

NAVABHARAT VENTURES

High merchant realizations boost earnings

India Equity Research | Power



Nava Bharat Ventures' (NBV) Q1FY13 adjusted standalone earnings came in at INR684mn, higher than our estimate of INR511mn. Earnings from the power business were up due to higher merchant realization of ~INR5/kwh (estimated INR4/kwh) while the sustained performance of the ferro alloys division aided profits further. Commissioning of pipeline capacities and a scale up in Zambia mines will boost earnings, going forward. Maintain 'BUY' with target price of INR290/share.

Adjusted PAT better than estimates

NBV's standalone revenue at INR2.7bn was in line with our estimates of INR2.6bn though the adjusted PAT at INR684mn (INR33mn of forex losses) was better than our estimate of INR511mn. Power segment performance was robust on the back of a better-than-expected net merchant realisation of ~INR5/kwh during the quarter against our full year average estimate of INR4/unit. While costs for the Ferro alloy division have gone up, realizations have also increased 18% YoY to INR60K/t, improving the performance of the division. The management is guiding for a sale volume of 75KT of silico manganese and a 50KT conversion agreement with Tata steel.

Projects in pipeline on track

The under construction Orissa 64MW unit is expected to be synchronized in Q4FY13 post approval from the Orissa Power Transmission Company. Zambia coal mines have begun sale of high grade coal locally (sold ~6K tonnes, yielding PBT of @USD10/tonne in Q1) and are likely to scale up from 400KT in FY13 to 1MT by the end FY15. The older Orissa 64MW plant, which was under Section 11, has resumed operations and is selling ~20MW to GRIDCO and the balance on merchant (through the exchange).

Outlook and valuations: Near term trigger; maintain 'BUY'

With the commissioning of Orissa 64MW project as the near term trigger and higher merchant prices tied up in the short term, we expect earnings to be firm. At CMP of INR191/share, the stock is trading at an attractive multiple of 7x and 6x FY13E and FY14E earnings respectively. Maintain 'BUY' with SOTP based TP of INR290/share.

Financials

Year to March	Q1FY13	Q1FY12	% Change	Q4FY12	% Change	FY12	FY13E	FY14E
Rev.(INR mn)	2,714	2,375	14.3	2,443	11.1	9,948	13,306	15,034
EBITDA (INR mn)	739	587	25.8	911	(18.9)	1,738	3,479	3,866
Net pro.(INR mn)	684	515	32.7	652	4.9	1,850	2,421	2,827
NPM (%)	25.2	21.7		26.7		18.6	18.2	18.8
Diluted EPS (INR)	7.7	6.7	13.6	7.3	4.9	20.7	27.1	31.7
Diluted P/E (x)						9.2	7.0	6.0

Note: Quarterly numbers are standalone and full year numbers are consolidated

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	Value
MARKET DATA (R: NABV.BO, B: NBVL IN)	
CMP	: INR 191
Target Price	: INR 290
52-week range (INR)	: 253 / 153
Share in issue (mn)	: 89.3
M cap (INR bn/USD mn)	: 17 / 308
Avg. Daily Vol. BSE/NSE ('000)	: 69.7

SHARE HOLDING PATTERN (%)

	Current	Q4FY12	Q3FY12
Promoters %	41.3	41.2	39.7
MF's, FI's & BKs	0.8	0.9	1.7
FII's	27.6	21.4	21.1
others	30.3	36.5	37.5
* Promoters pledged shares (% of share in issue)	:		NIL

PRICE PERFORMANCE (%)

	Stock	Nifty	EW Power Index
1 month	(2.2)	4.1	6.4
3 months	1.7	(2.6)	(4.3)
12 months	(4.8)	(5.0)	(0.2)

Shankar.K

+91 22 4040 7412
shankar.k@edelcap.com

Santosh Hiredesai

+91 22 6620 3027
santosh.hiredesai@edelcap.com

August 9, 2012

Table 1: SOTP valuation

Business segments	Method	INR /Sh
Existing Power Capacity (237MW)	DCF	99
Cash	FY13E Book Value	66
Sugar	Book Value	10
Ferro Alloy	4X EV/EBITDA	42
Orissa Power (64MW)	DCF	20
AP Imported Coal (150MW)	DCF	13
Coal - Zambia	DCF - implied \$3 EV/tonne of Reserve	40
Total SOTP		290

