

Titan Company (TTAN IN)

Rating: BUY | CMP: Rs992 | TP: Rs1,195

February 1, 2019

Q3FY19 Result Update

■ Change in Estimates | ☒ Target | ■ Reco

Change in Estimates

	Current		Previous	
	FY20E	FY21E	FY20E	FY21E
Rating	BUY		BUY	
Target Price	1,195		1,115	
Sales (Rs. m)	2,28,172	2,73,973	2,28,172	2,73,973
% Chng.	-	-	-	-
EBITDA (Rs. m)	27,809	34,840	27,809	34,840
% Chng.	-	-	-	-
EPS (Rs.)	22.2	28.1	22.2	28.1
% Chng.	-	-	-	-

Key Financials

	FY18	FY19E	FY20E	FY21E
Sales (Rs. m)	1,56,248	1,90,497	2,28,172	2,73,973
EBITDA (Rs. m)	17,368	22,056	27,809	34,840
Margin (%)	11.1	11.6	12.2	12.7
PAT (Rs. m)	12,545	15,309	19,752	24,987
EPS (Rs.)	14.1	17.2	22.2	28.1
Gr. (%)	46.2	22.0	29.0	26.5
DPS (Rs.)	2.6	3.8	5.2	6.6
Yield (%)	0.3	0.4	0.5	0.7
RoE (%)	26.4	26.6	28.1	28.9
RoCE (%)	34.2	35.7	37.3	38.4
EV/Sales (x)	5.6	4.5	3.8	3.1
EV/EBITDA (x)	50.3	39.3	30.9	24.3
PE (x)	70.2	57.5	44.6	35.2
P/BV (x)	16.9	13.9	11.4	9.2

Key Data

TITN.BO | TTAN IN

52-W High / Low	Rs.1,006 / Rs.732	
Sensex / Nifty	36,469 / 10,894	
Market Cap	Rs.880bn / \$ 12,350m	
Shares Outstanding	888m	
3M Avg. Daily Value	Rs.4891.94m	

Shareholding Pattern (%)

Promoter's	53.10
Foreign	18.46
Domestic Institution	8.16
Public & Others	20.29
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	6.8	8.1	19.3
Relative	6.2	11.2	17.4

Amnisha Aggarwal

amnishaggarwal@plindia.com | 91-22-66322233

Nishita Doshi

nishitadoshi@plindia.com | 91-22-66322381

Growth on all fronts; momentum continues

Key Points

- Jewellery retail sales up 34% in 3Q, 18% QTD in 4QFY19
- Watch margins return to sustainable levels; Guided for 15.5% margin in FY19
- ILFS exposure at Rs1.45bn (Rs 990mn provision made)

We maintain positive stance on Titan post 3Q results given 1) the guidance of 22% jewellery sales growth and opening of 40 Tanishq stores in FY19 2) expected gains from backward integration and proactive strategy in Eyewear and 3) success of new collections in watches. QTD sales in 4Q grew by ~18% and is expected to grow faster on higher number of wedding dates in 4QFY19 and 1QFY20.

We expect Tanishq to achieve 21.9% sales and 26.5% EBITDA CAGR over FY18-21 as it gains from shift towards organized players led by strong brand, growing store network and focus on high value studded and wedding jewellery. Margins in watch business is expected to sustain ~15% for FY19 as it will normalize after multi- year high margins in 1H. Eyewear business has seen strong traction and is on track to achieve 3.7mn customers in FY19 and 5mn in FY20, benefits of backward integration and scale should enable profitable growth by FY20. Although TTAN has Rs1.45bn exposure in IL&FS, it has provided for Rs990mn. We estimate 25.9% PAT CAGR over FY18-FY21. We value the stock at 45xDec20 EPS and arrive at a target price of Rs1195. Retain Buy.

