

JINDAL STEEL & POWER

Volume-led growth imminent

India Equity Research | Metals and Mining

We reiterate 'BUY' on Jindal Steel & Power (JSPL) with an unchanged target price of INR235 on the ensuing operating leverage benefits for the company with completion of its 3mtpa basic oxygen furnace (BOF) at Angul in Q3FY18, in line with management's guidance given during the Q2FY18 earnings call. As such, we see higher probability of our FY19E EBITDA of INR90bn (10% ahead of consensus) being achieved due to volume ramp up and cost benefits at Angul plant. Besides, the stock is available at the lower-end of its 10-years trading band at 6.1x FY19E EBITDA.

Reiterate domestic steel sales volume of 6.5mt in FY19E

We expect JSPL to deliver domestic steel sales volume growth of 39% CAGR at 6.5mt through to FY19E following completion of the 3mtpa BOF at Angul. We believe that not only will the company utilise full capacity of its 3.2mtpa blast furnace (commissioned earlier in August'17), but also achieve cost efficiencies estimated at INR2,000/t on full ramp up. In our view, it is well poised to achieve an exit monthly rate of 300kt from Angul by FY18E end in line with management's guidance given during the Q2FY18 earnings call.

Expect consensus EBITDA estimates to move up

Our FY19E EBITDA at INR90bn is ~10% ahead of consensus due to: 1) Higher steel sales volume of 4.7mt and 6.5mt in FY18E and FY19E, respectively; and 2) Cost savings of INR2,000/t in FY19E on full ramp up. We believe that consensus EBITDA estimates would also move up as production ramps up.

Outlook and valuations: Thumbs up; maintain 'BUY'

We reiterate our favourable view on JSPL as the operating leverage story is well set to play out. We believe that optimal downstream asset utilisation and cost benefits will enable the company to further improve profitability. We maintain 'BUY/SO' with an unchanged TP of INR235. At CMP, the stock is trading at 6.1x FY19E EBITDA, which is at lower end of its 10-years historic trading average and global peers.

EDELWEISS 4D RATINGS

Absolute Rating	BUY
Rating Relative to Sector	Outperform
Risk Rating Relative to Sector	Medium
Sector Relative to Market	Overweight

MARKET DATA (R: JNSP.BO, B: JSP IN)

CMP	: INR 193
Target Price	: INR 235
52-week range (INR)	: 195 / 65
Share in issue (mn)	: 915.0
M cap (INR bn/USD mn)	: 176 / 2,751
Avg. Daily Vol.BSE/NSE('000)	: 12,444.7

SHARE HOLDING PATTERN (%)

	Current	Q1FY18	Q4FY17
Promoters *	61.9	61.9	61.9
MF's, FI's & BK's	5.5	5.2	4.3
FII's	15.7	13.7	15.2
Others	16.9	19.2	18.5
* Promoters pledged shares (% of share in issue)	:	NIL	

PRICE PERFORMANCE (%)

	Stock	Nifty	EW Metals and Mining Index
1 month	6.4	1.5	1.1
3 months	32.2	5.3	8.9
12 months	168.3	31.5	45.0

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

December 26, 2017

Financials

(INR mn)

Year to March	FY16	FY17	FY18E	FY19E
Net revenue	184,122	233,012	308,919	383,534
EBITDA	34,828	46,580	66,361	90,560
Adjusted Profit	(17,258)	(21,706)	(4,195)	17,026
Diluted equity shares (mn)	915	915	915	915
Adjusted diluted EPS (INR)	(18.9)	(23.7)	(4.6)	18.6
EV/EBITDA (x)	18.6	13.7	9.2	6.1
ROAE (%)	(6.6)	(7.0)	(1.6)	5.3

Company Description

JSPL operates the largest coal-based sponge iron plant in the world and has installed capacity of 3MTPA of steel at Raigarh in Chhattisgarh. The company has also set up a 0.6MTPA wire rod mill and 1 MTPA capacity bar mill at Patratu, Jharkhand, a medium and light structural mill at Raigarh, Chhattisgarh and a 2.5MTPA steel melting shop and a plate mill at Angul, Odisha to produce up to 5m wide plates.

