

ACC

Eye on profitable growth

India Equity Research | Cement

Our recent interaction with ACC indicates potential cost benefits would accrue to the company in the wake of declining pet coke prices and increased availability of linkage coal (refer our note - [Potential flare-up in fuel savings](#)). Management's focus on completing the 5.9mtpa cement (3mtpa clinker) expansion by Q3CY21 offers much-needed volume growth visibility (albeit CY22 onwards). The company's continued drive towards premium products – 19% of total volumes in CY18 and targeted to reach 30% over the next few years – as well as expected savings (3% of PBT) from the master supply agreement (MSA) with parent Ambuja Cement from CY20 bode well for margins. With ACC likely to be one of the prime beneficiaries of our positive sector hypothesis (of stable demand over medium term, rising industry clinker utilisation and benign fuel cost), we maintain 'BUY' with a TP of INR1,846 (at 12x CY20E EV/EBITDA).

Cost relief on the cards

Due to lack of domestic coal availability, ACC's fuel cost/t remained elevated despite global fuel prices (e.g. pet coke and imported coal) spiralling down. However, with increased availability of linkage coal and a further dip in global fuel rates, energy cost is expected to trend down over the ensuing quarters. Besides, the MSA with parent Ambuja Cement would yield synergies CY20 onwards.

Capex: Timely completion holds key

The 5.9mtpa cement and 3mtpa clinker expansion is a key focus area for ACC. The company's endeavour is to commission the project by Q3CY21, which will drive robust volume growth in CY22. The bulk of its new cement capacity coming up in the lucrative central region (4.8mtpa) is promising. The capacity expansion also provides much-needed volume growth visibility, which would be a key trigger for the stock in our view.

Outlook and valuation: Sector tailwinds intact; maintain 'BUY'

We expect pan-India player ACC to be a prime beneficiary of the positive industry fundamentals – high industry clinker utilisation, bright demand outlook over medium term and benign fuel cost. We continue to value the stock at 12x CY20E EV/EBITDA and maintain 'BUY/SP' with a TP of INR1,846/share. The stock is trading at 9.4x CY20E EV/EBITDA.

EDELWEISS 4D RATINGS	
Absolute Rating	BUY
Rating Relative to Sector	Performer
Risk Rating Relative to Sector	Medium
Sector Relative to Market	Equalweight

MARKET DATA (R: ACC.BO, B: ACC IN)	
CMP	: INR 1,483
Target Price	: INR 1,846
52-week range (INR)	: 1,769 / 1,322
Share in issue (mn)	: 187.8
M cap (INR bn/USD mn)	: 279 / 3,847
Avg. Daily Vol.BSE/NSE('000)	: 805.7

SHARE HOLDING PATTERN (%)			
	Current	Q4FY19	Q3FY19
Promoters *	54.5	54.5	54.5
MF's, FI's & BK's	22.3	21.6	23.6
FII's	8.7	8.9	7.2
Others	14.5	14.9	14.7
* Promoters pledged shares (% of share in issue)	:	NIL	

PRICE PERFORMANCE (%)			
	Stock	Nifty	EW Construction Material Index
1 month	(1.4)	(0.6)	(3.8)
3 months	(11.0)	(7.7)	(11.4)
12 months	(6.4)	(5.6)	(16.1)

Navin R. Sahadeo
 +91 22 4088 6242
 navin.sahadeo@edelweissfin.com

Manish Agarwall
 +91 22 4063 5497
 manish.agarwall@edelweissfin.com

September 11, 2019

Financials

(INR mn)

Year to March	CY17	CY18	CY19E	CY20E
Revenues	132,846	148,014	160,144	169,803
EBITDA	19,091	20,446	24,392	26,147
Adjusted Profit	9,155	15,066	14,445	14,865
Diluted EPS (INR)	48.7	80.2	76.9	79.1
Diluted P/E (x)	30.5	18.5	19.3	18.8
EV/EBITDA (x)	13.3	12.3	10.1	9.4
ROAE (%)	10.2	15.1	13.1	12.4

Company Description

ACC is one of the largest cement manufacturers in India, with current installed capacity of ~33.5mtpa. The company is a pan-India player with its plants spread across the country. Holcim Group, through direct and indirect investments (through its subsidiary Ambuja Cements), holds ~54.5% stake in the company.

Investment Theme

Factors that drive our investment thesis for ACC include: (a) being a pan-India player, ACC will be beneficiary of the improved demand supply dynamics and rising industry clinker utilisations; (b) volume growth visibility due to the recently announced capex may lead to valuation multiple re-rating; and (c) expectation of costs to remain benign. We therefore, recommend a BUY with a target price of INR1,846.

