

# CCL PRODUCTS INDIA

## Stellar performance

India Equity Research | Miscellaneous

CCL Products India (CCL) reported consolidated sales, EBITDA and PAT growth of 25.1%, 35.3% and 49.5% YoY versus our 12.1%, 19.9% and 30.1% estimates, respectively. Better-than-expected standalone performance led to superior numbers. Key positives were: (1) volume and realisation contributed 10% and 9%, respectively, to standalone sales growth YoY; (2) 190bps jump in standalone EBITDA margin; (3) Vietnam facility ramp up on track; (4) *Continental* brand is doing well; and (5) gross debt continued to decline. Management maintained FY16 volume guidance at 25,000MT (up 25% YoY). A resilient business model, rising utilisation in Vietnam and sharpening brand focus in India place CCL in a sweet spot to post sales and PAT CAGR of 23.5% and 45.4%, respectively, over FY15-17E. Consequently RoE will improve from 24.3% in FY15 to 32.0% in FY17E. We expect the company to be debt free by FY18 considering strong free cash flow and the next growth capex is likely in FY17/18. We are raising P/E from 15x to 18x riding market share gain, increasing share of branded business and improving financials. Maintain 'BUY' with target price of INR270, based on 18x FY17E EPS.

### All round strong show

CCL's consolidated revenue grew 25.1% YoY led by 19.0% and 43.7% YoY spurt in standalone and subsidiaries sales, respectively. Superior volume and realisation contributed 10% and 9%, respectively, to standalone sales growth YoY. Postponement of INR130mn Q4FY15 sales to Q1FY16 led to 43.7% growth in revenue of subsidiaries. Consolidated EBITDA margin jumped 170bps YoY to 22.2% versus 21.9% estimate on account of: 1) better realisation; 2) INR depreciation; 3) efficient raw material sourcing; and 4) higher operating leverage. Consolidated EBITDA grew 35.3% YoY to INR0.49bn versus INR0.43bn estimate (standalone: INR0.33bn and subsidiaries: INR0.16bn). Consolidated PAT stood at INR0.30bn versus our INR0.26bn estimate.

### Outlook and valuations: Poised for growth; maintain 'BUY'

We estimate CCL to post strong sales and PAT CAGR of 23.5% and 45.4%, respectively, over FY15-17, coupled with healthy free cash flow and balance sheet deleveraging. We maintain 'BUY' with a target price of INR270 (earlier INR226) based on 18x (earlier 15x) FY17E EPS. The stock is trading at P/E of 17.4x FY16E and 12.2x FY17E EPS.

#### Financials (Consolidated)

Year to March	Q1FY16	Q1FY15	% change	Q4FY15	% change	FY15	FY16E	FY17E
Net rev. (INR mn)	2,196	1,756	25.1	2,164	1.5	8,806	11,015	13,429
EBITDA (INR mn)	487	360	35.3	413	17.9	1,712	2,281	2,830
Adj. PAT (INR mn)	302	202	49.5	215	40.4	940	1,453	1,987
Adj. Dil. EPS (INR)	2.3	1.5	49.5	1.6	40.4	7.1	10.9	14.9
Diluted P/E (x)						29.2	18.9	13.8
EV/EBITDA (x)						17.2	12.7	9.8
ROAE (%)						24.3	30.2	32.0

#### EDELWEISS RATINGS

Absolute Rating	BUY
Investment Characteristics	Growth

#### MARKET DATA (R: CCLP.BO, B: CCLP IN)

CMP	: INR 207
Target Price	: INR 270
52-week range (INR)	: 223 / 66
Share in issue (mn)	: 133.0
M cap (INR bn/USD mn)	: 27 / 398
Avg. Daily Vol. BSE/NSE ('000)	: 675.6

