

SIMPLEX INFRASTRUCTURES

Strong order book visibility

India Equity Research | Infrastructure - Construction



Simplex Infrastructure's (SINF) Q1FY18 revenue grew 7.4% YoY post 4 consecutive quarters of decline. While EBITDA margin fell 25bps YoY, higher other income and lower tax rate (due to Sec 80 (IA) benefits) led to PAT jumping ~67% YoY to INR287mn. The company's order book at Q1FY18 end stood at ~INR164bn (book-to-bill at 2.9x). We believe, execution growth is contingent on debt reduction via working capital improvement. Maintain 'BUY' with SOTP-based target price of INR664.

Top line improves

While SINF's Q1FY18 top line improved 7.4% YoY to INR15.1bn, PAT jumped 67% YoY aided by lower tax rate and higher other income. SINF won ~INR14bn orders in Q1FY18 (INR81bn in FY17) boosting order book to INR164bn. Further, the company is L1 in ~INR10bn orders (of which ~INR6bn are metro rail jobs). Overseas segment contributed 8% to Q1FY18 revenue and 1% to the order intake during the quarter; its share in order book is at 6%. Management has guided for ~INR70-75bn order intake in FY18, revenue growth of 15% in FY18 (and 10-15% in FY19) and EBITDA margin of ~11.5% in FY18.

Execution ramp up to follow working capital improvement

SINF's revenue in the past has been constrained by its elongated working capital cycle (234 days), which has led to a leveraged balance sheet (debt:equity at 2x). With healthy order inflows across the EPC space, we believe cherry picking of orders will lead to better payment terms and improve working capital cycle.

Outlook and valuations: Leverage level key; maintain 'BUY'

SINF's high working capital cycle has impacted its top-line growth. However, working capital has stabilised over the past 4 quarters and we expect it to improve going ahead. The company's strong execution capabilities and healthy order book are positives and we expect revenue traction to follow improvement in payment cycle. We maintain 'BUY' with SOTP-based target price of INR664 (INR638 from EPC business at 18x FY19E EPS and balance from BOT projects).

Financials (Standalone)						(INR mn)		
Year to March	Q1FY18	Q1FY17	% change	Q4FY17	% change	FY17	FY18E	FY19E
Revenues	15,119	14,074	7.4	15,501	(2.5)	56,075	60,429	69,228
EBITDA	1,728	1,644	5.1	2,051	(15.7)	6,887	7,119	8,225
Adj profit	287	172	66.9	668	(57.0)	1,202	920	1,759
Dil. EPS (INR)	5.8	3.5	66.9	13.5	(57.0)	24.2	18.5	35.4
Diluted P/E (x) *						18.8	24.6	12.8
EV/EBITDA (x) *						8.1	7.7	6.3
ROAE (%)						8.2	5.8	10.3

*for implied construction business

EDELWEISS RATINGS			
Absolute Rating		BUY	
Investment Characteristics		Growth	
MARKET DATA (R: SINF.BO, B: SINF IN)			
CMP		: INR 484	
Target Price		: INR 664	
52-week range (INR)		: 590 / 260	
Share in issue (mn)		: 49.5	
M cap (INR bn/USD mn)		: 24 / 371	
Avg. Daily Vol. BSE/NSE ('000)		: 44.2	
SHARE HOLDING PATTERN (%)			
	Current	Q4FY17	Q3FY17
Promoters *	56.3	56.2	56.0
MF's, FI's & BKs	19.6	19.3	20.9
FII's	0.2	0.7	3.3
Others	23.8	23.8	19.7
* Promoters pledged shares (% of share in issue)		:	0.33
PRICE PERFORMANCE (%)			
	BSE Midcap Index	Stock	Stock over Index
1 month	0.6	(10.9)	(11.5)
3 months	1.6	14.3	12.7
12 months	19.8	59.1	39.3

Parvez Akhtar Qazi

+91-22-4063 5405

parvez.qazi@edelweissfin.com

Rita Tahilramani

+91 22 6623 7440

rita.tahilramani@edelweissfin.com

August 17, 2017

Other highlights

- Debt stands at ~INR33.6bn at Q1FY18 end (INR33.2bn at FY17 end).
- SINP is targeting debtor recovery of ~INR11bn over FY18-19.
- To combat slowdown in private sector capex, SINP has sharpened focus on public sector jobs. Hence, the share of government orders in order book has jumped to 63% at Q1FY18 end from 42% in FY16.
- Arbitration claims won by the company stand at ~INR4.75bn (of which claims from central government departments are ~INR1.8bn); in addition, claims worth ~ INR12.1bn are currently under arbitration.

