

BGR Energy

BSE SENSEX	S&P CNX
17,707	5,362
Bloomberg	BGRL IN
Equity Shares (m)	72.0
52-Week Range (INR)	588/173
1,6,12 Rel. Perf. (%)	-19/-34/-54
M.Cap. (INR b)	17.7
M.Cap. (USD b)	0.4

CMP: INR246

TP: INR208

Neutral

Year End	Net Sales (INR M)	PAT (INR M)	EPS (INR)	EPS GR (%)	P/E (X)	P/BV (X)	RoE (%)	RoCE (%)	EV/Sales	EV/EBITDA
03/10A	30,779	2,016	28.0	74.2	-	-	31.7	15.7	-	-
03/11A	47,632	3,226	44.7	59.7	5.5	1.9	38.9	16.8	0.4	3.8
03/12E	34,289	2,115	29.3	-34.4	8.4	1.6	20.8	9.9	0.8	5.8
03/13E	38,959	1,874	26.0	-11.4	9.5	1.5	16.4	7.7	0.8	6.8

- 3QFY12 performance marginally better than expected:** BGR Energy (BGRL) reported revenue of INR8b (down 36% YoY) for 3QFY12, marginally above our estimate of INR7.7b. PAT declined 38% YoY to INR548m, higher than our estimate of INR330m. EBITDA margin expanded 460bp YoY to 16.3%, ahead of our estimate of 11.6%, which helped limit the fall in PAT. However, interest cost is showing a rising trend (up 75% YoY in absolute terms; up 440bp YoY as a percentage of sales), partially offsetting the positive impact of higher EBITDA margin. Order book stands at ~INR80b v/s INR72b as at the end of 2QFY12 and INR94b as at the end of 1QFY11.
- EBITDA margin expands, aided by favorable business mix:** EBITDA margin improved on account of favorable mix, driven by higher contribution from BOP contracts relative to EPC contracts. Currently, EPC contracts constitute 10-11% of the order book. We expect margins to contract in FY13, driven by ramp-up in project-specific deliveries and increased share of EPC contract revenues.
- Revenue guidance reduced; poor visibility of growth in FY13 due to depleting order book:** The management has reduced its revenue guidance for FY12 to INR34b from INR40b earlier due to lower than expected execution in two of its BOP projects. BGRL is executing three major projects worth INR54b, which are at various stages of the billing cycle. The order book includes an order worth INR17b that the company received in November 2011 for a 2x300MW project from TRN Energy in New Delhi. Billing for this is likely to start from FY13.
- Working capital shows marginal improvement QoQ; cost of borrowing increases significantly:** Gross debt declined to INR20.8b from INR23b as at the end of 2Q, mainly on account of decrease in net working capital (NWC). Increase in payables and reduction in retention money helped reduce NWC. Borrowing cost increased to 10.5-11% v/s 6-7% last year mainly on account of reduction in low cost buyer's credit (at LIBOR+1.5%) due to completion of EPC projects. Currently, buyer's credit constitutes ~20% of total debt, down from 35% last year.
- Cutting FY12 earnings estimate by 6%; maintain Neutral:** We have cut our FY12 earnings estimate by 6% because of lower than expected execution in the BOP space, though we have revised our margin assumption upward. We maintain **Neutral**, with a target price of INR208 (8x FY13E EPS).

Quarterly Performance (Standalone)

Y/E March	FY11				FY12				(INR Million)	
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE	FY11	FY12E
Sales	9,067	11,356	12,569	14,616	7,342	7,715	8,037	11,195	47,608	34,289
Change (%)	191.5	143.7	97.9	-11.8	-19.0	-32.1	-36.1	-23.4	55.1	-28.0
EBITDA	1,038	1,323	1,472	1,674	961	1,102	1,313	1,392	5,507	4,768
Change (%)	145.7	122.0	106.1	-4.5	-7.4	-16.7	-10.8	-16.9	58.2	-13.4
As of % Sales	11.4	11.7	11.7	11.5	13.1	14.3	16.3	12.4	11.6	13.9
Depreciation	31	33	34	70	37	40	41	48	168	166
Interest	116	138	168	183	180	302	461	482	605	1,425
Other Income	26	26	17	17	0	0	0	5	86	5
PBT	917	1,178	1,287	1,438	743	761	811	866	4,820	3,181
Tax	312	400	411	454	241	247	263	315	1,578	1,066
Effective Tax Rate (%)	34.0	34.0	32.0	31.6	32.4	32.5	32.4	36.3	32.7	33.5
Reported PAT	605	778	876	984	503	514	548	551	3,242	2,115
Adj PAT	605	778	876	984	503	514	548	551	3,242	2,115
Change (%)	199.2	154.5	108.9	-9.2	-17.0	-34.0	-37.4	-43.9	61.3	-34.7