#### SHARE HOLDING PATTERN (%)

	Current	Q3FY15	Q2FY15
Promoters *	44.5	44.5	44.5
MF's, FI's & BKs	13.5	10.2	10.0
FII's	7.6	5.7	1.4
Others	34.3	39.6	44.1
* Promoters pledged shares (% of share in issue)	:		NIL

#### PRICE PERFORMANCE (%)

	BSE Midcap Index	Stock	Stock over Index
1 month	5.2	1.5	(3.8)
3 months	0.8	(1.5)	(2.3)
12 months	22.6	149.1	126.6

#### Manish Mahawar

+91 22 6623 3481  
manish.mahawar@edelweissfin.com

#### Manoj Bahety, CFA

+91 22 6623 3362  
manoj.bahety@edelweissfin.com

July 21, 2015

### Q1FY16 conference call: Key highlights

- **Management guidance:** Management has maintained its guidance for achieving sales volume of 25,000MT (standalone 17,000-17,500MT, Vietnam 7,000-7,500MT) in FY16.
- **Revenue analysis:** Consolidated revenue grew 25.1% YoY led by 19.0% and 43.7% YoY surge in standalone and subsidiaries sales, respectively. Superior volume and realisation contributed 10% and 9%, respectively, to standalone sales growth YoY. Postponement of INR130mn Q4FY15 sales to Q1FY16 led to 43.7% growth in revenue of subsidiaries. INR depreciation also helped CCLs revenue growth during the quarter.
- **EBITDA margin:** Consolidated EBITDA margin jumped 170bps YoY to 22.2% versus 21.9% estimate on account of: 1) better realisation; 2) INR depreciation; 3) efficient raw material sourcing; and 4) higher operating leverage. Consolidated EBITDA grew 35.3% YoY to INR0.49bn versus estimate of INR0.43bn (standalone: INR0.33bn and subsidiaries: INR0.16bn). CCL believes 25% EBITDA margins for its Vietnam operations will sustain.
- **New client addition:** CCL is on the verge of securing business ties with a major European client for supplying a value added high end product which the company feels will boost margins from Q3/Q4FY16.
- **Domestic business:** Management indicated it continues to receive good response to the *Continental* brand in Andhra Pradesh and parts of Uttar Pradesh. CCL has already launched the brand in 6 states in North as well as South India. Domestic revenue stood at INR0.5bn in FY15 and management expects to achieve a turnover of INR0.6-0.65bn in FY16.
- **Vietnam:** Management has guided for sales volume of 7,000-7,500MT in FY16 (versus 4,600MT in FY15). CCL is in negotiations with a few Japanese players for securing orders for liquid coffee. Post finalisation of these orders, the company expects the liquid coffee plant (5000MT) to start production w.e.f. Q3FY16.
- **Debt:** CCL has gross debt of USD20mn and USD16mn in Vietnam and India, respectively, as on June 30, 2015 (overall gross debt flat QoQ). It has repaid USD2-3mn in July.
- **Tax rate:** will be 25% in FY16 and expected to dip in FY17 on account of rising share of Vietnam operations.