Source: Edelweiss research

Financial snapshot

(INR mn)

Year to March	Q1FY13	Q1FY12	% Change	Q4FY12	% Change	FY12	FY13E	FY14E
Net revenues	2,682	2,347	14.3	1,952	37.4	9,948	13,306	15,034
Total operating income	2,714	2,375	14.3	2,443	11.1	9,948	13,306	15,034
Staff costs	157	134	17.5	201	(21.5)	909	999	1,099
Cost of goods sold	1,491	1,307	14.1	932	59.9	5,564	6,838	7,395
Gross profit	572	698	(18.1)	252	127.0	2,861	2,808	2,810
Other expenses	484	480	0.8	600	(19.2)	2,646	2,990	3,773
Total expenditure	1,976	1,788	10.5	1,532	28.9	8,210	9,827	11,168
EBITDA	739	587	25.8	911	(18.9)	1,738	3,479	3,866
Other income	162	133	21.8	228	(28.8)	1,705	689	929
PBDIT	901	720	25.1	1,138	(20.9)	3,443	4,168	4,795
Depreciation	111	109	2.2	139	(20.0)	515	695	706
Interest	42	39	8.1	54	(23.1)	247	399	377
Profit before tax	748	572	30.6	945	(20.9)	2,682	3,074	3,712
Tax	97	57	69.3	221	(56.1)	688	615	742
Extraordinary items	-	-	-	-	-	523	-	-
Net profit	650	515	26.3	723	(10.1)	2,841	2,421	2,827
Adjustments	33	-	-	(72)	(146.5)	(991)	-	-
Net profit	684	515	32.7	652	4.9	1,850	2,421	2,827
No. of shares (mn)	89	76	-	89	-	89	89	89
Diluted EPS (INR)	7.7	6.7	13.6	7.3	4.9	20.7	27.1	31.7

As % of net revenues

COGS	54.9	55.0	-	38.2	-	55.9	51.4	49.2
Gross profit	21.1	29.4	-	10.3	-	28.8	21.1	18.7
Other expenditure	17.8	20.2	-	24.6	-	26.6	22.5	25.1
Total expenses	72.8	75.3	-	62.7	-	82.5	73.9	74.3
EBITDA	27.2	24.7	-	37.3	-	17.5	26.1	25.7
Adjusted net profit	25.2	21.7	-	26.7	-	18.6	18.2	18.8
Tax rate	13.0	10.0	-	23.4	-	25.6	20.0	20.0

Note: Quarterly numbers are standalone and full year numbers are consolidated

Change in Estimates

	FY13E			FY14E			Comments
	New	Old	% change	New	Old	% change	
Net Revenue	13,306	13,186	0.9	15,034	15,791	(4.8)	Revised average merchant price assumption for FY13 from INR4 to INR4.25/unit, delay in Orissa 64MW and reduced coal sale from Zambia in FY14 to 0.6 MT from 1 MT earlier.
EBITDA	3,479	3,235	7.5	3,866	4,134	(6.5)	
EBITDA Margin	26.1	24.5	-	25.7	26.2	-	
Core profit	2,459	2,264	8.6	2,970	3,178	(6.6)	
PAT Margin	18.5	17.2	-	19.8	20.1	-	
Capex	2,709	2,709	0.0	1,500	1,500	0.0	

Company Description

NVL has historically been a ferro alloy and sugar manufacturing company with captive power generation capacities to fulfill requirement of these businesses. However, the company has, over the past two years, shifted focus to power and coal mining. In FY11, bulk of the INR 3,055 mn PBIT in FY11 came from power sales (~40 MW captive sales and ~200 MW merchant sales).