E: MOSL Estimates

Dhirendra Tiwari (Dhirendra.Tiwari@MotilalOswal.com); Tel: +91 22 3029 5127

Deepak Narnolia (Deepak.Narnolia@MotilalOswal.com); Tel: +91 22 3029 5126

BGR ENERGY 3QFY12: Marginally above est; Sales mix drives margin improvement; Cutting est 6%; Maintain Neutral

- **3QFY12 marginally above estimates; Net profit down 37% YoY:** BGR Energy reported 3QFY12 revenues of INR8b (down 36% YoY) marginally above our estimates of INR7.7b. PAT stood at INR548m (down 38% YoY) above our estimates of INR330m. EBITDA margin stood at 16.3%, up 460bp YoY ahead of our estimates of 11.6% driven by favorable sales mix (higher BoP sales) which helped in limiting the fall in PAT. However, interest cost is showing rising trend (up 75% YoY, as a % of sales up 440bp YoY), partially offsetting the positive impact of gain in EBITDA margin. Order book is currently at around INR80b (INR72b 2QFY12 end, INR94b as at 1QFY11). During the quarter, the company received a large EPC contract worth INR17b for a 2x300MW thermal power plant in Chhattisgarh.
- **EBITDA margins benefited by less project specific delivery:** EBITDA margins improved on account of favorable mix driven by higher contribution from BOP contracts relative to EPC contracts. BOP accounted for 60% of revenues during the quarter against 18-20% YoY and 40% during 1HFY12. Currently, EPC contracts forms around 10-11% of the order book. RM/Sales declined 750bp YoY while Employee cost increased 270bp YoY. We expect margins to contract in FY13 driven by ramp-up in project specific deliveries and increased share of EPC contract revenues.
- **Reduced revenue guidance; poor visibility of growth in FY13 due to depleting order book:** The company has reduced its revenue guidance for FY12 to INR34b from INR40b earlier due to lower than expected execution in two of its BOP projects. Currently, the company is executing three major projects worth INR 54b which are at various stages of billing cycle. The company has also an order worth INR17b received in Nov-11 for 2x300MW project from TRN Energy in New Delhi, the billing for which is expected to start from FY13 onwards.
- **Working capital shows marginal improvement QoQ; cost of borrowing increases significantly:** Gross debt fell to INR20.8b v/s INR23b at the end of 2Q mainly on account of decrease in net working capital, down to INR31b from INR32.7b at the end of 2Q. However, gross debt and NWC still remain at a very high level in comparison to INR13.3b as at the end of FY11. Retention money has reduced to INR12b as at the end of 3Q, down from INR13b at the end of 2Q (v/s INR 11b at the end of FY11). Due to sharp rise in debt and cost of borrowing, interest cost increased sharply by 75% YoY during the quarter. Cost of borrowing has increased to 10.5-11% for the quarter v/s 6-7% last year mainly on account of reduction in low-cost buyer's credit (@ LIBOR + 1.5%) due to completion of EPC projects. Currently buyer's credit forms around 20% of total debt down from 35% last year.
- **Cutting FY12 earnings estimate by 6%:** We have cut our FY12 earnings estimate by 6% because of lower than expected execution in BOP space although we have revised our margin assumption upward. We believe that the Indian power equipment market is going through a tough phase, with slowing demand and rising costs. Lack of coal linkages, volatile spot prices and several other hurdles like land availability have adversely impacted new project awards in the past one year. We believe it will be challenging for BGR to secure new orders in the foreseeable future. We maintain **Neutral** rating on the stock with a target price of INR208, based on 8x FY13E earnings.

