

COAL INDIA

Slight miss a squib; working capital efficiency glows

India Equity Research | Metals and Mining

Coal India (CIL) reported a tad weaker-than-consensus Q2FY19 PAT of INR30.3bn due to a lower mix of more-profitable e-auction volumes. Key highlights: 1) E-auction volume is almost stagnant QoQ at 12.9% of total, but e-auction premium at 98% over FSA is the highest in 14 quarters. 2) INR30bn worth of working capital release in H1FY19 resulted in cash of INR55/share (FY18: INR50/share); and 3) Wage bill dipped to the normalised quarterly run rate of INR89bn). Our positive outlook on CIL is based on: a) the visible production uptick in October, which is expected to meet e-auction demand; b) sustenance of e-auction premium given firm international coal prices; and c) off-take growth of 6–8%. Maintain 'BUY' with a TP of INR325, implying an exit multiple of 11.7x FY20E EPS.

Slight miss on EPS; outlook benign

Q2FY19 PAT of INR30.3bn missed consensus by 2%, primarily due to the shift in product mix towards relatively low-priced FSAs. Key highlights: 1) E-auction share is stagnant at 12.9% (historically 18–20%). 2) Wage bill decreased to the normalised level of INR89bn/quarter. 3) Working capital release resulted in cash accretion of INR30bn. We are, however, a little disappointed with FSA realisation inching down in Q2FY19. That said, we believe CIL has bright prospects as: 1) demand uptick in the power sector would help maintain offtake growth of 6–8% YoY; and 2) firm international prices expected to keep e-auction premium around current level.

Cash accretion a big positive

We see cash accretion of INR30bn in H1FY19 a big positive for CIL as it not only improves cash conversion, but also frees up funds for potential dividend payment and upcoming capex. Cash per share at INR55 is up 10% compared to FY18's. We see further scope of cash accretion as volume ramps up and e-auction volume grows.

Outlook and valuations: Promising; maintain 'BUY'

We believe the outlook for CIL is promising with a 68% CAGR in EPS through FY20E, driven by higher offtake and robust e-auction prices. A dividend yield of 6–8% is an add-on. Maintain 'BUY/SO' with a TP of INR325. At current price, the stock is trading at 8.3x FY20E EPS.

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: COAL.BO, B: COAL IN)

CMP	: INR 264
Target Price	: INR 325
52-week range (INR)	: 317 / 256
Share in issue (mn)	: 6,207.4
M cap (INR bn/USD mn)	: 1,638 / 22,476
Avg. Daily Vol.BSE/NSE('000)	: 4,296.9

SHARE HOLDING PATTERN (%)

	Current	Q1FY19	Q4FY18
Promoters *	78.3	78.3	78.5
MF's, FI's & BK's	13.0	13.2	12.9
FII's	5.7	5.4	5.5
Others	3.0	3.1	3.1
* Promoters pledged shares (% of share in issue)	:		NIL

PRICE PERFORMANCE (%)

	Stock	Nifty	EW Metals and Mining Index
1 month	0.5	2.0	(0.4)
3 months	(5.3)	(7.4)	2.3
12 months	(7.7)	0.7	(12.4)

Amit A Dixit
 +91 22 6620 3160
 amita.dixit@edelweissfin.com

Meera Midha
 +91 22 4088 5804
 meera.midha@edelweissfin.com

November 12, 2018

Financials

(INR mn)

Year to March	Q2FY19	Q2FY18	% Chg	Q1FY19	% Chg	FY18	FY19E	FY20E
Net revenues	221,981	181,483	22.3	242,609	(8.5)	858,624	1,007,896	1,081,952
EBITDA	39,142	8,032	387.3	46,801	(16.4)	95,663	224,133	264,382
Adjusted Profit	30,861	2	NM	37,843	(18.5)	70,198	172,902	197,977
Adjusted Diluted EPS	5.0	0.0	NM	6.1	(18.5)	11.3	27.9	31.9
Diluted P/E (x)						23.3	9.5	8.3
EV/EBITDA (x)						14.0	6.1	5.4
ROAE (%)						31.1	88.8	87.5

Charts

Chart 1: EBITDA surges 5x YoY...

