

# TATA POWER CO

## Divestments gaining momentum

India Equity Research | Power

Tata Power's (TPC) Q3FY18 PAT, adjusted for tax write-back of INR2.9bn, was in line with consensus. Key highlights: 1) Renewable assets continue to do well with 9mFY18 PAT of ~INR3.5bn; during the quarter, TPC commissioned 227MW of new solar capacities; 2) Despite higher under recovery of fuel at 79 paise/unit, losses were contained at CGPL on account of higher PLF at ~72% (up 200bps QoQ); and 3) Management targets to lower net debt/equity to ~2.25x (current 2.75x), which seems achievable as several unrelated investments are now classified as assets held for sale. We believe there are triggers for the stock to re-rate including: 1) TPC's ability to contain coal costs to mitigate under recovery and diversification of coal sourcing; 2) sustained good performance by renewable business; and 3) successful execution of divestment plans, which could lower debt. Maintain 'BUY' with a revised SoTP-based TP of INR101 (INR97 earlier) as we roll forward to FY20E.

### Five assets held for sale; management targets to prune debt

TPC has categorised five assets as held for sale, implying management's intension to divest non-core investments and further simplify businesses. These include Panatone Finvest (40% stake), Tata Communications (4.7% stake), Tata Ceramics, Tata Projects and Tata Power SED. Management targets to lower net debt/equity to ~2.25x (current 2.75x). Divestment of CGPL still remains uncertain.

### Joint ventures excel; Trombay PPA could extend by a year

For the quarter, top line grew 4%. Led by coal companies, joint ventures (JV's) extended strong performance and contributed ~INR4.2bn to consolidated PAT (ex-eliminations). Profits spread in coal mines were flat at ~ USD24/tonne due to rise in coal mine strip ratio. Management indicated that the Trombay PPA could be extended by another year as indicated by BSES. TPC continues to grow its renewable portfolio though with an extremely cautious approach. The company is also evaluating stressed thermal power projects.

### Outlook and valuations: Positive; maintain 'BUY'

TPC's endeavour to prune debt, if successful, could be a key trigger for the stock. We maintain 'BUY/SP' with an SoTP-based TP of INR101. At CMP, the stock trades at 10.1x/9.5x FY19/20E EV/EBITDA earnings.

#### Financials (Consolidated)

(INR mn)

Year to March	Q3FY18	Q3FY17	% Change	Q2FY18	% Change	FY17	FY18E	FY19E
Revenues	69,499	66,837	4.0	76,573	(9.2)	272,883	303,540	308,367
EBITDA	12,254	14,029	(12.6)	18,498	(33.8)	52,372	62,438	63,431
Adj. net profit	6,374	5,992	6.4	2,685	137.4	7,455	16,363	17,463
Adj EPS (INR)	2.4	2.2	6.4	1.0	137.4	2.8	6.0	6.5
Price/BV(x)						1.8	1.7	1.7
ROAE (%)						5.5	12.7	14.4

#### 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 87
Target Price	: INR 101
52-week range (INR)	: 102 / 76
Share in issue (mn)	: 2,704.8
M cap (INR bn/USD mn)	: 236 / 3,683
Avg. Daily Vol.BSE/NSE('000)	: 6,601.2

#### SHARE HOLDING PATTERN (%)

	Current	Q2FY18	Q1FY18
Promoters *	33.0	33.0	33.0
MF's, FI's & BK's	24.4	24.6	24.6
FII's	27.3	26.1	26.4
Others	15.3	16.2	15.9
* Promoters pledged shares (% of share in issue)	:	12.2	

#### PRICE PERFORMANCE (%)

	Stock	Nifty	EW Power Index
1 month	(12.1)	(1.7)	(6.2)
3 months	6.5	2.7	(0.7)
12 months	4.3	19.3	1.3