3QFY12 marginally above estimates; Net profit down 37% YoY

- BGR Energy reported 3QFY12 revenues of INR8b (down 36% YoY) marginally above our estimates of INR7.7b.
- PAT stood at INR548m (down 38% YoY) above our estimates of INR330m. EBITDA margin stood at 16.3%, up 460bp YoY ahead of our estimates of 11.6% driven by favorable sales mix (higher BoP sales) which helped in limiting the fall in PAT.
- However, interest cost is showing rising trend (up 75% YoY, as a % of sales up 440bp YoY), partially offsetting the positive impact of gain in EBITDA margin. Order book is currently at around INR80b (INR72b 2QFY12 end, INR94b as at 1QFY11).
- During the quarter, the company received a large EPC contract worth INR17b for a 2x300MW thermal power plant in Chhattisgarh.

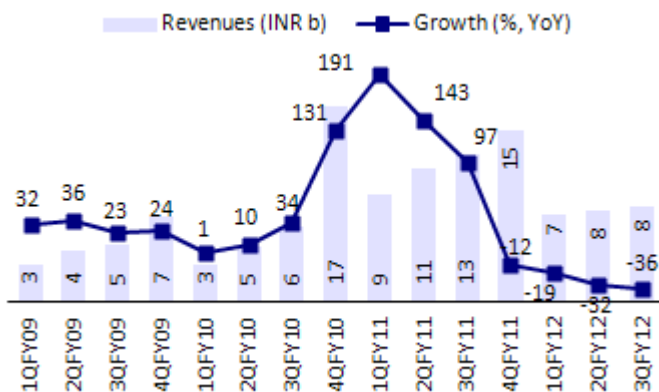
EBITDA margins benefited by less project specific delivery

- EBITDA margins improved on account of favorable mix driven by higher contribution from BOP contracts relative to EPC contracts. BOP accounted for 60% of revenues during the quarter against 18-20% YoY and 40% during 1HFY12.
- Currently the two projects which are at the peak of their execution are 2x500MW Marwa project and 2x500MW Chandrapur project, both in BOP space. Both of these orders have price variation clauses, unlike past contracts, resulting into significant benefit to EBITDA margins. The company expects 14-15% EBITDA margin in FY12. These projects are expected to be completed by the end of 2Q/3Q FY13 and hence since drive improved margins for the next 2-3 quarters.
- Currently, EPC contracts forms around 10-11% of the order book. RM/Sales declined 750bp YoY while Employee cost increased 270bp YoY. We expect margins to contract in FY13 driven by ramp-up in project specific deliveries and increased share of EPC contract revenues.

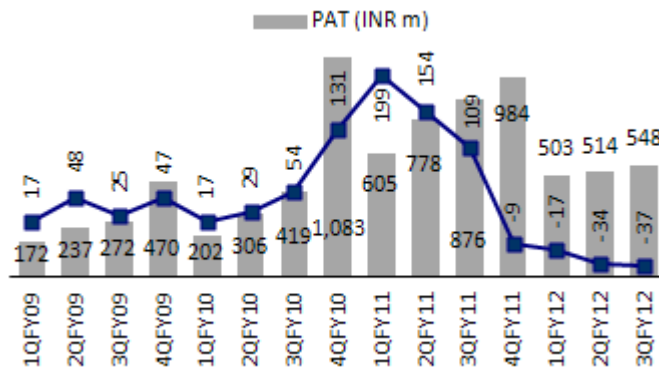
Reduced revenue guidance; poor visibility of growth in FY13 due to depleting order book

- The company is executing two large EPC projects, in Rajasthan (2 x 600MW, INR49b) and Tamil Nadu (1 x 300, INR31b) both awarded in 2008. These projects are over 95% complete which have been driving revenue growth in recent quarters.
- Currently, the company is executing three major projects - 2x500 MW worth INR16.3b (36% complete till 2QFY12) BOP order from Mahagenco), 2x500 MW order worth INR16.3b (21% complete till 2QFY12) from Chhattisgarh State Electricity and 2x660 MW BOP order worth INR21.6b from Thermal Powertech Corporation Ltd in Krishnapatnam, Andhra Pradesh (2% complete till 2QFY12).
- The company has also an order worth INR17b received in Nov-11 for 2x300MW project from TRN Energy in New Delhi, the billing for which is expected to start from FY13 onwards.
- The company has cut its revenue guidance for FY12 to INR34b from INR40b given earlier at the end of 2QFY12 because of slower than expected execution in Marwa and Chandrapur projects mainly on account of delay in civil construction.

