

July 29, 2020

Q1FY21 Result Update

Change in Estimates | Target | Reco

Change in Estimates

	Current		Previous	
	FY21E	FY22E	FY21E	FY22E
Rating	BUY		BUY	
Target Price	4,675		4,300	
Sales (Rs. m)	3,83,717	4,29,976	3,82,106	4,35,190
% Chng.	0.4	1.2		
EBITDA (Rs. m)	90,788	99,779	82,520	92,701
% Chng.	10.0	7.6		
EPS (Rs.)	144.0	176.0	123.7	159.7
% Chng.	16.4	10.2		

Key Financials - Consolidated

Y/e Mar	FY20	FY21E	FY22E	FY23E
Sales (Rs. bn)	415	384	430	468
EBITDA (Rs. bn)	88	91	100	110
Margin (%)	21.1	23.7	23.2	23.5
PAT (Rs. bn)	58	42	51	62
EPS (Rs.)	201.5	144.0	176.0	213.3
Gr. (%)	130.3	(28.5)	22.2	21.2
DPS (Rs.)	13.0	11.5	11.5	11.5
Yield (%)	0.3	0.3	0.3	0.3
RoE (%)	16.0	10.1	11.2	12.2
RoCE (%)	10.0	10.2	11.4	12.7
EV/Sales (x)	3.3	3.4	2.9	2.5
EV/EBITDA (x)	15.7	14.4	12.6	10.8
PE (x)	20.5	28.7	23.5	19.4
P/BV (x)	3.1	2.8	2.5	2.2

Key Data

ULTC.BO | UTCEM IN

52-W High / Low	Rs.4,754 / Rs.2,910
Sensex / Nifty	38,493 / 11,301
Market Cap	Rs.1,194bn/ \$ 15,952m
Shares Outstanding	289m
3M Avg. Daily Value	Rs.4356.93m

Shareholding Pattern (%)

Promoter's	60.04
Foreign	16.10
Domestic Institution	14.59
Public & Others	9.27
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	7.1	(10.3)	(8.1)
Relative	(2.1)	(4.5)	(9.5)

Kamlesh Bagmar

kamleshbagmar@plindia.com | 91-22-66322237

Amit Khimesra

amitkhimesra@plindia.com | 91-22-66322244

Lower costs drove the beat, Maintain BUY

Quick Pointers:

- Net Debt fell 13%/Rs22bn QoQ (↓31%/Rs67bn YoY) at Rs146bn with net debt/EBITDA below 1.4x; aided by working capital release of Rs7.9bn
- Century cement's EBITDA/t >Rs900/t. Cost fell by Rs105/t QoQ

UTCEM posted strong set of Q1FY21 earnings on the back of lower fixed costs. EBITDA fell 30% YoY at Rs19.6bn, above our/consensus estimates by 22%/18%. EBITDA/t rose 6% YoY at Rs1,400 (PLe:Rs1,170) on the back of 3% YoY reduction in cost and 2.5% increase in realisations.

Cement demand positively surprised us as well as the street with decline of 12% YoY in May (against street expectation/PLe of 40%/15% drop) and growth of 1% YoY in June (against street estimate/PLe of 15%/5% drop). Based on our channel checks, demand remained stable in July despite early monsoons and local lockdowns. On prices front, we remain confident on sustainability of tight discipline given the demand uncertainty and delay in ongoing capacity expansions. The major positive surprise came on the cost reduction and its sustainability going forward. Sustainable reduction of 10% in fixed overheads, higher operating leverage and lower coal costs would help keep costs under control. Hence, we upgrade EBITDA estimates by 10%/8% for FY21e/FY22e to factor in higher realisations and lower costs. We remain bullish on UTCEM due to its dominant size (with capacity of 112mnt and market share of 22%) and highly efficient operations. We reiterate BUY with revised TP of Rs4,675, EV/EBITDA of 14x FY22E.