Swarnim Maheshwari

+91 22 4040 7418

swarnim.maheshwari@edelweissfin.com

February 15, 2018

**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	8,274	16.0%	10.5%	1.96	16,258	51	8,292	3
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%					339,172	30.0%	<b>101,752</b>	<b>38</b>
Welspun Renewable	P/B	25,294	24.89%	10.5%	1.70	42,999	100	42,999	16
<b>Quoted investments</b>									
Total	Market Cap					<b>21,374</b>	25.0%	<b>16,030</b>	5
<b>Unquoted investments</b>									
Total	At book value							<b>18,409</b>	7
Net Cash	BV							20,521	8
<b>Total</b>								<b>271,833</b>	<b>101</b>

Source: Edelweiss research

## Financial snapshot

(INR mn)

Year to March	Q3FY18	Q3FY17	% change	Q2FY18	% change	YTD18	FY18E	FY19E
Total operating Income	69,499	66,837	4.0	76,573	(9.2)	215,758	303,540	308,367
Cost of goods sold	48,278	43,409	11.2	48,847	(1.2)	139,533	220,313	223,816
Fuel cost	24,912	22,841	9.1	25,291	(1.5)	71,462	104,721	106,387
Power purchase	20,709	19,935	3.9	22,606	(8.4)	63,888	91,062	92,510
Material and Component	2,657	634	319.0	950	179.8	4,183	24,529	24,919
Gross profit	21,221	23,428	(9.4)	27,726	(23.5)	76,225	83,228	84,551
Salaries and other exp.	3,386	2,954	14.6	3,908	(13.4)	10,630	14,415	14,645
Other expenses	5,581	6,446	(13.4)	5,320	4.9	16,920	6,374	6,476
Total expenditure	57,245	52,809	8.4	58,075	(1.4)	167,083	241,103	244,937
EBITDA	12,254	14,029	(12.6)	18,498	(33.8)	48,676	62,438	63,431
Depreciation	5,972	5,318	12.3	5,900	1.2	17,729	21,300	21,768
EBIT	6,282	8,710	(27.9)	12,598	(50.1)	30,947	41,138	41,663
Other income	911	(792)	(215.1)	1,331	(31.6)	3,686	4,661	4,827
Interest	8,455	7,010	20.6	9,814	(13.9)	28,298	37,276	38,259
Add: Exceptional items	1,398	1,523	(8.2)	(4,129)	(133.8)	(5,223)	-	-
Profit before tax	136	2,432	(94.4)	(14)	(1,043.0)	1,112	8,523	8,232
Provision for taxes	(1,668)	706	NA	1,553	NA	1,927	3,118	1,304
Minority interest		(798)	(100.0)				(2,479)	(2,690)
Associate profit share	4,571	5,064	(9.7)	4,252	7.5	12,717	13,437	13,225
Reported net profit	6,374	5,992	6.4	2,685	137.4	11,902	16,363	17,463
Adjustments								
Adjusted Profit	6,374	5,992	6.4	2,685	137.4	11,902	16,363	17,463
Diluted shares (mn)	2,705	2,705		2,705		2,705	2,705	2,705
Adjusted Diluted EPS	2.4	2.2	6.4	1.0	137.4	4.4	6.0	6.5
<b>As % of net revenues</b>								
COGS	69.5	64.9		63.8		64.7	72.6	72.6
Gross profit	30.5	35.1		36.2		35.3	27.4	27.4
Other expenses	8.0	9.6		6.9		7.8	2.1	2.1
Total expenses	82.4	79.0		75.8		77.4	79.4	79.4
EBITDA	17.6	21.0		24.2		22.6	20.6	20.6
Adjusted net profit	9.2	10.2		3.5		5.5	6.2	6.5
Tax rate	-	-		-		173.3	36.6	15.8

### 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 as seen in 9mFY18 which saw coal mines contributing ~INR10bn to the profits. Further, management has stated its intentions to simplify its various unrelated businesses and intends to divest in 6 different businesses which could prune debt/Equity from 2.75x to ~2x over the next few quarters. The renewable bet has been playing well with the business contributing ~INR4bn to the profits over the last 9M.