**Q4FY15 conference call: Key highlights**

- **Management guidance:** Management has guided for achieving sales volume of 25,000MT (standalone 17,500MT, Vietnam 7,000-7,500MT) in FY16. Management successfully achieved its guidance of 20,000MT (standalone ~15,000MT, Vietnam 4,600MT) in FY15.
- **Revenue analysis:** During Q4FY15, consolidated revenue declined 1% YoY, whereas standalone revenue grew 5.1%. The decline in consolidated sales was primarily led by 19.5% revenue dip in subsidiaries (primarily Vietnam). Management stated that this dip was predominantly on account of delayed approval of customs clearance and consequently revenue of INR130mn-140mn will be booked in April 2015 (i.e., Q1FY16). For FY15, consolidated revenue jumped 22.5% YoY led by 94.5% YoY and 10% YoY increase in subsidiaries and standalone revenues, respectively.
- **New client addition:** CCL is on the verge of securing business ties with a major European client and believes this deal offers a significant opportunity in the years to come as it will be margin lucrative.
- **Domestic business:** Management indicated it continues to receive good response to the *Continental* brand in Andhra Pradesh and parts of Uttar Pradesh. Management continues to focus on enhancing value-added products.
- **Vietnam:** Management has guided for sales volume of 7000-7,500MT in FY16 (versus 4600MT in FY15). CCL is in negotiations with a few Japanese players for securing orders for liquid coffee. Post finalisation of these orders, CCL expects the liquid coffee plant (5000MT) to start production w.e.f. Q3FY16.
- **Switzerland:** Management highlighted that the loss from Switzerland plant during FY15 stood at INR30mn. CCL expects Swiss operations to turn positive by FY16.
- **Debt:** stood at INR2.3bn as on March 2015 (down INR0.63bn YoY).
- **Forex loss:** CCL indicated that forex impact on revenue was negligible during the quarter.
- **Capacity expansion:** CCL will incur a capex of INR100mn-150mn for expanding its Indian capacity by 5000MT to 20000MT. It expects the capacity to come onstream by Q3FY16. During FY15, the company incurred capex of INR100mn-150mn.
- **Tax rate:** will be 27% in FY16.

## Financial snapshot

(INR mn)

Year to March	Q1FY16	Q1FY15	% change	Q4FY15	% change	FY15	FY16E	FY17E
Net revenues	2,196	1,756	25.1	2,164	1.5	8,806	11,015	13,429
Raw material	1,323	1,057	25.2	1,277	3.6	5,440	6,766	8,262
Staff costs	72	61	18.4	82	(11.7)	279	326	363
Other expenses	315	279	12.9	393	(19.7)	1,374	1,642	1,974
Total expenditure	1,710	1,397	22.4	1,751	(2.4)	7,093	8,734	10,599
EBITDA	487	360	35.3	413	17.9	1,712	2,281	2,830
Depreciation	69	67	2.3	63	8.7	268	299	304
EBIT	418	293	42.9	350	19.5	1,444	1,983	2,527
Other income	6	9	(27.0)	4	72.2	30	33	36
Interest	26	42	(38.9)	27	(5.5)	136	111	45
Profit before tax	398	259	53.9	326	22.2	1,338	1,905	2,518
Provision for taxes	96	57	69.5	111	(13.2)	398	452	531
Minority interest								
Share in profit from associates								
Profit from Discontinued Operations								
Reported net profit	302	202	49.5	215	40.4	940	1,453	1,987
Adjusted Profit	302	202	49.5	215	40.4	940	1,453	1,987
Diluted shares (mn)	133	133		133		133	133	133
Adjusted Diluted EPS	2.3	1.5		1.6		7.1	10.9	14.9
Diluted P/E (x)						29.2	18.9	13.8
EV/EBITDA (x)						17.2	12.7	9.8
ROAE (%)						24.3	30.2	32.0
<b>As % of net revenues</b>	-	-		-		-	1	2
Raw material	60.2	60.2		59.0		61.8	61.4	61.5
Employee cost	3.3	3.5		3.8		3.2	3.0	2.7
Other expenses	14.4	15.9		18.1		15.6	14.9	14.7
EBITDA	22.2	20.5		19.1		19.4	20.7	21.1
Reported net profit	13.8	11.5		9.9		10.7	13.2	14.8

## Company Description

CCL was formed set up in 1994 and commenced commercial operations in 1995. It is a profit making, export oriented unit (EoU) with the ability to import green coffee into India from any part of the world and export the same to any part of the world, free of all duties.

