

August 13, 2019

## Q1FY20 Result Update

☑ Change in Estimates | ☑ Target | ■ Reco

### Change in Estimates

	Current		Previous	
	FY20E	FY21E	FY20E	FY21E
Rating	ACCUMULATE		ACCUMULATE	
Target Price	111		131	
Sales (Rs. m)	700,611	749,748	703,727	777,249
% Chng.	(0.4)	(3.5)		
EBITDA (Rs. m)	53,668	66,650	54,907	68,622
% Chng.	(2.3)	(2.9)		
EPS (Rs.)	4.9	6.2	5.1	7.3
% Chng.	(3.3)	(2.8)		

### Key Financials - Consolidated

Y/e Mar	FY18	FY19	FY20E	FY21E
Sales (Rs. bn)	563	635	701	750
EBITDA (Rs. bn)	51	53	54	67
Margin (%)	9.1	8.4	7.7	8.9
PAT (Rs. bn)	17	16	16	20
EPS (Rs.)	5.4	5.1	4.9	6.2
Gr. (%)	6.0	(5.2)	(3.5)	26.2
DPS (Rs.)	1.4	1.5	1.4	1.7
Yield (%)	1.4	1.6	1.4	1.8
RoE (%)	19.5	15.9	13.5	15.5
RoCE (%)	19.0	16.1	13.8	18.4
EV/Sales (x)	0.5	0.6	0.5	0.5
EV/EBITDA (x)	5.3	7.1	7.0	5.3
PE (x)	18.0	19.0	19.7	15.6
P/BV (x)	3.3	2.8	2.6	2.3

### Key Data

MOSS.BO | MSS IN

52-W High / Low	Rs.212 / Rs.91
Sensex / Nifty	36,958 / 10,926
Market Cap	Rs.307bn/ \$ 4,313m
Shares Outstanding	3,158m
3M Avg. Daily Value	Rs.2381.1m

### Shareholding Pattern (%)

Promoter's	61.73
Foreign	16.36
Domestic Institution	11.06
Public & Others	10.85
Promoter Pledge (Rs bn)	9.48

### Stock Performance (%)

	1M	6M	12M
Absolute	(17.9)	(26.8)	(49.9)
Relative	(14.0)	(28.4)	(48.7)

### Deep Shah

deepshah@plindia.com | 91-22-66322235

### Poorvi Banka

poorvibanka@plindia.com | 91-22-66322426

## SMP margins recovery to continue

Motherson Sumi Systems' (MSS) Q1FY20 performance were in-line at consolidated level however, standalone margins were lower than expected at 17% (PLe: 18%). With impact of high ramp-up cost of greenfield plants and integration of SMRC subsidizing, SMP's margins (2.6% in Q1FY20 v/s 1.9% in Q4FY19) are expected to gradually recover in subsequent quarters. Further, with ramp-up of Tuscaloosa and Kecskemet plant and healthy order book, SMRPBV's revenues is expected to grow at ~10% CAGR over FY19-21E. On the other hand, while management sounded cautious on prevailing demand slowdown in European auto market, it also confirmed MSS has not witnessed any decline/cancellation in orders it has received. We maintain 'Accumulate' with a target price of Rs111, based upon 18x Mar'21E EPS. At current market price, the stock trades at 19.7x FY20E & 15.6x FY21E Consol EPS.

**In-line consolidated performance:** MSS' Q1FY20 Consolidated revenue grew 13.7% YoY to Rs167.9bn (in-line). Operating performance were in-line as EBITDA degrew ~11% YoY to Rs12.6bn and operating margins came in at 7.5% (-210bps YoY, +30bp QoQ). While gross margins remained stable YoY at 42.5%, staff costs & other expenses as a % of sales rose 150bps YoY & 150bps YoY respectively. With higher depreciation & tax rate, net profit stood at Rs3.3bn, down 25% YoY. Standalone revenue declined 8% YoY to ~Rs18.4bn, with EBITDA margins at 17%, flat YoY but higher 90bps QoQ.

**SMP** revenue grew 35.2% YoY / 1.7% QoQ to EUR1.1bn, however, excluding the share from SMRC & greenfield facilities, organic revenue over the quarter dipped ~7% YoY. SMP's EBITDA margins were 2.6% (-550bp YoY, +90bp QoQ). However, adjusting for greenfield, SMRC and IndAS impact, EBITDA margin came in at 8.6% (v/s 9.7%) due to product mix and lower utilization of other plants due to prevailing slowdown.