### 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.

## Financial Statements

## Key Assumptions

Year to March	FY17	FY18E	FY19E	FY20E
<b>Macro</b>				
GDP(Y-o-Y %)	6.6	6.5	7.1	7.6
Inflation (Avg)	4.5	3.8	4.5	5.0
Repo rate (exit rate)	6.3	6.0	6.0	6.5
USD/INR (Avg)	67.1	64.5	65.0	66.0
<b>Sector</b>				
NewCastle FoB(USD/t)	57	57	57	57
Melawan FoB(USD/t)	47	47	47	47
<b>Company</b>				
Standalone PAT (INR mn)	2,835	539	(2,094)	242
Powerlinks PAT (INR mn)	978	978	978	978
Maithon PAT (INR mn)	2,202	2,202	2,202	2,205
Delhi Dist PAT (INR mn)	3,482	3,869	4,299	4,777
IEL PAT (INR mn)	616	616	616	616
Mundra units sale (MUs)	27,443	29,013	29,013	29,013
Mundra Cap.charge(INRmn)	25,384	25,297	25,277	25,300
Mundra avg tariff(INR)	2.4	2.5	2.5	2.5
Mundra fuelcost(INR/kwh)	1.5	1.7	1.7	1.7
Mundra PAT/kwh (INR/kwh)	(0.3)	(0.4)	(0.4)	(0.4)
BUMI coal sales (MT)	85.0	87.0	91.0	95.0
BUMI avg realz (USD/t)	52.4	66.3	67.6	79.2
BUMI PAT/t (USD)	5.5	9.5	8.9	9.3
Consol Reg. Eqty (INRmn)	77,701	79,682	82,772	85,878
Consol Regulated RoE	18	19	19	19
Capex (INR mn)	14,773	36,804	12,693	13,693
Net borrowings (INR mn)	399,529	406,946	409,692	412,407
Dividend payout (%)	47.2	47.2	47.2	47.2
Debtor days	68	55	50	50
Inventory days	26	26	26	26
Payable days	112	115	118	110

## Income statement

(INR mn)

Year to March	FY17	FY18E	FY19E	FY20E
Income from operations	272,883	303,540	308,367	321,101
Direct costs	179,758	195,784	198,897	208,073
Employee costs	12,959	14,415	14,645	15,249
Other Expenses	27,793	30,904	31,395	30,826
Total operating expenses	220,510	241,103	244,937	254,148
EBITDA	52,372	62,438	63,431	66,952
Depreciation	19,886	21,300	21,768	22,238
EBIT	32,487	41,138	41,663	44,714
Add: Other income	2,022.2	4,660.78	4,827.47	4,726.5
Less: Interest Expense	31,140	37,276	38,259	40,061
Add: Exceptional items	(6,515)	-	-	-
Profit Before Tax	(3,146)	8,523	8,232	9,380
Less: Provision for Tax	(458)	3,118	1,304	2,298
Minority interest	2,031	2,479	2,690	2,925
Associate profit share	12,173	13,437	13,225	14,720
Reported Profit	7,455	16,363	17,463	18,877
Adjusted Profit	7,455	16,363	17,463	18,877
Shares o/s (mn)	2,705	2,705	2,705	2,705
Adjusted Basic EPS	2.8	6.0	6.5	7.0
Diluted shares o/s (mn)	2,705	2,705	2,705	2,705
Adjusted Diluted EPS	2.8	6.0	6.5	7.0
Adjusted Cash EPS	10.8	13.9	14.5	15.2
Dividend per share (DPS)	1.3	1.4	1.1	1.6
Dividend Payout Ratio(%)	53.8	26.0	19.0	25.9

## Common size metrics

Year to March	FY17	FY18E	FY19E	FY20E
Operating expenses	80.8	79.4	79.4	79.1
Depreciation	7.3	7.0	7.1	6.9
Interest Expense	11.4	12.3	12.4	12.5
EBITDA margins	19.2	20.6	20.6	20.9
Net Profit margins	3.5	6.2	6.5	6.8

