

TRANSPORT CORPORATION OF INDIA

Steady haulage in bumpy outlook

India Equity Research | Logistics

Transport Corporation of India (TCI) reported stable results with sales and PAT up 6% YoY and 16% YoY, respectively. While H1FY20 on the whole could be challenging given the bleak environment in goods movement, we view Q1 as a relatively resilient performance. All in all, we are bullish on TCI as an improving business mix should lift its margin and returns profile over the next two–three years, which can potentially re-rate the stock. At the same, the stock's current valuation at 12x PE is attractive; hence, downside is limited in our view. Retain 'BUY' and unchanged TP of INR365.

Steady performance along expected lines

TCI clocked stable Q1FY20 sales and PAT growth of 6% YoY and 16% YoY, respectively, in an otherwise broad-based slowdown in goods movement. The freight division reported revenue growth of 5% YoY, wherein the LTL component is growing. We believe that this is likely to have led to margin expansion YoY. Subdued growth of about 3% YoY in the supply chain division is along expected lines given the auto sector accounts for the bulk of the segmental top line. Seaways revenue grew 10% YoY in Q1FY20 on account of an additional ship (inducted in Q2FY19); this business reported an EBIT margin of 19.8% (versus 19.1% in Q1FY19, 27% in Q4FY20).

Business mix improvement main re-rating driver in our view

Our investment rationale for TCI is based on a significant improvement in its underlying business mix over the next two–three years. The company is targeting higher-margin LTL mix of 40% in the freight division (25–30% currently). While slow in FY20, the supply chain division is part of the fast-growing 3PL category, which is expected to log 13–15% CAGR over five–seven years. Overall, TCI's focus on establishing multi-modal capabilities should show up in its growth over four–five years.

Outlook and valuation: Retain 'BUY'

We retain 'BUY' on TCI with an SoTP-based target price of INR365, which implies a one-year forward PE of 14.7x. While we see TCI's story as one of moderate growth FY19–21E EPS CAGR of 15%), we believe the market is undervaluing the business potential.

Financials

(INR mn)

Year to March	Q1FY20	Q1FY19	% Chg	Q4FY19	% Chg	FY19	FY20E	FY21E
Net revenues	6,592	6,250	5.5	7,427	(11.2)	27,537	31,357	35,284
EBITDA	584	524	11.5	787	(25.8)	2,495	3,055	3,438
Adjusted Profit	344	297	15.8	484	(28.8)	1,453	1,702	1,913
Adjusted Diluted EPS	4.5	3.8	15.8	6.3	(28.8)	18.8	22.0	24.8
Diluted P/E (x)							12.7	11.3
ROAE (%)							11.9	12.3

Edelweiss Research is also available on www.edelresearch.com, Bloomberg EDEL <GO>, Thomson First Call, Reuters and Factset.



EDELWEISS RATINGS

Absolute Rating	BUY
Investment Characteristics	Growth

MARKET DATA (R: TCIL.BO, B: TRPC IN)

CMP	: INR 263
Target Price	: INR 365
52-week range (INR)	: 376 / 231
Share in issue (mn)	: 76.8
M cap (INR bn/USD mn)	: 20 / 305
Avg. Daily Vol. BSE/NSE ('000)	: 72.8

SHARE HOLDING PATTERN (%)

	Current	Q4FY19	Q3FY19
Promoters *	66.9	66.9	66.9
MF's, FI's & BKs	12.5	11.1	10.8
FII's	1.9	1.9	1.9
Others	18.7	20.1	20.4
* Promoters pledged shares (% of share in issue)	:		NIL

PRICE PERFORMANCE (%)

	BSE Midcap Index	Stock	Stock over Index
1 month	(8.5)	(15.4)	(6.9)
3 months	(9.0)	(9.9)	(0.8)
12 months	(15.1)	(7.2)	7.9