- Lower costs led the beat in earnings:** Volumes fell 32% YoY at 13.9mnt (PLe:13.7mnt). Realisations rose 5% QoQ/Rs240 (down 1% YoY/Rs65) at Rs5,230 (PLe:Rs5,310). Cost fell 3% YoY/Rs135 at Rs3,890 (PLe:Rs4,220) on the back of 11%/10% reduction in energy cost and other expenses. Aided by 22% fall in interest cost and 90% increase in other income due to MTM gain on treasury investments, the gap further widened on PAT. It fell 28% YoY at Rs9.1bn (PLe:Rs4.9bn)
- Key con-call highlights:** **1)** Industry cement volumes fell 33-35% YoY in Q1FY21 **2)** Demand improved across the regions except AP, Telangana, Karnataka and Maharashtra **3)** Plants operating in the range of 60-65% utilisation levels **4)** Cement prices in July'20 fell 4-5% from June'20 exit levels **5)** Fixed overheads reduced by 21%/Rs2.6bn in the quarter **6)** Guided reduction in fixed overheads by 10% or Rs5bn in FY21e **7)** Increased capex guidance by 50% to Rs15bn to expedite investment on ongoing grinding capacity expansions and waste heat recovery plants **8)** Expansion of WHR capacity by 66MW would increase its share in power consumption by 600bps to 20% by FY22e **9)** Would commission 3.5mnt greenfield plant at Pali, Rajasthan in Q3FY23 **10)** Trade sales volume rose 1300bps YoY to 78% **11)** Expects to complete sale of 92.5% stake in Chinese subsidiary of Ultratech Nathdwara (UNCL) by Aug'20 for net proceeds of ~Rs7bn **12)** Overseas operations of UNCL has debt of Rs14bn with interest cost of 1.5%.

Exhibit 1: Q1FY21 Result Overview (Rs mn)

Y/e March (Rs mn)	Q1FY21	Q1FY20	YoY gr. (%)	Q4FY20	FY21E	FY20	YoY gr. (%)
Net Sales	72,900	1,08,510	(32.8)	1,02,370	3,71,454	4,00,330	(7.2)
Raw Material	12,906	17,050	(24.3)	16,307	44,467	68,622	(35.2)
<i>% of Net Sales</i>	<i>17.7</i>	<i>15.7</i>		<i>15.9</i>	<i>12.0</i>	<i>17.1</i>	
Staff Costs	5,176	5,543	(6.6)	6,123	23,362	23,362	(0.0)
<i>% of Net Sales</i>	<i>7.1</i>	<i>5.1</i>		<i>6.0</i>	<i>6.3</i>	<i>5.8</i>	
Power & Fuel	12,349	21,343	(42.1)	19,324	62,630	77,018	(18.7)
<i>% of Net Sales</i>	<i>16.9</i>	<i>19.7</i>		<i>18.9</i>	<i>16.9</i>	<i>19.2</i>	
Freight	15,905	25,699	(38.1)	26,109	89,794	96,440	(6.9)
<i>% of Net Sales</i>	<i>21.8</i>	<i>23.7</i>		<i>25.5</i>	<i>24.2</i>	<i>24.1</i>	
Other Expenses	7,850	12,826	(38.8)	13,134	65,238	53,214	22.6
<i>% of Net Sales</i>	<i>10.8</i>	<i>11.8</i>		<i>12.8</i>	<i>17.6</i>	<i>13.3</i>	
Total Expenditure	54,185	82,460	(34.3)	80,997	2,85,491	3,18,657	(10.4)
EBITDA	18,715	26,050	(28.2)	21,373	85,964	81,674	5.3
<i>Margin (%)</i>	<i>25.7</i>	<i>24.0</i>		<i>20.9</i>	<i>23.1</i>	<i>20.4</i>	
Depreciation	5,887	6,260	(6.0)	6,090	25,333	24,549	3.2
Other income	3,797	3,431	10.7	3,463	13,979	13,422	4.1
EBIT	16,626	23,221	(28.4)	18,746	74,610	70,546	5.8
Interest	3,334	4,321	(22.8)	4,324	13,199	17,042	(22.5)
PBT	13,292	18,900	(29.7)	14,423	61,410	53,504	14.8
Extraordinary income/(expense)	(1,574)	-		26	(1,574)	(1,307)	
PBT (After EO)	11,718	18,900	(38.0)	14,448	59,836	52,198	14.6
Tax	3,663	6,231	(41.2)	(14,615)	18,549	(2,358)	(886.7)
<i>% PBT</i>	<i>31.3</i>	<i>33.0</i>		<i>-101.2</i>	<i>31.0</i>	<i>-4.5</i>	
Reported PAT	8,056	12,669	(36.4)	29,063	41,287	54,555	(24.3)
Adjusted PAT	9,138	12,669	(27.9)	11,011	42,326	37,420	13.1

