

September 12, 2020

Q1FY21 Result Update

Change in Estimates | Target | Reco

Change in Estimates

	Current		Previous	
	FY22E	FY23E	FY22E	FY23E
Rating	HOLD		HOLD	
Target Price	34		34	
Sales (Rs. m)	2,92,580	3,22,268	2,92,252	3,75,124
% Chng.	0.1	(14.1)		
EBITDA (Rs. m)	16,308	18,631	16,503	55,935
% Chng.	(1.2)	(66.7)		
EPS (Rs.)	2.8	3.4	2.9	11.5
% Chng.	(1.3)	(70.4)		

Key Financials - Standalone

Y/e Mar	FY20	FY21E	FY22E	FY23E
Sales (Rs. bn)	215	215	293	322
EBITDA (Rs. bn)	(2)	4	16	19
Margin (%)	(1.1)	2.0	5.6	5.8
PAT (Rs. bn)	(15)	0	10	12
EPS (Rs.)	(4.2)	(0.1)	2.8	3.4
Gr. (%)	(221.2)	(98.7)	(5,072.3)	20.5
DPS (Rs.)	2.3	-	-	-
Yield (%)	6.1	-	-	-
RoE (%)	(4.9)	(0.1)	3.3	3.8
RoCE (%)	(2.2)	(0.2)	3.1	3.6
EV/Sales (x)	0.5	0.5	0.4	0.4
EV/EBITDA (x)	(49.4)	26.7	7.7	6.7
PE (x)	(8.8)	(654.5)	13.2	10.9
P/BV (x)	0.4	0.4	0.4	0.4

Key Data

BHEL.BO | BHEL IN

52-W High / Low	Rs.61 / Rs.18
Sensex / Nifty	38,855 / 11,464
Market Cap	Rs.129bn/ \$ 1,757m
Shares Outstanding	3,482m
3M Avg. Daily Value	Rs.5305.65m

Shareholding Pattern (%)

Promoter's	63.17
Foreign	5.09
Domestic Institution	18.14
Public & Others	13.60
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	3.8	34.7	(28.6)
Relative	2.6	23.7	(31.5)

Viral Shah

viralshah@plindia.com | 91-22-66322250

Khushboo Parekh

khushbooparekh@plindia.com | 91-22-66322257

Execution challenges continue due to pandemic

Quick Pointers:

- Execution impacted by lockdown, labour issues, supply side constraints and delay in receivables.
- BHEL secured orders worth Rs14.9bn in 1QFY21 translating into an order backlog of Rs1.1trn (5.7x trailing revenues).

BHEL reported weak performance for the quarter wherein both segments Power/Industry revenue de-grew by 68%/15% YoY. During the quarter order inflows de-grew by 62% YoY led by delay in ordering activity, deferment due to Covid-19 pandemic and overall stress in power sector. Order backlog stands at Rs1.08trn, flat YoY (executable OB ~Rs880bn) providing revenue visibility going ahead. Despite weak 1Q performance, the company witnessed some improvement in terms of debtors (down by 7%), rise in cash collection to billing ratio and lower other expense. Going ahead, they would continue to focus on cash collection, execution and high margins projects (venturing into new segments such Aerospace, Defence, Railways, etc).

Execution challenges and high level of receivables remain key concerns that could possibly hamper medium term growth prospects. BHEL's transformation strategy to optimize operational cost and initiatives like utilization of manufacturing facilities & industrial land will likely help diversify in non-power business and aid long term revenue visibility. We maintain Hold on the stock with TP of Rs34.

Miss on all fronts due to weak execution: Sales came in at ~Rs19.9bn (down 56% YoY) vs (PLe ~Rs32bn) led by de-growth across segments where Power/Industry de-grew by 69%/15% YoY respectively. EBITDA declined by 75% YoY which came in negative at Rs10.6bn (PLe loss of ~Rs6.1bn) with EBITDA margins coming in at -53% in 1QFY21 v/s -5.9% in 1QFY20, on account of lower operating performance. PBT de-grew by 71% YoY which came negative at Rs11.9bn (PLe loss of ~Rs7.2bn) due to higher interest cost (up, 6% YoY) and depreciation (up, 3% YoY). Other income decreased by 34% YoY at Rs955mn. On bottom line, BHEL reported loss of Rs9bn (PLe loss of ~Rs5.4bn).