Alok Deshpande

+91 22 6620 3163
alok.deshpande@edelweissfin.com

Sameer Chuglani

+91 22 4040 7415
sameer.chuglani@edelweissfin.com

July 30, 2019

Financial snapshot

(INR mn)

Year to March	Q1FY20	Q1FY19	% change	Q4FY19	% change	FY19	FY20E	FY21E
Net revenues	6,592	6,250	5.5	7,427	(11.2)	27,537	31,357	35,284
Gross profit	1,223	1,128	8.4	1,489	(17.9)	5,021	6,220	6,996
Other expenses	255	259	(1.7)	352	(27.6)	1,124	1,466	1,648
Operating expenses	5,369	5,122	4.8	5,939	(9.6)	22,515	25,137	28,288
EBITDA	584	524	11.5	787	(25.8)	2,495	3,055	3,438
Depreciation	199	171	16.5	202	(1.3)	774	920	1,089
EBIT	385	353	9.1	585	(34.2)	1,721	2,135	2,349
Other income	35	43	(18.3)	50	(30.2)	195	170	160
Add: Exceptional items	84	53	59.2	47	77.9	244	269	295
Profit before tax	417	374	11.3	586	(28.9)	1,786	2,133	2,401
Provision for taxes	72	77	(6.2)	102	(29.5)	333	431	487
Reported net profit	344	297	15.8	484	(28.8)	1,453	1,702	1,913
Adjusted Profit	344	297	15.8	484	(28.8)	1,453	1,702	1,913
Diluted shares (mn)	77	77		77		77	77	77
Adjusted Diluted EPS	4.5	3.8	15.8	6.3	(28.8)	18.8	22.0	24.8
Diluted P/E (x)	-	-		-		-	12.7	11.3
EV/EBITDA (x)	-	-		-		-	8.4	7.4
ROAE (%)	-	-		-		-	11.9	12.3
Employee cost	5.8	5.5		4.7		5.1	5.4	5.4
Other expenses	3.9	4.1		4.7		4.1	4.7	4.7
Operating expenses	81.5	82.0		80.0		81.8	80.2	80.2
EBITDA	8.9	8.4		10.6		9.1	9.7	9.7
Reported net profit	5.2	4.8		6.5		5.3	5.4	5.4

Company Description

Transport Corporation of India Limited (TCI) is an integrated supply chain and logistics solutions provider. The Company's segments include Freight Division, Supply Chain Solutions Division, Seaways Division, Energy Division and Global Division. It offers multimodal transportation solutions. Its divisions include TCI Freight Division, TCI Supply Chain Solutions Division, TCI Seaways Division and TCI Global Division, among others. TCI Freight is a surface transport entity. TCI Supply Chain Solutions division offers services to sectors, such as auto, retail, telecom, electrical and pharmaceuticals. TCI Seaways division caters to coastal cargo requirements for transporting container and bulk cargo. TCI Global division provides customs clearance, international inbound and outbound freight handling (air and sea), third-party logistics, multimodal (air, surface and sea) services and project cargo. It has a fleet of customized vehicles and over 10.5 million square feet of warehousing space.

Investment Theme

We are bullish on TCIL as: 1) it is focusing on changing its business mix by growing the high-margin LTL business and growing fast in the 3PL segment; 2) the 3PL segment backdrop remains very conducive for 15-17% CAGR over the next six-seven years, which will add the structural growth element to TCIL's business; and 3) we believe that the market continues to undervalue the long-term potential of TCIL's 3PL segment by at least 25-30%.

Key Risks

Our thesis rests greatly on the implied benefits that GST is likely to offer such as catalysing warehouse consolidation in India, which would nudge several large customers towards outsourced logistics. A slower-than-expected pickup in this trend is a key downside risk to our thesis.