- Adj. PAT up 57.8% excl. IL&FS provisions:** Net sales increased by 34.3% to Rs56.7bn. EBITDA increased by 47.1% to Rs654bn. EBITDA margin expanded 100bp as ad-spends, staff costs and other expenses declined by 70bps, 80bps and 20bps. Adj. PAT increased 57.8% to Rs 4.86bn excluding Rs700mn provision on exposure to ILFS group (total exposure of Rs1.45bn and total provision Rs990mn). Interest burden increased by 24.2% to Rs129mn while Other income increased 231.1% to Rs609mn on higher gold on lease.
- Watches** sales increased by 20.3% to Rs6.4bn while EBIT declined 34.2% to Rs544m as margins declined 700bps due to higher ad-spends on new product launches (Reflex Wav' under FastTrack and 'SF Rush' under Sonata) and brand building. Watch volumes increased 16% on a base of 11% in 3QFY18.
- Jewellery** sales increased 39.9% to Rs48.9bn, volumes increased 19.4%. EBIT increased 13.3% to Rs 6.5bn as margins expanded 230bps to 13.3% as inventory valuation loss of Rs180mn in 2Q got reversed in 3Q. Retail sales grew 34% and 27% LTL growth. Plain category benefitted from a large institutional order of ~INR 200 crores of gold coins.
- Eyewear** reported 43.3% sales growth to Rs1.3bn with LTL growth of 13% and loss of Rs15mn on brand investment. Benefits of backward integration and lower priced products have started reflecting as TTAN aims 3.7mn customers in FY19 and 5mn in FY20.
- Tanishq reported LTL of 27%, WOT flattish, Helios 16% and LFS 20%

Exhibit 1: Q3FY19 Results: Adj. PAT up 57.8% excluding Rs700mn IL&FS provision, Strong Jewellery sales boost sales

Y/e March (Rs mn)	Q3FY19	Q3FY18	YoY gr. (%)	Q2FY19	9MFY19	9MFY18	YoY gr. (%)
Net Sales	56,722	42,248	34.3	44,068	1,43,979	1,17,045	23.0
Gross Profit	14,246	10,890	30.8	12,264	38,112	30,996	23.0
% of NS	25.1	25.8		27.8	26.5	26.5	
Advt & Sales Pro	1379	1350	2.1	1360	4101	3388	21.0
% of NS	2.4	3.2		3.1	2.8	2.9	
Total Expenses	50,180	37,801	32.7	39,107	1,27,523	1,04,266	22.3
% of NS	88.5	89.5		88.7	88.6	89.1	
EBITDA	6,542	4,447	47.1	4,961	16,456	12,779	28.8
Margins %	11.5	10.5	1.0	11.3	11.4	10.9	
Depreciation	328	295	11.4	375	1,054	796	32.4
Interest	129	104		105	322	353	
Other Income	609	184		268	1,234	664	
PBT	6,695	4,233	58.2	4,749	16,314	12,295	32.7
Tax	1,833	1,151	59.2	1,315	4,526	3,378	34.0
Tax rate %	27.4	27.2		27.7	27.7	27.5	
Adjusted PAT	4,862	3,082	57.8	3,434	11,788	8,917	32.2

Source: Company, PL

Exhibit 2: Jewellery EBIT margins up 230bps; watch margins rebound to a more sustainable level

