

TEXMACO RAIL & ENGINEERING

Growth prospects improving

India Equity Research | Infrastructure - Railways



Texmaco Rail & Engineering's (Texmaco) Q4FY18 top line stood flat YoY with rail EPC division compensating for lower wagon revenues (down 37% YoY). Better performance by the foundry and rail EPC divisions led to EBITDA margin surging 410bps YoY to 8.7%. Texmaco group's order book rose to ~INR45bn (~INR36.7bn at FY17 end), aided by improving opportunities across verticals – wagons, coaches, locomotives, foundry and rail EPC. The company's strong track record will enable it to capture the burgeoning opportunities arising from overhaul of the Indian Railway (IR) network. Maintain 'BUY' with SoTP-based TP of INR140.

Wagon business on cusp of turnaround

Texmaco's wagon business was hit by inadequate wagon orders in past couple of years (for FY18 wagon revenue slipped ~69% YoY); however, green-shoots are now emerging for the vertical. The company has won an order for 1,764 wagons from IR worth INR4.2bn, execution of which has commenced. Private sector wagon order inflows have also perked up (INR3.2bn in FY18 vs. INR1.9bn in FY17). Buoyed by improving freight demand, IR is likely to award a bulk tender of ~22,000 wagons over next couple of quarters. This, along with roll out of the General Purpose Wagon Investment Scheme by IR, is likely to improve fortunes of the wagon division going ahead.

Other verticals also on strong wicket

Rail EPC division's revenue grew 7%/18% in Q4FY18/FY18, while it ended the year with order book of ~INR20bn (book-to-bill at 3.7x). Opportunities in the coach refurbishment/loco shells also remain robust. Texmaco's subsidiary, Bright Power, also posted ~21% growth in top line to ~INR2.2bn, while its order book rose to ~INR5.5bn (~INR4bn at FY17 end).

Outlook and valuations: Attractive; maintain 'BUY'

Burgeoning investments in IR ("[Indian Railways - Re-birth of the Colossus](#)") is creating large opportunities for Texmaco's various business lines—wagons, coaches, locomotives and rail EPC. We believe the company is on course to emerge as a 'total rail solution provider'. We maintain 'BUY' with SoTP value of INR140 (based on 25x FY20E EPS of Texmaco and Bright Power) and believe the recent stock correction provides excellent entry point for investors.

Financials		(INR mn)						
Year to March	Q4FY18	Q4FY17	% change	Q3FY18	% change	FY18	FY19E	FY20E
Revenues	2,846	2,860	(0.5)	2,269	25.4	9,269	15,785	18,185
EBITDA	247	131	88.7	93	166.6	292	797	1,755
Adj. profit	230	59	287.0	41	463.0	101	379	1,152
Dilu.EPS (INR)	1.0	0.3	287.0	0.2	463.0	0.5	1.7	5.2
Dilu.P/E (x) *						144.2	38.4	12.6
EV/EBITDA (x) *						56.3	21.6	9.5
ROAE (%)						1.0	3.5	9.9

* adjusted for Bright Power

EDELWEISS RATINGS

Absolute Rating	BUY
Investment Characteristics	Growth

MARKET DATA (R: TEXA.BO, B: TXMRE IN)

CMP	: INR 75
Target Price	: INR 140
52-week range (INR)	: 129 / 74
Share in issue (mn)	: 220.0
M cap (INR bn/USD mn)	: 17 / 244
Avg. Daily Vol. BSE/NSE ('000)	: 1,025.1

SHARE HOLDING PATTERN (%)

	Current	Q3FY18	Q2FY18
Promoters *	52.4	52.4	52.4
MF's, FI's & BKs	15.0	15.0	17.4
FII's	7.7	7.0	7.7
Others	24.9	25.6	22.5
* Promoters pledged shares (% of share in issue)	:		NIL

PRICE PERFORMANCE (%)

	BSE Midcap Index	Stock	Stock over Index
1 month	(3.9)	(12.9)	(9.1)
3 months	(2.8)	(20.1)	(17.3)
12 months	7.0	(24.0)	(31.0)

