

Top Picks

July 2015





Our Stock Ideas are backed by thorough Research and Analysis

Edelweiss Top Picks



S.No	Stock Name	CMP (INR)	Mkt Cap (INR Crs)	P/E (X)		EV/EBITDA (X)		ROE (%)	
				FY16E	FY17E	FY16E	FY17E	FY16E	FY17E
1	Bajaj Finance Ltd.	5457	29,194	28.8	23.7	NM	NM	19.9	19.5
2	Bosch Ltd.	21852	68,616	41.5	27	27.5	18.0	23.2	23.8
3	ICICI Bank Ltd.	308	1,78,764	13.9	12.0	NM	NM	15.1	15.7
4	Infosys Ltd.	985	2,26,100	16.1	14.1	12.1	10.0	23.9	24.7
5	Larsen & Toubro Ltd	1783	1,65,854	30.8	22	6.5	5.7	11.5	14.5
6	Maruti Suzuki India Ltd	4023	1,20,630	20	16.2	10.4	8.3	23.2	23.8
7	Motherson Sumi Systems Ltd.	517	45,744	24.3	19.8	15.1	12.5	47.5	46.8
8	Repcos Home Finance Ltd.	644	4,017	24.9	19.8	NM	NM	18.2	19.3
9	Solar Industries India Ltd	3703	6,720	32.6	23.6	19.3	14.1	25.1	27.4
10	SRF Ltd.	1230	7,076	13.2	10.8	9.0	8.0	17.0	18.0
11	Strides Arcolabs Ltd	1111	6,624	23.2	17.4	13.5	10.6	24.0	26.0
12	Sun Pharma Industries Ltd.	874	2,10,466	24.1	19.2	19.3	15.6	25.6	23.2

Prices updated as on 30th June 2015

NM- Not meaningful



Business Overview

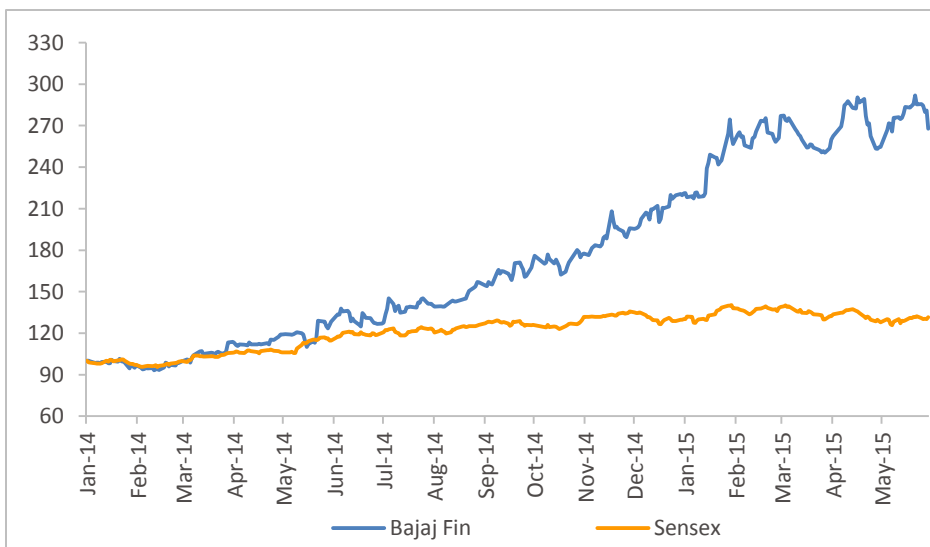
- * Retail finance company, promoted by Bajaj group. Bajaj Finserv (listed) owns 61.53% in Bajaj Finance
- * Out of total AUM of INR 32,410 crores, the consumer lending business constitute 41% of the AUM
- * With in consumer segment, the company has built strong capability in handling low ticket – high volume loans
- * SME business which constitute 53% of AUM focuses on loan against property, Home loan and unsecured working capital loan
- * Over last 2 years, the focus has been on building rural lending book. The company has already break even in rural lending business.

Opportunity Size: -

- * Over last 2 years, the company has been focusing on building rural lending book.
- * The company has been constantly adding new lines of segment like lifestyle financing, digital financing, MSME rural lending

Year to March	FY13	FY14	FY15	FY16E	FY17E
Net Interest Income (INR mn)	17,174	22,153	28,979	36,684	45,274
Net Profit after tax	5,913	7,190	8,675	10,961	13,333
Adjusted BV per share	677	802	948	1,071	1,303
Dilute EPS (Rs.)	119.4	143.7	168.3	189.2	230.1
Gross NPA ratio (%)	1.1	1.2	1.5	1.4	1.3
Net NPA ratio (%)	0.2	0.3	0.5	0.2	0.2
Price/Adj. Book Value(x)	8.1	6.8	5.8	5.1	4.2
Price/Earnings (x)	45.7	38.0	32.4	28.8	23.7

Name of the Shareholder	Shares as % of Total No. of Shares
Promoter	61.61
Rahul Kumar Bajaj	0.04
Pinebridge Investments Asia Limited A/c Pinebridge Investments GF Mauritius Ltd	1.10
Maharashtra Scooters Ltd	3.78
Madhur Bajaj	0.04





Investment Hypothesis

- * Mix of scale and profitability. The consumer business provides profitability and SME business provides scale
- * Addition of new business segments like rural lending, lifestyle financing etc.
- * Constant improvement in efficiency despite steady increase in geographic presence. The operating cost as % of assets has come down from 6.7% in FY12 to 5.3% in FY15
- * Currently at the bottom of NPA cycle. Gross NPA at 1.5% and net NPA at 0.45%. Asset quality is expected to improve constantly

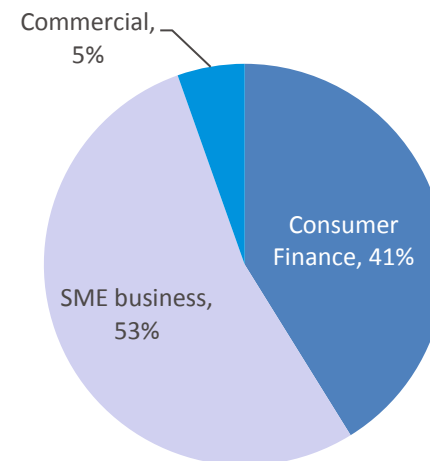
Risks

- * Slowdown in retail segment will impact both asset quality and growth profile
- * Slowdown in real estate will also exert pressure on asset quality

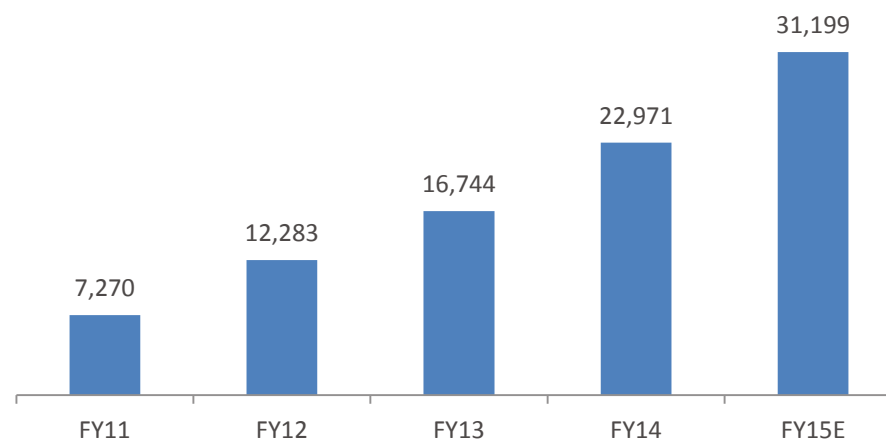
Peer Comparison

Company Name	Diluted P/E (x)		Price to book value		ROE (%)	
	FY16E	FY17E	FY16E	FY17E	FY16E	FY17E
Bajaj Finance	18.9	14.9	3.1	2.5	20.1	18.8
Cholamandalam	16.8	14.0	2.5	2.1	15.7	16.4

Q4FY15



Loans





Business Overview

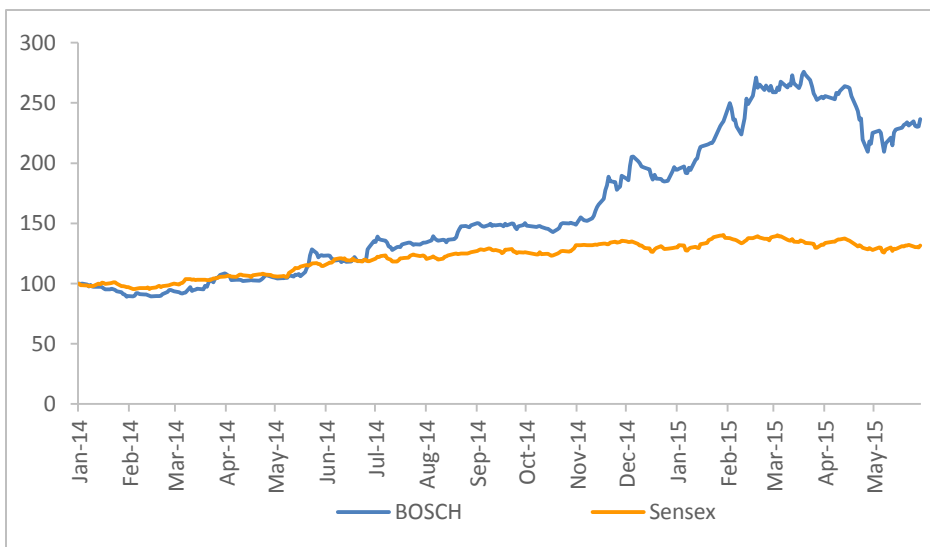
- * Bosch Ltd. is the listed Indian subsidiary of the Robert Bosch Group and is the market leader in India with ~80% share in diesel fuel injection systems for commercial vehicles (CVs).
- * Bosch has many industry first innovations, black box technologies and superior ROCE

Opportunity Size

- * With the impending change in domestic emission norms from BS-III to BS-IV and its global parent being a frontrunner in automotive technology, we believe the company is well placed to capture a large share of incremental INR 4000 cr opportunity (at current industry sales) by 2017 (Bosch Sales: INR 8820 cr).
- * Bosch will be a key beneficiary, as Daimler and Volvo (fully ramped-up capacity at 1.7 lacs) look at India as engine hubs.

Year to March	FY13	FY14	FY15	FY16E	FY17E
Revenue	8,820	12,085	11,299	13,238	18,065
Rev. growth (%)	1.9%	35.4%	-5.4%	17.2%	36.5%
EBITDA	1,337	1,981	1,950	2,384	3,639
Net profit	859	1,338	1,368	1,679	2,576
Shares outstanding (crs)	3.14	3.14	3.14	3.14	3.14
Diluted EPS (INR)	273.7	426.0	435.8	534.6	820.5
Diluted P/E (x)	81.0	52.0	50.9	41.5	27.0
EV/ EBITDA (x)	49.0	33.0	33.6	27.5	18.0
ROCE (%)	63%	85%	75%	78%	98%
RoAE (%)	14.1%	13.9%	16.7%	23.2%	23.8%

Name of the Shareholder	Shares as % of Total No. of Shares
Promoter	71.18
Robert Bosch Gmbh	71.18
New India Assurance Company Ltd	2.83
GIC of India	3.12
Aberdeen Global Indian Equity Mauritius Ltd	2.20





Investment Hypothesis

- * Bosch will sustain its leadership position due to 1) economies of scale/higher localisation Vs peers 2) significant presence in after-markets 3) 50% more global R&D spend Vs nearest competitor, and 4) global products customised to Indian requirements.
- * Bosch is well placed to capture a large share of incremental INR 4000 cr emission norm opportunity (at current industry sales) by 2017 (Bosch Sales: INR 8820 cr).
- * Over the next three years, Bosch sales and margins will expand on the back of demand uptrend, introduction of new products and change in domestic emission norms. Gross margins of Bosch Global at 70% Vs ~45% in India.

