

August 9, 2020

Q1FY21 Result Update

Change in Estimates | Target | Reco

Change in Estimates

	Current		Previous	
	FY22E	FY23E	FY22E	FY23E
Rating	BUY		HOLD	
Target Price	703		531	
Sales (Rs. m)	5,07,493	5,74,867	4,96,969	5,63,293
% Chng.	2.1	2.1		
EBITDA (Rs. m)	62,992	73,357	60,435	68,334
% Chng.	4.2	7.4		
EPS (Rs.)	34.1	39.9	32.7	36.8
% Chng.	4.2	8.2		

Key Financials - Standalone

Y/e Mar	FY20	FY21E	FY22E	FY23E
Sales (Rs. bn)	455	433	507	575
EBITDA (Rs. bn)	58	50	63	73
Margin (%)	12.7	11.7	12.4	12.8
PAT (Rs. bn)	22	33	41	48
EPS (Rs.)	18.4	27.6	34.1	39.9
Gr. (%)	(54.6)	50.1	23.7	16.9
DPS (Rs.)	2.4	10.0	10.0	10.0
Yield (%)	0.4	1.7	1.7	1.7
RoE (%)	6.4	9.3	10.7	11.5
RoCE (%)	9.7	7.6	9.3	10.4
EV/Sales (x)	1.5	1.6	1.3	1.1
EV/EBITDA (x)	11.8	13.6	10.7	8.9
PE (x)	32.7	21.8	17.6	15.1
P/BV (x)	2.1	2.0	1.8	1.7

Key Data

MAHM.BO | MM IN

52-W High / Low	Rs.626 / Rs.245
Sensex / Nifty	38,041 / 11,214
Market Cap	Rs.746bn/ \$ 9,962m
Shares Outstanding	1,243m
3M Avg. Daily Value	Rs.7619.23m

Shareholding Pattern (%)

Promoter's	23.85
Foreign	34.61
Domestic Institution	29.34
Public & Others	12.19
Promoter Pledge (Rs bn)	4.28

Stock Performance (%)

	1M	6M	12M
Absolute	7.2	5.5	15.8
Relative	3.4	14.1	11.7

Deep Shah

deepshah@plindia.com | 91-22-66322235

Amber Shukla

ambershukla@plindia.com | 91-22-66322426

Gauging the path to profitability, upgrade to BUY

Quick Pointers:

- Focus on prudent capital allocation continues as on 1QFY21. M&M opted out of USPS (MANA) due to high upfront capital requirements.
- Indicated scouting of a partner for its EV business as an additional catalyst.

We upgrade M&M to BUY (v/s Hold) led by increasing focus on capital allocation, plans for loss-making subsidiaries (exit or turnaround) and preference to rural exposure. Its emphasis placed on the core intensifies with active search of partner for Sangyong, no bid for truck supply contract in US (under MANA), GenZ exit. We believe these are initial steps to fix ROEs with likely more consolidation. Furthermore, FES segment has strong outlook led by healthy farm sentiments where as widened auto segment losses should improve 2Q onwars. The management also hinted that stake sale in EV business could be an additional catalyst for value unlocking in unlisted subsidiaries.

With improved rural outlook, we increase consol EPS by 4%/8% as we expect contribution of high margin FES segment to remain elevated. This has resulted in 50bp/70bp upgrade in FY22/23 margins. Hence, we upgrade the stock to BUY with revised SoTP based TP of Rs703 (from Rs531). We value core auto business at 14x (v/s 13x to factor in for superior mix and outlook) plus subsidiary value of Rs158 at 40% holdco discount (v/s 50% earlier).

- Operationally in-line, lower other income dented PAT:** MM+MVML Revenue came-line at Rs55.9bn (-56% YoY) as volume declined by 56% YoY while realizations remained flat at Rs586.5k (in-line). Share of FES increased significantly to 60% in revenues (v/s 34% in Q1FY20). EBITDA declined 53% to Rs5.7b (in-line) with margins at 10.3% (-370bp, in-line). Lower other income at Rs1.3b (PLe Rs4.3b) dented adj. PAT at Rs596m (PLe Rs3.7b).
- Losses in tractors wiped of gains in automotive:** Auto PBIT was negative at Rs5.8b (EBIT % at 28.6% v/s +6.5% in Q1FY20) while tractor PBIT was at Rs6.8b with EBIT margins margin improved by 110bp YoY at 20.4%. The expansion in tractor margins in led by lower A&P spends as demand exceeded supply. Some of these cost to normalize once supply will normalize.
- Key takeaways from the con-call:** 1) FY21 outlook – tractor to see positive growth while UV remains uncertain. 2) Believe supply to ramp up soon as ~2-3% of suppliers are causing disruption. 3) FES - US farm subsidiary witnessed 1Q retail growth of 15% and positive momentum continued into July. 5) New launch - New Thar in Oct/Nov (unveiling on Aug-15), while W601/ Z101 to launch in Q1/Q3 FY22. 5) Auto – Rural share increased to 62% (v/s 50% last year). 6) UV diesel share in urban declined to 44% (v/s 51% in Q1FY20) post BS6. No shift visible in rural yet. 7) Have fully passed on the BS6 cost on all models but not able to pass on margins. (7) Looking for investment of \$100mn for electric business over coming 3-4 years.

