

August 12, 2019

## Q1FY20 Result Update

Change in Estimates |  Target |  Reco

### Change in Estimates

	Current		Previous	
	FY20E	FY21E	FY20E	FY21E
Rating	HOLD		HOLD	
Target Price	56		77	
Sales (Rs. m)	321,858	337,554	329,127	358,672
% Chng.	(2.2)	(5.9)		
EBITDA (Rs. m)	23,423	24,262	26,372	32,660
% Chng.	(11.2)	(25.7)		
EPS (Rs.)	3.9	4.3	4.5	5.9
% Chng.	(12.6)	(27.2)		

### Key Financials - Standalone

Y/e Mar	FY18	FY19	FY20E	FY21E
Sales (Rs. bn)	288	303	322	338
EBITDA (Rs. bn)	19	21	23	24
Margin (%)	6.7	7.1	7.3	7.2
PAT (Rs. bn)	8	12	14	15
EPS (Rs.)	2.2	3.5	3.9	4.3
Gr. (%)	62.7	58.9	12.9	9.9
DPS (Rs.)	1.3	2.0	2.3	2.5
Yield (%)	2.3	3.6	4.0	4.4
RoE (%)	2.5	3.8	4.4	4.7
RoCE (%)	3.5	5.0	5.5	5.7
EV/Sales (x)	0.3	0.5	0.4	0.3
EV/EBITDA (x)	5.0	7.2	5.1	4.4
PE (x)	25.9	16.3	14.4	13.1
P/BV (x)	0.6	0.6	0.6	0.6

### Key Data

[BHEL.BO](#) | [BHEL IN](#)

52-W High / Low	Rs.83 / Rs.55
Sensex / Nifty	37,582 / 11,110
Market Cap	Rs.198bn/ \$ 2,798m
Shares Outstanding	3,482m
3M Avg. Daily Value	Rs.1672.66m

### Shareholding Pattern (%)

Promoter's	63.17
Foreign	12.13
Domestic Institution	18.82
Public & Others	5.88
Promoter Pledge (Rs bn)	-

### Stock Performance (%)

	1M	6M	12M
Absolute	(15.4)	(8.7)	(23.7)
Relative	(12.8)	(11.2)	(22.8)

### Ashwani Sharma

ashwanisharma@plindia.com | 91-22-66322247

### Khushboo Parekh

khushbooparekh@plindia.com | 91-22-66322257

## Marred by weak execution and order inflow

**BHEL reported net loss for 1QFY20 due to weak operating performance with 24% YoY revenue decline and EBITDA loss. Delay in dispatches due to lack of customer clearances, slow execution due to agitation at few of sites, were the key reasons behind such weak performance. Management expects things to normalize in the subsequent quarter. While order inflow during the quarter was lower at Rs39 bn, down 11% YoY, the company continues to maintain its leadership position in the FGD ordering (received 23GW out of 40 GW awarded and L1 in 19 GW). While collectable debtors have gone down by 5% at Rs152 bn, total debtors (including deferred debtors) have gone up from Rs346 bn at the end of FY19 to Rs378bn at the end of 1QFY20. We have cut FY20/FY21E earnings factoring weak 1QFY20 numbers, adverse macro environment (unfavorable payment terms, uncertain account receivables and lower upfront advances). We maintain Hold on the stock with revised TP of Rs56 (13x FY21E).**