Financial Statements

Key Assumptions

Year to March	FY18	FY19	FY20E	FY21E
Macro				
GDP(Y-o-Y %)	7.2	6.8	6.8	7.1
Inflation (Avg)	3.6	3.4	4.0	4.5
Repo rate (exit rate)	6.0	6.3	5.3	5.0
USD/INR (Avg)	64.5	70.0	72.0	72.0
Sector				
Logistics sector size (USD bn)	200	218	238	259
Company				
TCI Freight	12	17	15	12
TCI Freight	4	4	4	4
Realisation per tonne per km (INR)	2	2	2	3
TCI Seaways	34	31	28	28
Realisation per DWT	68,619	109,321	85,000	85,000
TCI Seaways	62	39	22	9
TCI Corp and Others	76	52	50	50
Ship capacity (DWT)	63,380	63,380	86,640	86,640
Total tonnage for entire fleet for 1 year (mn)	4,936	4,936	5,712	5,871
TCI Supply Chain Solutions	24	11	7	14

Income statement

(INR mn)

Year to March	FY18	FY19	FY20E	FY21E
Net revenue	23,499	27,537	31,357	35,284
Gross profit	4,431	5,021	6,220	6,996
Employee costs	1,245	1,402	1,699	1,909
Other Expenses	1,021	1,124	1,466	1,648
Operating expenses	19,068	22,515	25,137	28,288
Total operating expenses	21,334	25,041	28,302	31,846
EBITDA	2,165	2,495	3,055	3,438
Depreciation	686	774	920	1,089
EBIT	1,478	1,721	2,135	2,349
Less: Interest Expense	322	374	440	404
Add: Other income	144.19	195.1	170.04	160.28
Profit Before Tax	1,301	1,542	1,864	2,105
Less: Provision for Tax	287	333	431	487
Associate profit share	224	244	269	295
Reported Profit	1,238	1,453	1,702	1,914
Adjusted Profit	1,238	1,453	1,702	1,914
Shares o /s (mn)	77	77	77	77
Adjusted Basic EPS	16.2	18.8	22.1	24.8
Diluted shares o/s (mn)	77	77	77	77
Adjusted Diluted EPS	16.2	18.8	22.0	24.8
Adjusted Cash EPS	25.8	28.8	33.9	38.9
Dividend per share (DPS)	1.6	2.0	2.2	2.5
Dividend Payout Ratio(%)	9.9	10.6	10.0	10.1

Common size metrics

Year to March	FY18	FY19	FY20E	FY21E
Gross margin	18.9	18.2	19.8	19.8
Operating expenses	4.3	4.1	4.7	4.7
Interest Expense	1.4	1.4	1.4	1.1
EBITDA margins	9.2	9.1	9.7	9.7
EBIT margins	6.3	6.2	6.8	6.7
Net Profit margins	5.3	5.3	5.4	5.4

Growth ratios (%)

Year to March	FY18	FY19	FY20E	FY21E
Revenues	21.0	17.2	13.9	12.5
EBITDA	33.6	15.3	22.4	12.6
Adjusted Profit	52.4	17.3	17.2	12.5
EPS	52.1	16.4	17.2	12.5

Balance sheet		(INR mn)			
As on 31st March	FY18	FY19	FY20E	FY21E	
Share capital	153	153	153	153	
Reserves & Surplus	7,465	8,766	10,227	11,616	
Shareholders' funds	7,618	8,920	10,380	11,769	
Minority Interest	47	52	47	47	
Long term borrowings	1,514	1,864	1,680	1,455	
Short term borrowings	2,439	2,278	2,451	2,501	
Total Borrowings	3,953	4,142	4,131	3,956	
Long Term Liabilities	18	20	20	20	
Def. Tax Liability (net)	445	390	392	392	
Sources of funds	12,080	13,523	14,970	16,184	
Gross Block	7,696	9,326	11,368	12,868	
Net Block	6,252	7,263	8,228	8,639	
Capital work in progress	563	40	40	40	
Intangible Assets	6	5	6	6	
Total net fixed assets	6,821	7,308	8,274	8,685	
Non current investments	1,044	1,168	1,669	1,669	
Cash and Equivalents	142	155	(11)	202	
Inventories	33	53	40	45	
Sundry Debtors	4,249	5,151	5,322	5,991	
Loans & Advances	136	241	229	229	
Other Current Assets	1,062	1,342	1,309	1,309	
Current Assets (ex cash)	5,480	6,787	6,900	7,573	
Trade payable	597	674	672	756	
Other Current Liab	1,300	1,962	1,604	1,604	
Total Current Liab	1,897	2,636	2,276	2,360	
Net Curr Assets-ex cash	3,582	4,150	4,623	5,213	
Uses of funds	12,080	13,523	14,970	16,184	
BVPS (INR)	99.5	115.7	134.6	152.6	