## Growth ratios (%)

Year to March	FY17	FY18E	FY19E	FY20E
Revenues	(25.2)	11.2	1.6	4.1
EBITDA	(34.5)	19.2	1.6	5.6
PBT	(116.2)	(370.9)	(3.4)	13.9
Adjusted Profit	(14.6)	119.5	6.7	8.1
EPS	(14.6)	119.5	6.7	8.1

Balance sheet		(INR mn)			
As on 31st March	FY17	FY18E	FY19E	FY20E	
Share capital	2,705	2,705	2,705	2,705	
Reserves & Surplus	130,090	133,752	136,596	140,795	
Shareholders' funds	132,795	136,457	139,301	143,500	
Minority Interest	18,690	7,732	(2,803)	(14,598)	
Short term borrowings	162,798	162,798	162,798	162,798	
Long term borrowings	257,252	252,362	252,362	252,362	
Total Borrowings	420,050	415,160	415,160	415,160	
Long Term Liabilities	33,574	33,574	33,574	33,574	
Def. Tax Liability (net)	16,683	16,683	16,683	16,683	
<b>Sources of funds</b>	<b>621,791</b>	<b>609,606</b>	<b>601,914</b>	<b>594,318</b>	
Gross Block	674,468	725,051	741,744	757,437	
Net Block	430,151	459,434	454,359	447,815	
Capital work in progress	21,779	8,000	4,000	2,000	
Intangible Assets	34,383	34,383	34,383	34,383	
Total Fixed Assets	486,313	501,817	492,742	484,197	
Non current investments	108,592	108,592	108,592	108,592	
Cash and Equivalents	20,521	8,214	5,468	2,753	
Inventories	15,996	20,207	16,969	21,323	
Sundry Debtors	49,140	42,338	42,147	45,826	
Loans & Advances	33,192	33,192	33,192	33,192	
Other Current Assets	106,694	106,694	106,694	106,694	
Current Assets (ex cash)	205,022	202,431	199,001	207,035	
Trade payable	55,290	68,080	60,521	64,893	
Other Current Liab	143,367	143,367	143,367	143,367	
Total Current Liab	198,657	211,448	203,889	208,260	
Net Curr Assets-ex cash	6,365	(9,017)	(4,888)	(1,225)	
<b>Uses of funds</b>	<b>621,791</b>	<b>609,606</b>	<b>601,914</b>	<b>594,318</b>	
BVPS (INR)	49.1	50.4	51.5	53.1	

Free cash flow		(INR mn)			
Year to March	FY17	FY18E	FY19E	FY20E	
Reported Profit	7,455	16,363	17,463	18,877	
Add: Depreciation	19,886	21,300	21,768	22,238	
Interest (Net of Tax)	35,375	(1,336,941)	54,461	263,519	
Deferred tax	1,925	-	-	-	
Others	17,604	1,349,636	(43,282)	(250,373)	
Less: Changes in WC	69,551	15,382	(4,129)	(3,663)	
Operating cash flow	151,796	65,740	46,280	50,598	
Less: Capex	14,773	36,804	12,693	13,693	
<b>Free Cash Flow</b>	<b>137,023</b>	<b>28,936</b>	<b>33,587</b>	<b>36,904</b>	

## Peer comparison valuation

Name	Market cap (USD mn)	EV / EBITDA (X)		P/B (X)		ROAE (%)	
		FY18E	FY19E	FY18E	FY19E	FY18E	FY19E
Tata Power Co	3,683	10.4	10.1	1.7	1.7	12.7	14.4
CESC	2,126	10.0	9.1	1.7	1.5	5.2	5.6
JSW Energy	2,104	8.9	8.1	1.3	1.2	5.7	7.3
NTPC	21,004	11.2	9.6	1.3	1.3	10.1	11.1
Power Grid Corp of India	15,984	8.2	7.4	1.8	1.6	16.7	17.0

Source: Edelweiss research

Cash flow metrics					
Year to March	FY17	FY18E	FY19E	FY20E	
Operating cash flow	151,796	65,740	46,280	50,598	
Investing cash flow	(98,833)	(32,143)	(7,866)	(8,967)	
Financing cash flow	(15,815)	(45,903)	(41,161)	(44,346)	
Net cash Flow	37,147	(12,307)	(2,746)	(2,715)	
Capex	(14,773)	(36,804)	(12,693)	(13,693)	
Dividend paid	(4,009)	(4,262)	(3,309)	(4,886)	

