

May 21, 2020

Q4FY20 Result Update

Change in Estimates | Target | Reco

Change in Estimates

	Current		Previous	
	FY21E	FY22E	FY21E	FY22E
Rating	BUY		BUY	
Target Price	4,350		4,350	
Sales (Rs. m)	3,81,205	4,44,932	3,90,844	4,46,254
% Chng.	(2.5)	(0.3)		
EBITDA (Rs. m)	78,328	95,201	79,873	95,441
% Chng.	(1.9)	(0.3)		
EPS (Rs.)	113.3	165.0	114.7	161.7
% Chng.	(1.2)	2.1		

Key Financials - Consolidated

Y/e Mar	FY19	FY20	FY21E	FY22E
Sales (Rs. bn)	416	421	381	445
EBITDA (Rs. bn)	73	94	78	95
Margin (%)	17.7	22.3	20.5	21.4
PAT (Rs. bn)	24	36	33	48
EPS (Rs.)	87.5	125.3	113.3	165.0
Gr. (%)	8.1	43.1	(9.6)	45.7
DPS (Rs.)	11.5	11.5	11.5	11.5
Yield (%)	0.3	0.3	0.3	0.3
RoE (%)	8.0	9.9	8.2	11.2
RoCE (%)	9.4	11.3	8.4	11.4
EV/Sales (x)	2.9	2.8	3.0	2.5
EV/EBITDA (x)	16.3	12.6	14.8	11.6
PE (x)	40.5	28.3	31.3	21.5
P/BV (x)	2.9	2.6	2.5	2.3

Key Data

ULTC.BO | UTCEM IN

52-W High / Low	Rs.4,905 / Rs.2,910
Sensex / Nifty	30,819 / 9,067
Market Cap	Rs.1,023bn/ \$ 13,501m
Shares Outstanding	289m
3M Avg. Daily Value	Rs.4883.7m

Shareholding Pattern (%)

Promoter's	60.04
Foreign	16.48
Domestic Institution	14.15
Public & Others	9.33
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	0.8	(13.8)	(25.7)
Relative	3.5	13.7	(5.2)

Kamlesh Bagmar

kamleshbagmar@plindia.com | 91-22-66322237

Amit Khimesra

amitkhimesra@plindia.com | 91-22-66322244

Earnings in line; Remains top pick in the sector

Quick Pointers:

- Utilisation rates improved to 65-70% in May. East on top; West worst impacted
- Fixed cost reduction by 10% and lower coal cost to keep costs under control

UTCEM reported Q4FY20 earnings in line with our and consensus estimates. It underperformed industry with sharper fall in volumes. However, we believe that it was calculated move to sacrifice volumes in order to expand realisations of Century cement through gradual migration to Ultratech brand. Century cement's realisations improved by Rs160/t with shift to Ultratech brand. Management expects Century cement's margins to increase to Rs800-900/t from current Rs575/t (+2.2x QoQ) with targeted 85% shift of volumes to Ultratech brand and lower operational costs.

We remain bullish on UTCEM due to its well-diversified regional presence, dominant size (with capacity of 117mnt and market share of 22%) and highly efficient operations. Tight price discipline and lower costs would significantly lessen the impact of tepid demand due to Covid-19 outbreak. We reiterate BUY with TP of Rs4,350, EV/EBITDA of 14x FY22E.

