

ABB INDIA

Delayed shipments impact profitability

India Equity Research | Engineering and Capital Goods



ABB India reported weak set of numbers in Q4 & CY12 largely impacted by weak execution in large power and automation projects, which led to lower billing and increased costs. EBITDA margins declined 170 bps for Q4, while for CY12 it declined by 50 bps YoY (Ex forex- it was a decline of 90 bps for Q4, while for CY12 it improved by 60 bps YoY). The management expects CY13E revenues to grow, despite weak order book. It also envisages an improving traction in medium and short cycle business, though it took a cautious stance over near term owing to weak traction in power and automation projects. While we cut our CY13E & CY14E earnings by 14.2 & 16.6 %, mainly building in lower execution, we retain our REDUCE/SP rating for ABB, given expensive valuations at 41x & 32x, on CY13E & C14E respectively.

Weak shipments dent bottom line; Mgt re-iterates cash flow focus

The management indicated that a cash-flow focused approach led to withholding of deliveries in large projects across power and automation, thus ending the quarter in lower billing. Also, rising cost led by deferments impacted margins, besides intense competition. ABB is witnessing capex in automation space and power products, while the demand from large projects across power and automation remain subdued.

OB drops 5 % YoY & 4 % QoQ; Gradual recovery expected

ABB reported a declining trend in its order book, led by weak traction in large value power and automation projects given the weak demand scenario in metals, cement etc, while it remains optimistic about short cycle capex. The management expects near term outlook to remain challenging and gradual recovery in long cycle larger projects in power and industrial automation.

Outlook and valuations: Cautious; maintain 'REDUCE'

While we expect a gradual improvement in order intake and profitability for ABB in 2-3 years, we do not see any significant improvement in RoEs vs. historical levels. While the management is targeting the margin corridor of 8-10 % over next 2-3 years, we expect the company to achieve the lower band, given the higher competitive intensity, sustained pricing pressure and slow demand revival. We thus maintain REDUCE/SU rating for ABB with a target price of INR 440 (earlier INR 512), which currently trades at an expensive valuation of 41x & 32x, respectively.

Financials

Year to December	Q4CY12	Q4CY11	% change	Q3CY12	% change	CY11	CY12E	CY13E
Net rev. (INR mn)	20,823	21,999	(5.3)	18,086	15.1	74,490	75,650	80,373
EBITDA (INR mn)	666	1,081	(38.4)	964	(30.9)	3,618	3,365	5,951
Adj. profit (INR mn)	168	641	(73.9)	514	(67.4)	1,845	1,374	3,030
Diluted P/E (x)						67.0	89.9	40.8
EV/EBITDA (x)						33.3	37.3	21.1
RoAE (%)						7.4	5.4	11.1

EDELWEISS 4D RATINGS	
Absolute Rating	REDUCE
Rating Relative to Sector	Underperformer
Risk Rating Relative to Sector	Low
Sector Relative to Market	Overweight

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

CMP	: INR 583
Target Price	: INR 440
52-week range (INR)	: 1,037 / 568
Share in issue (mn)	: 211.9
M cap (INR bn/USD mn)	: 124/ 2,266
Avg. Daily Vol.BSE/NSE('000)	: 61.7

SHARE HOLDING PATTERN (%)

	Current	Q2FY13	Q1FY13
Promoters *	75.0	75.0	75.0
MF's, FI's & BK's	12.9	13.0	12.9
FII's	3.3	3.3	3.3
Others	8.7	8.7	8.8
* Promoters pledged shares (% of share in issue)	:		NIL

PRICE PERFORMANCE (%)

	Stock	Nifty	EW Capital Goods Index
1 month	(11.2)	(2.0)	12.5
3 months	(14.0)	6.7	2.5
12 months	(31.5)	6.8	(14.2)

