

HATHWAY CABLE & DATACOM

Broadband tepid; Phase III monetisation aids margin

India Equity Research | Media



Hathway Cable & Datacom's (Hathway) Q2FY18 revenue and EBITDA came in line with our estimates. Key positives: (i) subscription grew 6% QoQ, aided by Phase III digitisation (up INR3 QoQ); and (ii) net realisation in Phase III market stood at INR58 (INR55 in Q1FY18). Key negative was the mere 1.7% QoQ broadband business growth, which was restricted by lower broadband additions (30,000 versus 55,000-60,000 in past) and lower ARPU (down INR13 QoQ to INR717). Though enhanced competition from Jio in cable space (Jio app and feature phone) and wired broadband business is a concern, Phase III digitisation, value offerings to ring fence existing broadband consumers, cost initiatives in broadband business and benefits from Hathway Connect (prepaid & packaging) are key positives. Maintain 'BUY'.

Robust cable business

While activation revenue grew 7.0%, carriage revenue improved 5.0% in Q2FY18. Hathway has concluded all content deals with broadcasters and reported 2% QoQ content cost increase in Q2FY18. **EBITDA margin jumped ~200bps QoQ in cable business aided by monetisation in Phase II (net realisation up INR3 QoQ to INR98) and Phase III (net realisation up INR3 QoQ to INR58) areas.** The company expects Phase IV ARPUs to improve to INR60 from current INR41.

Q2FY18 conference call: Key takeaways

i) The company clocked >20% EBITDA margins in Phase I & II areas in cable business; ii) broadband ARPU will not increase for the next 18 months; iii) **monthly broadband churn 1.5%**; iv) bandwidth usage has catapulted 3x in past 3 years without cost increase; and v) Hathway will save INR500mn in broadband business in FY18 due to ongoing cost initiatives.

Outlook and valuations: Positive; maintain 'BUY'

Among MSOs, Hathway is well placed to capitalise on the digitisation opportunity. Hathway Connect will help Phase I & II ARPU growth. **Monetising Phase III areas is a key monitorable.** We maintain 'BUY/SP' with 11x FY19E EV/EBITDA target multiple for consolidated business (ex-GTPL), while GTPL is valued at market cap (20% holding discount). Our TP is INR43 (INR37 earlier). At CMP, stock trades at 16.6x FY18E and 11.2x FY19E EV/EBITDA.

Financials	(INR mn)							
Year to March	Q2FY18	Q2FY17	% change	Q1FY18	% change	FY17E	FY18E	FY19E
Revenues	1,312	3,211	(59.2)	1,290	1.7	13,444	15,574	18,212
EBITDA	527	533	(1.2)	489	7.6	1,972	3,203	4,919
Adjusted Profit	140	(404)	NM	100	NM	(1,922)	(1,412)	(389)
Adj. diluted EPS	0.2	(0.5)		0.1		(2.3)	(1.7)	(0.5)
EV/EBITDA (x)						25.5	16.6	11.2

Note: Quarterly numbers are on standalone basis

Note: Base quarter numbers are not comparable

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: HAWY.BO, B: HATH IN)

CMP	: INR 38
Target Price	: INR 43
52-week range (INR)	: 50 / 25
Share in issue (mn)	: 830.5
M cap (INR bn/USD mn)	: 32 / 491
Avg. Daily Vol.BSE/NSE('000)	: 643.2

SHARE HOLDING PATTERN (%)

	Current	Q1FY18	Q4FY17
Promoters *	43.5	43.5	43.5
MF's, FI's & BK's	4.3	4.8	6.8
FII's	34.4	33.6	32.1
Others	17.9	18.2	17.6
* Promoters pledged shares (% of share in issue)	:	NIL	

PRICE PERFORMANCE (%)

	Stock	Nifty	EW Media Index
1 month	26.1	6.0	6.9
3 months	19.4	4.4	3.4
12 months	26.5	23.2	12.2

Abneesh Roy
+91 22 6620 3141
abneesh.roy@edelweissfin.com

Rajiv Berlia
+91 22 6623 3377
rajiv.berlia@edelweissfin.com

Alok Shah
+91 22 6620 3040
alok.shah@edelweissfin.com

November 3, 2017

Q2FY18 conference call: Key takeaways

Restructuring: The company has shifted its cable business to a wholly owned subsidiary HDPL. Due to Ind-AS, the company will not consolidate GTPL numbers.