Exhibit 1: SOTP valuation

	FY21E	FY22E	FY23E
Core EPS (excl. subsidiary dividend)	28.4	35.7	42.1
PE attributable (x)	14	14	14
Value of core business	398	500	590
Value of subsidiaries @ Hold Co discount	40	40	40
1. Tech Mahindra	84	84	84
2. M&M Financial Services	20	20	20
3. Mahindra Lifespaces	3	3	3
4. Mahindra Holidays	14	14	14
5. Ssangyong	21	21	21
6. Mahindra CIE	2	2	2
7. Mahindra Logistics	6	6	6
Target price	556	659	748

Source: Company, PL

Exhibit 2: Q1FY21 Result Overview (Rs m)

Y/e March	Q1FY21	Q1FY20	YoY gr. (%)	Q4FY20	FY21E	FY20	YoY gr. (%)
Net Revenues	56,022	1,29,227	(56.6)	91,437	4,33,067	4,54,878	(4.8)
Raw Materials	37,882	91,591	(58.6)	61,472	3,01,159	3,16,126	(4.7)
<i>% of Net Sales</i>	<i>67.6</i>	<i>70.9</i>		<i>67.2</i>	<i>69.5</i>	<i>69.5</i>	
Personnel	6,780	7,841	(13.5)	6,178	29,665	28,801	3.0
<i>% of Net Sales</i>	<i>12.1</i>	<i>6.1</i>		<i>6.8</i>	<i>6.8</i>	<i>6.3</i>	
Manufacturing & Other Exp	5,868	13,568	(56.7)	12,439	51,752	51,771	(0.0)
<i>% of Net Sales</i>	<i>10.5</i>	<i>10.5</i>		<i>13.6</i>	<i>12.0</i>	<i>11.4</i>	
Total Expenditure	50,530	1,13,000	(55.3)	80,089	3,82,575	3,96,697	(3.6)
EBITDA	5,492	16,227	(66.2)	11,348	50,492	58,181	(13.2)
<i>EBITDA Margin (%)</i>	<i>9.8</i>	<i>12.6</i>	<i>(2.8)</i>	<i>12.4</i>	<i>11.7</i>	<i>12.8</i>	
Depreciation	5,484	5,454	0.6	5,836	21,576	22,226	(2.9)
EBIT	8	10,774	(99.9)	5,512	28,916	35,954	(19.6)
Interest Expenses	669	271	146.6	335	902	1,332	(32.3)
Non-operating income	1,278	3,191	(60.0)	3,147	17,035	16,678	2.1
Extraordinary Income	643	13,671		-27,805	643	-20,140	(103.2)
PBT	1,260	27,364	(95.4)	-19,480	45,692	31,160	46.6
Tax-Total	139	4,226	(96.7)	5,544	12,241	17,855	(31.4)
<i>Tax Rate (%) - Total</i>	<i>11.0</i>	<i>15.4</i>		<i>-28.5</i>	<i>2.8</i>	<i>3.9</i>	
Reported PAT	1,121	23,138	(95.2)	-25,024	33,451	13,306	151.4
Adj. PAT	577	11,579	(95.0)	2,781	32,907	21,905	50.1