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

Rahul Gajare
+91 22 4063 5561
rahul.gajare@edelweissfin.com

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

February 21, 2013

Important highlights of investors' call

- **Reason for poor Q4:** Project businesses were affected by poor market conditions, tight liquidity and other external factors. The company delayed shipments to customers due to non-receipt of payment from customers which impacted revenues. Product businesses performed well while service and exports grew significantly particularly in the African market.
- **Near term outlook challenging:** Expect challenging environment in the short term, but do expect revival in the industrial automation business post the government steps. Will continue to focus on short cycle orders.
- **Management expects CY13E revenues to grow:** Despite declining order book in CY12, the company expects revenues to grow in CY13E on the back of traction in short & medium cycle orders in power and discrete automation business.
- **Forex impact:** Forex gain of INR75mn vs. gain of INR260mn in Q4CY12. The company had a loss of INR470mn vs. INR250mn gain in CY11. Net swing of INR720mn.
- **Cost rise led by deferrals:** Impact of cost overruns led by project deferrals in Q4CY12 was INR600mn and INR800mn in CY12.
- **Lower employee cost:** The company had cut its headcount by 2.5% to 6750 people now, while it continues to reward performing employees.
- **Higher technical fee and royalty payments:** Other operating expenses were up due to higher technical expenses and royalty fees to the parent company (INR 1.8bn vs. INR1.6bn in Q4CY12).
- **Capex plan:** It had planned a capex of 100mnUSD in CY13E-CY14E on account of various product developments. The company is not planning any capacity expansion.

Table 1: Segmental snapshot

Year to December	Q4CY12	Q4CY11	% change (YoY)	CY12	CY11	% change (YoY)
Segment revenue (INR mn)						
Power System	5,990	7,314	(18.1)	22,422	23,624	(5.1)
Power Products	5,844	5,952	(1.8)	20,853	20,008	4.2
Process Automation	4,098	4,255	(3.7)	13,566	13,219	2.6
Discrete Automation & Motion	4,934	5,271	(6.4)	17,753	17,993	(1.3)
Low Voltage products	1,683	1,449	16.1	6,174	5,399	14.4
Total	22,549	24,242	(7.0)	80,767	80,243	0.7
Revenue mix (%)						
Power System	26.6	30.2		27.8	29.4	
Power Products	25.9	24.6		25.8	24.9	
Process Automation	18.2	17.6		16.8	16.5	
Discrete Automation & Motion	21.9	21.7		22.0	22.4	
Low Voltage products	7.5	6.0		7.6	6.7	
Segment EBIT (INR mn)						
Power System	(629)	(14)	NM	(145)	(8)	NM
Power Products	549	399	37.5	1,384	998	38.7
Process Automation	(9)	(54)	NM	(152)	377	NM
Discrete Automation & Motion	646	779	(17.1)	1,956	2,066	(5.3)
Low Voltage products	115	83	39.0	396	341	15.8
Total	671	1,193	(43.7)	3,439	3,775	(8.9)
EBIT margin (%)						
Power System	(10.5)	(0.2)		(0.6)	(0.0)	
Power Products	9.4	6.7		6.6	5.0	
Process Automation	(0.2)	(1.3)		(1.1)	2.9	
Discrete Automation & Motion	13.1	14.8		11.0	11.5	
Low Voltage products	6.8	5.7		6.4	6.3	
Total	3.0	4.9		4.3	4.7	

