

TECHNO ELECTRIC & ENGINEERING

GST rigours seen; outlook stable



Edelweiss
Ideas create, values protect

India Equity Research | Engineering and Capital Goods

Techno Electric & Engineering's (TEEC) revenue/EBITDA/PAT declined 31/31/15% YoY post the robust 50% growth in revenue in Q1FY18. Key highlights: a) Revenue plummeted 31% on accelerated billing in Q1FY18 on precipitation of GST attracting 28% rates on various products. Better clarity on implementation and recent downward revision in rates to 18% should see revenue pick in ensuing quarters; b) Apart from normal repayments, prepayment of INR1bn resulted in INR1.5bn reduction in consolidated debt to INR1.2bn; and c) Wind revenue was hit by heavy rains in Tamil Nadu, though management expects 25% PLF in FY18. Strong revenue visibility (2x) and bid pipeline would ensure healthy revenue growth in EPC segment (17% CAGR over FY17-19E), and improving grid stability is advantageous for TEEC's wind business. We trim our revenue estimate by 6/5% for FY18/19E respectively, factoring in execution delays in Q2FY18 and maintain 'BUY' with a revised SOTP based TP of INR415 (INR425 earlier).

Q2FY18 highlights; H1FY18 than damp squib Q2FY18

While Q2FY18 revenue dragged down 31% YoY on accelerated billing in Q1, H1FY18 revenue grew 4% YoY. EPC revenue too recorded strong 16% growth for H1FY18. Adjusting for sale of 33MW wind assets, segment revenue remained stable. TEEC managed to improve collections (INR3.5bn in Q2FY18), resulting in flat receivables over March to September period. Wind realisations stood at INR 4.12/unit. Order inflows stood at INR1bn, resulting in closing order book of INR23.5bn.

What we expect going ahead?

With lowering of GST rate from 28% to 18% for a basket of products supplied by TEEC, we expect execution to pick up and TEEC to clock 16% growth in H2FY18. SOx tendering by NTPC in December will impel near term order inflows, while improving traction in aluminium, refinery and SEBs will drive long term order inflow.

Outlook and valuations: Going strong; maintain 'BUY'

We remain positive on TEEC with brightening prospects in T&D segment and efficient working capital management and execution. We estimate EPS CAGR of 19% over FY17-19E, primarily led by EPC business. We maintain 'BUY/SP'.

Financials (Consol)

(INR mn)

Year to March	Q2FY18	Q2FY17	% change	Q1FY18	% change	FY17	FY18E	FY19E
Net revenues	2,542	3,676	(30.8)	4,123	(38.3)	13,567	14,984	18,171
EBITDA	768	1,116	(31.2)	1,016	(24.4)	3,125	3,481	4,104
Adj. Net profit	604	714	(15.3)	693	(12.8)	1,899	2,260	2,733
Dil. EPS (INR)	5.4	6.3	0.0	6.2	0.0	16.8	20.1	24.3
Diluted P/E (x)						21.4	18.1	15.0
EV/EBITDA (x)						12.3	10.4	8.4
ROAE (%)						18.9	19.3	20.1

EDELWEISS 4D RATINGS

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

MARKET DATA (R: TEEC.BO, B: TEEC IN)

CMP	: INR 366
Target Price	: INR 415
52-week range (INR)	: 439 / 280
Share in issue (mn)	: 112.7
M cap (INR bn/USD mn)	: 43 / 665
Avg. Daily Vol.BSE/NSE('000)	: 103.5

SHARE HOLDING PATTERN (%)

	Current	Q1FY18	Q4FY17
Promoters *	58.8	58.8	58.0
MF's, FI's & BK's	17.5	17.8	17.9
FII's	4.6	4.9	5.3
Others	19.1	18.5	18.8
* Promoters pledged shares (% of share in issue)	:		NIL

PRICE PERFORMANCE (%)

	Stock	Nifty	EW Capital Goods Index
1 month	9.3	3.0	6.0
3 months	6.9	5.1	(1.6)
12 months	23.2	21.1	(3.9)

Swarnim Maheshwari

+91 22 4040 7418
swarnim.maheshwari@edelweissfin.com

Amit Mahawar

+91 22 4040 7451
amit.mahawar@edelweissfin.com

Ashutosh Mehta

+91 22 2286 2748
ashutosh.mehta@edelweissfin.com

November 13, 2017

Q2FY18 conference call: Key highlights

Guidance:

- INR12.5-15.0bn order intake for FY18.
- PAT growth of 15%.

