



# India Fixed Income Investing for Foreign Investors

*April 2017*



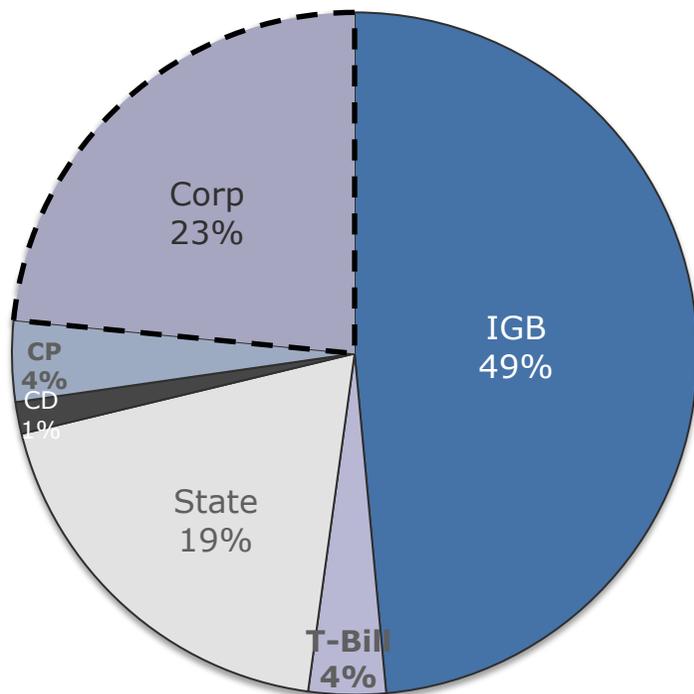


# INR Debt Product Landscape

# Indian Fixed Income Market Overview



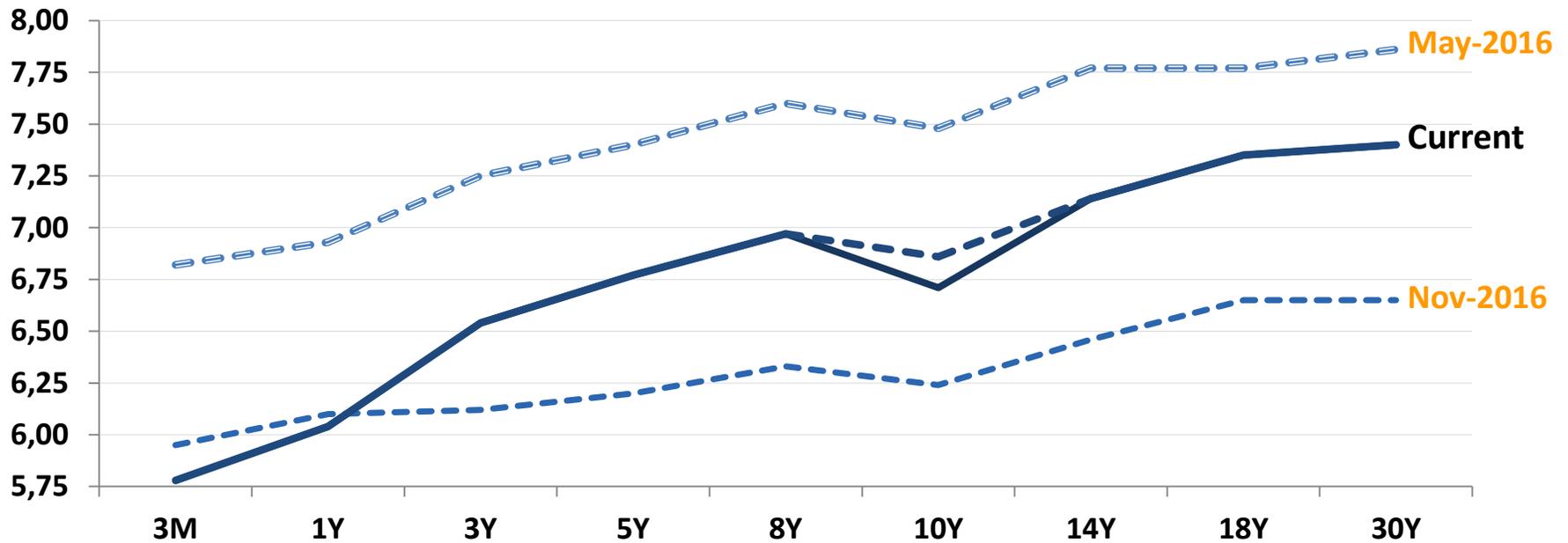
Total INR Denominated Bonds – USD 1.5 tn



Outstanding (USD bn)	
G-Sec	725
T-Bill	55
State*	285
CD	22
CP	57
<b>Corp Bonds</b>	<b>350</b>
<b>Total</b>	<b>1500</b>

- IGBs & T-Bills make up 53% of local currency bonds
- As yields continue to drop, corporate bonds will receive greater attention in the quest for higher spread
- **Expect corporate bond outstanding to grow to at least USD 500 bn by 2020**

# Sovereign Debt Yield Curve



- Curve has steepened after policy review
- FPI preference has also moved to the 5-10Y segment
- Spread of liquid off-the-run options had widened initially, now contracted due to buying momentum