Chart 1: Order book break up

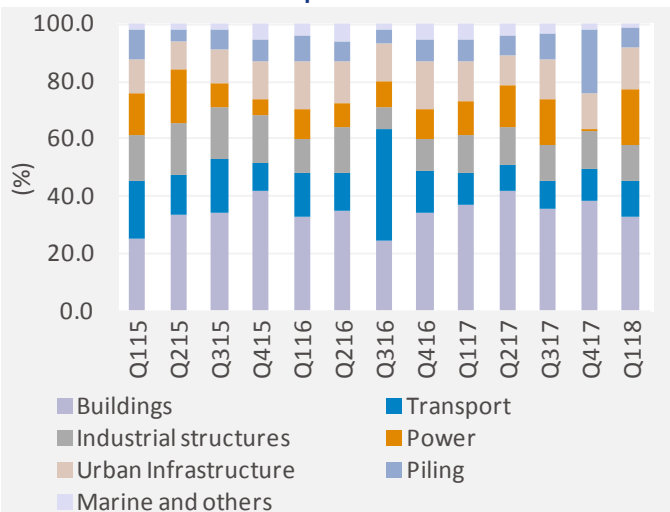


Chart 2: Revenue break up

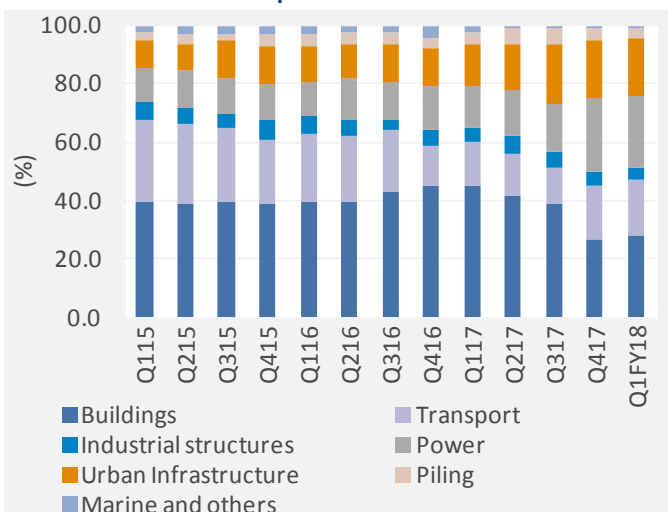
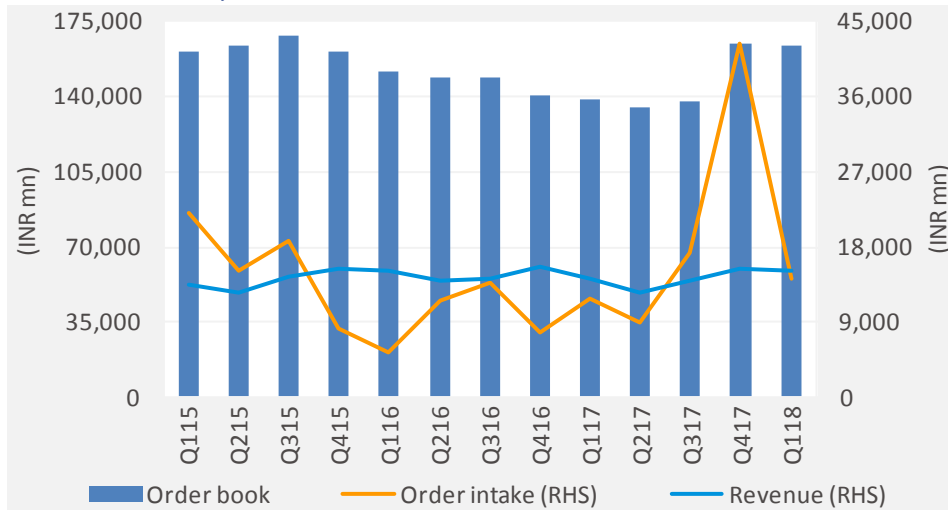