The company manufactures long products at its state-of-the-art rail and universal beam mill (RUBM). It is also a pioneer in manufacturing large-size H-beams and columns for the infrastructure and construction sectors.

JSPL is commissioning a 3.2mtpa blast furnace at Angul that will take its domestic steel capacity to 8.5mtpa by FY19.

The company's 2,400MW power plant is fully capitalised, but operating at low PLF due to lack of PPAs.

Its international mining operations are being ramped up and expected to deliver positive EBITDA in the forecast period.

Investment Theme

JSPL's growth over next 3 years is likely to be driven by volume ramp up at the new 3.2mtpa furnace at Angul. International mining operations are also expected to deliver positive EBITDA due to high coal prices. Low PLF at JPL, however, continues to remain a cause of concern.

Key Risks

Delay in commissioning of Blast furnace at Angul

Volume ramp up at Angul being lower than expectations

Sharp decline in steel prices

Continued low utilisation at JPL

Financial Statements

Key Assumptions

Year to March	FY16	FY17	FY18E	FY19E
Macro				
GDP(Y-o-Y %)	7.9	6.6	6.8	7.4
Inflation (Avg)	4.9	4.5	4.0	4.5
Repo rate (exit rate)	6.8	6.3	5.8	5.8
USD/INR (Avg)	65.5	67.1	65.0	66.0
Sector				
HRC price-India(INR k/t)	29	34	37	37
Hard coking coal (USD/t)	85	168	193	183
Soft coking coal (USD/t)	72	141	163	154
India steel demand (%)	5	5	5	5
Company				
Steel	3.4	3.4	4.7	6.5
Pellets	1.0	2.9	3.0	4.2
Powers sales (mu)	1,350.0	-	-	-
Steel	35,132	36,242	39,193	40,686
Pellets	3,975	4,883	4,784	4,868
Power	3.5	3.7	3.6	3.7
Powers sales (mu)	8,735	8,442	13,717	7,350
Realisations (INR/u)	3.46	3.69	3.62	3.69
DRI volume (mt)	1.1	1.3	1.3	1.3
DRI realisation (INR/t)	21,909	22,925	34,885	35,732
Coal volume (mt)	0.8	1.0	2.0	3.0
Coal realisation(INR/t)	4,830	4,166	3,900	3,828
Iron Ore	3,677	3,787	3,901	4,018
Coking Coal	5,564	11,588	13,054	12,045
Employee Cost - INR mn	5,373	5,316	5,477	5,616
Fuel Cost	16,572	14,638	26,267	13,302
O & M Cost	7,078	6,072	7,361	5,802
Avg. Interest rate (%)	7.1	7.3	7.3	7.3
Depreciation rate (%)	4.3	5.0	5.0	5.0
Net borrowings (INR mn)	462,620	453,170	427,502	367,820
Debtor days	31	25	21	19
Inventory days	184	177	107	83
Payable days	99	138	100	89
Cash conversion cycle	116	63	28	13
Tax rate (%)	25.3	16.5	21.5	21.5
Capex (INR mn)	242,018	25,000	16,000	13,000

Income statement

(INR mn)

Year to March	FY16	FY17	FY18E	FY19E
Net revenue	184,122	233,012	308,919	383,534
Materials costs	80,457	70,835	124,256	162,913
Employee costs	12,450	9,136	9,488	9,827
Total SG&A expenses	56,387	106,462	108,814	120,235
Total operating expenses	149,294	186,432	242,558	292,974
EBITDA	34,828	46,580	66,361	90,560
Depreciation	28,194	39,490	40,741	42,496
EBIT	6,634	7,090	25,620	48,064
Add: Other income	1,776.4	99.9	1,161.78	4,286.57
Less: Interest Expense	32,801	33,896	32,875	31,411
Add: Exceptional items	(2,358)	(3,723)	-	-
Profit Before Tax	(26,749)	(30,429)	(6,093)	20,940
Less: Provision for Tax	(6,763)	(5,027)	(1,310)	4,502
Less: Minority Interest	(980)	(561)	(561)	(561)
Associate profit share	(14)	27	27	27
Reported Profit	(19,020)	(24,814)	(4,195)	17,026
Exceptional Items	(1,762)	(3,108)	-	-
Adjusted Profit	(17,258)	(21,706)	(4,195)	17,026
Shares o /s (mn)	915	915	915	915
Adjusted Basic EPS	(18.9)	(23.7)	(4.6)	18.6
Diluted shares o/s (mn)	915	915	915	915
Adjusted Diluted EPS	(18.9)	(23.7)	(4.6)	18.6
Adjusted Cash EPS	12.0	19.4	39.3	57.7