Broadband ARPU

- Hathway is upgrading payment terms of consumers. Consumers are moving to long-term packs where the company gives value discount (25% value discount for 1 year pack). Hence, it impacted ARPU.
- The company is doing so to ring fence high ARPU customers.
- Delay recharges by 5-9 days also affected broadband revenue.
- Broadband ARPU will not increase for next 18 months.

Broadband subscribers

- Docsis subscribers: 0.58mn; MNE broadband subscribers: 50,000; GPON fiber subscribers: 70,000.
- 15,000 broadband additions in October.
- In places where Hathway has 20% broadband penetration, to target incremental subscribers the company is deploying GPON technology.
- Incremental capex is INR3,000 per customer. Incremental ARPU: 100per month per customer.
- The company will have 30 months payback.

Cable ARPU

- Hathway expects Phase IV ARPU to improve to INR60 from current level of INR41.

Cable business

- The company has > 20% EBITDA margins in Phase I and II areas.
- In past 3 years quarters, the company has started monetizing Phase III and IV areas.

GPON Technology

- The company does not incur electricity and network cost in GPON technology.
- Similarly, the company does not pay any rentals on GPON technology.
- Capex per GPON consumer has come down from INR8300 to INR7500.

Broadband churn

- Churn policy: If the subscriber is switched off for 30 days, it will count as churn.
- Monthly broadband churn: 1.5%.

Hathway Connect

- It helps stabilise consumer billing. LCO will be able to manage the consumer billing properly.

- Collection efficiency will increase.
- Further, prepaid billings will improve cash flows.
- Hathway Connect helps in no leakages and hence ARPU will increase.

Cost initiatives

- The company will save INR500mn cost in broadband business due to ongoing cost initiatives in FY18.
- The company has already realised cost benefit of INR120mn in Q2FY18 in broadband business.

Other takeaways

- All content deals have been signed with broadcasters.
- Bandwidth usage increased by 3x in last 3 years without increasing cost.

Outlook and valuations: Positive; maintain 'BUY'

Hathway is the best-placed MSO to capitalise on the huge digitisation opportunity. Though high debt remains a concern, it is necessary for rapid seeding of boxes and increased penetration of Docsis 3.0. Currently, its digital subscriber base stands at 12.2mn. Key positive things to watch out for: i) Implementation of TV tariff order (currently in draft stage) will resolve the content cost problem; ii) benefits from *Hathway Connect* will help Phase I and II ARPU growth; and iii) Phase III and IV digitisation will resolve the under subscriber issue and increase ARPU in Phase III and IV markets.

Compared to DEN, Hathway has a sizeable primary subscriber base, well-entrenched broadband operations and has seeded the highest number of boxes amongst MSOs. It has substantial presence in higher ARPU cities in Phase 1 and 2. Also, we like the company's strategy of increasing investment in the high-margin broadband business, which has started to yield returns.

The company has undergone restructuring in Q1FY18. The cable business is shifted to wholly owned subsidiary Hathway Digital Private Limited (HDPL). Further, due to IND AS, the company will not consolidate GTPL numbers. Therefore, the standalone business reflects Hathway broadband financials while consolidated business reflects Hathway broadband & cable financials

We maintain our target EV/EBITDA of 11x to FY19E EBITDA to the consolidated business (ex-GTPL) while valuing GTPL at current market cap. We give 20% holding discount to GTPL; target price is pegged at INR43 (earlier INR37). We maintain **'BUY/Sector Performer'**.

