COLGATE

Edelweiss
Ideas create, values protect

Multiple growth drivers; long-term story intact

March 7, 2011

Reuters: COLG.BO *Bloomberg: CLGT IN*

We met Mr. Mukul Deoras, MD of Colgate-Palmolive India (Colgate), to get insight into the company's business. Given below are our key takeaways:

- ## Fit to compete; been there, done that

  Colgate could face tough competition in the toothpaste category with the likely entry of new players. In the past, however, company has been very aggressive in capturing market share from competition, be it developing markets like Brazil, Mexico and China, or developed markets like US; it has managed to beat other global players. Also, strong distribution network, almost generic brand and huge customer acquisition initiatives will provide high entry barriers to new entrants.

- ## Sufficient growth drivers in place

  Colgate is likely to continue growing on the back of: (a) increase in penetration (toothpaste penetration is ~56%; ~500 mn Indians don't use toothpaste); (b) rise in per capita daily consumption (India is at 180 gms/year vs. China at 275 gms/year and Thailand at 375 gms/year); (c) higher sales of personal products; (d) premiumisation; and (f) new products. Contribution of premium products to net sales doubled from 0.6% last year to 1.2% this year.

- ## Multiple strategies to straddle pyramid; new product launches planned

  Colgate has adopted a dual strategy: To educate consumers on using toothpaste once in rural markets and twice in urban. Also, it is closely working with primary and *Anganwadi* school teachers to spread awareness about oral health with rural consumers. Colgate has recently launched 360-degree toothbrush (sophisticated design which is difficult to replicate by local players) and *Palmolive Aroma* shower gel. Colgate *Sensitive* toothpaste and mouth wash are now market leaders in their respective categories.

- ## Outlook and valuations: Robust; maintain **'HOLD'**

  Colgate's brand equity and distribution remain huge advantages. We believe Q3FY11 A&P expense (~21.6% of sales) was largely one off and expect it to be ~16%, on an annual basis going forward. Though P&G is likely to enter the oral care market, we remain confident about Colgate's positioning by looking at the experience in other markets. Hence we maintain '**HOLD / Sector Underperformer'** recommendation/rating on the stock.

Financials

Year to March	FY09	FY10	FY11E	FY12E
Revenues (INR mn)	17,708	20,352	22,104	24,830
Rev. growth (%)	*15.0*	*14.9*	*8.6*	*12.3*
EBITDA (INR mn)	3,376	4,982	4,943	5,518
Net profit (INR mn)	2,902	4,233	3,776	4,216
Shares outstanding (mn)	136	136	136	136
Diluted EPS (INR)	21.3	31.1	27.8	31.0
EPS growth (%)	*97.5*	*45.8*	*(10.8)*	*11.6*
Diluted P/E (x)	38.8	26.6	29.8	26.7
EV/EBITDA (x)	32.6	21.9	21.9	19.4
ROAE (%)	153.4	156.1	106.0	100.3

EDELWEISS 4D RATINGS	
Absolute Rating	HOLD
Rating Relative to Sector	Underperformer
Risk Rating Relative to Sector	Medium
Sector Relative to Market	Equalweight

Note:
Please refer last page of the report for rating explanation

MARKET DATA

CMP	:	INR 827
52-week range (INR)	:	1,005 / 665
Share in issue (mn)	:	136.0
M cap (INR bn/USD mn)	:	112 /2,493
Avg. Daily Vol. BSE/NSE ('000)	:	153.7

SHARE HOLDING PATTERN (%)

Promoters*	:	51.0
MFs, FIs & Banks	:	7.0
FIIs	:	17.4
Others	:	24.6
** Promoters pledged shares (% of share in issue)*	:	*NIL*

PRICE PERFORMANCE (%)

	Stock	Nifty	EW FMCG Index
1 month	1.7	1.2	7.0
3 months	(3.9)	(8.6)	(2.3)
12 months	20.0	7.4	29.7