Source: Company, Edelweiss research

Chart 1: Process automation

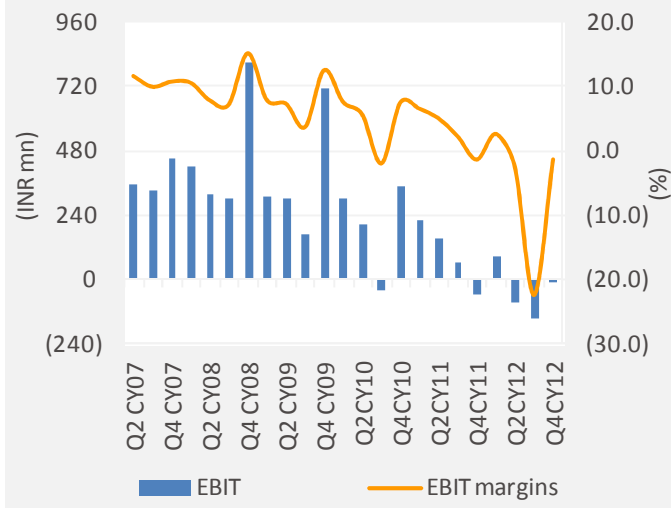


Chart 2: Automation products

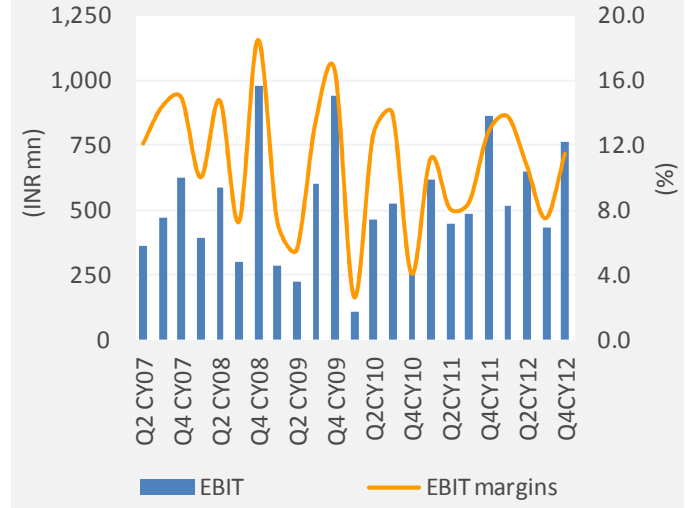


Chart 3: Power products

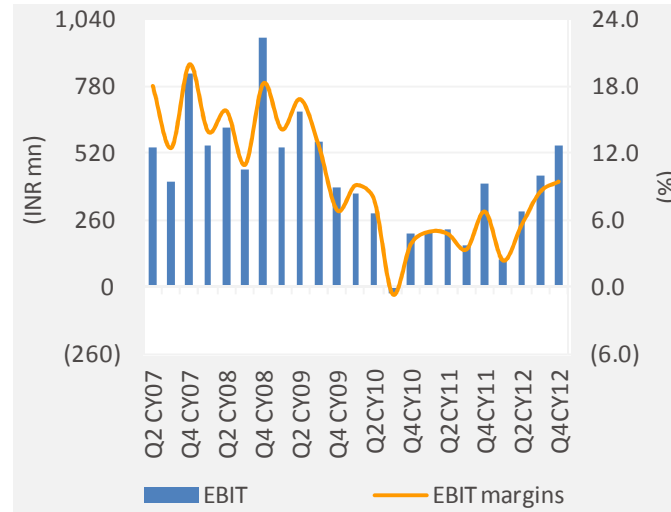


Chart 4: Power systems

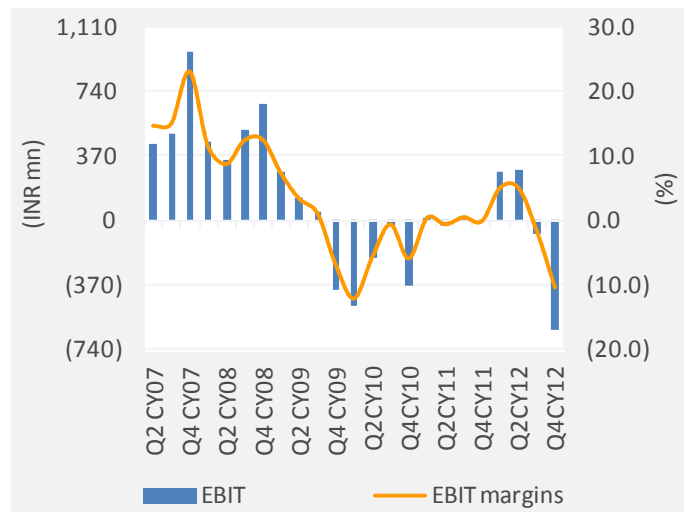
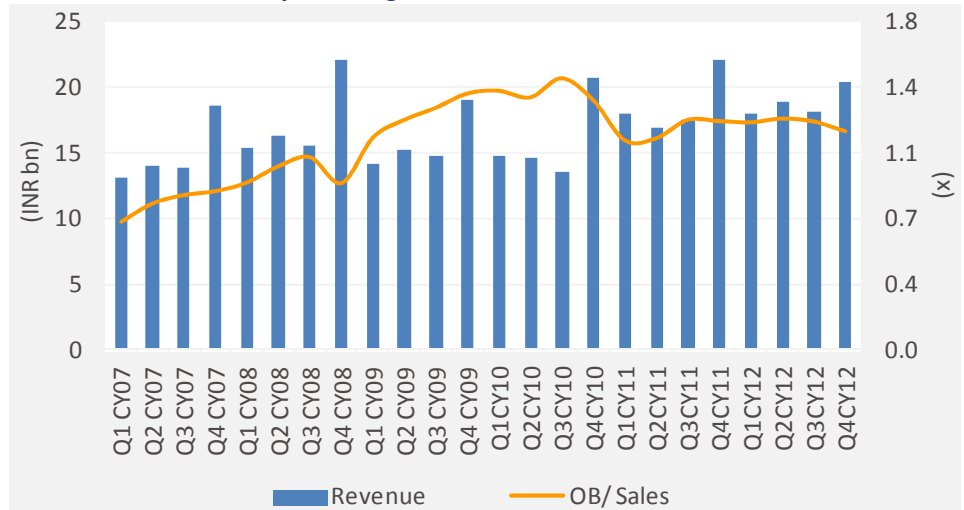