Table 1: Hathway's target price calculation

	FY19E (excluding GTPL)
EBITDA (INR mn)	4,919
Target EV/EBITDA multiple (x)	11.0
Less: Minority interest (INR mn)	9
Less: Debt (INR mn)	25,500
Add: Cash and Investments (INR mn)	2,029
Target market cap (INR mn)	30,625
No. of shares (mn)	830
Target price (INR)	37

Table 2: GTPL contribution to Hathway at 20% holding discount

GTPL contribution	
Market cap (INR mn) as on date: A	17,117
Company's holding (%): B	37.3
Holding discount (%): C	20.0
Company's interest (INR mn): $D=A*B*(1-C)$	5,110
Hathway shares (mn)	830
GTPL contribution to Hathway	6

Source: Edelweiss research

Financial snapshot

(INR mn)

Year to March	Q2FY18	Q2FY17	% change	Q1FY18	% change	YTD18	FY18E	FY19E
Net revenues	1,312	3,211	(59.2)	1,290	1.7	2,602	15,574	18,212
Pay channel cost	329	1,687	(80.5)	308	6.8	637	5,075	5,451
Staff costs	105	235	(55.2)	89	18.3	194	1,006	1,081
Other operating expenses	351	756	(53.6)	404	(13.1)	754	6,289	6,761
Total expenditure	785	2,678	(70.7)	801	(2.0)	1,586	12,370	13,293
EBITDA	527	533	(1.2)	489	7.6	1,016	3,203	4,919
Depreciation	244	727	(66.5)	226	7.9	470	3,666	4,208
EBIT	283	(194)	(245.6)	263	7.4	546	(462)	711
Other income	59	35	67.5	9	530.9	69	250	300
Interest	202	246	(17.8)	172	17.1	374	1,200	1,400
Add: Exceptional items	-	-		171	(100.0)	171	-	-
Profit before tax	140	(404)	(134.6)	272	(48.4)	412	(1,412)	(389)
Provision for taxes								
Reported net profit	140	(404)	(134.6)	272	(48.4)	412	(1,412)	(389)
Adjusted Profit	140	(404)	(134.6)	100	39.7	240	(1,412)	(389)
Diluted shares (mn)	830	830		830		830	830	830
Adjusted Diluted EPS	0.2	(0.5)	(134.6)	0.1	39.7	0.3	(1.7)	(0.5)
EV/EBITDA (x)	-	-		-		-	16.6	11.2
As % of net revenues	-	-		-		-	-	-
Pay channel cost	25.1	52.5		23.9		24.5	32.6	29.9
Employee cost	8.0	7.3		6.9		7.5	6.5	5.9
Other operating expenses	26.7	23.5		31.3		29.0	40.4	37.1
EBITDA	40.2	16.6		37.9		39.1	20.6	27.0
Reported net profit	18.6	22.7		17.5		18.1	23.5	23.1

Company Description

Hathway is one of the largest MSOs as well as one of the leading cable broadband service providers in India. Having entered the cable and entertainment business in 1995, the company offers three broad services—analogue cable television, digital cable television and broadband internet. Its key promoter is the Rajan Raheja Group with a ~47.5% stake. While Hathway currently provides analogue TV services in 140 cities, it is the largest digital cable TV provider in India. It is also the first cable TV service provider to offer broadband services in 19 cities. The company has bagged the 'Best Cable TV Operator of the Year' award by the Indian Television Awards eight times. Hathway has launched a channel Hathway Music (music channel).

Investment Theme

The compulsory digitisation mandate will lead to digitisation of cable TV services across India over the next few years. Converting its existing analogue subscriber base on the digital platform will provide Hathway a huge opportunity to increase subscription revenue due to lower under-declaration and higher ARPU. Hathway's digitisation progress is largely on track and the company is looking to build on to its broadband subscriber base as well. Any acceleration of the gross billing process in Phase 1 and Phase 2 would be a huge positive. Amongst MSOs, Hathway also enjoys the first mover advantage in the broadband business.