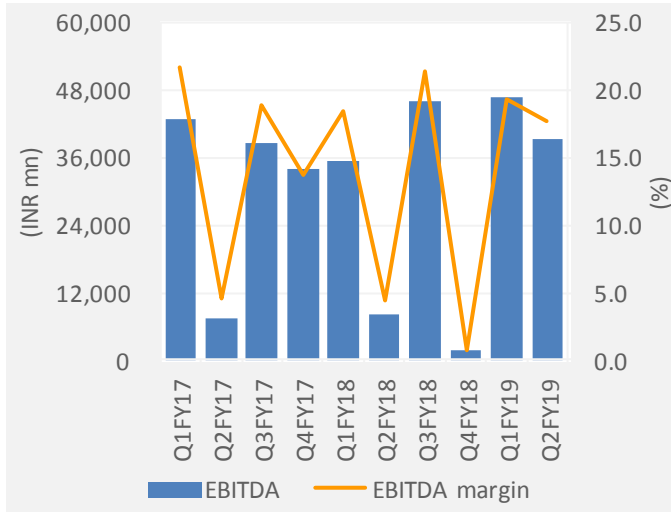


Chart 2: ... on robust e-auction premium

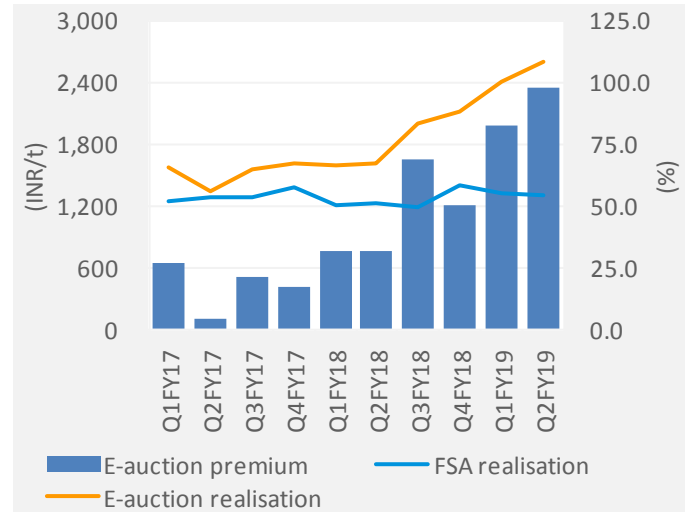


Chart 3: Wage cost normalized

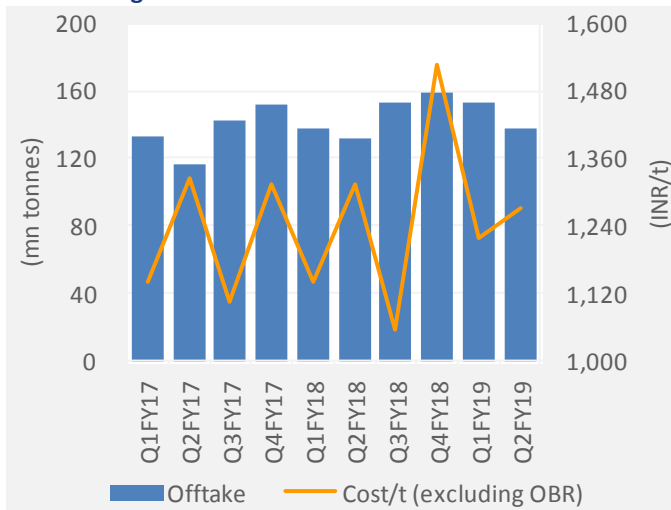
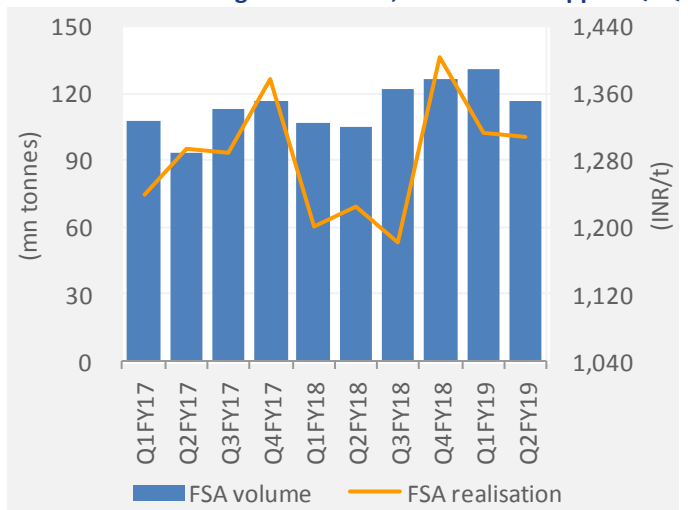


Chart 4: FSA volume grew 12% YoY, realisation dropped QoQ



Source: Company data Edelweiss research

Financial snapshot

(INR mn)

Year to March	Q2FY19	Q2FY18	% change	Q1FY19	% change	YTD19	FY19E	FY20E
Net revenues	221,981	181,483	22.3	242,609	(8.5)	464,589	1,007,896	1,081,952
Dec/(inc) in stock	13,844	16,289	(15.0)	15,739	(12.0)	29,583	29,583	-
Repairs and maintenance	3,191	2,391	33.5	2,811	13.5	6,002	15,617	16,571
Cost of materials	16,093	14,611	10.1	11,635	38.3	27,728	60,129	95,266
Welfare expenses	547	1,092	(49.9)	375	46.0	922	3,719	3,944
Contractual expenses	27,358	25,525	7.2	31,761	(13.9)	59,119	135,856	154,978
Power and fuel	6,383	6,605	(3.4)	5,940	7.5	12,323	25,409	26,969
Employee expenses	89,535	91,550	(2.2)	95,982	(6.7)	185,517	377,969	376,079
Other expenses	10,568	8,841	19.5	11,105	(4.8)	21,673	45,537	48,330
OBR	8,023	578	NM	8,835	(9.2)	16,858	52,927	56,146
Provisions / write-offs	7,297	5,970	22.2	11,626	(37.2)	18,923	37,017	39,286
Total expenditure	182,838	173,451	5.4	195,808	(6.6)	378,646	783,764	817,569
EBITDA	39,142	8,032	387.3	46,801	(16.4)	85,943	224,133	264,382