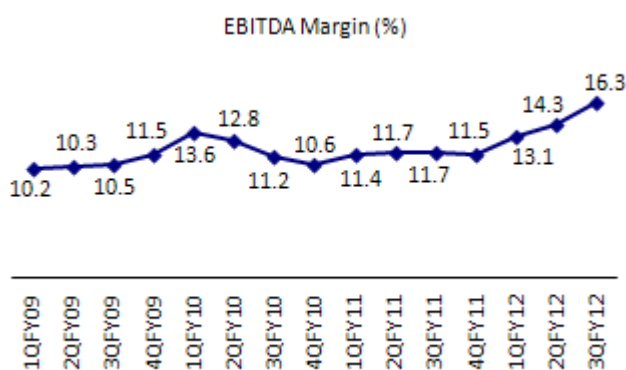
BGR: Revenue growth declining due to declining order book



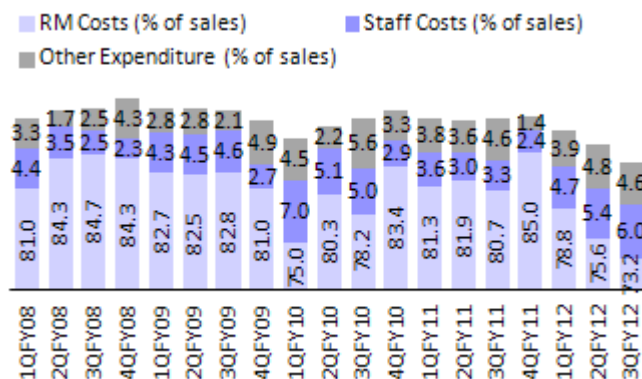
BGR: PAT declines 37% YoY in 3QFY12



BGR: Margins improved supported by favorable sales mix



RM to sales declines due to benefit from price variation clause in contracts



Source: Company/MOSL

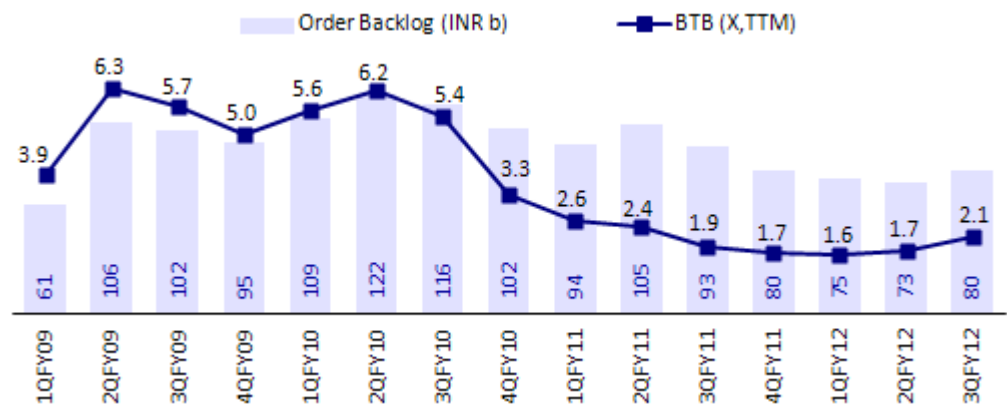
Working capital shows marginal improvement QoQ; cost of borrowing increases significantly

- Gross debt fell to INR20.8b v/s INR23b at the end of 2Q mainly on account of decrease in net working capital, down to INR31b from INR32.7b at the end of 2Q, mainly on account of increase in payables and reduction in retention money. However, gross debt and NWC still remain at a very high level in comparison to INR13.3b as at the end of FY11.
- Retention money has reduced to INR12b as at the end of 3Q (out of which INR7.5b pertains to projects under execution), down from INR13b at the end of 2Q (v/s INR 11b at the end of FY11). The company expects approximately INR5b of retention money to be realized by the end of FY12 resulting into decline in debt.
- Due to sharp rise in debt and cost of borrowing, interest cost increased sharply by 75% YoY during the quarter. Cost of borrowing has increased to 10.5-11% for the quarter v/s 6-7% last year mainly on account of reduction in low-cost buyer's credit (@ LIBOR + 1.5%) due to completion of EPC projects. Currently buyer's credit forms around 20% of total debt down from 35% last year.