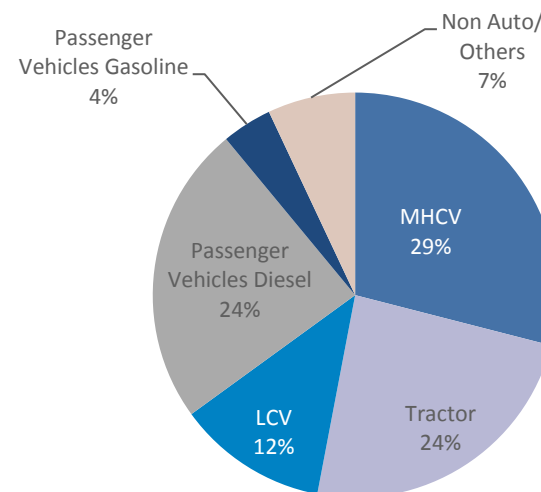
Risks

- * Delay in emission norms
- * Recovery in MHCV cycle
- * Increase in royalty by parent

Peer Comparison

Company Name	Diluted P/E (x)		Diluted EV/EBITDA (x)		ROE (%)	
	FY16E	FY17E	FY16E	FY17E	FY16E	FY17E
BOSCH LTD	46	35	28.9	25.2	19%	19%
BHARAT FORGE CO	29	22	15.6	12.7	26%	27%
MOTHERSON SUMI	27	19	10.0	7.7	39%	40%

Bosch Ltd's Fuel Systems Revenue Mix





Business Overview

- * India's second largest bank and largest private bank with total assets of about ~INR6.5tn as of FY15.
- * Focused on retail lending
- * Its subsidiaries holds near market leadership in their respective segments (mortgages, auto loans, commercial vehicle loans, life insurance, general insurance, and asset management)
- * International and corporate lending can be the new growth drivers when environment improves.

Opportunity Size: -

- * As of FY15 , ICICI bank has only 5% market share in the Indian banking space.
- * Industry Credit growth is likely to sustain at 2X-3X real GDP growth rate: CAGR of ~21% (Historically, non-food gross bank credit has grown at ~2.5X real GDP growth rate .

Year to March	FY13	FY14	FY15	FY16E	FY17E
Net revenues	13,866	16,475	19,039	22,010	25,192
Rev growth (%)	28.7	17.8	13.9	14.9	16.1
EBITDA margin	4,229	5,070	6,712	9,518	11,357
Adjusted PAT	8,325	9,810	11,175	12,848	14,922
Adj. EPS (INR)	14.4	16.9	19.1	22.0	25.5
EPS growth (%)	40.0	15.1	35.0	63.0	23.6
P/E (x)	21.3	18.1	16	13.9	12
P/B (x)	2.6	2.4	2.2	2	1.7
RoACE (%)	1.7	1.8	1.9	1.9	1.9
RoAE (%)	13.0	14.0	14.5	15.1	15.7

Name of the Shareholder

Shares as % of Total No. of Shares

Promoter

—

LIC of India

8.11

Europacific Growth Fund

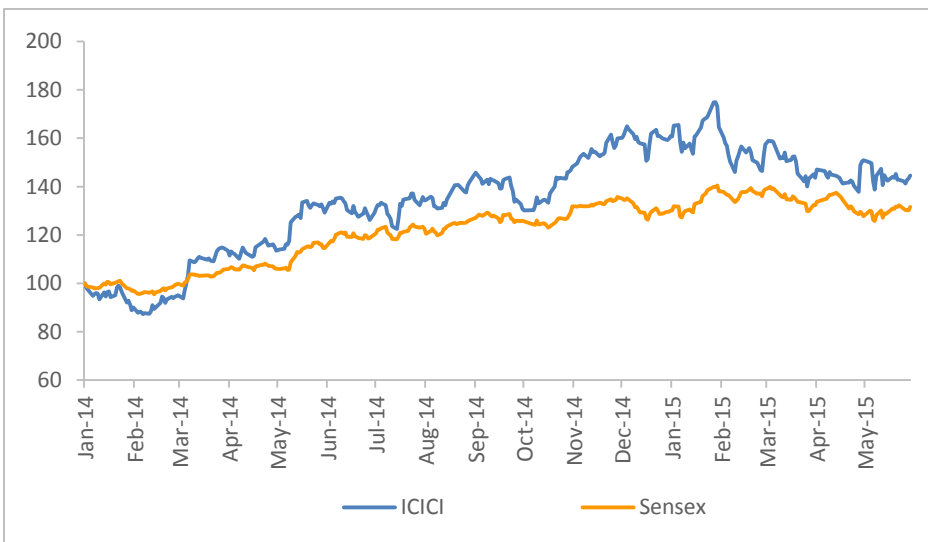
2.84

Dodge & Cox International Stock Fund

4.45

Deutsche Bank Trust Company Americas

29.06





Investment Hypothesis

- * ICICI Bank to be the biggest beneficiary of buoyant economic outlook, pick up in corporate credit, continued retail credit growth, given its extensive reach and client relationships.
- * Around 44% of its deposits comprise low-cost current account and savings account (CASA) deposits, which collectively enable the bank to contain its deposit costs and generate best in class NIMS of 3.5%.
- * The bank has best in class operating efficiency with cost-to-income ratio at 37%.
- * Led by 16% CAGR in earnings on the back of a 17% loan growth and 3.3% margin we expect core RoA/ RoE to come at 2.0%/15-16%.

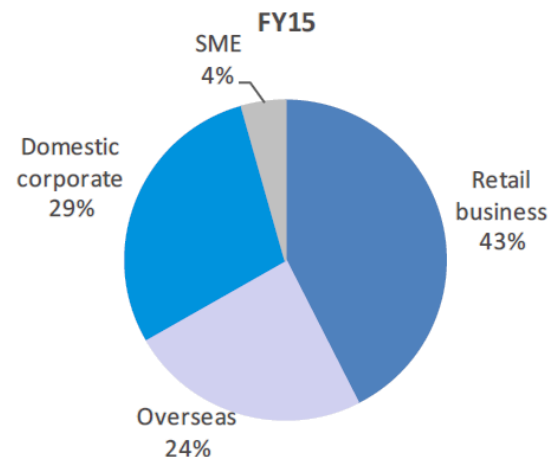
Risks

- * Execution risk
- * Higher than expected delinquencies
- * Slowdown in Economy

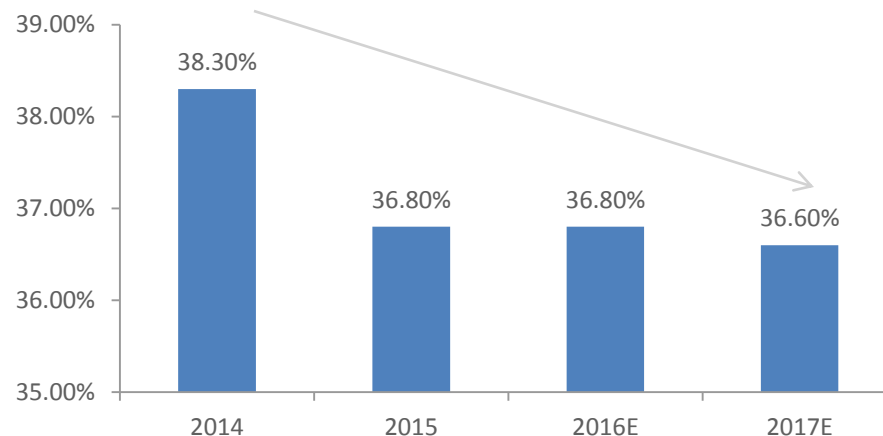
Peer Comparison

Company Name	CMP	Diluted P/E (x)		P/BV(x)		ROA (%)	
		FY16E	FY17E	FY16E	FY17E	FY16E	FY17E
ICICI Bank	316	14	12	2.1	1.8	2.0	2.0
Axis Bank	578	15	12	2.6	2.2	1.8	1.9
HDFC Bank	1036	21	17	3.6	3.1	2.0	2.0
Kotak Bank	1393	31	26	4.6	3.9	2.8	2.9

Retail continues to drive growth



Reducing Cost to Income Ratio





Business Overview

- * Second largest IT services company in India with 910 active clients spread across 50 countries with an employee force of 176,187
- * Leader in offshore services space with a pioneer in Global delivery model.
- * Provides consulting, application development and maintenance services in BFSI, Retail, Manufacturing, and Utilities verticals.
- * Own proprietary core banking software - Finacle used by some of the leading banks in India, Middle East, Africa and Europe.

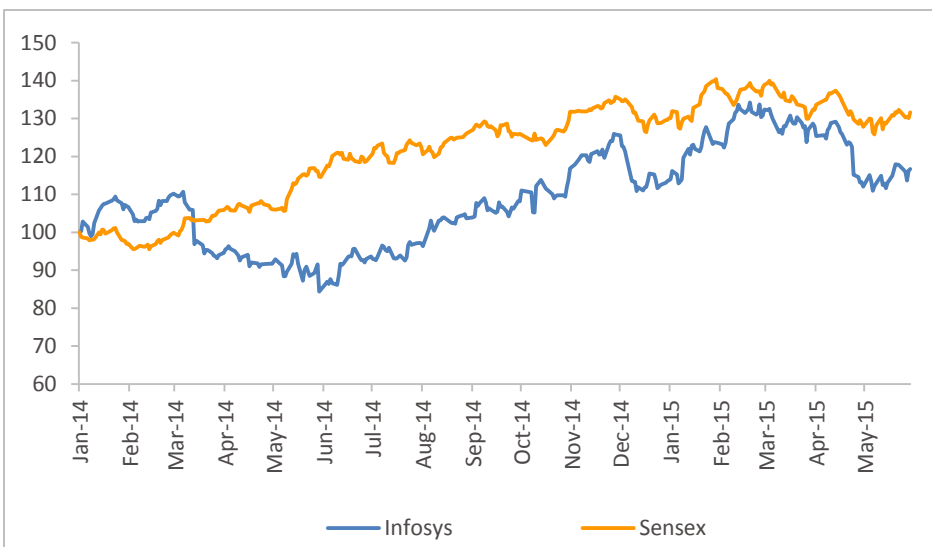
Opportunity Size: -

- * Of the worldwide technology spend of ~USD 2.2tn in 2015, Software Products, IT and BPM Services contributed over USD 1.2tn or 58% while Hardware accounted for the balance 42% (or ~USD1bn). Infosys still has a market share less than 10% of the overall spend.
- * As per Nasscom, Social Media, Analytics and Cloud is a potential USD 1Tn opportunity by 2020 with cloud expected to provide ~70% of the opportunity where Infosys is a leading player.

Year to March	FY13	FY14	FY15	FY16E	FY17E
Net revenues	40,352	50,133	53,319	58,948	66,735
Rev growth (%)	19.6	24.2	6.3	10.5	13.2
EBITDA margin	11,551	13,415	14,900	16,058	18,878
Adjusted PAT	9,418	10,648	12,333	13,891	15,938
Adj. EPS (INR)	41.2	46.5	53.9	60.7	69.7
EPS growth (%)	13.2	13.0	15.8	12.6	14.7
P/E (x)	23.8	21.1	18.2	16.1	14.1
P/B (x)	5.8	4.8	4.2	3.7	3.3
RoACE (%)	35.5	34.3	34.7	33.2	35.1
RoAE (%)	25.7	24.3	24.1	23.9	24.7

Name of the Shareholder Shares as % of Total No. of Shares

Promoter	13.08
Vanguard Emerging Markets Stock Index Fund	1.50
Sudha N Murty	0.79
Sudha Gopalakrishnan	2.14
Stichting Pensioen Fonds ABP	1.09





Investment Hypothesis

- * Dr. Sikka outlined the company's long-term aspirations, viz., USD20bn with EBIT margin of 30% by CY20. This implies organic revenue CAGR of 14% over FY16-21.
- * Infosys has started investments in newer technologies and imparting training employees in these newer areas. These investments will bear fruit in the near term.
- * Utilisation has seen an upward trend in FY14. Still scope exists as company expects ~82% is the ideal utilisation level. from current 78% levels.
- * Strong demand to lead to expected earnings CAGR of 15% from FY15-FY17E

Risks

- * Currency Volatility
- * Slowdown in its key market US.
- * further senior level exits.