(Rs m)	3QFY17	4QFY17	1QFY18	2QFY18	3QFY18	4QFY18	1QFY19	2QFY19	3QFY19
Total Sales	38,713	35,438	40,304	34,908	41,414	39,215	43,231	44,108	56,977
Watches	5,083	5,026	5,167	5,762	5,324	4,940	5,935	6,757	6,407
YoY Growth	5.1%	11.9%	3.4%	10.0%	4.7%	-1.7%	14.9%	17.3%	20.3%
Jewellery	32,550	29,131	33,807	27,876	34,968	32,921	35,717	35,821	48,903
YoY Growth	15.4%	57.8%	57.2%	40.3%	7.4%	13.0%	5.7%	28.5%	39.9%
Eyewear	907	1116	1130	1006	904	1089	1316	1200	1295
YoY Growth	12.4%	15.0%	2.3%	5.7%	-0.3%	-2.4%	16.4%	19.3%	43.3%
Others	174	166	200	263	219	265	263	330	372
YoY Growth	-66.9%	21.5%	46.4%	53.1%	26.2%	60.4%	31.5%	25.4%	69.7%
Total EBIT	3,776	2,899	3,846	4,472	4,506	4,766	4,933	4,962	6,920
Watches	529	121	488	914	826	351	1,113	1,218	544
YoY Growth	63.1%	56.7%	-30.5%	42.1%	56.2%	190.4%	128.3%	33.2%	-34.2%
EBIT Margin	10.4%	2.4%	9.4%	15.9%	15.5%	7.1%	18.8%	18.0%	8.5%
Jewellery	3,343	2,824	3,388	3,676	3,847	4,519	3,934	3,920	6,505
YoY Growth	15.1%	35.9%	55.5%	68.5%	15.1%	60.0%	16.1%	6.6%	69.1%
EBIT Margin	10.3%	9.7%	10.0%	13.2%	11.0%	13.7%	11.0%	10.9%	13.3%
Eyewear	-29	108	32	14	-44	23	17	-10	-15
YoY Growth	-502.7%	-19.6%	-54.6%	-31.8%	50.3%	-78.6%	-45.1%	-174.1%	-67.0%
EBIT Margin	-3.2%	9.6%	2.8%	1.3%	-4.9%	2.1%	1.3%	-0.8%	-1.1%
Others	(66)	(154)	(61)	(132)	(123)	(127)	(131)	(165)	(114)

Source: Company, PL

Exhibit 3: Watches: Sales up 18.8% on 16% volume growth; Studded and plain jewellery category lead Jewellery growth

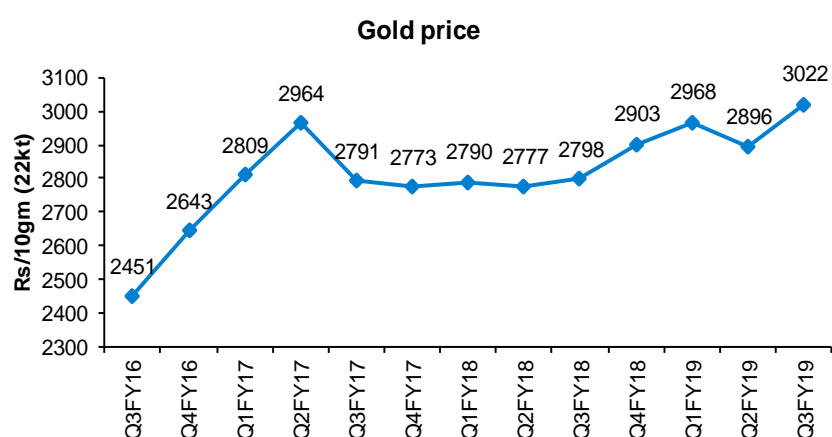
	3QFY17	4QFY17	1QFY18	2QFY18	3QFY18	4QFY18	1QFY19	2QFY19	3QFY19
Watches									
Sales Growth %	9	10.8	2	13.6	11	-1.7	14.9	17.3	18.8
Volume Growth %	4	10	5	9	11	-1	10	21	16
World Of Titan									
Sales Growth %	12	8	9	7	8	-3	3	8	0
LTL Sales growth %	9	5	6	5	7	-4	2	9	-2
Stores	470	474	482	485	481	486	496	489	491
Helios									
Sales Growth %	16	4	40	9	37	32	25	45	16
LTL Sales growth %	11	-3	24	-9	4	5	-2	16	6
Stores	47	49	53	62	67	70	72	72	73
Fastrack									
Sales Growth %	3	0	-3	4	10	1	4	10	4
LTL Sales growth %	1	-1	-3	2	6	-6	0	6	-1
Stores	155	155	160	166	164	166	173	173	175
LFS									
Sales Growth %	28	12	20	4	11	14	17	33	20
LTL Sales growth %	13	3	8	1	6	11	12	26	15