Order inflow remains challenging: BHEL's order inflow for the quarter came at Rs14.9bn down 62% YoY, impacted due to delay in order finalization because of pandemic. NTPC Talcher package, FGD and boiler modification are few orders favorably placed. NTPC Talcher order is expected to be awarded in FY21E. However, few projects in the power sector including Lara, Singrauli, Pench power plants are getting deferred, re-expected to get awarded in H2FY21E. On industrial side, company expects to gain good traction in solar EPC, railway electrification, locomotives, aerospace and defence manufacturing. Order backlog at the end of 1QFY21 stands at Rs1.1trn, flat YoY. Of the total, OB executable orders stand at Rs880bn and non-executable at Rs202bn. OB of Power segment stands at Rs866bn, Industry at Rs135bn and Exports at Rs81bn. The company is also on the lookout for diversification opportunities to open up more sales avenues.

Exhibit 1: Miss on all fronts due to weak economic environment and pandemic (Rs mn)

Y/e March	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21	YoY gr. (%)	QoQ gr. (%)	FY21E	FY20	YoY gr. (%)
Revenue	45,317	62,257	56,794	50,493	19,909	(56.1)	(60.6)	2,15,133	2,14,861	0.1
Total Revenues	45,317	62,257	56,794	50,493	19,909	(56.1)	(60.6)	2,15,133	2,14,861	0.1
Expenditure	47,984	59,588	53,506	56,111	30,498	(36.4)	(45.6)	2,10,762	2,17,189	(3.0)
<i>as % of sales</i>	<i>105.9</i>	<i>95.7</i>	<i>94.2</i>	<i>111.1</i>	<i>153.2</i>			<i>98.0</i>	<i>101.1</i>	
Consumption of RM	26,073	39,099	36,003	35,941	13,115	(49.7)	(63.5)	1,37,685	1,40,644	(2.1)
<i>as % of sales</i>	<i>57.5</i>	<i>62.8</i>	<i>63.4</i>	<i>71.2</i>	<i>65.9</i>			<i>64.0</i>	<i>65.5</i>	
Employee Cost	14,509	14,713	13,709	11,103	13,788	(5.0)	24.2	54,575	54,035	1.0
<i>as % of sales</i>	<i>32.0</i>	<i>23.6</i>	<i>24.1</i>	<i>22.0</i>	<i>69.3</i>			<i>25.4</i>	<i>25.1</i>	
Other expenditure	7,402	5,776	3,795	9,067	3,595	(51.4)	(60.3)	18,501	22,511	(17.8)
<i>as % of sales</i>	<i>16.3</i>	<i>9.3</i>	<i>6.7</i>	<i>18.0</i>	<i>18.1</i>			<i>8.6</i>	<i>10.5</i>	
EBITDA	(2,667)	2,669	3,287	(5,617)	(10,589)	297.0	88.5	4,371	(2,329)	(287.7)
Depreciation	1,148	1,193	1,145	1,543	1,185	3.2	(23.2)	5,115	5,029	1.7
EBIT	(3,815)	1,476	2,142	(7,160)	(11,774)	208.6	64.4	(744)	(7,357)	(89.9)
Other Income	1,455	1,356	1,512	1,482	955	(34.4)	(35.5)	5,809	5,806	0.0
Interest	1,080	1,187	1,391	1,412	1,146	6.1	(18.8)	5,262	5,070	3.8
PBT	(3,440)	1,645	2,263	(7,090)	(11,964)	247.8	68.8	(197)	(6,621)	(97.0)
Total Tax	(1,277)	459	675	8,252	(2,993)	134.3	(136.3)	-	8,109	(100.0)
Adjusted PAT	(2,163)	1,186	1,588	(15,341)	(8,972)	314.9	(41.5)	(197)	(14,730)	(98.7)
(Profit)/loss from JV's/Ass/MI	-	-	-	-	-	-	-	(0)	(4)	-
PAT after MI	(2,163)	1,186	1,588	(15,341)	(8,972)	314.9	(41.5)	(197)	(14,734)	(98.7)
Extra ordinary items	-	-	-	-	-	-	-	-	-	-
Reported PAT	(2,163)	1,186	1,588	(15,341)	(8,972)	314.9	(41.5)	(197)	(14,734)	(98.7)
Adjusted EPS	(0.6)	0.3	0.5	(4.4)	(3.7)	492.9	(16.4)	(0.1)	(4.2)	(98.7)
Margins (%)	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21	bps	bps	FY21E	FY20	bps
EBIDTA	(5.9)	4.3	5.8	(11.1)	(53.2)	(4,730)	(4,206)	2.0	(1.1)	312
EBIT	(8.4)	2.4	3.8	(14.2)	(59.1)	(5,072)	(4,496)	(0.3)	(3.4)	308
EBT	(7.6)	2.6	4.0	(14.0)	(60.1)	(5,250)	(4,605)	(0.1)	(3.1)	299
PAT	(4.8)	1.9	2.8	(30.4)	(45.1)	(4,029)	(1,468)	(0.1)	(6.9)	677
Effective Tax rate	37.1	27.9	29.8	(116.4)	25.0	(1,212)	14,141	-	(122.5)	12,247