# Corporate Debt Yield Curve – Quasi-Sovereign



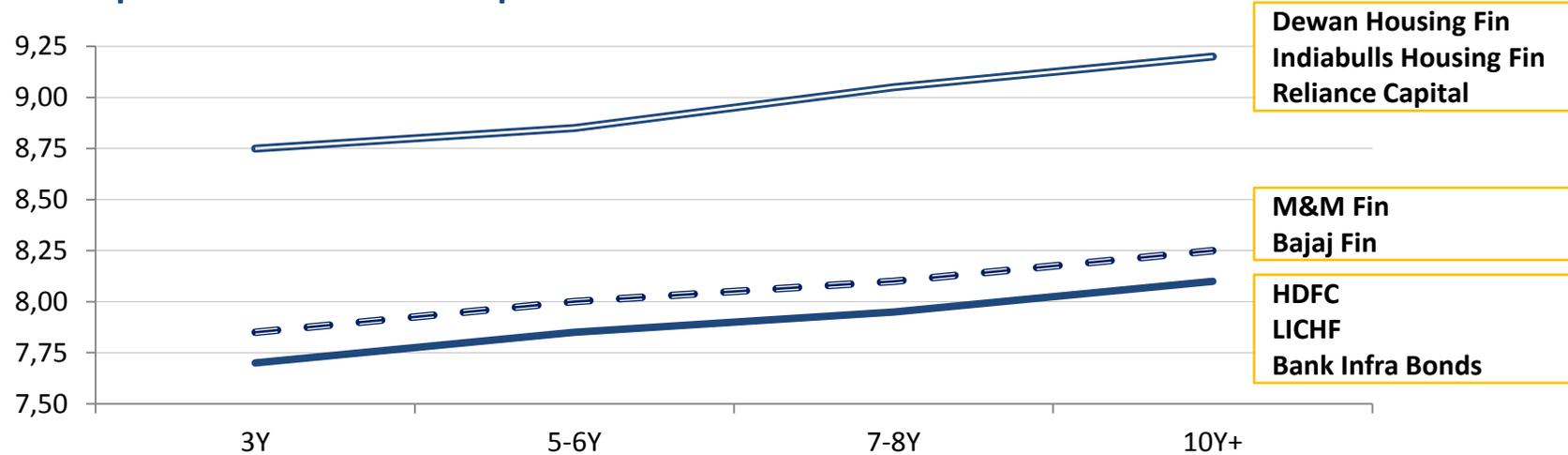
Issuer	3Y	5Y	10Y	10Y+
EXIM Bank	7.15	7.40	7.62	7.65
Nuclear Power Corp	7.15	7.44	7.64	7.70
Power Grid Corp	7.17	7.44	7.64	7.67
Rural Elec Corp	7.20	7.50	7.72	7.75
Power Finance Corp	7.25	7.54	7.75	7.77
Indian Railway Fin Corp	7.14	7.38	7.62	7.65
National Thermal Power Corp	7.17	7.42	7.65	7.70
Steel Auth of India	7.85	8.10	8.15	-

- Domestic appetite in 3-5Y segment
- Curve steepens in 5Y to 10Y portion

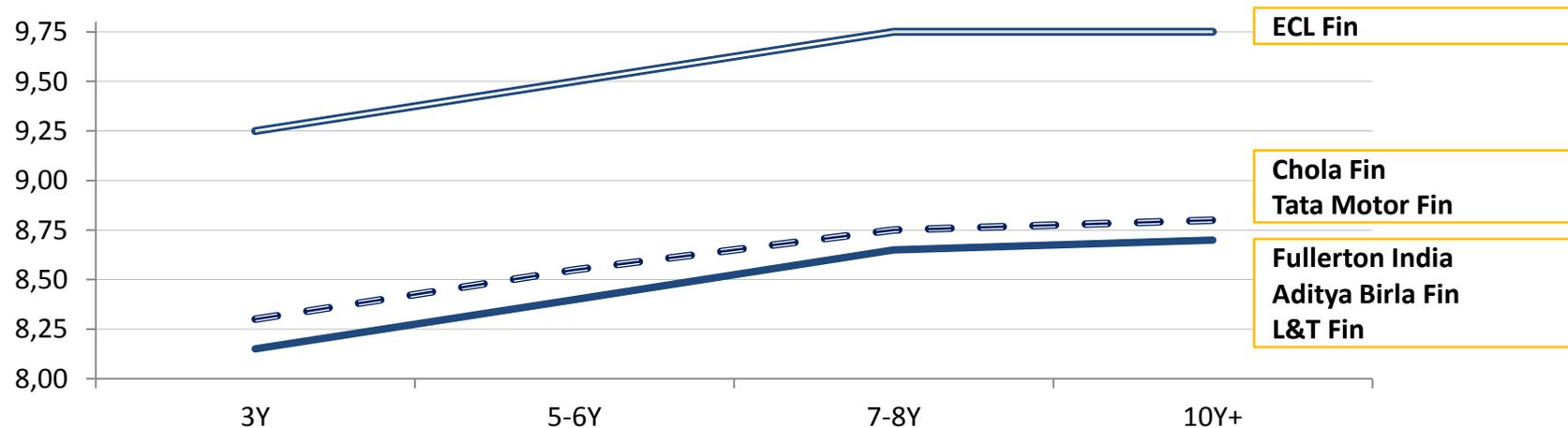
# Corporate Debt Yield Curve – Private Sector