Source: Company Data, PL Research

Exhibit 4: Eyewear sales recover led by 13% LTL growth, network expansion and commencement of frames distribution

Eyewear	3QFY17	4QFY17	1QFY18	2QFY18	3QFY18	4QFY18	1QFY19	2QFY19	3QFY19
Sales Gr %	10	9	10	10	0	10	19	18	23
LTL Growth % (Titan Eye+)	4	1	3	3	1	1	8	8	13
Stores	428	448	457	462	478	500	509	513	525
Area (Sq.Ft)		2,93,000	3,01,000	3,04,000	3,27,000	3,31,000	3,37,000	3,39,000	3,47,000

Source: Company PL

Exhibit 5: Gold Prices up 8% YoY and down 4.4% QoQ in Q3FY19


Source: Bloomberg, PL

Exhibit 6: Volumes up 19.7% on a high base; Studded share 25%, store addition guidance at 40 for FY19

	3QFY17	4QFY17	1QFY18	2QFY18	3QFY18	4QFY18	1QFY19	2QFY19	3QFY19
Jewellery									
Volume Gr %	4	37	49	49	6	6	-3.00	24.00	19.70
Studded Share %	21	34	23.4	37	25	36	25	35	25
Sales Gr %	15.0	55.0	55.0	36.4	7.4%	13.0%	5.6%	28.5%	39.9%
Tanishq									
Sales Gr %	20	55	55	22	15	19	8	38	34
LTL Growth %	15	52	51	18	12	17	2	32	27
Stores	204	210	221	229	243	256	262	267	277
Area (sq. Ft)	8,47,000	8,75,000	9,00,000	9,40,000	9,71,000	10,10,000	10,20,000	10,40,000	10,70,000

Source: Company, PL

Exhibit 7: Jewellery growth momentum to continue, Watches to see steady margin expansion from low base

(Rs m)	FY16	FY17	FY18	FY19E	FY20E	FY21E
Jewellery						
Sales	87,227	102,373	1,30,359	1,61,141	1,94,832	2,35,975
Growth %	(7.4)	17.4	24.3	23.6	20.9	21.1
EBIDTA	8,189	10,951	15,879	20,047	25,595	32,133
Growth %	(15.6)	33.7	41.5	26.2	27.7	25.5
EBIDTA Margin %	9.4	10.7	12.2	12.4	13.1	13.6
Watches						
Sales	19,633	19,882	20,547	22,910	25,545	28,738
Growth %	2.3	1.3	2.0	11.5	11.5	12.5
EBIDTA	2,004	2,376	3,083	3,551	3,952	4,446
Growth %	(15.5)	18.5	29.7	15.2	11.3	12.5
EBIDTA Margin %	10.2	12.0	15.0	15.5	15.5	15.5

Source: PL Research

Financials

Income Statement (Rs m)