Chart 3: Order book, order intake and revenue



Source: Company, Edelweiss research

Financial snapshot

(INR mn)

Year to March	Q1FY18	Q1FY17	% change	Q4FY17	% change	FY17	FY18E	FY19E
Net revenues	15,119	14,074	7.4	15,501	(2.5)	56,075	60,429	69,228
Direct costs	5,208	4,192	24.2	4,725	10.2	16,422	17,939	20,482
Staff costs	1,403	5,620	(75.0)	6,012	(76.7)	22,483	24,289	27,826
Other expenses	6,780	2,619	158.9	2,714	149.9	10,283	11,081	12,695
Total expenditure	13,391	12,430	7.7	13,450	(0.4)	38,906	42,228	48,308
EBITDA	1,728	1,644	5.1	2,051	(15.7)	6,887	7,119	8,225
Depreciation	479	502	(4.6)	486	(1.6)	1,978	2,054	2,120
EBIT	1,250	1,142	9.4	1,565	(20.1)	4,909	5,065	6,105
Other income	247	201	23.0	57	336.0	890	945	934
Interest	1,132	1,067	6.2	1,129	0.3	4,454	4,690	4,375
Profit before tax	364	276	31.7	492	(26.0)	1,345	1,320	2,665
Provision for taxes	77	104	(26.4)	(176)	(143.6)	143	400	906
Reported profit	287	172	66.9	668	(57.0)	1,202	920	1,759
Adjusted profit	287	172	66.9	668	(57.0)	1,202	920	1,759
Equity capital	99	99		99		99	99	99
Diluted shares (mn)	50	50		50		50	50	50
Adjusted Diluted EPS	5.8	3.5	66.9	13.5	(57.0)	24.2	18.5	35.4

as % of net revenues

Direct costs	34.4	29.8		30.5		29.3	29.7	29.6
Other expenses	54.1	58.5		56.3		58.4	58.5	58.5
EBITDA	11.4	11.7		13.2		12.3	11.8	11.9
Reported profit	1.9	1.2		4.3		2.1	1.5	2.5
Tax rate	21.1	37.7		(35.8)		10.6	30.3	34.0

Company Description

SINF is a fast growing infrastructure construction company present across all verticals within the infrastructure space. A piling contractor by origin, SINF has ramped up its capabilities and currently executes projects in the power, industrial structures, buildings, roads, railways, marine, and urban infrastructure segments. The company emphasises on diversification and is thus focused on building a versatile business model, in terms of segmental mix as well as geographical contribution. SINF has successfully entered the Middle Eastern markets and is now looking at repeating its success story in other geographies.

Investment Theme

SINF is one of the few pure contracting plays available in the construction industry. Its strong technical and execution capabilities are likely to lead to a robust growth in revenues as well as margins going forward. Increasing share of EPC projects in the order book accompanied with the advantages of building a business model (leaning overseas) is likely to result in long-term benefits for the company. Continued preference for pure contracting space with a focus on short duration projects along with risk mitigation by way of geographical and business mix diversification provides the company with a great platform to achieve solid growth going forward.

Key Risks

Any delay in project execution in the domestic or overseas markets may lead to slower than-anticipated revenue growth impacting margins and liquidity negatively. As the private sector dominates its order book, any slowdown in the corporate capex will impact the revenue growth negatively.

