

Ambuja Cement (ACEM IN)

Rating: BUY | CMP: Rs254 | TP: Rs285

Delivers across the fronts; Maintain BUY

Quick Pointers:

- Lower input costs and efficiency programs delivered 8% YoY fall in cost
- Announced interim dividend of Rs17/share
- Network optimization gained momentum due to acceleration of Master Supply Agreement (MSA) with ACC

Ambuja Cement (ACEM) delivered strong set of Q3CY20 earnings with 17%/14% beat on our/consensus EBITDA estimates. The beat was primarily driven by steeper than expected reduction in costs. Factoring in lower costs and higher realisations, we upgrade our EBITDA estimates by 20%/11% for CY21e/CY22e.

CY20 marked as ACEM's strong performance on cost reduction front through 1) logistic efficiencies, 2) higher share of volumes under MSA and 3) sustainable cut in some of the fixed overheads of legacy nature. We remain confident that costs would fall further with rise in share of waste heat recovery plants (WHRP), increased spectrum of MSA covering additional volumes from upcoming new capacities in Rajasthan and Jharkhand and changing work culture. On the volumes front, the new greenfield plant in Rajasthan (commissioning by Q2CY21) would add 16-17% growth with strong margin profile>Rs1,200/t. The next leg of growth would be led by 5mtpa expansion in central region under ACC. Backed by attractive valuations and improved quality of operations, we reiterate BUY rating with revised TP of Rs285 (earlier Rs255), EV/EBITDA of 12.5x CY21e.

- Lower than expected costs led the beat:** Volumes rose 8% YoY to 5.7mnt (PLe:5.7mnt). Realisations fell 3.4% QoQ/Rs175 (↑1.7% YoY/Rs80) at Rs4,940/t, tad above our estimates of Rs4,905/t. Cost/t fell 7.8% YoY at Rs3,830 (PLe:Rs3,945) on account of lower power & fuel cost and other expenses, partially offset by higher RM cost. Hence, EBITDA/t (including other operating income) expanded 43% YoY at Rs1,200 (PLe:Rs1,025). Beat on margins helped EBITDA grow above our expectation at Rs6.3bn (PLe:Rs5.4bn), up 55% YoY. PAT grew 88% YoY at 4.4bn (PLe:Rs3.4bn), aided by lower tax rate at 24.8% (PLe:30%/Q2CY19:32.6%),.

- MSA on top priority:** Based on sharp increase of 1.3x YoY (in 9MCY20) in purchase of traded goods cost item, it is clearly visible that work on MSA has expedited significantly over last one year. We expect sharp acceleration in pace going forward due to increased focus and upcoming capacity expansions. MSA has the potential to add 3% or Rs1.5bn (equivalent to Rs30/t) to consolidated EBITDA.

October 23, 2020

Q3CY20 Result Update

☑ Change in Estimates | ☑ Target | ■ Reco

Change in Estimates

	Current		Previous	
	CY21E	CY22E	CY21E	CY22E
Rating	BUY		BUY	
Target Price	285		255	
Sales (Rs. m)	2,79,041	2,92,706	2,74,569	2,88,148
% Chng.	1.6	1.6		
EBITDA (Rs. m)	56,583	58,861	51,966	54,451
% Chng.	8.9	8.1		
EPS (Rs.)	12.0	12.8	11.4	12.1
% Chng.	5.0	5.9		

Key Financials - Consolidated

Y/e Dec	CY19	CY20E	CY21E	CY22E
Sales (Rs. bn)	271	250	279	293
EBITDA (Rs. bn)	44	52	57	59
Margin (%)	16.4	20.9	20.3	20.1
PAT (Rs. bn)	17	23	24	25
EPS (Rs.)	8.8	11.8	12.0	12.8
Gr. (%)	29.6	34.1	1.7	7.2
DPS (Rs.)	1.5	17.0	3.0	3.2
Yield (%)	0.6	6.7	1.2	1.3
RoE (%)	7.5	10.0	9.9	9.8
RoCE (%)	14.2	17.2	18.1	17.0
EV/Sales (x)	1.5	1.7	1.4	1.3
EV/EBITDA (x)	12.8	11.1	9.8	8.9
PE (x)	28.9	21.6	21.2	19.8
P/BV (x)	2.1	2.2	2.0	1.9