Y/e Mar	FY18	FY19E	FY20E	FY21E
Net Revenues	1,56,248	1,90,497	2,28,172	2,73,973
YoY gr. (%)	21.1	21.9	19.8	20.1
Cost of Goods Sold	1,13,857	1,37,592	1,64,008	1,96,724
Gross Profit	42,391	52,906	64,164	77,249
Margin (%)	27.1	27.8	28.1	28.2
Employee Cost	7,623	9,523	11,064	13,011
Other Expenses	6,090	7,377	8,629	10,250
EBITDA	17,368	22,056	27,809	34,840
YoY gr. (%)	44.7	27.0	26.1	25.3
Margin (%)	11.1	11.6	12.2	12.7
Depreciation and Amortization	1,097	1,435	1,452	1,609
EBIT	16,272	20,622	26,357	33,231
Margin (%)	10.4	10.8	11.6	12.1
Net Interest	477	442	512	617
Other Income	829	1,142	1,781	2,481
Profit Before Tax	16,624	21,322	27,626	35,095
Margin (%)	10.6	11.2	12.1	12.8
Total Tax	4,079	6,013	7,873	10,107
Effective tax rate (%)	24.5	28.2	28.5	28.8
Profit after tax	12,545	15,309	19,752	24,987
Minority interest	-	-	-	-
Share Profit from Associate	-	-	-	-
Adjusted PAT	12,545	15,309	19,752	24,987
YoY gr. (%)	46.2	22.0	29.0	26.5
Margin (%)	8.0	8.0	8.7	9.1
Extra Ord. Income / (Exp)	(917)	-	-	-
Reported PAT	11,629	15,309	19,752	24,987
YoY gr. (%)	52.6	31.6	29.0	26.5
Margin (%)	7.4	8.0	8.7	9.1
Other Comprehensive Income	(31)	-	-	-
Total Comprehensive Income	11,598	15,309	19,752	24,987
Equity Shares O/s (m)	888	888	888	888
EPS (Rs)	14.1	17.2	22.2	28.1

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY18	FY19E	FY20E	FY21E
Non-Current Assets				
Gross Block	17,130	18,880	20,780	22,880
Tangibles	16,086	17,736	19,636	21,736
Intangibles	1,044	1,144	1,144	1,144
Acc: Dep / Amortization	7,392	8,319	9,264	10,367
Tangibles	6,649	7,477	8,354	9,381
Intangibles	743	843	911	986
Net fixed assets	9,738	10,561	11,516	12,513
Tangibles	9,437	10,260	11,283	12,355
Intangibles	301	301	233	158
Capital Work In Progress	412	457	457	457
Goodwill	-	-	-	-
Non-Current Investments	8,494	8,675	9,542	10,497
Net Deferred tax assets	481	190	228	274
Other Non-Current Assets	1,850	2,023	2,236	2,497
Current Assets				
Investments	4,650	12,380	17,437	28,797
Inventories	57,492	67,120	79,989	96,301
Trade receivables	1,930	2,296	2,812	3,302
Cash & Bank Balance	1,473	2,613	4,891	3,388
Other Current Assets	3,691	2,286	2,852	3,425
Total Assets	93,747	1,12,314	1,35,860	1,65,550
Equity				
Equity Share Capital	888	888	888	888
Other Equity	51,052	62,354	76,541	94,464
Total Networth	51,940	63,241	77,429	95,352
Non-Current Liabilities				
Long Term borrowings	-	-	-	-
Provisions	1,039	1,333	1,597	1,917
Other non current liabilities	-	-	-	-
Current Liabilities				
ST Debt / Current of LT Debt	-	500	200	-
Trade payables	23,902	26,594	31,907	38,588
Other current liabilities	16,866	20,645	24,728	29,693
Total Equity & Liabilities	93,747	1,12,314	1,35,861	1,65,550

Source: Company Data, PL Research

Cash Flow (Rs m)

Y/e Mar	FY18	FY19E	FY20E	FY21E
PBT	16,624	21,322	27,626	35,095
Add. Depreciation	1,097	1,435	1,452	1,609
Add. Interest	371	477	442	512
Less Financial Other Income	829	1,142	1,781	2,481
Add. Other	(3,417)	(2,500)	(2,500)	(2,500)
Op. profit before WC changes	14,675	20,733	27,021	34,716
Net Changes-WC	(4,955)	(9,648)	(9,905)	(17,405)
Direct tax	(4,079)	(6,013)	(7,873)	(10,107)
Net cash from Op. activities	5,642	5,073	9,242	7,204
Capital expenditures	(2,695)	(2,302)	(2,407)	(2,607)
Interest / Dividend Income	-	-	-	-
Others	(2,222)	(147)	(748)	(823)
Net Cash from Invt. activities	(4,917)	(2,449)	(3,156)	(3,430)
Issue of share cap. / premium	2,469	2,500	2,500	2,500
Debt changes	-	500	(300)	(200)
Dividend paid	(2,778)	(4,007)	(5,565)	(7,064)
Interest paid	(371)	(477)	(442)	(512)
Others	-	-	-	-
Net cash from Fin. activities	(680)	(1,484)	(3,807)	(5,276)
Net change in cash	45	1,140	2,279	(1,502)
Free Cash Flow	2,947	2,771	6,835	4,597