Financial Statements

Key Assumptions

Year to March	FY16	FY17	FY18E	FY19E
Macro				
GDP(Y-o-Y %)	7.2	6.5	7.1	7.7
Inflation (Avg)	4.9	4.8	5.0	5.2
Repo rate (exit rate)	6.8	6.3	6.3	6.3
USD/INR (Avg)	65.0	67.5	67.0	67.0
Company				
Order intake (INR bn)	39	81	86	101
Y-o-Y growth (%)	(39.8)	108.2	6.2	17.5
Book-to-bill ratio (x)	2.4	2.9	3.1	3.2
Order backlog (INR bn)	141	165	190	222
Order backlog growth (%)	(12.6)	17.4	15.2	16.5
Revenue growth (% yoy)	6	(5)	8	15
Raw Material (% net rev)	33.4	29.3	29.7	29.6
Job work (as % of sales)	29.4	30.9	31.0	31.0
Salary (% of revenues)	8.7	9.2	9.2	9.2
Other admin (% net rev)	17.0	18.3	18.3	18.3
Avg. Interest rate (%)	12.9	13.2	13.0	12.8
Depreciation rate (%)	9.0	8.0	8.0	7.8
Tax rate (%)	28.4	10.6	30.3	34.0
Dividend per share	0.5	0.5	0.5	0.5
Inc. in invts (INR mn)	-	109	-	-
Capex (INR mn)	1,734	888	1,025	1,700
Debtor days	185	92	95	91
Inventory days	83	80	77	73
Payable days	162	175	171	166
Other creditors days	131	173	177	174
Provisions days	2	2	2	2
Incremental debt	253	(739)	(750)	(2,350)

Income statement

(INR mn)

Year to March	FY16	FY17	FY18E	FY19E
Income from operations	59,046	56,075	60,429	69,228
Direct costs	19,714	16,422	17,939	20,482
Employee costs	22,484	22,483	24,289	27,826
Other Expenses	10,026	10,283	11,081	12,695
Total operating expenses	52,224	49,188	53,309	61,003
EBITDA	6,822	6,887	7,119	8,225
Depreciation	2,036	1,978	2,054	2,120
EBIT	4,787	4,909	5,065	6,105
Add: Other income	981	890	945	934
Less: Interest Expense	4,286	4,454	4,690	4,375
Profit Before Tax	1,482	1,345	1,320	2,665
Less: Provision for Tax	421	143	400	906
Reported Profit	1,061	1,202	920	1,759
Adjusted Profit	1,061	1,202	920	1,759
Shares o/s (mn)	50	50	50	50
Adjusted Basic EPS	21.4	24.2	18.5	35.4
Diluted shares o/s (mn)	50	50	50	50
Adjusted Diluted EPS	21.4	24.2	18.5	35.4
Adjusted Cash EPS	60.5	65.1	59.9	78.1
Dividend per share (DPS)	0.5	0.5	0.5	0.5
Dividend Payout Ratio(%)	2.8	2.5	3.2	1.7

Common size metrics

Year to March	FY16	FY17	FY18E	FY19E
Operating expenses	88.4	87.7	88.2	88.1
EBITDA margins	11.6	12.3	11.8	11.9
Net Profit margins	1.8	2.1	1.5	2.5

Growth ratios (%)

Year to March	FY16	FY17	FY18E	FY19E
Revenues	5.8	(5.0)	7.8	14.6
EBITDA	8.6	0.9	3.4	15.5
PBT	57.9	(9.2)	(1.9)	101.8
Adjusted Profit	70.0	13.3	(23.5)	91.1
EPS	70.0	13.3	(23.5)	91.1

Infrastructure - Construction

Balance sheet		(INR mn)			
As on 31st March	FY16	FY17	FY18E	FY19E	
Share capital	99	99	99	99	
Reserves & Surplus	14,100	15,204	16,094	17,823	
Shareholders' funds	14,199	15,303	16,194	17,922	
Short term borrowings	27,889	27,448	26,698	24,448	
Long term borrowings	6,102	5,804	5,804	5,704	
Total Borrowings	33,991	33,252	32,502	30,152	
Long Term Liabilities	104	121	121	121	
Def. Tax Liability (net)	798	1,064	1,064	1,064	
Sources of funds	49,092	49,740	49,881	49,260	
Gross Block	24,219	25,095	26,095	27,795	
Net Block	12,797	11,710	10,673	10,271	
Capital work in progress	123	115	115	115	
Intangible Assets	14	20	28	9	
Total Fixed Assets	12,935	11,845	10,815	10,395	
Non current investments	1,184	1,316	1,316	1,316	
Cash and Equivalents	279	352	634	648	
Inventories	7,281	7,464	8,014	8,769	
Sundry Debtors	12,890	15,294	16,162	18,357	
Loans & Advances	811	1,427	1,450	1,592	
Other Current Assets	43,726	46,478	47,134	50,883	
Current Assets (ex cash)	64,708	70,664	72,761	79,602	
Trade payable	15,268	17,119	17,256	20,910	
Other Current Liab	14,745	17,317	18,389	21,792	
Total Current Liab	30,013	34,436	35,645	42,701	
Net Curr Assets-ex cash	34,695	36,228	37,116	36,900	
Uses of funds	49,092	49,740	49,881	49,260	
BVPS (INR)	286.0	308.2	326.2	361.0	