Abneesh Roy
+91 22 6620 3141
abneesh.roy@edelcap.com

Nitin Mathur
+91 22 6620 3073
nitin.mathur@edelcap.com

Harsh Mehta
+91 22 4063 5543
harsh.mehta@edelcap.com

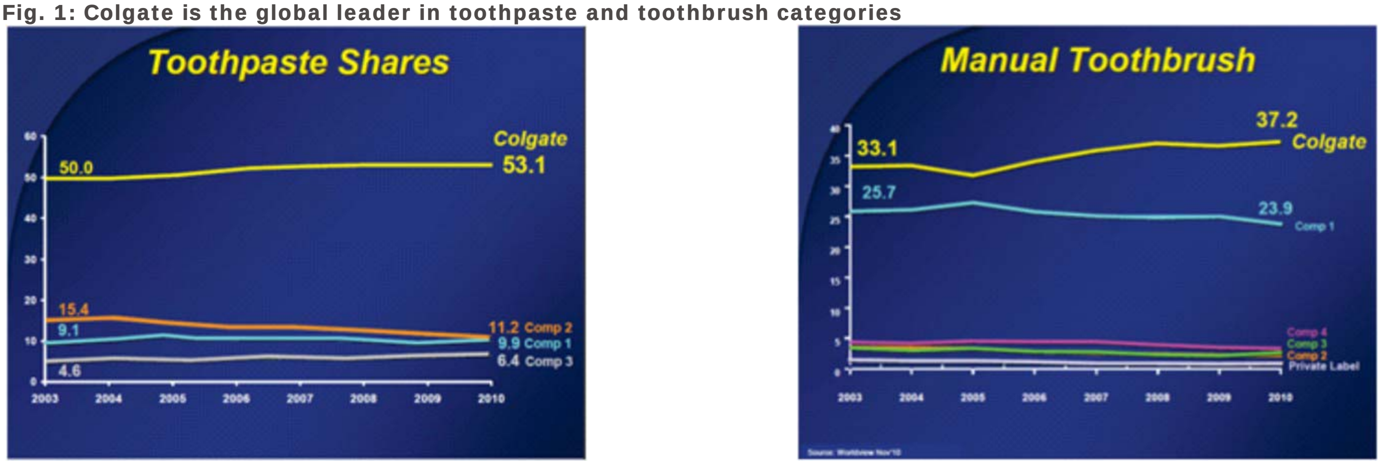
We met Mr. Mukul Deoras, MD of Colgate, to get insight into the business.

Given below are our key takeaways:

- **Fit to compete; been there, done that**

  Colgate could face tough competition in the toothpaste category with the likely entry of new players. In the past, however, company has been very aggressive in capturing market share from competition, be it developing markets like Brazil, Mexico and China, or developed markets like US; it has managed to beat other global players. Also, strong distribution network, almost generic brand and huge customer acquisition initiatives will provide high entry barriers to new entrants

Fig. 1: Colgate is the global leader in toothpaste and toothbrush categories



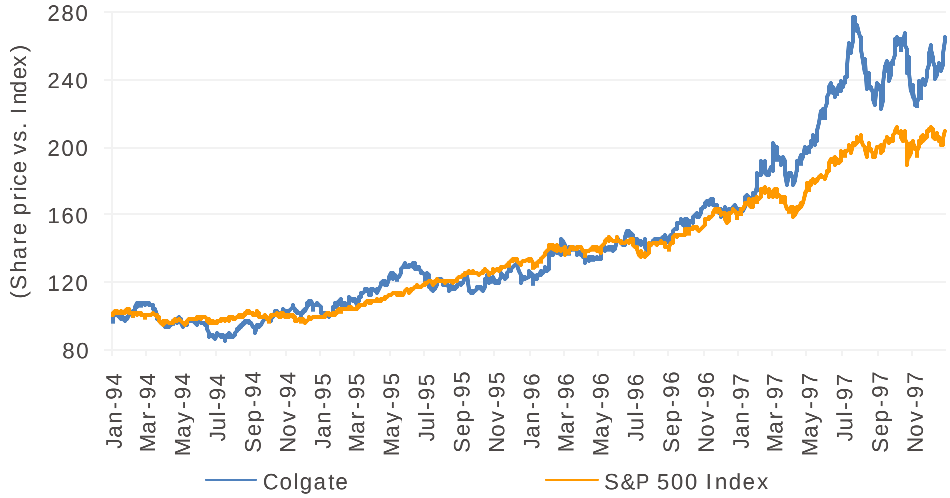
Source: Company, Edelweiss research

US: Unlike other US consumer companies, Colgate was strong in international markets and weak in the US, until it decided to focus on core oral care portfolio and take the leading competitors (P&G and Unilever) head-on in 1994. Colgate closed plants, reorganised supply chain, implemented SAP software and invested in neglected brands, including Colgate toothpaste.

In a stagnant USD 1.5 bn US toothpaste market, Colgate's share climbed from 21.3% in 1994 to 26.2% 1997, according to A.C. Nielsen. During the same period, P&G's market share fell from 31.6% to 25.3%.