## Profitability and efficiency ratios

Year to March	FY17	FY18E	FY19E	FY20E
ROAE (%)	5.5	12.7	14.4	16.4
ROACE (%)	5.9	8.1	8.4	9.0
Inventory Days	35	34	34	34
Debtors Days	68	55	50	50
Payable Days	118	115	118	110
Cash Conversion Cycle	(16)	(26)	(34)	(26)
Current Ratio	1.1	1.0	1.0	1.0
Gross Debt/EBITDA	8.0	6.6	6.5	6.2
Gross Debt/Equity	2.8	2.9	3.0	3.2
Adjusted Debt/Equity	2.8	2.9	3.0	3.2
Interest Coverage Ratio	1.0	1.1	1.1	1.1

## Operating ratios

Year to March	FY17	FY18E	FY19E	FY20E
Total Asset Turnover	0.4	0.5	0.5	0.5
Fixed Asset Turnover	0.6	0.6	0.6	0.7
Equity Turnover	1.6	2.1	2.2	2.4

## Valuation parameters

Year to March	FY17	FY18E	FY19E	FY20E
Adj. Diluted EPS (INR)	2.8	6.0	6.5	7.0
Y-o-Y growth (%)	(14.6)	119.5	6.7	8.1
Adjusted Cash EPS (INR)	10.8	13.9	14.5	15.2
Diluted P/E (x)	31.6	14.4	13.5	12.5
P/B (x)	1.8	1.7	1.7	1.6
EV / Sales (x)	2.4	2.1	2.1	2.0
EV / EBITDA (x)	12.5	10.4	10.1	9.5
Dividend Yield (%)	1.5	1.6	1.2	1.8

## 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
Matthews intl capita	6.44	Commonwealth bank of	5.3
Tata power co ltd	5.07	Icici prudential lif	5.03
Icici prudential ass	3.08	General insurance co	2.5
New india assurance	2.48	Blackrock	1.47

*\*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](mailto:research@edelweissfin.com)

Aditya Narain  
Head of Research  
[aditya.narain@edelweissfin.com](mailto:aditya.narain@edelweissfin.com)

### Coverage group(s) of stocks by primary analyst(s): 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
12-Feb-18	CESC	Inline performance; rerating to continue; <i>Result Update</i>	1,008	Buy
06-Feb-18	JSW Energy	Higher fuel cost takes a toll; long-term PPA key; <i>Result Update</i>	83	Hold
02-Feb-18	Power Grid Corporation of India	In line performance, but growth to tap; <i>Result Update</i>	193	Buy

#### Distribution of Ratings / Market Cap

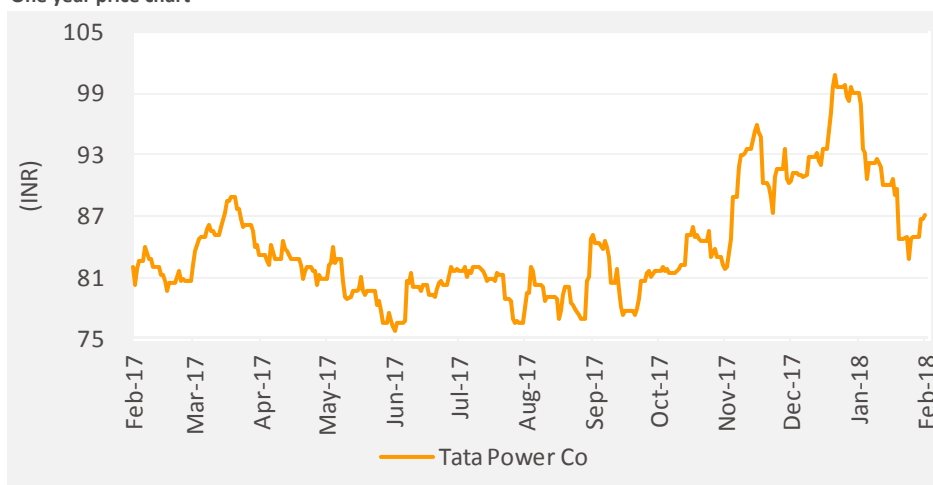
##### Edelweiss Research Coverage Universe

	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](http://www.edelweissfin.com)) are organized around five broad business groups – Credit including Housing and SME Finance, Commodities, Financial Markets, Asset Management and Life Insurance.