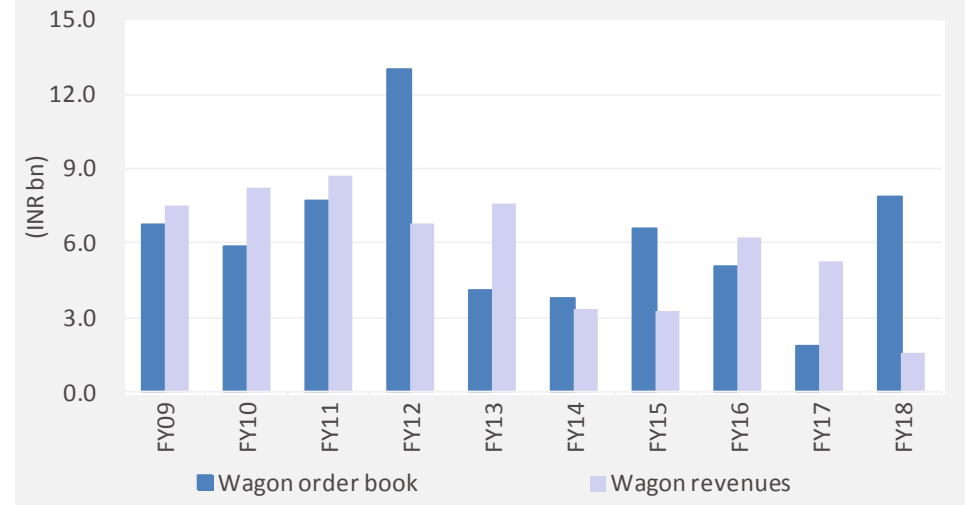
Parvez Akhtar Qazi
+91 22 6620 3105
parvez.qazi@edelweissfin.com

May 18, 2018

Other highlights

- **Wagon order book:** As at FY18 end, stood at INR7.8bn (with IR wagon share at INR4.2bn).