Colgate's shares, selling for USD 10.8 at the beginning of 1997, had risen to USD 28.9, as of end 1997. The stock outperformed market by 32% in 1997, despite the Asian crisis overhang on it. Strong dividend payouts continued all through this period.

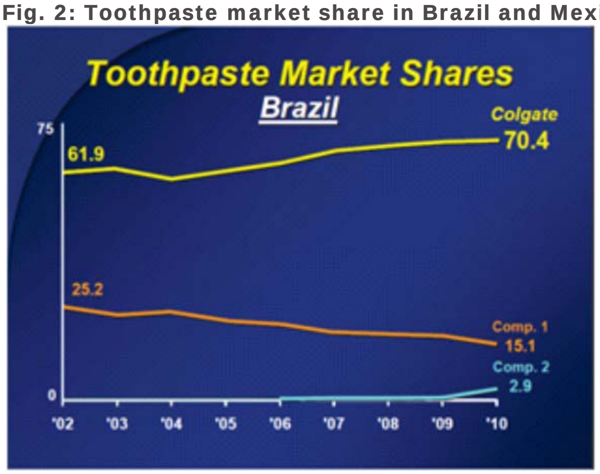
Chart 1: Colgate (Global) share performance versus S&P 500 from 1994-97

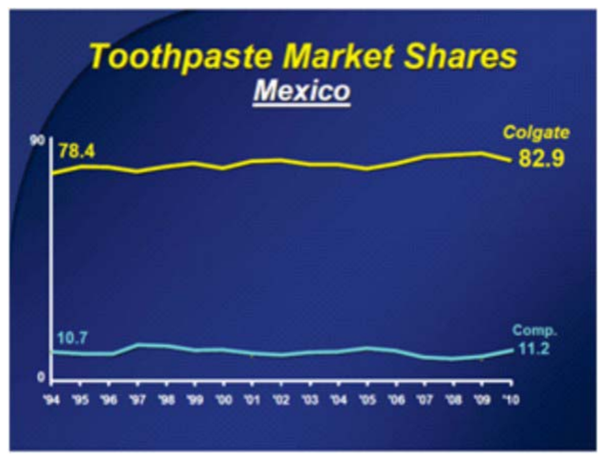


Source: Bloomberg, Edelweiss research

Latin America: In Brazil, P&G launched *Crest* toothpaste in 2006 to counter toothpaste giant Colgate. While P&G managed to gain ~2.9% market share in four years, Colgate continued to gain market share at the cost of second biggest competitor and other private labels. Its strong leadership in Mexico continues despite emergence of private labels.

Fig. 2: Toothpaste market share in Brazil and Mexico

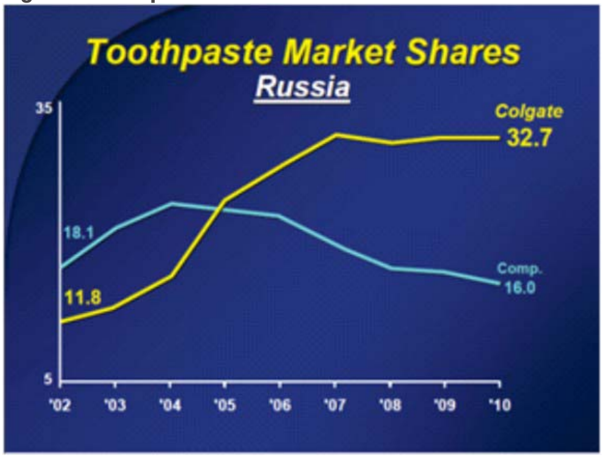


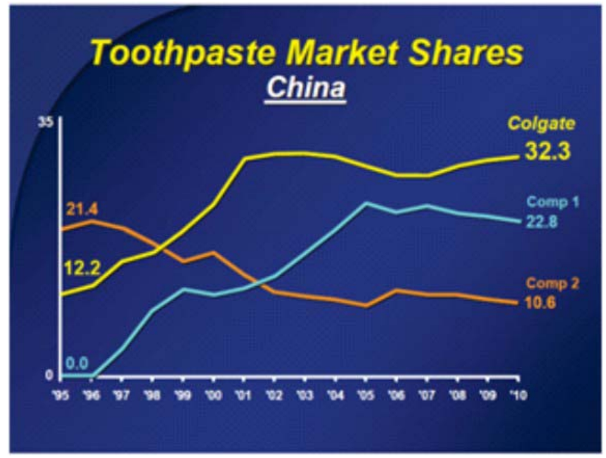


Source: Company, Edelweiss research

Russia and China: In Russia, Colgate surpassed its nearest competitor in 2005 and has maintained its leadership ever since. Its leadership continues in China, whereas competitors have lost market share.