- Weak quarter due to lower revenue growth:** BHEL's 1QFY20 revenue was at Rs45.3bn, down 24%YoY due to decline in Power/Industry segment revenue by 25%/20% YoY respectively. Reasons beings delay in dispatches due to lack of customer clearances, land constraints and local unrest. EBITDA margin was negative 5.9% compared to positive 4.8% in 1QFY19 on account of lower revenue growth. Other expenses were lower due to withdrawal in provisions which stood at Rs1.6 bn (Rs3.1 bn). Depreciation was up by 35% at Rs1.5 bn. Interest cost was up by 69% at Rs1.1 bn due to higher borrowing of Rs4 bn on rise in working capital requirement due to liquidity crunch. Other income was down 19% at Rs1.5 bn. Tax rate for the quarter came higher at 37% compared to 31% in 1QFY19. Hence, BHEL reported net loss of Rs2.2 bn against PAT of Rs1.6 bn in 1QFY19.
- Industry segment supports 1QFY20 order inflow:** BHEL's order inflow for the quarter was down 11% at Rs39 bn where Power segment was down 11% YoY at Rs19 bn. However, industry segment reported sharp growth in order inflow which was up 24% YoY at Rs19.8 bn. This was mainly on account of pick up in orders from railways and FGD. Order backlog at the end of 1QFY20 stood at Rs1078 bn down 8%.
- Other con-call highlights:**1) Management sees near term power sector opportunity of 80-100GW 2) Forex gain iin 1QFY20 was Rs480 mn, lower compared to Rs850 mn in 1QFY19. 3) Of the total debtors, 49% is from states, 33% from central, 12% from private and 6% from exports.4) In railways electrification 5 tenders are in pipeline.5) BHEL got an order of regenerative locomotive in the quarter and another order to manufacture 75 locomotives will be finalized in next 1 month.

**Exhibit 1: Q1FY20 Result Overview (Rs mn)**

Y/e March	Q1FY20	Q1FY19	YoY gr. (%)	Q4FY19	FY20E	FY19	YoY gr. (%)
Net Revenue	45,317	59,355	(23.7)	102,972	321,858	303,490	6.1
EBITDA	(2,667)	2,872	NA	13,952	23,423	21,420	9.4
EBITDA Margin (%)	(5.9)	4.8		13.5	7.3	7.1	
Other Income	1,455	1,786	(18.5)	1,209	7,183	6,776	6.0
Depreciation	(1,148)	(1,761)	NA	(1,342)	(4,847)	(4,748)	NA
Interest	(1,080)	(639)	NA	(964)	(5,272)	(2,869)	NA
Profit before Tax	(3,440)	2,259	NA	12,854	20,487	20,579	(0.4)
Tax	1,277	(703)	NA	(6,027)	(6,761)	(8,425)	(19.8)
Reported PAT	(2,163)	1,556	NA	6,827	13,726	12,154	12.9
Adjusted PAT	(2,163)	1,556	NA	6,827	13,726	12,154	12.9
Net Margin (%)	(4.8)	2.6		6.6	4.3	4.0	
Adjusted EPS	-0.6	0.4		2.0	3.9	3.5	

Source: Company, PL

**Exhibit 2: Segmental Breakup (Rs mn)**

Y/e March	Q1FY20	Q1FY19	YoY gr. (%)	Q4FY19	QoQ gr. (%)
<b>Revenue</b>					
Power	34,915	46,362	(24.7)	81,034	(56.9)
Industry	9,188	11,539	(20.4)	17,331	(47.0)
<b>Total</b>	<b>44,103</b>	<b>57,901</b>	<b>(23.8)</b>	<b>98,365</b>	<b>(55.2)</b>
<b>EBIT</b>					
Power	-541	4,878	(111.1)	13,066	(104.1)
Industry	349	585	(40.3)	2,534	(86.2)
<b>Total</b>	<b>-193</b>	<b>5,463</b>		<b>15,600</b>	
<b>EBIT Margin (%)</b>					
Power	-1.6	10.5		16.1	
Industry	3.8	5.1		14.6	