Depreciation	8,069	7,146	12.9	7,452	8.3	15,521	35,537	43,440
EBIT	31,074	886	NM	39,349	(21.0)	70,422	188,596	220,942
Interest	8	1,007	(99.2)	1,103	(99.3)	1,112	1,128	4,092
Other income	20,113	6,698	200.3	22,624	(11.1)	42,736	85,166	78,640
Add: Exceptional items								
Profit before tax	51,178	6,578	678.0	60,869	(15.9)	112,047	272,634	295,490
Provision for taxes	20,317	6,576	209.0	23,025	(11.8)	43,342	99,732	97,512
Reported net profit	30,861	2	NM	37,843	(18.5)	68,705	172,902	197,978
Adjusted Profit	30,861	2	NM	37,843	(18.5)	68,705	172,902	197,977
Diluted shares (mn)	6,207	6,207		6,207		12,415	6,207	6,207
Adjusted Diluted EPS	5.0	-	NM	6.1	(18.5)	11.1	27.9	31.9
Diluted P/E (x)	-	-		-		-	9.5	8.3
EV/EBITDA (x)	-	-		-		-	6.1	5.4
ROAE (%)	-	-		-		-	88.8	87.5
As % of net revenues								
Cost of materials	7.2	8.1		4.8		12.0	6.0	8.8
Employee cost	40.3	50.4		39.6		79.9	37.5	34.8
Power & fuel	2.9	3.6		2.4		5.3	2.5	2.5
Welfare expenses	0.2	0.6		0.2		0.4	0.4	0.4
Repairs and Maintenance	1.4	1.3		1.2		2.6	1.5	1.5
Contractual expenses	12.3	14.1		13.1		25.4	13.5	14.3
Other expenditure	4.8	4.9		4.6		9.3	4.5	4.5
OBR	3.6	0.3		3.6		7.3	5.3	5.2
Provisions / write-offs	3.3	3.3		4.8		8.1	3.7	3.6
Total expenses	82.4	95.6		80.7		163.1	77.8	75.6
EBITDA	17.6	4.4		19.3		36.9	22.2	24.4
Reported net profit	13.9	-		15.6		29.5	17.2	18.3
Tax rate	39.7	100.0		37.8		77.5	36.6	33.0