Chart 1: Wagon order book improves, driven by IR and private wagon ordering

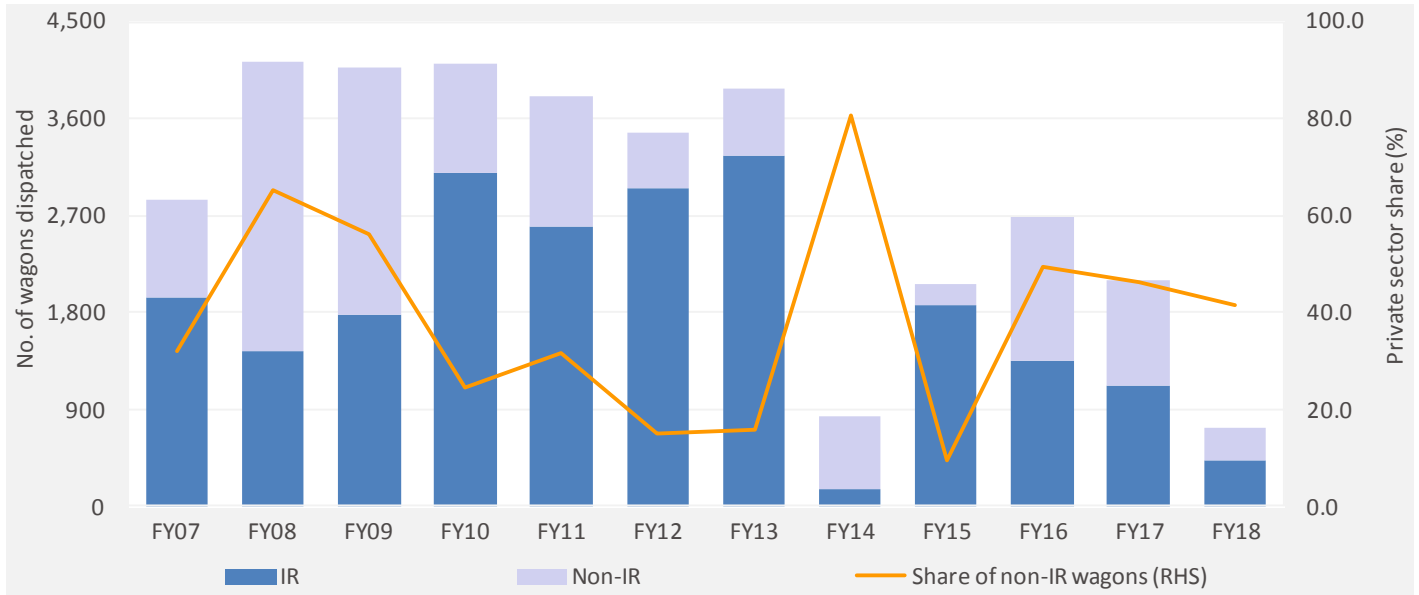


Source: Company, Edelweiss research

Note: IR orders won prior to FY18 involved free material supply; hence contract size was smaller for same number of wagons

- **Wagon dispatches:** During the quarter, Texmaco dispatched 134 wagons to the private sector (nil for public sector).

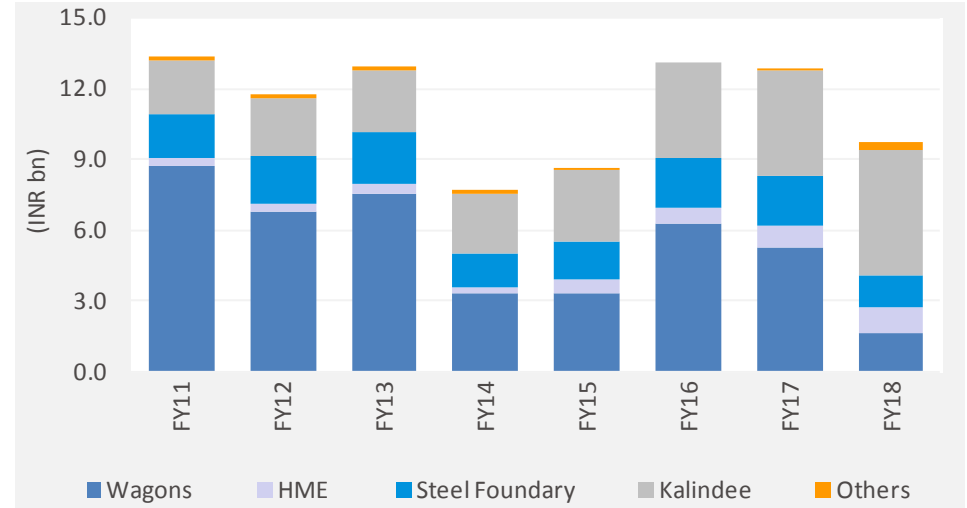
Chart 2: Wagon dispatch still weak compared to previous years



Source: Company, Edelweiss research

- Dearth of wagon orders not only impacted performance of the wagon division, but also the top line of the steel foundry division in FY18. Going ahead, however, buoyancy in wagon demand will boost prospects of these segments.

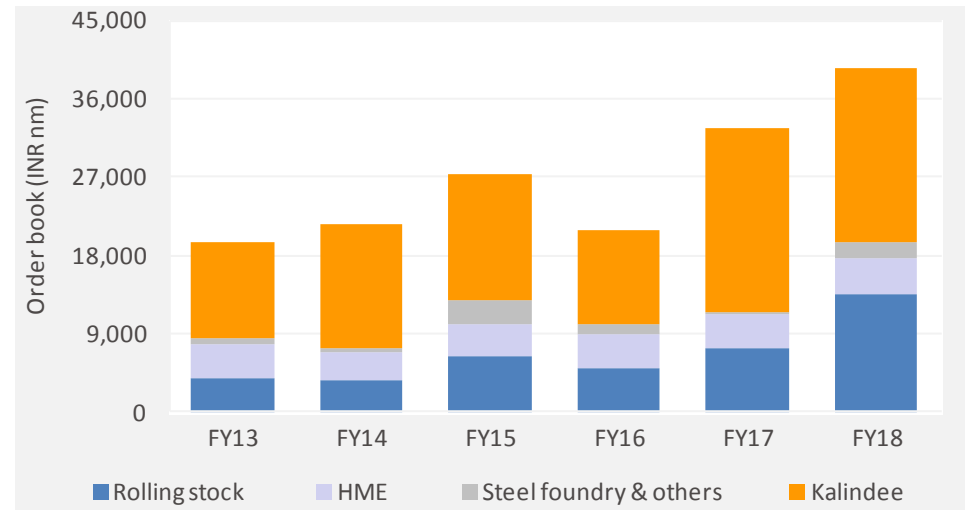
Chart 3: Wagon slowdown pulls down standalone revenues



Source: Company, Edelweiss research

- **Order book:** As at end of FY18, the Texmaco group order book stood at ~INR45bn with Bright Power contributing ~INR5.5bn.

