

February 12, 2020

Q3FY20 Result Update

Change in Estimates | Target | Reco

Change in Estimates

	Current		Previous	
	FY21E	FY22E	FY21E	FY22E
Rating	HOLD		BUY	
Target Price	472		501	
Sales (Rs. m)	20,601	23,563	21,562	24,709
% Chng.	(4.5)	(4.6)		
EBITDA (Rs. m)	3,605	4,100	3,730	4,250
% Chng.	(3.4)	(3.5)		
EPS (Rs.)	13.7	15.8	14.3	17.0
% Chng.	(4.5)	(6.8)		

Key Financials - Consolidated

Y/e Mar	FY19	FY20E	FY21E	FY22E
Sales (Rs. m)	17,847	18,569	20,601	23,563
EBITDA (Rs. m)	2,247	3,305	3,605	4,100
Margin (%)	12.6	17.8	17.5	17.4
PAT (Rs. m)	1,453	1,875	1,934	2,238
EPS (Rs.)	10.3	13.3	13.7	15.8
Gr. (%)	14.6	29.1	3.1	15.7
DPS (Rs.)	3.2	4.0	4.5	5.0
Yield (%)	0.7	0.8	0.9	1.0
RoE (%)	25.0	21.2	24.6	23.8
RoCE (%)	31.2	33.2	33.0	33.3
EV/Sales (x)	3.9	3.6	3.2	2.8
EV/EBITDA (x)	30.9	20.5	18.5	16.1
PE (x)	47.3	36.6	35.5	30.7
P/BV (x)	11.8	10.4	8.7	7.3

Key Data

VIPI.BO | VIP IN

52-W High / Low	Rs.520 / Rs.342
Sensex / Nifty	41,566 / 12,201
Market Cap	Rs.69bn/ \$ 963m
Shares Outstanding	141m
3M Avg. Daily Value	Rs.232.89m

Shareholding Pattern (%)

Promoter's	53.46
Foreign	6.68
Domestic Institution	11.51
Public & Others	28.35
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	15.6	22.0	9.5
Relative	15.7	10.3	(4.8)

Jinesh Joshi

jineshjoshi@plindia.com | 91-22-66322238

Growth concerns aggravate

Quick pointers

- Cedes market share due to rising competitive intensity. Growth concerns can aggravate if there is an extended shutdown in China due to Coronavirus mayhem.
- Scope of Caprese has been expanded with the launch of women's travel luggage under the same brand.
- Gross margin increases 560bps YoY to 53.3%.

We cut our EPS estimates by 5%/7% for FY21E/FY22E and downgrade the stock from BUY to HOLD as 1) VIP has ceded market share due to rising competitive intensity 2) growth concerns can aggravate further if there is an extended factory shut down in China due to Coronavirus mayhem as only 60% of the requirements for 1QFY21 (strongest quarter) are currently hedged by placing advance orders and 3) extended slowdown in discretionary spending amid weak environment has structurally de-railed the growth momentum. Despite near term growth headwinds, margin performance has been commendable (Gross margin/Ind-AS adjusted EBITDA margin expanded by 560bps/290bps respectively) due to superior product mix, stable rupee and benign raw material prices. While we believe the long term story of premiumisation remains intact valuations at 35x FY21E may appear pricey given emanating growth challenges. We thus downgrade the stock to HOLD (earlier BUY) and revise our TP to Rs472 (Rs501 earlier) effectively valuing it at 32x Sep21 EPS estimates.

Volumes grow marginally: Topline increases 0.5% YoY to Rs4,324mn (PLe of Rs4,645mn) with volumes reporting a marginal growth. Except for e-com (growth decelerated), all other channels witnessed the brunt of slowdown.

Gross margins expand 560bps YoY to 53.3%: Gross margins expanded 560bps YoY to 53.3% amid superior product mix, stable rupee and benign raw material prices.

