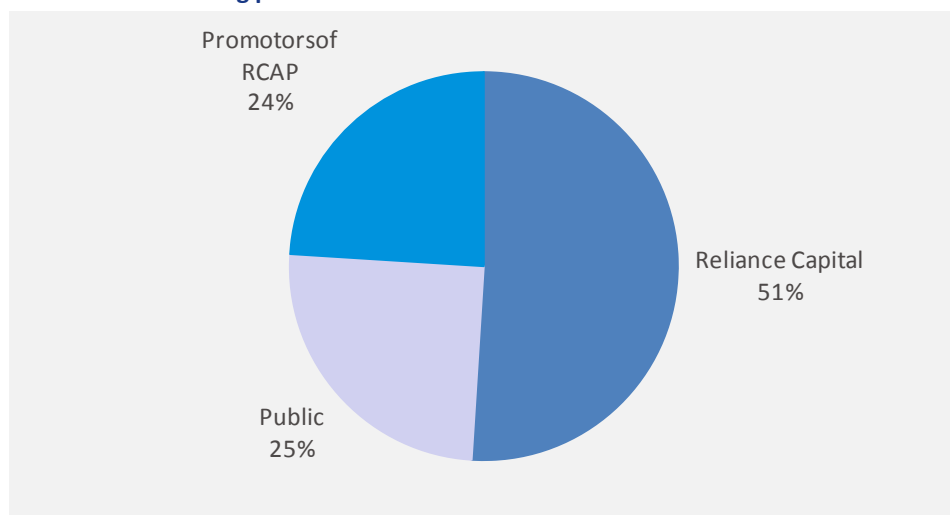
Source: Edelweiss research, Bloomberg

Note: Consensus estimates for PNB Housing and Can Fin Homes

Demerger & listing with reinvigorated team to ensure sharper focus

According to the scheme of de-merger all shareholders of Reliance Capital will receive one free share of Reliance Home Finance for one share held in Reliance Capital. Consequently, RHF post listing, will be a subsidiary of Reliance Capital (51% stake; refer chart 1 for shareholding pattern). This, along with reinvigorated management team under the baton of Mr. Ravindra Sudhalkar, will ensure sharper business focus.

Chart 1: Shareholding pattern



Source: Company

Table 3: Key Management personnel...

Name	Designation	Profile
Ravindra Sudhalkar	Executive Director & CEO	Has over 22 years of experience in Business Development and Sales & Marketing and has been part of Senior Management. Previously working with Aadhar Housing Finance, Kotak Mahindra Bank, ICICI Bank, CanFin Homes, GLFL Housing Finance and GRUH Finance
Sandip Parikh	Chief Financial Officer	Working with the company for over 10 years Over 24 years experience in Financial Control, Accounting, Treasury & Operations
Krishnan Gopalakrishnan	Chief Risk Officer	Working with the company for over 10 years Over 23 years experience in Credit, Operations & Finance
Sashi Kumar Ravulapaty	Chief Technology Officer	Working with the company for over 10 years Over 35 years experience in Technology
Prashant Utreja	Chief Human Resource Officer	Working with the company for over 6 years Nearly over 18 years experience in Plant, Corporate & Business HR roles

Source: Company

Table 3: ...Key Management personnel (cont.)

