



RESULT UPDATE

# TATA POWER CO

## Tata Communication sale drives PAT; triggers aplenty

India Equity Research | Power



Tata Power's (TPCL) Q1FY19 EBITDA of ~INR17bn (down 8% YoY) surpassed consensus by 12%. The key highlight of the quarter was monetisation of three non-core businesses for INR22bn and the consequent reduction in D/E to 2.25x from 2.48x in March 2018. Other takeaways: 1) Despite higher international prices (>100USD/t), under-recoveries at CGPL were contained due to heavier discount on shipments and greater blending of lower GCV coal. 2) Performance of the coal mining business was impacted by domestic market obligation (DMO) policy in Indonesia (likely in entire FY19), which could impact FY19E profitability by USD20mn and is a key negative. 3) After a long gap, TPCL won 400MW of solar bids, indicating renewables as one of the key growth drivers. Management is evaluating multiple growth opportunities while focusing on profitability and simultaneously monetising non-core businesses to strengthen the balance sheet. Maintain 'BUY' with a revised TP of INR92 (earlier INR98) as we factor in a higher discount rate.

### CGPL coal cost contained; DMO policy in Indonesia negative

CGPL's revenue jumped 20% led by higher generation and, consequently, higher PLFs at 66%(59% in Q1FY18). The impact of higher international coal price was contained due to better discounts in coal shipment. Implementation of DMO policy in Indonesia is a key negative as it mandates 25% mine output to be supplied to domestic market at no more than USD70/t versus current international price of >USD100/t. This is likely to impact FY19 profitability of TPCL's coal mine by USD40mn (TPCL's share: USD20mn) and is a key factor to watch out for.

### Sharpening focus on core portfolio

Disinvestment of non-core assets (Tata Communication, Pantone and TTSL), growth in renewable portfolio (100MW added, 400MW in pipeline), commencement of Ajmer operations while pursuing more opportunities in distribution instill confidence in management's strategy of focusing on core strengths.

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

TPCL is clearly charting its next phase of growth for which monetisation of various non-core assets is underway to improve the balance sheet. We revise down FY19E earnings by 5% building in DPO clause for coal operation. We maintain 'BUY/SP' with a revised TP of INR92. At CMP, the stock trades at 9.3/8.9 FY19/20E EV/EBITDA.

#### Financials (Consolidated)

Year to March	Q1FY19	Q1FY18	% Change	Q4FY18	% Change	FY18	FY19E	FY20E
Revenues	73,134	64,150	14.0	72,301	1.2	293,312	309,261	315,098
EBITDA	17,708	19,342	(8.5)	13,826	28.1	63,570	64,171	66,309
Adj. net profit	463	3,906	(88.1)	2,745	(83.1)	27,509	16,611	20,768
Adj EPS (INR)	0.2	1.4	(88.1)	1.0	(83.1)	10.2	6.1	7.7
Price/BV(x)						1.3	1.1	1.1
ROAE (%)						6.7	15.6	9.9

(INR mn)

#### 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 71
Target Price	: INR 92
52-week range (INR)	: 102 / 67
Share in issue (mn)	: 2,704.8
M cap (INR bn/USD mn)	: 192 / 3,524
Avg. Daily Vol.BSE/NSE('000)	: 6,690.6

#### SHARE HOLDING PATTERN (%)

	Current	Q4FY18	Q3FY18
Promoters *	33.0	33.0	33.0
MF's, FI's & BK's	23.6	23.6	24.4
FII's	28.1	28.1	27.3
Others	15.2	15.2	15.3
* Promoters pledged shares (% of share in issue)			12.2

#### PRICE PERFORMANCE (%)

	Stock	Nifty	EW Power Index
1 month	(7.1)	2.3	(5.4)
3 months	(21.4)	3.7	(16.3)
12 months	(17.8)	10.7	(18.1)

Swarnim Maheshwari

+91 22 4040 7418

swarnim.maheshwari@edelweissfin.com

July 26, 2018

## Key conference call takeaways and other highlights

**Mundra resolution:** Management highlighted a high-level committee has been formed by the government to look into the Mundra issue, adding that the committee has been meeting all stakeholders to find a resolution. The committee's recommendations, however, will not be binding on any stakeholder.