Company Description

Coal India (CIL) is the world's largest coal reserve holder and producer and also controls ~80% of the Indian coal market. It is going to be the primary beneficiary of the structural deficit of coal in India. Moreover, it is one of the least cost producers of coal in the world.

CIL, a Maharatna company, is one of the largest public sector companies in India in terms of turnover. Its product portfolio consists largely of thermal coal with the balance being coking coal. The company enjoys a near-monopoly position in the lucrative coal market and is more of a utility player due to assured volume off-take, pseudo regulated pricing and minimal chance of a product price cut, as prices already remain at ~30-35% discount to current international benchmark prices.

It currently operates ~471 mines in India and is also scouting for international mines to increase global presence and assure its resources. It sells ~15% of its production based on the e-Auction route and ~3.5% beneficiated coal (2x realisations of raw coal).

Investment Theme

The government focus on ramping up domestic production (to counter rising imports) will lead to sustainable volume growth for CIL. We believe that CIL will benefit from its prices being lower as compared to imported coal. However, we believe that profitability will be impacted if the company is unable to secure price hike in the near future. Depleting cash balance also poses risk to the sustainability of other income. Nonetheless, dividend yield of ~6-7% through to FY19E is a positive.

Key Risks

Lower than expected new FSA demand

Loss of volume-linked incentive

Lower than expected volume growth

Sharp increase in costs without immediate increase in prices

Higher than expected price hike

Financial Statements

Key Assumptions

Year to March	FY17	FY18	FY19E	FY20E
Macro				
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	68.0	69.0
Sector				
Indonesian coal (USD/t)	60.0	55.0	55.0	55.0
India coal demand (mt)	905.9	964.8	1,027.5	1,078.9
Coal imports (mn tonnes)	208.3	176.4	139.1	120.0
Company				
Production (mt)	554	582	628	666
Sales volumes (MT)	543	581	613	650
E-auction volume (mt)	94	101	106	112
Beneficiation volume(mt)	14	18	21	24
Raw Coal volume (mt)	430	458	482	510
E-auction (INR/t)	1,536	1,928	2,184	2,184
Beneficiation (INR/t)	3,753	2,446	2,446	2,446
Raw coal (INR/t)	1,284	1,246	1,366	1,383
Cost of materials(INR/t)	163	171	180	189
Power and fuel (INR)	44	48	51	55
Welfare expenses (INR/t)	9	10	10	11
Repairs per tonne (INR)	26	28	29	30
Contractual exp(INR/t)	202	224	244	266
Misc expenses (INR/t)	64	67	70	74
OBR (INR/t)	65	65	65	65
Provisions (INR/t)	20	20	20	20
Staff costs (INR mn)	335	426	378	376
Blended EBITDA/t (USD/t)	229	165	329	330
Depreciation rate (%)	5.8	5.3	5.3	5.3
Debtor days	56	45	38	43
Inventory days	279	221	302	253
Payable days	121	120	138	105