Source: Company, PL

## Financials

### Income Statement (Rs m)

Y/e Mar	FY18	FY19	FY20E	FY21E
<b>Net Revenues</b>	<b>288,130</b>	<b>303,490</b>	<b>321,858</b>	<b>337,554</b>
YoY gr. (%)	0.7	5.3	6.1	4.9
Cost of Goods Sold	(162,503)	(177,641)	(191,290)	(203,319)
Gross Profit	125,627	125,848	130,568	134,235
Margin (%)	43.6	41.5	40.6	39.8
Employee Cost	(60,265)	(62,613)	(63,239)	(63,871)
Other Expenses	(42,741)	(41,816)	(43,907)	(46,102)
<b>EBITDA</b>	<b>19,329</b>	<b>21,420</b>	<b>23,423</b>	<b>24,262</b>
YoY gr. (%)	82.1	10.8	9.4	3.6
Margin (%)	6.7	7.1	7.3	7.2
Depreciation and Amortization	(7,864)	(4,748)	(4,847)	(5,105)
<b>EBIT</b>	<b>11,465</b>	<b>16,672</b>	<b>18,576</b>	<b>19,157</b>
Margin (%)	4.0	5.5	5.8	5.7
Net Interest	(2,546)	(2,869)	(5,272)	(4,261)
Other Income	6,931	6,776	7,183	7,614
<b>Profit Before Tax</b>	<b>15,850</b>	<b>20,579</b>	<b>20,487</b>	<b>22,510</b>
Margin (%)	5.5	6.8	6.4	6.7
Total Tax	(7,784)	(8,425)	(6,761)	(7,428)
Effective tax rate (%)	(49.1)	(40.9)	(33.0)	(33.0)
<b>Profit after tax</b>	<b>8,066</b>	<b>12,154</b>	<b>13,726</b>	<b>15,082</b>
Minority interest	-	-	-	-
Share Profit from Associate	-	-	-	-
<b>Adjusted PAT</b>	<b>8,066</b>	<b>12,154</b>	<b>13,726</b>	<b>15,082</b>
YoY gr. (%)	62.7	50.7	12.9	9.9
Margin (%)	2.8	4.0	4.3	4.5
Extra Ord. Income / (Exp)	-	-	-	-
<b>Reported PAT</b>	<b>8,066</b>	<b>12,154</b>	<b>13,726</b>	<b>15,082</b>
YoY gr. (%)	62.7	50.7	12.9	9.9
Margin (%)	2.8	4.0	4.3	4.5
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	8,066	12,154	13,726	15,082
<b>Equity Shares O/s (m)</b>	<b>3,671</b>	<b>3,482</b>	<b>3,482</b>	<b>3,482</b>
<b>EPS (Rs)</b>	<b>2.2</b>	<b>3.5</b>	<b>3.9</b>	<b>4.3</b>

Source: Company Data, PL Research

### Balance Sheet Abstract (Rs m)

Y/e Mar	FY18	FY19	FY20E	FY21E
<b>Non-Current Assets</b>				
<b>Gross Block</b>	<b>56,261</b>	<b>59,052</b>	<b>62,121</b>	<b>65,497</b>
Tangibles	56,261	59,052	62,121	65,497
Intangibles	-	-	-	-
<b>Acc: Dep / Amortization</b>	<b>25,573</b>	<b>30,070</b>	<b>34,917</b>	<b>40,022</b>
Tangibles	25,573	30,070	34,917	40,022
Intangibles	-	-	-	-
<b>Net fixed assets</b>	<b>30,688</b>	<b>28,981</b>	<b>27,204</b>	<b>25,475</b>
Tangibles	30,688	28,981	27,204	25,475
Intangibles	-	-	-	-
Capital Work In Progress	2,028	2,028	2,028	2,028
Goodwill	-	-	-	-
Non-Current Investments	6,907	6,907	6,907	6,907
Net Deferred tax assets	36,259	36,259	36,259	36,259
Other Non-Current Assets	-	-	-	-
<b>Current Assets</b>				
Investments	-	-	-	-
Inventories	62,588	81,485	86,417	90,631
Trade receivables	354,935	390,795	405,629	416,162
Cash & Bank Balance	112,912	69,009	99,404	108,751
Other Current Assets	29,261	20,787	24,570	22,295
<b>Total Assets</b>	<b>637,892</b>	<b>637,914</b>	<b>690,181</b>	<b>710,357</b>
<b>Equity</b>				
Equity Share Capital	7,343	6,964	6,964	6,964
Other Equity	318,668	306,274	310,667	315,493
<b>Total Network</b>	<b>326,011</b>	<b>313,238</b>	<b>317,631</b>	<b>322,457</b>
<b>Non-Current Liabilities</b>				
Long Term borrowings	572	25,527	20,422	16,337
Provisions	-	-	-	-
Other non current liabilities	-	-	-	-
<b>Current Liabilities</b>				
ST Debt / Current of LT Debt	-	-	-	-
Trade payables	110,659	115,919	122,644	120,167
Other current liabilities	200,650	183,229	229,484	251,396
<b>Total Equity &amp; Liabilities</b>	<b>637,892</b>	<b>637,914</b>	<b>690,181</b>	<b>710,357</b>