Investment Theme

Power & Coal capex: NVL's power capacities will almost double to 450 MW by FY14 with addition of 64 MW in Orissa in FY13 and 150 MW in Andhra Pradesh (AP) by FY14. In Zambia, the company has acquired 65% stake in a coal mine with access to 60 mt reserves of high grade coal (GCV 6,500 kcal/kg) for sale in the open market and additional 60 mt thermal coal (GCV 4,500 kcal/kg) which is to be used for fueling a 300 MW power plant (to be set up and operated by NVL). The company expects to produce 0.40 mn tonnes of high grade coal in FY13 and 1 mtpa by FY15. NVL is targeting PBT margins of USD 10/tonne. The power plant is expected to achieve financial closure by mid FY13 and to be commissioned by FY16.

Ferro alloy capacity a hedge against falling merchant prices: Exposure to the ferro alloy price cycle has resulted in high volatility in NVL's PAT historically (FY05-09). However, with the company raking in almost all future profits from the power segment, PBT is expected to be relatively stable (FY11-13). Falling merchant rates will be partly compensated by steady coal earnings and rising other income from a strong cash position. In FY14, new power capacities of 150 MW will further boost earnings.

Key Risks

Correction in merchant prices and scarcity of coal: Since the company has maximum exposure to merchant power prices (i.e., short term power sales contracts of 3-6 months) any sharp correction in them will immediately impact profitability. We have assumed merchant rates falling to INR 4.25 / kWh in FY13 and INR 4 from FY14 onwards for our projections. Prices below these levels will be a risk to our earnings estimates. However, we expect NVL to participate in case-I bidding soon for incremental capacities to tie up a sizable portion through assured bid prices and reduce its exposure to market prices by FY13. The coal situation in India is worsening due to Coal India's production target reducing progressively, casting a shadow of doubt on availability of linkage coal for additional capacities. NVL's upcoming capacities have ~30% of their coal requirement through linkage while balance is contracted with existing washeries for washery rejects. Hence the risk lies in 30% of its incremental coal requirement.

Delay in power and coal mine capacity addition: A chunk of NVL's capacity is coming up by FY14/15. Its 64 MW Orissa plant is expected in FY13, valued at INR 20/share. Any delay in the commissioning of these plants will delay cash flows and hence impact earnings and valuations. The company expects to post 1 mtpa coal sales by FY15 (Zambia) at USD 10 / tonne PBT margin. We have factored 0.4 mt sales in FY13 from Zambia, growing to 1 mt by FY15. Any delay in this project and/or short fall in volumes and margin pose a risk to our estimates and valuations.

Financial Statements

Key Assumptions

Year to March		FY10	FY11	FY12	FY13E	FY14E
Macro -	GDP(Y-o-Y %)	8.4	8.4	6.5	6.4	7.0
	Inflation (Avg)	3.6	9.9	8.8	7.0	6.0
	Repo rate (exit rate)	5.0	6.8	8.5	7.3	6.8
	USD/INR (Avg)	47.4	45.6	47.9	53.5	50.0
Sector -	Merchant prices (INR/kWh)	5.2	4.5	4.0	4.0	4.0
Company -	Manganese alloy sold (t)	27,660	61,951	64,900	70,000	70,000
	Ferro chrome (t)	14,555	11,628	26,163	23,373	23,373
	Power Sale (MUs)	1,563	1,645	1,354	1,726	1,955
	Power avg realization (INR/kwh)	5.3	4.0	4.0	4.1	3.9

Income statement

(INR mn)

Year to March	FY10	FY11	FY12	FY13E	FY14E
Income from operations	11,742	10,905	9,948	13,306	15,034
Direct costs	4,917	5,909	5,564	6,838	7,395
Employee costs	685	709	909	999	1,099
Other Expenses	608	1,260	1,737	1,990	2,673
Total operating expenses	6,210	7,879	8,210	9,827	11,168
EBITDA	5,532	3,026	1,738	3,479	3,866
Depreciation & Amortization	447	471	515	695	706
EBIT	5,085	2,555	1,223	2,784	3,160
Other income	270	1,378	1,705	689	929
Interest expenses	296	413	247	399	377
Profit before tax	5,059	3,521	2,682	3,074	3,712
Provision for tax	124	200	688	615	742
Net profit	4,935	3,321	1,994	2,459	2,970
Extraordinary income/ (loss)	-	(305)	(468)	-	-
Profit after minority interest	4,935	2,885	1,850	2,421	2,827
Shares outstanding (mn)	76	76	89	89	89
Diluted EPS (INR)	64.7	37.7	20.7	27.1	31.7
Dividend per share (INR)	8.7	8.2	8.2	8.2	8.2
Dividend payout (%)	13.4	21.7	39.5	30.2	25.9