Key Risks

Lower than estimated demand and price hikes will impact estimates.

Significant deviation in operating costs will impact estimates.

Financial Statements

Key Assumptions

Year to December	CY17	CY18	CY19E	CY20E
Macro				
GDP(Y-o-Y %)	7.2	6.8	6.8	7.1
Inflation (Avg)	3.6	3.4	4.0	4.5
Repo rate (exit rate)	6.0	6.3	5.3	5.0
USD/INR (Avg)	64.5	70.0	72.0	72.0
Company				
EBITDA/ Tonne (INR)	728	720	836	868
Inst capacity (mtpa)	33	33	33	33
Capacity Utilisation (%)	79	85	87	90
Cement realiztn (INR/t)	5,067	5,212	5,488	5,635
RM cost per tonne	751	822	925	931
P&F cost per tonne	1,035	1,056	1,103	1,137
Freight cost per tonne	1,316	1,412	1,447	1,495
Other expenses per tonne	924	891	895	919
Total expenses per tonne	4,338	4,492	4,652	4,768
Effective tax rate (%)	29.5	(0.8)	30.0	30.0
Debtor days	16	19	20	21
Inventory days	59	60	62	63
Payable days	173	171	163	156

Income statement

(INR mn)

Year to December	CY17	CY18	CY19E	CY20E
Income from operations	132,846	148,014	160,144	169,803
Materials costs	19,685	23,345	27,000	28,049
Employee costs	8,190	8,811	8,223	8,634
Other Expenses	85,881	95,412	100,529	106,973
EBITDA	19,091	20,446	24,392	26,147
Depreciation	6,401	5,996	5,888	6,063
EBIT	12,690	14,450	18,504	20,084
Less: Interest Expense	1,023	892	861	867
Add: Other income	1,316.5	1,385.00	2,992.99	2,017.83
Profit Before Tax	12,984	14,943	20,636	21,235
Less: Provision for Tax	3,829	(123)	6,191	6,371
Reported Profit	9,155	15,066	14,445	14,865
Adjusted Profit	9,155	15,066	14,445	14,865
Shares o /s (mn)	188	188	188	188
Adjusted Basic EPS	48.7	80.2	76.9	79.1
Diluted shares o/s (mn)	188	188	188	188
Adj. Diluted EPS (INR)	48.7	80.2	76.9	79.1
Adjusted Cash EPS	82.8	112.1	108.2	111.3
Dividend per share (DPS)	26.0	14.0	20.0	25.0
Dividend Payout Ratio(%)	64.2	21.0	31.3	36.7

Common size metrics

Year to December	CY17	CY18	CY19E	CY20E
Operating expenses	85.6	86.2	84.8	84.6
EBITDA margins	14.4	13.8	15.2	15.4
Net Profit margins	6.9	10.2	9.0	8.8

Growth ratios (%)

Year to December	CY17	CY18	CY19E	CY20E
Revenues	19.1	11.4	8.2	6.0
EBITDA	34.7	7.1	19.3	7.2
Adjusted Profit	44.8	64.6	(4.1)	2.9
EPS	44.8	64.6	(4.1)	2.9

Balance sheet		(INR mn)			
As on 31st December	CY17	CY18	CY19E	CY20E	
Share capital	1,880	1,880	1,880	1,880	
Reserves & Surplus	91,775	103,397	113,318	122,732	
Shareholders' funds	93,655	105,277	115,198	124,612	
Long term borrowings	1,420	1,395	1,395	1,395	
Short term borrowings	592	-	-	-	
Total Borrowings	2,012	1,395	1,395	1,395	
Deferred tax (net)	5,414	6,631	6,631	6,631	
Sources of funds	101,080	113,303	123,224	132,638	
Gross Block	144,494	148,600	152,600	161,600	
Net Block	72,013	70,122	68,234	71,171	
Capital work in progress	4,767	5,728	13,236	18,376	
Intangible Assets	398	372	372	372	
Total Fixed Assets	77,177	76,222	81,842	89,920	
Non current investments	13,374	16,596	16,596	16,596	
Cash and Equivalents	26,954	30,003	33,263	33,788	
Inventories	14,040	16,786	17,912	18,878	
Sundry Debtors	6,682	8,683	9,289	9,861	
Loans & Advances	2,658	4,661	4,661	4,661	
Other Current Assets	8,004	7,299	7,299	7,299	
Current Assets (ex cash)	31,384	37,429	39,162	40,700	
Trade payable	42,620	44,854	45,546	46,272	
Other Current Liab	5,189	2,093	2,093	2,093	
Total Current Liab	47,808	46,948	47,640	48,365	
Net current assets	(16,425)	(9,519)	(8,478)	(7,666)	
Uses of funds	101,080	113,303	123,224	132,638	
BVPS (INR)	498.3	560.1	612.9	663.0	