Free cash flow		(INR mn)			
Year to March	FY16	FY17	FY18E	FY19E	
Reported Profit	1,061	1,202	920	1,759	
Add: Depreciation	2,036	1,978	2,054	2,120	
Interest (Net of Tax)	3,068	3,980	3,269	2,887	
Others	(92,289)	(6,961)	(5,044)	(2,457)	
Less: Changes in WC	(44,890)	(1,516)	(888)	215	
Operating cash flow	(41,234)	1,715	2,087	4,094	
Less: Capex	1,734	888	1,025	1,700	
Free Cash Flow	(42,968)	828	1,062	2,394	

Cash flow metrics		FY16	FY17	FY18E	FY19E
Year to March					
Operating cash flow	(41,234)	1,715	2,087	4,094	
Investing cash flow	(1,340)	(997)	(1,025)	(1,700)	
Financing cash flow	549	(769)	(780)	(2,380)	
Net cash Flow	(42,025)	(50)	282	14	
Capex	(1,734)	(888)	(1,025)	(1,700)	
Dividend paid	(30)	(30)	(30)	(30)	

Profitability and efficiency ratios		FY16	FY17	FY18E	FY19E
Year to March					
ROAE (%)	7.4	8.2	5.8	10.3	
ROACE (%)	12.2	12.0	12.4	14.5	
Inventory Days	83	80	77	73	
Debtors Days	185	92	95	91	
Payable Days	293	348	348	340	
Cash Conversion Cycle	(25)	(176)	(176)	(176)	
Current Ratio	2.2	2.1	2.1	1.9	
Gross Debt/EBITDA	5.0	4.8	4.6	3.7	
Gross Debt/Equity	2.4	2.2	2.0	1.7	
Adjusted Debt/Equity	2.4	2.2	2.0	1.7	
Net Debt/Equity	2.4	2.1	2.0	1.6	
Interest Coverage Ratio	1.1	1.1	1.1	1.4	

Operating ratios		FY16	FY17	FY18E	FY19E
Year to March					
Total Asset Turnover	1.2	1.1	1.2	1.4	
Fixed Asset Turnover	4.9	4.6	5.4	6.6	
Equity Turnover	4.1	3.8	3.8	4.1	

Valuation parameters		FY16	FY17	FY18E	FY19E
Year to March					
Adj. Diluted EPS (INR)	21.4	24.2	18.5	35.4	
Y-o-Y growth (%)	70.0	13.3	(23.5)	91.1	
Adjusted Cash EPS (INR)	60.5	65.1	59.9	78.1	
Diluted P/E (x) *	21.3	18.8	24.6	12.8	
P/B (x)	1.7	1.6	1.5	1.3	
EV / Sales (x) *	1.0	1.0	0.9	0.8	
EV / EBITDA (x) *	8.3	8.1	7.7	6.3	
Dividend Yield (%)	0.1	0.1	0.1	0.1	

*For implied construction business

Peer comparison valuation

Name	Market cap (USD mn)	EV / EBITDA (X)		P/B (X)		ROAE (%)	
		FY18E	FY19E	FY18E	FY19E	FY18E	FY19E
Simplex Infrastructures Ltd	371	7.7	6.3	1.5	1.3	5.8	10.3
Hindustan Construction Co.	566	12.2	7.0	1.4	1.3	(3.4)	5.7
Nagarjuna Construction Co	761	8.6	7.1	1.3	1.2	6.8	9.4
Median	-	8.6	7.0	1.4	1.3	5.8	9.4
AVERAGE	-	9.5	6.9	1.4	1.3	NA	8.5