Common size metrics - as % of net revenues

Year to March	FY10	FY11	FY12	FY13E	FY14E
Operating expenses	52.9	72.2	82.5	73.9	74.3
EBITDA margins	47.1	27.8	17.5	26.1	25.7
Net profit margins	42.0	30.5	20.0	18.5	19.8

Growth ratios (%)

Year to March	FY10	FY11	FY12	FY13E	FY14E
Rev. growth (%)	(12.1)	(7.1)	(8.8)	33.8	13.0
EBITDA	(8.3)	(45.3)	(42.6)	100.2	11.1
Net profit	(5.2)	(32.7)	(40.0)	23.3	20.8
EPS growth (%)	(5.3)	(35.5)	(37.8)	4.5	16.7

Balance sheet					
(INR mn)					
As on 31st March	FY10	FY11	FY12E	FY13E	FY14E
Equity capital	153	153	179	179	179
Reserves & surplus	15,854	18,750	21,910	23,637	25,876
Shareholders funds	16,007	18,903	22,088	23,816	26,055
Minority interest (BS)	2	(1,006)	(1,034)	(996)	(853)
Secured loans	2,530	4,693	6,667	7,513	7,513
Unsecured loans	1,408	2,268	8	8	8
Borrowings	3,938	6,960	6,675	7,522	7,522
Deferred tax (net)	202	206	347	347	347
Sources of funds	20,149	25,063	28,077	30,689	33,070
Gross block	9,773	12,276	10,444	15,659	23,159
Depreciation	2,427	2,882	3,397	4,092	4,798
Net block	7,346	9,394	7,048	11,567	18,361
Capital work in progress	1,295	3,010	9,776	7,270	1,270
Total fixed assets	8,641	12,405	16,823	18,837	19,631
Investments	975	1,986	1,986	1,986	1,986
Inventories	2,806	2,974	3,099	3,710	4,216
Sundry debtors	913	763	696	931	1,051
Cash and equivalents	6,978	6,728	5,407	5,855	7,391
Loans and advances	2,709	3,592	3,592	3,592	3,592
Total current assets	13,406	14,057	12,794	14,088	16,251
Sundry creditors and others	2,873	3,385	3,527	4,222	4,798
Total current liabilities & provisions	2,873	3,385	3,527	4,222	4,798
Net current assets	10,533	10,672	9,267	9,865	11,452
Uses of funds	20,149	25,063	28,077	30,689	33,070
Book value per share (INR)	209.7	247.3	247.4	266.7	291.8

Free cash flow					
(INR mn)					
Year to March	FY10	FY11	FY12E	FY13E	FY14E
Net profit	4,935	2,885	1,850	2,421	2,827
Depreciation	447	471	515	695	706
Others	(481)	(1,150)	(650)	(252)	(409)
Gross cash flow	4,901	2,205	1,714	2,864	3,123
Less: Changes in WC	(1,308)	389	(84)	150	51
Operating cash flow	6,209	1,816	1,799	2,714	3,073
Less: Capex	1,832	4,219	4,933	2,709	1,500
Free cash flow	4,377	(2,403)	(3,135)	5	1,573

Cash flow metrics					
Year to March	FY10	FY11	FY12E	FY13E	FY14E
Operating cash flow	6,209	1,816	1,799	2,714	3,073
Investing cash flow	(3,006)	(2,306)	(3,228)	(2,020)	(571)
Financing cash flow	(1,138)	1,982	109	(246)	(966)
Net cash flow	2,065	1,492	(1,321)	448	1,536
Capex	(1,832)	(4,219)	(4,933)	(2,709)	(1,500)
Dividends paid	(661)	(626)	(731)	(731)	(731)