Income statement

(INR mn)

Year to March	FY17	FY18	FY19E	FY20E
Net revenue	784,112	858,624	1,007,896	1,081,952
Accretion to stock	(12,384)	16,795	29,583	-
Purchase of goods	120,594	110,450	105,666	143,596
Employee costs	335,229	426,336	377,969	376,079
Total SG&A expenses	190,828	184,217	245,136	270,926
Power and Freight	25,465	25,164	25,409	26,969
Total operating expenses	659,732	762,962	783,764	817,569
EBITDA	124,381	95,663	224,133	264,382
Depreciation	29,068	30,664	35,537	43,440
EBIT	95,313	64,999	188,596	220,942
Less: Interest Expense	4,092	4,318	1,128	4,092
Add: Other income	53,242.1	46,583.2	85,166.07	78,639.7
Profit Before Tax	144,463	107,264	272,634	295,490
Less: Provision for Tax	51,648	37,067	99,732	97,512
Reported Profit	92,815	70,198	172,902	197,978
Adjusted Profit	92,815	70,198	172,902	197,978
Shares o/s (mn)	6,207	6,207	6,207	6,207
Adjusted Basic EPS	15.0	11.3	27.9	31.9
Diluted shares o/s (mn)	6,207	6,207	6,207	6,207
Adjusted Diluted EPS	15.0	11.3	27.9	31.9
Adjusted Cash EPS	19.6	16.2	33.6	38.9
Dividend per share (DPS)	19.9	16.5	26.7	16.0
Dividend Payout Ratio(%)	160.8	176.3	116.0	60.6

Common size metrics

Year to March	FY17	FY18	FY19E	FY20E
Operating expenses	84.1	88.9	77.8	75.6
Depreciation	3.7	3.6	3.5	4.0
Interest Expense	0.5	0.5	0.1	0.4
EBITDA margins	15.9	11.1	22.2	24.4
Net Profit margins	11.8	8.2	17.2	18.3

Growth ratios (%)

Year to March	FY17	FY18	FY19E	FY20E
Revenues	0.5	9.5	17.4	7.3
EBITDA	(5.7)	(23.1)	134.3	18.0
PBT	(9.2)	(25.7)	154.2	8.4
Adjusted Profit	6.1	(24.4)	146.3	14.5
EPS	8.0	(24.4)	146.3	14.5

Metals and Mining

Balance sheet		(INR mn)			
As on 31st March	FY17	FY18	FY19E	FY20E	
Share capital	62,074	62,074	62,074	62,074	
Reserves & Surplus	183,106	136,391	121,652	199,632	
Shareholders' funds	245,181	198,465	183,727	261,706	
Minority Interest	3,459	3,625	3,625	3,625	
Long term borrowings	2,948	10,544	10,544	10,544	
Short term borrowings	27,130	4,765	4,765	4,765	
Total Borrowings	30,078	15,309	15,309	15,309	
Long Term Liabilities	486,406	554,332	607,259	663,405	
Def. Tax Liability (net)	(27,328)	(53,551)	(53,551)	(53,551)	
Sources of funds	737,796	718,181	756,369	890,495	
Gross Block	539,520	624,520	724,520	924,520	
Net Block	237,537	275,479	344,932	501,492	
Capital work in progress	85,852	102,864	85,852	85,852	
Intangible Assets	577	295	295	295	
Total Fixed Assets	323,966	378,638	431,080	587,640	
Non current investments	127,660	154,586	154,586	154,586	
Cash and Equivalents	316,627	316,806	295,777	227,687	
Inventories	89,452	64,438	46,943	88,927	
Sundry Debtors	124,763	86,892	96,648	103,749	
Loans & Advances	125	37	37	37	
Other Current Assets	168,232	219,969	219,969	219,969	
Current Assets (ex cash)	382,572	371,336	363,597	412,682	
Trade payable	38,843	45,169	55,582	59,012	
Other Current Liab	374,186	458,016	458,016	458,016	
Total Current Liab	413,029	503,185	513,598	517,028	
Net Curr Assets-ex cash	(30,457)	(131,849)	(150,001)	(104,346)	
Uses of funds	737,796	718,181	756,369	890,495	
BVPS (INR)	39.5	32.0	29.6	42.2	