Name	Designation	Profile
Rahul Sood	Head - Collections	Working with the company from Jan 2017 Over 19 years of experience in Risk, Collections, Business Development , Operational Management Previously worked with Kotak Mahindra Bank, GE
Amit Arora	Business Head	Over 15 years experience in Mortgage Sales, Distribution, Third Party Products Previously worked with Kotak Mahindra Bank, CITI Bank, Standard Chartered Bank, IDFC
Rahul Mehta	Head - Property Solutions Group	Working with the company for over 6 years Over 15 years experience in FMCG & Retail Sales , Real Estate, Property Advisory
Abhishek Roy	Head- Marketing & Digital	Working with the company since April 2017 and with the group for > 3 years Over 9 years experience in Strategic Brand Development & Planning, Campaign Management & Research, Media Planning & Digital Marketing
Reshma Sethi	Head Business Excellence	Working with the company since Feb 2017 and with the group for > 9 years Over 16 years of experience in Business Process Excellence, Lean Six Sigma Projects
Ajith Prabhu	Head - Ops, Customer Service & Credit Administration	Working with the company for over 9 years Nearly over 19 years experience in Business Excellence, Quality, Credit Administration, Project management
Akshay Landge	Head - Legal	Working with the company from March 2017 Over 14 years of experience in Legal & Compliance Previously worked with Kotak Mahindra Bank, NKGSB Bank

Source: Company

Structural drivers + Government/regulatory support = Sustained growth

Table 4: Strong structural drivers ...

Favorable Demographics	66% of India's population is below 35 years of age. Urban housing requirement estimated to grow to 45 mn units by 2022
Accelerating Urbanization	Urbanisation to rise to 40% of population by 2030 from the present 31%
Improving Affordability	Rising disposable income, affordable housing loan interest rates and tepid property price inflation resulting in rapidly increasing affordability
Government Policy Thrust	Housing for All by 2022; Smart cities plan; Atal Mission for Rejuvenation and Urban Transformation; Pradhan Mantri Awas Yojana (PMAY)

Source: Company

Table 5: ...along with government/regulatory support augurs well for housing finance growth

Pradhan Mantri Awas Yojana (PMAY)	Subsidy eligibility under Pradhan Mantri Awas Yojana (PMAY) enhanced to cover up to INR1.2mn of home loan
EPF Corpus Withdrawal	Homebuyers can withdraw from their accumulated EPF corpus for both the down payment on their house as well as paying their home loan EMIs
Budget 2016-17	100% tax exemption on profits from construction of affordable housing has been increased by a further period of 2 years. This will attract organized developers and increase supply
Regulator	RERA will enable a structured, transparent and disciplined sector
Fiscal Incentives	PMAY projects to be out of purview of GST. Service tax exemption on construction of affordable housing projects will lead to reduction in prices, increasing affordability
7th Pay Commission	Annual payout to 10 Mn government employees has gone to go up by INR1tn per annum. Increased disposable income will have positive impact on the housing sector

Source: Company, Edelweiss research, Public documents

Presence across product spectrum will help it capitalise on opportunities

Table 6: Presence across product segments

Segment	Focus Area for growth	LTV (%)	(%) of AUM	Avg. yield (%)
Home Loan	Self employed & Salaried	55	35	9.5
Affordable Housing	Affordable Housing in Tier I & II cities	62	19	10.4
LAP	Self employed / SME	46	21	11.9
Construction Finance	Developer Finance	28	23	15.2

Management expects to register strong growth in this segment and aims to touch the INR500bn mark by FY20 (currently closer to INR130bn). The 3 target segments include:

- **Affordable housing:** RHF is expanding its portfolio in lower-ticket affordable housing (of 28,200 clients, ~18,000 are affordable housing customers).
- **LAP portfolio:** Increasing sourcing from non-metros and focus on retail segments.
- **Construction finance:** Targetting high quality developers in non-metros with smaller ticket size (<INR100mn).
- Currently, a large part of the book is tilted towards self-employed non-professional (SENP) segment (~80%). However, incrementally, ~40% is being contributed by the salaried segment (key focus area).

Table 7: Key portfolio strengths

	Customer segment	Status
Home Loans	Self employed & salaried individuals	Key growth driver for future with expansion in Tier II & III locations
Affordable Housing	Self employed & salaried individuals	Funding LIG & MIG segment for affordable housing with expansion in Tier II & III locations
LAP	Self Employed & SMEs	Strong operating know-how
Construction funding	Developers	Selective sourcing , High quality (> B+) developers. Looking at co-origination of loans

Source: Company, Edelweiss research

Chart 2: Presence across product spectrum ...