This Report has been prepared by Edelweiss Securities Limited in the capacity of a Research Analyst having SEBI Registration No. INH200000121 and distributed as per SEBI (Research Analysts) Regulations 2014. This report does not constitute an offer or solicitation for the purchase or sale of any financial instrument or as an official confirmation of any transaction. Securities as defined in clause (h) of section 2 of the Securities Contracts (Regulation) Act, 1956 includes Financial Instruments and Currency Derivatives. The information contained herein is from publicly available data or other sources believed to be reliable. This report is provided for assistance only and is not intended to be and must not alone be taken as the basis for an investment decision. The user assumes the entire risk of any use made of this information. Each recipient of this report should make such investigation as it deems necessary to arrive at an independent evaluation of an investment in Securities referred to in this document (including the merits and risks involved), and should consult his own advisors to determine the merits and risks of such investment. The investment discussed or views expressed may not be suitable for all investors.

This information is strictly confidential and is being furnished to you solely for your information. This information should not be reproduced or redistributed or passed on directly or indirectly in any form to any other person or published, copied, in whole or in part, for any purpose. This report is not directed or intended for distribution to, or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject ESL and associates / group companies to any registration or licensing requirements within such jurisdiction. The distribution of this report in certain jurisdictions may be restricted by law, and persons in whose possession this report comes, should observe, any such restrictions. The information given in this report is as of the date of this report and there can be no assurance that future results or events will be consistent with this information. This information is subject to change without any prior notice. ESL reserves the right to make modifications and alterations to this statement as may be required from time to time. ESL or any of its associates / group companies shall not be in any way responsible for any loss or damage that may arise to any person from any inadvertent error in the information contained in this report. ESL is committed to providing independent and transparent recommendation to its clients. Neither ESL nor any of its associates, group companies, directors, employees, agents or representatives shall be liable for any damages whether direct, indirect, special or consequential including loss of revenue or lost profits that may arise from or in connection with the use of the information. Our proprietary trading and investment businesses may make investment decisions that are inconsistent with the recommendations expressed herein. Past performance is not necessarily a guide to future performance. The disclosures of interest statements incorporated in this report are provided solely to enhance the transparency and should not be treated as endorsement of the views expressed in the report. The information provided in these reports remains, unless otherwise stated, the copyright of ESL. All layout, design, original artwork, concepts and other Intellectual Properties, remains the property and copyright of ESL and may not be used in any form or for any purpose whatsoever by any party without the express written permission of the copyright holders.

ESL shall not be liable for any delay or any other interruption which may occur in presenting the data due to any reason including network (Internet) reasons or snags in the system, break down of the system or any other equipment, server breakdown, maintenance shutdown, breakdown of communication services or inability of the ESL to present the data. In no event shall ESL be liable for any damages, including without limitation direct or indirect, special, incidental, or consequential damages, losses or expenses arising in connection with the data presented by the ESL through this report.

We offer our research services to clients as well as our prospects. Though this report is disseminated to all the customers simultaneously, not all customers may receive this report at the same time. We will not treat recipients as customers by virtue of their receiving this report.

ESL and its associates, officer, directors, and employees, research analyst (including relatives) worldwide may: (a) from time to time, have long or short positions in, and buy or sell the Securities, mentioned herein or (b) be engaged in any other transaction involving such Securities and earn brokerage or other compensation or act as a market maker in the financial instruments of the subject company/company(ies) discussed herein or act as advisor or lender/borrower to such company(ies) or have other potential/material conflict of interest with respect to any recommendation and related information and opinions at the time of publication of research report or at the time of public appearance. ESL may have proprietary long/short position in the above mentioned scrip(s) and therefore should be considered as interested. The views provided herein are general in nature and do not consider risk appetite or investment objective of any particular investor; readers are requested to take independent professional advice before investing. This should not be construed as invitation or solicitation to do business with ESL.