Free cash flow		(INR mn)			
Year to March	FY17	FY18	FY19E	FY20E	
Reported Profit	92,815	70,198	172,902	197,978	
Add: Depreciation	29,068	30,664	35,537	43,440	
Interest (Net of Tax)	2,629	2,826	715	2,742	
Others	27,981	30,669	52,212	53,405	
Less: Changes in WC	(5,943)	(101,393)	(18,152)	45,656	
Operating cash flow	158,435	235,749	279,519	251,909	
Less: Capex	76,000	85,000	100,000	200,000	
Free Cash Flow	82,435	150,749	179,519	51,909	

Peer comparison valuation

Name	Market cap (USD mn)	Diluted P/E (X)		EV / EBITDA (X)		ROAE (%)	
		FY19E	FY20E	FY19E	FY20E	FY19E	FY20E
Coal India	22,476	9.4	9.4	5.6	5.3	89.5	81.4
Bumi Resources Tbk PT	796	2.0	2.0	3.2	3.4	39.9	29.1
China Coal Energy Co Ltd	8,689	13.2	13.6	8.0	7.9	5.9	5.4
Peabody Energy Corp	4,033	11.3	14.1	2.9	3.7	12.8	10.0
Median	-	10.3	11.5	4.4	4.5	26.3	19.5
AVERAGE	-	9.0	9.8	4.9	5.1	37.0	31.5

Source: Edelweiss research

Cash flow metrics					
Year to March	FY17	FY18	FY19E	FY20E	
Operating cash flow	158,435	235,749	279,519	251,909	
Financing cash flow	(175,980)	(138,517)	(200,548)	(119,999)	
Investing cash flow	4,546	(108,847)	(100,000)	(200,000)	
Net cash Flow	(12,998)	(11,615)	(21,030)	(68,090)	
Capex	(76,000)	(85,000)	(100,000)	(200,000)	
Dividend paid	(149,248)	(123,749)	(200,548)	(119,999)	

Profitability and efficiency ratios

Year to March	FY17	FY18	FY19E	FY20E
ROAE (%)	31.0	31.1	88.8	87.5
ROACE (%)	46.4	45.0	130.3	124.0
Inventory Days	279	221	150	173
Debtors Days	56	45	33	34
Payable Days	121	120	136	146
Cash Conversion Cycle	213	145	48	61
Current Ratio	1.7	1.4	1.3	1.2
Gross Debt/EBITDA	24.2	16.0	6.8	5.8
Gross Debt/Equity	12.1	7.6	8.2	5.8
Adjusted Debt/Equity	12.1	7.6	8.2	5.8
Net Debt/Equity	(115.2)	(149.2)	(149.7)	(80.0)
Interest Coverage Ratio	2,329.4	1,505.3	16,723.9	5,399.6

Operating ratios

Year to March	FY17	FY18	FY19E	FY20E
Total Asset Turnover	1.0	1.2	1.4	1.3
Fixed Asset Turnover	3.4	3.3	3.2	2.6
Equity Turnover	2.6	3.8	5.2	4.8