**Coal mining business underperforms:** The new Indonesian regulation stipulates producers must supply 25% of the output to domestic market under Domestic Purchase Obligation (DPO). This will negatively impact the coal mining business considering the differential of up to USD10 between domestic and foreign realization. TPCL is expected to suffer an annual impact of USD20mn assuming the current coal prices through the year. Management also highlighted there is a difference in GCV of coal supplied in both markets.

Management expects this situation to continue till FY19.

Second, the coal mining business in the current quarter was impacted by higher O&M cost due to the increase in overhauling and fuel cost. Cost of production thus increased to USD37/tonne from USD32/tonne in Q1FY18.

**Renewables portfolio to be expanded:** TPCL won bids of 400MW, thereby signing PPAs with Maharashtra (INR2.72/kwh) and Karnataka (2.85/kwh). The commissioning could be completed in next 12–18 months. The company has stayed away from renewables bidding for some time given aggressive bidding. Management guided it will continue to stick to internal IRR targets for project bidding. That said, TPCL aims to expand the renewables portfolio to 15GW (2.5GW currently) over the next 4–5 years both through organic and inorganic routes. The company will not shy away from leveraging any particular asset as long as the group-level leverage is contained.

**Monetization of non-core assets:** TPCL recognized an income of INR19bn on account of the sale of investment in Tata Communications Limited and Panatone Finvest Limited. Regarding Tata projects, management guided the disinvestment would take time and does not expect it to materialize in FY19. Income from disinvestment in the Defense business will be spread out over FY19. This has helped pare down the consolidated D/E to 2.26 from 2.48 in March 2018.

**Losses widen at Mundra:** Losses at Mundra widened to INR4.3bn (INR3bn in Q1FY18). This was largely on account of a higher MTM loss of INR1bn owing to INR depreciation. In spite of the uptick in international coal prices, the losses were contained due to higher discounts on spot shipments despite greater generation at Mundra in Q1FY19.

Coal sourcing from Russia is being evaluated, and management does not expect any shipments from the country for about two years.

Adoption of IND-AS 115 from 1<sup>st</sup> April 2018 could impact Mundra revenue recognition. That said, this is an accounting change and, therefore, does not affect tariff realization. Nonetheless, it had an impact of INR720mn at the PAT level in Q1FY19.

**TATA Power Solar Limited:** Tata Power Solar limited could be positively impacted by the imposition of a safeguard duty on solar panel imports.

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	40,222	18.0%	12.0%	1.83	73,741	100	73,741	27
Delhi Distribution	P/B	13,495	16.0%	12.0%	1.56	20,992	51	10,706	4
Power Links	P/B	4,848	16.0%	12.0%	1.56	7,542	51	3,846	1
Renewable/Overseas projects	P/B	10,875	16.0%	12.0%	1.56	16,917	100	16,917	6
Jojobera	P/B	5,000	19.0%	12.0%	1.70	8,500	100	8,500	3
Mundra UMPP	NPV				1.00	-91,264	100	(91,264)	(34)
DVC (Maithon)	P/B	14,320	18.0%	12.0%	1.25	17,900	74	13,246	5
Tata Steel IPP	P/B	7,881	18.0%	12.0%	1.45	11,428	74	8,457	3
KPC & Bumi	NPV at WACC of 7%					351,117	30.0%	<b>105,335</b>	39
Welspun Renewable	P/B	35,000	6.6%	12.0%	1.20	42,000	100	42,000	16
<b>Quoted investments</b>									
Total	At book value					18,409			7
Net Cash	BV							20,521	8
<b>Total</b>								<b>246,469</b>	<b>92</b>

Source: Edelweiss research

## Financial snapshot

(INR mn)