Source: Company, PL

Exhibit 3: Operating Metrics

Y/e March	Q1FY21	Q1FY20	YoY gr. (%)	Q4FY20	FY21E	FY20	YoY gr. (%)
Sales Volume (nos)	95,308	2,18,039	(56.3)	1,51,713	7,05,387	7,77,958	(9.3)
Net Realisation/Vehicle	5,87,797	5,92,679	(0.8)	6,02,699	6,13,943	5,84,707	5.0
Material cost / vehicle	3,97,464	4,20,068	(5.4)	4,05,183	4,26,941	4,06,353	5.1
Gross Profit / vehicle	1,90,333	1,72,612	10.3	1,97,515	1,87,002	1,78,354	4.8
Employee cost /vehicle	71,142	35,962	97.8	40,722	42,055	37,021	13.6
Other expenses / vehicle	61,572	62,225	(1.0)	81,993	73,366	66,547	10.2
EBITDA/vehicle	57,620	74,424	(22.6)	74,800	71,581	74,786	(4.3)
Net Profit/vehicle	6,055	53,104	(88.6)	18,327	46,651	45,705	2.1

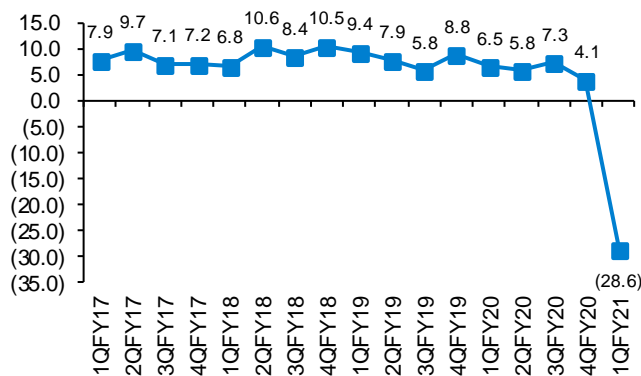
Source: Company, PL

Exhibit 4: Segmental Breakup (Rs mn)

Y/e March	Q1FY21	Q1FY20	YoY gr. (%)	Q4FY20	QoQ gr. (%)	FY20
Revenue						
Auto	20,518	81,007	(74.7)	56,362	(63.6)	284,086
Farm Equipment's	33,408	43,822	(23.8)	31,110	7.4	154,025
Others	2,205	5,229	(57.8)	4,518	(51.2)	19,377
PBIT						
Auto	-5,761	3,841	NA	1,648	NA	12,637
Farm Equipment's	6,823	8,447	(19.2)	5,488	24.3	29,262
Others	-54	285	NA	89	NA	726
PBIT Margins						
Auto	-28.1%	4.7%	(32.8)	2.9%	(1,060.6)	4.4%
Farm Equipment's	20.4%	19.3%	1.1	17.6%	15.8	19.0%
Others	-2.4%	5.5%	(7.9)	2.0%	(223.3)	3.7%