## Sizable Spread within the AAA space



## AA+, AA Yields



# Offshore Rupee Bonds [*Masala Bonds*]



Parameter	Criteria
<b>Denomination</b>	INR denominated – offers local currency exposure for investors
<b>Settlement Currency</b>	Subscription, coupon payments & redemption may be foreign currency settled
<b>Instrument</b>	Plain vanilla bonds
<b>Borrowers</b>	All Indian corporates (public & private sector) permitted to issue such bonds
<b>Investors</b>	Any investor from a FATF compliant jurisdiction
<b>Maturity</b>	Minimum of 3 years (put / call not permitted within 3 years)
<b>All-in-Cost</b>	Commensurate with prevailing market conditions
<b>Issue Size</b>	INR 50 bn per year under automatic route. RBI approval required beyond this limit
<b>Withholding Tax</b>	5% – On par with onshore bonds and other ECB borrowing



# Masala Bonds [contd.]



- After a slow start, investor appetite picking up for offshore rupee bonds
- Issuers lining up with non-deal roadshows to tap this market
- Completed deals:

Issuer	Size	Tenor
HDFC – Tranche I	INR 30 bn	3Y 1m
NTPC	INR 20 bn	5Y
Adani Transmission	INR 5 bn	5Y
HDFC – Tranche II	INR 20 bn	4Y
Indiabulls Housing Finance	INR 13.3 bn	3Y 1m
Fullerton India	INR 5 bn	3Y 1m
ECL Finance	INR 5 bn	3Y 2m
Shriram Transport Finance	INR 11.5 bn	3Y 1m
HDFC – Tranche III	INR 33 bn	3Y 1m

# Cash Settled Interest Rate Futures [Bond Futures]



Parameter	Specification
<b>Contract</b>	Futures contracts based on <ul style="list-style-type: none"> <li>• IGB 6.84, 2022</li> <li>• IGB 7.68, 2023</li> <li>• IGB 7.59, 2026</li> <li>• <b>IGB 6.97, 2026</b></li> <li>• IGB 7.88, 2030</li> </ul>
<b>Trading Hours</b>	Monday to Friday 9:00 A.M. to 05:00 P.M. IST
<b>Expiry Day</b>	Last Thursday of the month
<b>Contract Cycle</b>	Monthly - 3 serial months, Current, Mid & Far months Quarterly – 3 serial quarters
<b>Contract Size</b>	Face Value per contract = INR 200,000 equivalent to 2000 bonds with face value of INR 100 each
<b>Price Quotation</b>	Similar to the quoted price of underlying GOI security
<b>Contract Value</b>	Quoted price * 2000

## Salient Features

- Cash settled, exchange traded
- Single traded liquid bond is the benchmark as against a notional basket in the earlier avatar
- Underlying is the most liquid instrument – hence no pricing uncertainty
- Low margin requirement (< 4%)

## Strategies

- View based
- Arbitrage
- Portfolio Hedging

## Trading Statistics

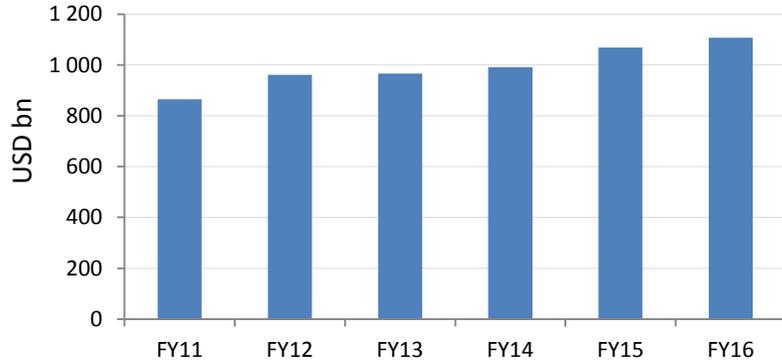
- Average Daily Trading Volume: INR 15 bn
- Current Open Interest: INR 45 bn