Order pipeline robust however delay is disappointing

- Exhausting order book remains a major concern for BGR. Order book is currently at around INR80b (INR72b 2QFY12 end, INR94b as at 1QFY11) including NTPC bulk tender worth INR 30b. During the quarter, the company received a large EPC contract worth INR17b for a 2x300MW thermal power plant in Chhattisgarh.
- The company has a total order pipeline of around 6000MW out of which ~3000MW projects (2x660MW project of MPGENCO, 2x660MW project of NTPC and 1x660MW project in Bhusawal) are under final stage of bidding and expected to be finalized by the end of March.
- Orders worth INR 122b from Rajasthan SEB for two projects of 2x660MW each, in which BHEL and BGR were shortlisted, were expected to be placed by Dec-11. However, the same has been delayed for more than a year due to delay in getting coal linkage and environmental clearance. Rajasthan project has now got environment clearance and the company expects that same should be awarded by the end of current financial year.
- BGR is also L1 in bidding for TG sets in NTPC's bulk tender 2 (9X800 MW) in which BGR is likely to win orders worth INR30b for 4TG sets. The company is also in the race of boiler package (11 x 660MW worth INR130b) from NTPC along with BHEL and L&T.
- We expect order intake of around INR8-10b (apart from NTPC bulk tender 2) in 4QFY12.

BGR: BTB ratio has shown slight uptrend on receipt of a large order



Source: Company/MOSL

Success in NTPC bulk tender will improve outlook for manufacturing JVs

- BGR is L1 in the TG of package of NTPC bulk tender, and is expected to secure orders worth INR30b (for the supply of 4 TG sets). The company is also in race of boiler package for 11 x 660MW (worth INR110b) project from NTPC along with BHEL and L&T.
- BGR will spend INR44b spread over 3.5 years in setting up a supercritical boiler and turbine manufacturing facility in a JV with Hitachi, Japan. A major part of the land is yet to be given by the government and hence the construction will speed up only after the acquisition of the same. The company expects the construction start from April next financial year.

- The current Debt/Equity structure for the JV at 3.5:1 looks steep but the management is confident that with cash flows from current operations, D/E would not go above 2:1.
- The JV will be held by BGR and Hitachi in the ratio of 74:26 for the turbine JV (INR30b investment) and 70:30 for the boiler JV (INR14b investment). The total equity commitment for BGR currently stands at INR9.5b.
- Success in boiler package of NTPC 11 x 660 MW bulk tender (under arbitration; price bids due) is critical for the growth of BGR's manufacturing JVs.

Valuation and view

- We have cut our FY12 earnings estimate by 6% because of lower than expected execution in BOP space although we have revised our margin assumption upward.
- We believe that the Indian power equipment market is going through a tough phase, with slowing demand and rising costs. Lack of coal linkages, volatile spot prices and several other hurdles like land availability have adversely impacted new project awards in the past one year. We believe it will be challenging for BGR to secure new orders in the foreseeable future.
- We believe low target P/E multiple is justified and valuation will be under stress due to lack of order visibility, downside risk to earnings and worsening balance sheet.

Revised estimates (INR m)

	Revised		Earlier		% Change	
	FY12	FY13	FY12	FY13	FY12	FY13
Sales	34,289	38,959	38,388	38,854	(10.7)	0.3
Growth (%)	(28.0)	13.6	(19.4)	1.2		
EBITDA	4,768	4,418	4,775	4,400	(0.1)	0.4
Margin (%)	13.9	11.3	12.4	11.3	120bp	80bp
PAT	2,115	1,874	2,262	1,862	(6.5)	0.6
Growth (%)	(34.4)	(11.4)	(29.9)	(17.7)		
EPS (INR)	29.3	26.0	31.4	25.8	(6.5)	0.6

Source: MOSL

BGR Energy: an investment profile

Company description

BGR Energy Systems (BGRL) is one of the India's growing engineering companies in the power sector. BGRL carries the business in two segments namely the supply of systems and equipment and turnkey engineering project contracting. It was incorporated in 1985 as a JV between JV Energie Technik GmbH and Mr BG Raghupathy. BGRL employs about 1,700 people with 84% of them being engineers and the rest in support functions.

Key investment arguments

- BGRL, a strong BOP contractor, entered the power plant EPC business over the past two years. It is wellplaced to capitalize on a growing shortage of power plant contractors in India. BGRL has a JV with Hitachi to make boilers and turbine-generators, which could be a huge long-term growth driver.
- We believe BGRL is well placed for over INR150b worth of orders. Success in one or two EPC projects will drive strong earnings growth beyond FY12.