Free cash flow		(INR mn)			
Year to March	FY18	FY19	FY20E	FY21E	
Reported Profit	1,238	1,453	1,702	1,914	
Add: Depreciation	686	774	920	1,089	
Interest (Net of Tax)	216	250	295	271	
Others	(682)	(1,367)	(615)	(1,502)	
Less: Changes in WC	(342)	(719)	(133)	(590)	
Operating cash flow	1,801	1,830	2,436	2,362	
Less: Capex	(1,511)	(1,259)	(2,049)	(1,500)	
Free Cash Flow	291	571	387	862	

Cash flow metrics		FY18	FY19	FY20E	FY21E
Year to March					
Operating cash flow		1,801	1,830	2,436	2,362
Financing cash flow		(303)	(241)	(719)	(809)
Investing cash flow		(1,543)	(1,576)	(1,879)	(1,340)
Net cash Flow		(44)	13	(162)	213
Capex		(1,511)	(1,259)	(2,049)	(1,500)
Dividend paid		(163)	(182)	(204)	(230)

Profitability and efficiency ratios		FY18	FY19	FY20E	FY21E
Year to March					
ROAE (%)		17.6	17.6	17.6	17.3
ROACE (%)		14.8	15.5	16.7	16.5
ROA		10.9	11.3	11.9	12.3
Debtors Days		72	74	66	66
Payable Days		10	10	8	8
Cash Conversion Cycle		62	64	58	57
Current Ratio		3.0	2.6	3.0	3.3
Debt/EBITDA (x)		1.8	1.7	1.4	1.2
Adjusted Debt/Equity		0.5	0.5	0.4	0.3
Net Debt/Equity		0.5	0.4	0.4	0.3
Interest Coverage Ratio		4.6	4.6	4.8	5.8
LT debt /Cap empl. (%)		12.5	13.8	11.2	9.0
Debt / Cap employed (%)		32.7	30.6	27.6	24.4

Operating ratios		FY18	FY19	FY20E	FY21E
Year to March					
Total Asset Turnover		2.1	2.2	2.2	2.3
Fixed Asset Turnover		4.0	4.1	4.0	4.2
Equity Turnover		3.3	3.3	3.2	3.2

Valuation parameters		FY18	FY19	FY20E	FY21E
Year to March					
Adj. Diluted EPS (INR)		16.2	18.8	22.0	24.8
Y-o-Y growth (%)		52.1	16.4	17.2	12.5
Adjusted Cash EPS (INR)		25.8	28.8	33.9	38.9
Diluted P/E (x)		16.3	14.0	12.0	10.6
P/B (x)		2.6	2.3	2.0	1.7
EV / Sales (x)		1.1	0.9	0.8	0.7
EV / EBITDA (x)		11.1	9.8	8.0	7.0
Dividend Yield (%)		0.6	0.8	0.8	0.9

Additional Data

Directors Data

Dharmpal Agarwal	Managing Director	Vineet Agarwal	Managing Director
Jasjit Sethi	CEO	Ishwar Sigar	CEO
Swaminatha Reddy Onteddu	Director	Vijay Sankar	Director
Susim Datta	Director	Satyanarayan Agarwal	Director
Karna Mehta	Director	Mahabir Sarawagi	Director
Ashish Bharat Ram	Director	Chander Agarwal	Director
Urmila Agarwal	Director		

Auditors - Brahmayya & Co.