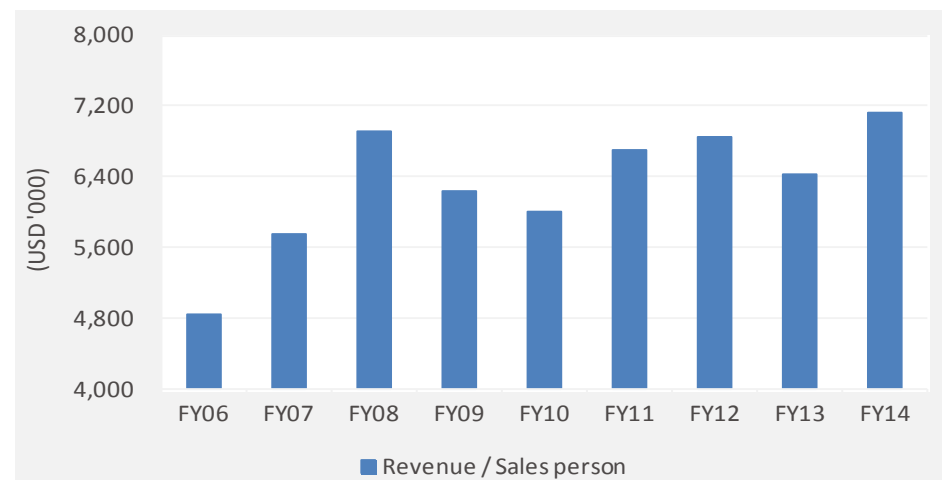
Peer Comparison

Company Name	CMP	Diluted P/E (x)		EV/EBITDA (x)		ROE (%)	
		FY16E	FY17E	FY16E	FY17E	FY16E	FY17E
Infosys	2046	16	14	12	10	24	25
TCS	2616	20	18	15	14	40	36
Wipro	563	14	13	11	10	21	20
Tech Mahindra	551	15	13	10	8	26	26

Utilization still scope for improvement

Onsite - Offshore (%)	Q113	Q213	Q313	Q413	Q114	Q214	Q314	Q414	Q115
Onsite	49.7	50.7	51.4	52.1	53.2	52.5	51.1	51.1	NA
Offshore	50.3	49.3	48.6	47.9	46.8	47.5	48.9	48.9	NA
Utilization (%)									
Including trainees	64.7	67.5	67.1	68.5	70.7	73.1	72.5	72.9	74.8
Excluding trainees	69.5	71.6	70.6	71.4	74.3	77.5	76.9	76.7	80.1

Sales effectiveness seeing an improvement





Business Overview

- * Larsen & Toubro (L&T), headquartered in Mumbai, is a technology-driven engineering and construction organisation, and one of the largest companies in India's private sector.
- * L&T has additional interests in manufacturing, services, and information technology. A strong customer-focused approach and the constant quest for top-class quality has enabled the company attain and sustain leadership in its major lines of businesses over seven decades.
- * L&T has an international presence, with a global spread of offices. A thrust on international business over the past few years has seen overseas earnings growing to 18% of total revenues.
- * With factories and offices located around the country, further supplemented by a wide marketing and distribution network, L&T's image and equity extend to virtually every district of India.

Opportunity Size

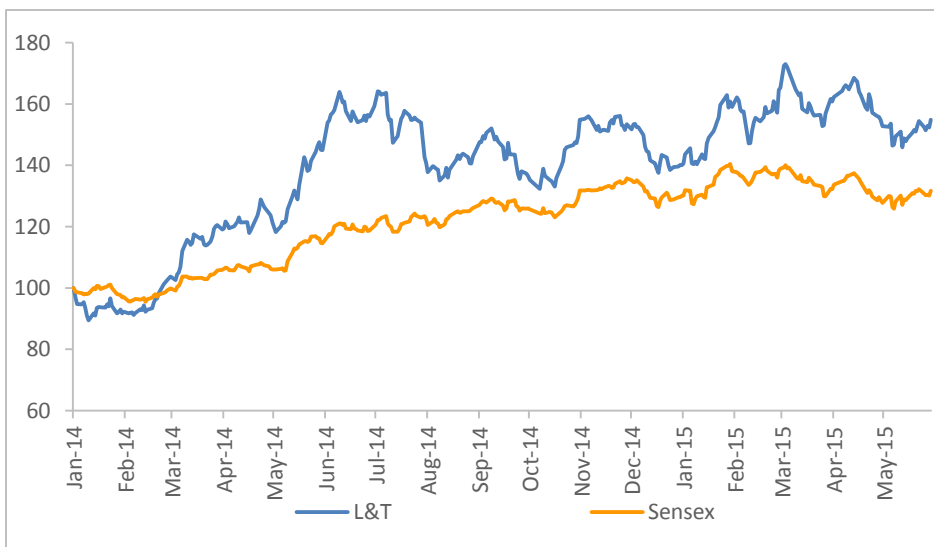
In 12th five year plan, USD 1 trillion infrastructure investment is expected with 40% share from private sector. We believe sectors like railways, metro, roads, T&D, Defence & urban infrastructure (water, Housing) will drive capex in coming years.

Year to March	FY13	FY14	FY15E	FY16E	FY17E
Revenue(crs)	74,498	85,128	92,004	104,424	129,194
Rev. growth (%)	15.8	14.2	8	13.4	23.7
EBITDA (crs)	9,859	10,729	11,335	13,161	16,815
Net profit (crs)	4,797	4,546	4,417	5,365	7,522
Shares outstanding (crs)	92.7	92.7	92.7	92.7	92.7
Diluted EPS (INR)	51.5	48.8	47.5	57.7	80.9
EPS growth (%)	2.9	-5.0	-3.0	21.4	40.1
Diluted P/E (x)	34.5	36.4	37.5	30.8	22.0
EV/ EBITDA (x)	5.4	6.8	6.4	6.5	5.7
ROCE (%)	10.5	9.3	7.7	8.3	9.6
ROE (%)	14.3	11.6	10.5	11.5	14.5

Name of the Shareholder

Shares as % of Total No. of Shares

Promoters	--
LIC of India	16.73
L&T Employees Welfare Foundation	12.01
ICICI Prudential Life Insurance Co Ltd	1.33
HDFC Trustee Company Ltd	2.08





Investment Hypothesis

- * Dominant presence across verticals exposes L&T to pick up orders in roads, power, commercial & residential real estate, railway, water etc.
- * Strong OB and domestic execution pick up to drive earnings from FY16 (+27% core earnings).
- * Huge scope for revenue scale up in new capacities like power equipment, defence & commercial ship-building, nuclear forgings imparts long-term scalability.
- * In past 8-10 years, L&T has added several new revenue streams that not only insulate it from slow down in select sectors, but also impart strong scalability in a recovery

Risks

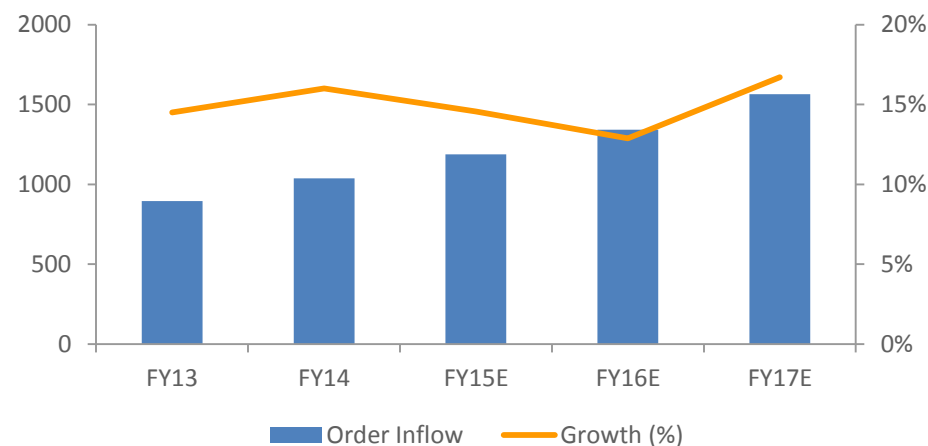
- * Further delay in recovery of the investment cycle
- * Greater than expected decline in margin
- * Continued deterioration in working capital requirement

	EPS			PE		
	FY15E	FY16E	FY17E	FY15E	FY16E	FY17E
L&T	45.3	59.7	80.9	36.0	27.3	20.1
BHEL	5.3	12.2	17.7	43.0	19.0	13.6

SOTP Valuations: L&T

Particulars	Valuation Methodology	Multiple	Stake (%)	Value (INR cr)	Per Share INR Rs
L&T Parent	PE	24.1	100	1,58,802	1,708
L&T MHI (BTG JVs)	DCF	-	51	6,604	36
L&T Infotech	PE	11.0	100	13,528	145
L&T Finance Holdings			75	7,870	85
L&T IDPL	P/BV	1.5	100	9,858	105
Hyderabad Metro	DCF		100	-637	-7
L&T Forging	P/BV	1.0	76	567	5
L&T Shipbuilding	P/BV	1.0	97	934	10
L&T Power Development	P/BV	1.0	100	1,800	19
L&T Realty Ltd	P/BV	1.5	100	707	8
L&T Hydrocarbons	PE	12.0	100	3,376	36
Total				2,03,409	2,150

Order Inflow trend (Rs bn)





Business Overview

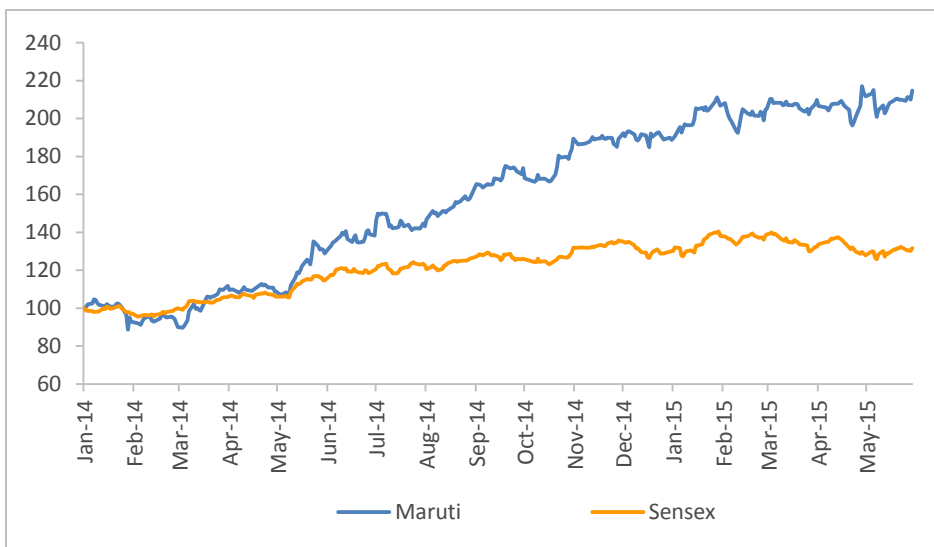
- * MSIL is India's largest passenger vehicle manufacturer with more than 40% market share.
- * Suzuki Motor Corporation (Suzuki) of Japan holds 56% stake in the company
- * MSIL offers the widest product range in passenger cars (10 models), with special focus on the compact car segment (5 models) where it has a dominant market share.

Opportunity Size: -

- * The India passenger vehicle sales is expected to grow from currently ~3 mn units per year to plus 10 mn units per year by FY20-21. (19% CAGR).
- * India's passenger vehicle market is highly under penetrated, with 14 car owners per 1000 people as against other peer nations like China & Brazil with 92 & 187 car owners respectively per 1000 people. Developed countries have penetration levels on average of 450 car owners per 1000 people.