Source: Company Data, PL Research

Key Financial Metrics

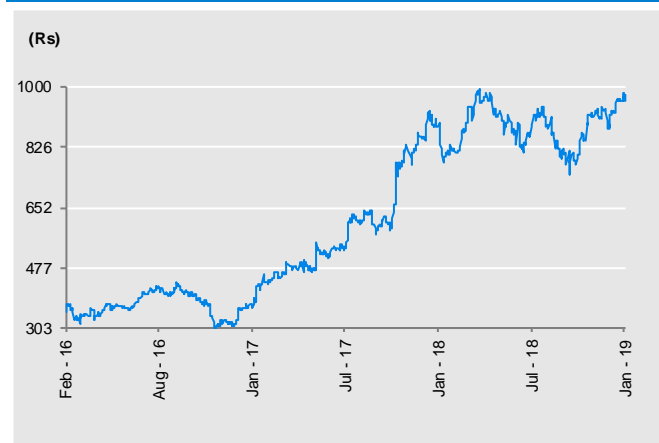
Y/e Mar	FY18	FY19E	FY20E	FY21E
Per Share(Rs)				
EPS	14.1	17.2	22.2	28.1
CEPS	15.4	18.9	23.9	30.0
BVPS	58.5	71.2	87.2	107.4
FCF	3.3	3.1	7.7	5.2
DPS	2.6	3.8	5.2	6.6
Return Ratio(%)				
RoCE	34.2	35.7	37.3	38.4
ROIC	18.6	21.2	23.2	24.9
RoE	26.4	26.6	28.1	28.9
Balance Sheet				
Net Debt : Equity (x)	(0.1)	(0.2)	(0.3)	(0.3)
Net Working Capital (Days)	83	82	81	81
Valuation(x)				
PER	70.2	57.5	44.6	35.2
P/B	16.9	13.9	11.4	9.2
P/CEPS	64.5	52.6	41.5	33.1
EV/EBITDA	50.3	39.3	30.9	24.3
EV/Sales	5.6	4.5	3.8	3.1
Dividend Yield (%)	0.3	0.4	0.5	0.7

Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q4FY18	Q1FY19	Q2FY19	Q3FY19
Net Revenue	39,168	43,189	44,068	56,722
YoY gr. (%)	14.2	10.5	30.4	37.1
Raw Material Expenses	27,809	31,587	31,804	42,476
Gross Profit	11,360	11,602	12,264	14,246
Margin (%)	29.0	26.9	27.8	25.1
EBITDA	4,554	4,953	4,961	6,542
YoY gr. (%)	2.4	8.8	0.2	31.9
Margin (%)	11.6	11.5	11.3	11.5
Depreciation / Depletion	301	351	375	328
EBIT	4,253	4,601	4,586	6,214
Margin (%)	10.9	10.7	10.4	11.0
Net Interest	124	88	105	129
Other Income	200	357	268	609
Profit before Tax	4,329	4,870	4,749	6,695
Margin (%)	11.1	11.3	10.8	11.8
Total Tax	701	1,378	1,315	1,833
Effective tax rate (%)	16.2	28.3	27.7	27.4
Profit after Tax	3,628	3,492	3,434	4,862
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
Adjusted PAT	3,628	3,492	3,434	4,862
YoY gr. (%)	78.8	26.1	12.1	57.8
Margin (%)	9.3	8.1	7.8	8.6
Extra Ord. Income / (Exp)	(807)	-	(290)	(700)
Reported PAT	2,821	3,492	3,144	4,162
YoY gr. (%)	40.6	30.8	2.9	35.0
Margin (%)	7.2	8.1	7.1	7.3
Other Comprehensive Income	64	578	41	(824)
Total Comprehensive Income	2,886	4,070	3,185	3,339
Avg. Shares O/s (m)	888	888	888	888
EPS (Rs)	4.1	3.9	3.9	5.5