Source: Company Data, PL Research

**Cash Flow (Rs m)**

Y/e Mar	FY18	FY19	FY20E	FY21E
PBT	15,850	20,579	20,487	22,510
Add. Depreciation	7,864	4,748	4,847	5,105
Add. Interest	2,546	2,869	5,272	4,261
Less Financial Other Income	6,931	6,776	7,183	7,614
Add. Other	15,953	(6,264)	(6,891)	(7,104)
Op. profit before WC changes	42,212	21,932	23,715	24,771
Net Changes-WC	(32,703)	(57,792)	29,330	6,876
Direct tax	431	(8,425)	(6,761)	(7,428)
<b>Net cash from Op. activities</b>	<b>9,941</b>	<b>(44,285)</b>	<b>46,284</b>	<b>24,220</b>
Capital expenditures	114	-	-	-
Interest / Dividend Income	7,053	6,264	6,891	7,104
Others	2,440	(2,790)	(3,069)	(3,376)
<b>Net Cash from Inv. activities</b>	<b>9,607</b>	<b>3,474</b>	<b>3,821</b>	<b>3,728</b>
Issue of share cap. / premium	-	(379)	-	-
Debt changes	(504)	24,955	(5,105)	(4,084)
Dividend paid	(5,833)	(8,265)	(9,334)	(10,256)
Interest paid	(373)	(2,869)	(5,272)	(4,261)
Others	-	(16,283)	-	-
<b>Net cash from Fin. activities</b>	<b>(6,710)</b>	<b>(2,840)</b>	<b>(19,711)</b>	<b>(18,601)</b>
<b>Net change in cash</b>	<b>12,838</b>	<b>(43,652)</b>	<b>30,395</b>	<b>9,347</b>
Free Cash Flow	9,941	(44,285)	46,284	24,220

Source: Company Data, PL Research

**Key Financial Metrics**

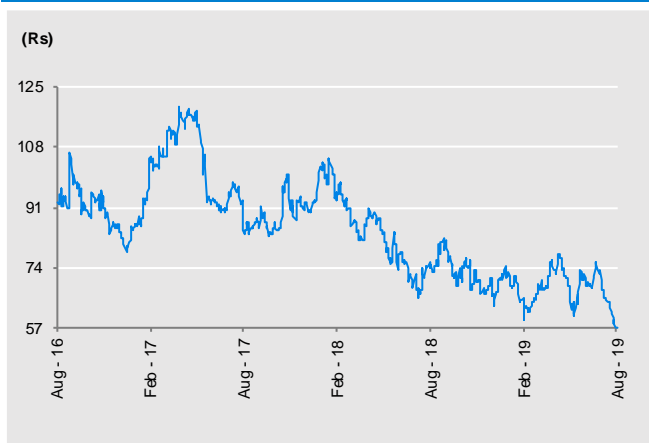
Y/e Mar	FY18	FY19	FY20E	FY21E
<b>Per Share(Rs)</b>				
EPS	2.2	3.5	3.9	4.3
CEPS	0.1	2.1	2.6	2.9
BVPS	88.8	90.0	91.2	92.6
FCF	2.7	(12.7)	13.3	7.0
DPS	1.3	2.0	2.3	2.5
<b>Return Ratio(%)</b>				
RoCE	3.5	5.0	5.5	5.7
ROIC	8.1	8.9	10.3	11.1
RoE	2.5	3.8	4.4	4.7
<b>Balance Sheet</b>				
Net Debt : Equity (x)	(0.3)	(0.1)	(0.2)	(0.3)
Net Working Capital (Days)	389	429	419	418
<b>Valuation(x)</b>				
PER	25.9	16.3	14.4	13.1
P/B	0.6	0.6	0.6	0.6
P/CEPS	1,033.3	26.7	22.3	19.8
EV/EBITDA	5.0	7.2	5.1	4.4
EV/Sales	0.3	0.5	0.4	0.3
Dividend Yield (%)	2.3	3.6	4.0	4.4