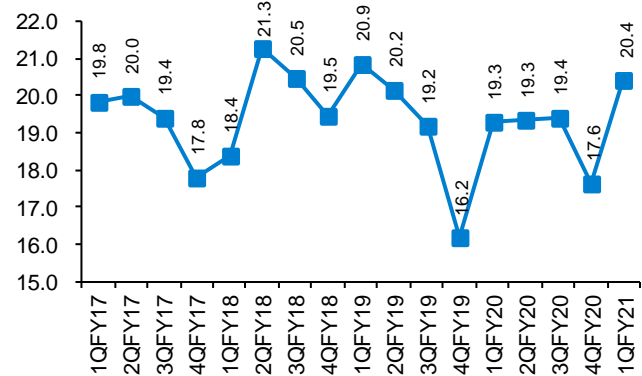
Source: Company, PL

Exhibit 5: Auto PBIT margins turned negative at 28.6%



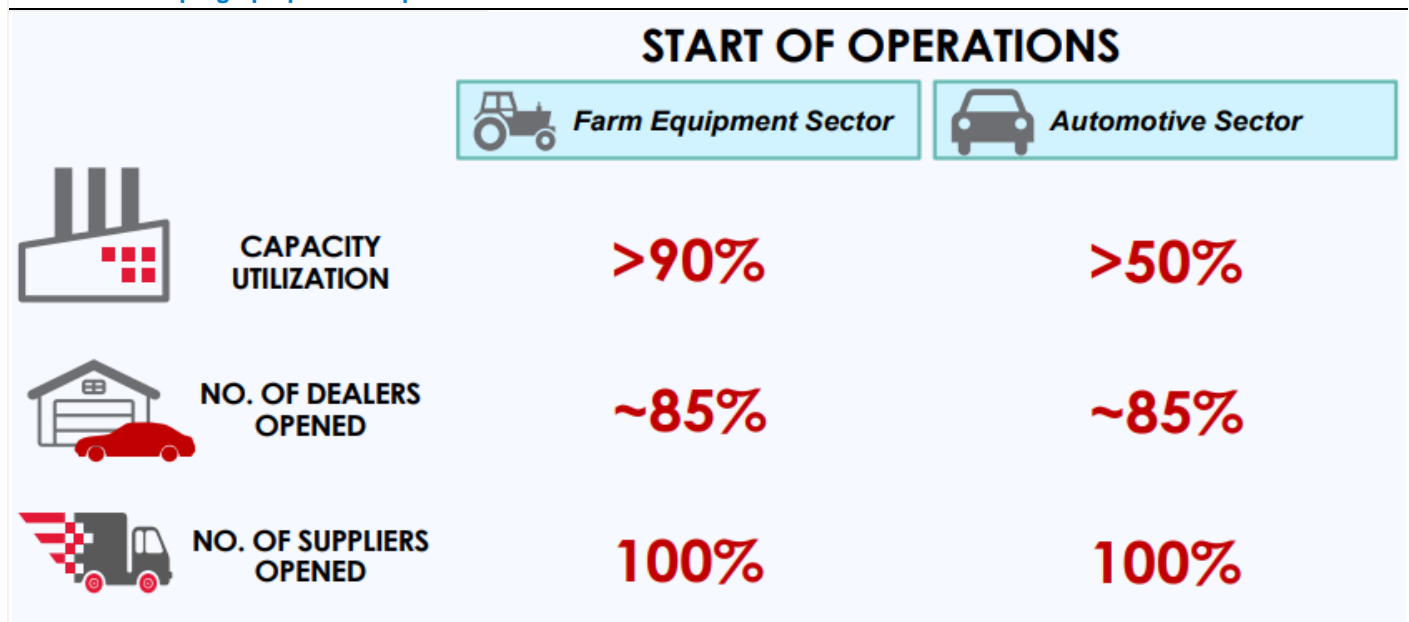
Source: Company, PL

Exhibit 6: FES PBIT improved 110bp YoY led by lower A&P



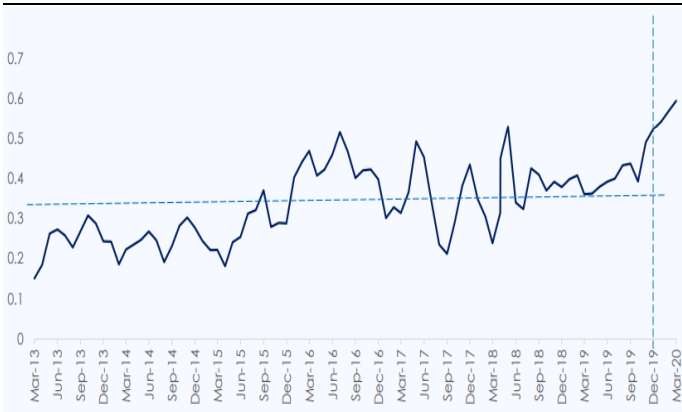
Source: Company, PL

Exhibit 7: Ramping up operations post lockdown



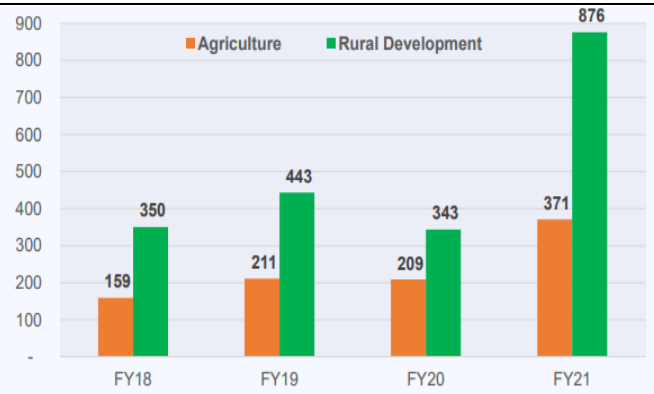
Source: Company, PL

Exhibit 8: Rural-Govt Spend Index improved significantly



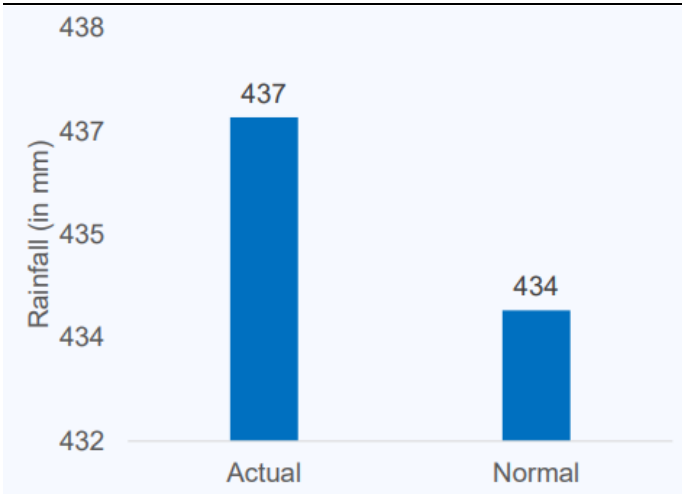