Source: Company, PL

Exhibit 2: Operating Metrics

Y/e March	Q1FY21	Q1FY20	YoY gr. (%)	Q4FY20	FY21E	FY20	YoY gr. (%)
Volume (mn t)	13.9	20.5	(32.0)	20.5	72.0	78.8	(8.6)
Net Blended Realisations (Rs/t)	5,230	5,296	(1.3)	4,989	5,156	5,082	1.5
EBITDA/t (Rs/t)	1,343	1,271	5.6	1,042	1,193	1,037	15.1

Source: Company, PL

Financials

Income Statement (Rs m)

Y/e Mar	FY20	FY21E	FY22E	FY23E
Net Revenues	4,14,759	3,83,717	4,29,976	4,67,772
YoY gr. (%)	1.4	(7.5)	12.1	8.8
Cost of Goods Sold	63,131	59,751	66,903	72,217
Gross Profit	3,51,628	3,23,966	3,63,072	3,95,555
Margin (%)	84.8	84.4	84.4	84.6
Employee Cost	25,094	25,149	26,904	28,825
Other Expenses	37,721	30,758	33,651	36,153
EBITDA	87,653	90,788	99,779	1,10,067
YoY gr. (%)	32.0	3.6	9.9	10.3
Margin (%)	21.1	23.7	23.2	23.5
Depreciation and Amortization	27,022	27,403	28,155	28,860
EBIT	60,632	63,385	71,624	81,207
Margin (%)	14.6	16.5	16.7	17.4
Net Interest	19,857	16,048	13,236	9,861
Other Income	12,967	14,479	14,944	17,295
Profit Before Tax	52,435	60,241	73,332	88,642
Margin (%)	12.6	15.7	17.1	18.9
Total Tax	(5,682)	18,573	22,420	26,962
Effective tax rate (%)	(10.8)	30.8	30.6	30.4
Profit after tax	58,117	41,669	50,912	61,679
Minority interest	(44)	110	110	110
Share Profit from Associate	-	-	-	-
Adjusted PAT	58,161	41,559	50,802	61,569
YoY gr. (%)	142.0	(28.5)	22.2	21.2
Margin (%)	14.0	10.8	11.8	13.2
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	58,161	41,559	50,802	61,569
YoY gr. (%)	142.0	(28.5)	22.2	21.2
Margin (%)	14.0	10.8	11.8	13.2
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	58,161	41,559	50,802	61,569
Equity Shares O/s (m)	289	289	289	289
EPS (Rs)	201.5	144.0	176.0	213.3

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY20	FY21E	FY22E	FY23E
Non-Current Assets				
Gross Block	5,99,345	6,14,345	6,33,345	6,46,445
Tangibles	5,99,345	6,14,345	6,33,345	6,46,445
Intangibles	-	-	-	-
Acc: Dep / Amortization	92,046	1,19,449	1,47,603	1,76,463
Tangibles	92,046	1,19,449	1,47,603	1,76,463
Intangibles	-	-	-	-
Net fixed assets	5,07,299	4,94,896	4,85,742	4,69,982
Tangibles	5,07,299	4,94,896	4,85,742	4,69,982
Intangibles	-	-	-	-
Capital Work In Progress	27,935	27,935	33,485	42,735
Goodwill	62,525	62,525	62,525	62,525
Non-Current Investments	33,164	33,164	33,164	33,164
Net Deferred tax assets	(49,060)	(56,839)	(66,229)	(77,518)
Other Non-Current Assets	12,316	12,316	12,791	13,290
Current Assets				
Investments	42,437	42,437	42,437	42,437
Inventories	41,483	36,795	41,231	44,855
Trade receivables	22,383	23,128	29,450	32,039
Cash & Bank Balance	5,392	40,233	47,279	75,440
Other Current Assets	15,034	13,866	14,829	15,693
Total Assets	7,93,371	8,03,731	8,19,931	8,49,744
Equity				
Equity Share Capital	2,886	2,886	2,886	2,886
Other Equity	3,88,269	4,26,075	4,73,558	5,31,808
Total Networkth	3,91,155	4,28,961	4,76,444	5,34,694
Non-Current Liabilities				
Long Term borrowings	2,28,979	1,98,979	1,53,979	1,08,979
Provisions	2,417	2,417	2,417	2,417
Other non current liabilities	4,953	4,953	4,953	4,953
Current Liabilities				
ST Debt / Current of LT Debt	-	-	-	-
Trade payables	35,014	31,538	32,984	35,884
Other current liabilities	71,099	69,240	72,011	74,275
Total Equity & Liabilities	7,93,371	8,03,731	8,19,931	8,49,744