# Market Outstanding



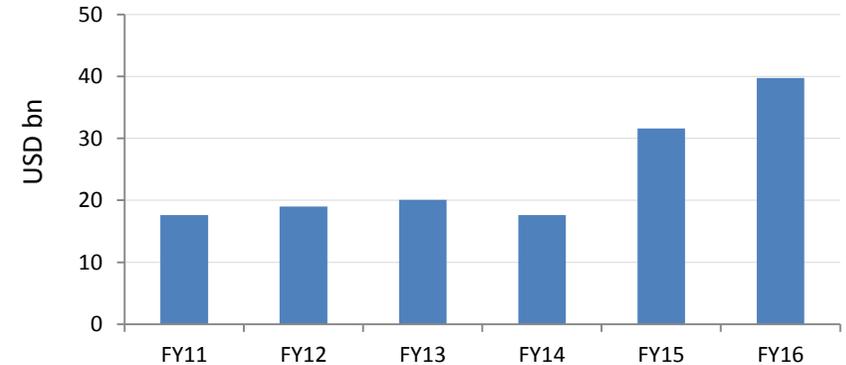
## Bank Credit - Outstanding

Source: RBI



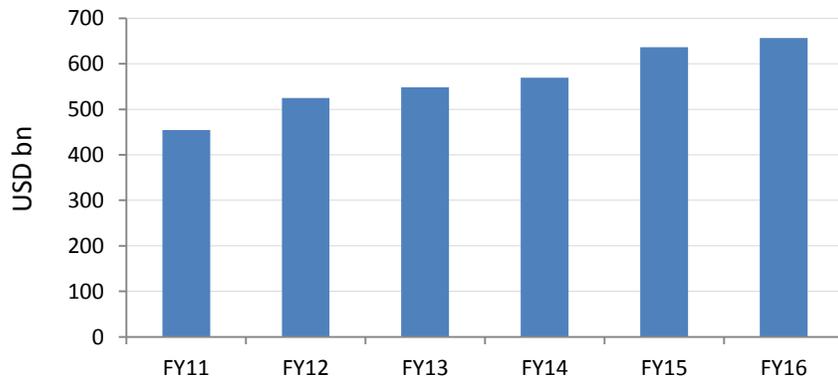
## Commercial Paper - Outstanding

Source: RBI



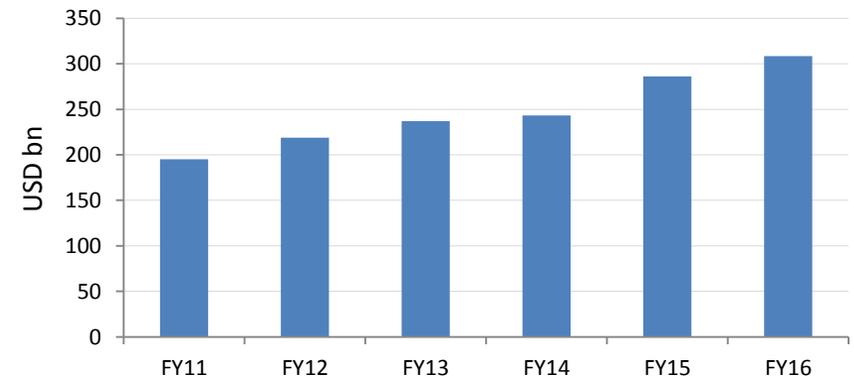
## Government Securities – Outstanding

Source: RBI



## Corporate Debt – Outstanding

Source: SEBI

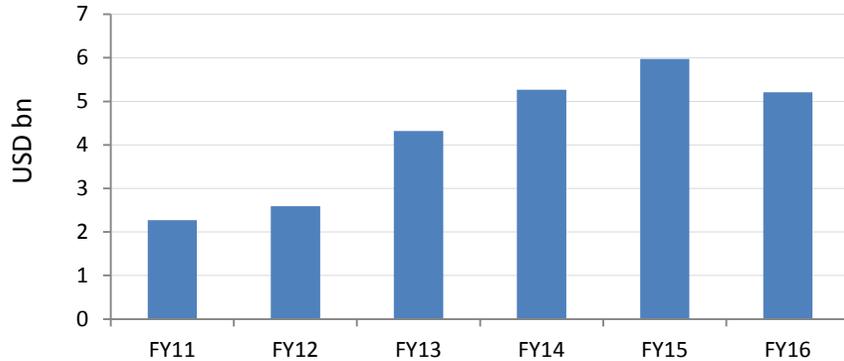


# Market Activity



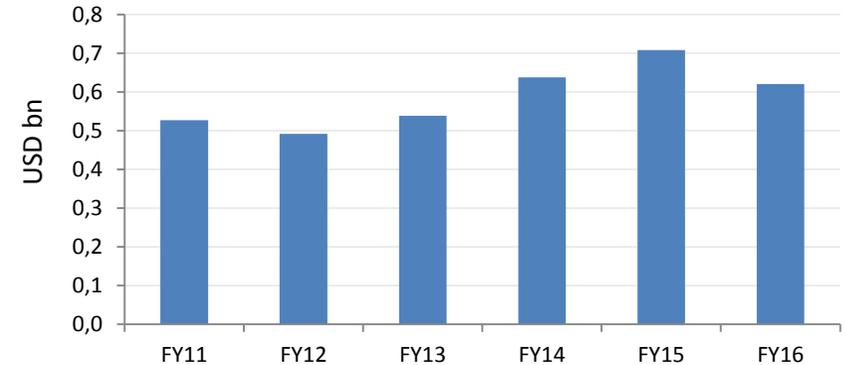
## Government Securities – Secondary Market Transactions

Average daily traded volume in G-Secs, Source: RBI



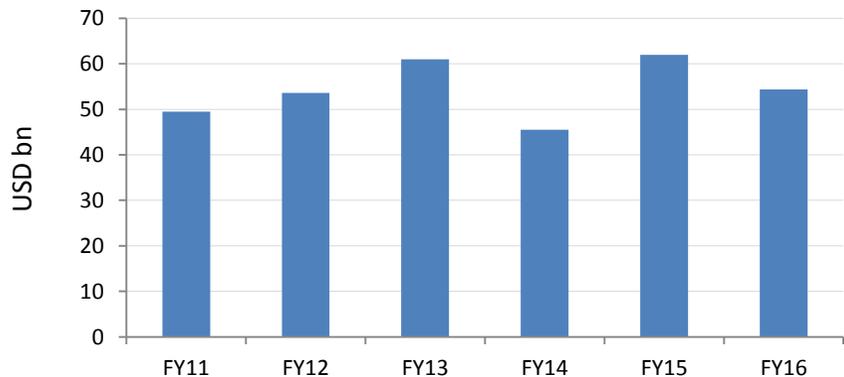
## Corporate Debt – Secondary Market Transactions