Key Data

ABUJ.BO | ACEM IN

52-W High / Low	Rs.255 / Rs.137
Sensex / Nifty	40,558 / 11,896
Market Cap	Rs.504bn/ \$ 6,848m
Shares Outstanding	1,986m
3M Avg. Daily Value	Rs.2441.16m

Shareholding Pattern (%)

Promoter's	63.27
Foreign	16.79
Domestic Institution	13.29
Public & Others	6.65
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	22.6	43.7	29.5
Relative	14.1	11.2	24.4

Kamlesh Bagmar

kamleshbagmar@plindia.com | 91-22-66322237

Amit Khimesra

amitkhimesra@plindia.com | 91-22-66322244

Exhibit 1: Q3CY20 Result Overview (Rs mn)

Y/e Dec	Q3CY20	Q3CY19	YoY gr. (%)	Q2CY20	9MCY20	9MCY19	YoY gr. (%)
Net Sales	28,020	25,560	9.6	21,440	77,060	83,150	(7.3)
Raw Material	2,547	2,138	19.2	2,315	7,377	7,622	(3.2)
<i>% of Net Sales</i>	<i>9.1</i>	<i>8.4</i>		<i>10.8</i>	<i>9.6</i>	<i>9.2</i>	
Staff Costs	1,622	1,678	(3.3)	1,495	4,838	5,037	(3.9)
<i>% of Net Sales</i>	<i>5.8</i>	<i>6.6</i>		<i>7.0</i>	<i>6.3</i>	<i>6.1</i>	
Power & Fuel	5,749	5,988	(4.0)	4,139	15,509	19,172	(19.1)
<i>% of Net Sales</i>	<i>20.5</i>	<i>23.4</i>		<i>19.3</i>	<i>20.1</i>	<i>23.1</i>	
Freight	7,404	6,794	9.0	5,033	19,859	22,565	(12.0)
<i>% of Net Sales</i>	<i>26.4</i>	<i>26.6</i>		<i>23.5</i>	<i>25.8</i>	<i>27.1</i>	
Other Expenses	4,400	5,265	(16.4)	2,833	12,197	14,910	(18.2)
<i>% of Net Sales</i>	<i>15.7</i>	<i>20.6</i>		<i>13.2</i>	<i>15.8</i>	<i>17.9</i>	
Total Expenditure	21,721	21,863	(0.6)	15,815	59,780	69,305	(13.7)
EBITDA	6,299	3,697	70.4	5,625	17,280	13,845	24.8
<i>Margin (%)</i>	<i>22.5</i>	<i>14.5</i>		<i>26.2</i>	<i>22.4</i>	<i>16.7</i>	
Depreciation	1,287	1,329	(3.2)	1,289	3,955	3,952	0.1
Other income	1,027	1,329	(22.7)	2,249	4,833	5,263	(8.2)
EBIT	6,039	3,697	63.4	6,585	18,159	15,156	19.8
Interest	185	216	(14.5)	183	598	599	(0.2)
PBT	5,855	3,481	68.2	6,402	17,561	14,558	20.6
Extraordinary income/(expense)	-	-		-	-	516	
PBT (After EO)	5,855	3,481	68.2	6,402	17,561	15,074	16.5
Tax	1,450	1,135	27.7	1,868	4,631	4,337	6.8
<i>% PBT</i>	<i>24.8</i>	<i>32.6</i>		<i>29.2</i>	<i>26.4</i>	<i>28.8</i>	
Reported PAT	4,405	2,346	87.8	4,534	12,930	10,736	20.4
Adjusted PAT	4,405	2,346	87.8	4,534	12,930	10,369	24.7