Chart 4: Rail EPC dominates Texmaco’s standalone order book



Source: Company, Edelweiss research

- **Wagon business:** IR has come up with a bulk tender of 22,258 wagons which is expected to be decided soon. This will cater to IR’s demand for the next two years and will be awarded via reverse auction.

We believe the fact that IR will award an aggregate wagon tender enough to meet demand for next two years will be a major positive for the wagon industry. In the past, wagon manufacturers faced a lot of uncertainty regarding the timing and quantum of IR wagon tenders. This had led to aggressive bidding since the wagon manufacturers were unclear about the timing of the next IR wagon tender and its quantum.

- News reports indicate that IR is likely to come up with a new policy - General Purpose Wagon Investment Scheme - which will allow private investments in general-purpose wagons. This will ensure that key users of IR network (including the upcoming DFC) like coal and cement companies will invest in and procure their own wagons. Private investments will be allowed in both categories of general purpose vehicles — open and covered — which are used for multi-commodity transportation. As of now, private investment is allowed in special types of wagons such as car carriers, container carriers, chemicals and cement ash carriers, while IR is the sole buyer of general purpose wagons in the country.

We believe this is a significant positive for the wagon sector; roll out of the new policy will result in large scale investment in wagon procurement from the private sector and obviate the need for IR using its resources to fund the wagon purchase. With news reports indicating that many industries including coal-based steel, power and aluminium plants have been complaining to IR regarding raw material supply-related issues due to unavailability of adequate rakes, we believe this policy comes at an opportune time.

- Management indicated that they are witnessing increasing enquiries from private sector regarding specialised wagons such as wagons for carrying automobiles and alumina.
- **Locomotive business:** Texmaco manufactures electric loco shells and is witnessing increasing ordering from IR following its thrust on electric traction. It has an order book of ~INR750mn for loco shells from IR and is participating in tenders worth ~INR1bn.

In addition, the company is already benefiting from increasing demand for locomotive components (bogies, locomotive shells, etc) from both GE and Alstom (as part of the new loco factories being developed in the country). We believe this business has high growth potential going ahead.

- **Coach refurbishment:** IR is looking to involve private sector in coach refurbishment; Texmaco has already won an order for coach refurbishment. There has been a delay in execution of this order since it needs to be completed at IR's own production facilities and IR has been unable to provide a schedule till date. This has delayed award of additional tenders in this segment; nevertheless, we believe this can be a good growth opportunity for the company.
- **Bright Power:** The company's subsidiary, Bright Power, offers a complete package in design, supply, construction & installation for railway electrification and installation of transformers and substations (mainly for IR). Historically, IR was its major customer; it has now successfully diversified into the metro rail space and won **two** metro orders till date. Its order book has improved from INR3.6bn as at Q1FY18 end to INR5.5bn now. With IR's increasing focus on electrification (["Mission Electrification" gaining traction](#)), prospects for Bright Power are improving.
- **Steel foundry:** The company's foundry division is also performing well led by the export orders that it has received. Its order book has risen from INR340mn as at FY17 end to INR1.7bn as at FY18 end. With the wagon business prospects improving, the foundry division is also likely to perform well.

- **Rail EPC:** The division has won two orders in Bangladesh which has boosted its order book. Texmaco is bidding for additional projects in Bangladesh which will be decided over next couple of quarters.

Division revenue grew 7% and 18% in Q4FY18 and FY18, respectively. It ended the year with order book of ~INR20bn (book-to-bill at 3.7x). With work on both the DFC orders having started, the company expects better performance in FY19.

- **Leverage:** The company's debt levels have gone up from INR3.2bn as at FY17 end to INR4bn plus as at FY18 end, mainly due to working capital requirements. With the new IR wagon tender requiring manufacturers to arrange material supply on their own, working capital requirement for the business has gone up.