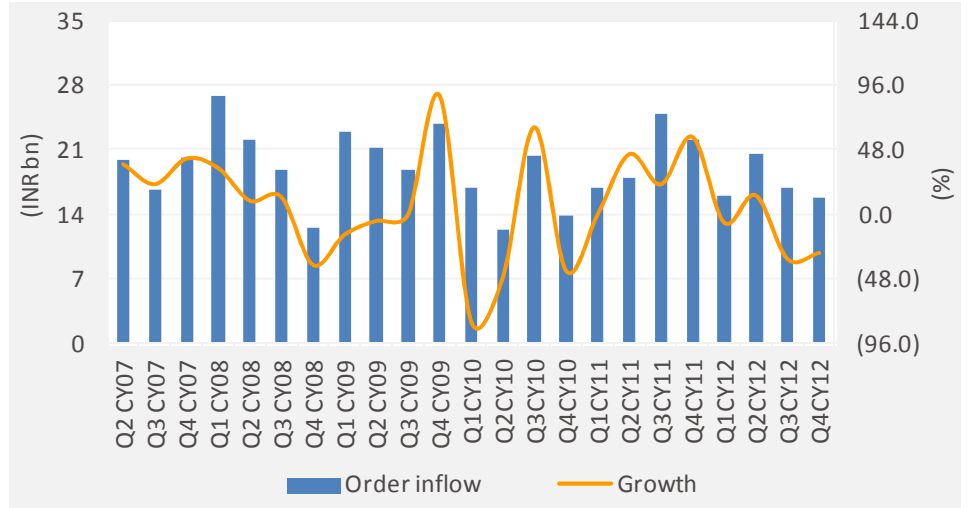


Chart 5: Revenue visibility declining due to lower order intake



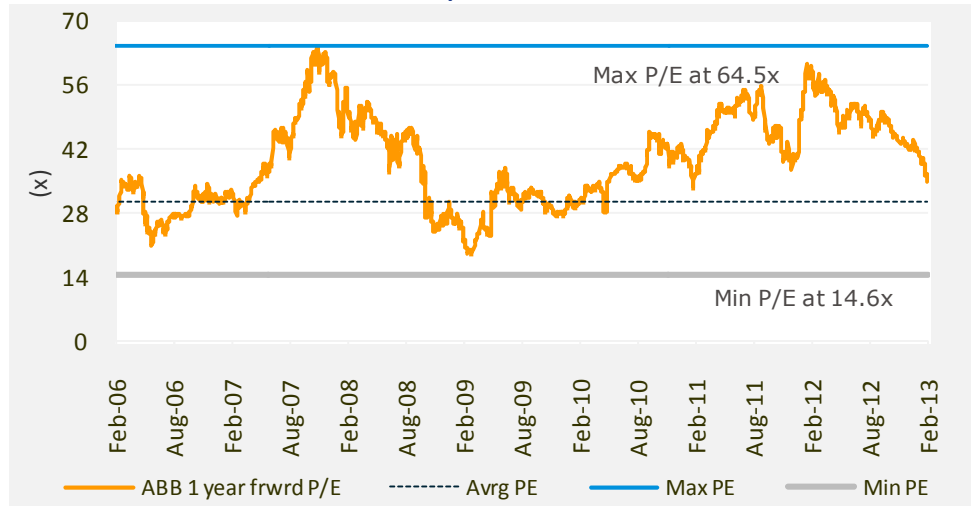
Source: Company, Edelweiss research

Chart 6: OI decline of 28% YoY in Q4CY12



Source: Company, Edelweiss research

Chart 7: ABB continues to trade at an expensive valuation



Source: Edelweiss research

Financial snapshot

(INR mn)