Financial performance:

- EPC revenue declined 32% on account of: 1) accelerated billing in Q1; and 2) the company's conscious call to delay dispatches (INR 0.6-0.7bn revenue impact) on back of products being classified in 28% bracket under GST.
- Wind segment's revenue was lower due to heavy rains in Tamil Nadu during 2nd half of the Q2.
- Grid availability for wind assets is better than last year and management expects wind PLF for FY18 at 25%.
- Consolidated debt lower than INR1.5bn as the company has pre-paid debt of INR1bn apart from normal payments.

Order intake and order book:

- Order book: INR23.5bn.
- Order intake: INR1bn. New orders have been received from PGCIL. No new orders from the state during the quarter.

Others:

- Significant pick up in order inflow in FY19 and execution expected to pick up in FY20. FY19 exit order book to be in the INR35- 40bn range and FY20 revenue to be INR18-20bn.
- Sox tenders to be floated in December.
- Madarpur & Dadri power plants will be on bio and not coal. Techno has tied up with one of the 3 shortlisted players.
- T&D ordering traction from Andhra Pradesh, Tamil Nadu, Jharkhand, Rajasthan and Madhya Pradesh.
- Techno has successfully completed financial closure of Nagaland PPP project.
- No revenue contribution from the solar segment.
- Management expects collection of INR1.25-1.5bn related to retention money by FY18 end.
- Collection of INR3.5bn in Q2FY18 for billings prior to GST implementation.

Table 1: SOTP valuation

Business Segments	Particulars	Amount (INR mn)	Valuation Method	Multiple (x)	Value (INR mn)	Value per share (INR)
EPC	PAT – FY19E	1,758	P/E	20	35,948	319
Energy	Book Value	4,183	P/B	1.5	6,399	57
Project	Book Value	953	P/B	1.5	1,429	13
Cash	Discounted with 14% COE	3,950			3,013	27
Total Fair Value						415

Source: Edelweiss research

Engineering and Capital Goods

Financial snapshot

(INR mn)

Year to March	Q2FY18	Q2FY17	% change	Q1FY18	% change	YTD18	FY18E	FY19E
Net revenues	2,542	3,676	(30.8)	4,123	(38.3)	6,665	14,984	18,171
Raw material	1,483	2,269	(34.6)	2,793	(46.9)	4,275	10,215	12,545
Staff costs	103	100	2.4	82	24.9	185	403	469
Other operating expenses	189	192	(1.5)	232	(18.5)	421	885	1,053
Total expenditure	1,774	2,561	(30.7)	3,107	(42.9)	4,881	11,503	14,067
EBITDA	768	1,116	(31.2)	1,016	(24.4)	1,784	3,481	4,104
Depreciation	106	133	(20.1)	106	0.3	212	497	501
EBIT	662	983	(32.7)	910	(27.3)	1,572	2,984	3,604
Other income	109	56	93.2	114	(4.3)	223	518	563
Interest	60	126	(52.3)	86	(29.9)	146	416	380
Add: Exceptional items	-	5	(100.0)	-	-	-	-	-
Profit before tax	711	918	(22.6)	939	(24.3)	1,649	3,086	3,787
Provision for taxes	106	200	(46.7)	245	(56.6)	352	808	1,034
Minority interest							(17)	(20)
Reported net profit	604	718	(15.9)	693	(12.8)	1,298	2,260	2,733
Adjusted Profit	604	714	(15.3)	693	(12.8)	1,298	2,260	2,733
Equity capital(FV INR 2)	113	113		113		114	225	225
Diluted shares (mn)	113	113		113		113	113	113
Diluted EPS (INR)	5.4	6.3	(15.3)	6.2	(12.8)	11.5	20.1	24.3
As % of revenues								
Direct costs	58.3	61.7		67.7		64.2	68.2	69.0
Employee cost	4.0	2.7		2.0		2.8	2.7	2.6
Other expenses	7.4	5.2		5.6		6.3	5.9	5.8
EBITDA	30.2	30.3		24.6		26.8	23.2	22.6
Reported net profit	23.8	19.4		16.8		19.5	15.1	15.0
Tax rate	15.0	21.8		26.1		21.3	26.2	27.3