Source: Company, PL

Conference Call Highlights:

- Complete lockdown in April/May along with migrant labour issues affected the company's performance.
- Facing difficulty in collections plus there have been delays in order conversion.
- Capacity utilization levels for steel and cement stand at pre covid levels & Power sector may see a U-shape recovery.
- Order Inflow during 1QY21 stands at Rs14.85bn, down 62% YoY impacted due to delay in order finalization and lockdown. Power segment OI came in at Rs9.82bn, Industry stood at Rs4.44bn and exports were Rs5.9bn. OI comprises orders from FGD in Power segment and industry orders like supply of steam turbines, boiler etc.
- Order book stood at Rs1.1trn, flat YoY. Power OB came in at Rs866bn, Industry-Rs135bn and exports stands at Rs81bn. Of the total OB, executable OB stands at Rs880bn and non-executable at Rs202bn. Of the total OB FGD OB stands at Rs145bn.
- 2*660 MW NTPC Talcher package, FGD and boiler modification are few orders favorably placed. 30 GW of FGD order is in ordering stage.
- NTPC Talcher order is expected to be awarded in FY21E. However, few projects in the power sector including Lara, Singrauli, Pench power plants are getting deferred for awarding/ tendering and will likely get awarded in H2FY21E. On industrial side, company expects to gain good traction in solar EPC, railway electrification, locomotives, aerospace and defence manufacturing owing to Atmanirbhar Bharat package and 'Make in India'.
- During the quarter company incurred higher fixed cost which were non-productive expenses, leading to higher loss. 70% of loss came in from non-productive expense in 1QFY21,
- During 1QFY21 cash collection to billing stood at 133% vs 114% in FY20.
- Receivables reduced to Rs353bn v/s 378.6bn in 1QFY20. Inventory levels stands at Rs86.5bn v/s 89.1bn in 4QFY20 and going ahead would improve.
- Cash position as on 1QFY21 stands at Rs11.68bn.
- Imports from China were of Rs20bn, wherein the company is mainly relied on components for FGD, air cooling components (which BHEL has started developing in-house) and modules for power plant (BHEL has shifted to domestic manufacturers for the same).

Financials

Income Statement (Rs m)

Y/e Mar	FY20	FY21E	FY22E	FY23E
Net Revenues	2,14,861	2,15,133	2,92,580	3,22,268
YoY gr. (%)	(29.2)	0.1	36.0	10.1
Cost of Goods Sold	1,40,644	1,37,685	1,87,251	2,09,474
Gross Profit	74,217	77,448	1,05,329	1,12,794
Margin (%)	34.5	36.0	36.0	35.0
Employee Cost	54,035	54,575	55,667	56,780
Other Expenses	19,956	13,984	24,284	27,393
EBITDA	(2,329)	4,371	16,308	18,631
YoY gr. (%)	(110.9)	(287.7)	273.1	14.2
Margin (%)	(1.1)	2.0	5.6	5.8
Depreciation and Amortization	5,029	5,115	5,503	5,700
EBIT	(7,357)	(744)	10,805	12,930
Margin (%)	(3.4)	(0.3)	3.7	4.0
Net Interest	5,070	5,262	5,599	5,840
Other Income	5,806	5,809	7,900	8,701
Profit Before Tax	(6,621)	(197)	13,106	15,792
Margin (%)	(3.1)	(0.1)	4.5	4.9
Total Tax	8,109	-	3,292	3,967
Effective tax rate (%)	(122.5)	-	25.1	25.1
Profit after tax	(14,730)	(197)	9,813	11,825
Minority interest	-	-	-	-
Share Profit from Associate	-	-	-	-
Adjusted PAT	(14,730)	(197)	9,813	11,825
YoY gr. (%)	(221.2)	(98.7)	(5,072.3)	20.5
Margin (%)	(6.9)	(0.1)	3.4	3.7
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	(14,730)	(197)	9,813	11,825
YoY gr. (%)	(221.2)	(98.7)	(5,072.3)	20.5
Margin (%)	(6.9)	(0.1)	3.4	3.7
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	(14,730)	(197)	9,813	11,825
Equity Shares O/s (m)	3,482	3,482	3,482	3,482
EPS (Rs)	(4.2)	(0.1)	2.8	3.4