Profitability & efficiency ratios

Year to March	FY10	FY11	FY12E	FY13E	FY14E
ROAE (%)	35.2	18.3	11.3	10.5	11.3
ROACE (%)	28.5	12.1	5.0	10.2	10.6
Debtors days	29	28	27	22	24
Current ratio	4.7	4.2	3.6	3.3	3.4
Debt/EBITDA	0.7	2.3	3.8	2.2	1.9
Fixed asset turnover (x)	1.6	1.3	1.2	1.4	1.0
Average working capital turnover	2.8	2.9	2.5	3.4	3.7
Average capital employed turnover (x)	0.6	0.5	0.4	0.5	0.5
Debt/Equity	0.2	0.4	0.3	0.3	0.3
Adjusted debt/equity	0.2	0.4	0.3	0.3	0.3

Operating ratios

Year to March	FY10	FY11	FY12E	FY13E	FY14E
Total asset turnover	0.6	0.5	0.4	0.5	0.5
Fixed asset turnover	1.5	1.0	0.7	0.7	0.8
Equity turnover	0.8	0.6	0.5	0.6	0.6

Valuation parameters

Year to March	FY10	FY11	FY12E	FY13E	FY14E
Diluted EPS (INR)	64.7	37.7	20.7	27.1	31.7
Y-o-Y growth (%)	(5.3)	(41.6)	(45.1)	30.9	16.7
CEPS (INR)	70.5	47.9	31.7	34.9	39.6
Diluted PE (x)	3.0	5.1	9.2	7.0	6.0
Price/BV (x)	0.9	0.8	0.8	0.7	0.7
EV/Sales (x)	1.0	1.3	1.7	1.3	1.1
EV/EBITDA (x)	1.9	3.9	8.8	4.5	3.7
Dividend yield (%)	4.5	4.3	4.3	4.3	4.3

Peer comparison valuation

	Price	Market cap (INR mn)	P/BV(x)		EV/EBITDA(x)		RoE (%)	
			2013E	2014E	2013E	2014E	2013E	2014E
KSK Energy	68	25,339	0.7	0.7	11.1	6.2	6.2	7.2
JSW Energy	52	85,775	1.4	1.2	6.5	5.1	11.2	13.6
Average			0.9	0.9	7.4	5.0	9.3	10.7
Nava Bharat Ventures	191	17,094	0.7	0.7	4.5	3.7	10.5	11.3

Source: Bloomberg, Edelweiss research

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

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

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

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

Adani Power, Adani Enterprises, Adani Ports and Special Economic Zone, CESC, GMR Infrastructure, GVK Power and Infra, JSW Energy, Lanco Infratech, Marg, Navabharat Ventures, NTPC, PTC India, Power Grid Corp of India, Reliance Infrastructure, Tata Power Co

Recent Research

Date	Company	Title	Price (INR)	Recos
09-Aug-12	Tata Power	On the right path; <i>Result Update</i>	101	Buy
08-Aug-12	GVK Power & Infrastructure	Balance sheet concerns come to fore; <i>Result Update</i>	13	Hold
06-Aug-12	Adani Power	Triad of issues impacts earnings; <i>Result Update</i>	43	Reduce

Distribution of Ratings / Market Cap

Edelweiss Research Coverage Universe

	Buy	Hold	Reduce	Total
Rating Distribution*	104	60	18	183
* 1 stocks under review				
	> 50bn	Between 10bn and 50 bn	< 10bn	
Market Cap (INR)	114	58	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

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 documents 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. Edelweiss might be engaged or may seek to do business with companies covered in its research. As a result, investors should be aware that the firm may have a conflict of interest that could affect the objectivity of this report. Investors should take informed decision and use this document for assistance only and must not alone be taken as the basis for their investment decision.

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, Marco Polo Securities Inc. ("Marco Polo").

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

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

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