Year to December	Q4CY12	Q4CY11	% change	Q3CY12	% change	CY11	CY12E	CY13E
Net revenues	20,823	21,999	(5.3)	18,086	15.1	74,490	75,650	80,373
Staff costs	1,459	1,547	(5.7)	1,495	(2.4)	5,868	6,196	6,742
Direct costs	15,488	16,353	(5.3)	12,648	22.5	54,785	54,278	57,412
Other operating expenses	3,210	3,019	6.3	2,979	7.8	10,218	11,811	10,267
Total expenditure	20,157	20,918	(3.6)	17,122	17.7	70,872	72,285	74,421
EBITDA	666	1,081	(38.4)	964	(30.9)	3,618	3,365	5,951
Depreciation	246	124	97.7	240	2.3	795	941	1,080
EBIT	420	956	(56.1)	724	(42.0)	2,822	2,424	4,871
Other income	28	14	108.9	10	196.8	162	71	95
Interest	185	129	43.0	117	57.6	307	432	444
Profit before tax	263	841	(68.6)	616	(57.2)	2,677	2,062	4,522
Tax	96	199	(51.9)	102	(6.3)	832	688	1,492
Extraordinary items								
Net profit	168	641	(73.9)	514	(67.4)	1,845	1,374	3,030
Adjusted net profit	168	641	(73.9)	514	(67.4)	1,845	1,374	3,030
Equity capital (FV INR 10)	424	424		424		424	425	426
No. of shares (mn)	212	212		212		212	212	213
Adj. EPS (INR)	0.8	3.0		2.4		8.7	6.5	14.2

As % of net revenues

Direct costs	74.4	74.3		69.9		73.5	71.7	71.4
Employee cost	7.0	7.0		8.3		7.9	8.2	8.4
Other operating expenses	15.4	13.7		16.5		13.7	15.6	12.8
EBITDA	3.2	4.9		5.3		4.9	4.4	7.4
Reported net profit	0.8	2.9		2.8		2.5	1.8	3.8
Tax rate	36.4	23.7		16.6		31.1	33.4	33.0

Change in Estimates

	CY13E			CY14E			Comments
	New	Old	% change	New	Old	% change	
Net Revenue	80,373	91,965	(12.3)	91,287	102,604	(11.0)	Building in delayed execution due to weak shipments.
EBITDA	5,951	6,646	(10.5)	7,290	8,220	(11.3)	
EBITDA Margin	7.4	7.2		8.0	8.0		
Core profit	3,030	3,527	(14.1)	3,827	4,589	(16.6)	Due to lowered revenues
PAT Margin	3.8	4.1		4.2	4.5		
Capex	2,500	1,500	66.6	2,500	1,500	66.6	In line with management guidance.

Company Description

ABB, incorporated in December 1949 as Hindustan Electric Company, operates in two segments i.e. power technology and automation technology, and offers its services and products to the power transmission as well as other industries. Its power technology segment provides solutions for power transmission, power distribution, and control and protection systems for power plants. Products include transformers, switchgears, breakers, capacitors, power line carrier communication equipment, and relay control panels. Under the automation technology segment, it offers products, systems, software, and services for automation and optimization of discrete, process, and batch manufacturing operations, and related services. These technologies include measurement control, instrumentation, process analysis, drives and motors, power electronics, robots, and low-voltage products.

Investment Theme

ABB is likely to be the beneficiary of the government's focus on power capacity additions, prospects from UMPP expand projects, and renewed thrust in improving transmission and distribution infrastructure. New opportunities are also emerging in the field of 765 kV switchgear and transformer products as well as large-volume low-end products. Further, significant capacity additions in industries (steel and cement) and the service sector augur well for its automation segment.

Key Risks

Better than expected order intake could hit out topline estimates. Further, moderation of competitive intensity in the T&D segment could impact our margins estimates for the company.