Fig. 3: Toothpaste market share in Russia and China





Source: Company, Edelweiss research

Colgate's strong distribution network, almost generic brand and huge customer acquisition initiatives will provide high entry barriers to new entrants.

The company achieved The Guinness World Records in November 2010 by providing dental check-ups to 66,322 children across multiple locations involving 33 schools in five cities across India. Worth noting is that modern retail contribution to total sales is pretty high in these countries compared with India, where Colgate has built a formidable defense through its distribution network. Colgate has developed robust IT infrastructure and can gather information of ~1 mn outlets from its corporate offices.

Also noteworthy is that P&G is currently focused on too many competitive categories like detergents and beauty creams. Launch of P&G *Wella* (hair colour) was in a phased manner and the promotions were withdrawn quickly from the market. Colgate highlighted that competition from other players [like Hindustan Unilever (HUL), Ajanta, Anchor, Dabur and Vicco] has increased recently. We believe Colgate, with its single-minded focus on oral care, is rightly placed to face competition from P&G or other local players.

Colgate's bicycle model

- Harnessing local youth to build a sustainable franchise

Initially, Colgate's strategy for distributing its ubiquitous line of toothpastes was simple - do not target villages with population less than 5,000. This was because of the high inventory and transportation cost, for e.g. Colgate used a motor van whose daily operational cost for reaching and distributing products within the villages would be over INR 3,000 which added to its cost overheads. Thus, by not reaching the villages Colgate was not only losing out on a revenue stream but also on market share to imitators. Interestingly, duplicate "Colgate" branded products were being sold in the villages at the same price as original "Colgate" toothpaste.

The company has, however, now partnered with government's Nehru Yuva Kendra (NYK) Sangathan scheme, to target this very section, as per our channel checks. NYK generally functions as a platform to provide the youth with skill upgradation programs, and conducts youth awareness programmes by way of organising sports competitions. With help of NYK, Colgate selected youth from local villages who would be interested in distributing their products. The selected candidates were given a bicycle, cap, and other accessories. All the accessories and the bicycle were branded with "Colgate" logo to create awareness. The distribution model was two-fold: during the day, the youth were expected to sell Colgate products in the local village haats, while during the afternoon they were expected to venture out in their respective villages. The target was at least one haat and two villages per day. Each person was expected to reach a radius of 10 KM from their "base" village.

The pricing strategy was also unique. While in the morning in haat, the products would be sold at retail prices, in the afternoon they would be sold at wholesale prices. The monthly income of each youth through this program was estimated at INR 3,000.

This was a win-win situation for both village youth as well as Colgate. Colgate is now able to reach the far flung villages at negligible cost thereby regaining market share from competitors, while the youth gained from employment with a steady income stream. This project was rolled out in UP about two years back and was initially started in 20 districts employing about 240 youth. It was so successful that Colgate now plans to roll it out in other states.

The above is an example of how novel distribution strategies are being used by Colgate to target far flung villages where conventional methods of transportation and logistics is not cost effective.

- **Sufficient growth drivers in place**

Toothpaste penetration in India stands at ~56%. Colgate is, however, likely to continue growing on the back of: (a) increase in penetration (~500 mn Indians don't use toothpaste); (b) rise in per capita daily consumption (India is at 180 gms/year vs. China at 275 gms/year and Thailand at 375 gms/year); (c) higher sales of personal products; (d) premiumisation; and (f) new products. Contribution of premium products to net sales doubled from 0.6% last year to 1.2% this year. Rise in mouthwash usage and night-time brushing amongst urban consumers will contribute to growth.

INR 5 and INR 10 stock keeping units (SKU) have been the major drivers in the toothpaste category, supported by availability of low-cost good quality toothbrushes. Unlike shampoos, these lower prices SKU constitute less than 10% of the overall volumes. Colgate also highlighted that toothpaste addition in the past five years has been greater than last 15 years. It took nine years to increase penetration by 15% for some of the "maturated categories" like toothpaste. Shares of Colgate appreciated 284% during the period, which implies that high penetration of key categories has not translated into share price performance.