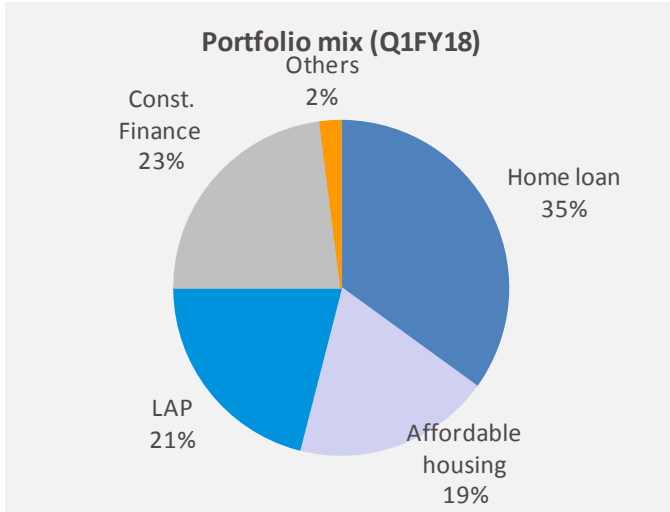
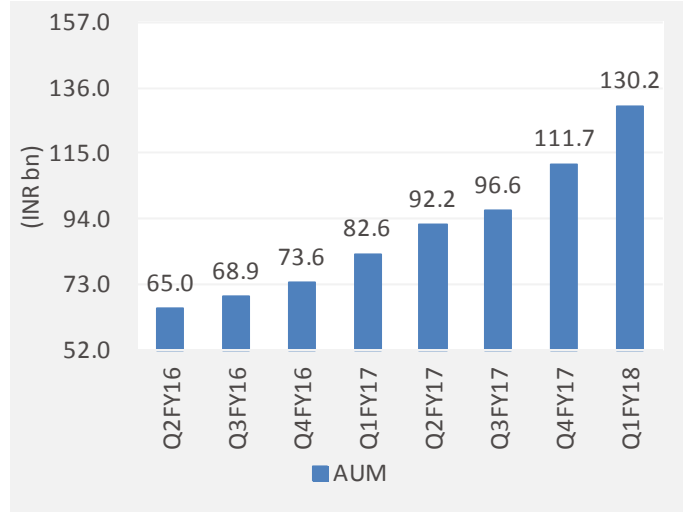


Chart 3: ... helped sustain strong growth momentum



Optimal product mix and funding cost benefit help sustain NIMs

In Q1FY18, RHF reported strong NIMs of 3.9% (3.5% in Q4FY17) largely benefitting from lower funding cost (cost benefit due to lower reliance on bank borrowings, down to 39% in Q1FY18 from 73% in FY16, and higher market borrowings, moved from 8% in FY16 to 31% till Q1FY18). Henceforth, the company aims to maintain margin of 3.4-3.5% as pressure on incremental lending yields crystallises.