Source: Company, PL

Exhibit 2: Operating Metrics

Y/e Dec	Q3CY20	Q3CY19	YoY gr. (%)	Q2CY20	9MCY20	9MCY19	YoY gr. (%)
Volume (mn te)	5.7	5.3	7.8	4.2	15.6	17.5	(10.8)
Net Realisations/t (Rs)	4,942	4,859	1.7	5,117	4,930	4,743	3.9
EBITDA/t (Rs)	1,111	703	58.0	1,342	1,106	790	40.0

Source: Company, PL

Financials

Income Statement (Rs m)

Y/e Dec	CY19	CY20E	CY21E	CY22E
Net Revenues	2,71,036	2,49,628	2,79,041	2,92,706
YoY gr. (%)	4.1	(7.9)	11.8	4.9
Cost of Goods Sold	36,837	32,331	37,056	39,049
Gross Profit	2,34,199	2,17,297	2,41,985	2,53,657
Margin (%)	86.4	87.0	86.7	86.7
Employee Cost	15,708	14,867	15,477	16,251
Other Expenses	45,531	38,426	42,141	43,850
EBITDA	44,459	52,152	56,583	58,861
YoY gr. (%)	11.9	17.3	8.5	4.0
Margin (%)	16.4	20.9	20.3	20.1
Depreciation and Amortization	11,525	11,773	13,151	14,554
EBIT	32,934	40,379	43,431	44,306
Margin (%)	12.2	16.2	15.6	15.1
Net Interest	1,699	1,636	1,832	1,927
Other Income	4,297	5,640	4,815	6,453
Profit Before Tax	37,043	44,383	46,414	48,832
Margin (%)	13.7	17.8	16.6	16.7
Total Tax	10,922	13,857	14,599	15,322
Effective tax rate (%)	29.5	31.2	31.5	31.4
Profit after tax	26,121	30,526	31,815	33,510
Minority interest	6,882	7,295	8,182	8,158
Share Profit from Associate	200	130	130	130
Adjusted PAT	17,418	23,361	23,763	25,482
YoY gr. (%)	29.6	34.1	1.7	7.2
Margin (%)	6.4	9.4	8.5	8.7
Extra Ord. Income / (Exp)	988	-	-	-
Reported PAT	19,439	23,361	23,763	25,482
YoY gr. (%)	(9.2)	20.2	1.7	7.2
Margin (%)	7.2	9.4	8.5	8.7
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	19,439	23,361	23,763	25,482
Equity Shares O/s (m)	1,986	1,986	1,986	1,986
EPS (Rs)	8.8	11.8	12.0	12.8

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Dec	CY19	CY20E	CY21E	CY22E
Non-Current Assets				
Gross Block	2,55,980	2,62,734	2,95,584	3,04,934
Tangibles	2,55,980	2,62,734	2,95,584	3,04,934
Intangibles	-	-	-	-
Acc: Dep / Amortization	48,967	60,740	73,891	88,445
Tangibles	48,967	60,740	73,891	88,445
Intangibles	-	-	-	-
Net fixed assets	2,07,013	2,01,994	2,21,693	2,16,489
Tangibles	2,07,013	2,01,994	2,21,693	2,16,489
Intangibles	-	-	-	-
Capital Work In Progress	19,967	30,288	18,431	28,931
Goodwill	-	-	-	-
Non-Current Investments	11,999	12,414	12,834	13,254
Net Deferred tax assets	(9,326)	(10,477)	(11,667)	(12,936)
Other Non-Current Assets	19,613	19,639	19,669	19,699
Current Assets				
Investments	-	-	-	-
Inventories	20,965	21,648	24,914	26,207
Trade receivables	10,686	9,617	10,828	11,380
Cash & Bank Balance	93,546	75,803	1,01,355	1,24,100
Other Current Assets	12,353	12,192	13,381	13,871
Total Assets	4,01,823	3,89,407	4,29,088	4,60,128
Equity				
Equity Share Capital	3,971	3,971	3,971	3,971
Other Equity	2,36,809	2,23,429	2,47,192	2,66,732
Total Network	2,40,780	2,27,400	2,51,163	2,70,704
Non-Current Liabilities				
Long Term borrowings	411	353	353	353
Provisions	2,888	2,888	2,888	2,888
Other non current liabilities	358	358	358	358
Current Liabilities				
ST Debt / Current of LT Debt	-	-	-	-
Trade payables	23,329	24,183	27,169	28,532
Other current liabilities	67,317	60,351	65,367	67,711
Total Equity & Liabilities	4,01,823	3,89,407	4,29,088	4,60,128