Ind-AS adjusted EBITDA increased 33.6% YoY: EBITDA increased 80.3% YoY to Rs680mn (PLe of Rs720mn) while margin expanded 700 bps YoY to 15.7%. However, excluding the impact of Ind-AS 116, EBITDA increased 33.6% YoY to Rs504mn with margins improving 290bps YoY to 11.7%. Reported PAT increased 43.6% YoY due to strong operating performance and lower tax rate of 19.5%.

Con-call highlights: 1) Ceded market share due to rising competitive intensity and slower growth in E-com. Also, few large specific orders were foregone for the want of price and focus is on margins rather than volumes 2) Growth in most channels has been flat 3) Since E-com is a highly discounted channel it is creating channel conflict with traditional channel partners (impact on VIP is higher as it has a higher exposure to dealer/distribution channel than peers) 4) A&P spends is likely to remain in the 5-7% range 5) ~30% of the backpacks are sold via E-com channel within the industry 6) Capex is expected to be in the range of Rs300-500mn. 7) Gross/net block in Bangladesh operations is Rs450mn/320mn respectively 8) Bangladesh is operating at peak capacity 9) No plans to manufacture SL in India.

Exhibit 1: Q3FY20 Result Overview - Consolidated (Rs mn)

Y/e March	Q3FY20	Q3FY19	YoY gr.	Q2FY20	9MFY20	9MFY19	YoY gr.
Net sales	4,324	4,301	0.5%	4,123	14,088	13,497	4.4%
Total raw material cost	2,018	2,248	-10.2%	1,926	6,741	6,761	-0.3%
<i>As a % of sales</i>	<i>46.7%</i>	<i>52.3%</i>		<i>46.7%</i>	<i>47.8%</i>	<i>50.1%</i>	
Gross Profit	2,306	2,053	12.3%	2,196	7,348	6,736	9.1%
<i>Gross margin</i>	<i>53.3%</i>	<i>47.7%</i>		<i>53.3%</i>	<i>52.2%</i>	<i>49.9%</i>	
Employee expenses	564	534	5.5%	583	1,687	1,459	15.6%
<i>As a % of sales</i>	<i>13.0%</i>	<i>12.4%</i>		<i>14.1%</i>	<i>12.0%</i>	<i>10.8%</i>	
Other expenses	1,062	1,142	-7.0%	951	3,066	3,426	-10.5%
<i>As a % of sales</i>	<i>24.6%</i>	<i>26.6%</i>		<i>23.1%</i>	<i>21.8%</i>	<i>25.4%</i>	
EBITDA	680	377	80.3%	662	2,594	1,851	40.2%
<i>EBITDA margin</i>	<i>15.7%</i>	<i>8.8%</i>		<i>16.1%</i>	<i>18.4%</i>	<i>13.7%</i>	
Depreciation	217	44	392.7%	212	621	120	418.9%
EBIT	463	333	39.1%	451	1,974	1,731	14.0%
<i>EBIT margin</i>	<i>10.7%</i>	<i>7.7%</i>		<i>10.9%</i>	<i>14.0%</i>	<i>12.8%</i>	
Interest cost	56	7	668.5%	70	179	8	2163.3%
Other income	18	28	-37.5%	27	70	64	8.6%
PBT	425	354	20.0%	408	1,865	1,788	4.3%
Exceptional items	-	-	NM	-	485	-	NM
Tax expenses	83	116	-28.5%	79	358	588	-39.2%
<i>Tax rate</i>	<i>19.5%</i>	<i>32.7%</i>		<i>19.3%</i>	<i>19.2%</i>	<i>32.9%</i>	
PAT	342	238	43.6%	329	1,022	1,200	-14.8%
<i>PAT margin</i>	<i>7.9%</i>	<i>5.5%</i>		<i>8.0%</i>	<i>7.3%</i>	<i>8.9%</i>	
EPS (Rs)	2.4	1.7	43.2%	2.3	7.2	8.5	-14.8%
Adjusted PAT	342	238	43.6%	329	1,507	1,200	25.6%
<i>Adjusted PAT margin</i>	<i>7.9%</i>	<i>5.5%</i>		<i>8.0%</i>	<i>10.7%</i>	<i>8.9%</i>	
Adjusted EPS (Rs)	2.4	1.7	43.6%	2.3	10.7	8.5	25.6%