The company is in a position to offer a range of in-house products to customers. Its state-of-the-art soluble instant coffee manufacturing plant is located at Duggirala Mandal, Guntur District, Andhra Pradesh, with current combined capacity of 15000MT/PA. CCL has adapted Brazilian technology, purchased from world renowned pioneers in turnkey instant/soluble coffee technology at its plant. This adaptation of technology has enabled CCL to produce international quality soluble coffee. To cater to specific markets, the company has expanded capacity in Switzerland and Vietnam during FY11 and FY14, respectively. CCL will incur a capex of INR100mn-150mn for expanding its Indian capacity by 5000MT to 20000MT. CCL's 3,000MT plant in Switzerland is facing issues on account of unfavorable European Union regulations. This has so far acted as a roadblock for growth and profitability of Swiss operations. Management is exploring options to turn the plant profitable. Loss from Switzerland plant during FY15 stood at INR30mn. CCL expects Swiss operations to turn positive by FY16.

## Investment Theme

CCL Products (CCL) is India's largest manufacturer and exporter of instant coffee. The company's cost-efficient business model, rich experience and long-standing relationships with customers give it an edge over competitors. Coffee processing is a challenging business wherein getting the perfect blend is crucial, which the company has successfully mastered. The newly commissioned green field Vietnam facility with proximity to raw material and customers as well as tax benefits is expected to propel growth and lead to significant cost savings. Moreover, the company's recent entry in the domestic branded coffee segment via Continental is bound to aid margin expansion. Resilient business model, capacity augmentation in Vietnam and sharpening brand focus in India place CCL in a sweet spot to post sales and PAT CAGR of 23.5% and 45.4% over FY15-17E, respectively. We estimate RoE to improve from 24.3% in FY15 to 32% in FY17.

## Key Risks

**Adverse currency movement:** As CCL earns ~90% revenue from exports, it faces risk of sharp currency movement. However, it imports ~75% of raw material, which provides natural hedge.

**Change in duty structure:** Unfavourable change in duty rates in any country could impact the competitiveness of supply from Vietnam/India.

**Swiss plant duty issue:** CCL's Swiss plant is operating at sub-optimal utilisation level because of non-competitive pricing of supplies from Switzerland to the EU. Import duty levied by the EU on Swiss coffee is 9.0%, whereas only 3.3% is charged on coffee supplies from India. However, CCL has taken steps to avoid the adverse duty impact.

**Ramp up of Continental brand:** FY14 was the first year of Continental brand and adverse customer response could impact the growth prospects as well as financials.

## Financial Statements

## Key Assumptions

Year to March	FY14	FY15	FY16E	FY17E
<b>Macro</b>				
GDP(Y-o-Y %)	6.9	7.4	8.0	8.7
Inflation (Avg)	9.5	6.7	5.0	5.0
Repo rate (exit rate)	8.0	7.5	6.8	6.5
USD/INR (Avg)	60.5	61.0	62.0	62.0
<b>Company</b>				
India capacity (MT)	15,000	15,000	20,000	20,000
Vietnam capacity (MT)	15,000	15,000	15,000	15,000
India's capacity utilisation (%)	92.1	97.0	85.0	95.0
Vietnam's capacity util. (%)	13.3	30.7	50.0	73.0
Standalone sales (INR mn)	5,963	6,509	7,605	8,500
Subsidiaries sales (INR mn)	1,057	2,094	3,217	4,743
Standalone realis. (INR/Kg)	431	447	447	447
Subsidiaries realis. (INR/Kg)	-	455	429	433
Standalone EBITDA margin (%)	20.8	19.0	19.3	19.3
Subsidiaries EBITDA margin (%)	15.0	20.8	24.1	24.4
Raw Material Cost as % Net Revenue	59.3	61.8	61.4	61.5
Employee cost as % of sales	3.6	3.2	3.0	2.7
Other expenses as % of net revenues	17.1	15.6	14.9	14.7
Net borrowings (INR mn)	2,577	2,026	1,481	321
Tax rate as % of PBT	35.3	29.8	23.7	21.1
Capex (INR mn)	(597)	(207)	(166)	(100)
Debtor days	49	46	44	46
Inventory days	126	105	105	105
Payable days	20	22	25	23
Cash conversion cycle (days)	155	128	124	128
Depreciation as % of gross block	5.5	5.1	5.1	5.1
Interest rate as % of average gross debt	5.7	5.2	5.7	4.0