**SMR's** revenues remained flat YoY to EUR402mn and an EBITDA of EUR44mn. EBITDA margins for SMR in Q1FY20 were at 10.9% (-30bps YoY / -70bp QoQ).

**PKC** reported a revenue of EUR327mn, up 10.5% YoY & an EBITDA of EUR33mn, up 18% YoY. OPM stood at 10.1%, higher 60bps YoY / 150bp QoQ.

**Other takeaways:** 1) SMP margins to normalize in next 2-3 quarters led by subsidizing impact of greenfield plant ramp-up costs as well as manpower/supplier constraint issues at the Tuscaloosa plant. 2) PKC - Rolling stock is ~10% of PKC revenues with acquisition of Bombardier assets in UK. ~40-45% of PKC revenue is from NA. 10% from China and balance from Europe. 3) SMR - The trend of switch from existing mirrors to camera systems have been very slow. 4) Capex planned for FY20 has been maintained at ~Rs20bn, of which capex at SMRPBV is ~EUR200mn. All the major project capex is expected to be over for the company. 5) Consolidated net Debt for the company as on Q1FY20 stands at Rs83.7bn.

**Exhibit 1: Q1FY20 Result Overview - Consolidated (Rs m)**

Y/e March	Q1FY20	Q1FY19	YoY gr. (%)	Q4FY19	FY20E	FY19	YoY gr. (%)
<b>Net Revenues</b>	<b>167,925</b>	<b>147,755</b>	<b>13.7</b>	<b>171,695</b>	<b>700,611</b>	<b>635,229</b>	<b>10.3</b>
Raw Materials	96,586	85,091	13.5	99,740	399,710	367,383	8.8
<i>% of Net Sales</i>	<i>57.5</i>	<i>57.6</i>		<i>58.1</i>	<i>57.1</i>	<i>57.8</i>	
Personnel	39,171	32,303	21.3	39,552	162,948	141,694	15.0
<i>% of Net Sales</i>	<i>23.3</i>	<i>21.9</i>		<i>23.0</i>	<i>23.3</i>	<i>22.3</i>	
Manufacturing & Other Exp	19,619	16,240	20.8	19,975	84,285	72,668	16.0
<i>% of Net Sales</i>	<i>11.7</i>	<i>11.0</i>		<i>11.6</i>	<i>12.0</i>	<i>11.4</i>	
Total Expenditure	155,375	133,634	16.3	159,267	646,944	581,745	11.2
<b>EBITDA</b>	<b>12,550</b>	<b>14,121</b>	<b>(11.1)</b>	<b>12,428</b>	<b>53,668</b>	<b>53,484</b>	<b>0.3</b>
<i>EBITDA Margin (%)</i>	<i>7.5</i>	<i>9.6</i>		<i>7.2</i>	<i>7.7</i>	<i>8.4</i>	
Depreciation	6,365	4,471	42.4	5,518	22,938	20,582	11.4
<b>EBIT</b>	<b>6,185</b>	<b>9,650</b>	<b>(35.9)</b>	<b>6,910</b>	<b>30,729</b>	<b>32,902</b>	<b>(6.6)</b>
Interest Expenses	1,559	1,005	55.2	1,030	5,880	4,232	39.0
Non-operating income	547	447	22.5	682	1,800	2,202	(18.2)
<b>PBT</b>	<b>5,173</b>	<b>9,093</b>	<b>(43.1)</b>	<b>6,562</b>	<b>26,649</b>	<b>30,872</b>	<b>(13.7)</b>
Tax-Total	1,774	3,273	(45.8)	2,479	9,061	11,022	(17.8)
<i>Tax Rate (%) - Total</i>	<i>34.3</i>	<i>36.0</i>	<i>(4.7)</i>	<i>37.8</i>	<i>34.0</i>	<i>35.7</i>	<i>(4.8)</i>
<b>Reported PAT</b>	<b>3,399</b>	<b>5,820</b>	<b>(41.6)</b>	<b>4,082</b>	<b>17,589</b>	<b>19,850</b>	<b>(11.4)</b>
Minority Interest	84	1,389	(94.0)	(17)	(1,134)	3,719	(130.5)
<b>Profit after MI</b>	<b>3,315</b>	<b>4,431</b>	<b>(25.2)</b>	<b>4,100</b>	<b>18,723</b>	<b>16,132</b>	<b>16.1</b>
<b>Adj. PAT</b>	<b>3,315</b>	<b>4,431</b>	<b>(25.2)</b>	<b>4,100</b>	<b>18,723</b>	<b>16,132</b>	<b>16.1</b>