Source: Edelweiss research

Additional Data

Directors Data

Mr. A.D. Mundhra	Promoter & Vice Chairman	Mr. Rajiv Mundhra	Promoter and Executive Director
Mr. S. Dutta	Non-Independent Executive Director	Mr. A.K. Chatterjee	CEO & Whole-time Director
Mr. N.N. Bhattacharyya	Non-Executive Independent Director	Mr. Sheo Kishan Damani	Non-Executive Independent Director
Mr. Asutosh Sen	Non-Executive Independent Director	Ms. Leena Ghosh	Non-Independent Executive Director

Auditors - Price Waterhouse, H.S. Bhattacharjee & Co.

**as per last annual report*

Holding – Top 8

	Perc. Holding		Perc. Holding
Reliance Capital Asset Management	9.03	HDFC Asset Management	8.96
State Bank of India	1.39	Nippon Life Insurance company	0.85
Dimension fund advisor	0.37	Mitsubishi Asset Management	0.05
Excel funds management	0.05	Robeco Groep Nv	0.04

**as per last available data*

Bulk Deals

Data	Acquired / Seller	B/S	Qty Traded	Price
10 Feb 2017	Warhol Ltd	Sell	705244	306.13

**as per last available data*

Insider Trades

Reporting Data	Acquired / Seller	B/S	Qty Traded
30 Mar 2017	BABA BASUKI DISTRIBUTORS PVT LTD	Buy	30000.00
30 Mar 2017	BITHAL DAS MUNDHRA	Sell	29300.00
21 Mar 2017	SIMPLEX INFRAPROPERTIES PRIVATE LIMITED	Buy	136000.00
20 Mar 2017	SIMPLEX INFRAPROPERTIES PRIVATE LIMITED	Buy	136000.00

**as per last available data*

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): Infrastructure - Construction

Ahluwalia Contracts, Ashoka Buildcon, Hindustan Construction Co., J Kumar Infraprojects, KNR Constructions, NBCC, Nagarjuna Construction Co, PNC Infratech, Sadbhav Engineering, Simplex Infrastructures Ltd, Supreme Infrastructure

Recent Research

Date	Company	Title	Price (INR)	Recos
17-Aug-17	PNC Infratech	Land acquisition issues dent execution; <i>Result Update</i>	141	Buy
16-Aug-17	Sadbhav Engineering	Steady performance; <i>Result Update</i>	267	Buy
16-Aug-17	KNR Constructions	Robust performance; order inflows critical; <i>Result Update</i>	221	Buy

Distribution of Ratings / Market Cap

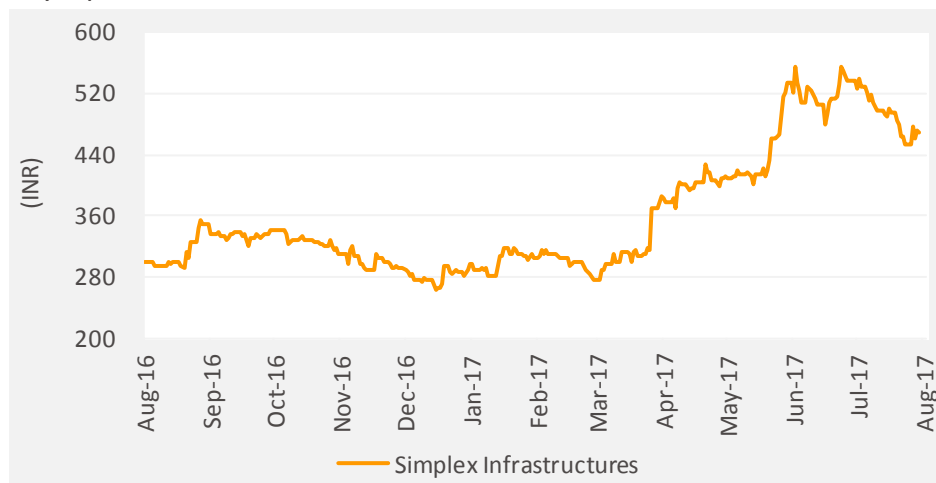
Edelweiss Research Coverage Universe

	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