Free cash flow		(INR mn)			
Year to December	CY17	CY18	CY19E	CY20E	
Reported Profit	9,155	15,066	14,445	14,865	
Add: Depreciation	6,401	5,996	5,888	6,063	
Interest (Net of Tax)	721	899	603	607	
Others	(15,880)	(6,925)	(3,862)	(1,132)	
Less: Changes in WC	(15,150)	3,856	(2,218)	287	
Operating cash flow	15,548	11,181	19,292	20,116	
Less: Capex	5,042	5,067	11,508	14,140	
Free Cash Flow	10,506	6,114	7,784	5,976	

Peer comparison valuation

Name	Market cap (USD mn)	Diluted P/E (X)		EV / EBITDA (X)		EV / Sales (X)	
		CY19E	CY20E	CY19E	CY20E	CY19E	CY20E
ACC	3,847	19.3	18.8	10.1	9.4	1.6	1.5
Ambuja Cement Ltd	5,400	26.7	23.3	16.7	15.0	2.4	2.2
India Cements	323	11.3	7.6	6.5	5.4	1.0	0.9
JK Cement	1,073	14.4	13.6	8.6	8.1	1.7	1.5
Shree Cements	8,755	34.9	26.6	16.8	14.0	5.5	4.7
UltraTech Cement	14,921	24.6	18.6	12.6	10.2	3.2	2.7
Median	-	22.0	18.7	11.3	9.8	2.0	1.9
AVERAGE	-	21.9	18.1	11.9	10.3	2.6	2.3

Source: Edelweiss research

Cash flow metrics		CY17	CY18	CY19E	CY20E
Year to December					
Operating cash flow		15,548	11,181	19,292	20,116
Financing cash flow		(4,221)	(4,411)	(4,524)	(5,451)
Investing cash flow		(3,846)	(3,678)	(11,508)	(14,140)
Net cash Flow		7,481	3,092	3,259	525
Capex		(5,194)	(4,951)	(11,508)	(14,140)
Dividend paid		(3,842)	(3,396)	(4,524)	(5,451)

Profitability and efficiency ratios

Year to December	CY17	CY18	CY19E	CY20E
ROAE (%)	10.2	15.1	13.1	12.4
ROACE (%)	15.2	15.7	19.3	18.2
Inventory Days	59	60	62	63
Debtors Days	16	19	20	21
Payable Days	173	171	163	156
Cash Conversion Cycle	(98)	(92)	(80)	(73)
Current Ratio	1.2	1.4	1.5	1.5
Gross Debt/EBITDA	0.1	0.1	0.1	0.1
Adjusted Debt/Equity	-	-	-	-
Interest Coverage Ratio	12.4	16.2	21.5	23.2

Operating ratios

Year to December	CY17	CY18	CY19E	CY20E
Total Asset Turnover	1.4	1.4	1.4	1.3
Fixed Asset Turnover	1.8	2.1	2.3	2.4
Equity Turnover	1.5	1.5	1.5	1.4

Valuation parameters

Year to December	CY17	CY18	CY19E	CY20E
Adj. Diluted EPS (INR)	48.7	80.2	76.9	79.1
Y-o-Y growth (%)	44.8	64.6	(4.1)	2.9
Adjusted Cash EPS (INR)	82.8	112.1	108.2	111.3
Diluted P/E (x)	30.5	18.5	19.3	18.8
P/B (x)	3.0	2.7	2.4	2.2
EV/tonne (USD/tonne)	118	107	103	102
EV / Sales (x)	2.0	1.8	1.6	1.5
EV / EBITDA (x)	13.3	12.3	10.1	9.4
EV/EBITDA (x)+1 yr fwd.	12.9	10.7	9.8	-
Dividend Yield (%)	1.8	0.9	1.3	1.7

Additional Data

Directors Data

N S Sekhsaria	Chairman	Mr Jan Jensich	Deputy Chairman
Mr Farrokh K. Kavarana	Non-Executive and Independent Director	Mr Vijay Kumar Sharma	Non-Executive and Independent Director
Mr Arunkumar Ramanlal Gandhi	Non-Executive and Independent Director	Mrs Falguni Nayar	Non-Executive and Independent Director
Shailesh Haribhakti	Non-Executive and Independent Director	Mr. Neeraj Akhoury	Managing Director & CEO
Mr Christof Hässig	Non-Executive and Non-Independent Director	Sushil Kumar Roongta	Non-Executive and Independent Director
Ashwin Dani	Non-Executive and Independent Director	Mr Martin Kriegner	Additional Director

