

TATA POWER CO

Strong operating performance; disinvestment key

India Equity Research | Power

Tata Power's (TPWR) Q2FY18 operating profitability jumped 25% led by renewable business and addition of Walwahan renewable (not in base quarter). Key highlights: a) CGPL's operating performance improved (INR1.1bn EBITDA versus INR0.8bn loss in Q1FY8) on account of INR0.20 reduction in fuel cost under recovery; and b) significant improvement in profitability of coal mining companies (2x jump in EBITDA) due to better coal prices. While CGPL's losses have been factored in, we believe there are ample triggers for the stock to re-rate: 1) TPWR's ability to contain coal cost to mitigate the under recovery and diversification of coal sourcing; 2) sustained good performance of renewable business; and 3) successful execution of divestment plans, which could prune debt: equity ratio to 2x from current 3x. Maintain 'BUY'.

Associates and renewable business bolster strong performance

TPWR reported 6% growth in top line and 5% spurt in EBITDA, majorly driven by the renewable business (manufacturing and utilities), which jumped 40%. Reported PAT declined 20% due to one-time loss of INR1.5bn on Tata Tele Services' fair value adjustment and impairment loss of INR0.35bn on Rithala plant (TPDDL). Associate companies extended strong performance and contributed ~INR4.2bn to consolidated PAT (ex-eliminations), with coal mining and infrastructure companies contributing to INR3.9bn PAT.

CGPL: Sequential improvement led by better availability/pricing

Under-recovery in CGPL declined to INR0.70/unit versus INR0.93/unit in Q1FY18, which is commendable despite 7% increase in coal prices Q-o-Q. This was primarily due to: 1) competitive sourcing of coal (for 40% requirement) from various locations; 2) higher availability at 85% & better PLFs leading to superior efficiencies in SHR (INR0.5bn impact). PAT loss of INR2.8bn was majorly on account of INR1.1bn forex loss due to currency depreciation.

Outlook and valuations: multiple triggers; maintain 'BUY'

TPWR's endeavour to prune debt, if successful, could be a key trigger for the stock. We raise our SOTP-based TP to INR96 (earlier INR88) factoring in: 1) higher contribution from KPC & Bumi due to higher coal prices; and 2) strong growth in renewable business. We maintain 'BUY/SP'.

Financials (Consolidated)

(INR mn)

Year to March	Q2FY18	Q2FY17	% Change	Q1FY18	% Change	FY17	FY18E	FY19E
Revenues	76,573	72,089	6.2	69,686	9.9	272,883	323,508	331,904
EBITDA	18,498	14,616	26.6	17,924	3.2	52,372	66,520	69,569
Adj. net profit	2,685	3,362	(20.1)	2,843	(5.5)	7,455	9,141	11,812
Adj EPS (INR)	1.0	1.2	(20.1)	1.1	(5.5)	2.8	3.4	4.4
Price/BV(x)						1.7	1.7	1.6
ROAE (%)						5.5	7.7	9.6

EDELWEISS 4D RATINGS

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

MARKET DATA (R: TTPW.BO, B: TPWR IN)

CMP	: INR 85
Target Price	: INR 96
52-week range (INR)	: 91 / 67
Share in issue (mn)	: 2,704.8
M cap (INR bn/USD mn)	: 231 / 3,577
Avg. Daily Vol.BSE/NSE('000)	: 5,129.1

SHARE HOLDING PATTERN (%)

	Current	Q1FY18	Q4FY17
Promoters *	33.0	33.0	33.0
MF's, FI's & BK's	24.6	24.6	23.5
FII's	26.1	26.4	27.3
Others	16.2	15.9	16.2
* Promoters pledged shares (% of share in issue)			12.2

PRICE PERFORMANCE (%)

	Stock	Nifty	EW Power Index
1 month	9.2	6.0	6.9
3 months	2.2	4.4	1.2
12 months	10.2	23.2	18.5