Change in Estimates

	FY18E			FY19E			Comments
	New	Old	% change	New	Old	% change	
Net Revenue	14,984	15,887	(5.7)	18,171	19,198	(5.3)	Factoring in GST led execution delays
EBITDA	3,481	3,696	(5.8)	4,104	4,337	(5.4)	
EBITDA Margin	23.2	23.3		22.6	22.6		
Adjusted Profit	2,275	2,400	(5.2)	2,752	2,801	(1.8)	
After Tax							
Net Profit Margin	15.2	15.1		15.1	14.6		
Capex	150	150	0.0	150	150	0.0	

Company Description

TEEC was incorporated in 1963 by the Mohankas to provide EPC services to core sector industries in India. The company went public in 1973. In 1983, it was taken over by Mr. P.P. Gupta and Mr. C.L. Chamaria. Mr. Gupta became the sole promoter of TEEC after Mr. Chamaria's resignation from the board in 1995. The company is headquartered in Kolkata. TEEC boasts of an experienced team of over 175 engineers backed by 225 skilled professionals and 100 staff members. More than 80% of the company's business comes from repeat customers, a testimony to its execution capability. TEEC is a leading EPC services company in India's power sector and provides services to all the 3 industry segments—generation, transmission and distribution. It was involved in setting up (in one capacity or other) over 50% of the country's thermal power generation capacity and a major portion of the national power grid. It also possesses specific domain knowledge that enables it to serve the EPC needs of power, steel, fertiliser, metals and petrochemicals sectors, among others. It ventured into renewable energy via acquisition of wind assets in 2009. Its total installed capacity currently stands at 130MW (having sold 44.45MW in May 2015 and 33MW in Jan 17) with 12MW in standalone entity and balance 117.9MW in subsidiary Simran Wind Projects (Simran). In 2010, the company ventured into BOOT projects via the JV route as it bagged transmission project worth INR4.4bn in Haryana for a concession period of 25 years extendable by another 10 years. Subsequently, TEEC bagged another project worth INR2bn in Punjab in 2013. The company plans to extend / scale up this business further.

Investment Theme

INR2.6tn opportunities in EPC across power, industrial segments

Given the government's sharpened focus on cutting AT&C losses and thrust on renewables, we expect T&D spending to turn the spotlight on higher kV substations, in addition to spending on the green energy corridor to connect renewable energy to the grid. We envisage generation, transmission and distribution to throw up total EPC opportunity of INR2,602bn (INR520bn p.a.) over the next 5 years for TEEC. We anticipate it to corner ~10% of this. Uptick in industrial and exports would be over and above this.

Competitive MOAT: Selective approach with eye on RoE, cash flows

Engineering expertise to handle complex jobs is TEEC's forte. Moreover, the company is extremely selective in project bidding given its focus on complex jobs which normally entail higher profitability and cash flows. It bids for projects funded by either bilateral, multilateral or government funding agencies like PFC or REC to ensure reliable payments and cash flows.