Source: Company, PL

Exhibit 9: Govt spending increased 2x in April-June'20



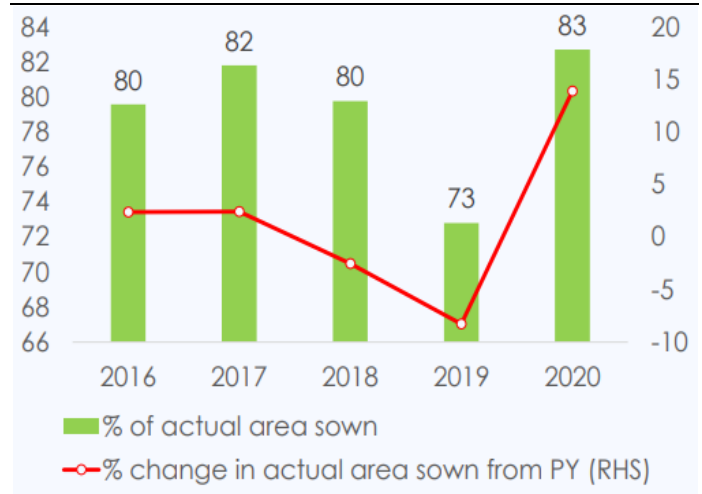
Source: Company, PL

Exhibit 10: Cumulative rainfall higher than LPA till June



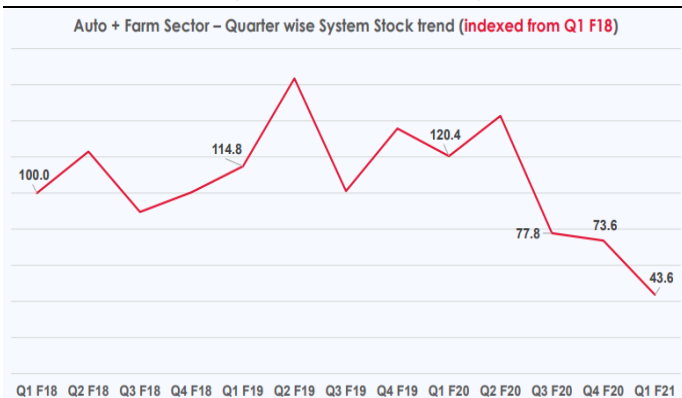
Source: Company, PL

Exhibit 11: Kharif acreage highest in 5 years (+19% YoY)



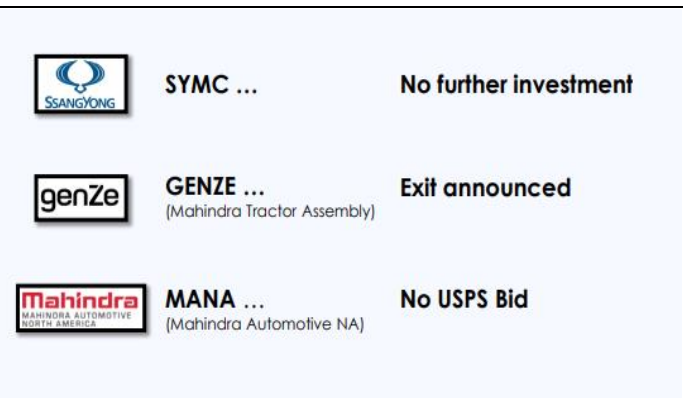
Source: Company, PL

Exhibit 12: Lowest system stock in last 3 years













Source: Company, PL

Exhibit 13: Focus on core further intensifies....