Swarnim Maheshwari

+91 22 4040 7418

swarnim.maheshwari@edelweissfin.com

November 6, 2017

Table 1: SOTP valuation

Businesses	Method	Earnings / BV Equity/Reserves	RoE	CoE	Multiple	Valuation (INR mn)	Tata Share (%)	Tata Share (INR mn)	Per share (INR)
Regulated utility	P/B	42,880	18.0%	10.5%	2.32	99,301	100	99,301	37
Delhi Distribution	P/B	11,600	16.0%	10.5%	1.96	22,793	51	11,624	4
Power Links	P/B	6,318	16.0%	10.5%	1.96	12,414	51	6,331	2
Haldia (120 MW) merchant	P/B	1,200	16.0%	10.5%	1.96	2,358	100	2,358	1
Renewable/Overseas projects	P/B	10,875	16.0%	10.5%	1.96	21,368	100	21,368	8
Jojobera	P/B	5,000	19.0%	10.5%	1.70	8,500	100	8,500	3
Mundra UMPP	NPV				1.00	(99,431)	100	(99,431)	(37)
DVC (Maithon)	P/B	10,500	18.0%	10.5%	1.50	15,750	74	11,655	4
Tata Steel IPP	P/B	7,881	18.0%	10.5%	1.45	11,428	74	8,457	3
KPC & Bumi	NPV at WACC of 8%					306,791	30.0%	92,037	34
Welspun Renewable	P/B	20,907	24.89%	10.5%	1.70	35,541	100	35,541	13
Quoted investments									
Total	Market Cap					27,135	25.0%	20,352	6
Unquoted investments									
Total	At book value							18,409	7
Net Cash	BV							20,521	8
Total								257,020	96

Source: Edelweiss research

Financial snapshot

(INR mn)

Year to March	Q2FY18	Q2FY17	% change	Q1FY18	% change	YTD18	FY18E	FY19E
Total operating Income	76,573	72,089	6.2	69,686	9.9	146,259	323,508	331,904
Cost of goods sold	48,847	48,188	1.4	42,408	15.2	91,255	237,254	242,089
Fuel cost	25,291	21,161	19.5	21,258	19.0	46,550	130,234	132,292
Power purchase	22,606	26,428	(14.5)	20,573	9.9	43,179	80,877	82,976
Material and Component	950	599	58.4	577	64.7	1,526	26,143	26,821
Gross profit	27,726	23,901	16.0	27,279	1.6	55,004	86,254	89,815
Salaries and other exp.	3,908	3,071	27.3	3,335	17.2	7,243	12,940	13,276
Other expenses	5,320	6,214	(14.4)	6,019	(11.6)	11,339	6,794	6,970
Total expenditure	58,075	57,473	1.0	51,762	12.2	109,838	256,988	262,335
EBITDA	18,498	14,616	26.6	17,924	3.2	36,422	66,520	69,569
Depreciation	5,900	4,476	31.8	5,857	0.7	11,757	20,112	20,537
EBIT	12,598	10,140	24.2	12,067	4.4	24,665	46,409	49,032
Other income	1,331	1,029	29.3	1,444	(7.8)	2,775	3,661	3,327
Interest	9,814	7,243	35.5	10,030	(2.2)	19,844	40,084	40,446
Add: Exceptional items	(4,129)	(3,064)	NA	(2,491)	NA	(6,620)		
Profit before tax	(14)	862	NA	990	NA	976	9,985	11,913
Provision for taxes	1,553	(1,117)	(239.0)	2,042	(24.0)	3,595	5,501	5,048
Minority interest		(490)	(100.0)				(2,479)	(2,690)
Associate profit share	4,252	1,873	127.1	3,894	9.2	8,146	7,136	7,637
Reported net profit	2,685	3,362	(20.1)	2,843	(5.5)	5,528	9,141	11,812
Adjustments								
Adjusted Profit	2,685	3,362	(20.1)	2,843	(5.5)	5,528	9,141	11,812
Diluted shares (mn)	2,705	2,705		2,705		2,705	2,705	2,705
Adjusted Diluted EPS	1.0	1.2	(20.1)	1.1	(5.5)	2.0	3.4	4.4
As % of net revenues								
COGS	63.8	66.8		60.9		62.4	73.3	72.9
Gross profit	36.2	33.2		39.1		37.6	26.7	27.1
Other expenses	6.9	8.6		8.6		7.8	2.1	2.1
Total expenses	75.8	79.7		74.3		75.1	79.4	79.0
EBITDA	24.2	20.3		25.7		24.9	20.6	21.0
Adjusted net profit	3.5	5.3		4.1		3.8	3.6	4.4
Tax rate	-	-		-		368.3	55.1	42.4

Company Description

Tata Power is a pioneer in India's power sector, with a presence in all spheres of the power industry, encompassing generation, transmission, trading, and distribution. Tata Power has demonstrated exceptional performance in its transmission and distribution JVs. The company was also awarded the first UMPP at Mundra (Gujarat) due to its lowest levelised tariff bid at INR 2.26 per unit.

Investment Theme

We believe TPC is poised to play an important role in the Indian power sector. The company in the past has exhibited expertise in project execution. The company has an installed capacity of 10GW+ at FY17 end. The company has 30% stake in two coal mines of Bumi Resources with proven reserves of ~1.9bn tonnes. With rising coal prices, we believe, Tata Power will have significant profits from these assets.