Key Risks

- Delayed ordering, execution in power sector, currency risk
- Deffered uptick in industrial capex due to contagion
- Heightened competitive intensity could impact profitability
- Lower utilisation and evacuation issues in wind power assets
- Delay in BOOT projects

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	4.5	4.0	4.5
Repo rate (exit rate)	6.8	6.3	5.8	5.8
USD/INR (Avg)	65.0	67.5	66.0	66.0
Company				
Order intake growth (%)	2.1	(17.0)	40.0	10.0
Revenue growth (%)	51.8	19.4	19.9	22.2
EBIT Margins (%)	14.1	14.6	15.2	15.4
Wind capacity (MW)	161.8	161.8	128.8	128.8
PLF (%)	16.0	23.4	22.0	22.0
Capex (INR mn)	(1,920)	(1,243)	150	150

Income statement

(INR mn)

Year to March	FY16	FY17	FY18E	FY19E
Income from operations	10,972	13,567	14,984	18,171
Materials costs	7,816	9,325	10,215	12,545
Employee costs	299	346	403	469
Other mfg expenses	652	772	885	1,053
Total operating expenses	8,766	10,442	11,503	14,067
EBITDA	2,206	3,125	3,481	4,104
Depreciation	494	508	497	501
EBIT	1,712	2,617	2,984	3,604
Add: Other income	375	492	518	563
Less: Interest Expense	443	373	416	380
Add: Exceptional items	254	-	-	-
Profit Before Tax	1,898	2,735	3,086	3,787
Less: Provision for Tax	721	837	808	1,034
Less: Minority Interest	-	-	17	20
Associate profit share	23	29	15	19
Reported Profit	1,177	1,927	2,275	2,752
Exceptional Items	254	-	-	-
Adjusted Profit	923	1,927	2,275	2,752
Shares o /s (mn)	113	113	113	113
Adjusted Basic EPS	8.2	17.1	20.2	24.4
Diluted shares o/s (mn)	113	113	113	113
Adj. Diluted EPS (INR)	8.2	17.1	20.2	24.4
Adjusted Cash EPS	14.7	22.8	24.6	28.9
Dividend per share (DPS)	5.1	5.1	5.0	4.0
Dividend Payout Ratio(%)	58.2	35.5	29.7	19.6

Common size metrics

Year to March	FY16	FY17	FY18E	FY19E
Operating expenses	79.9	77.0	76.8	77.4
Materials costs	71.2	68.7	68.2	69.0
Staff costs	2.7	2.5	2.7	2.6
S G & A expenses	5.9	5.7	5.9	5.8
Depreciation	4.5	3.7	3.3	2.8
Interest Expense	4.0	2.8	2.8	2.1
EBITDA margins	20.1	23.0	23.2	22.6
Net Profit margins	8.4	14.2	15.2	15.1

Growth ratios (%)

Year to March	FY16	FY17	FY18E	FY19E
Revenues	38.2	23.7	10.4	21.3
EBITDA	6.0	41.7	11.4	17.9
Adjusted Profit	(12.2)	108.7	18.0	20.9
EPS	(12.2)	108.7	18.0	20.9

Balance sheet		(INR mn)			
As on 31st March	FY16	FY17	FY18E	FY19E	
Share capital	114	228	225	225	
Reserves & Surplus	9,164	10,842	12,441	14,652	
Shareholders' funds	9,278	11,070	12,666	14,877	
Minority Interest	-	-	17	37	
Short term borrowings	1,015	-	-	-	
Long term borrowings	3,068	2,099	2,153	2,353	
Total Borrowings	4,084	2,099	2,153	2,353	
Long Term Liabilities	98	213	213	213	
Sources of funds	14,349	14,418	16,086	18,517	
Gross Block	10,897	9,653	9,803	9,953	
Net Block	8,037	6,285	5,937	5,587	
Intangible Assets	200	201	201	201	
Total Fixed Assets	8,237	6,486	6,139	5,788	
Non current investments	634	789	1,039	1,289	
Cash and Equivalents	2,042	4,903	6,090	7,821	
Inventories	379	2	280	344	
Sundry Debtors	4,963	5,596	6,363	7,717	
Loans & Advances	380	33	459	527	
Other Current Assets	1,766	1,067	1,067	1,067	
Current Assets (ex cash)	7,488	6,698	8,168	9,654	
Trade payable	2,875	3,407	3,649	4,471	
Other Current Liab	1,177	1,051	1,701	1,565	
Total Current Liab	4,052	4,458	5,350	6,036	
Net Curr Assets-ex cash	3,436	2,240	2,818	3,618	
Net Deferred tax	889	1,036	1,036	1,036	
Uses of funds	14,349	14,418	16,086	18,517	
BVPS (INR)	82.3	98.2	112.4	132.0	