Financial Statements

Key Assumptions

Year to December	CY11	CY12	CY13E	CY14E
Macro				
GDP(Y-o-Y %)	6.5	5.5	6.5	7.0
Inflation (Avg)	8.8	7.8	6.0	6.0
Repo rate (exit rate)	8.5	7.5	6.8	6.0
USD/INR (Avg)	47.9	54.5	54.0	52.0
Company				
Revenue growth (% yoy)				
Power product	10	4	2	13
Power System	29	(5)	1	14
Process Automation	11	3	1	13
Discrete Automation	13	(1)	2	13
Low voltage products	20	14	13	16
Order inflow growth (% yoy)				
Power product	41.9	(30.0)	10.0	10.0
Power System	74.9	(30.0)	10.0	10.0
Process Automation	(25.3)	(15.0)	5.0	15.0
Discrete Automation	26.5	(18.0)	10.0	15.0
Low voltage products	21.8	10.0	20.0	20.0
Tax rate (%)	31.1	33.4	33.0	33.0
Excise duty as a % of sales	4.0	4.0	4.0	4.0
Total no. of employees	6,926	6,746	6,948	7,157
Employee cost per head(INR mn)	847,242	898,077	970,372	1,048,487
Capex (INR mn)	5,658	1,500	2,500	2,500
Debtor days	146	160	157	158
Inventory days	62	62	60	60
Payable days	234	222	236	236
Depreciation as % of gross block	5.9	5.5	5.5	5.5

Income statement

(INR mn)

Year to December	CY11	CY12	CY13E	CY14E
Income from operations	74,490	75,650	80,373	91,287
Direct costs	54,785	54,278	57,412	64,832
Employee costs	5,868	6,196	6,743	7,505
Other Expenses	10,218	11,811	10,267	11,661
Total operating expenses	70,872	72,285	74,422	83,998
EBITDA	3,618	3,365	5,951	7,289
Depreciation & Amortization	795	941	1,080	1,218
EBIT	2,822	2,424	4,871	6,071
Other income	162	71	95	109
Interest expenses	307	432	444	470
Profit before tax	2,677	2,062	4,522	5,711
Provision for tax	832	688	1,492	1,885
Net profit	1,845	1,374	3,029	3,826
Shares outstanding (mn)	212	212	212	212
Diluted EPS (INR)	8.7	6.5	14.3	18.0
Dividend payout (%)	34.5	46.3	21.0	16.6

Common size metrics

Year to December	CY11	CY12	CY13E	CY14E
Operating expenses	95.1	95.6	92.6	92.0
EBITDA margins	4.9	4.4	7.4	8.0
Net profit margins	2.5	1.8	3.8	4.2

Growth ratios (%)

Year to December	CY11	CY12	CY13E	CY14E
Revenues	17.1	1.6	6.2	13.6
EBITDA	132.0	(7.0)	76.9	22.5
Net profit	191.9	(25.5)	120.5	26.3

Balance sheet		(INR mn)			
As on 31st December	CY11	CY12	CY13E	CY14E	
Equity capital	424	424	424	424	
Reserves & surplus	24,921	25,557	27,950	31,140	
Shareholders funds	25,345	25,981	28,374	31,564	
Sources of funds	25,345	29,297	31,690	34,880	
Gross block	15,636	17,136	19,636	22,136	
Depreciation	3,113	4,055	5,135	6,353	
Net block	12,523	13,081	14,501	15,783	
Capital work in progress	-	163	163	163	
Total fixed assets	12,523	13,243	14,663	15,946	
Investments	507	525	525	525	
Cash and equivalents	2,644	767	934	1,037	
Inventories	9,255	9,204	9,438	10,657	
Sundry debtors	30,825	32,728	35,614	40,708	
Loans and advances	6,876	8,085	8,125	8,413	
Total current assets	49,600	50,784	54,111	60,816	
Sundry creditors and others	35,179	32,939	37,121	41,919	
Provisions	2,331	2,465	636	636	
Total current liabilities &	37,509	35,404	37,757	42,555	
Net current assets	12,091	15,380	16,354	18,261	
Net Deferred tax	224	148	148	148	
Others					
Uses of funds	25,345	29,297	31,690	34,880	
Book value per share (INR)	119.6	122.5	133.8	148.9	

Free cash flow		(INR mn)			
Year to December	CY11	CY12	CY13E	CY14E	
Net profit	1,845	1,374	3,029	3,826	
Depreciation	795	941	1,080	1,218	
Deferred tax	(178)	-	-	-	
Others	506	433	444	470	
Gross cash flow	2,969	2,748	4,554	5,514	
Less: Changes in WC	1,788	5,166	807	1,804	
Operating cash flow	1,181	(2,418)	3,747	3,710	
Less: Capex	1,535	1,500	2,500	2,500	
Free cash flow	(355)	(3,918)	1,247	1,210	