Source: Company, PL

Exhibit 2: Sales & profitability profile of Bangladesh operations

Particulars (Rs mn)	1Q'18	2Q'18	3Q'18	4Q'18	1Q'19	2Q'19	3Q'19	4Q'19	1Q'20	2Q'20	3Q'20*	FY17	FY18	FY19	FY20E	FY21E	FY22E
Sales	138	50	184	198	252	259	389	392	430	513	NA	490	570	1,292	1,680	2,183	2,839
PAT	32	1	30	32	40	27	61	47	40	57	NA	83	95	175	235	371	483
<i>PAT margin</i>	<i>23.2%</i>	<i>2.0%</i>	<i>16.3%</i>	<i>16.2%</i>	<i>15.9%</i>	<i>10.4%</i>	<i>15.7%</i>	<i>12.0%</i>	<i>9.3%</i>	<i>11.1%</i>	<i>NA</i>	<i>16.9%</i>	<i>16.7%</i>	<i>13.5%</i>	<i>14.0%</i>	<i>17.0%</i>	<i>17.0%</i>
<i>Bangladesh's sales a % of total sales</i>	<i>3.5%</i>	<i>1.6%</i>	<i>5.4%</i>	<i>5.5%</i>	<i>4.9%</i>	<i>6.4%</i>	<i>9.0%</i>	<i>9.0%</i>	<i>7.6%</i>	<i>12.4%</i>	<i>NA</i>	<i>3.9%</i>	<i>4.0%</i>	<i>7.2%</i>	<i>8.6%</i>	<i>9.9%</i>	<i>11.1%</i>
Standalone PAT#	378	242	241	324	599	310	199	184	860	302	266	763.9	1,186	1,288			
<i>Standalone PAT margin</i>	<i>9.5%</i>	<i>7.8%</i>	<i>7.1%</i>	<i>8.9%</i>	<i>11.6%</i>	<i>7.7%</i>	<i>4.6%</i>	<i>4.2%</i>	<i>15.2%</i>	<i>7.3%</i>	<i>6.1%</i>	<i>6.1%</i>	<i>8.4%</i>	<i>7.2%</i>			

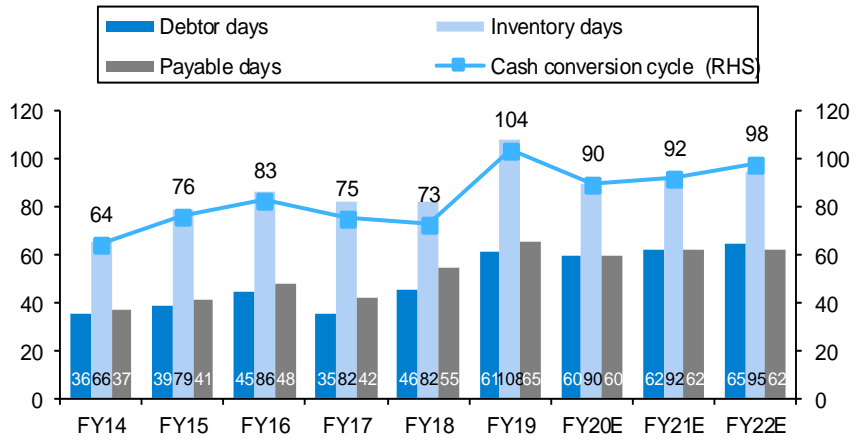
Source: Company, PL # PAT for 1QFY20 is adjusted for exceptional loss of Rs485.0 mn * Figures for 3QFY20 were not shared