Source: Company Data, PL Research

**Quarterly Financials (Rs m)**

Y/e Mar	Q2FY19	Q3FY19	Q4FY19	Q1FY20
<b>Net Revenue</b>	<b>67,799</b>	<b>73,364</b>	<b>102,972</b>	<b>45,317</b>
YoY gr. (%)	6.2	9.4	0.8	(23.7)
Raw Material Expenses	(39,757)	(45,808)	(58,400)	(26,073)
Gross Profit	28,042	27,556	44,572	19,244
Margin (%)	41.4	37.6	43.3	42.5
<b>EBITDA</b>	<b>2,408</b>	<b>2,187</b>	<b>13,952</b>	<b>(2,667)</b>
YoY gr. (%)	(352.4)	(27.6)	7.8	(192.9)
Margin (%)	3.6	3.0	13.5	(5.9)
Depreciation / Depletion	(521)	(1,124)	(1,342)	(1,148)
<b>EBIT</b>	<b>1,887</b>	<b>1,063</b>	<b>12,610</b>	<b>(3,815)</b>
Margin (%)	2.8	1.4	12.2	(8.4)
Net Interest	(689)	(577)	(964)	(1,080)
Other Income	1,517	2,265	1,209	1,455
<b>Profit before Tax</b>	<b>2,715</b>	<b>2,751</b>	<b>12,854</b>	<b>(3,440)</b>
Margin (%)	4.0	3.7	12.5	(7.6)
Total Tax	(863)	(831)	(6,027)	1,277
Effective tax rate (%)	(31.8)	(30.2)	(46.9)	(37.1)
<b>Profit after Tax</b>	<b>1,852</b>	<b>1,920</b>	<b>6,827</b>	<b>(2,163)</b>
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
<b>Adjusted PAT</b>	<b>1,852</b>	<b>1,920</b>	<b>6,827</b>	<b>(2,163)</b>
YoY gr. (%)	60.4	25.3	48.7	(239.0)
Margin (%)	2.7	2.6	6.6	(4.8)
Extra Ord. Income / (Exp)	-	-	-	-
<b>Reported PAT</b>	<b>1,852</b>	<b>1,920</b>	<b>6,827</b>	<b>(2,163)</b>
YoY gr. (%)	60.4	25.3	48.7	(239.0)
Margin (%)	2.7	2.6	6.6	(4.8)
Other Comprehensive Income	-	-	-	-
<b>Total Comprehensive Income</b>	<b>1,852</b>	<b>1,920</b>	<b>6,827</b>	<b>(2,163)</b>
Avg. Shares O/s (m)	2,482	2,482	2,482	3,482
<b>EPS (Rs)</b>	<b>0.7</b>	<b>0.8</b>	<b>2.8</b>	<b>(0.6)</b>

Source: Company Data, PL Research

**Price Chart**
**Recommendation History**


No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	4-Jul-19	Hold	77	73
2	28-May-19	Hold	77	73
3	5-Apr-19	Reduce	78	73
4	5-Oct-18	Reduce	73	74

**Analyst Coverage Universe**

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	ABB	Reduce	1,296	1,394
2	Apar Industries	Accumulate	795	588
3	Bharat Electronics	Accumulate	120	98
4	BHEL	Hold	77	73
5	Cummins India	BUY	841	760
6	Engineers India	BUY	139	120
7	GE T&D India	Hold	179	175
8	Kalpataru Power Transmission	BUY	624	482
9	KEC International	BUY	352	294
10	Larsen & Toubro	BUY	1,710	1,400
11	Power Grid Corporation of India	BUY	224	211
12	Siemens	BUY	1,263	1,101
13	Thermax	Accumulate	1,147	1,058
14	Triveni Turbine	Accumulate	124	103
15	Voltamp Transformers	BUY	1,505	1,160

**PL's Recommendation Nomenclature (Absolute Performance)**

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

## ANALYST CERTIFICATION

### (Indian Clients)

We/I, Mr. Ashwani Sharma- MBA, Ms. Khushboo Parekh- MBA 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](http://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. Ashwani Sharma- MBA, Ms. Khushboo Parekh- MBA 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](http://www.plindia.com) | Bloomberg Research Page: PRLD <GO>**