Free cash flow		(INR mn)			
Year to March	FY16	FY17	FY18E	FY19E	
Reported Profit	1,177	1,927	2,275	2,752	
Add: Depreciation	494	508	497	501	
Interest (Net of Tax)	275	259	307	276	
Others	(38)	114	126	124	
Less: Changes in WC	1,583	(632)	578	800	
Operating cash flow	325	3,440	2,627	2,852	
Less: Capex	(1,920)	(1,243)	150	150	
Free Cash Flow	2,245	4,683	2,477	2,702	

Peer comparison valuation

Name	Market cap (USD mn)	Diluted P/E (X)		P/B (X)		ROAE (%)	
		FY18E	FY19E	FY18E	FY19E	FY18E	FY19E
Techno Electric & Engineering	665	18.2	15.0	3.3	2.8	19.3	20.1
Kalpataru Power	903	17.5	13.9	2.1	1.8	12.6	14.0
KEC International	1,193	20.7	16.8	3.9	3.2	20.6	21.0
Median	-	18.2	15.1	3.3	2.8	19.3	20.1
AVERAGE	-	18.8	15.2	3.1	2.6	17.5	18.4

Source: Edelweiss research

Cash flow metrics		FY16	FY17	FY18E	FY19E
Year to March					
Operating cash flow		325	3,440	2,627	2,852
Investing cash flow		1,994	1,088	(400)	(400)
Financing cash flow		(1,451)	(2,928)	(1,041)	(721)
Net cash Flow		868	1,600	1,187	1,731
Capex		1,920	1,243	(150)	(150)
Dividend paid		(309)	(685)	(676)	(541)
Share issue/(buyback)		-	-	(3)	-

Profitability and efficiency ratios

Year to March	FY16	FY17	FY18E	FY19E
ROAE (%)	9.9	18.9	19.3	20.1
ROACE (%)	15.2	23.4	25.0	26.0
Inventory Days	10	7	5	9
Debtors Days	140	142	146	141
Payable Days	99	123	126	118
Cash Conversion Cycle	51	27	25	32
Current Ratio	2.4	2.6	2.7	2.9
Debt/EBITDA (x)	1.9	0.7	0.6	0.6
Gross Debt/Equity	0.4	0.2	0.2	0.2
Adjusted Debt/Equity	0.4	0.2	0.2	0.2
Interest Coverage Ratio	3.9	7.0	7.2	9.5

Operating ratios

Year to March	FY16	FY17	FY18E	FY19E
Total Asset Turnover	0.8	0.9	1.0	1.1
Fixed Asset Turnover	0.6	1.8	2.4	3.0
Equity Turnover	2.4	2.7	1.3	1.3

Valuation parameters

Year to March	FY16	FY17	FY18E	FY19E
Adj. Diluted EPS (INR)	8.2	17.1	20.2	24.4
Y-o-Y growth (%)	(12.2)	108.7	18.0	20.9
Adjusted Cash EPS (INR)	14.7	22.8	24.6	28.9
Diluted P/E (x)	44.7	21.4	18.1	15.0
P/B (x)	4.4	3.7	3.3	2.8
EV / Sales (x)	3.9	2.8	2.4	1.9
EV / EBITDA (x)	19.6	12.3	10.4	8.4
Dividend Yield (%)	1.4	1.4	1.4	1.1

Additional Data

Directors Data

P P Gupta	Chairman	K K Rai	Independent Non-Executive Director
K M Poddar	Independent Non-Executive Director	K Vasudevan	Independent Non-Executive Director
S N Roy	Independent Non-Executive Director	VD Mohile	Independent Non-Executive Director
Ankit Saraiya	Director	Avantika Gupta	Director
Dr. Rajendra Prasad Singh	Independent Director		