Chart 4: Funding cost benefits

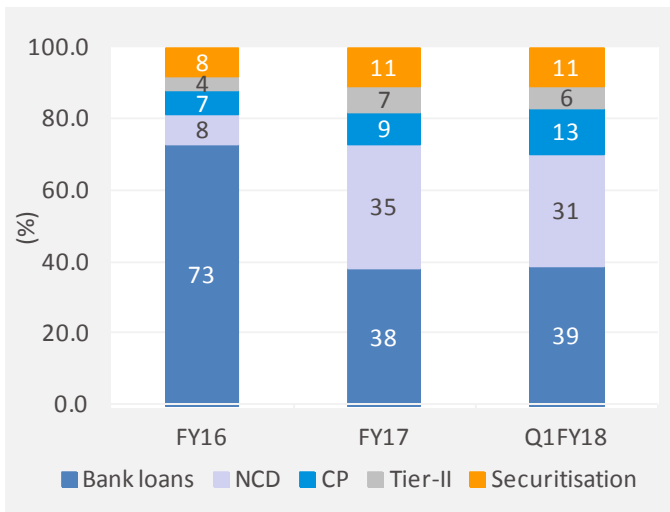
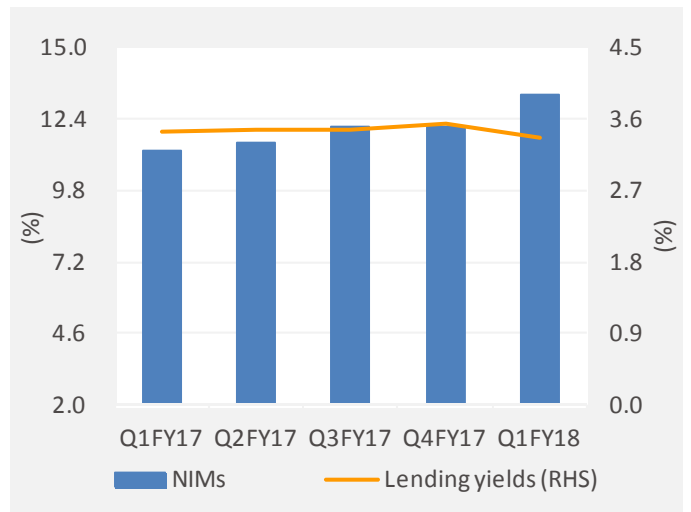


Chart 5: ...leading to NIMs benefit



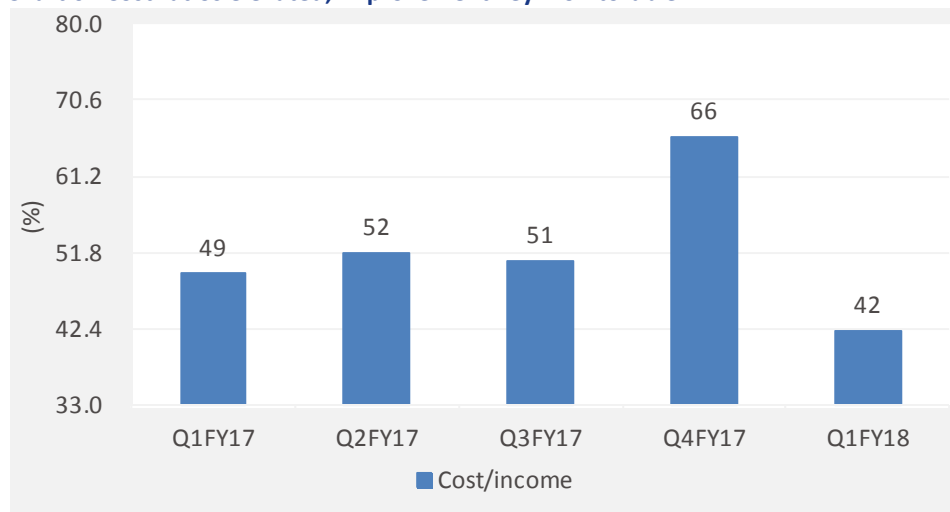
Source: Company

Higher operating cost structure: A key monitorable

RHF has a relatively high cost structure with cost/income ratio > 40% (peers' < 20%, largely due to higher DSA dependence and expansion phase). Even after factoring in the low-ticket size and extra operational requirements of catering to the self employed segment, the company's operating cost metrics appear higher. Management has taken cognizance of this and targets to bring cost/income ratio to < 25% over the next 2 years given: a) sharper cost control focus post demerger; b) critical management changes already in place; c) focus on

productivity and improving income traction; d) higher digital leverage; and e) sharpened focus on in-house sourcing (currently >60% by DSAs). On the branches front, management is targeting a rationalised approach—75 branches by FY19 from current 44—and will utilise the hub-and-spoke model to expand reach, which is likely to keep cost under control.