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY20	FY21E	FY22E	FY23E
Non-Current Assets				
Gross Block	61,006	66,006	71,006	76,006
Tangibles	61,006	66,006	71,006	76,006
Intangibles	-	-	-	-
Acc: Dep / Amortization	33,651	38,766	44,269	49,970
Tangibles	33,651	38,766	44,269	49,970
Intangibles	-	-	-	-
Net fixed assets	27,355	27,239	26,736	26,036
Tangibles	27,355	27,239	26,736	26,036
Intangibles	-	-	-	-
Capital Work In Progress	3,926	3,926	3,926	3,926
Goodwill	-	-	-	-
Non-Current Investments	7,527	7,315	9,948	10,957
Net Deferred tax assets	27,562	27,562	27,562	27,562
Other Non-Current Assets	2,19,309	2,21,587	2,48,693	2,41,701
Current Assets				
Investments	-	-	-	-
Inventories	89,055	94,305	1,04,207	1,14,780
Trade receivables	71,076	76,623	88,175	97,122
Cash & Bank Balance	64,186	63,521	56,505	58,062
Other Current Assets	1,00,131	1,01,113	1,31,661	1,45,020
Total Assets	5,85,152	5,98,210	6,73,362	7,01,471
Equity				
Equity Share Capital	6,964	6,964	6,964	6,964
Other Equity	2,84,848	2,84,651	2,94,464	3,06,289
Total Networkth	2,91,812	2,91,615	3,01,428	3,13,253
Non-Current Liabilities				
Long Term borrowings	49,334	50,334	51,334	52,334
Provisions	-	-	-	-
Other non current liabilities	-	-	-	-
Current Liabilities				
ST Debt / Current of LT Debt	754	754	754	754
Trade payables	88,920	94,305	1,24,246	1,28,024
Other current liabilities	1,81,895	1,88,764	2,23,162	2,34,668
Total Equity & Liabilities	5,85,152	5,98,210	6,73,362	7,01,471

Source: Company Data, PL Research

Cash Flow (Rs m)

Y/e Mar	FY20	FY21E	FY22E	FY23E
PBT	(6,621)	(197)	13,106	15,792
Add. Depreciation	5,029	5,115	5,503	5,700
Add. Interest	5,070	5,262	5,599	5,840
Less Financial Other Income	5,806	5,809	7,900	8,701
Add. Other	(2,972)	-	-	-
Op. profit before WC changes	505	10,180	24,208	27,332
Net Changes-WC	(26,109)	(1,824)	(16,009)	(11,078)
Direct tax	(3,219)	-	(3,292)	(3,967)
Net cash from Op. activities	(28,823)	8,356	4,907	12,287
Capital expenditures	(4,339)	(5,000)	(5,000)	(5,000)
Interest / Dividend Income	5,387	-	-	-
Others	17,230	241	(2,323)	(891)
Net Cash from Inv. activities	18,279	(4,759)	(7,323)	(5,891)
Issue of share cap. / premium	(250)	1,000	1,000	1,000
Debt changes	25,017	-	-	-
Dividend paid	(5,046)	-	-	-
Interest paid	(3,104)	(5,262)	(5,599)	(5,840)
Others	-	-	-	-
Net cash from Fin. activities	16,617	(4,262)	(4,599)	(4,840)
Net change in cash	6,073	(665)	(7,016)	1,557
Free Cash Flow	(33,255)	3,356	(93)	7,287