Year to March	FY13	FY14	FY15	FY16E	FY17E
Net revenues	43,587	43,840	49,970	59,311	70,761
Rev growth (%)	22.4	0.5	13.9	18.6	19.3
EBITDA	4,229	5,070	6,712	9,518	11,357
Adjusted PAT	2,393	2,755	3,721	6,064	7,496
Adj. EPS (INR)	79.2	91.2	123.1	200.8	248.2
EPS growth (%)	40.0	15.1	35.0	63.0	23.6
P/E (x)	50.7	44.0	32.6	20.0	16.2
P/B (x)	6.5	5.7	5.1	4.2	3.5
RoACE (%)	17.5	17.8	21.8	30.9	31.6
RoAE (%)	14.1	13.9	16.6	23.2	23.8

Name of the Shareholder	Shares as % of Total No. of Shares
HDFC Equity Fund	0.9
HDFC Top 200 Fund	0.6
Reliance Equity Opportunities Fund	0.3
UTI-Opportunities Fund	0.3
HDFC Prudence Fund	0.2





Investment Hypothesis

- * MSIL is India's largest passenger vehicle manufacturer with more than 40% market share.
- * The company has a wide range of offerings and its dominance in the compact vehicle segments results in a higher share of incremental demand, with significant purchases from first-time urban buyers (44% of total volumes) and rural buyers (30% of total volumes).
- * Margin improvement expected on the back of lower discount trends and operating leverage benefits.
- * A steady JPY/INR will not have any adverse impact on margins (20% of sales are imports). Increase in localization will aid margin expansion in long term thereby reducing currency risk.
- * Expect demand impetus for MSIL on the back of increased shift to petrol cars (as gap between diesel & petrol prices is narrowing) and new launches (2 new launches expected in FY16). A better than expected monsoon could add further upside to demand.

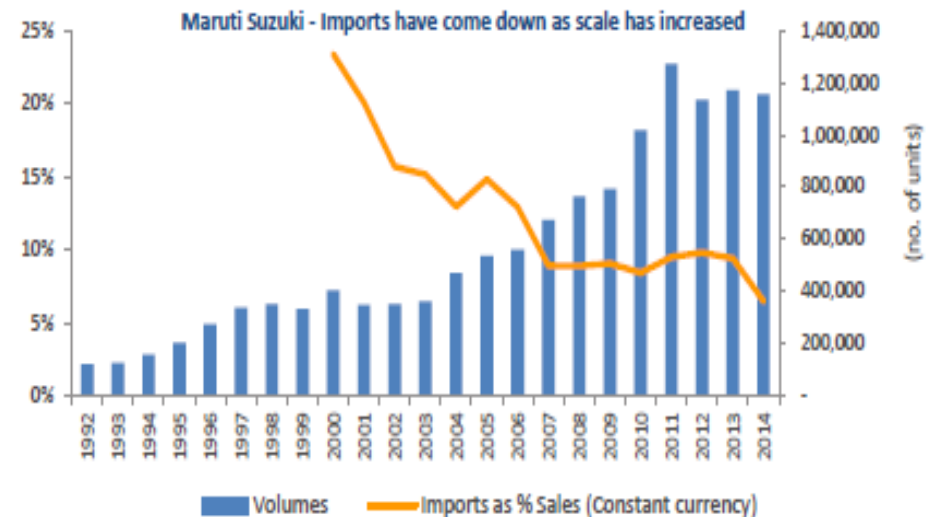
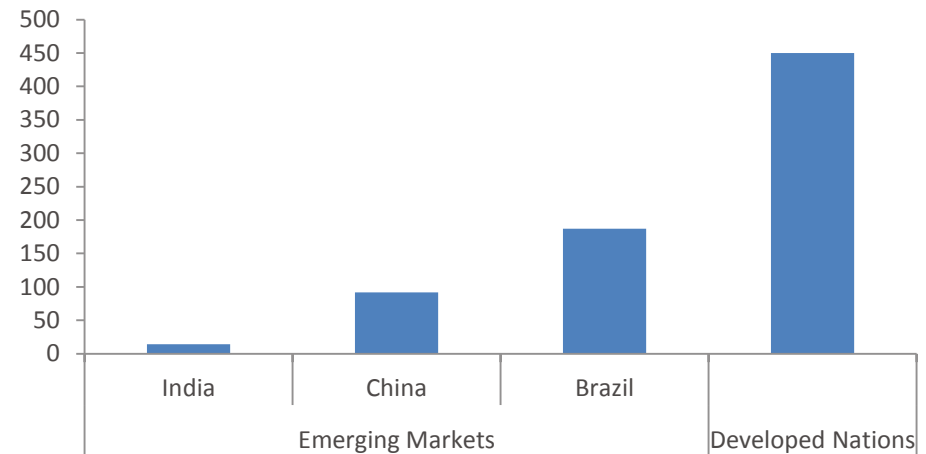
Risks

- * Slowdown in domestic petrol cars segment
- * INR depreciation/JPY Appreciation will result in adverse earnings impact as, raw materials (20% of sales) and royalty (5% of sales) are denominated in JPY.

Peer Comparison

Company Name	CMP (INR)	Diluted EPS		Diluted P/E (x)		ROCE (%)	
		FY16E	FY17E	FY16E	FY17E	FY16E	FY17E
Maruti Suzuki	3700	200.8	248.2	18.4	14.9	30.9%	31.6%
Tata Motors	511	73.2	73.4	7.0	7.0	22.2%	19.3%
M&M	1269	70.2	87.8	18.1	14.5	23.5%	26.1%

Car Penetration (Pass-car owners per 1000 people)





Business Overview

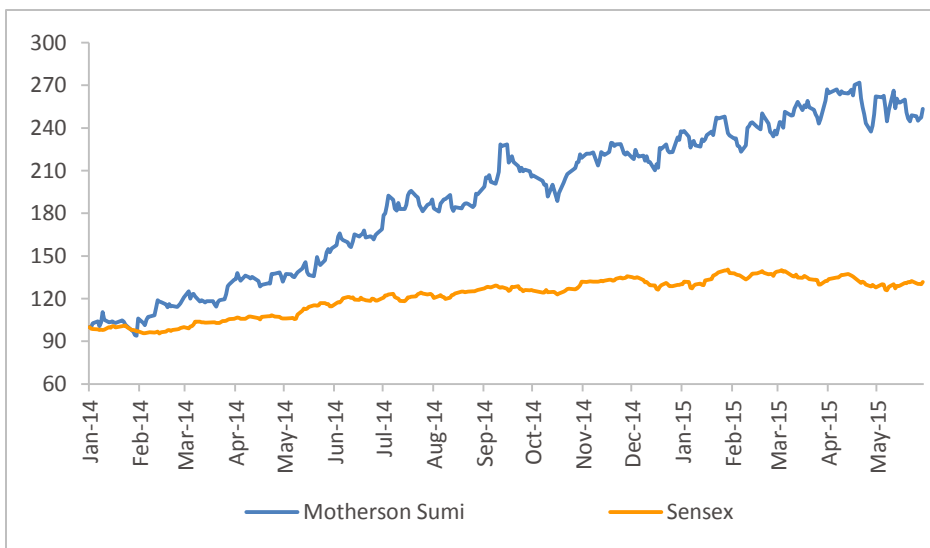
- * Motherson Sumi Systems Limited (MSSL) is the flagship company of the Samvardhana Motherson Group and was established in 1986. MSSL is mainly into three business 1) Dashboard, Bumper modules, door panels etc (51% Sales) 2) Rear view Mirrors (27% of Sales) 3) Wiring Harness (22% of sales)
- * With regard to the company's operations, the wiring business holds about 65% market share in India, SMR has 22% of the global market share in the rearview mirror segment and SMP is a leading dashboard and bumper manufacturer in Europe
- * 26% of the MSSL sales come from premium brands like Volvo, Mercedes-Benz, BMW, Audi, Porche and Bentley while the rest comes from customers like Maruti Suzuki, Mahindra, Tata Motors, Volkswagen, Skoda, Hyundai, Kia Motors, General Motors, Ford , Toyota and SEAT

Opportunity Size

- * World Interior plastic market (Dashboards, Door Panels etc) is worth Euro 22 bn while global exterior plastic market (Bumpers) is Euro 13 bn, providing ample scope for further market share expansion.
- * The use of thermoplastic and composite materials in vehicles is expected to increase significantly in the coming years, rising from 15% of the total vehicle weight to 20% by 2020.

Year to March	FY13	FY14	FY15	FY16E	FY17E
Revenue	25,567	30,658	35,032	47,373	52,575
Rev. growth (%)	72.0%	19.9%	14.3%	35.2%	11.0%
EBITDA	1,782	2,815	3,203	5,398	6,407
Net profit	457	910	862	1,893	2,325
Shares outstanding (crs)	88.20	88.20	88.20	88.20	88.20
Diluted EPS (INR)	5.2	10.3	9.8	21.5	26.4
EPS growth (%)	63.3%	99.1%	-5.2%	119.5%	22.8%
Diluted P/E (x)	100.8	50.6	53.4	24.3	19.8
EV/ EBITDA (x)	39.0	27.2	24.5	15.1	12.5
ROCE (%)	17%	29%	30%	50%	55%

Name of the Shareholder	Shares as % of Total No. of Shares
Promoter	65.59
Vivek Chaand Sehgal	2.46
Sumitomo Wiring Systems Ltd	25.29
Samvardhana Motherson International Ltd	36.92
Renu Sehgal	0.01





Investment Hypothesis

- * Over the last 10-years the company has recorded a sales growth of 56% CAGR and PAT at 39% CAGR. The Management of the company has significantly scaled up the overall business through acquisitions/JVs of stressed businesses.
- * Revenue visibility strong (SMP/SMR) – Euro 10 bn of unexecuted order book (spread across 5 years) with continuous new award wins
- * Margin traction due to new high margin orders , higher production efficiency and internal sourcing opportunities
- * Standalone business growing faster than car market on higher content per car

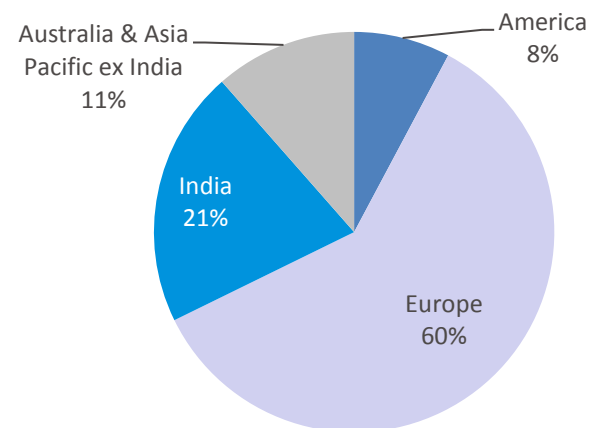
Risks

- * Fall in car demand in India and Europe may impact MSSL
- * Utilization of capacity is key for SMP/SMR margins

Peer Comparison

Company Name	Diluted P/E (x)		Diluted EV/EBITDA (x)		ROE (%)	
	FY16E	FY17E	FY16E	FY17E	FY16E	FY17E
MOTHERSON SUMI	27	19	10.0	7.7	39%	40%
BOSCH LTD	46	35	29	25	19%	19%
PLASTIC OMNIUM	12	11	6.1	5.5	23%	21%