ESL or its associates may have received compensation from the subject company in the past 12 months. ESL or its associates may have managed or co-managed public offering of securities for the subject company in the past 12 months. ESL or its associates may have received compensation for investment banking or merchant banking or brokerage services from the subject company in the past 12 months. ESL or its associates may have received any compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company in the past 12 months. ESL or its associates have not received any compensation or other benefits from the Subject Company or third party in connection with the research report. Research analyst or his/her relative or ESL's associates may have financial interest in the subject company. ESL and/or its Group Companies, their Directors, affiliates and/or employees may have interests/ positions, financial or otherwise in the Securities/Currencies and other investment products mentioned in this report. ESL, its associates, research analyst and his/her relative may have other potential/material conflict of interest with respect to any recommendation and related information and opinions at the time of publication of research report or at the time of public appearance.

Participants in foreign exchange transactions may incur risks arising from several factors, including the following: ( i) exchange rates can be volatile and are subject to large fluctuations; ( ii) the value of currencies may be affected by numerous market factors, including world and national economic, political and regulatory events, events in equity and debt markets and changes in interest rates; and (iii) currencies may be subject to devaluation or government imposed exchange controls which could affect the value of the currency. Investors in securities such as ADRs and Currency Derivatives, whose values are affected by the currency of an underlying security, effectively assume currency risk.

Research analyst has served as an officer, director or employee of subject Company: No

ESL has financial interest in the subject companies: No

ESL's Associates may have actual / beneficial ownership of 1% or more securities of the subject company at the end of the month immediately preceding the date of publication of research report.

Research analyst or his/her relative has actual/beneficial ownership of 1% or more securities of the subject company at the end of the month immediately preceding the date of publication of research report: No

ESL has actual/beneficial ownership of 1% or more securities of the subject company at the end of the month immediately preceding the date of publication of research report: No

Subject company may have been client during twelve months preceding the date of distribution of the research report.

There were no instances of non-compliance by ESL on any matter related to the capital markets, resulting in significant and material disciplinary action during the last three years except that ESL had submitted an offer of settlement with Securities and Exchange commission, USA (SEC) and the same has been accepted by SEC without admitting or denying the findings in relation to their charges of non registration as a broker dealer.

A graph of daily closing prices of the securities is also available at [www.nseindia.com](http://www.nseindia.com)

#### **Analyst Certification:**

The analyst for this report certifies that all of the views expressed in this report accurately reflect his or her personal views about the subject company or companies and its or their securities, and no part of his or her compensation was, is or will be, directly or indirectly related to specific recommendations or views expressed in this report.

#### **Additional Disclaimers**

##### **Disclaimer for U.S. Persons**

This research report is a product of Edelweiss Securities Limited, which is the employer of the research analyst(s) who has prepared the research report. The research analyst(s) preparing the research report is/are resident outside the United States (U.S.) and are not associated persons of any U.S. regulated broker-dealer and therefore the analyst(s) is/are not subject to supervision by a U.S. broker-dealer, and is/are not required to satisfy the regulatory licensing requirements of FINRA or required to otherwise comply with U.S. rules or regulations regarding, among other things, communications with a subject company, public appearances and trading securities held by a research analyst account.

This report is intended for distribution by Edelweiss Securities Limited only to "Major Institutional Investors" as defined by Rule 15a-6(b)(4) of the U.S. Securities and Exchange Act, 1934 (the Exchange Act) and interpretations thereof by U.S. Securities and Exchange Commission (SEC) in reliance on Rule 15a 6(a)(2). If the recipient of this report is not a Major Institutional Investor as specified above, then it should not act upon this report and return the same to the sender. Further, this report may not be copied, duplicated and/or transmitted onward to any U.S. person, which is not the Major Institutional Investor.