Auditors - M/s Singhi & Co., Chartered Accountants

**as per last annual report*

Holding – Top10

	Perc. Holding		Perc. Holding
Varanasi commercial	21.55	Kusum industrial gas	12.78
Techno leasing & fin	12.08	Dsp blackrock invest	6.78
Techno power project	5.61	J p financial serv p	5.09
J p financial srvs p	4.83	L&t investment manag	3.82
Kotak mahindra	3.07	Grantham mayo van ot	2.31

**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
29 Mar 2017	Kusum Industrial Gases Ltd.	Buy	425000.00
29 Mar 2017	Padam Prakash Gupta	Sell	300000.00
29 Mar 2017	Trimurti Associates Pvt Ltd	Buy	35000.00
29 Mar 2017	Checons Ltd	Buy	225000.00
29 Mar 2017	Varanasi Commercial Ltd	Buy	215000.00

**in last one year*

Company	Absolute reco	Relative reco	Relative risk	Company	Absolute reco	Relative reco	Relative Risk
ABB India	BUY	SO	L	Bharat Forge	BUY	SO	M
Bharat Heavy Electricals	BUY	SP	M	CG Power and Industrial Solutions	HOLD	SP	M
Cummins India	BUY	SO	L	Engineers India Ltd	BUY	SO	L
Greaves Cotton	HOLD	SP	M	Kalpataru Power	BUY	SO	M
KEC International	BUY	SP	M	Larsen & Toubro	BUY	SO	M
Praj Industries	BUY	None	None	Ramkrishna Forgings	BUY	SP	M
Siemens	HOLD	SP	L	TD Power Systems	HOLD	None	None
Techno Electric & Engineering	BUY	SO	M	Thermax	REDUCE	SP	L
Triveni Turbine	BUY	None	None	VA Tech Wabag	BUY	None	None

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): Engineering and Capital Goods

ABB India, Bharat Heavy Electricals, Bharat Forge, CG Power and Industrial Solutions, Engineers India Ltd, Greaves Cotton, KEC International, Cummins India, Kalpataru Power, Larsen & Toubro, Praj Industries, Ramkrishna Forgings, Siemens, TD Power Systems, Techno Electric & Engineering, Thermax, Triveni Turbine, VA Tech Wabag

Recent Research

Date	Company	Title	Price (INR)	Recos
30-Dec-99	Larsen & Toubro	Core steady; prospects blooming; <i>Result Update</i>	1,265	Buy
30-Dec-99	Voltas	Operationally in-line; big picture intact; <i>Result Update</i>	572	Buy
30-Dec-99	CG Power and Industrial Solutions	Strong core performance; <i>Result Update</i>	84	Hold

Distribution of Ratings / Market Cap

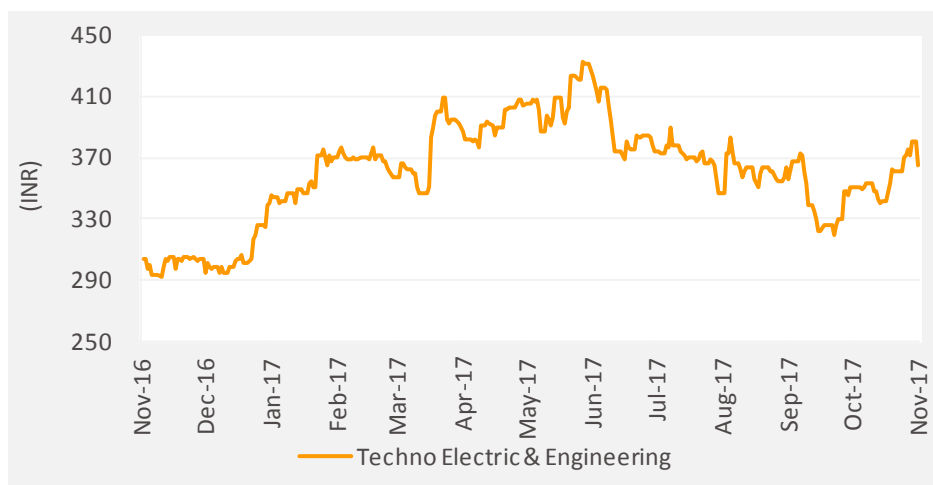
Edelweiss Research Coverage Universe

	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