Consolidated Sales Contribution in FY15





Business Overview

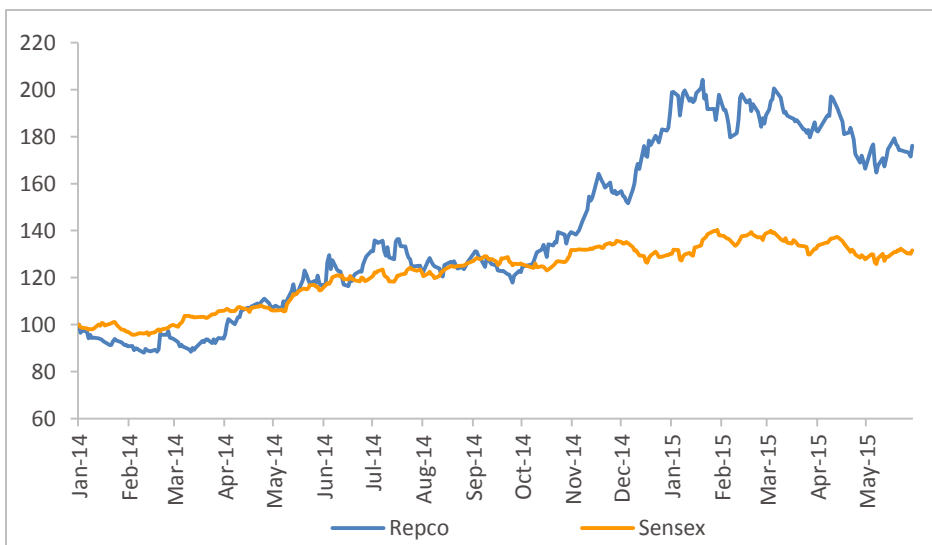
- * Repco Home Finance, a prominent south-India based housing finance player focused on Tier II/III cities
- * It primarily finances the construction and/or purchase of residential and commercial properties (individual home loans and loans against properties)
- * Two thirds of its centres are located in Tier 2 and Tier 3 cities
- * The company has built a lucrative model entailing superior NIMs (4% plus as it caters to under-served high yielding market)
- * Deep understanding of Cash flows in Self Employed segments gives edge in credit appraisal

Opportunity Size: -

- * Mortgage contributes 8% of India's GDP as compared to 14% in China and 19% in Thailand
- * Housing shortage, rise in disposable income and access to funding provides huge scope for housing

	FY13	FY14	FY15	FY16E	FY17E
Net int. income	125	192	238	302	380
Net profit after tax	80	110	123	160	202
Adjusted BV per share	102.0	119.2	130.2	153.4	182.7
Diluted EPS (INR)	12.6	17.5	19.7	25.8	32.4
Gross NPA ratio (%)	1.5	1.5	1.6	1.7	1.7
Net NPA ratio (%)	1	0.7	0.7	0.7	0.7
Price/Adj. book value (x)	6.3	5.4	4.9	4.1	3.5
Price/Earnings (x)	50.7	36.7	32.6	24.9	19.8
RoA	2.4	2.6	2.3	2.3	2.3
RoE	17.0	16.0	15.8	18.2	19.3

Name of the Shareholder	Shares as % of Total No. of Shares
Promoter	37.25
Tvf Fund Ltd	1.59
Smallcap World Fund, Inc	6.33
Sbi Magnum Global Fund	1.12
Repatriates Co Operative Finance & Development Bank Ltd	37.25





Investment Hypothesis

- * Focused play on low cost Housing in India with significant presence in South.
- * Self employed category (55% of loan book) gives pricing power with 4%+ NIM's
- * Deep understanding of Cash flows in Self Employed segments gives edge in credit appraisal
- * Well capitalized balance sheet with capital adequacy ratio of 24.95%

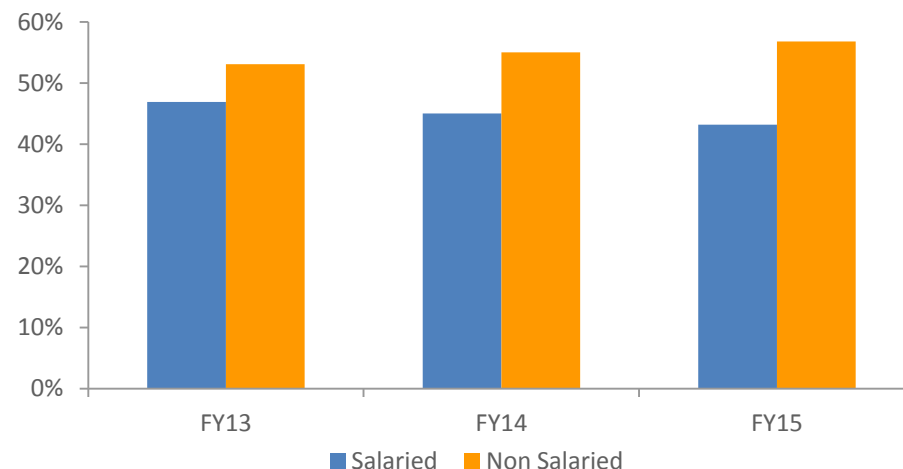
Risks

- * 63.5% of its loan book is coming from Tami Nadu alone. Any slowdown in real estate sector, especially in Tamil Nadu will have negative impact
- * Adverse regulatory change will have negative impact on the growth and profitability of the company

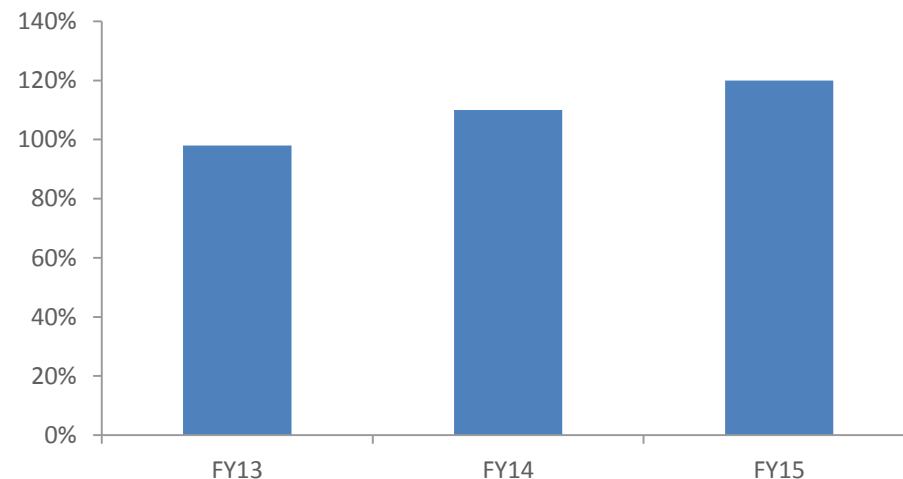
Peer Comparison

	PE		PB		ROAE (%)	
	FY16E	FY17E	FY16E	FY17E	FY16E	FY17E
Repco	24.0	19.1	4.0	3.4	18.2	19.3
LIC Housing	12.6	10.7	2.1	1.9	18.2	18.6

Loan Book Composition



Average loan size (Rs million)





Business Overview

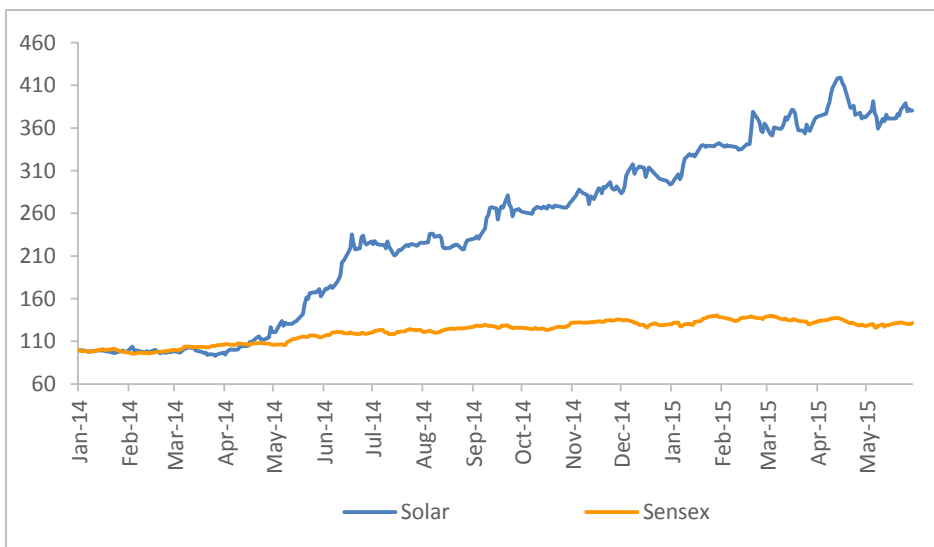
- * Solar Industries (SOIL), market leader in the domestic industrial explosives segment with 30% market
- * It is also the largest Indian exporter of explosives with ~65% market share
- * It has manufacturing facilities spread across 16 locations and 8 states in India, with licensed explosives capacity of over 250,000 MT/annum
- * It further, has manufacturing base in Nigeria, Zambia and Turkey
- * SOIL is venturing into the defence business and has obtained industrial license for propellants and new generation explosives

Opportunity Size: -

- * The Indian explosive market is the 8th Largest in the world having a size of INR 3100 crs., growing at 5-6% p.a.
- * Globally the explosive market is estimated to be ~USD 10 bn

Year to March	FY13	FY14	FY15	FY16E	FY17E
Net revenues	1,121	1,132	1,351	1,780	2,325
Rev growth (%)	15.9	0.9	19.3	31.7	30.5
EBITDA margin	189	202	254	343	464
Adjusted PAT	126	128	157	205	283
Adj. EPS (INR)	69.8	70.9	86.9	113.8	156.6
EPS growth (%)	23.3	1.6	22.5	30.8	37.6
P/E (x)	53.1	52.3	42.6	32.6	23.6
P/B (x)	11.7	10.1	8.6	7.1	5.7
RoACE (%)	22.3	17.7	19.4	24.5	29.3
RoAE (%)	25.8	21.2	21.8	25.1	27.4

Name of the Shareholder	Shares as % of Total No. of Shares
Promoter	72.91
Sohandevi Nandlal Nuwal	5.14
Seema Manish Nuwal	1.37
SBI Emerging Business Fund	2.08
Satyanarayan Nuwal HUF	2.73





Investment Hypothesis

- * Largest player in the industrial explosive segment, expected to benefit from revival in the infra spending. Also ramp-up in its subsidiaries in Africa could help improve profitability further
- * Has entered into defense segment, manufacturing of propellants and HMX. These products would be 20%+ margins and a RoCE of 40%+.
- * SOIL has already participated in the tender for supplies, it is awaiting the initial order. We believe the defence facility has the potential to generate sales of ~INR7bn at full utilisation level.

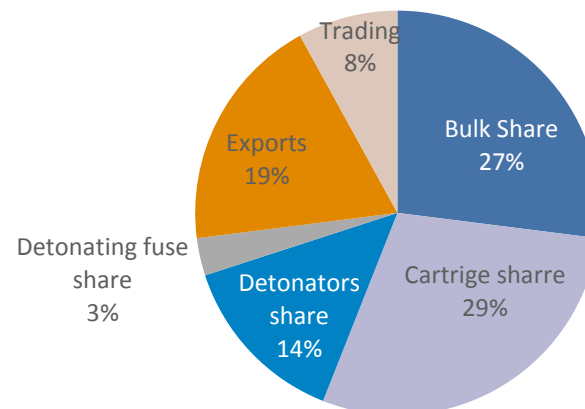
Risks

- * Slow down in mining and infrastructure sectors
- * Any delay in overseas expansion or in defence venture
- * USD/INR volatility may impact export revenues as well as margins.