Average daily traded volume in Corp Debt, reported on NSE & BSE



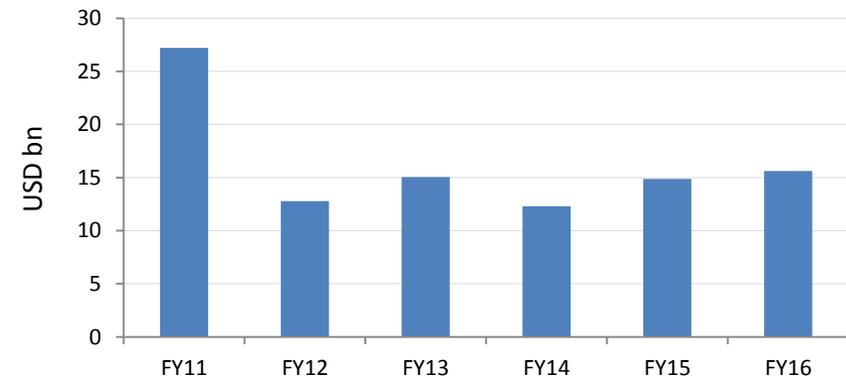
## Corporate Debt – Primary Market Issuance

Private Placement + Public Issue, Source: Prime Database



## Equity – Primary Market Issuance

Source: CMIE





# **Regulations, Limits & Trends in FPI Debt Investments**

# Overview



## Who can invest?

- Any investor registered with SEBI as Foreign Portfolio Investor (FPI) can invest in the Indian Fixed Income space

## How can they invest?

- FPIs can invest “on-tap” in Government & Corporate bonds (when limit utilization below 90%)
- Appoint a local custodian bank to settle the trade
- **Settlement Cycles: IGB – T+2, Corp Bonds – T+0, T+1 or T+2**

## Eligible Instruments

- Government Securities (dated securities with residual maturity > 3 years)
- Listed Non Convertible Debentures & bonds issued by Indian Companies (residual maturity > 3 years)
- Units of Debt-oriented mutual funds – except Money Market MFs

## Taxation

- Interest and Capital Gains are subject to taxation
- Base tax rates are as follows:
  - Coupon: **5% withholding tax**, for interest accruing between Jun 2013 and Jun 2020 (eligible only if coupon less than SBI base rate + 500 bps)
  - Short term capital gains: 30%
  - Long term capital gains: 10%
- Favorable tax rates will override the above rate in case of applicable tax treaty with the country of domicile

# Investment Limits for FPIs



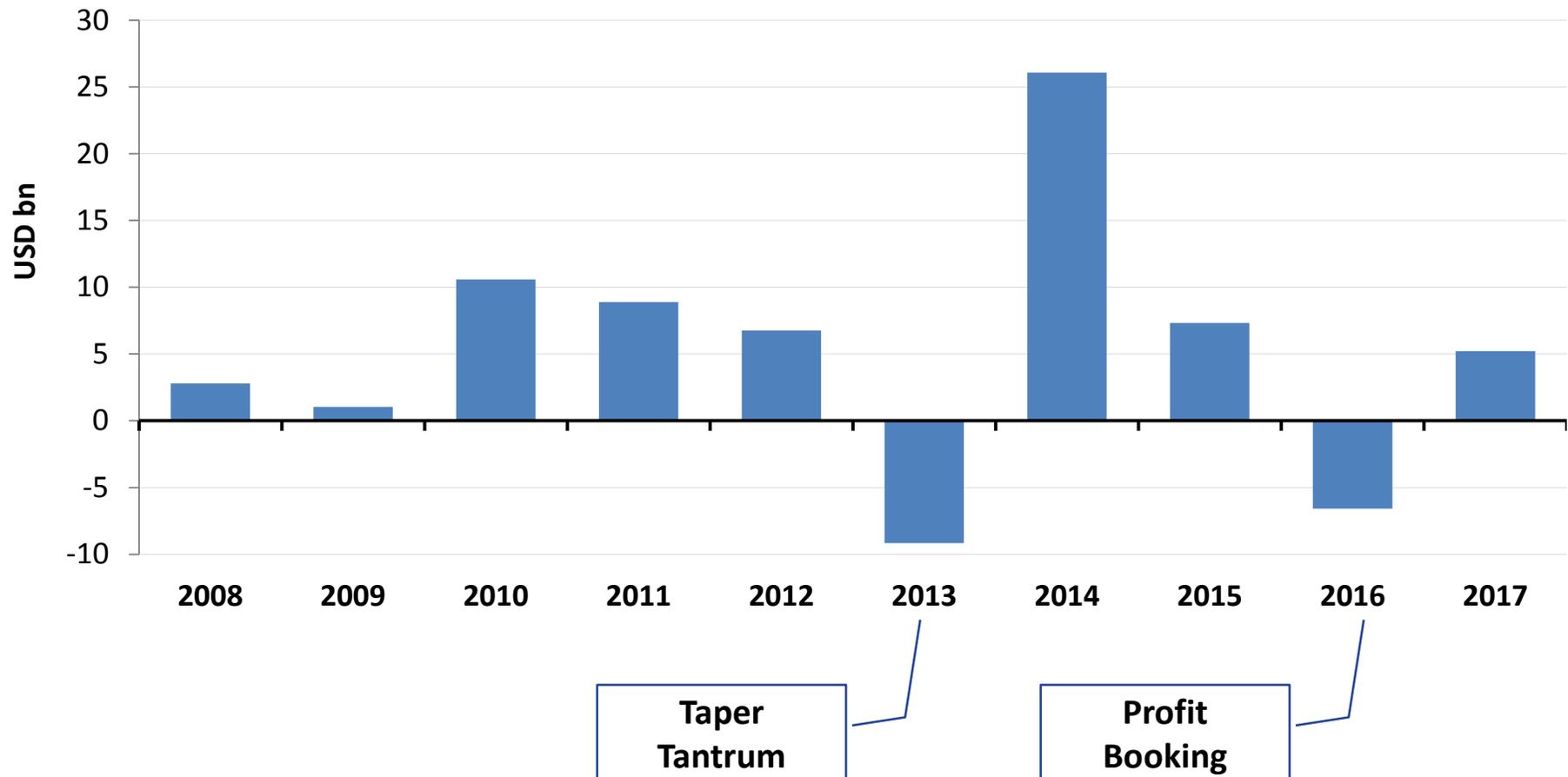
Category	IGB [All FPIs]
<b>Current Limit</b> (INR bn)	<b>1,520</b>
<b>Current Investment</b> (INR bn)	<b>1,230</b>
<b>% Free Limit</b>	<b>16%</b>