Source: Company, PL

## Financials

### Income Statement (Rs m)

Y/e Mar	FY18	FY19	FY20E	FY21E
<b>Net Revenues</b>	<b>562,933</b>	<b>635,229</b>	<b>700,611</b>	<b>749,748</b>
YoY gr. (%)	32.8	12.8	10.3	7.0
Cost of Goods Sold	343,121	367,383	399,710	398,792
Gross Profit	219,813	267,846	300,901	350,956
Margin (%)	39.0	42.2	42.9	46.8
Employee Cost	110,678	141,694	162,948	187,391
Other Expenses	57,908	72,668	84,285	96,916
<b>EBITDA</b>	<b>51,226</b>	<b>53,484</b>	<b>53,668</b>	<b>66,650</b>
YoY gr. (%)	22.9	4.4	0.3	24.2
Margin (%)	9.1	8.4	7.7	8.9
Depreciation and Amortization	15,752	20,582	22,938	24,013
<b>EBIT</b>	<b>35,474</b>	<b>32,902</b>	<b>30,729</b>	<b>42,637</b>
Margin (%)	6.3	5.2	4.4	5.7
Net Interest	4,108	4,232	5,880	5,795
Other Income	1,701	2,202	1,800	1,900
<b>Profit Before Tax</b>	<b>31,290</b>	<b>30,872</b>	<b>26,649</b>	<b>38,742</b>
Margin (%)	5.6	4.9	3.8	5.2
Total Tax	10,072	11,022	9,061	12,979
Effective tax rate (%)	32.2	35.7	34.0	33.5
<b>Profit after tax</b>	<b>21,219</b>	<b>19,850</b>	<b>17,589</b>	<b>25,764</b>
Minority interest	6,629	4,850	3,446	7,501
Share Profit from Associate	1,381	1,131	1,425	1,390
<b>Adjusted PAT</b>	<b>17,175</b>	<b>16,132</b>	<b>15,568</b>	<b>19,653</b>
YoY gr. (%)	5.9	(6.1)	(3.5)	26.2
Margin (%)	3.1	2.5	2.2	2.6
Extra Ord. Income / (Exp)	(1,205)	-	-	-
<b>Reported PAT</b>	<b>15,970</b>	<b>16,132</b>	<b>15,568</b>	<b>19,653</b>
YoY gr. (%)	2.7	1.0	(3.5)	26.2
Margin (%)	2.8	2.5	2.2	2.6
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	15,970	16,132	15,568	19,653
<b>Equity Shares O/s (m)</b>	<b>2,105</b>	<b>3,158</b>	<b>3,158</b>	<b>3,158</b>
<b>EPS (Rs)</b>	<b>5.4</b>	<b>5.1</b>	<b>4.9</b>	<b>6.2</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>174,332</b>	<b>190,917</b>	<b>211,863</b>	<b>230,403</b>
Tangibles	174,332	190,917	211,863	230,403
Intangibles	-	-	-	-
<b>Acc: Dep / Amortization</b>	<b>51,138</b>	<b>71,720</b>	<b>94,658</b>	<b>118,671</b>
Tangibles	51,138	71,720	94,658	118,671
Intangibles	-	-	-	-
<b>Net fixed assets</b>	<b>123,194</b>	<b>119,197</b>	<b>117,205</b>	<b>111,732</b>
Tangibles	123,194	119,197	117,205	111,732
Intangibles	-	-	-	-
Capital Work In Progress	25,849	10,463	10,463	10,463
Goodwill	22,646	22,646	22,646	22,646
Non-Current Investments	2,467	2,389	2,389	2,389
Net Deferred tax assets	6,266	6,123	6,123	6,123
Other Non-Current Assets	-	-	-	-
<b>Current Assets</b>				
Investments	-	-	-	-
Inventories	40,132	46,635	44,148	47,244
Trade receivables	56,236	61,663	63,343	67,785
Cash & Bank Balance	27,816	35,469	35,443	59,355
Other Current Assets	60,652	115,107	115,107	115,107
<b>Total Assets</b>	<b>368,713</b>	<b>427,179</b>	<b>423,610</b>	<b>450,491</b>
<b>Equity</b>				
Equity Share Capital	2,105	3,158	3,158	3,158
Other Equity	91,622	106,470	117,142	130,612
<b>Total Network</b>	<b>93,728</b>	<b>109,628</b>	<b>120,300</b>	<b>133,770</b>
<b>Non-Current Liabilities</b>				
Long Term borrowings	75,701	80,995	77,995	74,995
Provisions	-	-	-	-
Other non current liabilities	-	-	-	-
<b>Current Liabilities</b>				
ST Debt / Current of LT Debt	19,069	28,433	28,433	28,433
Trade payables	90,640	106,613	119,407	133,735
Other current liabilities	66,241	72,835	45,356	39,936
<b>Total Equity &amp; Liabilities</b>	<b>368,713</b>	<b>427,179</b>	<b>423,610</b>	<b>450,491</b>