Chart 2: Low per capita consumption to drive growth

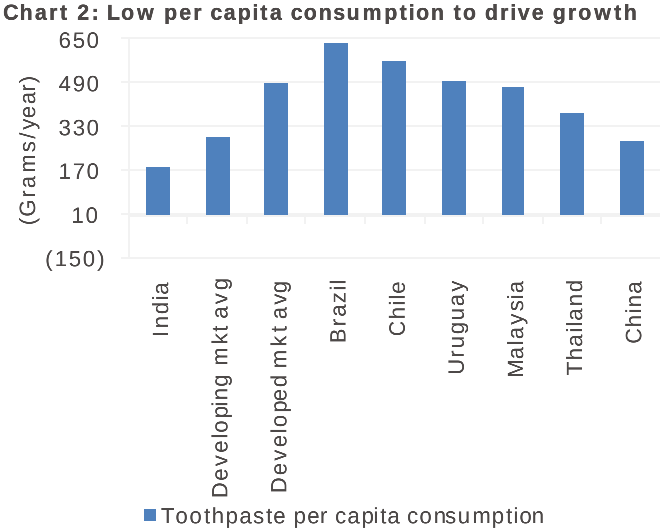
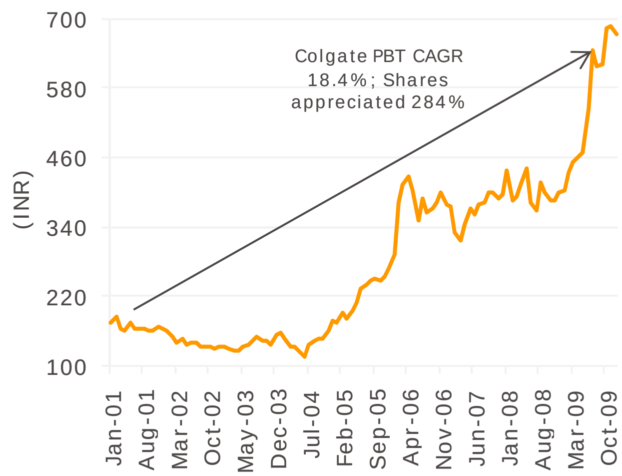


Chart 3: Colgate's stock performance



Source: Company, Bloomberg, Edelweiss research

- **Multiple strategies to straddle the pyramid; new product launches planned**

Colgate has adopted a dual strategy: To educate consumers on using toothpaste once in rural markets and twice in urban. Colgate is closely working with primary and *Anganwadi* school teachers to spread awareness on oral health in rural consumers. India's growth is unique as toothpowder doesn't exist globally as a category, while varied education levels across states imply different penetration levels for toothpaste category.

In the emerging mouthwash category, *Plax* mouthwash has increased its market share (in volume) from 6.6% to 17.3% (January-November 2010), while toothbrush volumes grew 24% Y-o-Y in Q3FY11. Colgate has recently launched 360-degree toothbrush (sophisticated design which is difficult to replicate by local players) and *Palmolive Aroma* shower gel. Colgate *Sensitive* toothpaste and mouth wash are now market leaders in their respective categories.

Fig. 4: New products

Source: Company, Edelweiss research

Even though Colgate is No. 1 in handwash globally and No. 2 in bodywash, these categories are not profitable in India currently. Colgate highlighted that it is not interested in a 'Me too" category and will wait for the model to be profitable before focusing heavily.

- **Q3FY11 A&P spends largely one off; COGS under control**

  Colgate's advertising and sales promotion (A&P) spend in Q3FY11 ballooned 60% Y-o-Y to INR 1.20 bn (~21.6% of sales). We believe Q3FY11 A&P expense was largely one off and expect it to be ~16%, on an annual basis going forward. While other FMCG companies are under gross margin pressure following high raw commodity inflation, Colgate's gross margins expanded 364bps Y-o-Y in Q3FY11, thanks to a diversified mix of commodities as an input. Colgate also highlighted that operating margins in the Indian business is lower than the rest of the world.