Year to March	Q1FY19	Q1FY18	% change	Q4FY18	% change	FY18	FY19E	FY20E
Total operating Income	73,134	64,150	14.0	72,301	1.2	293,312	309,261	315,098
Cost of goods sold	47,023	35,856	31.1	47,832	(1.7)	203,882	222,668	225,944
Fuel cost	25,578	21,258	20.3	28,637	(10.7)	100,099	88,883	88,201
Power purchase	17,283	12,979	33.2	12,879	34.2	80,042	107,498	109,385
Material and Component	4,163	1,619	157.1	6,317	(34.1)	23,741	26,287	28,359
Gross profit	26,111	28,294	(7.7)	24,469	6.7	89,430	86,592	89,153
Salaries and other exp.	3,341	3,180	5.1	3,473	(3.8)	13,819	14,690	14,967
Other expenses	5,062	5,772	(12.3)	7,171	(29.4)	12,041	7,732	7,877
Total expenditure	55,426	44,808	23.7	58,476	(5.2)	229,743	245,090	248,789
EBITDA	17,708	19,342	(8.5)	13,826	28.1	63,570	64,171	66,309
Depreciation	6,006	5,762	4.2	6,454	(6.9)	23,981	21,167	21,594
EBIT	11,702	13,580	(13.8)	7,372	58.7	39,589	43,003	44,714
Interest	10,130	10,099	0.3	9,078	11.6	37,230	35,725	34,926
Other income	898	1,444	(37.8)	641	40.0	4,327	4,973	5,045
Add: Exceptional items	17,225	(2,491)	(791.5)	12,028	43.2	6,927	-	-
Profit before tax	19,695	2,434	709.0	10,962	79.7	13,613	12,251	14,833
Provision for taxes	5,696	2,423	135.1	(988)	(676.6)	1,643	6,376	6,480
Minority interest	-	-	-	-	-	-	(2,142)	(2,232)
Associate profit share	3,689	3,894	(5.3)	2,822	30.7	15,539	12,879	14,647
Reported net profit	17,688	3,906	352.9	14,773	19.7	27,509	16,611	20,768
Adjustments	17,225	-	-	12,028	43.2	-	-	-
Adjusted Profit	463	3,906	(88.1)	2,745	(83.1)	27,509	16,611	20,768
Diluted shares (mn)	2,705	2,705	-	2,705	-	2,705	2,705	2,705
Adjusted Diluted EPS	0.2	1.4	(88.1)	1.0	(83.1)	10.2	6.1	7.7
<b>As % of net revenues</b>	-	-	-	-	-	1	1	2
COGS	64.3	55.9	-	66.2	-	69.5	72.0	71.7
Gross profit	35.7	44.1	-	33.8	-	30.5	28.0	28.3
Other expenses	6.9	9.0	-	9.9	-	4.1	2.5	2.5
Total expenses	75.8	69.8	-	80.9	-	78.3	79.3	79.0
EBITDA	24.2	30.2	-	19.1	-	21.7	20.7	21.0
Adjusted net profit	0.6	6.1	-	3.8	-	9.4	6.1	7.3
Tax rate	-	-	-	-	-	12.1	52.0	43.7

## Company Description

TPCL is a pioneer in India's power sector with presence in all spheres of the power industry, encompassing generation, transmission, trading, and distribution. The company has posted exceptional performance in its transmission and distribution JVs. It was also awarded the first UMPP at Mundra (Gujarat) due to its lowest levelised tariff bid at INR2.26 per unit.

## Investment Theme

We believe, TPCL is poised to play a pivotal role in India's power sector. The company, in the past, has proved its expertise in project execution. It has an installed capacity of 10GW plus at FY18 end. It has 30% stake in two coal mines of Bumi Resources with proven reserves of ~1.9bt. With rising coal prices, we believe, TPCL will earn significant profits from these assets as seen in FY18 which saw coal mines contributing ~INR10bn to the profit. Further, management has stated its intentions to simplify its various unrelated businesses and intention to divest in six different businesses which could prune debt/equity from 2.75x to ~2.0x over the next few quarters. The renewable bet has been playing well with the business contributing ~INR4bn to FY18 profit.