Source: Company Data, PL Research

Price Chart

Recommendation History

No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	13-Apr-18	Accumulate	855	956
2	10-May-18	BUY	1,114	973
3	14-May-18	BUY	1,114	921
4	23-May-18	BUY	1,114	915
5	21-Jun-18	BUY	1,114	868
6	10-Jul-18	BUY	1,114	893
7	03-Aug-18	BUY	1,114	919
8	05-Oct-18	BUY	1,115	777
9	09-Nov-18	BUY	1,115	848
10	07-Jan-19	BUY	1,115	944

Analyst Coverage Universe

Sr. No.	CompanyName	Rating	TP (Rs)	Share Price (Rs)
1	Asian Paints	Accumulate	1,460	1,407
2	Avenue Supermarts	Reduce	1,270	1,572
3	Britannia Industries	Accumulate	3,231	3,144
4	Colgate Palmolive	Hold	1,245	1,322
5	Crompton Greaves Consumer Electricals	BUY	272	216
6	Dabur India	Hold	427	420
7	Emami	Accumulate	524	411
8	Future Retail	BUY	604	459
9	GlaxoSmithKline Consumer Healthcare	Hold	8,520	7,488
10	Hindustan Unilever	Hold	1,874	1,752
11	ITC	BUY	364	277
12	Jubilant FoodWorks	Accumulate	1,489	1,200
13	Kansai Nerolac Paints	Accumulate	498	430
14	Marico	Accumulate	387	387
15	Nestle India	Accumulate	11,129	10,786
16	Pidilite Industries	Accumulate	1,163	1,109
17	Titan Company	BUY	1,115	944
18	Voltas	Accumulate	658	542

PL's Recommendation Nomenclature (Absolute Performance)

Buy	: > 15%
Accumulate	: 5% to 15%
Hold	: +5% to -5%
Reduce	: -5% to -15%
Sell	: < -15%
Not Rated (NR)	: No specific call on the stock
Under Review (UR)	: Rating likely to change shortly

ANALYST CERTIFICATION

(Indian Clients)

We/I, Mr. Amnish Aggarwal- MBA, CFA, Ms. Nishita Doshi- CA, B.Com Research Analysts, authors and the names subscribed to this report, hereby certify that all of the views expressed in this research report accurately reflect our views about the subject issuer(s) or securities. We also certify that no part of our compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view(s) in this report.

(US Clients)

The research analysts, with respect to each issuer and its securities covered by them in this research report, certify that: All of the views expressed in this research report accurately reflect his or her or their personal views about all of the issuers and their securities; and No part of his or her or their compensation was, is or will be directly related to the specific recommendation or views expressed in this research report.

DISCLAIMER

Indian Clients

Prabhudas Lilladher Pvt. Ltd, Mumbai, India (hereinafter referred to as "PL") is engaged in the business of Stock Broking, Portfolio Manager, Depository Participant and distribution for third party financial products. PL is a subsidiary of Prabhudas Lilladher Advisory Services Pvt Ltd. which has its various subsidiaries engaged in business of commodity broking, investment banking, financial services (margin funding) and distribution of third party financial/other products, details in respect of which are available at www.plindia.com.