Source: Company Data, PL Research

Cash Flow (Rs m)

Y/e Mar	FY20	FY21E	FY22E	FY23E
PBT	52,423	60,241	73,332	88,642
Add. Depreciation	27,022	27,403	28,155	28,860
Add. Interest	19,857	16,048	13,236	9,861
Less Financial Other Income	12,967	14,479	14,944	17,295
Add. Other	(5,869)	(9,004)	(8,829)	(10,695)
Op. profit before WC changes	93,432	94,688	1,05,894	1,16,668
Net Changes-WC	4,503	(257)	(8,541)	(2,999)
Direct tax	(8,914)	(10,794)	(13,030)	(15,673)
Net cash from Op. activities	89,020	83,637	84,322	97,996
Capital expenditures	(16,272)	(8,000)	(24,550)	(22,350)
Interest / Dividend Income	-	-	-	-
Others	(25,822)	9,004	8,829	10,695
Net Cash from Inv. activities	(42,094)	1,004	(15,721)	(11,655)
Issue of share cap. / premium	(3)	-	-	-
Debt changes	(27,164)	(30,000)	(45,000)	(45,000)
Dividend paid	(3,800)	(3,752)	(3,319)	(3,319)
Interest paid	(18,944)	(16,048)	(13,236)	(9,861)
Others	-	-	-	-
Net cash from Fin. activities	(49,911)	(49,801)	(61,555)	(58,180)
Net change in cash	(2,985)	34,840	7,047	28,161
Free Cash Flow	72,748	75,637	59,772	75,646

Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q2FY20	Q3FY20	Q4FY20	Q1FY21
Net Revenue	91,290	98,160	1,02,370	72,900
YoY gr. (%)	4.8	0.4	(13.0)	(32.8)
Raw Material Expenses	16,018	19,247	16,307	12,906
Gross Profit	75,272	78,913	86,063	59,994
Margin (%)	82.5	80.4	84.1	82.3
EBITDA	16,716	17,535	21,373	18,715
YoY gr. (%)	34.4	28.3	(3.0)	(28.2)
Margin (%)	18.3	17.9	20.9	25.7
Depreciation / Depletion	6,063	6,137	6,090	5,887
EBIT	10,653	11,398	15,283	12,829
Margin (%)	11.7	11.6	14.9	17.6
Net Interest	4,372	4,026	4,324	3,334
Other Income	3,230	3,298	3,463	3,797
Profit before Tax	9,511	9,338	14,448	11,718
Margin (%)	10.4	9.5	14.1	16.1
Total Tax	3,119	2,907	(14,615)	3,663
Effective tax rate (%)	32.8	31.1	(101.2)	31.3
Profit after Tax	6,392	6,432	29,063	8,056
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
Adjusted PAT	6,392	7,349	29,012	9,138
YoY gr. (%)	72.3	69.8	174.6	(27.9)
Margin (%)	7.0	7.5	28.3	12.5
Extra Ord. Income / (Exp)	-	(918)	52	(1,082)
Reported PAT	6,392	6,432	29,063	8,056
YoY gr. (%)	72.3	48.6	175.0	(36.4)
Margin (%)	7.0	6.6	28.4	11.1
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	6,392	6,432	29,063	8,056
Avg. Shares O/s (m)	289	289	289	289
EPS (Rs)	22.1	25.5	100.5	31.7