**as per last available data*

Holding – Top10

	Perc. Holding		Perc. Holding
Bhoruka supply chain	44.37	Agarwal dharam pal	10.21
Idfc mutual fund	4.08	Canara robeco asset	3.38
Arcee holdings ltd	2.64	Agarwal vineet	2.61
Agarwal priyanka	2.53	Agarwal urmila n	2.41
Agarwal chander	2.39	Dimensional fund adv	1.43

**as per last available data*

Bulk Deals

Data	Acquired / Seller	B/S	Qty Traded	Price
No Data Available				

**as per last available data*

Insider Trades

Reporting Data	Acquired / Seller	B/S	Qty Traded
No Data Available			

**as per last available data*

Edelweiss Securities Limited, Edelweiss House, off C.S.T. Road, Kalina, Mumbai – 400 098.

Board: (91-22) 4009 4400, Email: research@edelweissfin.com

Aditya Narain

Head of Research

aditya.narain@edelweissfin.com

Coverage group(s) of stocks by primary analyst(s): Logistics

Blue Dart Express Ltd, Container Corporation of India Ltd, Future Supply Chain, Mahindra Logistics Ltd, TCI Express Ltd, Transport Corporation of India, VRL Logistics Ltd

Recent Research

Date	Company	Title	Price (INR)	Recos
09-Jul-19	Logistics	Q1FY20: Another quarter of slow movement; Q1FY20 Result Preview		
08-Jul-19	Logistics	LOGI-WATCH: Sluggish pace continues; Sector Update		
19-Jun-19	Transport Corporation of India	Logistics Conference: Key takeaways; Company Update	296	Buy

Distribution of Ratings / Market Cap

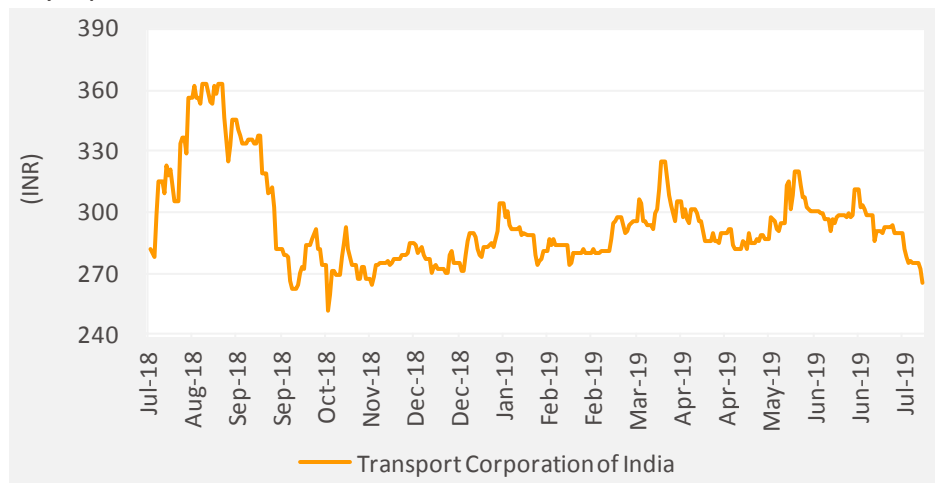
Edelweiss Research Coverage Universe

	Buy	Hold	Reduce	Total
Rating Distribution*	161	67	11	240
* 1stocks under review				
	> 50bn	Between 10bn and 50 bn	< 10bn	
Market Cap (INR)	156	62	11	

Rating Interpretation

Rating	Expected to
Buy	appreciate more than 15% over a 12-month period
Hold	appreciate up to 15% over a 12-month period
Reduce	depreciate more than 5% over a 12-month period

One year price chart



DISCLAIMER

Edelweiss Securities Limited (“ESL” or “Research Entity”) is regulated by the Securities and Exchange Board of India (“SEBI”) and is licensed to carry on the business of broking, depository services and related activities. The business of ESL and its Associates (list available on www.edelweissfin.com) are organized around five broad business groups – Credit including Housing and SME Finance, Commodities, Financial Markets, Asset Management and Life Insurance.