- Higher realisations helped maintain earnings:** In spite of 16% YoY fall in volumes at 20.5mnt (PLe:20.7mnt), UTCEM managed to limited the increase in cost to 1% YoY/Rs55 (down 2% QoQ/Rs84) to Rs3,950 (PLe:Rs4,005) on the back of lower fixed costs and fall in coal prices. Realisations rose 2%/Rs80 QoQ (+4% YoY/Rs200) to Rs4,990/t (PLe:Rs5,000). Hence, EBITDA/t came in line with our estimates at Rs1,100 (PLe:Rs1,070), up 12% YoY. Impacted by lower volumes, EBITDA fell 6% YoY to Rs22.6bn (PLe:Rs22.1bn). Lower tax rate (24% v/s PLe:30%/LY:31%) drove 4% YoY increase in Adj. PAT to Rs11.0bn (PLe:Rs9.3bn)
- Key con-call highlights:** **1)** Plants in Central/East region operating at 90-100% followed by 65/80% in South/North. Western region remained the most impacted **2)** Will spend 38% lower capex in FY21e at Rs10bn **3)** Delayed commissioning of 2.2mtpa Cuttack GU to FY22e **4)** Guided 10% reduction in fixed cost in FY21e on rationalization of manpower, Ad spend, maintenance, travelling and administrative cost **5)** Aided by working capital reduction, lower capex and strong earnings, Net debt fell by 9.5% QoQ/Rs17.7bn to Rs168.7bn with Net debt/EBITDA falling to 1.55 v/s 1.87 in Q3FY20 **6)** Ultratech Nathdwara (Erstwhile Binani Cement) EBITDA/t at ~Rs1,400/t on the back of strong prices with capacity utilisation at 57% **7)** Century plant's production cost reduced by Rs200/t QoQ due to higher utilisation at 83% **8)** Century's 65% of volumes migrated to Ultratech brand against 55% in Q3 **9)** Petcoke prices fell 13%/US\$10/t QoQ to US\$70/t in Q4; expect further reduction of US\$10/t in Q2 **10)** Share of Trade volumes rose 200 bps YoY to 68% in Q4; while share of trade volumes at abnormally high (currently 90%) in May due to higher retail demand and better market conditions in rural markets.

Exhibit 1: Q4FY20 Result Overview (Rs mn)

Y/e March (Rs mn)	Q4FY20	Q4FY19	YoY gr. (%)	Q3FY20	FY20	FY19	YoY gr. (%)
Net Sales	1,02,370	1,17,650	(13.0)	98,160	4,00,330	3,92,350	2.0
Raw Material	16,307	24,154	(32.5)	19,247	69,076	67,932	1.7
<i>% of Net Sales</i>	<i>15.9</i>	<i>20.5</i>		<i>19.6</i>	<i>17.3</i>	<i>17.3</i>	
Staff Costs	6,123	5,234	17.0	5,767	23,362	21,582	8.2
<i>% of Net Sales</i>	<i>6.0</i>	<i>4.4</i>		<i>5.9</i>	<i>5.8</i>	<i>5.5</i>	
Power & Fuel	19,324	23,644	(18.3)	18,413	77,032	88,287	(12.7)
<i>% of Net Sales</i>	<i>18.9</i>	<i>20.1</i>		<i>18.8</i>	<i>19.2</i>	<i>22.5</i>	
Freight	26,109	29,383	(11.1)	23,397	95,702	1,01,789	(6.0)
<i>% of Net Sales</i>	<i>25.5</i>	<i>25.0</i>		<i>23.8</i>	<i>23.9</i>	<i>25.9</i>	
Other Expenses	13,117	13,197	(0.6)	13,801	53,316	49,328	8.1
<i>% of Net Sales</i>	<i>12.8</i>	<i>11.2</i>		<i>14.1</i>	<i>13.3</i>	<i>12.6</i>	
Total Expenditure	80,981	95,611	(15.3)	80,625	3,18,487	3,28,916	(3.2)
EBITDA	21,390	22,039	(2.9)	17,535	81,844	63,434	29.0
<i>Margin (%)</i>	<i>20.9</i>	<i>18.7</i>		<i>17.9</i>	<i>20.4</i>	<i>16.2</i>	
Depreciation	6,090	5,927	2.7	6,137	24,549	23,212	5.8
Other income	3,472	3,626	(4.2)	3,298	13,278	12,318	7.8
EBIT	18,772	19,737	(4.9)	14,696	70,572	52,540	34.3
Interest	4,324	4,416	(2.1)	4,026	17,042	16,488	3.4
PBT	14,448	15,321	(5.7)	10,670	53,530	36,052	48.5
Extraordinary income/(expense)	-	-		(1,332)	(1,332)	(1,140)	
PBT (After EO)	14,448	15,321	(5.7)	9,338	52,198	34,912	49.5
Tax	(14,615)	4,755	(407.4)	2,907	(2,358)	10,799	(121.8)
<i>% PBT</i>	<i>-101.2</i>	<i>31.0</i>		<i>31.1</i>	<i>-4.5</i>	<i>30.9</i>	
Reported PAT	29,063	10,567	175.0	6,432	54,555	24,113	126.3
Adjusted PAT	29,063	10,567	175.0	7,349	55,473	24,904	122.8