Source: Company Data, PL Research



### Cash Flow (Rs m)

Y/e Mar	FY18	FY19	FY20E	FY21E
PBT	34,448	32,003	26,649	38,742
Add. Depreciation	15,752	20,582	22,938	24,013
Add. Interest	3,777	3,878	5,880	5,795
Less Financial Other Income	1,701	2,202	1,800	1,900
Add. Other	3,531	(622)	1,425	1,390
Op. profit before WC changes	57,508	55,841	56,893	69,939
Net Changes-WC	(14,820)	(2,219)	(13,135)	467
Direct tax	(10,048)	(10,498)	(9,061)	(12,979)
<b>Net cash from Op. activities</b>	<b>32,640</b>	<b>43,124</b>	<b>34,697</b>	<b>57,428</b>
Capital expenditures	(31,533)	(33,798)	(20,946)	(18,540)
Interest / Dividend Income	339	349	-	-
Others	(747)	344	-	-
<b>Net Cash from Invst. activities</b>	<b>(31,941)</b>	<b>(33,105)</b>	<b>(20,946)</b>	<b>(18,540)</b>
Issue of share cap. / premium	-	-	-	-
Debt changes	(9,471)	8,147	(3,000)	(3,000)
Dividend paid	(6,332)	(6,395)	(4,897)	(6,182)
Interest paid	(3,944)	(4,159)	(5,880)	(5,795)
Others	(2,467)	161	-	-
<b>Net cash from Fin. activities</b>	<b>(22,214)</b>	<b>(2,246)</b>	<b>(13,777)</b>	<b>(14,977)</b>
<b>Net change in cash</b>	<b>(21,515)</b>	<b>7,773</b>	<b>(26)</b>	<b>23,911</b>
Free Cash Flow	2,332	16,543	13,751	38,888

Source: Company Data, PL Research

### Key Financial Metrics

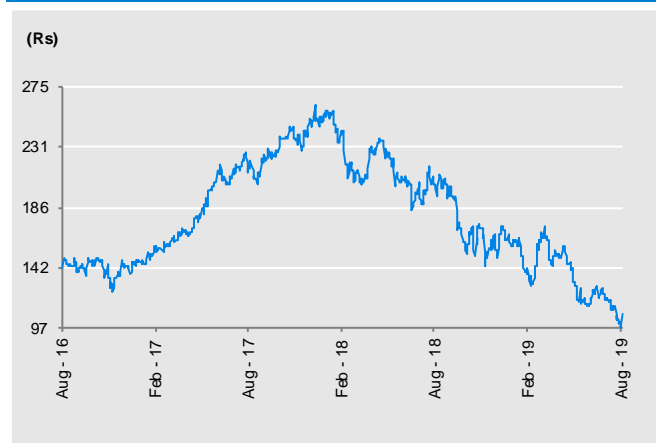
Y/e Mar	FY18	FY19	FY20E	FY21E
<b>Per Share(Rs)</b>				
EPS	5.4	5.1	4.9	6.2
CEPS	9.1	9.7	9.9	11.2
BVPS	29.7	34.7	38.1	42.4
FCF	1.1	5.2	4.4	12.3
DPS	1.4	1.5	1.4	1.7
<b>Return Ratio(%)</b>				
RoCE	19.0	16.1	13.8	18.4
ROIC	15.2	12.6	10.8	16.4
RoE	19.5	15.9	13.5	15.5
<b>Balance Sheet</b>				
Net Debt : Equity (x)	0.7	0.7	0.6	0.3
Net Working Capital (Days)	4	1	(6)	(9)
<b>Valuation(x)</b>				
PER	18.0	19.0	19.7	15.6
P/B	3.3	2.8	2.6	2.3
P/CEPS	9.1	9.7	9.9	11.2
EV/EBITDA	5.3	7.1	7.0	5.3
EV/Sales	0.5	0.6	0.5	0.5
Dividend Yield (%)	1.4	1.6	1.4	1.8