This Report has been prepared by Edelweiss Securities Limited in the capacity of a Research Analyst having SEBI Registration No. INH200000121 and distributed as per SEBI (Research Analysts) Regulations 2014. This report does not constitute an offer or solicitation for the purchase or sale of any financial instrument or as an official confirmation of any transaction. Securities as defined in clause (h) of section 2 of the Securities Contracts (Regulation) Act, 1956 includes Financial Instruments and Currency Derivatives. The information contained herein is from publicly available data or other sources believed to be reliable. This report is provided for assistance only and is not intended to be and must not alone be taken as the basis for an investment decision. The user assumes the entire risk of any use made of this information. Each recipient of this report should make such investigation as it deems necessary to arrive at an independent evaluation of an investment in Securities referred to in this document (including the merits and risks involved), and should consult his own advisors to determine the merits and risks of such investment. The investment discussed or views expressed may not be suitable for all investors.

This information is strictly confidential and is being furnished to you solely for your information. This information should not be reproduced or redistributed or passed on directly or indirectly in any form to any other person or published, copied, in whole or in part, for any purpose. This report is not directed or intended for distribution to, or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject ESL and associates / group companies to any registration or licensing requirements within such jurisdiction. The distribution of this report in certain jurisdictions may be restricted by law, and persons in whose possession this report comes, should observe, any such restrictions. The information given in this report is as of the date of this report and there can be no assurance that future results or events will be consistent with this information. This information is subject to change without any prior notice. ESL reserves the right to make modifications and alterations to this statement as may be required from time to time. ESL or any of its associates / group companies shall not be in any way responsible for any loss or damage that may arise to any person from any inadvertent error in the information contained in this report. ESL is committed to providing independent and transparent recommendation to its clients. Neither ESL nor any of its associates, group companies, directors, employees, agents or representatives shall be liable for any damages whether direct, indirect, special or consequential including loss of revenue or lost profits that may arise from or in connection with the use of the information. Our proprietary trading and investment businesses may make investment decisions that are inconsistent with the recommendations expressed herein. Past performance is not necessarily a guide to future performance. The disclosures of interest statements incorporated in this report are provided solely to enhance the transparency and should not be treated as endorsement of the views expressed in the report. The information provided in these reports remains, unless otherwise stated, the copyright of ESL. All layout, design, original artwork, concepts and other Intellectual Properties, remains the property and copyright of ESL and may not be used in any form or for any purpose whatsoever by any party without the express written permission of the copyright holders.

ESL shall not be liable for any delay or any other interruption which may occur in presenting the data due to any reason including network (Internet) reasons or snags in the system, break down of the system or any other equipment, server breakdown, maintenance shutdown, breakdown of communication services or inability of the ESL to present the data. In no event shall ESL be liable for any damages, including without limitation direct or indirect, special, incidental, or consequential damages, losses or expenses arising in connection with the data presented by the ESL through this report.

We offer our research services to clients as well as our prospects. Though this report is disseminated to all the customers simultaneously, not all customers may receive this report at the same time. We will not treat recipients as customers by virtue of their receiving this report.

ESL and its associates, officer, directors, and employees, research analyst (including relatives) worldwide may: (a) from time to time, have long or short positions in, and buy or sell the Securities, mentioned herein or (b) be engaged in any other transaction involving such Securities and earn brokerage or other compensation or act as a market maker in the financial instruments of the subject company/company(ies) discussed herein or act as advisor or lender/borrower to such company(ies) or have other potential/material conflict of interest with respect to any recommendation and related information and opinions at the time of publication of research report or at the time of public appearance. ESL may have proprietary long/short position in the above mentioned scrip(s) and therefore should be considered as interested. The views provided herein are general in nature and do not consider risk appetite or investment objective of any particular investor; readers are requested to take independent professional advice before investing. This should not be construed as invitation or solicitation to do business with ESL.