Source: Company Data, PL Research

Key Financial Metrics

Y/e Mar	FY20	FY21E	FY22E	FY23E
Per Share(Rs)				
EPS	(4.2)	(0.1)	2.8	3.4
CEPS	(2.8)	1.4	4.4	5.0
BVPS	83.8	83.7	86.6	90.0
FCF	(9.6)	1.0	0.0	2.1
DPS	2.3	-	-	-
Return Ratio(%)				
RoCE	(2.2)	(0.2)	3.1	3.6
ROIC	(5.9)	(0.3)	2.8	3.2
RoE	(4.9)	(0.1)	3.3	3.8
Balance Sheet				
Net Debt : Equity (x)	0.0	0.0	0.0	0.0
Net Working Capital (Days)	121	130	85	95
Valuation(x)				
PER	(8.8)	(654.5)	13.2	10.9
P/B	0.4	0.4	0.4	0.4
P/CEPS	(13.3)	26.3	8.4	7.4
EV/EBITDA	(49.4)	26.7	7.7	6.7
EV/Sales	0.5	0.5	0.4	0.4
Dividend Yield (%)	6.1	-	-	-

Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q2FY20	Q3FY20	Q4FY20	Q1FY21
Net Revenue	62,257	56,794	50,493	19,909
YoY gr. (%)	(8.2)	(22.6)	(51.3)	(56.1)
Raw Material Expenses	39,099	36,003	35,941	13,115
Gross Profit	23,158	20,790	14,553	6,794
Margin (%)	37.2	36.6	28.8	34.1
EBITDA	2,669	3,287	(5,617)	(10,589)
YoY gr. (%)	10.8	50.3	(140.6)	297.0
Margin (%)	4.3	5.8	(11.1)	(53.2)
Depreciation / Depletion	1,193	1,145	1,543	1,185
EBIT	1,476	2,142	(7,160)	(11,774)
Margin (%)	2.4	3.8	(14.2)	(59.1)
Net Interest	1,187	1,391	1,412	1,146
Other Income	1,356	1,512	1,482	955
Profit before Tax	1,645	2,263	(7,090)	(11,964)
Margin (%)	2.6	4.0	(14.0)	(60.1)
Total Tax	459	675	8,252	(2,993)
Effective tax rate (%)	27.9	29.8	(116.4)	25.0
Profit after Tax	1,186	1,588	(15,341)	(8,972)
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
Adjusted PAT	1,186	1,588	(15,341)	(8,972)
YoY gr. (%)	(36.0)	(17.3)	(327.0)	314.9
Margin (%)	1.9	2.8	(30.4)	(45.1)
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	1,186	1,588	(15,341)	(8,972)
YoY gr. (%)	(36.0)	(17.3)	(327.0)	314.9
Margin (%)	1.9	2.8	(30.4)	(45.1)
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	1,186	1,588	(15,341)	(8,972)
Avg. Shares O/s (m)	-	-	-	-
EPS (Rs)	-	-	-	-

Source: Company Data, PL Research

Price Chart
Recommendation History


No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	08-Jul-20	Hold	34	41
2	14-Jun-20	Hold	34	31
3	16-Apr-20	Hold	50	21
4	11-Feb-20	Hold	47	39
5	03-Jan-20	Hold	60	45
6	14-Nov-19	Hold	60	55
7	03-Oct-19	Hold	63	47

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	ABB	Hold	874	913
2	Ahluwalia Contracts (India)	BUY	288	244
3	Ashoka Buildcon	BUY	147	60
4	Bharat Electronics	Hold	99	97
5	BHEL	Hold	34	41
6	Capacite's Infraprojects	BUY	162	106
7	Container Corporation of India	BUY	468	386
8	Cummins India	Accumulate	472	437
9	Engineers India	BUY	104	68
10	GE T&D India	Hold	86	108
11	H.G. Infra Engineering	BUY	259	192
12	IRB Infrastructure Developers	BUY	152	125
13	ITD Cementation India	BUY	67	52
14	J.Kumar Infraprojects	BUY	176	112
15	Kalpataru Power Transmission	BUY	276	250
16	KEC International	BUY	333	294
17	KNR Constructions	BUY	305	257
18	Larsen & Toubro	BUY	1,192	917
19	NCC	BUY	83	31
20	PNC Infratech	BUY	219	169
21	Power Grid Corporation of India	BUY	205	170
22	Sadbhav Engineering	BUY	87	49
23	Siemens	BUY	1,402	1,159
24	Thermax	Accumulate	798	751
25	Triveni Turbine	BUY	83	64
26	Voltamp Transformers	BUY	1,244	1,095

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. Viral Shah- BE Chemical Engineering, MBA Finance, Ms. Khushboo Parekh- 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. Viral Shah- BE Chemical Engineering, MBA Finance, Ms. Khushboo Parekh- 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