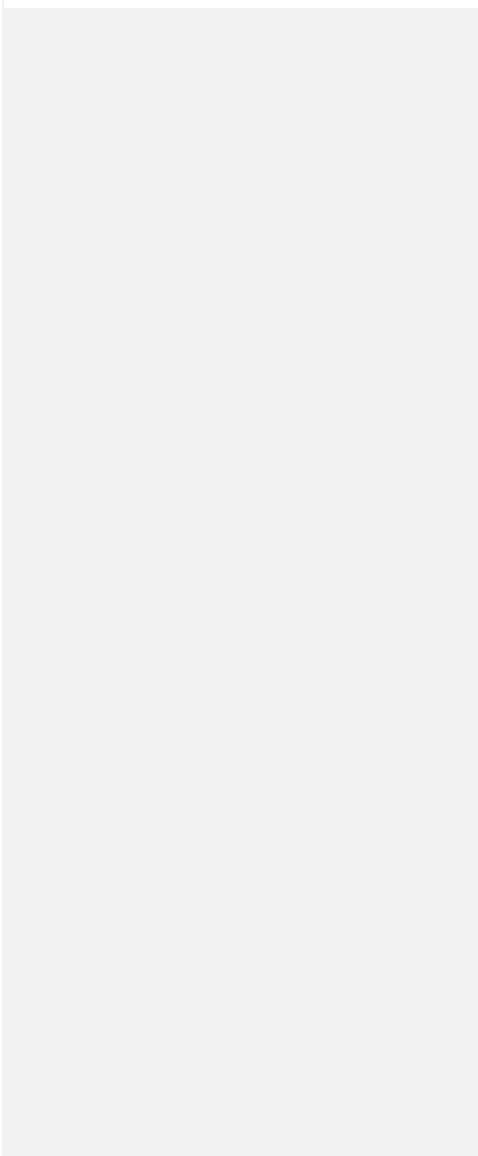


Source: Company, PL

Exhibit 14:while lists out key non-core but strategic businesses

RIGHT to WIN ...	
 Susten	Technology led utility scale solar dev-co w/ intl EPC experience
 Rural Housing Finance	Small ticket rural housing loans, large field force & customer-oriented products
 Powerol	Telecom genset provider w/ strong distribution; Scaling up thro' high KVA gensets
 Accelo	India's leading steel solution provider with foray into auto re-cycling through Cero
 Agri	Trusted provider of Agri inputs (seeds, crop care, irrigation) and high-quality fruits
 Aftermarket	Used car sales w/ strong strength in enterprise, large franchisee network & online presence
 Classic Legends	Launched historic brands in premium motorcycle segment; Strong start in market
 Electric	Making EVs since 2010, ME will build scale with EV technology for PVs and 3 wheelers.
 Mobility	High quality service for corporate employees with focus on EVs
 Bristlecone	Specialist technology provider for supply chain, serving Fortune 500 customers

Source: Company, PL



Financials

Income Statement (Rs m)

Y/e Mar	FY20	FY21E	FY22E	FY23E
Net Revenues	4,54,878	4,33,067	5,07,493	5,74,867
YoY gr. (%)	(15.2)	(4.8)	17.2	13.3
Cost of Goods Sold	3,16,326	3,01,159	3,56,260	4,02,982
Gross Profit	1,38,552	1,31,909	1,51,233	1,71,885
Margin (%)	30.5	30.5	29.8	29.9
Employee Cost	28,801	29,665	31,148	32,705
Other Expenses	51,771	51,752	57,093	65,822
EBITDA	57,981	50,492	62,992	73,357
YoY gr. (%)	(12.7)	(12.9)	24.8	16.5
Margin (%)	12.7	11.7	12.4	12.8
Depreciation and Amortization	22,226	21,576	25,405	28,380
EBIT	35,754	28,916	37,587	44,977
Margin (%)	7.9	6.7	7.4	7.8
Net Interest	1,132	902	770	638
Other Income	16,678	17,035	18,909	20,818
Profit Before Tax	31,160	45,337	55,726	65,157
Margin (%)	6.9	10.5	11.0	11.3
Total Tax	17,855	12,241	15,046	17,592
Effective tax rate (%)	57.3	27.0	27.0	27.0
Profit after tax	13,306	33,096	40,680	47,565
Minority interest	-	-	-	-
Share Profit from Associate	-	-	-	-
Adjusted PAT	21,905	32,886	40,680	47,565
YoY gr. (%)	(54.5)	50.1	23.7	16.9
Margin (%)	4.8	7.6	8.0	8.3
Extra Ord. Income / (Exp)	(8,600)	211	-	-
Reported PAT	13,306	33,096	40,680	47,565
YoY gr. (%)	(72.3)	148.7	22.9	16.9
Margin (%)	2.9	7.6	8.0	8.3
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	13,306	33,096	40,680	47,565
Equity Shares O/s (m)	1,193	1,193	1,193	1,193
EPS (Rs)	18.4	27.6	34.1	39.9