Peer Comparison

Company Name	Diluted P/E (x)		Diluted EV/EBITDA (x)		ROE (%)	
	FY16E	FY17E	FY16E	FY17E	FY16E	FY17E
Solar industries	35.2	26	22.4	17.1	21.9	24.4
Anhui Jiangnan	20.3	18.0	12.4	11.1	9.6	10.2
Guizhou Juilian	22.7	19.1	16.9	14.7	13.4	14.6
Orica	11.3	10.6	7.4	7.0	13.1	13.2

Segmental Revenues



Market Share Gains





Business Overview

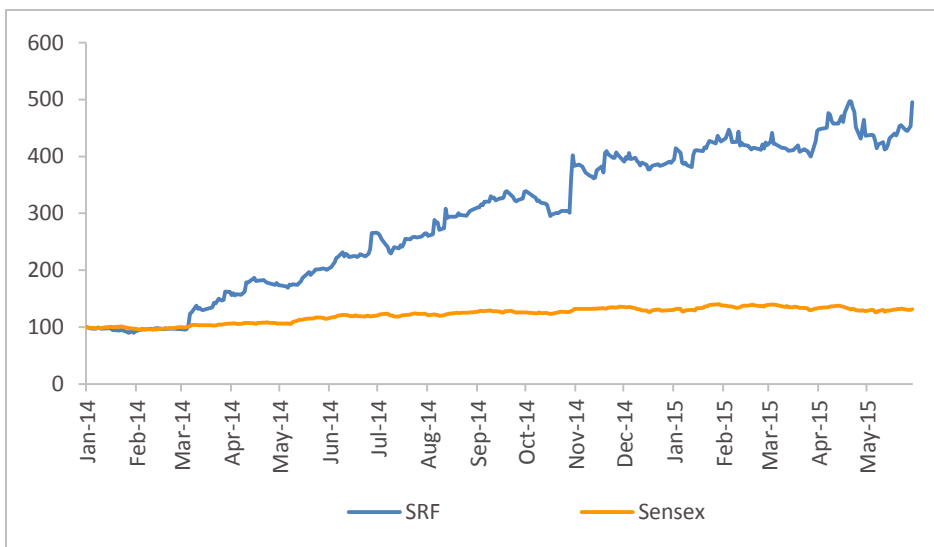
- * SRF is the market leader in fluorine chemistry, technical textiles, refrigerant gases besides being a preferred supplier of other fluorochemicals products and polyester films, India.
- * Exports constitute 33% of revenue
- * Marquee global clients - Bayer, Syngenta, BASF, Pfizer, etc

Opportunity Size: -

- * India is 3% of the global chemicals market (USD 4.2tn).
- * Fluorine-based chemicals hold high prospects given that around one-fifth of all drugs sold globally use at least one fluorine substituent.
- * The specialty chemicals market in India (including knowledge chemicals as active ingredients in agrochemicals and pharmaceuticals) has the potential to grow at a rate of ~16% p. a. to reach USD 42bn by FY2018E.

Year to March	FY13	FY14	FY15	FY16E	FY17E
Revenue	463	545	612	693	849
Rev. growth (%)	9%	18%	12%	13%	22%
EBITDA	78	93	100	115	147
Net profit	42	50	54	64	85
Diluted EPS (INR)	3.5	4.2	4.5	5.3	7.1
EPS growth (%)	7%	18%	8%	18%	33%
Diluted P/E (x)	35.0	29.6	27.5	23.2	17.4
EV/ EBITDA (x)	19.9	16.7	15.6	13.5	10.6
ROCE (%)	36%	44%	37%	31%	36%
ROE (%)	29%	27%	24%	24%	26%

Name of the Shareholder	Shares as % of Total No. of Shares
Promoter	52.3
Sundaram Mutual Fund	3.0
Goldman Sachs India Fund Ltd	1.9
Government Pension Fund Global	1.8
UTI - Midcap Fund	1.2





Investment Hypothesis

- * India Value Migration Play- Competitive cost dynamics/skilled labour/Govt. Policies
- * Leader and specialist in fluorine chemistry .
- * Specialty chemicals: Entry barriers, high domain sophistication to sustain business growth .
- * Expanding capacity to leverage its strengths
- * PAT to grow at 47% CAGR over FY14-17E led by business mix change .

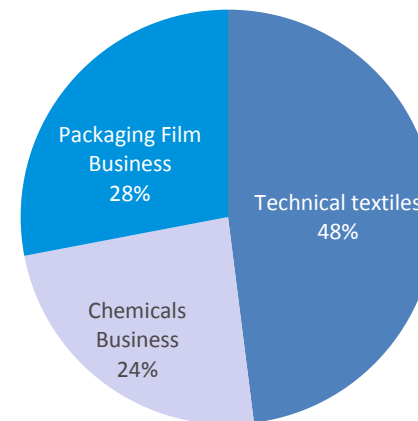
Risks

- * Volatility in fluorspar prices
- * Substitute product launches in refrigerants cause a concern
- * Further slowdown in packaging business

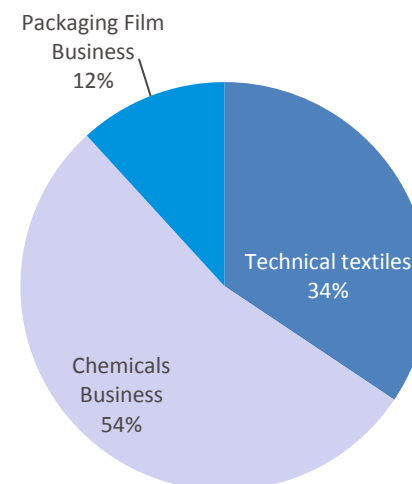
Peer Comparison

Company Name	CMP (INR)	Diluted EPS		Diluted P/E (x)		ROCE (%)	
		FY16E	FY17E	FY16E	FY17E	FY16E	FY17E
SRF	1100	73	90	15	12	13	14
Aarti Industries	334	27.8	34.7	12	10	19	20
PI Industries	680	22.6	30.3	30	22	36	39
Vinati Organics	640	26.0	29.0	25	22	35	32

Segmental Revenues



Segmental Profits





Business Overview

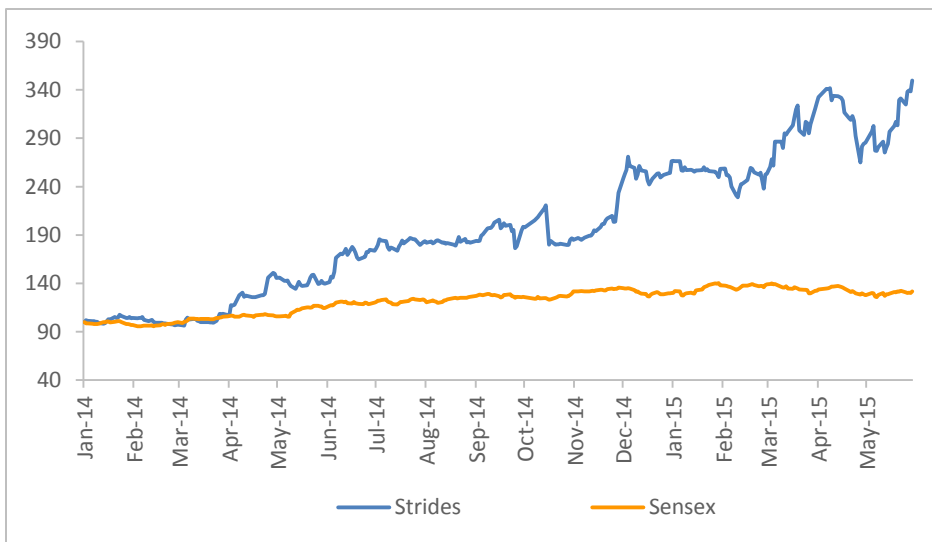
- * STAR is a leading Soft-Gel player, along with focus on other complex delivery mechanisms (ex-injectibles)
- * It operates in the lucrative Sub-Saharan African market, which has limited competition
- * Its merger with Shasun will help it become a vertically integrated player, besides giving it access to a strong US pipeline.
- * Its acquisition of Aspen select portfolio of products in Australia, helps it to become one of the top three generic player in the market

Opportunity Size: -

- * The ~\$23 bn African pharmaceutical market, is expected to grow at a CAGR of 10.6% to ~\$45 bn by 2020, led primarily by growth in Sub Saharan Africa.
 - Institutional Segment HIV patients eligible for ARV (Anti-retroviral) treatment has increased to 16.8 mn post WHO's revised guidelines in 2013
 - STAR approval for AL (Artemether and Lumefantrine) gives it access to ~USD 450mn Anti-Malaria market

Year to March	FY13	FY14	FY15	FY16E	FY17E
Net revenues	2,307	1,341	1,219	3,570	4,238
Rev growth (%)	-9.5%	-41.9%	-9.1%	192.8%	18.7%
EBITDA	606	252	252	682	877
Adjusted PAT	847	(233)	60	380	477
Adj. EPS (INR)	43.3	17.6	27.3	47.2	59.2
EPS growth (%)	30.4%	-59.4%	55.1%	73.1%	25.5%
P/E (x)	26.3	64.8	41.8	24.1	19.2
P/B (x)	3.3	6.7	6.4	5.3	4.2
RoACE (%)	13.7%	9.1%	13.1%	18.4%	16.3%
RoAE (%)	14.7%	6.6%	14.6%	25.6%	23.2%

Name of the Shareholder	Shares as % of Total No. of Shares
Promoter	27.65
Vineetha Mohanakumar Pillai	0.29
Triumph Venture Holdings LLP	0.05
Tata Trustee Company A/c Tata Various Fund/Units	2.00
Tarini Arun Kumar	0.34





Investment Hypothesis

- * Shasun acquisition a game changer: To derive significant synergy benefits
 - Vertical integration to aid institutional business, yielding higher market share;
 - Enhanced product pipeline of non-overlapping molecules in niche and complex segments; and
 - Operating synergies will catapult margin.
- * Branded business: Potent growth catalyst on the back of Bafna acquisition and high growth in the African Branded Business
- * Re-entry into the Australian market, expected to be value accretive with higher profitability

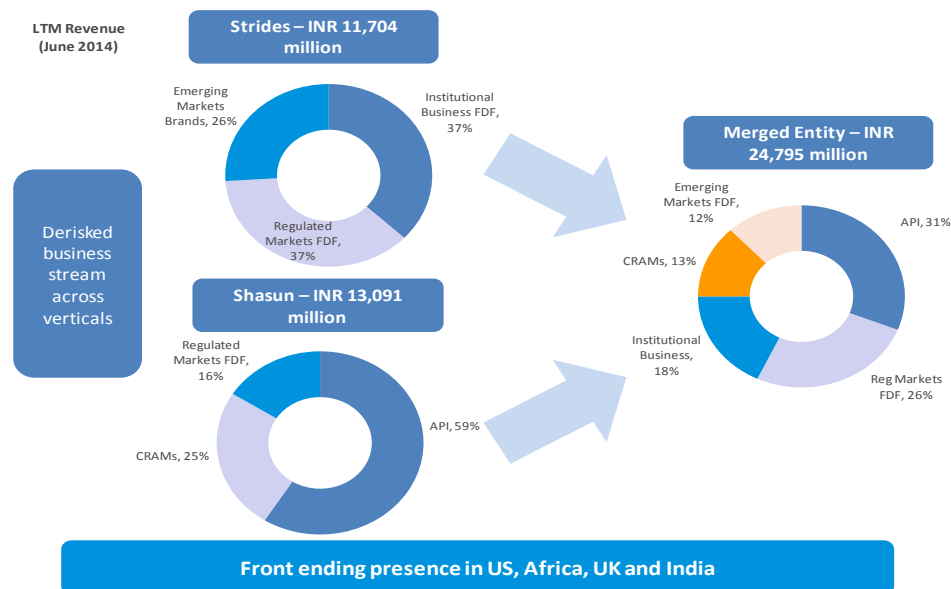
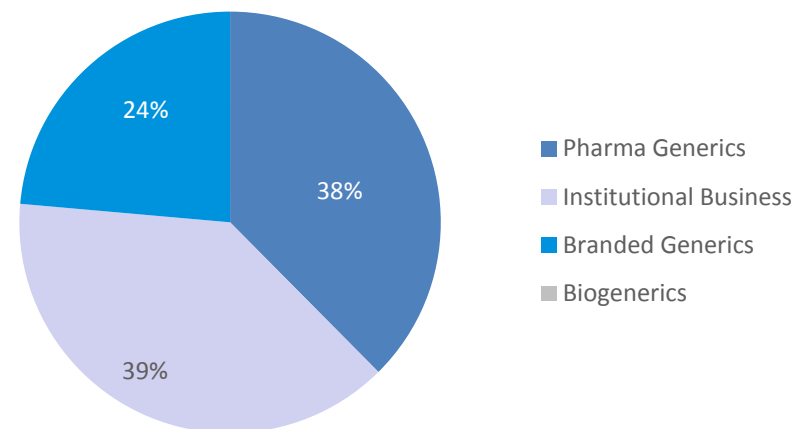
Risks