Source: Company, PL

Exhibit 2: Operating Metrics

Y/e March	Q4FY20	Q4FY19	YoY gr. (%)	Q3FY20	FY20	FY19	YoY gr. (%)
Volume (mn t)	20.5	24.6	(16.4)	20.0	78.8	82.1	(4.0)
Net Blended Realisations (Rs/t)	4,989	4,790	4.1	4,908	5,082	4,780	6.3
EBITDA/t (Rs/t)	1,042	897	16.2	877	1,039	773	34.4

Source: Company, PL

Financials

Income Statement (Rs m)

Y/e Mar	FY19	FY20	FY21E	FY22E
Net Revenues	4,16,088	4,21,248	3,81,205	4,44,932
YoY gr. (%)	36.2	1.2	(9.5)	16.7
Cost of Goods Sold	69,831	63,131	63,913	73,400
Gross Profit	3,46,257	3,58,117	3,17,292	3,71,532
Margin (%)	83.2	85.0	83.2	83.5
Employee Cost	22,911	25,094	26,884	28,789
Other Expenses	52,371	56,948	35,625	39,995
EBITDA	73,469	94,142	78,328	95,201
YoY gr. (%)	28.7	28.1	(16.8)	21.5
Margin (%)	17.7	22.3	20.5	21.4
Depreciation and Amortization	24,507	27,022	28,545	29,133
EBIT	48,962	67,121	49,782	66,068
Margin (%)	11.8	15.9	13.1	14.8
Net Interest	17,779	19,857	14,789	11,414
Other Income	4,634	6,478	11,844	13,495
Profit Before Tax	34,679	52,435	46,838	68,148
Margin (%)	8.3	12.4	12.3	15.3
Total Tax	10,681	(5,682)	14,037	20,405
Effective tax rate (%)	30.8	(10.8)	30.0	29.9
Profit after tax	23,998	58,117	32,800	47,743
Minority interest	(31)	(44)	110	110
Share Profit from Associate	5	(12)	-	-
Adjusted PAT	24,035	36,152	32,690	47,633
YoY gr. (%)	8.2	50.4	(9.6)	45.7
Margin (%)	5.8	8.6	8.6	10.7
Extra Ord. Income / (Exp)	-	902	-	-
Reported PAT	24,035	58,148	32,690	47,633
YoY gr. (%)	8.2	141.9	(43.8)	45.7
Margin (%)	5.8	13.8	8.6	10.7
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	24,035	58,148	32,690	47,633
Equity Shares O/s (m)	275	289	289	289
EPS (Rs)	87.5	125.3	113.3	165.0

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY19	FY20	FY21E	FY22E
Non-Current Assets				
Gross Block	5,72,385	6,02,493	6,10,363	6,26,363
Tangibles	5,72,385	6,02,493	6,10,363	6,26,363
Intangibles	-	-	-	-
Acc: Dep / Amortization	68,172	95,194	1,19,359	1,48,493
Tangibles	68,172	95,194	1,19,359	1,48,493
Intangibles	-	-	-	-
Net fixed assets	5,04,213	5,07,299	4,91,004	4,77,871
Tangibles	5,04,213	5,07,299	4,91,004	4,77,871
Intangibles	-	-	-	-
Capital Work In Progress	11,533	9,196	29,544	36,019
Goodwill	62,233	62,525	28,471	28,471
Non-Current Investments	28,353	33,164	25,682	25,682
Net Deferred tax assets	(63,994)	(49,060)	(47,802)	(56,309)
Other Non-Current Assets	29,379	31,054	12,466	12,999
Current Assets				
Investments	15,165	42,437	15,165	15,165
Inventories	40,990	41,483	36,554	42,665
Trade receivables	27,870	22,383	26,110	30,475
Cash & Bank Balance	7,397	5,392	28,151	33,033
Other Current Assets	14,745	15,035	12,448	13,614
Total Assets	7,65,374	7,93,371	7,28,482	7,39,353
Equity				
Equity Share Capital	2,746	2,886	2,886	2,886
Other Equity	3,34,760	3,88,269	4,02,100	4,46,414
Total Networkth	3,37,507	3,91,155	4,04,986	4,49,300
Non-Current Liabilities				
Long Term borrowings	2,43,188	2,13,526	1,77,184	1,27,184
Provisions	1,732	2,417	1,661	1,661
Other non current liabilities	64	63	64	64
Current Liabilities				
ST Debt / Current of LT Debt	-	-	-	-
Trade payables	31,597	35,014	28,199	32,913
Other current liabilities	87,052	91,442	68,124	71,350
Total Equity & Liabilities	7,65,374	7,93,371	7,28,482	7,39,352