## Income statement

(INR mn)

Year to March	FY14	FY15	FY16E	FY17E
Net revenue	7,168	8,806	11,015	13,429
Materials costs	4,251	5,440	6,766	8,262
Gross profit	2,918	3,366	4,250	5,167
Employee costs	258	279	326	363
Other Expenses	1,228	1,374	1,642	1,974
Operating expenses	1,487	1,654	1,968	2,337
Total operating expenses	5,737	7,093	8,734	10,599
EBITDA	1,431	1,712	2,281	2,830
Depreciation and amortisation	291	268	299	304
EBIT	1,140	1,444	1,983	2,527
Add: Other income	26	30	33	36
Less: Interest Expense	171	136	111	45
Profit Before Tax	996	1,338	1,905	2,518
Less: Provision for Tax	351	398	452	531
Reported Profit	644	940	1,453	1,987
Adjusted Profit	644	940	1,453	1,987
Adjusted Basic EPS	4.8	7.1	10.9	14.9
No. of Diluted shares outstanding	133	133	133	133
Adjusted Diluted EPS	4.8	7.1	10.9	14.9
Adjusted Cash EPS	7.1	9.2	13.2	17.2
Dividend per share (DPS)	1.2	1.5	1.8	2.2
Dividend Payout Ratio (%)	29.0	24.8	19.3	17.2

## Common size metrics

Year to March	FY14	FY15	FY16E	FY17E
Operating expenses	20.7	18.8	17.9	17.4
Gross margin	40.7	38.2	38.6	38.5
Interest Expense	2.4	1.5	1.0	0.3
EBITDA margins	20.0	19.4	20.7	21.1
EBIT margins	15.9	16.4	18.0	18.8
Net Profit margins	9.0	10.7	13.2	14.8

## Growth ratios (%)

Year to March	FY14	FY15	FY16E	FY17E
Revenues	10.2	22.8	25.1	21.9
EBITDA	18.0	19.7	33.2	24.1
PBT	34.8	34.4	42.3	32.2
Adjusted Profit	35.8	45.9	54.6	36.8
EPS	35.8	45.9	54.6	36.8

Balance sheet		(INR mn)			
As on 31st March	FY14	FY15	FY16E	FY17E	
Share capital	266	266	266	266	
Reserves & Surplus	3,262	3,950	5,122	6,767	
Shareholders' funds	3,528	4,216	5,388	7,033	
Short term borrowings	1,572	1,388	1,138	638	
Long term borrowings	1,349	904	454	-	
Total Borrowings	2,921	2,292	1,592	638	
Deferred Tax Liability (net)	233	243	243	243	
<b>Sources of funds</b>	<b>6,682</b>	<b>6,751</b>	<b>7,223</b>	<b>7,915</b>	
Gross Block	5,252	5,308	5,908	6,008	
Net Block	3,611	3,400	3,701	3,498	
Capital work in progress	389	534	100	100	
Total Fixed Assets	4,000	3,934	3,801	3,598	
Non current investments	16	15	15	15	
Cash and cash equivalents	343	266	111	317	
Inventories	1,379	1,735	2,150	2,626	
Sundry Debtors	1,068	1,132	1,509	1,840	
Loans & Advances	440	528	581	639	
Other Current Assets	5	7	7	7	
Total Current Assets (ex cash)	2,891	3,402	4,246	5,111	
Trade payable	205	445	463	566	
Other Current Liabilities & Short	363	421	487	560	
Total Current Liabilities &	568	866	950	1,126	
Net Current Assets (ex cash)	2,323	2,535	3,296	3,984	
<b>Uses of funds</b>	<b>6,682</b>	<b>6,751</b>	<b>7,223</b>	<b>7,915</b>	
Book Value per share (INR)	26.5	31.7	40.5	52.9	