- * Delay in integration/regulatory clearance for merger with Shasun
- * Regulatory Risk
- * Currency risk
- * Slowdown in funding for institutional business

Peer Comparison

Company Name	Diluted P/E (x)		Diluted EV/EBITDA (x)		ROE (%)	
	FY16E	FY17E	FY16E	FY17E	FY16E	FY17E
Strides Arcolab	33.14	22.44	20.68	15.01	17.88	20.07
Ipca Labs	18.9	15.1	12.4	10.0	18.3	19.7
Aurobindo Pharma	19.5	16.8	13.3	11.3	31.6	27.5
Torrent Pharma	21.8	16.2	13.5	10.5	32.6	34.1

Segmental Revenues





Business Overview

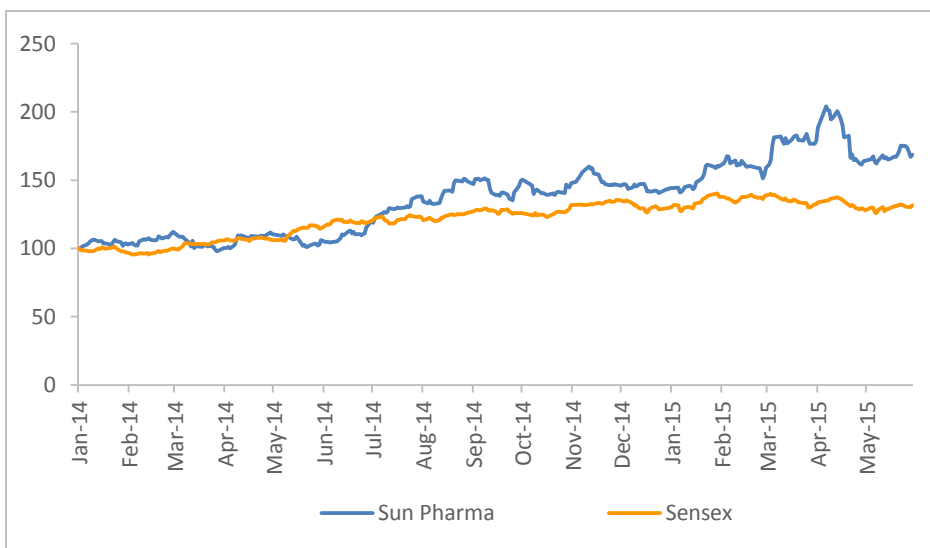
- * Sun Pharma has a strong track record of turning around distressed assets, Taro acquisition being a prime example
- * Sun Pharmaceuticals (SUNP) emerges the numero uno in India with 9.2% market share post Ranbaxy acquisition
- * Its acquisition of GSK's opiates business in Australia makes it one of the world's largest suppliers for analgesics made from raw material opium poppy plants (Controlled Substance)

Opportunity Size: -

- * Sun-Ranbaxy combined attains leadership position across specialty therapy segments, and 9.2% of the USD 14 bn Indian formulation market
- * Expands presence in the lucrative EM's, (USD 250 bn market) growing 9%-11%

Year to March	FY13	FY14	FY15	FY16E	FY17E
Net revenues	11,238	16,004	27,286	32,244	37,811
Rev growth (%)	40.3	42.4	70.4	18.1	17.2
EBITDA margin	4,974	7,190	8,612	11,687	14,087
Adjusted PAT	2,983	3,141	5,301	8,532	10,429
Adj. EPS (INR)	17.1	27.3	30.7	35.4	43.3
EPS growth (%)	30.6	59.7	12.4	15.4	22.2
P/E (x)	51.1	32.0	28.4	24.6	20.1
P/B (x)	12.0	9.7	6.8	6.4	5.2
RoACE (%)	32.8	35.8	28.7	28.7	29.4
RoAE (%)	26.8	34.5	29.3	29.0	28.6

Name of the Shareholder	Shares as % of Total No. of Shares
Promoter	54.71
Abu Dhabi Investment Authority – Gulab	1.15
Genesis Indian Investment Company Ltd General Sub Fund	1.50
Lakshdeep Investments & Finance Pvt Ltd	1.42
LIC of India	1.90





Investment Hypothesis

- * Ranbaxy and GSK's Opiates business acquisition entails long term value creation
 - Ranbaxy's margin has hit nadir and is the lowest among peers with similar revenues – SUNP's turnaround capabilities could take it higher
 - SUNPs guidance of USD250mm operational synergies appears conservative, but implies BXY's margins could move to 16-18% in the next three years.
 - Besides, upside from RBXY's key FTFs (Diovan, Nexium, others) could benefit SUNP. There's more certainty around 53 ANDAs, which are awaiting approval.
- * In-licensing deal for novel molecule (Tildrakuzumab) – another step in evolution

Risks

- * Price correction in its Taro portfolio
- * Delay's in integration of Ranbaxy and GSK's Opiates

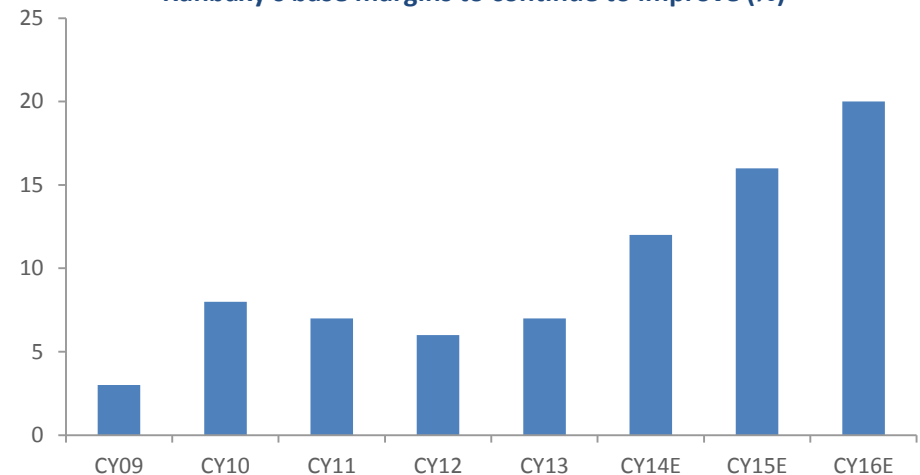
Peer Comparison

Company Name	Diluted P/E (x)		Diluted EV/EBITDA (x)		ROE (%)	
	FY16E	FY17E	FY16E	FY17E	FY16E	FY17E
Sun Pharma	26.1	22.5	20.5	17.2	28.1	26.2
Lupin	28.4	22.5	17.7	14.2	27.5	27.4
Cipla	27.8	19.6	17.8	12.8	16.3	19.8
Dr Reddy's	24.9	18.9	15.4	12.4	20.3	22.7

Sun-Ranbaxy – Highly Complementary Business

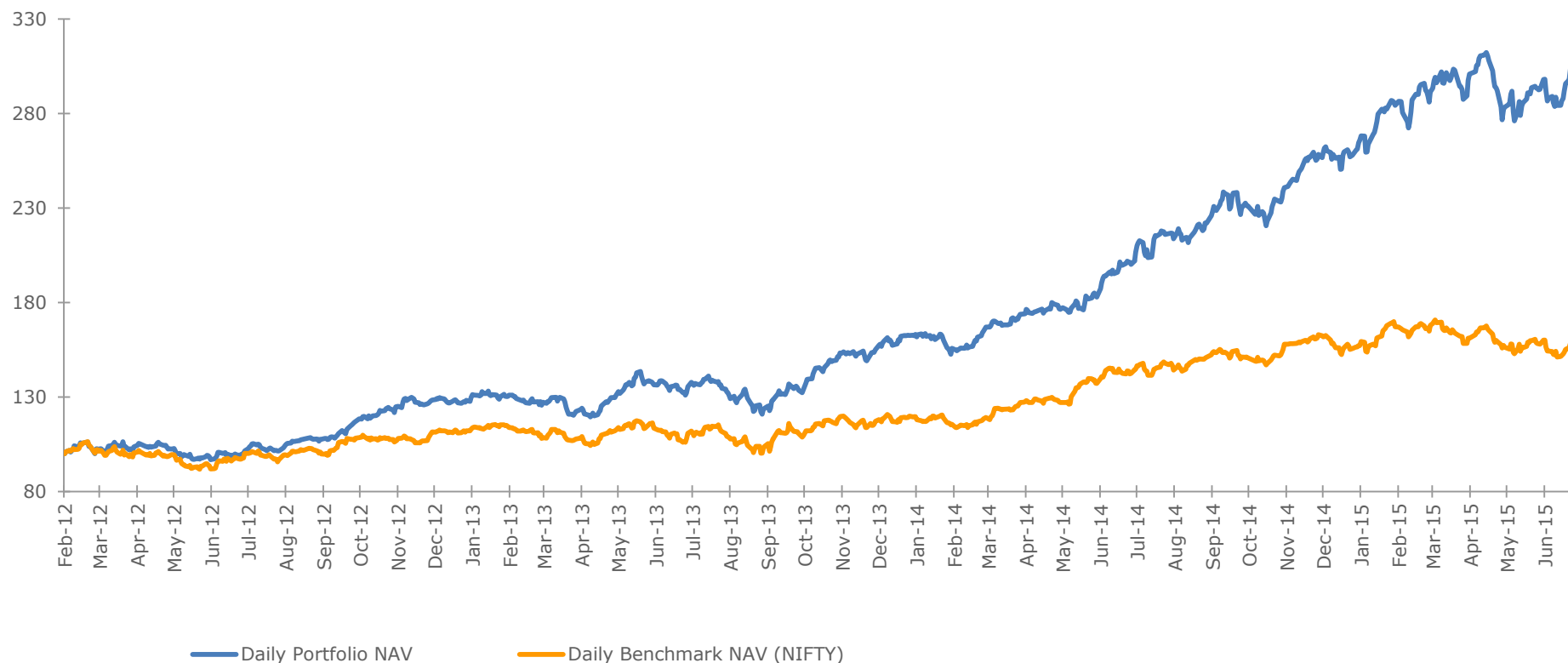
	Sun	Ranbaxy	Combined
India (Rx)	****(Chronic)	*** (Acute)	*****
India (OTC)	*	****	*****
US Generics	*****	***	*****
US Branded (derma)	*	***	*****
western Europe	*	**	***
Eastern Europe	—	****	*****
Africa	—	****	*****
Russia/CIS	*	****	*****
LATAM	*	***	***
APAC	*	***	***

Ranbaxy's base margins to continue to improve (%)





Edelweiss Top Picks NAV: At INR 305 vs Nifty NAV of INR 158



* Edelweiss Top Picks have delivered a CAGR return of 39% since inception as against Nifty CAGR return of 14%, translating into an outperformance of 25% (p.a)

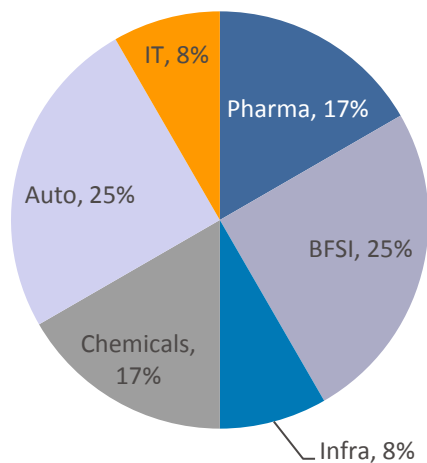
* On an annualized basis (last 12 months), Top Picks have delivered a return of 45% per annum as against Nifty return of 7%.