Common size metrics

Year to March	FY16	FY17	FY18E	FY19E
Operating expenses	81.1	80.0	78.5	76.4
EBITDA margins	18.9	20.0	21.5	23.6
Net Profit margins	(9.9)	(9.6)	(1.5)	4.3

Growth ratios (%)

Year to March	FY16	FY17	FY18E	FY19E
Revenues	(5.1)	26.6	32.6	24.2
EBITDA	(36.2)	33.7	42.5	36.5
Adjusted Profit	(429.2)	25.8	(80.7)	(505.8)
EPS	(429.2)	25.8	(80.7)	(505.8)

Metals and Mining

Balance sheet		(INR mn)			
As on 31st March	FY16	FY17	FY18E	FY19E	
Share capital	915	915	915	915	
Reserves & Surplus	323,446	299,590	296,310	313,336	
Shareholders' funds	324,361	300,505	297,225	314,250	
Minority Interest	8,998	6,467	5,906	5,345	
Short term borrowings	105,285	131,959	131,959	131,959	
Long term borrowings	363,539	325,983	308,951	285,951	
Total Borrowings	468,824	457,942	440,910	417,910	
Long Term Liabilities	2,892	9,807	9,807	9,807	
Def. Tax Liability (net)	60,518	48,310	48,310	48,310	
Sources of funds	865,594	823,032	802,158	795,623	
Gross Block	758,768	808,031	858,031	848,031	
Net Block	612,122	621,895	631,154	578,658	
Capital work in progress	118,266	97,162	63,162	72,492	
Intangible Assets	38,588	37,430	37,430	37,430	
Total Fixed Assets	768,976	756,486	731,745	688,579	
Non current investments	35,638	20,156	20,156	20,156	
Cash and Equivalents	6,204	4,772	13,407	50,090	
Inventories	32,541	35,993	36,536	37,838	
Sundry Debtors	14,292	17,166	18,372	20,929	
Loans & Advances	742	3,874	3,874	3,874	
Other Current Assets	67,846	62,255	62,255	62,255	
Current Assets (ex cash)	115,421	119,289	121,038	124,896	
Trade payable	23,177	30,287	37,720	41,629	
Other Current Liab	37,468	47,384	47,384	47,384	
Total Current Liab	60,645	77,671	85,104	89,014	
Net Curr Assets-ex cash	54,776	41,617	35,934	35,883	
Uses of funds	865,594	823,032	802,158	795,623	
BVPS (INR)	354.5	328.5	324.9	343.5	

Free cash flow		(INR mn)			
Year to March	FY16	FY17	FY18E	FY19E	
Reported Profit	(19,020)	(24,814)	(4,195)	17,026	
Add: Depreciation	28,194	39,490	40,741	42,496	
Interest (Net of Tax)	24,508	28,296	25,807	21,045	
Others	7,327	59,725	(14,441)	(20,942)	
Less: Changes in WC	(22,545)	44,011	5,683	52	
Operating cash flow	63,554	58,687	42,229	59,574	
Less: Capex	242,018	25,000	16,000	13,000	
Free Cash Flow	(178,464)	33,687	26,229	46,574	

Peer comparison valuation

Name	Market cap (USD mn)	Diluted P/E (X)		EV / EBITDA (X)		ROAE (%)	
		FY18E	FY19E	FY18E	FY19E	FY18E	FY19E
Jindal Steel & Power	2,751	-	-	9.2	6.1	(1.6)	5.3
JSW Steel	10,088	15.3	10.0	7.4	5.8	17.3	22.1
Steel Authority of India	5,833	(30.5)	13.7	22.1	8.7	(3.5)	7.7
Tata Steel	10,938	12.1	9.6	7.3	6.0	16.0	18.2
Median	-	6.0	9.8	7.4	5.9	7.2	12.9
AVERAGE	-	(0.8)	8.3	10.8	6.2	7.1	13.3