Free cash flow		(INR mn)			
Year to March	FY14	FY15	FY16E	FY17E	
Reported Profit	644	940	1,453	1,987	
Add: Depreciation	291	268	299	304	
Interest (Net of Tax)	114	91	75	30	
Others	(5)	(22)	(75)	(30)	
Less: Changes in WC	(203)	230	760	689	
Operating cash flow	1,248	1,047	991	1,603	
Less: Capex	597	207	166	100	
<b>Free Cash Flow</b>	<b>651</b>	<b>840</b>	<b>825</b>	<b>1,503</b>	

Cash flow metrics				
Year to March	FY14	FY15	FY16E	FY17E
Operating cash flow	1,248	1,047	991	1,603
Investing cash flow	(583)	(192)	(166)	(100)
Financing cash flow	(415)	(933)	(980)	(1,296)
Net cash Flow	250	(78)	(155)	206
Capex	(597)	(207)	(166)	(100)
Dividend paid	(67)	(160)	(239)	(293)

Profitability and efficiency ratios				
Year to March	FY14	FY15	FY16E	FY17E
Return on Average Equity (ROAE)	20.4	24.3	30.2	32.0
Pre-tax Return on Capital	19.0	22.8	29.9	35.0
ROA	10.1	14.0	20.8	26.3
Inventory Days	126	105	105	105
Debtors Days	49	46	44	46
Payable Days	20	22	25	23
Cash Conversion Cycle	155	128	124	128
Current Ratio	5.7	4.2	4.6	4.8
Gross Debt/EBITDA	2.0	1.3	0.7	0.2
Gross Debt/Equity	0.8	0.5	0.3	0.1
Adjusted Debt/Equity	0.8	0.5	0.3	0.1
Interest Coverage Ratio	6.7	10.6	17.8	56.6
Long term debt / Capital	43.7	33.9	22.0	8.1
Total debt / Capital employed (%)	55.7	50.4	38.6	25.4

Operating ratios				
Year to March	FY14	FY15	FY16E	FY17E
Total Asset Turnover	1.1	1.3	1.6	1.8
Fixed Asset Turnover	2.1	2.5	3.1	3.7
Equity Turnover	2.3	2.3	2.3	2.2

Valuation parameters				
Year to March	FY14	FY15	FY16E	FY17E
Adjusted Diluted EPS (INR)	4.8	7.1	10.9	14.9
Y-o-Y growth (%)	35.8	45.9	54.6	36.8
Adjusted Cash EPS (INR)	7.1	9.2	13.2	17.2
Diluted Price to Earnings Ratio	42.7	29.2	18.9	13.8
Price to Book Ratio (P/B) (x)	7.8	6.5	5.1	3.9
Enterprise Value / Sales (x)	4.2	3.3	2.6	2.1
Enterprise Value / EBITDA (x)	21.0	17.2	12.7	9.8
Dividend Yield (%)	0.6	0.7	0.9	1.1
Market Capitalisation	27,477	27,477	27,477	27,477

## Additional Data

### Directors Data

Zafar Saifullah	Director	Challa Rajendra Prasad	Chairman
Challa Srishant	Managing Director	I J Rao	Director
K Chandrahas	Director	Jonathan T Feur	Director
Vipin K Singhal	Director	K K Sarma	Director
B Mohan Krishna	Director		

Auditors - M.Anandam

### Holding Top -10

	Perc. Holding		Perc. Holding
Reliance Capital Trustee Co	6.43	Morgan Stanley Dean Witter	0.75
Canara Robeco	1.03	HSBC Asset Management	0.59
Lazard Emerging Markets Fund	1.03	Sundaram Asset Management	0.58
Swiss Fin corp	1.01	SBI Funds Management	0.55
USAA Emerging Markets Fund	0.8	Tata Asset Management	0.39