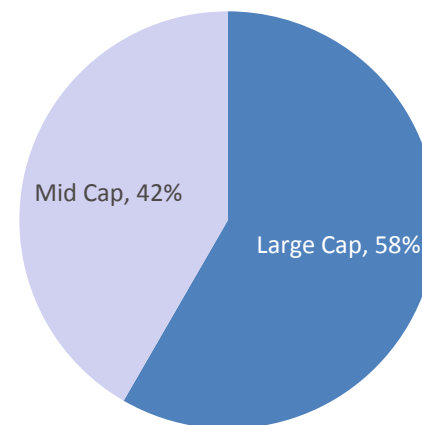
Top Picks Portfolio Performance

Parameters	1 M	3 M	6 M	9M	12 M	ITD (CAGR) ##
Portfolio Returns	2.4%	1.0%	13.8%	34.7%	45.3%	38.7%
Benchmark Returns	-1.4%	-3.1%	-0.9%	5.9%	7.7%	14.3%
Volatility	18.0%	20.7%	19.8%	18.8%	18.8%	16.4%
Benchmark Volatility	15.8%	16.4%	16.0%	14.9%	14.3%	15.5%
Sharpe Ratio	1.17	(0.19)	1.00	2.03	1.98	1.88
Information Ratio	7.28	1.74	1.49	3.65	3.45	2.21

Sector Composition



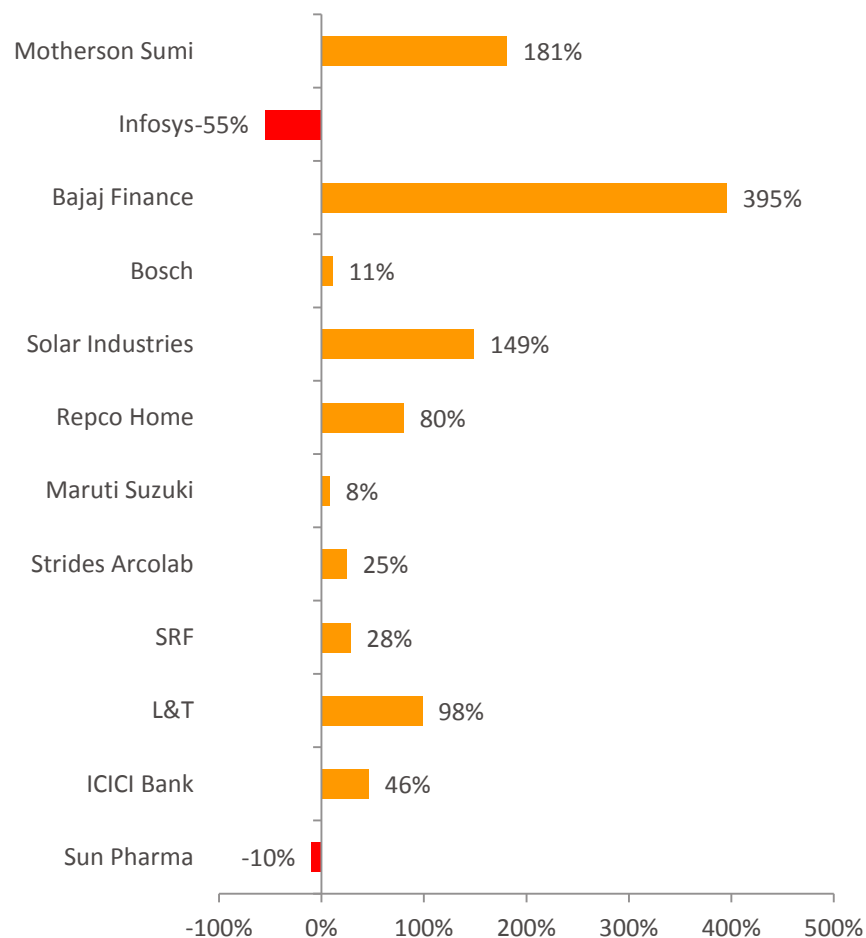
Value Composition



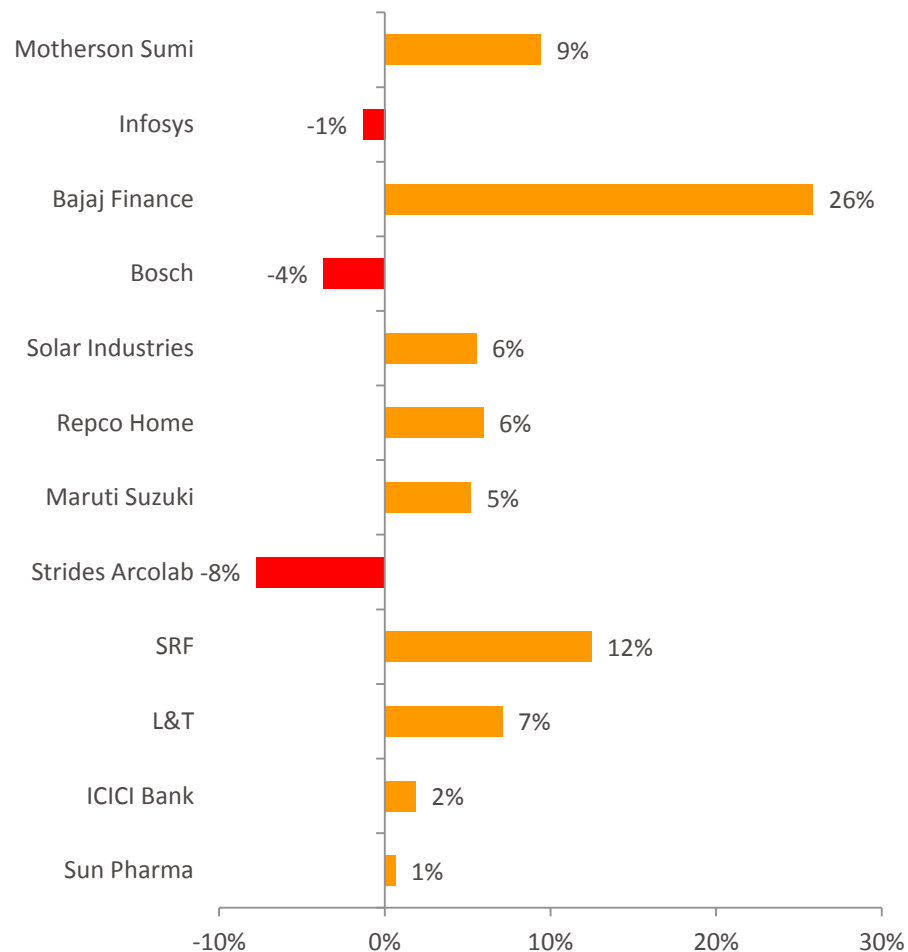
Returns for the Inception and for the month



Return Since Inception



Return for the month of June



Edelweiss Top Picks Deletion History



Exit Date (Beginning Of the Month)	Company Name	Buy Price	Exit Price	Return
Jun-12	Tata Steel	471.0	397.9	-15.5%
Sep-12	Glenmark Pharmaceuticals	297.7	426.6	43.3%
Oct-12	Yes Bank	336.2	394.2	17.3%
Oct-12	City Union Bank	37.1	46.1	24.2%
Oct-12	HCL Technologies	437.9	581.2	32.7%
Oct-12	Eros International	204.7	161.6	-21.1%
Oct-12	Bajaj Auto	1610.8	1810.4	12.4%
Oct-12	GSK Consumer	2664.0	3008.5	12.9%
Feb-13	Supreme Industries	282.9	304.1	7.5%
Feb-13	Coromandel international	269.7	227.1	-15.8%
Feb-13	Amara Raja Batteris	221.7	300.6	35.6%
Feb-13	Gateway Distiparks	145.9	134.8	-7.6%
May-13	Astral Poly Technik	120.0	153.9	28.3%
May-13	RAMCO Cement	243.4	242.5	-0.4%
Jul-13	Glenmark Pharmaceuticals	499.8	575.4	15.1%
Jul-13	Lupin	705.6	777.2	10.1%
Jul-13	WABCO India	1605.4	1678.1	4.5%
Jul-13	J&K Bank	161.6	129.8	-19.7%
Aug-13	Bharat Forge	224.2	196.5	-12.4%
Aug-13	Development Credit Bank	48.2	44.3	-8.0%
Sep-13	V-Guard	466.3	507.8	8.9%
Nov-13	KPIT Cummins	130.3	142.3	9.2%
Nov-13	ITC	300.7	328.1	9.1%
Jan-14	Maruti Suzuki	1358.0	1764.0	29.9%
Jan-14	Sobha Developers	301.4	320.2	6.2%
Jan-14	RAMCO Cement	176.2	188.1	6.8%
Apr-14	Lupin	835.0	945.1	13.2%
May-14	Ipca Labs	822.0	760.6	-7.5%
May-14	Wipro	451.0	494.7	9.7%
May-14	Pidilite	255.0	323.9	27.0%
May-14	Infosys	3561.0	2924.5	-17.9%
Aug-14	United Spirits	2499.1	2380.3	-4.8%
Jan-15	Hindalco	156.0	158.0	1.3%
Mar-15	Mindtree	725.0	1411.0	94.6%
May-15	Biocon Ltd	473.0	453.9	-4%
May-15	Zee Entertainment Ltd	228.0	320.9	41%
May-15	Bharat Forge Ltd	472	1254	166%

Stocks Under Coverage



Stock	Sectors	Release Date	Reco Price	CMP	Return
Whirlpool	Consumption	Apr-10	300	726	142%
Bajaj Finance Limited	BFSI	Feb-12	810	4,503	456%
City Union Bank Limited	BFSI	Feb-12	35	103	194%
Alembic Pharmaceuticals Limited	Pharma	Apr-12	47	538	1044%
Vinati Organics Limited	Chemicals	May-12	86	548	538%
Karur Vysya Bank Limited	BFSI	Jun-12	390	459	18%
Jammu & Kashmir Bank Limited	BFSI	Jul-12	82.5	107	29%
MindTree Limited	IT	Oct-12	337	1,431	325%
V-Guard Industries Limited	Consumption	Jul-12	240	932	288%
Prestige Estates Projects Limited	Real Estate	Dec-12	163	267	64%
WABCO India Limited	Auto & Auto Ancillary	Jan-13	1620	5,608	246%
Madras Cements Limited	Cement	Jan-13	240	305	27%
Development Credit Bank Ltd	BFSI	May-13	47.6	134	180%
J K Lakshmi Cement Ltd	Cement	Jun-13	106	339	220%
Kewal Kiran Clothing Ltd	Consumption	Jul-13	820	2,172	165%
NIIT Technologies Ltd	IT	Sep-13	275	378	37%
Engineers India Ltd	Capital Goods	Mar-14	149	199	34%
Mayur Uniquoters Limited	Consumption	Mar-14	485	422	-13%
Natco Pharmaceutical Ltd	Pharma	Mar-14	750	2,336	211%
Va Tech Wabag Ltd	Capital Goods	Mar-14	695	779	12%

Stock	Sectors	Release Date	Reco Price	CMP	Return
Finolex industries	Consumer Durable	Apr-14	120	284	137%
Cholamandalam Investment	BFSI	Apr-14	290	578	99%
Ratnamani Metals and Tubes Ltd	Capital Goods	May-14	235	595	153%
NBCC	Infra	May-14	243	809	233%
CAN FIN Homes	BFSI	May-14	265	688	160%
Biocon Ltd	Pharma	Jul-14	477	449	-6%
V-Mart Retail Ltd	Consumption	Sep-14	540	522	-3%
Poly Medicure	Medical Accessories	Sep-14	610	490	-20%
KNR Constructions Ltd	Infra	Sep-14	253	534	111%
Hester Biosciences Ltd	Pharma	Sep-14	435	559	28%
Apollo Tyre Ltd	Auto & Auto Ancillary	Nov-14	233	184	-21%
MRF Ltd	Auto & Auto Ancillary	Nov-14	32635	35,572	9%
Suprajit Engineering Ltd	Auto & Auto Ancillary	Nov-14	121	129	7%
Bosch Ltd	Auto & Auto Ancillary	Nov-14	15200	23,463	54%
Indo Count Industries Ltd	Textile	Dec-14	339	520	53%
Strides Arcolab Lts	Pharma	Feb-15	876	1,170	34%
Pokarna Ltd		Mar-15	689	811	18%
TATA Communications Ltd	Communication	Mar-15	430	441	3%
SRF	Chemicals	Mar-15	1020	993	-3%



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