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY20	FY21E	FY22E	FY23E
Non-Current Assets				
Gross Block	2,26,292	2,81,387	3,16,387	3,51,387
Tangibles	2,26,292	2,81,387	3,16,387	3,51,387
Intangibles	-	-	-	-
Acc: Dep / Amortization	1,22,346	1,43,923	1,69,328	1,97,708
Tangibles	1,22,346	1,43,923	1,69,328	1,97,708
Intangibles	-	-	-	-
Net fixed assets	1,03,946	1,37,464	1,47,059	1,53,678
Tangibles	1,03,946	1,37,464	1,47,059	1,53,678
Intangibles	-	-	-	-
Capital Work In Progress	40,095	20,000	20,000	20,000
Goodwill	-	-	-	-
Non-Current Investments	1,77,485	1,87,485	1,97,485	2,07,485
Net Deferred tax assets	(14,082)	(14,082)	(14,082)	(14,082)
Other Non-Current Assets	-	-	-	-
Current Assets				
Investments	21,897	25,000	25,000	25,000
Inventories	34,009	32,378	37,943	42,980
Trade receivables	29,990	28,552	33,459	37,901
Cash & Bank Balance	42,365	32,403	39,609	56,480
Other Current Assets	48,726	48,726	48,726	48,726
Total Assets	5,05,021	5,18,205	5,56,542	6,00,476
Equity				
Equity Share Capital	5,965	5,965	5,965	5,965
Other Equity	3,38,713	3,59,879	3,88,629	4,24,263
Total Networkth	3,44,679	3,65,844	3,94,594	4,30,228
Non-Current Liabilities				
Long Term borrowings	29,320	25,320	21,320	17,320
Provisions	-	-	-	-
Other non current liabilities	-	-	-	-
Current Liabilities				
ST Debt / Current of LT Debt	-	-	-	-
Trade payables	67,858	64,605	75,707	85,758
Other current liabilities	49,082	48,354	50,838	53,088
Total Equity & Liabilities	5,05,021	5,18,205	5,56,542	6,00,476

Source: Company Data, PL Research

Cash Flow (Rs m)

Y/e Mar	FY20	FY21E	FY22E	FY23E
PBT	51,300	28,916	37,587	44,977
Add. Depreciation	22,226	21,576	25,405	28,380
Add. Interest	(14,327)	17,035	18,909	20,818
Less Financial Other Income	16,678	17,035	18,909	20,818
Add. Other	1,662	-	-	-
Op. profit before WC changes	60,862	67,527	81,901	94,175
Net Changes-WC	(13,260)	(601)	2,051	1,857
Direct tax	(10,823)	(12,241)	(15,046)	(17,592)
Net cash from Op. activities	36,778	54,685	68,906	78,439
Capital expenditures	(25,757)	(48,104)	(45,000)	(45,000)
Interest / Dividend Income	-	-	-	-
Others	-	-	-	-
Net Cash from Invt. activities	(25,757)	(48,104)	(45,000)	(45,000)
Issue of share cap. / premium	-	1,933	1,933	1,933
Debt changes	3,289	(4,000)	(4,000)	(4,000)
Dividend paid	(11,874)	(11,930)	(11,930)	(11,930)
Interest paid	(1,570)	(2,835)	(2,703)	(2,571)
Others	-	-	-	-
Net cash from Fin. activities	(10,155)	(16,832)	(16,700)	(16,568)
Net change in cash	866	(10,251)	7,206	16,871
Free Cash Flow	(2,658)	19,685	33,906	43,439

Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q2FY20	Q3FY20	Q4FY20	Q1FY21
Net Revenue	1,10,761	1,23,453	91,437	56,022
YoY gr. (%)	(14.7)	(5.5)	(34.9)	(56.6)
Raw Material Expenses	76,571	86,492	61,472	37,882
Gross Profit	34,190	36,961	29,966	18,140
Margin (%)	30.9	29.9	32.8	32.4
EBITDA	14,110	16,495	11,348	5,492
YoY gr. (%)	(12.1)	8.7	(31.0)	(66.2)
Margin (%)	12.7	13.4	12.4	9.8
Depreciation / Depletion	5,399	5,537	5,836	5,484
EBIT	8,711	10,958	5,512	8
Margin (%)	7.9	8.9	6.0	-
Net Interest	502	224	335	669
Other Income	8,277	2,063	3,147	1,278
Profit before Tax	16,486	6,791	(19,480)	1,260
Margin (%)	14.9	5.5	(21.3)	2.2
Total Tax	4,360	3,725	5,544	139
Effective tax rate (%)	26.4	54.9	(28.5)	11.0
Profit after Tax	12,126	3,065	(25,024)	1,121
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
Adjusted PAT	12,126	9,071	2,781	577
YoY gr. (%)	(21.5)	(20.7)	(69.8)	(95.0)
Margin (%)	10.9	7.3	3.0	1.0
Extra Ord. Income / (Exp)	-	(6,006)	(27,805)	544
Reported PAT	12,126	3,065	(25,024)	1,121
YoY gr. (%)	(26.5)	(71.5)	(394.8)	(95.2)
Margin (%)	10.9	2.5	(27.4)	2.0
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	12,126	3,065	(25,024)	1,121
Avg. Shares O/s (m)	1,193	1,193	1,193	1,193
EPS (Rs)	10.2	7.6	2.3	0.5