Chart 4: A&P expenses ballooned in Q3FY11

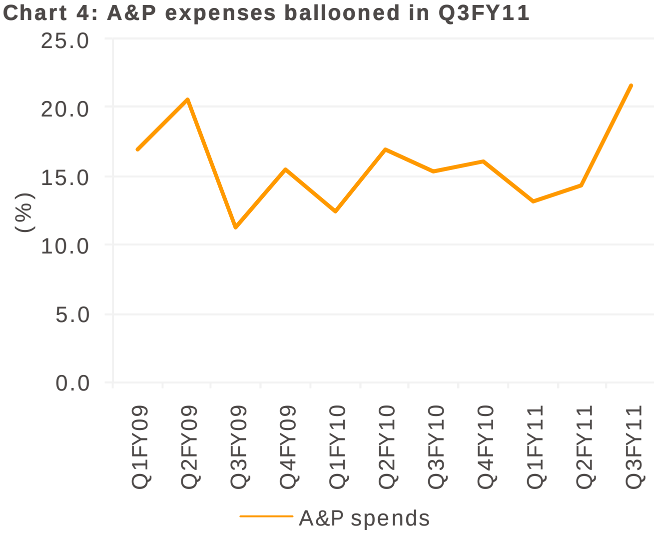
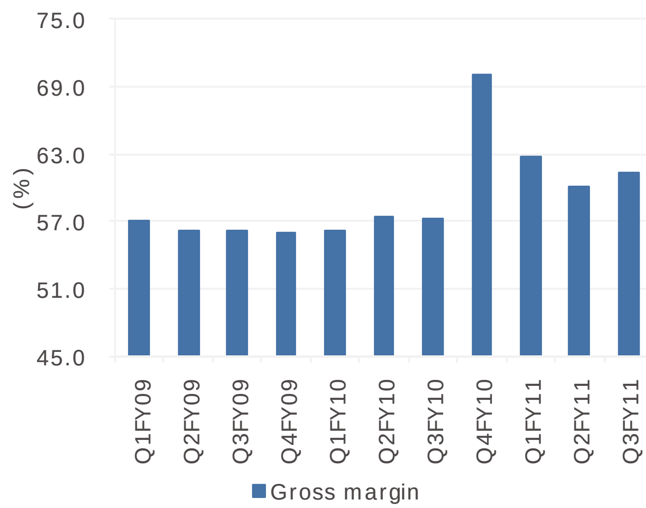


Chart 5: Gross margins under control



Source: Company, Edelweiss research

- **Outlook and valuations: Robust; maintain 'HOLD'**

  Colgate's brand equity and distribution remain huge advantages. Though P&G is likely to enter the oral care market, we remain confident about Colgate's positioning by looking at the experience in other markets. Hence we maintain '**HOLD/Sector Underperformer**' recommendation/rating on the stock.

Company Description

Colgate is India's biggest oral care products company with ~ 97% of sales coming from this product category. The company has products across variants and price points in toothpaste, toothpowder, and toothbrushes, and is the leader in each of these categories with ~53% share in toothpaste and ~47% share in toothpowder markets. In FY10, the company recorded net sales of INR 20,352 mn and net profit of INR 4,233 mn.

Investment Theme

The company's leadership position in oral care has been strengthened by its continued market share gains. However, we believe further share gains are difficult as competition intensifies. Higher competition will induce Colgate to increase its brand spends, which could cap its margins. Also, fiscal tax benefits from its Baddi unit have come off in FY11, leading to a higher tax rate. Recent run-up in its share price makes Colgate's valuation reasonable with the upside capped.

Key Risks

Buoyant urban and rural demand, leading to continued volume growth and market share gain, could sustain earnings growth of the company.

Colgate may continue to dominate if it intensifies its marketing campaign and competition wanes.

Sharp correction in input prices or continued appreciation of the INR could reduce cost of imported chemicals that are priced on import parity basis.

Financial Statement

Income statement **(INR mn)**

Year to March	FY09	FY10	FY11E	FY12E	FY13E
Net revenues	16,948	19,625	21,265	23,931	27,152
Other operating income	760	727	839	899	1,010
Total revenue	17,708	20,352	22,104	24,830	28,162
Cost of materials	7,413	7,768	8,421	9,477	10,752
Gross profit	10,295	12,584	13,683	15,353	17,410
Employee costs	1,434	1,591	2,020	2,273	2,579
Advertisement & sales costs	2,717	2,994	3,488	3,925	4,453
Others	2,768	3,017	3,232	3,637	4,127
EBITDA	3,376	4,982	4,943	5,518	6,251
Depreciation	229	376	416	450	492
EBIT	3,147	4,606	4,526	5,068	5,759
Other income	317	257	359	385	433
EBIT incl. other income	3,464	4,863	4,886	5,453	6,192
Net interest & finance charges	11	15	14	14	14
PBT	3,453	4,848	4,872	5,439	6,178
Provision for taxation	551	615	1,096	1,224	1,390
Core PAT	2,902	4,233	3,776	4,216	4,788
Profit after tax after minority interest & associate	2,902	4,233	3,776	4,216	4,788
Equity shares outstanding (mn)	136	136	136	136	136
EPS (INR) basic	21.3	31.1	27.8	31.0	35.2
Diluted shares (mn)	136	136	136	136	136
EPS (INR) fully diluted	21.3	31.1	27.8	31.0	35.2
CEPS (INR)	19.0	29.4	22.8	25.3	28.6
DPS	17.6	23.4	23.3	26.0	29.6
Dividend payout ratio (%)	82.4	75.2	84.0	84.0	84.0