Exhibit 3: Gross & EBITDA margin trend is volatile due to fluctuation in currency & raw material prices

Particulars	1QFY18	2QFY18	3QFY18	4QFY18	1QFY19	2QFY19	3QFY19	4QFY19	1QFY20*	2QFY20*	3QFY20*
Gross margin	45.5%	48.2%	51.0%	54.6%	50.3%	50.8%	47.7%	47.5%	50.4%	53.3%	53.3%
EBITDA margin	15.3%	11.8%	12.2%	15.0%	18.6%	12.7%	8.8%	9.1%	19.2%	12.1%	11.7%

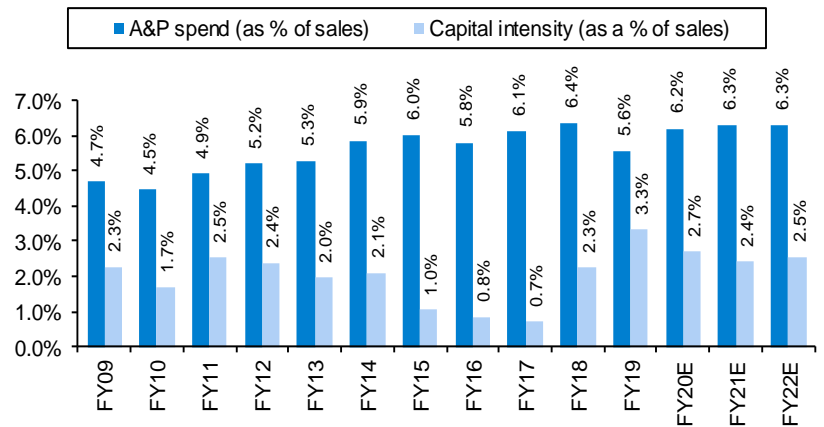
Source: Company, PL *Ind-AS adjusted EBITDA margin

Exhibit 4: VIP's cash conversion cycle to improve by 6 days to 98 days in FY22E



Source: Company, PL

Exhibit 5: Absence of manufacturing moat makes branding critical for success



Source: Company, PL

Financials

Income Statement (Rs m)

Y/e Mar	FY19	FY20E	FY21E	FY22E
Net Revenues	17,847	18,569	20,601	23,563
YoY gr. (%)	26.6	4.0	10.9	14.4
Cost of Goods Sold	9,044	8,858	9,785	11,075
Gross Profit	8,803	9,712	10,815	12,488
Margin (%)	49.3	52.3	52.5	53.0
Employee Cost	2,011	2,284	2,513	2,851
Other Expenses	4,545	4,122	4,697	5,537
EBITDA	2,247	3,305	3,605	4,100
YoY gr. (%)	16.2	47.1	9.1	13.7
Margin (%)	12.6	17.8	17.5	17.4
Depreciation and Amortization	166	836	865	966
EBIT	2,081	2,470	2,740	3,134
Margin (%)	11.7	13.3	13.3	13.3
Net Interest	15	241	268	283
Other Income	83	93	113	141
Profit Before Tax	2,149	1,836	2,585	2,992
Margin (%)	12.0	9.9	12.6	12.7
Total Tax	697	446	652	754
Effective tax rate (%)	32.4	24.3	25.2	25.2
Profit after tax	1,453	1,390	1,934	2,238
Minority interest	-	-	-	-
Share Profit from Associate	-	-	-	-
Adjusted PAT	1,453	1,875	1,934	2,238
YoY gr. (%)	14.6	29.1	3.1	15.7
Margin (%)	8.1	10.1	9.4	9.5
Extra Ord. Income / (Exp)	-	(485)	-	-
Reported PAT	1,453	1,390	1,934	2,238
YoY gr. (%)	14.6	(4.3)	39.1	15.7
Margin (%)	8.1	7.5	9.4	9.5
Other Comprehensive Income	(1)	0	-	-
Total Comprehensive Income	1,452	1,390	1,934	2,238
Equity Shares O/s (m)	141	141	141	141
EPS (Rs)	10.3	13.3	13.7	15.8