Source: Edelweiss research

Cash flow metrics		FY16	FY17	FY18E	FY19E
Year to March					
Operating cash flow		63,554	58,687	42,229	59,574
Investing cash flow		(242,788)	3,332	(16,000)	670
Financing cash flow		14,092	(49,558)	(17,594)	(23,561)
Net cash Flow		(165,143)	12,460	8,635	36,683
Capex		(242,018)	(25,000)	(16,000)	(13,000)

Profitability and efficiency ratios

Year to March	FY16	FY17	FY18E	FY19E
ROAE (%)	(6.6)	(7.0)	(1.6)	5.3
ROACE (%)	1.1	0.9	3.5	7.1
Inventory Days	184	177	107	83
Debtors Days	31	25	21	19
Payable Days	99	138	100	89
Cash Conversion Cycle	116	63	28	13
Current Ratio	2.0	1.6	1.6	2.0
Gross Debt/EBITDA	13.5	9.8	6.6	4.6
Gross Debt/Equity	1.4	1.5	1.5	1.3
Adjusted Debt/Equity	1.4	1.5	1.5	1.3
Net Debt/Equity	1.4	1.5	1.4	1.2
Interest Coverage Ratio	0.2	0.2	0.8	1.5

Operating ratios

Year to March	FY16	FY17	FY18E	FY19E
Total Asset Turnover	0.2	0.3	0.4	0.5
Fixed Asset Turnover	0.3	0.4	0.5	0.6
Equity Turnover	0.7	0.7	1.0	1.2

Valuation parameters

Year to March	FY16	FY17	FY18E	FY19E
Adj. Diluted EPS (INR)	(18.9)	(23.7)	(4.6)	18.6
Y-o-Y growth (%)	(429.2)	25.8	(80.7)	(505.8)
Adjusted Cash EPS (INR)	12.0	19.4	39.3	57.7
EV / Sales (x)	3.5	2.7	2.0	1.4
EV / EBITDA (x)	18.6	13.7	9.2	6.1

Additional Data

Directors Data

Naveen Jindal	Chairman	Rajeev Bhaduria	Wholetime Director
R V Shahi	Director	Arun K Purwar	Director
Amar Singh	Independent Director	Hardip Singh wirk	Director
Arun Kumar	Additional Director	Shallu Jindal	Director
Anjan Barua	Nominee Director- SBI	Sudershan Kumar Garg	Independent Director
Dinesh Kumar Saraogi	Wholetime director	Kuldip Chander Sood	Independent Director
Smt. Savitri Jindal	Chairperson Emeritus		

Auditors - S S Kothari Mehta & Co

**as per last annual report*

Holding – Top 10

	Perc. Holding		Perc. Holding
HSBC	3.38	Valiant Mauritius Partners	2.49
HSBC Pooled Investment Fnd	2.03	Dimensional Fund Advisors LP	1.53
Blackrock	1.41	HSBC Global Inv Mauritius	1.38
Vanguard Group	1.36	L&T Mutual Fund	1.15
Blackrock Glo Asian D Fund	1.03	Old Mutual Plc	0.70

**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
19 May 2017	SARIKA JHUNJHNUWALA	Buy	50000.00
19 Apr 2017	RAVI UPPAL	Buy	30000.00

**in last one year*

Company	Absolute reco	Relative reco	Relative risk	Company	Absolute reco	Relative reco	Relative Risk
Coal India	HOLD	SP	M	Hindalco Industries	BUY	SO	M
Hindustan Zinc	BUY	SO	L	Jindal Steel & Power	BUY	SO	M
JSW Steel	BUY	SO	M	NMDC	HOLD	SP	M
Steel Authority of India	REDUCE	SU	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): Metals and Mining

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

Recent Research

Date	Company	Title	Price (INR)	Recos
14-Dec-17	Metals & Mining	Zinc: Curtailed supply to bolster prices; <i>Sector Update</i>		
12-Dec-17	Metals & Mining	Aluminium: Domestic players geared to beat winter chill; <i>Sector Update</i>		
16-Nov-17	JSW Steel	Efficiency planked growth prospects; <i>Company Update</i>	259	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