- **Residual maturity to be 3 years or higher at the time of investment in all categories**
- Limits to be announced / fixed in rupee terms
- Limits will be increased to 5% of outstanding IGB stock by Mar-2018 in phases
- Increase in limits will be announced half yearly in March & Sept and released every quarter
- **Limits available on-tap till 90% of limit is utilized; Auction mechanism to be followed post 90% utilization**
- **Unutilized limits under long-term FPI category to be transferred to generic FPI category at end of Mar-2017**

# Foreign Investor Inflows into INR Bonds



Net Debt Flows into India (Source: SEBI)



# Key Trends to Look Forward To



- Majority of foreign investor corporate bond investment is in quasi-sovereign names and HDFC / LICHF
- Incremental inquiries on top rated NBFCs / mortgage finance companies – Inflow is picking up
- As US Fed rate hikes gain momentum and EM yield spreads narrow, shift along the credit curve is likely
- Due diligence & credit analysis will be crucial
- Appetite in form of Masala bonds (offshore rupee bonds) also anticipated despite liquidity concerns
- Access to a wider pool of foreign capital → Diversified investor base
- **If Indian macro remains stable, financial services companies will be leading issuers and drivers of liquidity in both onshore and offshore markets**

# FPI Checklist



**FII registration with SEBI (Securities and Exchange Board of India)**



**Appointment of custodian (for trade settlement)**



**Investor registration with clearing houses of exchanges (for Corp Bonds) & CSGL  
(for IGBs)**



**Appointment of intermediaries / counterparties for trade execution**



**KYC formalities with counterparties**



# Edelweiss Financial Services – An Overview



## CREDIT BUSINESSES

Present across the spectrum of

### Wholesale

- Structured Collateralized Credit
- Real Estate
- Distressed Assets Credit

### Retail

- Mortgages
- SME & Agri-Financing
- LAS & others

## NON CREDIT BUSINESSES

Strong product franchise serving diverse client needs

- Capital Markets
- Wealth Management
- Asset Management
- Balance Sheet Management Unit
- Agri Services & Others

## INSURANCE

One of the fastest growing Life Insurance companies

## One of the top 5 Diversified Financial Services Firms

On Balance Sheet Assets	~ 321 bn
Assets under Management	~ 321 bn
Assets under Advice	~ 295 bn
# of clients	~887,000
# of employees	~6,227
# of offices	237
# of client touch points	4,500

Data as of Mar 31, 2016

## Key Institutional Investors



BIH SA

SAIF Advisors



جهاز أبوظبي للاستثمار  
Abu Dhabi Investment Authority

# Comprehensive Research Support



## Periodic Updates

- \* Daily report, briefly covering day's activity along with key data points
- \* Monetary Policy Preview and Review
- \* IRF Weekly Tracker

## Analytic Update

- \* Weekly Statistical Supplement (WSS) to understand changing deposit, lending and investment pattern of the banking system

## Special Reports

- \* Liquidity Jigsaw - Analysis of the systemic liquidity deficit drivers
- \* State Development Loans – A trend analysis
- \* Tax-free Bonds – Landscape & Outlook
- \* US Fed Rate Hike – Timing, Implications, Hangover
- \* FI Debt Flow Monitor
- \* G-Sec Auctions: Key Influencers