In reliance on the exemption from registration provided by Rule 15a-6 of the Exchange Act and interpretations thereof by the SEC in order to conduct certain business with Major Institutional Investors, Edelweiss Securities Limited has entered into an agreement with a U.S. registered broker-dealer, Edelweiss Financial Services Inc. ("EFSI"). Transactions in securities discussed in this research report should be effected through Edelweiss Financial Services Inc.

### **Disclaimer for U.K. Persons**

The contents of this research report have not been approved by an authorised person within the meaning of the Financial Services and Markets Act 2000 ("FSMA").

In the United Kingdom, this research report is being distributed only to and is directed only at (a) persons who have professional experience in matters relating to investments falling within Article 19(5) of the FSMA (Financial Promotion) Order 2005 (the "Order"); (b) persons falling within Article 49(2)(a) to (d) of the Order (including high net worth companies and unincorporated associations); and (c) any other persons to whom it may otherwise lawfully be communicated (all such persons together being referred to as "relevant persons").

This research report must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this research report relates is available only to relevant persons and will be engaged in only with relevant persons. Any person who is not a relevant person should not act or rely on this research report or any of its contents. This research report must not be distributed, published, reproduced or disclosed (in whole or in part) by recipients to any other person.

### **Disclaimer for Canadian Persons**

This research report is a product of Edelweiss Securities Limited ("ESL"), which is the employer of the research analysts who have prepared the research report. The research analysts preparing the research report are resident outside the Canada and are not associated persons of any Canadian registered adviser and/or dealer and, therefore, the analysts are not subject to supervision by a Canadian registered adviser and/or dealer, and are not required to satisfy the regulatory licensing requirements of the Ontario Securities Commission, other Canadian provincial securities regulators, the Investment Industry Regulatory Organization of Canada and are not required to otherwise comply with Canadian rules or regulations regarding, among other things, the research analysts' business or relationship with a subject company or trading of securities by a research analyst.

This report is intended for distribution by ESL only to "Permitted Clients" (as defined in National Instrument 31-103 ("NI 31-103")) who are resident in the Province of Ontario, Canada (an "Ontario Permitted Client"). If the recipient of this report is not an Ontario Permitted Client, as specified above, then the recipient should not act upon this report and should return the report to the sender. Further, this report may not be copied, duplicated and/or transmitted onward to any Canadian person.

ESL is relying on an exemption from the adviser and/or dealer registration requirements under NI 31-103 available to certain international advisers and/or dealers. Please be advised that (i) ESL is not registered in the Province of Ontario to trade in securities nor is it registered in the Province of Ontario to provide advice with respect to securities; (ii) ESL's head office or principal place of business is located in India; (iii) all or substantially all of ESL's assets may be situated outside of Canada; (iv) there may be difficulty enforcing legal rights against ESL because of the above; and (v) the name and address of the ESL's agent for service of process in the Province of Ontario is: Bamac Services Inc., 181 Bay Street, Suite 2100, Toronto, Ontario M5J 2T3 Canada.

### **Disclaimer for Singapore Persons**

In Singapore, this report is being distributed by Edelweiss Investment Advisors Private Limited ("EIAPL") (Co. Reg. No. 201016306H) which is a holder of a capital markets services license and an exempt financial adviser in Singapore and (ii) solely to persons who qualify as "institutional investors" or "accredited investors" as defined in section 4A(1) of the Securities and Futures Act, Chapter 289 of Singapore ("the SFA"). Pursuant to regulations 33, 34, 35 and 36 of the Financial Advisers Regulations ("FAR"), sections 25, 27 and 36 of the Financial Advisers Act, Chapter 110 of Singapore shall not apply to EIAPL when providing any financial advisory services to an accredited investor (as defined in regulation 36 of the FAR. Persons in Singapore should contact EIAPL in respect of any matter arising from, or in connection with this publication/communication. This report is not suitable for private investors.

Copyright 2009 Edelweiss Research (Edelweiss Securities Ltd). All rights reserved