The rail EPC division is traditionally a working capital intensive business. In addition, the company may undertake some capex for its projects in Bangladesh. As a result, its leverage is likely to touch ~INR5bn by FY19 end.

Financial snapshot

(INR mn)

Year to March	Q4FY18	Q4FY17	% change	Q3FY18	% change	FY18	FY19E	FY20E
Net revenues	2,846	2,860	(0.5)	2,269	25.4	9,269	15,785	18,185
Direct costs	2,222	2,444	(9.1)	1,841	20.7	7,659	13,241	14,454
Staff costs	170	188	(9.9)	201	(15.6)	766	958	1,103
Other expenses	207	97	114.2	134	54.6	551	789	873
Total expenditure	2,599	2,729	(4.8)	2,176	19.4	8,977	14,988	16,430
EBITDA	247	131	88.7	93	166.6	292	797	1,755
Depreciation	55	41	32.4	43	26.7	187	190	222
EBIT	192	90	114.7	49	288.9	105	607	1,533
Interest	112	96	16.8	137	(18.3)	476	597	662
Other income	218	65	237.3	123	78.2	516	464	570
Profit before tax	299	59	409.4	35	747.5	145	474	1,441
Provision for taxes	69	(1)	NA	(6)	NA	44	95	290
Reported profit	230	59	287.0	41	463.0	101	379	1,152
Adjusted Profit	230	59	287.0	41	463.0	101	379	1,152
Equity capital	219	219	-	219	-	219	219	219
Diluted shares (mn)	219	219	-	219	-	219	219	219
Adjusted Diluted EPS	1.0	0.3	287.0	0.2	463.0	0.5	1.7	5.2
as a % of net revenues								
Direct costs	78.1	85.5		81.2		82.6	83.9	79.5
Other expenses	7.3	3.4		5.9		5.9	5.0	4.8
EBITDA	8.7	4.6		4.1		3.2	5.0	9.6
Reported profit	8.1	2.1		1.8		1.1	2.4	6.3
Tax rate	23.2	NA		NA		30.6	20.1	20.1

Company Description

Texmaco, incorporated in 1939, started out as a textile machinery manufacturing company. Over the years, it has diversified into the heavy engineering segment which includes wagon manufacturing, hydro mechanical equipment, bridges and structural equipment, steel foundry and process equipment. The company went private in 1998 as 'Texmaco Machines Private Limited' and later in 2010 the company got demerged into 2 entities - Texmaco Infrastructure & Holdings (Texinfra) and Texmaco Rail & Engineering (Texmaco). The company's major segments are i) Manufacture and supply of wagons ii) Hydro-mechanical equipment iii) Steel foundry division and bridges and structural equipment.

In FY14, the company acquired ~49% stake in Kalindee Rail Nirman, which is in the business of providing EPC services to railways & metros which has been merged with the company itself. Texmaco has also acquired 55% stake in Bright Power Projects (India), an EPC company, specialising in over head electrification (OHE) solutions for IR.

Investment Theme

Impressive track record in wagon segment

Over the past 6 decades, Texmaco, has cemented its position as the premier wagon maker in India. To counter the slowdown in wagon ordering from IR, the company has prudently utilised its design/engineering capabilities, developed from technical collaboration with renowned MNCs, to win private sector/export orders, which entail production of custom made commodity-specific wagons. This places Texmaco in pole position to benefit from the upcoming rolling stock orders from DFC.

Transforming into a total rail solution provider

To insulate itself from rising competition in the wagon segment, Texmaco acquired Kalindee Rail (undertakes turnkey/EPC jobs in rail infra segment) and Bright Power (specialises in electrification solutions). This will enable the company to capture larger pie of the huge investments being done for augmenting the rail network in the country. In addition, its tie ups with global players like Wabtec, etc., have enabled it to widen product portfolio and offer full spectrum of services required in the railway space.

Key Risks

Concentration risk

Currently, wagon segment drives majority of Texmaco's profitability. Ergo, slowdown in wagon ordering from IR has marred the company's turnover. Prolonged slowdown in the wagon space could cast a shadow on its growth plans.