Source: Company Data, PL Research

Cash Flow (Rs m)

Y/e Mar	FY19	FY20	FY21E	FY22E
PBT	34,685	52,423	46,838	68,148
Add. Depreciation	24,507	27,022	28,545	29,133
Add. Interest	17,779	19,857	14,789	11,414
Less Financial Other Income	4,634	6,478	11,844	13,495
Add. Other	(3,356)	(5,869)	(5,916)	(6,718)
Op. profit before WC changes	73,615	93,432	84,256	1,01,978
Net Changes-WC	(6,957)	4,503	682	(4,708)
Direct tax	(7,101)	(8,914)	(8,201)	(11,899)
Net cash from Op. activities	59,557	89,020	76,738	85,371
Capital expenditures	(15,959)	(16,272)	(10,000)	(22,475)
Interest / Dividend Income	-	-	-	-
Others	27,097	(25,822)	5,916	6,718
Net Cash from Inv. activities	11,138	(42,094)	(4,084)	(15,757)
Issue of share cap. / premium	52	27	-	-
Debt changes	(46,482)	(26,663)	(40,000)	(50,000)
Dividend paid	(3,462)	(3,800)	(3,319)	(3,319)
Interest paid	(16,850)	(18,944)	(14,789)	(11,414)
Others	(827)	(532)	-	-
Net cash from Fin. activities	(67,568)	(49,911)	(58,108)	(64,733)
Net change in cash	3,127	(2,985)	14,545	4,882
Free Cash Flow	43,598	72,748	66,738	62,896

Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q1FY20	Q2FY20	Q3FY20	Q4FY20
Net Revenue	1,08,510	91,290	98,160	1,02,370
YoY gr. (%)	20.8	4.8	0.4	(13.0)
Raw Material Expenses	17,503	16,018	19,247	16,307
Gross Profit	91,007	75,272	78,913	86,063
Margin (%)	83.9	82.5	80.4	84.1
EBITDA	26,203	16,716	17,535	21,364
YoY gr. (%)	71.4	34.4	28.3	(3.1)
Margin (%)	24.1	18.3	17.9	20.9
Depreciation / Depletion	6,260	6,063	6,137	6,090
EBIT	19,943	10,653	11,398	15,274
Margin (%)	18.4	11.7	11.6	14.9
Net Interest	4,321	4,372	4,026	4,324
Other Income	3,278	3,230	3,298	3,472
Profit before Tax	18,900	9,511	9,338	14,448
Margin (%)	17.4	10.4	9.5	14.1
Total Tax	6,231	3,119	2,907	(14,615)
Effective tax rate (%)	33.0	32.8	31.1	(101.2)
Profit after Tax	12,669	6,392	6,432	29,063
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
Adjusted PAT	12,669	6,392	7,349	29,012
YoY gr. (%)	101.1	72.3	69.8	174.6
Margin (%)	11.7	7.0	7.5	28.3
Extra Ord. Income / (Exp)	-	-	(918)	52
Reported PAT	12,669	6,392	6,432	29,063
YoY gr. (%)	129.9	72.3	48.6	175.0
Margin (%)	11.7	7.0	6.6	28.4
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	12,669	6,392	6,432	29,063
Avg. Shares O/s (m)	289	289	289	289
EPS (Rs)	43.9	22.1	25.5	100.5