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY19	FY20E	FY21E	FY22E
Non-Current Assets				
Gross Block	1,635	4,597	5,106	5,715
Tangibles	1,581	4,535	5,035	5,635
Intangibles	55	63	72	81
Acc: Dep / Amortization	468	1,304	2,169	3,135
Tangibles	443	1,261	2,109	3,056
Intangibles	26	43	60	79
Net fixed assets	1,167	3,293	2,937	2,580
Tangibles	1,138	3,273	2,926	2,579
Intangibles	29	20	12	1
Capital Work In Progress	58	47	28	28
Goodwill	-	-	-	-
Non-Current Investments	222	232	278	293
Net Deferred tax assets	49	58	65	69
Other Non-Current Assets	89	93	124	141
Current Assets				
Investments	-	-	-	-
Inventories	5,274	4,579	5,192	6,133
Trade receivables	2,986	3,052	3,499	4,196
Cash & Bank Balance	142	1,772	2,289	2,589
Other Current Assets	603	650	721	825
Total Assets	10,711	13,921	15,288	17,024
Equity				
Equity Share Capital	283	283	283	283
Other Equity	5,531	6,290	7,587	9,119
Total Networkth	5,814	6,572	7,870	9,402
Non-Current Liabilities				
Long Term borrowings	-	-	-	-
Provisions	119	136	150	172
Other non current liabilities	1	2	2	2
Current Liabilities				
ST Debt / Current of LT Debt	862	862	431	-
Trade payables	3,184	3,052	3,499	4,002
Other current liabilities	707	758	794	901
Total Equity & Liabilities	10,711	13,921	15,288	17,024

Source: Company Data, PL Research

Cash Flow (Rs m)

Y/e Mar	FY19	FY20E	FY21E	FY22E
PBT	2,149	1,836	2,585	2,992
Add. Depreciation	166	836	865	966
Add. Interest	15	241	268	283
Less Financial Other Income	83	93	113	141
Add. Other	(49)	-	-	-
Op. profit before WC changes	2,281	2,913	3,718	4,241
Net Changes-WC	(2,113)	507	(714)	(1,148)
Direct tax	(727)	(455)	(658)	(758)
Net cash from Op. activities	(559)	2,966	2,347	2,335
Capital expenditures	(591)	(500)	(500)	(600)
Interest / Dividend Income	36	-	-	-
Others	714	(2,484)	5	(15)
Net Cash from Inv. activities	159	(2,984)	(495)	(615)
Issue of share cap. / premium	-	-	-	-
Debt changes	862	-	(431)	(431)
Dividend paid	(541)	(565)	(636)	(707)
Interest paid	(15)	(241)	(268)	(283)
Others	-	2,454	-	-
Net cash from Fin. activities	306	1,648	(1,334)	(1,420)
Net change in cash	(94)	1,630	517	300
Free Cash Flow	(1,153)	2,466	1,847	1,735