*\*as per last available data*

### Bulk Deals

Data	Acquired / Seller	B/S	Qty Traded	Price
19 Nov 2014	Kamin Lauren Feuer	Sell	764752	149.44

*\*as per last available data*

### Insider Trades

Reporting Data	Acquired / Seller	B/S	Qty Traded
22 Jun 2015	Challa Rajendra Prasad	Buy	5010890.00
11 Dec 2014	Feuer Ethan Taylor	Sell	34472.00
12 Nov 2014	Mr. Feuer Ethan Taylor	Sell	15189.00
10 Nov 2014	Feuer Ethan taylor	Sell	44811.00

*\*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](mailto:research@edelweissfin.com)

Nirav Sheth

Head Research

[nirav.sheth@edelweissfin.com](mailto:nirav.sheth@edelweissfin.com)

**Coverage group(s) of stocks by primary analyst(s): Miscellaneous**

Agro Tech Foods, Bayer Cropscience, CCL Products India, Dhanuka Agritech, Jain Irrigation, PI Industries, Rallis India, Supreme Industries, Solar Industries, UPL

**Recent Research**

Date	Company	Title	Price (INR)	Recos
01-Jun-15	<b>Dhanuka Agritech</b>	Innovative product mix to propel growth; <i>Result Update</i>	638	Buy
28-May-15	<b>Solar Industries</b>	Positives priced in; <i>Result Update</i>	3,500	Hold
27-May-15	<b>Bayer Corpscience</b>	Muted quarter, but structural story intact; <i>Result Update</i>	3,633	Buy

**Distribution of Ratings / Market Cap**

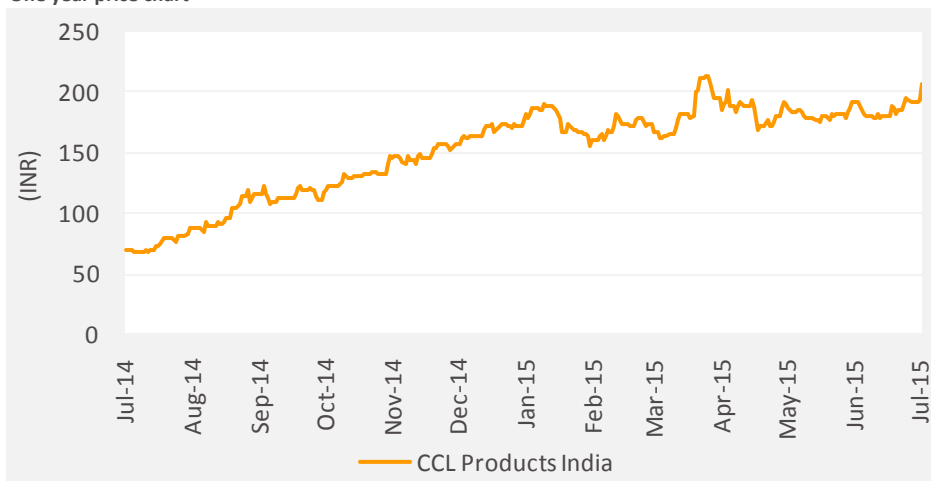
**Edelweiss Research Coverage Universe**

	Buy	Hold	Reduce	Total
Rating Distribution*	155	45	8	208
* stocks under review				
	> 50bn	Between 10bn and 50 bn	< 10bn	
Market Cap (INR)	151	54	3	

**Rating Interpretation**

Rating	Expected to
<b>Buy</b>	appreciate more than 15% over a 12-month period
<b>Hold</b>	appreciate up to 15% over a 12-month period
<b>Reduce</b>	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](http://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. 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 the securities of companies 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 thereof, of company(ies), 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, 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.

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](http://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.

Copyright 2009 Edelweiss Research (Edelweiss Securities Ltd). All rights reserved