Key Risks

TPC fully commissioned two key projects at Mundra—4,000MW and Maithon—1,050MW. The dynamics of Indian electricity market have undergone a sea change due to higher imported coal prices, weak customer finances, changing fiscal norms at coal exporting countries and now, a depreciating rupee. Hence, balancing between contractual supplies (both volume and price) and maximizing earnings has become a key determinant/risk.

The company had restated stripping costs by ~15% to 11.5 in 2010 which should have lead to upward restatement of reserves from 2.1bn tonnes. However, recently the restatement was only to the extent of 20mn tonnes. Unless another round of restatement is done or costs are brought down the value of coal mines could be suppressed.

Financial Statements(Consol)

Key Assumptions

Year to March	FY16	FY17	FY18E	FY19E
Macro				
GDP(Y-o-Y %)	7.2	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)	65.0	67.1	65.0	66.0
Sector				
NewCastle FoB(USD/t)	57	57	59	59
Melawan FoB(USD/t)	47	47	48.5	48.5
Company				
Standalone PAT (INR mn)	7,716	2,835	7,964	9,336
Powerlinks PAT (INR mn)	1,090	978	978	978
Maithon PAT (INR mn)	1,890	2,202	2,202	2,202
Delhi Dist PAT (INR mn)	2,584	3,482	3,869	4,299
IEL PAT (INR mn)	661	616	616	616
Mundra units sale (MUs)	27,464	27,443	29,013	29,013
Mundra Cap.charge(INRmn)	25,494	25,384	25,297	25,277
Mundra avg tariff(INR)	2.3	2.4	2.5	2.5
Mundra fuelcost(INR/kwh)	1.3	1.5	1.7	1.7
Mundra PAT/kwh (INR/kwh)	(0.1)	(0.3)	(0.3)	(0.3)
BUMI coal sales (MT)	80.8	85.0	87.0	91.0
BUMI avg realz (USD/t)	44.9	52.4	62.4	63.6
BUMI PAT/t (USD)	3.8	5.5	6.8	7.0
Consol Reg. Eqty (INRmn)	72,480	77,701	79,682	82,772
Consol Regulated RoE	17	18	19	19
Dividend payout (%)	40.3	47.2	47.2	47.2
Net borrowings (INR mn)	384,469	399,529	369,416	408,296
Capex (INR mn)	66,821	14,773	36,804	12,693
Debtor days	54	68	45	45
Inventory days	23	26	26	26
Payable days	104	112	125	125

Income statement

(INR mn)

Year to March	FY16	FY17	FY18E	FY19E
Income from operations	364,608	272,883	323,508	331,904
Direct costs	214,374	179,758	211,111	215,268
Employee costs	15,122	12,959	12,940	13,276
Other Expenses	55,200	27,793	32,937	33,791
Total operating expenses	284,696	220,510	256,988	262,335
EBITDA	79,912	52,372	66,520	69,569
Depreciation	23,764	19,886	20,112	20,537
EBIT	56,148	32,487	46,409	49,032
Add: Other income	789.8	2,022.2	3,660.78	3,327.48
Less: Interest Expense	34,765	31,140	40,084	40,446
Add: Exceptional items	(2,805)	(6,515)	-	-
Profit Before Tax	19,367	(3,146)	9,985	11,913
Less: Provision for Tax	8,693	(458)	5,501	5,048
Minority interest	2,557	2,031	2,479	2,690
Associate profit share	616	12,173	7,136	7,637
Reported Profit	8,734	7,455	9,141	11,812
Adjusted Profit	8,734	7,455	9,141	11,812
Shares o/s (mn)	2,705	2,705	2,705	2,705
Adjusted Basic EPS	3.2	2.8	3.4	4.4
Diluted shares o/s (mn)	2,705	2,705	2,705	2,705
Adjusted Diluted EPS	3.2	2.8	3.4	4.4
Adjusted Cash EPS	12.3	10.8	10.8	12.0
Dividend per share (DPS)	1.3	1.3	1.6	2.1
Dividend Payout Ratio(%)	45.9	53.8	53.8	53.8

Common size metrics

Year to March	FY16	FY17	FY18E	FY19E
Operating expenses	78.1	80.8	79.4	79.0
Depreciation	6.5	7.3	6.2	6.2
Interest Expense	9.5	11.4	12.4	12.2
EBITDA margins	21.9	19.2	20.6	21.0
Net Profit margins	3.1	3.5	3.6	4.4

Growth ratios (%)