Source: Company Data, PL Research

Key Financial Metrics

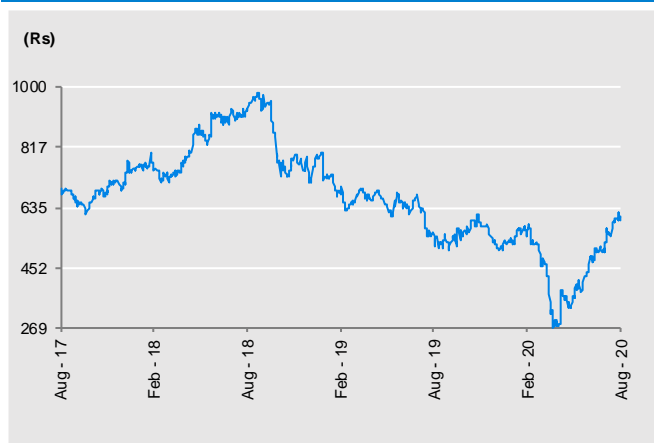
Y/e Mar	FY20	FY21E	FY22E	FY23E
Per Share(Rs)				
EPS	18.4	27.6	34.1	39.9
CEPS	37.0	45.6	55.4	63.7
BVPS	288.9	306.6	330.7	360.6
FCF	(2.2)	16.5	28.4	36.4
DPS	2.4	10.0	10.0	10.0
Return Ratio(%)				
RoCE	9.7	7.6	9.3	10.4
ROIC	5.0	6.5	8.1	9.4
RoE	6.4	9.3	10.7	11.5
Balance Sheet				
Net Debt : Equity (x)	(0.1)	(0.1)	(0.1)	(0.1)
Net Working Capital (Days)	(3)	(3)	(3)	(3)
Valuation(x)				
PER	32.7	21.8	17.6	15.1
P/B	2.1	2.0	1.8	1.7
P/CEPS	16.2	13.2	10.8	9.4
EV/EBITDA	11.8	13.6	10.7	8.9
EV/Sales	1.5	1.6	1.3	1.1
Dividend Yield (%)	0.4	1.7	1.7	1.7

Source: Company Data, PL Research

Key Operating Metrics

Y/e Mar	FY20	FY21E	FY22E	FY23E
Tractor Volumes	3,01,915	3,17,011	3,48,712	3,66,147
Auto volumes	4,70,946	3,84,808	4,42,184	4,95,246

Source: Company Data, PL Research

Price Chart
Recommendation History


No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	14-Jul-20	Hold	531	545
2	11-Jul-20	Hold	531	555
3	14-Jun-20	Hold	498	508
4	09-Apr-20	Hold	420	381
5	11-Feb-20	Hold	600	524
6	03-Jan-20	Hold	593	533
7	09-Nov-19	Hold	593	582
8	03-Oct-19	Hold	563	563
9	02-Oct-19	Hold	563	557

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Ashok Leyland	Accumulate	59	51
2	Bajaj Auto	Hold	2,713	2,985
3	Bharat Forge	Hold	347	355
4	CEAT	Accumulate	951	845
5	Eicher Motors	BUY	20,852	19,465
6	Exide Industries	BUY	183	155
7	Hero Motocorp	Accumulate	2,855	2,681
8	Mahindra & Mahindra	Hold	531	545
9	Maruti Suzuki	BUY	6,858	6,192
10	Motherson Sumi Systems	BUY	116	96
11	Tata Motors	Hold	108	105
12	TVS Motors	Sell	365	402

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. Deep Shah- MBA Finance, Mr. Amber Shukla- 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. Deep Shah- MBA Finance, Mr. Amber Shukla- 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