Source: Company Data, PL Research

Key Financial Metrics

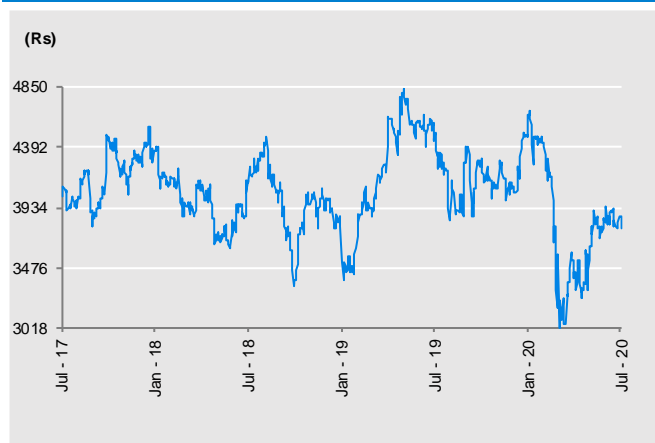
Y/e Mar	FY20	FY21E	FY22E	FY23E
Per Share(Rs)				
EPS	201.5	144.0	176.0	213.3
CEPS	295.1	238.9	273.6	313.3
BVPS	1,355.2	1,486.2	1,650.7	1,852.5
FCF	252.0	262.1	207.1	262.1
DPS	13.0	11.5	11.5	11.5
Return Ratio(%)				
RoCE	10.0	10.2	11.4	12.7
ROIC	12.1	8.1	9.2	10.9
RoE	16.0	10.1	11.2	12.2
Balance Sheet				
Net Debt : Equity (x)	0.5	0.3	0.1	0.0
Net Working Capital (Days)	25	27	32	32
Valuation(x)				
PER	20.5	28.7	23.5	19.4
P/B	3.1	2.8	2.5	2.2
P/CEPS	295.1	238.9	273.6	313.3
EV/EBITDA	15.7	14.4	12.6	10.8
EV/Sales	3.3	3.4	2.9	2.5
Dividend Yield (%)	0.3	0.3	0.3	0.3

Source: Company Data, PL Research

Key Operating Metrics

Y/e Mar	FY20	FY21E	FY22E	FY23E
Total volume (mn te)	79	72	81	88
Blended Real. (Rs/te)	5,083	5,156	5,142	5,172
Blended EBITDA/tonne (Rs)	1,037	1,193	1,166	1,189
RM cost (Rs/ te)	871	931	933	938
Power, Oil & Fuel (Rs/ te)	978	869	883	881
Freight Chrgs. (Rs/ te)	1,223	1,246	1,269	1,282

Source: Company Data, PL Research

Price Chart
Recommendation History


No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	09-Jul-20	BUY	4,300	3,787
2	16-Jun-20	BUY	4,375	3,745
3	21-May-20	BUY	4,350	3,546
4	09-Apr-20	BUY	4,350	3,256
5	25-Jan-20	BUY	5,110	4,643
6	03-Jan-20	BUY	4,675	4,219
7	03-Oct-19	BUY	5,125	4,147
8	08-Aug-19	BUY	5,175	4,243

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	ACC	BUY	1,505	1,335
2	Ambuja Cement	BUY	235	201
3	Coal India	Hold	155	130
4	Heidelberg Cement India	Accumulate	191	173
5	Hindalco Industries	BUY	180	165
6	Hindustan Zinc	Accumulate	200	183
7	Jindal Steel & Power	BUY	215	172
8	JK Lakshmi Cement	BUY	350	281
9	JSW Steel	Reduce	160	204
10	NMDC	Accumulate	87	86
11	Shree Cement	Hold	19,000	22,452
12	Steel Authority of India	Reduce	25	37
13	Tata Steel	Reduce	250	345
14	The Ramco Cements	Hold	600	646
15	Ultratech Cement	BUY	4,300	3,787

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