Predatory pricing by new entrants

The number of players competing in the wagon industry has increased over the years. With wagon ordering sluggish, increased competition has affected Texmaco's margins. Continuation of the same can keep its operating margins subdued.

New growth ventures yet to yield results

Texmaco has adopted the acquisition and tie up mode to improve its product profile and in turn its growth path. But, the company's strategy has still to play out completely. Hence, any requirement of additional capital could strain its balance sheet.

Financial Statements

Key assumptions					Income statement				
Year to March	FY17	FY18	FY19E	FY20E	(INR mn)				
Year to March	FY17	FY18	FY19E	FY20E	Year to March	FY17	FY18	FY19E	FY20E
Macro					Income from operations	11,542	9,269	15,785	18,185
GDP(Y-o-Y %)	6.6	6.5	7.1	7.6	Direct costs	9,690	7,659	13,241	14,454
Inflation (Avg)	4.5	3.6	4.5	5.0	Employee costs	800	766	958	1,103
Repo rate (exit rate)	6.3	6.0	6.0	6.5	Other expenses	467	551	789	873
INR/USD	67.1	64.5	66.0	66.0	Total operating expenses	10,958	8,977	14,988	16,430
Company					EBITDA	584	292	797	1,755
Order intake (INR bn)	14.4	16.5	18.1	27.5	Depreciation & amortisation	162	187	190	222
Y-o-Y growth (%)	(12.5)	15.0	9.4	51.9	EBIT	422	105	607	1,533
Book-to-bill ratio (x)	2.8	4.3	2.6	2.6	Less: Interest Expense	475	476	597	662
Order backlog (INR bn)	32.6	39.5	40.5	47.9	Add: Other income	473	516	464	570
Order backlog growth (%)	6.1	20.9	2.8	18.2	Profit Before Tax	420	145	474	1,441
Raw material costs (as % of sales)	80.2	77.9	79.1	74.7	Less: Provision for Tax	84	44	95	290
Job work costs (as % of sales)	3.7	4.8	4.8	4.8	Reported Profit	336	101	379	1,152
Salary costs (as % of sales)	6.9	8.3	6.1	6.1	Adjusted Profit	336	101	379	1,152
Other admin costs (as % of sales)	4.0	5.9	5.0	4.8	No. of Shares outstanding (mn)	219	219	219	219
Depreciation rate (as % of fixed assets)	6.3	6.6	5.8	5.8	Adjusted Basic EPS	1.5	0.5	1.7	5.2
Tax rate (%)	20.1	30.6	20.1	20.1	No. of Dil. Sha. outstanding (mn)	219	219	219	219
Dividend per share	0.2	0.3	0.3	0.3	Adjusted Diluted EPS	1.5	0.5	1.7	5.2
Capex (INR mn)	262	295	537	550	Adjusted Cash EPS	2.4	1.5	2.6	6.3
Increase in investments (INR mn)	(414)	(1,371)	0	0	Dividend per share (DPS)	0.2	0.3	0.3	0.3
Incremental debt (INR mn)	(114)	869	1,000	0	Dividend Payout Ratio (%)	18.8	65.3	17.4	5.7
Interest rate (%)	14.4	12.9	12.9	12.9					

Common size metrics- as % of net revenues

Year to March	FY17	FY18	FY19E	FY20E
Operating expenses	94.9	96.8	95.0	90.4
EBITDA margins	5.1	3.2	5.0	9.6
Adjusted Profit margins	2.9	1.1	2.4	6.3

Growth ratios (%)

Year to March	FY17	FY18	FY19E	FY20E
Revenues	7.2	(19.7)	70.3	15.2
EBITDA	15.1	(50.0)	172.9	120.2
PBT	23.1	(65.5)	226.6	204.0
Adjusted Profit	23.4	(70.0)	275.9	204.0
EPS	23.4	(70.0)	275.9	204.0