Source: Company Data, PL Research

Key Financial Metrics

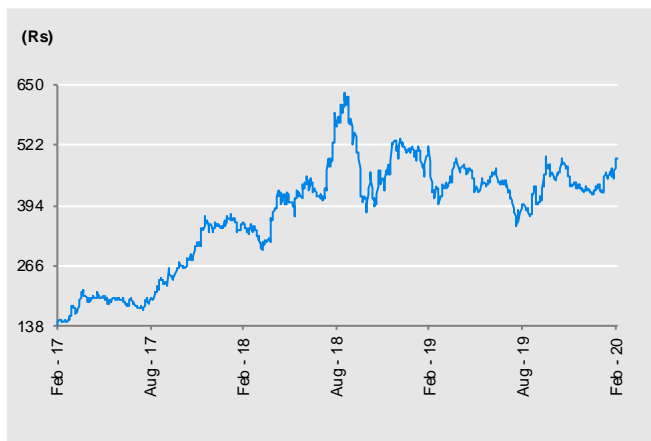
Y/e Mar	FY19	FY20E	FY21E	FY22E
Per Share(Rs)				
EPS	10.3	13.3	13.7	15.8
CEPS	11.5	19.2	19.8	22.7
BVPS	41.1	46.5	55.7	66.5
FCF	(8.2)	17.5	13.1	12.3
DPS	3.2	4.0	4.5	5.0
Return Ratio(%)				
RoCE	31.2	33.2	33.0	33.3
ROIC	21.0	23.7	23.6	24.1
RoE	25.0	21.2	24.6	23.8
Balance Sheet				
Net Debt : Equity (x)	0.1	(0.1)	(0.2)	(0.3)
Net Working Capital (Days)	104	90	92	98
Valuation(x)				
PER	47.3	36.6	35.5	30.7
P/B	11.8	10.4	8.7	7.3
P/CEPS	42.4	25.3	24.5	21.4
EV/EBITDA	30.9	20.5	18.5	16.1
EV/Sales	3.9	3.6	3.2	2.8
Dividend Yield (%)	0.7	0.8	0.9	1.0

Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q4FY19	Q1FY20	Q2FY20	Q3FY20
Net Revenue	4,350	5,642	4,123	4,324
YoY gr. (%)	20.0	9.0	2.6	0.5
Raw Material Expenses	2,283	2,797	1,926	2,018
Gross Profit	2,067	2,845	2,196	2,306
Margin (%)	47.5	50.4	53.3	53.3
EBITDA	396	1,251	662	680
YoY gr. (%)	(27.1)	30.0	29.7	80.3
Margin (%)	9.1	22.2	16.1	15.7
Depreciation / Depletion	47	192	212	217
EBIT	349	1,059	451	463
Margin (%)	8.0	18.8	10.9	10.7
Net Interest	7	53	70	56
Other Income	20	26	27	18
Profit before Tax	362	547	408	425
Margin (%)	8.3	9.7	9.9	9.8
Total Tax	109	196	79	83
Effective tax rate (%)	30.1	35.8	19.3	19.5
Profit after Tax	253	351	329	342
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
Adjusted PAT	253	836	329	342
YoY gr. (%)	(27.9)	31.9	0.3	43.6
Margin (%)	5.8	14.8	8.0	7.9
Extra Ord. Income / (Exp)	-	(485)	-	-
Reported PAT	253	351	329	342
YoY gr. (%)	(27.9)	(44.6)	0.3	43.6
Margin (%)	5.8	6.2	8.0	7.9
Other Comprehensive Income	(21)	(5)	6	(2)
Total Comprehensive Income	232	346	336	340
Avg. Shares O/s (m)	141	141	141	141
EPS (Rs)	1.8	5.9	2.3	2.4

Source: Company Data, PL Research

Price Chart
Recommendation History


No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	3-Jan-20	BUY	501	440
2	7-Nov-19	BUY	530	454
3	3-Oct-19	BUY	540	465
4	30-Jul-19	BUY	488	386
5	4-Jul-19	BUY	564	440
6	7-May-19	BUY	564	431
7	5-Apr-19	BUY	579	477
8	25-Mar-19	BUY	579	444

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Dish TV India	NR	-	74
2	Entertainment Network (India)	Hold	287	260
3	Indian Railway Catering and Tourism Corporation	BUY	1,339	1,004
4	Inox Leisure	BUY	476	424
5	Music Broadcast	Hold	39	27
6	Navneet Education	BUY	108	91
7	PVR	Accumulate	2,053	1,900
8	S Chand and Company	Accumulate	92	75
9	V.I.P. Industries	BUY	501	440
10	Zee Media Corporation	Under Review	-	14

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. Jinesh Joshi- MS(Finance) and CFA 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. Jinesh Joshi- MS(Finance) and CFA 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