## Macroeconomic Research

- \* Macro data analysis - Inflation, IIP, GDP, Budget

### BOND VECTOR

Fixed Income Daily  
India Fixed Income Research

Short covering, value buying help stem the free-fall of Gilt; LAF plunges

- Markets did not bode further ground at the open as yields were more or less at yesterday's level, in the absence of any major cue and ahead of an extended trading break, short-covering led to trimming of positions and yields headed south.
- In addition, there were instances of value buying as yields are at attractive levels after the recent fall and as the markets begin to factor in rate cuts at RBI's upcoming policy meet.
- The 10Y benchmark rallied 5 bps from yesterday's level to end the session at 8.65%. Over 60% of volume also picked up after a series of below par activity sessions.
- The OS market which was relatively insulated amidst yesterday's panic had a strong session today as swap rates came off by more than 5 bps across tenors. This is likely fallout of the easing liquidity trajectory and anticipation of RBI rate action. The 1Y OS slipped at 7.38-0.04% vs 8.02-0.03% and the 5Y swap traded at 7.54-7.00% vs against 7.60-7.60%.

Non-SLR Market  
ABFI placed April-End maturity CP worth INR 500mn @ 9.00%. Shriram Equipment Finance Limited placed June maturity CP worth INR 250mn @ 10.40%. Sundaram Finance placed 1 month CP worth INR 500mn @ 9.50%.

Money Market  
The liquidity situation has finally shown signs of moderating with the LAF borrowing coming off to INR 838bn (across 2 windows combined) – this is largely on expected lines with year-end stable easing levels. The call rates also softened in tandem, with the 5-day borrowing WAR settled at 9.26% vs 9.35%.

India Yield Curve – G Sec & OS

Liquidity Situation – LAF borrowing nosedives to INR 838bn

Yield Curve	4-Apr	3-Apr	Change
5Ym	8.00%	8.75%	-4
10Ym	8.75%	8.75%	0
15Ym	8.75%	8.75%	0
20Ym	8.75%	8.75%	0
25Ym	8.75%	8.75%	0
30Ym	8.75%	8.75%	0
35Ym	8.75%	8.75%	0
40Ym	8.75%	8.75%	0
45Ym	8.75%	8.75%	0
50Ym	8.75%	8.75%	0
55Ym	8.75%	8.75%	0
60Ym	8.75%	8.75%	0
65Ym	8.75%	8.75%	0
70Ym	8.75%	8.75%	0
75Ym	8.75%	8.75%	0
80Ym	8.75%	8.75%	0
85Ym	8.75%	8.75%	0
90Ym	8.75%	8.75%	0
95Ym	8.75%	8.75%	0
100Ym	8.75%	8.75%	0

Other Indicators

4-Apr	3-Apr	Change	
Crude (USD/bbl)	124.1	124.1	-0.8%
Gold (USD/ounce)	1833	1846	-1.4%
US10Y	3.11	3.07	-0.8%
US3M	0.42	0.42	0.0%
US1Y	0.33	0.33	0.0%
US2Y	0.42	0.42	0.0%
US5Y	0.65	0.65	0.0%
US10Y	3.11	3.07	-0.8%
US30Y	4.42	4.42	0.0%
US100Y	6.42	6.42	0.0%
US200Y	8.42	8.42	0.0%
US500Y	10.42	10.42	0.0%
US1000Y	12.42	12.42	0.0%
US2000Y	14.42	14.42	0.0%
US5000Y	16.42	16.42	0.0%
US10000Y	18.42	18.42	0.0%

Edelweiss  
Ideas create, values protect

Edelweiss Securities Limited

### STATE DEVELOPMENT LOANS

A Trend Analysis  
India Fixed Income Research | December 2013

Edelweiss  
Ideas create, values protect

Edelweiss Securities Limited

### MONETARY POLICY PREVIEW

Hawkishness might translate into another repo rate hike  
India Fixed Income Research

The latest round of inflation data points leaves little doubt as to the tone of the RBI at the upcoming policy review. The uptick in both wholesale and retail gauges is likely to form the cornerstone of the review and might even translate into a 25bps repo rate hike. The RBI has been clear in its guidance that anchoring inflation and inflationary expectations is top priority and there is no reason to waver from this stance. As with the last review, the actions are likely to be dual targeted with the rate hike being accompanied by further easing of the liquidity measures. One of the most probable actions on this front is a 25 bps reduction in MSF borrowing rate to 8.75%, thereby normalizing the spread between LAF and MSF rates to 100bps. The recovery in the repo rate in September and stability therein has enabled the RBI to reverse part of the extraordinary measures and it is expected to continue with the reversal over the next couple of months in the absence of any shocks. Release of the LAF borrowing limit of 0.5% of NDI, is one of these steps but it has a lower probability of being undertaken at this review.

The RBI did not have to resort to incremental interest rate defense to tackle the currency volatility as the initial set of measures combined with import curbs have proved successful. However, the monetary easing trajectory that was set in the first half of 2013 has been abruptly halted and we are facing a possible extended tightening regime. Elevated retail inflation despite a good monsoon will be the primary concern and hence the RBI might be prompted to tackle the issue with a second successive rate cut. Even if the rate is kept on hold at this review, we expect rate hikes totaling 25-50 bps through the rest of this fiscal and resumption of monetary easing might have to wait till the beginning of the next fiscal, at the earliest.