Balance Sheet		(INR mn)			
As on 31st March	FY17	FY18	FY19E	FY20E	
Share capital	219	219	219	219	
Reserves & Surplus	10,233	10,420	10,798	11,950	
Shareholders' funds	10,452	10,639	11,018	12,169	
Minority Interest	0	0	0	0	
Long term borrowings	23	321	321	321	
Short term borrowings	3,218	3,789	4,789	4,789	
Total Borrowings	3,241	4,110	5,110	5,110	
Long Term Liabilities & Prov.	52	52	53	58	
Deferred Tax Liability (net)	(360)	(366)	(366)	(366)	
Sources of funds	13,385	14,435	15,815	16,971	
Gross Block	2,680	2,939	3,489	4,039	
Net Block	2,432	2,504	2,864	3,192	
Capital work in progress	16	52	39	39	
Intangible Assets	25	23	23	23	
Total Fixed Assets	2,474	2,579	2,926	3,254	
Non current investments	1,644	1,805	1,805	1,805	
Cash and cash equivalents	3,842	2,190	2,462	2,938	
Inventories	2,270	2,841	3,326	3,010	
Sundry Debtors	4,374	5,811	6,298	6,656	
Loans & Advances	492	470	700	800	
Other Current Assets	2,775	4,588	4,677	5,132	
Total Current Assets (ex cash)	9,910	13,710	15,001	15,597	
Trade payable	2,445	2,751	2,924	2,822	
Other CL & Short Term Prov.	2,040	3,098	3,455	3,800	
Total Current Liab. & Prov.	4,485	5,849	6,379	6,622	
Net Current Assets (ex cash)	5,425	7,861	8,622	8,975	
Uses of funds	13,385	14,435	15,815	16,971	
Book value per share (BV)	48	48	50	55	

Free Cash flow statement

Year to March	FY17	FY18	FY19E	FY20E
Reported Profit	336	101	379	1,152
Add: Depreciation	162	187	190	222
Interest (Net of Tax)	380	330	477	529
Others	(1,711)	(5,235)	(2,063)	(1,289)
Less: Changes in WC	(645)	(2,436)	(760)	(347)
Operating cash flow	(189)	(2,181)	(257)	960
Less: Capex	262	295	537	550
Free Cash Flow	(451)	(2,475)	(794)	410

Peer comparison valuation

Name	Market cap (USD mn)	Diluted P/E (X)		EV / EBITDA (X)		ROAE (%)	
		FY19E	FY20E	FY19E	FY20E	FY19E	FY20E
Texmaco Rail & Engineering	244	38.4	12.6	21.6	9.5	3.5	9.9
Titagarh Wagons	186	1,486.9	22.1	14.6	6.9	0.4	5.0
Median	-	765.2	18.2	19.3	8.7	1.9	7.4
AVERAGE	-	765.2	18.2	19.3	8.7	1.9	7.4

Source: Edelweiss research

Cash flow metrics

Year to March	FY17	FY18	FY19E	FY20E
Operating cash flow	(189)	(2,181)	(257)	960
Financing cash flow	(114)	869	1,000	-
Investing cash flow	143	1,077	(537)	(550)
Net cash Flow	(160)	(235)	206	410
Capex	(262)	(295)	(537)	(550)
Dividend paid	(63)	(66)	(66)	(66)

Ratios

Year to March	FY17	FY18	FY19E	FY20E
ROAE (%)	3.4	1.0	3.5	9.9
Pre-tax ROCE (%)	7.5	4.4	6.9	12.6
Inventory Days	95	122	85	80
Debtors Days	105	201	140	130
Payable Days	161	242	165	160
Cash Conversion Cycle	38	81	60	50
Current Ratio	3.1	2.7	2.7	2.8
Gross Debt/EBITDA	5.6	14.1	6.4	2.9
Gross Debt/Equity	0.3	0.4	0.5	0.4
Adjusted Debt/Equity	0.3	0.4	0.5	0.4
Net Debt/Equity	(0.1)	0.2	0.2	0.2
Interest Coverage Ratio	0.9	0.2	1.0	2.3
Average WC turnover (x)	1.5	1.0	1.5	1.6
Av. capital turnover ratio (x)	1.0	0.7	1.0	1.1