Key investment risks

- Margin compression is possible due to the entry into the super-critical BTG due to high initial import content (18-20%).
- Higher working capital days due to a large share of EPC projects in the revenue mix going forward can compress return ratios and cash flows.

Comparative valuations

		BGR	BHEL	L&T
P/E (x)	FY12E	8.4	11.8	18.3
	FY13E	9.5	10.3	16.6
P/BV (x)	FY12E	1.6	3.1	3.4
	FY13E	1.5	2.6	3.0
EV/Sales (x)	FY12E	0.8	1.3	1.7
	FY13E	0.8	1.1	1.6
EV/EBITDA (x)	FY12E	0.8	6.7	14.5
	FY13E	0.8	5.7	13.9

Shareholding pattern (%)

	Dec-11	Sep-11	Dec-10
Promoter	81.1	81.1	81.2
Domestic Inst	2.6	2.7	4.5
Foreign	3.7	5.6	8.6
Others	12.5	10.6	5.7

Recent developments

- BGR is L1 in the TG of package of NTPC bulk tender, and is expected to secure order worth INR 30b (for the supply of 4 TG sets). The company is also in race along with BHEL and L&T for NTPC's boiler package, 11x660MW worth INR110b.
- The Rajasthan SEB is due to award two BTG contracts of INR61b each (1,320MW each) in which BHEL is L1 and BGR is L2. BGR is confident of matching the L1 price in at least one of the orders however the order got further delayed due to pending environment clearance.

Valuation and view

- Success in the forthcoming tenders is critical for BGRL's growth in FY13. BGRL needs to book orders worth INR80b-100b in FY12 to grow by 15% in FY13 which looks an uphill task.
- We cut our earnings estimate by 6% for FY12 driven by lower than expected execution in BOP space. We maintain a **Neutral** rating on the stock with a target price of INR208 based on 8x FY13E.

Sector view

- We are **Neutral** about the sector.

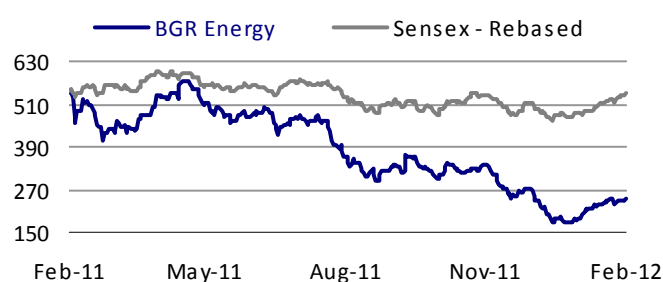
EPS: MOSL forecast v/s consensus (INR)

	MOSL Forecast	Consensus Forecast	Variation (%)
FY12	29.3	38.9	-24.7
FY13	26.0	33.3	-22.0

Target price and recommendation

Current Price (INR)	Target Price (INR)	Upside (%)	Reco.
246	208	-15.4	Neutral

Stock performance (1 year)



Financials and Valuation

Income Statement		(INR Million)				
Y/E March	2009	2010	2011	2012E	2013E	
Total Income	19,355	30,779	47,632	34,289	38,959	
Change (%)	27.3	59.0	54.8	-28.0	13.6	
Raw Material Cost	13,522	21,870	34,559	24,582	28,128	
Staff Cost	744	1,262	1,447	1,808	2,351	
Other Mfg. Expenses	2,948	4,161	6,130	3,131	4,062	
EBITDA	2,140	3,487	5,496	4,768	4,418	
Change (%)	37.8	62.9	57.6	-13.3	-7.3	
% of Net Sales	11.1	11.3	11.5	13.9	11.3	
Depreciation	75	103	174	166	204	
Interest	579	538	605	1,425	1,404	
Other Income	266	205	89	5	8	
PBT	1,752	3,051	4,806	3,181	2,817	
Tax	596	1,037	1,577	1,066	944	
Rate (%)	34.0	34.0	32.8	33.5	33.5	
Reported PAT	1,156	2,015	3,229	2,115	1,874	
Adjusted PAT	1,157	2,016	3,226	2,115	1,874	
Change (%)	29.2	74.2	60.0	-34.4	-11.4	