Source: Company Data, PL Research

Cash Flow (Rs m)

Y/e Dec	CY19	CY20E	CY21E	CY22E
PBT	38,753	44,383	46,414	48,832
Add. Depreciation	11,525	11,773	13,151	14,554
Add. Interest	1,699	1,636	1,832	1,927
Less Financial Other Income	4,297	5,640	4,815	6,453
Add. Other	(5,803)	(5,640)	(4,815)	(6,453)
Op. profit before WC changes	46,174	52,152	56,583	58,861
Net Changes-WC	6,512	(6,005)	1,846	837
Direct tax	(5,299)	(12,706)	(13,409)	(14,053)
Net cash from Op. activities	47,387	33,441	45,019	45,644
Capital expenditures	(16,070)	(17,075)	(20,994)	(19,850)
Interest / Dividend Income	-	-	-	-
Others	4,142	5,640	4,815	6,453
Net Cash from Inv. activities	(11,929)	(11,435)	(16,179)	(13,397)
Issue of share cap. / premium	-	-	-	-
Debt changes	-	(58)	-	-
Dividend paid	(5,174)	(38,055)	(1,456)	(7,575)
Interest paid	(1,130)	(1,636)	(1,832)	(1,927)
Others	-	-	-	-
Net cash from Fin. activities	(6,304)	(39,749)	(3,288)	(9,502)
Net change in cash	29,154	(17,743)	25,552	22,745
Free Cash Flow	30,713	16,366	24,025	25,794

Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Dec	Q4CY19	Q1CY20	Q2CY20	Q3CY20
Net Revenue	30,380	27,600	21,440	28,020
YoY gr. (%)	9.9	(3.1)	(26.4)	9.6
Raw Material Expenses	3,633	2,514	2,315	2,547
Gross Profit	26,747	25,086	19,125	25,473
Margin (%)	88.0	90.9	89.2	90.9
EBITDA	4,495	5,357	5,625	6,299
YoY gr. (%)	47.1	40.0	(11.0)	70.4
Margin (%)	14.8	19.4	26.2	22.5
Depreciation / Depletion	1,487	1,379	1,289	1,287
EBIT	3,009	3,978	4,336	5,012
Margin (%)	9.9	14.4	20.2	17.9
Net Interest	237	231	183	185
Other Income	1,635	1,557	2,249	1,027
Profit before Tax	4,407	5,304	6,402	5,855
Margin (%)	14.5	19.2	29.9	20.9
Total Tax	(142)	1,313	1,868	1,450
Effective tax rate (%)	(3.2)	24.8	29.2	24.8
Profit after Tax	4,549	3,991	4,534	4,405
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
Adjusted PAT	3,516	3,991	4,534	4,405
YoY gr. (%)	45.6	3.1	10.0	87.8
Margin (%)	11.6	14.5	21.1	15.7
Extra Ord. Income / (Exp)	1,033	-	-	-
Reported PAT	4,549	3,991	4,534	4,405
YoY gr. (%)	(15.3)	(6.5)	10.0	87.8
Margin (%)	15.0	14.5	21.1	15.7
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	4,549	3,991	4,534	4,405
Avg. Shares O/s (m)	1,986	1,986	1,986	1,986
EPS (Rs)	1.8	2.0	2.3	2.2