Peer comparison valuation

Name	Market cap (USD mn)	Diluted PE (X)		Price/BV (X)		ROAE (%)	
		CY13E	CY14E	CY13E	CY14E	CY13E	CY14E
ABB India	2,265	40.8	32.3	4.4	3.9	11.1	12.8
Crompton Greaves	1,129	12.3	10.6	1.6	1.5	13.6	14.8
Siemens	3,590	23.9	22.7	4.3	4.1	18.9	18.5
Median		22.6	35.2	4.3	3.9	13.6	14.8
AVERAGE		25.0	22.9	20.3	2.7	14.5	13.3

Source: Edelweiss research

Cash flow metrics		CY11	CY12	CY13E	CY14E
Year to December					
Operating cash flow		1,181	(2,418)	3,747	3,710
Investing cash flow		(3,610)	(1,500)	(2,500)	(2,500)
Financing cash flow		(799)	(1,068)	(1,080)	(1,106)
Net cash flow		(3,229)	(4,986)	167	104
Capex		(1,535)	(1,500)	(2,500)	(2,500)
Dividends paid		(493)	(636)	(636)	(636)

Profitability & efficiency ratios

Year to December	CY11	CY12	CY13E	CY14E
ROAE (%)	7.4	5.4	11.1	12.8
ROACE (%)	11.4	8.9	16.0	18.2
Inventory day	54	62	59	57
Debtors days	147	153	155	153
Payable days	223	229	223	222
Cash conversion cycle (days)	(21)	(14)	(8)	(13)
Current ratio	1.3	1.4	1.4	1.4
Interest coverage	9.2	5.6	11.0	12.9

Operating ratios

Year to December	CY11	CY12	CY13E	CY14E
Total asset turnover	3.0	2.8	2.6	2.7
Fixed asset turnover	7.4	5.9	5.8	6.0
Equity turnover	3.0	2.9	3.0	3.0

Du pont analysis

Year to December	CY11	CY12	CY13E	CY14E
NP margin (%)	2.5	1.8	3.8	4.2
Total assets turnover	3.0	2.8	2.6	2.7
Leverage multiplier	1.0	1.1	1.1	1.1
ROAE (%)	7.4	5.4	11.1	12.8

Valuation parameters

Year to December	CY11	CY12	CY13E	CY14E
Diluted EPS (INR)	8.7	6.5	14.3	18.0
Y-o-Y growth (%)	191.9	(25.5)	120.5	26.3
CEPS (INR)	11.6	10.9	19.4	23.8
Diluted PE (x)	67.0	89.9	40.8	32.3
Price/BV (x)	4.9	4.8	4.4	3.9
EV/Sales (x)	1.6	1.7	1.6	1.4
EV/EBITDA (x)	33.3	36.3	20.5	16.7

Additional Data

Directors Data

Bazmi Husain	Managing Director	D E Udwadia	Non Executive & Independent Director
N S Raghavan	Non Executive & Independent Director	Naseer Munjee	Non Executive & Independent Director
Arun Kanti Dasgupta	Non Executive & Independent Director	Peter Leupp	Non Executive Director
Francis Duggan	Non Executive Director		

Auditors - SR Batliboi & Co.

**as per last annual report*

Holding – Top10

	Perc. Holding		Perc. Holding
Life insurance corp	9.53	Aberdeen	2.45
Reliance capital tru	0.82	Dsp blackrock invest	0.35
Idfc mutual fund	0.19	Blackstone asia advi	0.16
Uti asset management	0.11	Vanguard group inc	0.09
Danske Invest management	0.05	Birla Sun Asset Management	0.02

**as per last available data*

Bulk Deals

Data	Acquired / Seller	B/S	Qty Traded	Price
------	-------------------	-----	------------	-------

No Data Available

**in last one year*

Insider Trades

Reporting Data	Acquired / Seller	B/S	Qty Traded
----------------	-------------------	-----	------------