No respite from rising food prices: Trade deficit trend continuing  
Although growth has been an unrelenting downward trend, monetary policy recognized the need to act earlier in the year, persistently high inflation will continue to garner most of the policy focus in the near term. On the other hand, the positive trend to have emerged of late in the sharp dip in imports, particularly gold, which will result in a highly improved current account deficit as compared to earlier fees. The currency might also be supported around current levels due to this as well as the possibility of US Fed tapering being delayed to March next year. Hence the RBI might make use of this interest to tackle inflationary pressures via its monetary policy guidance.

Money market tightness eases significantly: Mid to long term yields in narrow range  
The yield curve has flattened in line with the RBI actions as the short end of the curve saw a sharp correction in response to the liquidity measures. The overnight rates have responded to the MSF borrowing rate reduction while overall liquidity tightness has been assuaged by OMO buyback and the offering of 774-day term repo. Conversely, the repo rate hike and anticipation of further tightening has led to a rise in the longer term yields. However trading has been largely range bound as a stable repo, lifting of the US budget impasse and delayed tapering helped improve some of the inflation related weak sentiment. The market is expecting a hawkish guidance by the RBI and a repo rate hike is announced, it can impart further bearishness, pushing yields by 10-15 bps.

Edelweiss  
Ideas create, values protect

Edelweiss Securities Limited

### INFLATION

Manufacturing & core inflation below 6%; Food inflation higher as base effect recedes  
India Fixed Income Research

Edelweiss  
Ideas create, values protect

WPI inflation for the month of February was 6.55% 'yoy', slightly ahead of the consensus estimate of 6.7% and higher than previous month's 6.53%. However, the breakdown of the data makes for pleasant reading as core and manufacturing inflation softened further to below 6%, now almost 1.5% below RBI's comfort level of 7%. This would provide the required buffer in case inflation is expected to bounce as a result of the imported component from higher crude prices as well as any near-term fuel price hike.

Given that the growth indicators are displaying fluctuating trends of late, stable inflation will be the key guide for the RBI in timing monetary policy action. Brent crude has stayed over USD 120/bbl since mid-Feb [average level of USD 125 in March], and if the March inflation number also stays soft in spite of elevated crude, RBI might get the conviction to begin rate cuts in the April review.

Headline inflation shows first uptick in 5 months  
Inflation which had steadily declined from 10% in Sep to 6.55% in Jan inched up in February primarily on account of rising base effect in food inflation. As expected, primary articles and food inflation have moved back above 6% (6.3% and 6% respectively) and should now stabilize in the 6-7% range. Fuel inflation has come down from 14.2% last month to 12.1%. The headline number is expected to stay around the 7% mark in the near term with upward pressure likely to come in from the rising import bill and if the government decides to hike fuel prices.

Core & manufacturing inflation dip to more comfortable levels  
The lagged effect of monetary tightening and the ripple appreciation in Jan & Feb have helped in controlling the closely watched components of core inflation. Core inflation (non-food manufacturing) has come off to 5.7% 'yoy' vs 6.7% in Dec and manufacturing inflation is at 5.2% vs 6.3%. Higher crude prices and any hike in domestic fuel prices can push up these numbers, however the fact that the current reading is quite in control means that only a significant shock can foil the near term inflation trajectory. The central bank should gain assurance from the February data and a reading on similar lines for March can provide the trigger to begin rate action as early as the April policy review.

Policy implications and near term yield impact  
The bond markets have been in a cautious to nervous mood of late and reacted quite negatively to the recent positive surprise in CPI. Hence, one rate might be delayed. The inflation release on the other hand has been cheered by the market and yields have almost spontaneously rallied by 10bps. We believe this is a one-off reaction as attention should soon shift back to the RBI's commentary in the policy review tomorrow (no rate action is expected) and a realistic fiscal consolidation effort in the Union Budget on Friday. If there are not any off current market expectations, gits should face favorably and pave the issues of last couple of weeks, backed by the underlying inflation trend and the investment demand.

Edelweiss  
Ideas create, values protect

Edelweiss Securities Limited

# Thank You

---



For any further details you may contact us at:

## **Ajay Manglunia – Head Fixed Income Markets**

Contact - +91-22-6623 3343

Email – [ajay.manglunia@edelweissfin.com](mailto:ajay.manglunia@edelweissfin.com)

## **Jagdeep Kannarath – Fixed Income Research & FII Sales**

Contact - +91-22-6620 3083

Email – [jagdeep.kannarath@edelweissfin.com](mailto:jagdeep.kannarath@edelweissfin.com)

## **Prithwiraj Dutta – Fixed Income Research & FII Sales**

Contact - +91-22-6620 3170

Email – [prithwiraj.dutta@edelweissfin.com](mailto:prithwiraj.dutta@edelweissfin.com)

## **Achala Jethmalani – Economist**

Contact - +91-22-4088 6233

Email – [achala.jethmalani@edelweissfin.com](mailto:achala.jethmalani@edelweissfin.com)

# 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](http://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.

# Disclaimer



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](http://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.