Year to March	FY16	FY17	FY18E	FY19E
Revenues	6.1	(25.2)	18.6	2.6
EBITDA	15.1	(34.5)	27.0	4.6
PBT	30.5	(116.2)	(417.4)	19.3
Adjusted Profit	514.1	(14.6)	22.6	29.2
EPS	514.1	(14.6)	22.6	29.2

Balance sheet		(INR mn)			
As on 31st March	FY16	FY17	FY18E	FY19E	
Share capital	2,705	2,705	2,705	2,705	
Reserves & Surplus	162,271	130,090	134,314	139,774	
Shareholders' funds	164,976	132,795	137,019	142,479	
Minority Interest	25,814	18,690	14,034	9,086	
Short term borrowings	29,551	162,798	162,798	162,798	
Long term borrowings	371,658	257,252	252,362	252,362	
Total Borrowings	401,209	420,050	415,160	415,160	
Long Term Liabilities	22,216	33,574	33,574	33,574	
Def. Tax Liability (net)	14,758	16,683	16,683	16,683	
Sources of funds	628,973	621,791	616,469	616,981	
Gross Block	645,607	674,468	725,051	741,744	
Net Block	421,176	430,151	460,622	456,779	
Capital work in progress	35,867	21,779	8,000	4,000	
Intangible Assets	50,419	34,383	34,383	34,383	
Total Fixed Assets	507,462	486,313	503,005	495,162	
Non current investments	28,855	108,592	108,592	108,592	
Cash and Equivalents	16,740	20,521	45,743	6,864	
Inventories	18,061	15,996	21,288	16,771	
Sundry Debtors	52,042	49,140	30,629	51,211	
Loans & Advances	62,921	33,192	33,192	33,192	
Other Current Assets	90,867	106,694	106,694	106,694	
Current Assets (ex cash)	223,891	205,022	191,802	207,868	
Trade payable	61,277	55,290	89,306	58,137	
Other Current Liab	86,699	143,367	143,367	143,367	
Total Current Liab	147,976	198,657	232,674	201,504	
Net Curr Assets-ex cash	75,916	6,365	(40,872)	6,363	
Uses of funds	628,973	621,791	616,469	616,981	
BVPS (INR)	61.0	49.1	50.7	52.7	

Free cash flow		(INR mn)			
Year to March	FY16	FY17	FY18E	FY19E	
Reported Profit	8,734	7,455	9,141	11,812	
Add: Depreciation	23,764	19,886	20,112	20,537	
Interest (Net of Tax)	21,135	35,375	18,003	23,307	
Deferred tax	803	1,925	-	-	
Others	15,685	17,604	13,159	8,083	
Less: Changes in WC	17,292	69,551	47,236	(47,235)	
Operating cash flow	87,413	151,796	107,651	16,504	
Less: Capex	66,821	14,773	36,804	12,693	
Free Cash Flow	20,592	137,023	70,847	3,811	

Peer comparison valuation

Name	Market cap (USD mn)	EV / EBITDA (X)		P/B (X)		ROAE (%)	
		FY18E	FY19E	FY18E	FY19E	FY18E	FY19E
Tata Power Co	3,577	9.2	9.3	1.7	1.6	7.7	9.6
CESC	2,041	10.0	9.0	1.6	1.5	5.0	5.5
JSW Energy	2,081	8.0	7.5	1.2	1.2	6.1	8.0
NTPC	22,874	10.2	9.2	1.5	1.4	11.6	12.6
Power Grid Corp of India	17,059	8.2	7.5	2.0	1.8	17.4	18.1

Source: Edelweiss research

Cash flow metrics					
Year to March	FY16	FY17	FY18E	FY19E	
Operating cash flow	87,413	151,796	107,651	16,504	
Investing cash flow	(66,137)	(98,833)	(33,143)	(9,366)	
Financing cash flow	(45,491)	(15,815)	(49,285)	(46,018)	
Net cash Flow	(24,216)	37,147	25,223	(38,880)	
Capex	(66,821)	(14,773)	(36,804)	(12,693)	
Dividend paid	(4,009)	(4,009)	(4,916)	(6,353)	

Profitability and efficiency ratios

Year to March	FY16	FY17	FY18E	FY19E
ROAE (%)	6.0	5.5	7.7	9.6
ROACE (%)	9.6	5.9	8.8	9.2
Inventory Days	31	35	32	32
Debtors Days	54	68	45	45
Payable Days	97	118	125	125
Cash Conversion Cycle	(12)	(16)	(48)	(48)
Current Ratio	1.6	1.1	1.0	1.1
Gross Debt/EBITDA	5.0	8.0	6.2	6.0
Gross Debt/Equity	2.1	2.8	2.7	2.7
Adjusted Debt/Equity	2.1	2.8	2.7	2.7
Interest Coverage Ratio	1.6	1.0	1.2	1.2