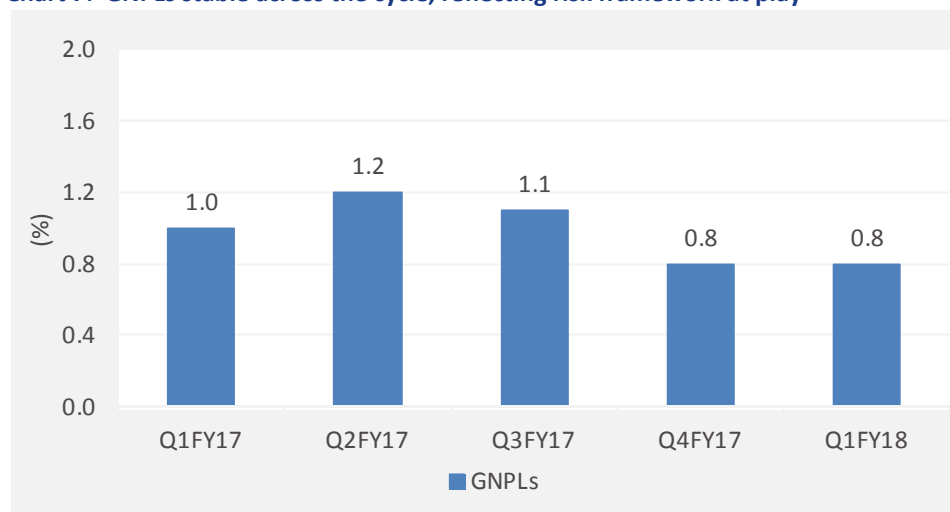
Chart 6: Cost ratios elevated; improvement key monitorable



Asset quality: Robust risk management framework reflects on GNPLs

It is commendable that RHF has maintained benign asset quality despite focus on lending to the lower-middle income (LMI) and self employed segments whose credit quality is relatively difficult to assess. In Q1FY18, GNPLs were broadly stable at 0.8%. Lower loan-to-value (LTV) & installment-to-income ratio (IIR) and stringent risk management lend comfort. Having said that, interestingly, despite 20% of the portfolio being construction finance, the company’s asset quality has been relatively stable, indicating selective sourcing (developer category of >B+), with restricted risk (highest per project exposure is restricted to <INR300mn) translating into better quality book. Management expects GNPLs to be stable/improve henceforth.

Chart 7: GNPLs stable across the cycle, reflecting risk framework at play



Source: Company

Management expects RoA to breach 1.5%

Under the aegis of the new management and sharper focus, management expects to breach the 1.5% RoA target over the next couple of years driven by: a) sustained growth momentum and better NIMs; b) improving cost ratios; and c) stable asset quality. FY17 saw some tax benefits (non-recurring) following which RoA was closer to 2%; excluding it (and taking normalised tax rate), the RoA was closer to 1%, which management expects to reach 1.5%.

Table 8: Various levers in place to drive RoA to comparable level with peers

FY17 (%)	HDFC	LICHT	IHFL	DEWH	REPCO	CANFIN	PNBH	RHF
Net interest income/assets	3.2	2.8	4.1	2.6	4.5	3.5	2.9	2.5
Non interest income/assets	0.9	0.2	1.9	0.3	0.4	0.4	0.6	1.7
Net revenues/Assets	4.1	3.0	5.9	2.9	4.9	3.9	3.5	4.2
Operating expense/assets	0.3	0.5	0.7	0.8	0.8	0.7	1.0	2.3
Provisions/assets	0.2	0.2	0.9	0.3	0.6	0.2	0.3	0.3
Taxes/assets	1.1	0.8	1.0	0.6	1.2	1.1	0.8	(0.4)
Total costs/assets	1.6	1.5	2.6	1.7	2.7	1.9	2.0	2.2
ROA	2.5	1.5	3.4	1.2	2.2	1.9	1.4	2.0
Equity/assets	12.2	7.8	13.3	8.4	12.8	8.1	10.6	10.0
ROAE	20.5	19.1	25.4	14.3	17.4	24.1	13.6	20.1