Source: Company Data, PL Research

### Quarterly Financials (Rs m)

Y/e Mar	Q2FY19	Q3FY19	Q4FY19	Q1FY20
<b>Net Revenue</b>	<b>151,050</b>	<b>164,730</b>	<b>171,695</b>	<b>167,925</b>
YoY gr. (%)	12.6	14.5	11.4	13.7
Raw Material Expenses	87,458	95,095	99,740	96,586
Gross Profit	63,592	69,635	71,955	71,340
Margin (%)	42.1	42.3	41.9	42.5
<b>EBITDA</b>	<b>13,001</b>	<b>13,934</b>	<b>12,428</b>	<b>12,550</b>
YoY gr. (%)	5.8	11.5	(17.2)	(11.1)
Margin (%)	8.6	8.5	7.2	7.5
Depreciation / Depletion	4,879	5,714	5,518	6,365
<b>EBIT</b>	<b>8,122</b>	<b>8,220</b>	<b>6,910</b>	<b>6,185</b>
Margin (%)	5.4	5.0	4.0	3.7
Net Interest	1,315	882	1,030	1,559
Other Income	463	610	682	547
<b>Profit before Tax</b>	<b>7,269</b>	<b>7,948</b>	<b>6,562</b>	<b>5,173</b>
Margin (%)	4.8	4.8	3.8	3.1
Total Tax	2,577	2,693	2,479	1,774
Effective tax rate (%)	35.4	33.9	37.8	34.3
<b>Profit after Tax</b>	<b>4,693</b>	<b>5,256</b>	<b>4,082</b>	<b>3,399</b>
Minority interest	1,244	1,659	194	291
Share Profit from Associates	262	294	211	207
<b>Adjusted PAT</b>	<b>3,711</b>	<b>3,891</b>	<b>4,100</b>	<b>3,315</b>
YoY gr. (%)	(15.6)	6.3	(23.1)	(25.2)
Margin (%)	2.5	2.4	2.4	2.0
Extra Ord. Income / (Exp)	-	-	-	-
<b>Reported PAT</b>	<b>3,711</b>	<b>3,891</b>	<b>4,100</b>	<b>3,315</b>
YoY gr. (%)	(14.9)	6.7	(20.9)	(25.2)
Margin (%)	2.5	2.4	2.4	2.0
Other Comprehensive Income	-	-	-	-
<b>Total Comprehensive Income</b>	<b>3,711</b>	<b>3,891</b>	<b>4,100</b>	<b>3,315</b>
Avg. Shares O/s (m)	3,158	3,158	3,158	3,158
<b>EPS (Rs)</b>	<b>1.2</b>	<b>1.2</b>	<b>1.3</b>	<b>1.0</b>

Source: Company Data, PL Research

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


No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	4-Jul-19	Accumulate	131	127
2	28-May-19	Accumulate	131	119
3	5-Apr-19	Accumulate	150	151
4	11-Feb-19	Accumulate	150	133
5	7-Jan-19	Accumulate	179	157
6	15-Nov-18	Accumulate	179	144
7	5-Oct-18	Accumulate	348	242

**Analyst Coverage Universe**

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Ashok Leyland	Hold	75	69
2	Bajaj Auto	Reduce	2,646	2,619
3	Bharat Forge	Hold	513	476
4	CEAT	Reduce	757	803
5	Eicher Motors	Reduce	15,800	16,348
6	Exide Industries	Accumulate	209	181
7	Hero Motocorp	Accumulate	2,529	2,259
8	Mahindra & Mahindra	Hold	547	518
9	Maruti Suzuki	BUY	6,842	5,806
10	Motherson Sumi Systems	Accumulate	131	127
11	Tata Motors	Hold	139	144
12	TVS Motors	Hold	405	380

**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. Deep Shah- MBA Finance, Ms. Poorvi Banka- MSc. Finance 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. Deep Shah- MBA Finance, Ms. Poorvi Banka- MSc. Finance 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>