Valuation parameters

Year to March	FY17	FY18	FY19E	FY20E
Adjusted Diluted EPS (INR)	1.5	0.5	1.7	5.2
Y-o-Y growth (%)	23.4	(70.0)	275.9	204.0
Adjusted Cash EPS (INR)	2.4	1.5	2.6	6.3
Diluted P/E Ratio (P/E) (x) *	43.3	144.2	38.4	12.6
Price to Book Ratio (P/B) (x) *	1.4	1.4	1.3	1.2
Enterprise Value / Sales (x) *	1.2	1.8	1.1	0.9
Enterprise Value / EBITDA (x) *	23.9	56.3	21.6	9.5
Dividend Yield (%)	0.3	0.3	0.3	0.3
Basic EPS (INR)	1.5	0.5	1.7	5.2
Basic P/E (x) *	43.3	144.2	38.4	12.6

* adjusted for subsidiaries

Additional Data

Directors Data

Mr. Saroj Kumar Poddar	Executive Chairman	Mr. Akshay Poddar	Non - Executive and Non Independent Director
Mr. D. H. Kela	Executive Director & CEO (SF)	Mr. Sandeep Fuller	Executive Director & CEO (HED)
Mr. A. K. Vijay	Executive Director & CFO	Mr. A. C. Chakrabortti	Independent Director
Mr. D. R. Kaarthikeyan	Independent Director	Mr. Sunil Mitra	Independent Director
Mr. Sabyasachi Hajara	Independent Director	Ms. Mridula Jhunjunwala	Independent Director
Mr.V K Sharma	Independent Director		

Auditors - K. N. Gutgutia & Co.

**as per last annual report*

Holding – Top 10

	Perc. Holding		Perc. Holding
HDFC AMC	7.70	Jupiter India	3.65
Duke Commerce	3.42	Reliance Capital	3.20
Canara Robeco AMC	1.81	Parvest Equity India	1.61
L&T Investment Mgmt	1.44	Life Insurance Corporation of India	1.38
Hypnos Fund	1.09	BNP Paribas	0.66

**as per last available data*

Bulk Deals

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

**as per last available data*

Insider Trades

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

**as per last available data*

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

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

Aditya Narain

Head of Research

aditya.narain@edelweissfin.com

Coverage group(s) of stocks by primary analyst(s): Infrastructure - Railways

Titagarh Wagons, Texmaco Rail & Engineering

Recent Research

Date	Company	Title	Price (INR)	Recos
20-Feb-18	Titagarh Wagons	Domestic business on track; overseas a near-term challenge; <i>Result Update</i>	131	Buy
16-Feb-18	Texmaco Rail & Engineering	Growth outlook improving; <i>Result Update</i>	94	Buy
16-Jan-18	Indian Railways	Wagon tender award – A change in fortunes;		

1Distribution of Ratings / Market Cap

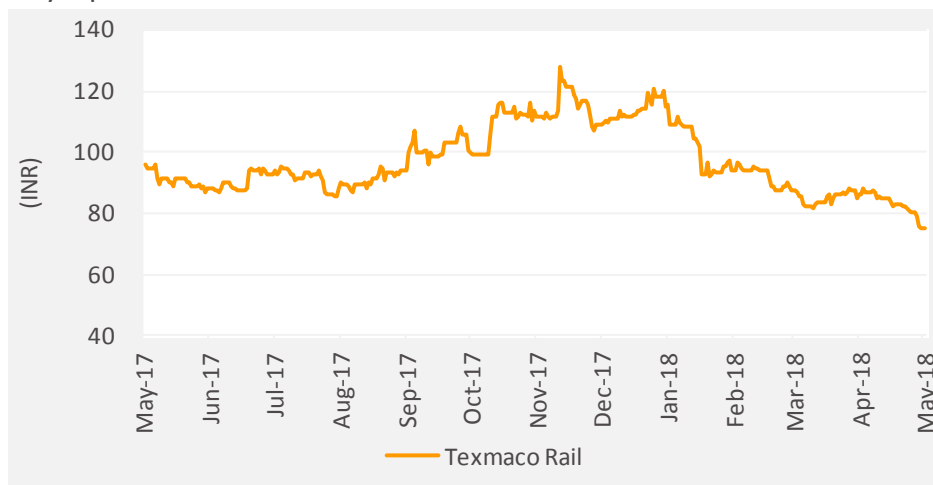
Edelweiss Research Coverage Universe

	Buy	Hold	Reduce	Total
Rating Distribution*	161	67	11	229
* 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