## Key Risks

TPCL has fully commissioned two key projects at Mundra—4,000MW and Maithon—1,050MW. Dynamics of the 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 INR. Hence, balancing between contractual supplies (volume and price) and maximising earnings has become a key determinant/risk.

## Financial Statements

## Key Assumptions

Year to March	FY17	FY18	FY19E	FY20E
<b>Macro</b>				
GDP(Y-o-Y %)	6.6	6.5	7.1	7.6
Inflation (Avg)	4.5	3.6	4.5	5.0
Repo rate (exit rate)	6.3	6.0	6.3	6.5
USD/INR (Avg)	67.1	64.5	68.0	69.0
<b>Sector</b>				
NewCastle FoB(USD/t)	57	57	57	57
Melawan FoB(USD/t)	47	47	47	47
<b>Company</b>				
Mundra units sale (MUs)	27,443	29,328	29,328	29,328
Mundra Cap.charge(INRmn)	24,488	24,670	24,650	24,673
Mundra avg tariff(INR)	2.2	2.4	2.6	2.6
Mundra fuelcost(INR/kwh)	1.5	1.8	1.8	1.8
Mundra PAT/kwh (INR/kwh)	(0.3)	(0.6)	(0.5)	(0.4)
BUMI coal sales (MT)	85.0	57.0	59.0	61.0
BUMI avg realz (USD/t)	52.4	67.9	65.5	69.4
BUMI PAT/t (USD)	6.1	13.8	12.6	13.4
Consol Reg. Eqty (INRmn)	77,701	76,696	78,825	80,670
Consol Regulated RoE	18	18	19	19

## Income statement

(INR mn)

Year to March	FY17	FY18	FY19E	FY20E
Income from operations	275,876	293,312	309,261	315,098
Direct costs	169,114	180,141	196,381	197,585
Employee costs	12,611	13,819	14,690	14,967
Other Expenses	35,063	35,782	34,019	36,236
Total operating expenses	216,788	229,743	245,090	248,789
EBITDA	59,088	63,570	64,171	66,309
Depreciation	19,556	23,981	21,167	21,594
EBIT	39,532	39,589	43,003	44,714
Less: Interest Expense	33,650	37,230	35,725	34,926
Add: Other income	5,859.00	4,326.89	4,972.74	5,045.01
Profit Before Tax	2,213	13,613	12,251	14,833
Less: Provision for Tax	3,505	1,643	6,376	6,480
Add: Exceptional items	(9,529)	6,927	-	-
Minority interest	-	-	2,142	2,232
Associate profit share	12,258	15,539	12,879	14,647
Reported Profit	10,966	27,509	16,611	20,768
Adjusted Profit	10,966	27,509	16,611	20,768
Shares o /s (mn)	2,705	2,705	2,705	2,705
Adjusted Basic EPS	4.1	10.2	6.1	7.7
Diluted shares o/s (mn)	2,705	2,705	2,705	2,705
Adjusted Diluted EPS	4.1	10.2	6.1	7.7
Adjusted Cash EPS	9.7	14.5	14.0	15.7
Dividend per share (DPS)	1.3	1.3	0.8	1.0
Dividend Payout Ratio(%)	36.6	14.6	14.6	14.6

## Common size metrics

Year to March	FY17	FY18	FY19E	FY20E
Operating expenses	78.6	78.3	79.3	79.0
Depreciation	7.1	8.2	6.8	6.9
Interest Expense	12.2	12.7	11.6	11.1
EBITDA margins	21.4	21.7	20.7	21.0
Net Profit margins	4.0	9.4	6.1	7.3

## Growth ratios (%)

Year to March	FY17	FY18	FY19E	FY20E
Revenues	(24.3)	6.3	5.4	1.9
EBITDA	(26.1)	7.6	0.9	3.3
PBT	(88.6)	515.2	(10.0)	21.1
Adjusted Profit	25.6	150.9	(39.6)	25.0
EPS	25.6	150.9	(39.6)	25.0