Source: Company Data, PL Research

Key Financial Metrics

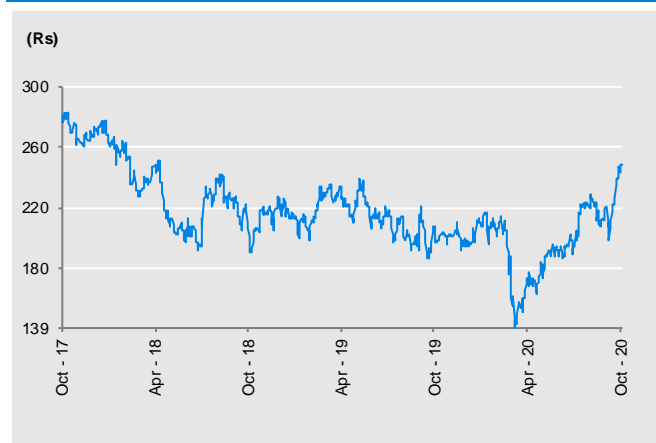
Y/e Dec	CY19	CY20E	CY21E	CY22E
Per Share(Rs)				
EPS	8.8	11.8	12.0	12.8
CEPS	14.6	17.7	18.6	20.2
BVPS	121.3	114.5	126.5	136.3
FCF	15.5	8.2	12.1	13.0
DPS	1.5	17.0	3.0	3.2
Return Ratio(%)				
RoCE	14.2	17.2	18.1	17.0
ROIC	16.7	17.5	21.5	22.2
RoE	7.5	10.0	9.9	9.8
Balance Sheet				
Net Debt : Equity (x)	(0.4)	(0.3)	(0.4)	(0.5)
Net Working Capital (Days)	11	10	11	11
Valuation(x)				
PER	28.9	21.6	21.2	19.8
P/B	2.1	2.2	2.0	1.9
P/CEPS	17.4	14.3	13.6	12.6
EV/EBITDA	12.8	11.1	9.8	8.9
EV/Sales	1.5	1.7	1.4	1.3
Dividend Yield (%)	0.6	6.7	1.2	1.3

Source: Company Data, PL Research

Key Operating Metrics

Y/e Dec	CY19	CY20E	CY21E	CY22E
Stand. Volume	24.1	22.4	25.1	27.1
Stand. Net Realisations (Rs/te)	4,719	4,915	4,890	4,890
Stand. EBITDA/ te (Rs/te)	762	1,072	1,044	1,051
Stand. RM cost (Rs/ te)	451	465	463	460
Stand. Power, Oil & Fuel (Rs/ te)	1,076	1,018	1,036	1,034
Stand. Freight Charges (Rs/ te)	1,286	1,267	1,299	1,322
Cons. Volume	53.0	47.8	54.0	56.3
Cons. Net Realisations (Rs/te)	5,119	5,219	5,170	5,198
Cons. EBITDA/ te (Rs/te)	840	1,090	1,048	1,045

Source: Company Data, PL Research

Price Chart

Recommendation History

No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	06-Oct-20	BUY	255	225
2	21-Aug-20	BUY	255	225
3	27-Jul-20	BUY	235	201
4	09-Jul-20	BUY	210	196
5	16-Jun-20	BUY	210	192
6	27-Apr-20	BUY	190	172
7	09-Apr-20	BUY	190	150
8	24-Feb-20	Accumulate	230	206
9	03-Jan-20	Hold	207	203

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	ACC	BUY	1,805	1,563
2	Ambuja Cement	BUY	255	225
3	Coal India	Hold	132	113
4	Heidelberg Cement India	Accumulate	195	190
5	Hindalco Industries	BUY	218	174
6	Hindustan Zinc	Hold	235	223
7	Jindal Steel & Power	BUY	260	195
8	JK Lakshmi Cement	BUY	350	263
9	JSW Steel	Reduce	185	293
10	NMDC	Accumulate	98	83
11	Shree Cement	Reduce	19,100	20,297
12	Steel Authority of India	Reduce	30	34
13	Tata Steel	Reduce	315	374
14	The Ramco Cements	Reduce	660	756
15	Ultratech Cement	BUY	5,400	4,629

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