This document has been prepared by the Research Division of PL and is meant for use by the recipient only as information and is not for circulation. This document is not to be reported or copied or made available to others without prior permission of PL. It should not be considered or taken as an offer to sell or a solicitation to buy or sell any security.

The information contained in this report has been obtained from sources that are considered to be reliable. However, PL has not independently verified the accuracy or completeness of the same. Neither PL nor any of its affiliates, its directors or its employees accepts any responsibility of whatsoever nature for the information, statements and opinion given, made available or expressed herein or for any omission therein.

Recipients of this report should be aware that past performance is not necessarily a guide to future performance and value of investments can go down as well. The suitability or otherwise of any investments will depend upon the recipient's particular circumstances and, in case of doubt, advice should be sought from an independent expert/advisor.

Either PL or its affiliates or its directors or its employees or its representatives or its clients or their relatives may have position(s), make market, act as principal or engage in transactions of securities of companies referred to in this report and they may have used the research material prior to publication.

PL may from time to time solicit or perform investment banking or other services for any company mentioned in this document.

PL is in the process of applying for certificate of registration as Research Analyst under Securities and Exchange Board of India (Research Analysts) Regulations, 2014

PL submits that no material disciplinary action has been taken on us by any Regulatory Authority impacting Equity Research Analysis activities.

PL or its research analysts or its associates or his relatives do not have any financial interest in the subject company.

PL or its research analysts or its associates or his relatives do not have actual/beneficial ownership of one per cent or more securities of the subject company at the end of the month immediately preceding the date of publication of the research report.

PL or its research analysts or its associates or his relatives do not have any material conflict of interest at the time of publication of the research report.

PL or its associates might have received compensation from the subject company in the past twelve months.

PL or its associates might have managed or co-managed public offering of securities for the subject company in the past twelve months or mandated by the subject company for any other assignment in the past twelve months.

PL or its associates might have received any compensation for investment banking or merchant banking or brokerage services from the subject company in the past twelve months.

PL or its associates might 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 twelve months

PL or its associates might have received any compensation or other benefits from the subject company or third party in connection with the research report.

PL encourages independence in research report preparation and strives to minimize conflict in preparation of research report. PL or its analysts did not receive any compensation or other benefits from the subject Company or third party in connection with the preparation of the research report. PL or its Research Analysts do not have any material conflict of interest at the time of publication of this report.

It is confirmed that Mr. Amnish Aggarwal- MBA, CFA, Ms. Nishita Doshi- CA, B.Com Research Analysts of this report have not received any compensation from the companies mentioned in the report in the preceding twelve months

Compensation of our Research Analysts is not based on any specific merchant banking, investment banking or brokerage service transactions.

The Research analysts 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.

The research analysts for this report has not served as an officer, director or employee of the subject company PL or its research analysts have not engaged in market making activity for the subject company

Our sales people, traders, and other professionals or affiliates may provide oral or written market commentary or trading strategies to our clients that reflect opinions that are contrary to the opinions expressed herein, and our proprietary trading and investing businesses may make investment decisions that are inconsistent with the recommendations expressed herein. In reviewing these materials, you should be aware that any or all of the foregoing, among other things, may give rise to real or potential conflicts of interest.

PL and its associates, their directors and employees may (a) from time to time, have a long or short position in, and buy or sell the securities of the subject company 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 or act as an advisor or lender/borrower to the subject company or may have any other potential conflict of interests with respect to any recommendation and other related information and opinions.

US Clients

This research report is a product of Prabhudas Lilladher Pvt. Ltd., 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 Prabhudas Lilladher Pvt. Ltd. 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, Prabhudas Lilladher Pvt. Ltd. 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.

Prabhudas Lilladher Pvt. Ltd.

3rd Floor, Sadhana House, 570, P. B. Marg, Worli, Mumbai-400 018, India | Tel: (91 22) 6632 2222 Fax: (91 22) 6632 2209

www.plindia.com | Bloomberg Research Page: PRLD <GO>