Source: Company

Valuations

While we have not pegged any expectation on the listing price, we have built in value of INR33.6bn, assigning 2.2x FY19 P/BV to reliance home finance. This translates into INR137 per share (15.6% of RCAPT target price)

Additional Data (Reliance Capital)

Directors Data

Anil Ambani	Chairman	Amitabh Jhunjhunwala	Vice Chairman
Anmol Ambani	Executive Director	Bidhubhusan Samal	Director
V. N. Kaul	Director	Chhaya Virani	Director
Rajendra Chitale	Director		

Auditors - B S R & Co. LLP

**as per last annual report*

Holding - Top 10 (Reliance Capital)

	Perc. Holding		Perc. Holding
Life Insurance Corporation of India	4.16	Birla Sun Life Asset Management	3.29
Sumitomo Mitsui Trust Holding	2.77	Valiant Mauritius Partners	2.37
Jupiter Investment Mgmt Group	2.16	Dimensional Fund Advisors Lp	1.97
Reliance Capital Trustee	1.72	Vanguard Group	1.67
Morgan Stanley	1.32	Crest Le	1.29

**as per last available data*

Bulk Deals

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

**in last one year*

Insider Trades

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

**in last one year*

Company	Absolute reco	Relative reco	Relative risk	Company	Absolute reco	Relative reco	Relative Risk
Allahabad Bank	HOLD	SU	M	Axis Bank	BUY	SO	M
Bajaj Finserv	HOLD	SP	L	Bank of Baroda	BUY	SP	M
Bharat Financial Inclusion	BUY	SO	M	Capital First	BUY	SO	M
DCB Bank	HOLD	SU	M	Dewan Housing Finance	BUY	SO	M
Equitas Holdings Ltd.	BUY	SO	M	Federal Bank	BUY	SP	L
HDFC	HOLD	SP	L	HDFC Bank	BUY	SO	L
ICICI Bank	BUY	SO	L	IDFC Bank	HOLD	SP	L
Indiabulls Housing Finance	BUY	SO	M	IndusInd Bank	BUY	SP	L
Karnataka Bank	BUY	SP	M	Kotak Mahindra Bank	HOLD	SP	M
L&T FINANCE HOLDINGS LTD	BUY	SO	M	LIC Housing Finance	BUY	SP	M
Magma Fincorp	BUY	SP	M	Mahindra & Mahindra Financial Services	HOLD	SU	M
Manappuram General Finance	BUY	SO	H	Max Financial Services	BUY	SO	L
Multi Commodity Exchange of India	BUY	SP	M	Muthoot Finance	BUY	SO	M
Oriental Bank Of Commerce	HOLD	SP	L	Power Finance Corp	BUY	SO	M
Punjab National Bank	BUY	SP	M	Reliance Capital	BUY	SP	M
Repco Home Finance	BUY	SO	M	Rural Electrification Corporation	BUY	SO	M
Shriram City Union Finance	BUY	SO	M	Shriram Transport Finance	BUY	SO	L
South Indian Bank	BUY	SP	M	State Bank of India	BUY	SP	L
Union Bank Of India	HOLD	SP	M	Yes Bank	BUY	SO	M

ABSOLUTE RATING

Ratings	Expected absolute returns over 12 months
Buy	More than 15%
Hold	Between 15% and - 5%
Reduce	Less than -5%

RELATIVE RETURNS RATING

Ratings	Criteria
Sector Outperformer (SO)	Stock return > 1.25 x Sector return
Sector Performer (SP)	Stock return > 0.75 x Sector return
	Stock return < 1.25 x Sector return
Sector Underperformer (SU)	Stock return < 0.75 x Sector return