Source: Company Data, PL Research

Key Financial Metrics

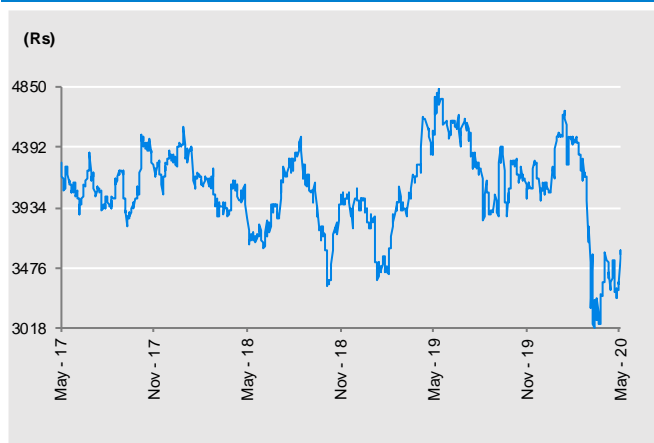
Y/e Mar	FY19	FY20	FY21E	FY22E
Per Share(Rs)				
EPS	87.5	125.3	113.3	165.0
CEPS	176.7	218.9	212.2	266.0
BVPS	1,228.9	1,355.2	1,403.3	1,556.8
FCF	158.7	252.0	231.2	217.9
DPS	11.5	11.5	11.5	11.5
Return Ratio(%)				
RoCE	9.4	11.3	8.4	11.4
ROIC	6.8	13.7	6.3	8.7
RoE	8.0	9.9	8.2	11.2
Balance Sheet				
Net Debt : Equity (x)	0.7	0.4	0.3	0.2
Net Working Capital (Days)	33	25	33	33
Valuation(x)				
PER	40.5	28.3	31.3	21.5
P/B	2.9	2.6	2.5	2.3
P/CEPS	176.7	218.9	212.2	266.0
EV/EBITDA	16.3	12.6	14.8	11.6
EV/Sales	2.9	2.8	3.0	2.5
Dividend Yield (%)	0.3	0.3	0.3	0.3

Source: Company Data, PL Research

Key Operating Metrics

Y/e Mar	FY19	FY20	FY21E	FY22E
Total volume (mn te)	73	79	71	83
Blended Real. (Rs/te)	4,836	5,082	5,185	5,178
Blended EBITDA/tonne (Rs)	816	1,039	1,039	1,079
RM cost (Rs/ te)	856	981	998	989
Power, Oil & Fuel (Rs/ te)	1,079	971	934	937
Freight Chrgs. (Rs/ te)	1,210	1,179	1,179	1,191

Source: Company Data, PL Research

Price Chart
Recommendation History


No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	09-Apr-20	BUY	4,350	3,256
2	25-Jan-20	BUY	5,110	4,643
3	03-Jan-20	BUY	4,675	4,219
4	03-Oct-19	BUY	5,125	4,147
5	08-Aug-19	BUY	5,175	4,243
6	04-Jul-19	BUY	5,175	4,645

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	ACC	BUY	1,340	1,137
2	Ambuja Cement	BUY	190	172
3	Coal India	Accumulate	195	149
4	Heidelberg Cement India	Accumulate	175	147
5	Hindalco Industries	BUY	170	118
6	Hindustan Zinc	Hold	200	175
7	J.Kumar Infraprojects	BUY	340	185
8	Jindal Steel & Power	BUY	150	92
9	JK Lakshmi Cement	Hold	16,680	16,064
10	JSW Steel	Reduce	145	177
11	NMDC	Hold	90	80
12	Shree Cement	Hold	16,900	18,733
13	Steel Authority of India	Reduce	25	28
14	Tata Steel	Reduce	242	293
15	The Ramco Cements	Reduce	725	810
16	Ultratech Cement	BUY	4,350	3,256

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. Kamlesh Bagmar- CA, Mr. Amit Khimesra- 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.

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. Kamlesh Bagmar- CA, Mr. Amit Khimesra- 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