Key Risks

- Delay in consumer billing
- Significant increase in content cost
- DTH players can be at an advantage in Phase 3 and Phase 4
- Loss of subscribers if LCOs shift loyalties

Financial Statements

Key Assumptions

Year to March	FY16	FY17	FY18E	FY19E
Macro				
GDP(Y-o-Y %)	7.9	6.6	6.8	7.4
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)	65.5	67.1	65.0	66.0
Company				
Sales assumptions				
Digital sub adds (mn)	1	1	1	1
Digital subscribers (mn)	7	7	7	7
Broadband subscriber additions (mn)				
Broadband subs (mn)	0.5	0.6	0.8	1.0
Broadband ARPU (INR)	724.0	738.0	735.0	735.0
Placement rev growth (%)	(46.2)	(15.4)	(15.0)	(12.0)
Broadband rev (% of rev)	28.4	36.9	39.9	42.1
Cost assumptions				
Paychannelcost(% of rev)	38.1	35.1	32.6	29.9
Personnel cost(% of rev)	7.6	6.9	6.5	5.9
Adm & othr exp(% of rev)	25.7	24.2	22.6	20.8
Financial assumptions				
Capex (INR mn)	(17,903)	2,087	4,950	4,950
Debtor days	150	86	86	86
Inventory days	15	15	15	15
Payable days	239	137	137	137
Cash conversion cycle	(73)	(36)	(36)	(36)
Int rate on debt (%)	14.6	18.2	17.2	17.5
Dep. (% gross block)	14.3	13.7	14.3	13.7

Income statement

(INR mn)

Year to March	FY16	FY17	FY18E	FY19E
Net revenue	11,369	13,444	15,574	18,212
Pay channel cost	4,336	4,717	5,075	5,451
Other operating expenses	2,037	2,565	2,770	2,978
Employee costs	862	932	1,006	1,081
SG&A and other costs	2,925	3,259	3,519	3,783
Total operating expenses	10,159	11,472	12,370	13,293
EBITDA	1,209	1,972	3,203	4,919
Depreciation	2,589	3,058	3,666	4,208
EBIT	(1,379)	(1,085)	(462)	711
Add: Other income	181.7	238.3	250.00	300.00
Less: Interest Expense	898	1,108	1,200	1,400
Add: Exceptional items	(174)	(7)	-	-
Profit Before Tax	(2,270)	(1,962)	(1,412)	(389)
Less: Provision for Tax	(3)	(3)	-	-
Associate profit share	(110)	29	-	-
Reported Profit	(2,377)	(1,929)	(1,412)	(389)
Exceptional Items	(174)	(7)	-	-
Adjusted Profit	(2,203)	(1,922)	(1,412)	(389)
Shares o/s (mn)	830	830	830	830
Adjusted Basic EPS	(2.7)	(2.3)	(1.7)	(0.5)
Diluted shares o/s (mn)	830	830	830	830
Adjusted Diluted EPS	(2.7)	(2.3)	(1.7)	(0.5)
Adjusted Cash EPS	0.5	1.4	2.7	4.6

Common size metrics

Year to March	FY16	FY17	FY18E	FY19E
Pay channel cost	38.1	35.1	32.6	29.9
Other operational exp	17.9	19.1	17.8	16.3
Staff costs	7.6	6.9	6.5	5.9
EBITDA margins	10.6	14.7	20.6	27.0
Net Profit margins	(19.4)	(14.3)	(9.1)	(2.1)

Growth ratios (%)

Year to March	FY16	FY17	FY18E	FY19E
Revenues	(37.9)	18.3	15.8	16.9
EBITDA	(53.5)	63.1	62.4	53.6

Balance sheet		(INR mn)			
As on 31st March	FY16	FY17	FY18E	FY19E	
Share capital	1,661	1,661	1,661	1,661	
Reserves & Surplus	9,227	7,293	5,880	5,491	
Shareholders' funds	10,888	8,954	7,541	7,152	
Minority Interest	12	9	9	9	
Short term borrowings	7,340	9,799	10,500	11,500	
Long term borrowings	9,932	9,511	12,000	14,000	
Total Borrowings	17,272	19,310	22,500	25,500	
Long Term Liabilities	236	142	142	142	
Def. Tax Liability (net)	(299)	(314)	(314)	(314)	
Sources of funds	28,109	28,100	29,878	32,489	
Gross Block	15,932	19,587	24,537	29,487	
Net Block	13,762	15,686	17,127	18,037	
Capital work in progress	2,779	1,210	1,210	1,210	
Intangible Assets	1,806	1,869	1,957	1,989	
Total Fixed Assets	18,346	18,764	20,293	21,236	
Non current investments	583	484	484	484	
Cash and Equivalents	504	684	875	2,029	
Inventories	183	217	213	248	
Sundry Debtors	2,872	3,451	3,655	4,274	
Loans & Advances	7,605	7,437	7,437	7,437	
Other Current Assets	3,140	2,772	2,772	2,772	
Current Assets (ex cash)	13,800	13,876	14,076	14,731	
Trade payable	1,777	1,763	1,904	2,045	
Other Current Liab	3,346	3,947	3,946	3,946	
Total Current Liab	5,123	5,709	5,850	5,991	
Net Curr Assets-ex cash	8,677	8,167	8,226	8,739	
Uses of funds	28,109	28,100	29,878	32,489	
BVPS (INR)	13.1	10.8	9.1	8.6	