Balance sheet		(INR mn)			
As on 31st March	FY17	FY18	FY19E	FY20E	
Share capital	2,705	2,705	2,705	2,705	
Reserves & Surplus	144,441	164,897	179,087	196,828	
Shareholders' funds	147,145	167,602	181,792	199,533	
Minority Interest	18,690	20,153	9,417	(2,998)	
Long term borrowings	257,332	230,944	230,944	230,944	
Short term borrowings	162,798	188,273	188,273	188,273	
Total Borrowings	420,130	419,216	419,216	419,216	
Long Term Liabilities	33,493	33,900	33,900	33,900	
Def. Tax Liability (net)	16,596	4,333	4,333	4,333	
<b>Sources of funds</b>	<b>636,055</b>	<b>645,205</b>	<b>648,659</b>	<b>653,985</b>	
Gross Block	560,053	585,223	610,392	635,562	
Net Block	432,329	432,567	436,569	440,145	
Capital work in progress	21,779	16,526	10,000	8,000	
Intangible Assets	33,594	32,247	32,247	32,247	
Total Fixed Assets	487,702	481,339	478,816	480,391	
Non current investments	107,752	119,928	119,928	119,928	
Cash and Equivalents	20,521	16,219	21,727	19,504	
Inventories	15,996	16,231	18,399	16,753	
Sundry Debtors	38,321	27,889	39,894	29,169	
Loans & Advances	24,466	26,966	26,966	26,966	
Other Current Assets	133,535	147,968	147,968	147,968	
Current Assets (ex cash)	212,317	219,054	233,227	220,856	
Trade payable	55,290	56,098	69,801	51,457	
Other Current Liab	136,948	135,237	135,237	135,237	
Total Current Liab	192,238	191,336	205,038	186,694	
Net Curr Assets-ex cash	20,080	27,719	28,189	34,162	
<b>Uses of funds</b>	<b>636,055</b>	<b>645,205</b>	<b>648,659</b>	<b>653,985</b>	
BVPS (INR)	54.4	62.0	67.2	73.8	

Free cash flow		(INR mn)			
Year to March	FY17	FY18	FY19E	FY20E	
Reported Profit	10,966	27,509	16,611	20,768	
Add: Depreciation	19,556	23,981	21,167	21,594	
Interest (Net of Tax)	23,606	28,080	17,133	19,668	
Deferred tax	(4,341)	(12,263)	-	-	
Others	(48,429)	3,971	2,586	(2,574)	
Less: Changes in WC	68,784	(7,639)	(470)	(5,973)	
Operating cash flow	70,142	63,639	57,027	53,483	
Less: Capex	94,379	19,917	18,644	23,170	
<b>Free Cash Flow</b>	<b>(24,237)</b>	<b>43,722</b>	<b>38,383</b>	<b>30,313</b>	

Cash flow metrics		FY17	FY18	FY19E	FY20E
Year to March					
Operating cash flow		70,142	63,639	57,027	53,483
Financing cash flow		9,373	(47,263)	(37,849)	(37,581)
Investing cash flow		(74,190)	(15,179)	(13,671)	(18,125)
Net cash Flow		5,326	1,197	5,507	(2,222)
Capex		(94,379)	(19,917)	(18,644)	(23,170)
Dividend paid		(4,009)	(4,009)	(2,421)	(3,027)
Share issue/(buyback)		(1,095)	848	-	-

#### Profitability and efficiency ratios

Year to March	FY17	FY18	FY19E	FY20E
ROAE (%)	6.7	15.6	9.9	11.9
ROACE (%)	8.1	7.4	7.9	8.1
Inventory Days	32	33	32	32
Debtors Days	49	41	40	40
Payable Days	107	113	117	112
Cash Conversion Cycle	(26)	(39)	(45)	(40)
Current Ratio	1.2	1.2	1.2	1.3
Gross Debt/EBITDA	7.1	6.6	6.5	6.3
Gross Debt/Equity	2.5	2.2	2.2	2.1
Adjusted Debt/Equity	2.5	2.2	2.2	2.1
Interest Coverage Ratio	1.2	1.1	1.2	1.3