Common size metrics (%)

Year to March	FY09	FY10	FY11E	FY12E	FY13E
Cost of materials	41.9	38.2	38.1	38.2	38.2
Employee costs	8.1	7.8	9.1	9.2	9.2
Advertising & sales costs	15.3	14.7	15.8	15.8	15.8
Other general expenditure	15.6	14.8	14.6	14.6	14.7
Depreciation	1.3	1.8	1.9	1.8	1.7
Net interest expenditure	0.1	0.1	0.1	0.1	0.0
EBITDA margin	19.1	24.5	22.4	22.2	22.2
EBIT margin	17.8	22.6	20.5	20.4	20.4
Net profit margin	16.4	20.8	17.1	17.0	17.0

Growth metrics (%)

Year to March	FY09	FY10	FY11E	FY12E	FY13E
Revenues	15.0	14.9	8.6	12.3	13.4
EBITDA	47.7	47.6	(0.8)	11.6	13.3
PBT	66.6	40.4	0.5	11.6	13.6
Net profit	97.5	45.8	(10.8)	11.6	13.6
EPS	97.5	45.8	(10.8)	11.6	13.6

Balance sheet (INR mn)

As on 31st March	FY09	FY10	FY11E	FY12E	FY13E
Share capital	136	136	136	136	136
Reserves	2,027	3,125	3,729	4,404	5,170
Shareholders' funds	2,163	3,261	3,865	4,540	5,306
Secured loans	0	0	21	21	21
Unsecured loans	47	46	25	25	25
Borrowings	47	46	46	46	46
Deferred tax liability	(177)	(179)	(179)	(179)	(179)
Sources of funds	**2,033**	**3,128**	**3,732**	**4,407**	**5,173**
Gross block	4,253	5,345	5,760	6,230	6,880
Less depreciation	2,513	2,876	3,292	3,742	4,233
Net fixed assets	1,739	2,469	2,468	2,488	2,647
Capital work in progress	47	62	62	62	62
Investments	383	210	210	210	210
Current assets	5,377	5,901	6,829	8,064	9,374
Inventories	824	1,106	1,040	1,163	1,313
Sundry debtors	111	98	107	114	122
Cash and bank balance	2,511	3,476	4,460	5,564	6,716
Loans and advances	1,930	1,222	1,222	1,222	1,222
Current liabilities	5,513	5,515	5,837	6,418	7,120
Liabilities	3,945	4,267	4,589	5,170	5,871
Provisions	1,568	1,248	1,248	1,248	1,248
Working capital	(136)	387	992	1,646	2,254
Uses of funds	**2,033**	**3,128**	**3,732**	**4,407**	**5,173**
BV (INR)	16	24	28	33	39

Free cash flow (INR mn)

Year to March	FY09	FY10	FY11E	FY12E	FY13E
Net profit	2,902	4,233	3,776	4,216	4,788
Add: Non cash charge	240	391	430	463	505
Depreciation	229	376	416	450	492
Others	11	15	14	14	14
Gross cash flow	3,143	4,623	4,206	4,679	5,294
Less:Changes in WC	389	53	379	450	545
Cash from operations	3,531	4,677	4,585	5,129	5,838
Less: Capex	55	1,093	415	470	650
Free cash flow	**3,476**	**3,584**	**4,170**	**4,659**	**5,188**

Cash flow metric

Year to March	FY09	FY10	FY11E	FY12E	FY13E
Operating cash flow	3,194	3,974	4,585	5,129	5,838
Financing cash flow	(2,551)	(3,375)	(3,185)	(3,555)	(4,036)
Investing cash flow	418	345	(415)	(470)	(650)
Change in cash	1,061	944	984	1,104	1,152
Capex	(55)	(1,093)	(415)	(470)	(650)
Dividends paid	(2,391)	(3,182)	(3,172)	(3,541)	(4,022)

Ratios

Year to March	FY09	FY10	FY11E	FY12E	FY13E
ROAE (%)	153.4	156.1	106.0	100.3	97.3
ROACE (%)	271.9	201.7	140.6	131.3	125.8
Debtor days	2	2	2	2	2
Inventory days	17	18	18	18	18
Payable days	94	98	98	98	98
Cash conversion cycle (days)	(75)	(78)	(78)	(78)	(79)
Current ratio	1.0	1.1	1.2	1.3	1.3
Interest coverage *(x)*	286.0	306.2	-	-	-