Free cash flow		(INR mn)			
Year to March	FY16	FY17	FY18E	FY19E	
Reported Profit	(2,377)	(1,929)	(1,412)	(389)	
Add: Depreciation	2,589	3,058	3,666	4,208	
Interest (Net of Tax)	898	1,108	1,200	1,400	
Others	1,142	143	(250)	(300)	
Less: Changes in WC	1,419	(867)	58	514	
Operating cash flow	833	3,246	3,145	4,405	
Less: Capex	(17,903)	2,087	4,950	4,950	
Free Cash Flow	18,736	1,160	(1,805)	(545)	

Peer comparison valuation

Name	Market cap (USD mn)	EV / EBITDA (X)		EV / Sales (X)		ROAE (%)	
		FY18E	FY19E	FY18E	FY19E	FY18E	FY19E
Hathway Cable & Datacom	491	16.6	11.2	3.4	3.0	(17.1)	(5.3)
DB Corp	1,058	9.2	7.8	2.6	2.3	24.1	24.5
DEN Networks	281	5.9	5.2	1.1	1.0	(9.2)	(7.1)
Dish TV India	1,270	8.3	6.4	2.5	2.2	13.1	39.8
Jagran Prakashan	898	8.2	6.9	2.2	2.0	20.1	21.0
PVR	988	17.9	12.8	3.1	2.6	11.0	18.3

Source: Edelweiss research

Cash flow metrics		FY16	FY17	FY18E	FY19E
Year to March					
Operating cash flow	833	3,246	3,145	4,405	
Investing cash flow	(5,111)	(3,342)	(4,945)	(4,850)	
Financing cash flow	4,275	175	1,990	1,600	
Net cash Flow	(2)	80	191	1,155	
Capex	17,903	(2,087)	(4,950)	(4,950)	

Profitability and efficiency ratios

Year to March	FY16	FY17	FY18E	FY19E
ROAE (%)	(17.3)	(19.4)	(17.1)	(5.3)
ROACE (%)	(4.3)	(3.0)	(0.7)	3.2
Inventory Days	15	15	15	15
Debtors Days	150	86	86	86
Payable Days	239	137	137	137
Cash Conversion Cycle	(73)	(36)	(36)	(36)
Current Ratio	2.8	2.6	2.6	2.8
Gross Debt/EBITDA	14.3	9.8	7.0	5.2
Gross Debt/Equity	1.6	2.2	3.0	3.6
Adjusted Debt/Equity	1.6	2.2	3.0	3.6
Interest Coverage Ratio	(1.5)	(1.0)	(0.4)	0.5

Operating ratios

Year to March	FY16	FY17	FY18E	FY19E
Total Asset Turnover	0.4	0.5	0.5	0.6
Fixed Asset Turnover	0.6	0.8	0.9	0.9
Equity Turnover	0.9	1.4	1.9	2.5

Valuation parameters

Year to March	FY16	FY17	FY18E	FY19E
Adj. Diluted EPS (INR)	(2.7)	(2.3)	(1.7)	(0.5)
Adjusted Cash EPS (INR)	0.5	1.4	2.7	4.6
P/B (x)	2.9	3.5	4.2	4.4
EV / Sales (x)	4.3	3.7	3.4	3.0
EV / EBITDA (x)	40.1	25.5	16.6	11.2

Additional Data

Directors Data

Mr. Sridhar Gorthi	Chairman & Independent Director	Mr. Rajan Raheja	Director
Mr. Vinayak Aggarwal	Director	Mr. Jagdishkumar G. Pillai	Managing Director & CEO
Mr. Akshay Raheja	Director	Mr. Devendra Shrotri	Independent Director
Mr. Viren Raheja	Director	Mr. Sasha Mirchandani	Independent Director
Ms. Ameeta Parpia	Independent Director	Mr. Biswajit Subramanian	Director

Auditors - G. M. Kapadia & Co.