Auditors - Deloitte Haskins & Sells LLP

**as per last annual report*

Holding - Top 10

	Perc. Holding		Perc. Holding
Life Insurance Corp of India	6.50	Aditya Birla Sun Life AMC	2.17
Franklin Resources Inc	1.46	Capital Group Cos Inc	1.43
JPMorgan Chase & Co	1.42	Reliance Capital Trustee Co Ltd	1.20
SBI Funds Management Pvt Ltd	1.13	ICICI Prudential Life Insurance Co	1.06
DSP Investment Managers Pvt Ltd	0.94	ICICI Prudential Asset Management	0.91

**as per last available data*

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
ACC	BUY	SP	M	Ambuja Cement Ltd	HOLD	SU	M
Grasim Industries	BUY	SP	M	India Cements	HOLD	SU	H
JK Cement	BUY	SO	M	Shree Cements	HOLD	SP	M
UltraTech Cement	BUY	SO	M				

ABSOLUTE RATING

Ratings	Expected absolute returns over 12 months
Buy	More than 15%
Hold	Between 15% and - 5%
Reduce	Less than -5%

RELATIVE RETURNS RATING

Ratings	Criteria
Sector Outperformer (SO)	Stock return > 1.25 x Sector return
Sector Performer (SP)	Stock return > 0.75 x Sector return
	Stock return < 1.25 x Sector return
Sector Underperformer (SU)	Stock return < 0.75 x Sector return

Sector return is market cap weighted average return for the coverage universe within the sector

RELATIVE RISK RATING

Ratings	Criteria
Low (L)	Bottom 1/3rd percentile in the sector
Medium (M)	Middle 1/3rd percentile in the sector
High (H)	Top 1/3rd percentile in the sector

Risk ratings are based on Edelweiss risk model

SECTOR RATING

Ratings	Criteria
Overweight (OW)	Sector return > 1.25 x Nifty return
Equalweight (EW)	Sector return > 0.75 x Nifty return
	Sector return < 1.25 x Nifty return
Underweight (UW)	Sector return < 0.75 x Nifty return

Edelweiss 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): Cement

ACC, Ambuja Cement Ltd, Grasim Industries, India Cements, JK Cement, Shree Cements, UltraTech Cement

Recent Research

Date	Company	Title	Price (INR)	Recos
29-Aug-19	Ambuja Cements	Sharpening focus on medium-term goals; <i>Visit Note</i>	205	Hold
23-Aug-19	Star Cement	Pitching for growth; <i>Visit Note</i>	94	Not Rated
14-Aug-19	Grasim Industries	Sanguine outlook; capital commitment key; <i>Result Update</i>	734	Buy

Distribution of Ratings / Market Cap

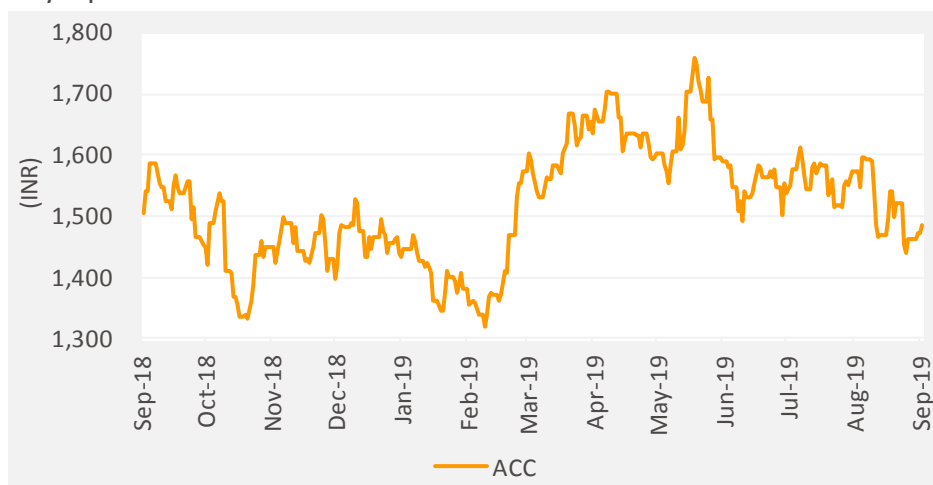
Edelweiss Research Coverage Universe

	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