ESL or its associates may have received compensation from the subject company in the past 12 months. ESL or its associates may have managed or co-managed public offering of securities for the subject company in the past 12 months. ESL or its associates may have received compensation for investment banking or merchant banking or brokerage services from the subject company in the past 12 months. ESL or its associates may have received any compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company in the past 12 months. ESL or its associates have not received any compensation or other benefits from the Subject Company or third party in connection with the research report. Research analyst or his/her relative or ESL's associates may have financial interest in the subject company. ESL and/or its Group Companies, their Directors, affiliates and/or employees may have interests/ positions, financial or otherwise in the Securities/Currencies and other investment products mentioned in this report. ESL, its associates, research analyst and his/her relative may have other potential/material conflict of interest with respect to any recommendation and related information and opinions at the time of publication of research report or at the time of public appearance.

Participants in foreign exchange transactions may incur risks arising from several factors, including the following: (i) exchange rates can be volatile and are subject to large fluctuations; (ii) the value of currencies may be affected by numerous market factors, including world and national economic, political and regulatory events, events in equity and debt markets and changes in interest rates; and (iii) currencies may be subject to devaluation or government imposed exchange controls which could affect the value of the currency. Investors in securities such as ADRs and Currency Derivatives, whose values are affected by the currency of an underlying security, effectively assume currency risk.

Research analyst has served as an officer, director or employee of subject Company: No

ESL has financial interest in the subject companies: No

ESL's Associates may have actual / beneficial ownership of 1% or more securities of the subject company at the end of the month immediately preceding the date of publication of research report.

Research analyst or his/her relative has actual/beneficial ownership of 1% or more securities of the subject company at the end of the month immediately preceding the date of publication of research report: No

ESL has actual/beneficial ownership of 1% or more securities of the subject company at the end of the month immediately preceding the date of publication of research report: No

Subject company may have been client during twelve months preceding the date of distribution of the research report.

There were no instances of non-compliance by ESL on any matter related to the capital markets, resulting in significant and material disciplinary action during the last three years except that ESL had submitted an offer of settlement with Securities and Exchange commission, USA (SEC) and the same has been accepted by SEC without admitting or denying the findings in relation to their charges of non registration as a broker dealer.

A graph of daily closing prices of the securities is also available at www.nseindia.com

Analyst Certification:

The analyst for this report certifies that all of the views expressed in this report accurately reflect his or her personal views about the subject company or companies and its or their securities, and no part of his or her compensation was, is or will be, directly or indirectly related to specific recommendations or views expressed in this report.

Additional Disclaimers

Disclaimer for U.S. Persons

This research report is a product of Edelweiss Securities Limited, which is the employer of the research analyst(s) who has prepared the research report. The research analyst(s) preparing the research report is/are resident outside the United States (U.S.) and are not associated persons of any U.S. regulated broker-dealer and therefore the analyst(s) is/are not subject to supervision by a U.S. broker-dealer, and is/are not required to satisfy the regulatory licensing requirements of FINRA or required to otherwise comply with U.S. rules or regulations regarding, among other things, communications with a subject company, public appearances and trading securities held by a research analyst account.

This report is intended for distribution by Edelweiss Securities Limited only to "Major Institutional Investors" as defined by Rule 15a-6(b)(4) of the U.S. Securities and Exchange Act, 1934 (the Exchange Act) and interpretations thereof by U.S. Securities and Exchange Commission (SEC) in reliance on Rule 15a 6(a)(2). If the recipient of this report is not a Major Institutional Investor as specified above, then it should not act upon this report and return the same to the sender. Further, this report may not be copied, duplicated and/or transmitted onward to any U.S. person, which is not the Major Institutional Investor.