Balance Sheet		(INR Million)				
Y/E March	2009	2010	2011	2012E	2013E	
Share Capital	720	720	722	722	722	
Reserves	4,919	6,343	8,798	10,072	11,355	
Net Worth	5,639	7,063	9,520	10,793	12,077	
Loans	7,090	8,075	13,373	22,258	24,548	
Differed Tax Liability	775	1,580	3,596	2,057	1,288	
Capital Employed	13,504	16,717	26,490	35,109	37,913	
Gross Fixed Assets	1,245	1,819	2,508	3,074	3,640	
Less: Depreciation	268	365	530	697	901	
Net Fixed Assets	977	1,454	1,978	2,377	2,739	
Capital WIP	54	104	862	350	350	
Goodwill	6	6	6	6	6	
Investments	5	5	5	1,525	6,046	
Curr. Assets	25,690	36,438	51,155	50,675	52,473	
Inventory	140	162	411	310	356	
Debtors	12,789	19,803	31,580	30,868	31,888	
Cash & Bank Balance	6,152	9,019	10,449	12,442	12,212	
Loans & Advances	6,432	7,273	8,400	6,828	7,759	
Other Current Assets	178	181	315	227	258	
Curr. Liab. & Prov.	13,229	21,289	27,516	19,825	23,702	
Creditors	4,413	11,028	16,274	11,323	13,248	
Other Liabilities	8,138	7,928	7,697	5,146	7,442	
Provisions	677	2,334	3,545	3,355	3,011	
Net Current Assets	12,462	15,148	23,639	30,850	28,771	
Appli. of Funds	13,504	16,717	26,490	35,109	37,913	

E: MOSL Estimates

Ratios						
Y/E March	2009	2010	2011	2012E	2013E	
Basic (INR)						
EPS	16.1	28.0	44.7	29.3	26.0	
Growth (%)	29.2	74.2	59.7	-34.4	-11.4	
Cash EPS	17.1	29.4	47.2	31.7	28.9	
Book Value	78.3	98.1	132.2	149.9	167.7	
DPS	3.0	7.0	10.0	10.0	7.0	
Payout (incl. Div. Tax.)	21.8	29.3	26.1	39.8	31.5	
Valuation (x)						
P/E			5.5	8.4	9.5	
Cash P/E			5.2	7.8	8.5	
EV/EBITDA			3.8	5.8	6.8	
EV/Sales			0.4	0.8	0.8	
Price/Book Value			1.9	1.6	1.5	
Dividend Yield (%)			4.1	4.1	2.8	
Return Ratio						
RoE	22.3	31.7	38.9	20.8	16.4	
RoCE	13.0	15.7	16.8	9.9	7.7	

Turnover Ratios						
Debtors (Days)	241	235	242	329	299	
Inventory (Days)	1	1	1	1	1	
Creditors. (Days)	23	36	34	33	34	
Asset Turnover (x)	1.4	1.8	1.8	1.0	1.0	
Leverage Ratio						
Debt/Equity (x)	1.3	1.1	1.4	2.1	2.0	

Cash Flow Statement		(INR Million)				
Y/E March	2009	2010	2011	2012E	2013E	
PBT bef. EO Items	1,752	3,051	4,806	3,181	2,817	
Add : Depreciation	75	103	174	166	204	
Interest	579	538	605	1,425	1,404	
Less : Direct taxes pa	205	233	50	2,604	1,713	
(Inc)/Dec in WC	-1,292	180	-7,060	-5,218	1,850	
CF from Operations	910	3,639	-1,525	-3,050	4,562	
CF from Op. Incl. EO Ite	910	3,639	-1,525	-3,050	4,562	
(Inc)/dec in FA	-568	-629	-1,456	-54	-566	
(Pur)/Sale of Investn	1,509	0	0	-1,520	-4,521	
CF from Investments	941	-629	-1,456	-1,574	-5,087	
(Inc)/Dec in Net Wort	0	0	560	0	0	
(Inc)/Dec in Debt	2,063	985	5,299	8,885	2,289	
Less : Interest Paid	579	538	605	1,425	1,404	
Dividend Paid	253	590	842	842	590	
CF from Fin. Activity	1,231	-143	4,412	6,617	295	
Inc/Dec of Cash	3,081	2,867	1,430	1,993	-230	
Add: Beginning Balar	3,070	6,152	9,019	10,449	12,442	
Closing Balance	6,152	9,019	10,449	12,442	12,212	

N O T E S

Disclosures

This report is for personal information of the authorized recipient and does not construe to be any investment, legal or taxation advice to you. This research report does not constitute an offer, invitation or inducement to invest in securities or other investments and Motilal Oswal Securities Limited (hereinafter referred as MOST) is not soliciting any action based upon it. This report is not for public distribution and has been furnished to you solely for your information and should not be reproduced or redistributed to any other person in any form.