Valuation parameters

Year to March	FY17	FY18	FY19E	FY20E
Adj. Diluted EPS (INR)	15.0	11.3	27.9	31.9
Y-o-Y growth (%)	8.0	(24.4)	146.3	14.5
Adjusted Cash EPS (INR)	19.6	16.2	33.6	38.9
Diluted P/E (x)	17.6	23.3	9.5	8.3
P/B (x)	6.7	8.3	8.9	6.3
EV / Sales (x)	1.7	1.6	1.4	1.3
EV / EBITDA (x)	10.9	14.0	6.1	5.4
Dividend Yield (%)	7.5	6.3	10.1	6.1

Additional Data

Directors Data

Shri S Bhattacharya	Chairman-cum-Managing-Director	Shri Chandan Kumar Dey	Director Finance
Shri S.Saran	Technical Director	Shri R Mohan Das	Personnel & Industrial Relation Director
Shri S N Prasad	Marketing Director	Shri Vivek Bharadwaj	Government Nominee Director
Shri Rajesh Kumar Sinha	Government Nominee Director		

Auditors - De Chakraborty & Sen

**as per last annual report*

Holding – Top10

	Perc. Holding		Perc. Holding
Government of india	78.55	Life insurance corp	8.33
Hdfc asset management	0.94	Icici prudential ass	0.91
Vanguard group	0.69	Blackrock	0.54
Reliance capital tru	0.5	Sbi funds management	0.42
Icici prudential lif	0.23	Jpmorgan chase & co	0.17

**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
Coal India	BUY	SP	M	Hindalco Industries	BUY	SO	M
Hindustan Zinc	BUY	SO	L	Jindal Stainless Ltd	BUY	SO	H
Jindal Steel & Power	BUY	SO	M	JSW Steel	BUY	SO	M
NMDC	BUY	SO	M	Steel Authority of India	BUY	SP	M
Tata Steel	BUY	SO	M	Vedanta	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):

Coal India, Hindalco Industries, Hindustan Zinc, Jindal Stainless Ltd, Jindal Steel & Power, JSW Steel, NMDC, Steel Authority of India, Tata Steel, Vedanta

Recent Research

Date	Company	Title	Price (INR)	Recos
09-Nov-18	Aleris	Strengthening value accretion prospects; <i>Global Pulse</i>		Not Rated
06-Nov-18	NMDC	Donimalai production halt to have far reaching consequences; <i>EdelFlash</i>	115	Buy
05-Nov-18	Steel Authority of India	Falls short of expectations; better times on the anvil; <i>Result Update</i>	66	Buy

Distribution of Ratings / Market Cap

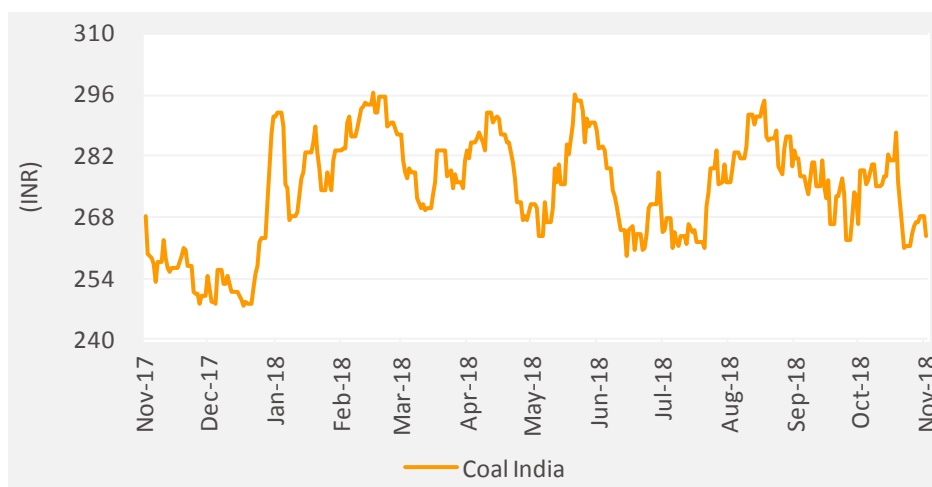
Edelweiss Research Coverage Universe

	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