**as per last annual report*

Holding - Top10

	Perc. Holding		Perc. Holding
Clsa Global Markets	9.56	P5 Asia Invest Mauritius	8.69
P6 Mauritius India Holding	8.52	Capital Group Companies Inc	4.7
Spur Cable & Datacom	4.61	Reliance Capital Trustee Co Ltd	3.92
Infrastructure Ind Hldg Fd	3.35	Morgan Stanley	3.05
East Bridge Cap Master Fnd	2.74	Government Pension Fund - Global	1.93

**as per last available data*

Bulk Deals

Data	Acquired / Seller	B/S	Qty Traded	Price
29 Mar 2017	Goldman Sachs Singapore Pte	Sell	18805324	37.90
29 Mar 2017	Macquarie Bank Ltd	Sell	25448913	37.30
29 Mar 2017	Clsa Global Markets Pte Ltd	Buy	44254237	37.60

**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
DB Corp	BUY	SO	M	DEN Networks	HOLD	SP	H
Dish TV India	BUY	SP	M	Hathway Cable & Datacom	BUY	SP	M
Jagran Prakashan	BUY	SP	M	PVR	BUY	SO	M
Sun TV Network	BUY	SO	H	Zee Entertainment Enterprises	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
Ideas create, values protect



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): Media

DB Corp, DEN Networks, Dish TV India, Hathway Cable & Datacom, Jagran Prakashan, PVR, Sun TV Network, Zee Entertainment Enterprises

Recent Research

Date	Company	Title	Price (INR)	Recos
01-Nov-17	DB Corp	Healthy ad growth ; <i>Result Update</i>	362	Buy
27-Oct-17	PVR	Weak content trips ATP and footfalls; <i>Result Update</i>	1,421	Buy
24-Oct-17	ZEE	Domestic ad revenue robust; better H2 in the offing; <i>Result Update</i>	526	Buy

Distribution of Ratings / Market Cap

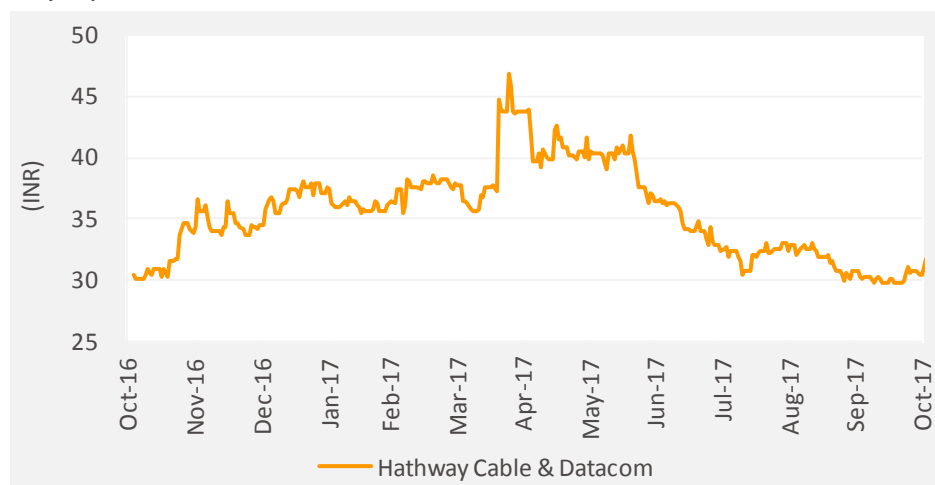
Edelweiss Research Coverage Universe

	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