No Data Available

**in last one year*

Company	Absolute reco	Relative reco	Relative risk	Company	Absolute reco	Relative reco	Relative Risk
ABB India	REDUCE	SU	L	Bajaj Electricals	HOLD	SP	M
BGR Energy	REDUCE	SU	M	Bharat Electronics	BUY	SO	H
Bharat Heavy Electricals	HOLD	SP	L	Crompton Greaves	HOLD	SP	M
Cummins India	BUY	SO	L	Havells India	HOLD	SP	M
Jyoti Structures	HOLD	SP	M	Kalpataru Power	HOLD	SP	M
KEC International	BUY	SO	M	Larsen & Toubro	BUY	SO	M
Siemens	HOLD	SO	L	Sterlite Technologies	HOLD	SP	H
Techno Electric & Engineering	HOLD	SP	M	Thermax	REDUCE	SP	L
Voltamp Transformers	REDUCE	SU	M	Voltas	HOLD	SP	L

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

Vikas Khemani	Head Institutional Equities	vikas.khemani@edelweissfin.com	+91 22 2286 4206
Nischal Maheshwari	Co-Head Institutional Equities & Head Research	nischal.maheshwari@edelweissfin.com	+91 22 4063 5476
Nirav Sheth	Head Sales	nirav.sheth@edelweissfin.com	+91 22 4040 7499

Coverage group(s) of stocks by primary analyst(s): Engineering and Capital Goods

ABB India, BGR Energy, Bharat Electronics, Bharat Heavy Electricals, Bajaj Electricals, Crompton Greaves, Havells India, Jyoti Structures, KEC International, Cummins India, Kalpataru Power, Larsen & Toubro, Siemens, Sterlite Technologies, Techno Electric & Engineering, Thermax, Voltamp Transformers, Voltas

Recent Research

Date	Company	Title	Price (INR)	Recos
20-Feb-13	Cummins	Solid positioning; triggers ahead; <i>Visit Note</i>	504	Buy
13-Feb-13	Voltas	Spring is far; <i>Result Update</i>	93	Hold
13-Feb-13	Techno Electric & Engineering	Wind power addition hits a roadblock ; <i>Result Update</i>	178	Hold

Distribution of Ratings / Market Cap

Edelweiss Research Coverage Universe

	Buy	Hold	Reduce	Total
Rating Distribution*	118	46	17	181
* - stocks under review				
	> 50bn	Between 10bn and 50 bn	< 10bn	
Market Cap (INR)	117	57	7	

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

DISCLAIMER

General Disclaimer:

This document has been prepared by Edelweiss Securities Limited (Edelweiss). Edelweiss, its holding company and associate companies are a full service, integrated investment banking, portfolio management and brokerage group. Our research analysts and sales persons provide important input into our investment banking activities. This document 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, but we do not represent that it is accurate or complete and it should not be relied on as such. Edelweiss or any of its affiliates/ 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. This document 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 document 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. We and our affiliates, group companies, officers, directors, and employees 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 advisor or lender/borrower to such company (ies) or have other potential conflict of interest with respect to any recommendation and related information and opinions. 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 Edelweiss and affiliates/ group companies to any registration or licensing requirements within such jurisdiction. The distribution of this document in certain jurisdictions may be restricted by law, and persons in whose possession this document comes, should inform themselves about and observe, any such restrictions. The information given in this document 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. Edelweiss reserves the right to make modifications and alterations to this statement as may be required from time to time. However, Edelweiss is under no obligation to update or keep the information current. Nevertheless, Edelweiss is committed to providing independent and transparent recommendation to its client and would be happy to provide any information in response to specific client queries. Neither Edelweiss nor any of its affiliates, group companies, directors, employees, agents or representatives shall be liable for any damages whether direct, indirect, special or consequential including lost revenue or lost profits that may arise from or in connection with the use of the information. Past performance is not necessarily a guide to future performance. The disclosures of interest statements incorporated in this document are provided solely to enhance the transparency and should not be treated as endorsement of the views expressed in the report. Edelweiss Securities Limited generally prohibits its analysts, persons reporting to analysts and their dependents from maintaining a financial interest in the securities or derivatives of any companies that the analysts cover. The information provided in these reports remains, unless otherwise stated, the copyright of Edelweiss. All layout, design, original artwork, concepts and other Intellectual Properties, remains the property and copyright Edelweiss 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.

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.

Analyst holding in the stock: No.

Additional 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, Enclave Capital, LLC ("Enclave").

Transactions in securities discussed in this research report should be effected through Enclave or another U.S. registered broker dealer.

Additional 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 nor 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.

Edelweiss 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 Edelweiss to present the data. In no event shall the Edelweiss 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 Edelweiss through this report.

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

Access the entire repository of Edelweiss Research on www.edelresearch.com