Operating ratios

Year to March	FY16	FY17	FY18E	FY19E
Total Asset Turnover	0.6	0.4	0.5	0.5
Fixed Asset Turnover	0.8	0.6	0.7	0.7
Equity Turnover	2.0	1.6	2.1	2.2

Valuation parameters

Year to March	FY16	FY17	FY18E	FY19E
Adj. Diluted EPS (INR)	3.2	2.8	3.4	4.4
Y-o-Y growth (%)	514.1	(14.6)	22.6	29.2
Adjusted Cash EPS (INR)	12.3	10.8	10.8	12.0
Diluted P/E (x)	26.5	31.0	25.3	19.6
P/B (x)	1.4	1.7	1.7	1.6
EV / Sales (x)	1.8	2.4	1.9	2.0
EV / EBITDA (x)	8.0	12.4	9.2	9.3
Dividend Yield (%)	1.5	1.5	1.9	2.4

Additional Data

Directors Data

Mr. Cyrus P. Mistry	Chairman, Non-Independent, Non-Executive	Mr R Gopalakrishnan	Non-Independent, Non-Executive
Dr H S Vachha	Independent, Non-Executive	Mr N H Mirza	Independent, Non-Executive
Mr D M Satwalekar	Independent, Non-Executive	Mr P G Mankad	Independent, Non-Executive
Mr A K Basu	Independent, Non-Executive	Mr. Vijay Kumar Sharma	Independent, Non-Executive
Mr Anil Sardana	Managing Director, Executive	Ms. Vishakha V. Mulye	Independent, Non-Executive
Mr. Ashok S. Sethi	Executive Director		

Auditors - Deloitte Haskins & Sells

**as per last annual report*

Holding – Top10

	Perc. Holding		Perc. Holding
Tata sons ltd	31.05	Life insurance corp	12.08
Commonwealth bank of	10.1	Matthews intl capita	6.4
Tata power co ltd	5.07	Icici prudential lif	5.03
Icici prudential ass	4.66	General insurance co	2.51
New india assurance	2.48	Vanguard group	1.87

**in last one year*

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
Adani Power	HOLD	SU	H	CESC	BUY	None	None
JSW Energy	HOLD	SP	M	NTPC	BUY	SP	L
Power Grid Corp of India	BUY	SO	L	PTC India	BUY	None	None
Tata Power Co	BUY	SP	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): Power

Adani Power, CESC, JSW Energy, NTPC, PTC India, Power Grid Corp of India, Tata Power Co

Recent Research

Date	Company	Title	Price (INR)	Recos
06-Nov-17	Power Grid Corporation of India	Delivers on expectations; momentum to sustain ; <i>Result Update</i>	210	Buy
01-Nov-17	JSW Energy	Inline operational show; resolution of untied capacity key; <i>Result Update</i>	85	Hold
25-Sep-17	Adani Transmission	Towering prowess; <i>Initiating Coverage</i>	129	Buy

Distribution of Ratings / Market Cap

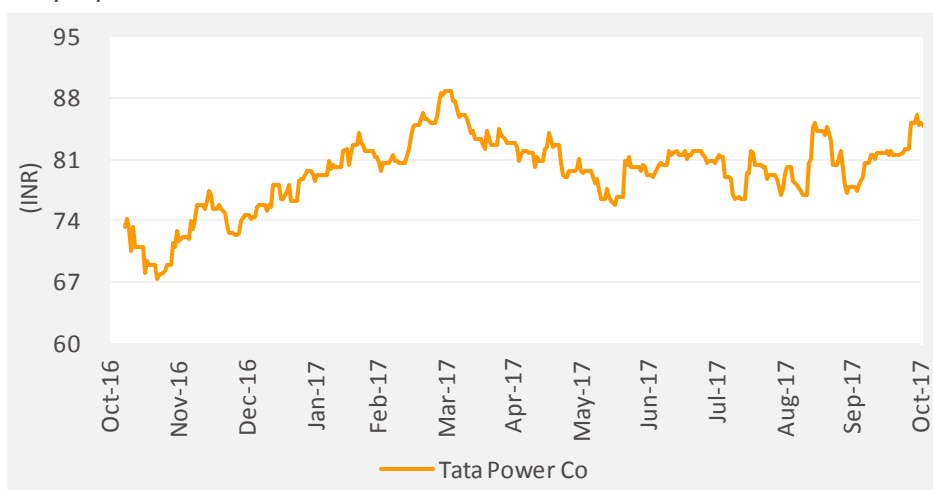
Edelweiss Research Coverage Universe

	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