#### Operating ratios

Year to March	FY17	FY18	FY19E	FY20E
Total Asset Turnover	0.4	0.5	0.5	0.5
Fixed Asset Turnover	0.7	0.6	0.7	0.7
Equity Turnover	1.7	1.7	1.6	1.6

#### Valuation parameters

Year to March	FY17	FY18	FY19E	FY20E
Adj. Diluted EPS (INR)	4.1	10.2	6.1	7.7
Y-o-Y growth (%)	25.6	150.9	(39.6)	25.0
Adjusted Cash EPS (INR)	9.7	14.5	14.0	15.7
Diluted P/E (x)	17.5	7.0	11.5	9.2
P/B (x)	1.3	1.1	1.1	1.0
EV / Sales (x)	2.2	2.1	1.9	1.9
EV / EBITDA (x)	10.3	9.7	9.3	8.9
Dividend Yield (%)	1.8	1.8	1.1	1.4

## 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
Matthews intl capita	7.07	Commonwealth bank of	5.4
Tata power co ltd	5.07	Icici prudential lif	5.03
Icici prudential ass	4.64	General insurance co	2.5
New india assurance	2.48	Tata steel ltd	1.45

*\*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
India Grid Trust	BUY	SP	M	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, Adani Transmission, CESC, India Grid Trust, JSW Energy, NTPC, PTC India, Power Grid Corp of India, Tata Power Co

**Recent Research**

Date	Company	Title	Price (INR)	Recos
26-Jul-18	<b>India Grid Trust</b>	Strong show; acquisitions on track; <i>Result Update</i>	96	Buy
17-Jul-18	<b>Power</b>	No respite from fuel paucity; <i>Sector Update</i>		
06-Jun-18	<b>Tata Power Company</b>	Future growth: Maintaining a fine balance; <i>Event Update</i>	78	Buy

**Distribution of Ratings / Market Cap**

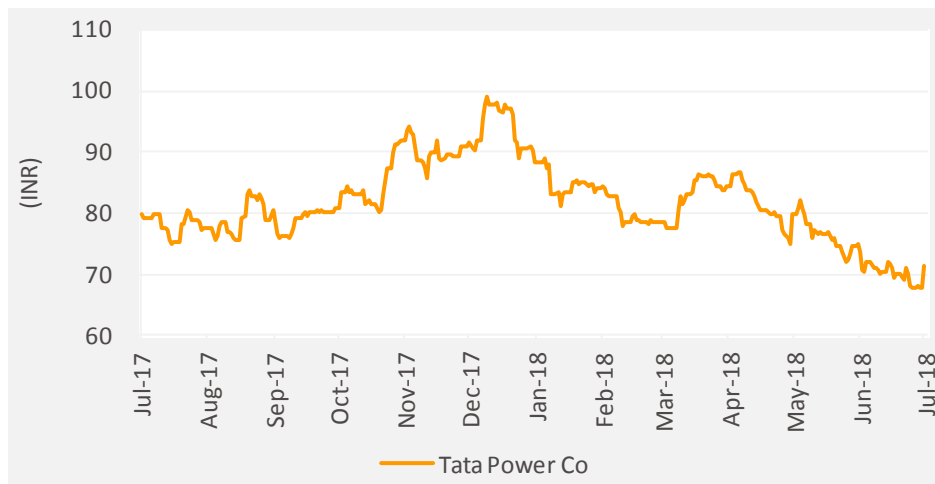
**Edelweiss Research Coverage Universe**

	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
<b>Buy</b>	appreciate more than 15% over a 12-month period
<b>Hold</b>	appreciate up to 15% over a 12-month period
<b>Reduce</b>	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