Sector return is market cap weighted average return for the coverage universe within the sector

RELATIVE RISK RATING

Ratings	Criteria
Low (L)	Bottom 1/3rd percentile in the sector
Medium (M)	Middle 1/3rd percentile in the sector
High (H)	Top 1/3rd percentile in the sector

Risk ratings are based on Edelweiss risk model

SECTOR RATING

Ratings	Criteria
Overweight (OW)	Sector return > 1.25 x Nifty return
Equalweight (EW)	Sector return > 0.75 x Nifty return
	Sector return < 1.25 x Nifty return
Underweight (UW)	Sector return < 0.75 x Nifty return

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

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

Aditya Narain

Head of Research

aditya.narain@edelweissfin.com

Coverage group(s) of stocks by primary analyst(s): Banking and Financial Services

Allahabad Bank, Axis Bank, Bharat Financial Inclusion, Bajaj Finserv, Bank of Baroda, Capital First, DCB Bank, Dewan Housing Finance, Equitas Holdings Ltd., Federal Bank, HDFC, HDFC Bank, ICICI Bank, IDFC Bank, Indiabulls Housing Finance, Indusind Bank, Karnataka Bank, Kotak Mahindra Bank, LIC Housing Finance, L&T FINANCE HOLDINGS LTD, Max Financial Services, Multi Commodity Exchange of India, Manappuram General Finance, Magma Fincorp, Mahindra & Mahindra Financial Services, Muthoot Finance, Oriental Bank Of Commerce, Punjab National Bank, Power Finance Corp, Reliance Capital, Rural Electrification Corporation, Repco Home Finance, State Bank of India, Shriram City Union Finance, Shriram Transport Finance, South Indian Bank, Union Bank Of India, Yes Bank

Recent Research

Date	Company	Title	Price (INR)	Recos
30-Aug-17	Banking	Resolution Tracker #1: The game begins; <i>Sector Update</i>		
12-Aug-17	Bank of Baroda	Steady quarter; growth step-up key monitorable; <i>Result Update</i>	142	Buy
11-Aug-17	State Bank of India	Battling integration challenges; <i>Result Update</i>	280	Buy

Distribution of Ratings / Market Cap

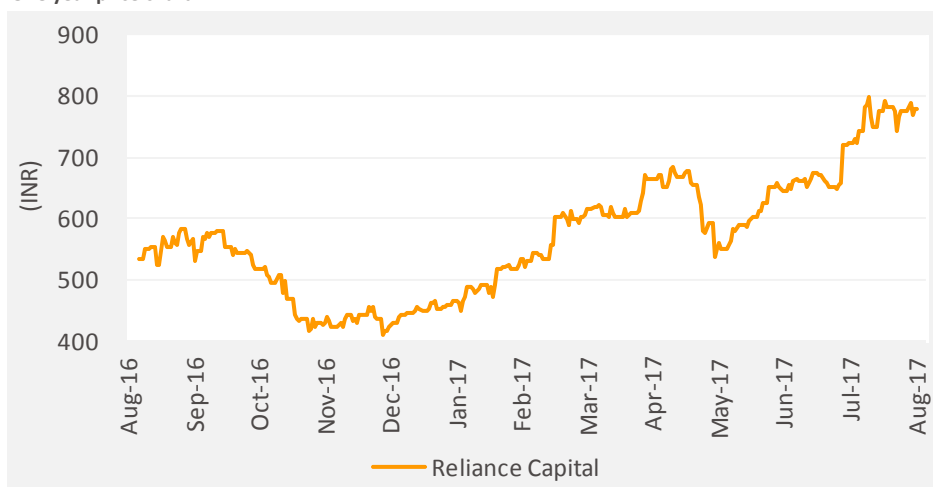
Edelweiss Research Coverage Universe

	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