Operating ratios

Year to March	FY09	FY10	FY11E	FY12E	FY13E
Total asset turnover	10.3	7.9	6.4	6.1	5.9
Fixed asset turnover	9.7	9.7	9.0	10.0	11.0
Equity turnover	9.4	7.5	6.2	5.9	5.7

Du pont analysis

Year to March	FY09	FY10	FY11E	FY12E	FY13E
NP margin (%)	16.4	20.8	17.1	17.0	17.0
Total assets turnover	10.3	7.9	6.4	6.1	5.9
Leverage multiplier	0.9	1.0	1.0	1.0	1.0
ROAE (%)	153.4	156.1	106.0	100.3	97.3

Valuation parameters

Year to March	FY09	FY10	FY11E	FY12E	FY13E
Diluted EPS (INR)	21.3	31.1	27.8	31.0	35.2
Y-o-Y growth (%)	*97.5*	*45.8*	*(10.8)*	*11.6*	*13.6*
CEPS (INR)	19.0	29.4	22.8	25.3	28.6
Diluted P/E (x)	38.8	26.6	29.8	26.7	23.5
Price/BV (x)	52.0	34.5	29.1	24.8	21.2
EV/Sales (x)	6.2	5.4	4.9	4.3	3.8
EV/EBITDA (x)	32.6	21.9	21.9	19.4	16.9
Dividend yield (%)	2.1	2.8	2.8	3.1	3.6

RATING & INTERPRETATION

Company	Absolute reco	Relative reco	Relative risk	Company	Absolute reco	Relative reco	Relative Risk
Asian Paints	BUY	SO	M	Colgate	HOLD	SU	M
Dabur	BUY	SO	M	Emami	BUY	SO	H
Godrej Consumer	BUY	SP	H	Hindustan Unilever	BUY	SP	L
ITC	BUY	SO	L	Marico	BUY	SP	M
Nestle Ltd	HOLD	SU	L	United Spirits	BUY	SP	H

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
Ideas create, values protect

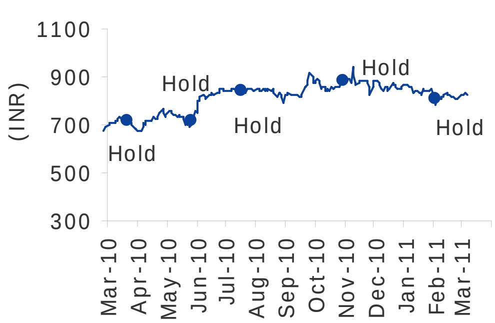
Edelweiss Securities Limited, 14th Floor, Express Towers, Nariman Point, Mumbai – 400 021.
Board: (91-22) 2286 4400**,** Email*: research@edelcap.com*

Vikas Khemani	Head	Institutional Equities	vikas.khemani@edelcap.com	+91 22 2286 4206
Nischal Maheshwari	Head	Research	nischal.maheshwari@edelcap.com	+91 22 6623 3411

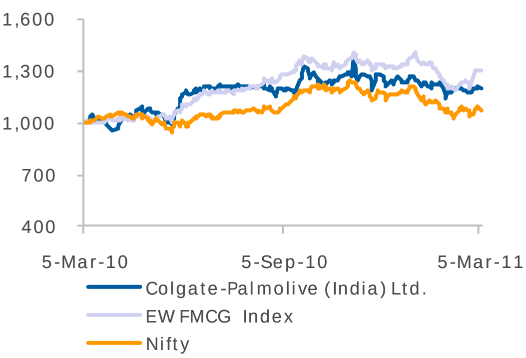
Coverage group(s) of stocks by primary analyst(s): FMCG

Asian Paints, Colgate, Dabur, Godrej Consumer , Emami, Hindustan Unilever, ITC, Marico, Nestle Ltd, United Spirits

Colgate



EW Indices



Distribution of Ratings / Market Cap

Edelweiss Research Coverage Universe

	Buy	Hold	Reduce	Total
Rating Distribution* * 3 stocks under review	116	45	12	176

	> 50bn	Between 10bn and 50 bn	< 10bn
Market Cap (INR)	110	53	13

Recent Research

Date	Company	Title	Price (INR)	Recos
03-Mar-11	**Hindustan Unilever**	High on innovation and aggression; *Company update*	287	Buy
21-Feb-11	**Nestle**	Margins expand; no signs of competitive pressure; *Result Update*	3,463	Hold

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

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 family members from maintaining a financial interest in the securities or derivatives of any companies that the analysts cover. 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.

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