In reliance on the exemption from registration provided by Rule 15a-6 of the Exchange Act and interpretations thereof by the SEC in order to conduct certain business with Major Institutional Investors, Edelweiss Securities Limited has entered into an agreement with a U.S. registered broker-dealer, Edelweiss Financial Services Inc. ("EFSI"). Transactions in securities discussed in this research report should be effected through Edelweiss Financial Services Inc.

Disclaimer for U.K. Persons

The contents of this research report have not been approved by an authorised person within the meaning of the Financial Services and Markets Act 2000 ("FSMA").

In the United Kingdom, this research report is being distributed only to and is directed only at (a) persons who have professional experience in matters relating to investments falling within Article 19(5) of the FSMA (Financial Promotion) Order 2005 (the "Order"); (b) persons falling within Article 49(2)(a) to (d) of the Order (including high net worth companies and unincorporated associations); and (c) any other persons to whom it may otherwise lawfully be communicated (all such persons together being referred to as "relevant persons").

This research report must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this research report relates is available only to relevant persons and will be engaged in only with relevant persons. Any person who is not a relevant person should not act or rely on this research report or any of its contents. This research report must not be distributed, published, reproduced or disclosed (in whole or in part) by recipients to any other person.

Disclaimer for Canadian Persons

This research report is a product of Edelweiss Securities Limited ("ESL"), which is the employer of the research analysts who have prepared the research report. The research analysts preparing the research report are resident outside the Canada and are not associated persons of any Canadian registered adviser and/or dealer and, therefore, the analysts are not subject to supervision by a Canadian registered adviser and/or dealer, and are not required to satisfy the regulatory licensing requirements of the Ontario Securities Commission, other Canadian provincial securities regulators, the Investment Industry Regulatory Organization of Canada and are not required to otherwise comply with Canadian rules or regulations regarding, among other things, the research analysts' business or relationship with a subject company or trading of securities by a research analyst.

This report is intended for distribution by ESL only to "Permitted Clients" (as defined in National Instrument 31-103 ("NI 31-103")) who are resident in the Province of Ontario, Canada (an "Ontario Permitted Client"). If the recipient of this report is not an Ontario Permitted Client, as specified above, then the recipient should not act upon this report and should return the report to the sender. Further, this report may not be copied, duplicated and/or transmitted onward to any Canadian person.

ESL is relying on an exemption from the adviser and/or dealer registration requirements under NI 31-103 available to certain international advisers and/or dealers. Please be advised that (i) ESL is not registered in the Province of Ontario to trade in securities nor is it registered in the Province of Ontario to provide advice with respect to securities; (ii) ESL's head office or principal place of business is located in India; (iii) all or substantially all of ESL's assets may be situated outside of Canada; (iv) there may be difficulty enforcing legal rights against ESL because of the above; and (v) the name and address of the ESL's agent for service of process in the Province of Ontario is: Bamac Services Inc., 181 Bay Street, Suite 2100, Toronto, Ontario M5J 2T3 Canada.

Disclaimer for Singapore Persons

In Singapore, this report is being distributed by Edelweiss Investment Advisors Private Limited ("EIAPL") (Co. Reg. No. 201016306H) which is a holder of a capital markets services license and an exempt financial adviser in Singapore and (ii) solely to persons who qualify as "institutional investors" or "accredited investors" as defined in section 4A(1) of the Securities and Futures Act, Chapter 289 of Singapore ("the SFA"). Pursuant to regulations 33, 34, 35 and 36 of the Financial Advisers Regulations ("FAR"), sections 25, 27 and 36 of the Financial Advisers Act, Chapter 110 of Singapore shall not apply to EIAPL when providing any financial advisory services to an accredited investor (as defined in regulation 36 of the FAR. Persons in Singapore should contact EIAPL in respect of any matter arising from, or in connection with this publication/communication. This report is not suitable for private investors.

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