Unauthorized disclosure, use, dissemination or copying (either whole or partial) of this information, is prohibited. The person accessing this information specifically agrees to exempt MOST or any of its affiliates or employees from, any and all responsibility/liability arising from such misuse and agrees not to hold MOST or any of its affiliates or employees responsible for any such misuse and further agrees to hold MOST or any of its affiliates or employees free and harmless from all losses, costs, damages, expenses that may be suffered by the person accessing this information due to any errors and delays.

The information contained herein is based on publicly available data or other sources believed to be reliable. While we would endeavour to update the information herein on reasonable basis, MOST and/or its affiliates are under no obligation to update the information. Also there may be regulatory, compliance, or other reasons that may prevent MOST and/or its affiliates from doing so. MOST or any of its affiliates or employees shall not be in any way responsible and liable for any loss or damage that may arise to any person from any inadvertent error in the information contained in this report. MOST or any of its affiliates or employees do not provide, at any time, any express or implied warranty of any kind, regarding any matter pertaining to this report, including without limitation the implied warranties of merchantability, fitness for a particular purpose, and non-infringement. The recipients of this report should rely on their own investigations.

This report is intended for distribution to institutional investors. Recipients who are not institutional investors should seek advice of their independent financial advisor prior to taking any investment decision based on this report or for any necessary explanation of its contents.

MOST and/or its affiliates and/or employees may have interests/positions, financial or otherwise in the securities mentioned in this report. To enhance transparency, MOST has incorporated a Disclosure of Interest Statement in this document. This should, however, not be treated as endorsement of the views expressed in the report.

Disclosure of Interest Statement

BGR Energy

- | | |
|---|----|
| 1. Analyst ownership of the stock | No |
| 2. Group/Directors ownership of the stock | No |
| 3. Broking relationship with company covered | No |
| 4. Investment Banking relationship with company covered | No |

Analyst Certification

The views expressed in this research report accurately reflect the personal views of the analyst(s) about the subject securities or issues, and no part of the compensation of the research analyst(s) was, is, or will be directly or indirectly related to the specific recommendations and views expressed by research analyst(s) in this report. The research analysts, strategists, or research associates principally responsible for preparation of MOST research receive compensation based upon various factors, including quality of research, investor client feedback, stock picking, competitive factors and firm revenues.

Regional Disclosures (outside India)

This report is not directed or intended for distribution to or use by any person or entity resident in a state, country or any jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject MOST & its group companies to registration or licensing requirements within such jurisdictions.

For U.K.

This report is intended for distribution only to persons having professional experience in matters relating to investments as described in Article 19 of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (referred to as "investment professionals"). This document must not be acted on or relied on by persons who are not investment professionals. Any investment or investment activity to which this document relates is only available to investment professionals and will be engaged in only with such persons.

For U.S.

MOST is not a registered broker-dealer in the United States (U.S.) and, therefore, is not subject to U.S. rules. In reliance on the exemption from registration provided by Rule 15a-6 of the U.S. Securities Exchange Act of 1934, as amended (the "Exchange Act") and interpretations thereof by the U.S. Securities and Exchange Commission ("SEC") in order to conduct business with Institutional Investors based in the U.S., Motilal Oswal has entered into a chaperoning agreement with a U.S. registered broker-dealer, Marco Polo Securities Inc. ("Marco Polo").

This report is intended for distribution only to "Major Institutional Investors" as defined by Rule 15a-6(b)(4) of the Exchange Act and interpretations thereof by SEC (henceforth referred to as "major institutional investors"). This document must not be acted on or relied on by persons who are not major institutional investors. Any investment or investment activity to which this document relates is only available to major institutional investors and will be engaged in only with major institutional investors.

The Research Analysts contributing to the report may not be registered /qualified as research analyst with FINRA. Such research analyst may not be associated persons of the U.S. registered broker-dealer, Marco Polo and therefore, may not be subject to NASD rule 2711 and NYSE Rule 472 restrictions on communication with a subject company, public appearances and trading securities held by a research analyst account.



Motilal Oswal Securities Ltd

3rd Floor, Hoechst House, Nariman Point, Mumbai 400 021

Phone: (91-22) 39825500 Fax: (91-22) 22885038. E-mail: reports@motilaloswal.com