

October 30, 2020

Q2FY21 Result Update

■ Change in Estimates | ■ Target | ■ Reco

Change in Estimates

	Current		Previous	
	FY22E	FY23E	FY22E	FY23E
Rating	ACCUMULATE		ACCUMULATE	
Target Price	472		472	
Sales (Rs. m)	52,977	56,747	52,977	56,747
% Chng.	-	-	-	-
EBITDA (Rs. m)	6,039	6,469	6,039	6,469
% Chng.	-	-	-	-
EPS (Rs.)	21.4	23.0	21.4	22.8
% Chng.	-	0.8	-	-

Key Financials - Standalone

Y/e Mar	FY20	FY21E	FY22E	FY23E
Sales (Rs. m)	51,577	49,489	52,977	56,747
EBITDA (Rs. m)	5,863	5,196	6,039	6,469
Margin (%)	11.4	10.5	11.4	11.4
PAT (Rs. m)	6,492	5,298	5,944	6,381
EPS (Rs.)	23.4	19.1	21.4	23.0
Gr. (%)	(10.2)	(18.4)	12.2	7.4
DPS (Rs.)	15.5	12.6	14.2	15.2
Yield (%)	3.6	2.9	3.3	3.5
RoE (%)	15.6	12.4	13.3	13.7
RoCE (%)	10.3	8.3	9.4	9.6
EV/Sales (x)	2.2	2.3	2.2	2.0
EV/EBITDA (x)	19.3	22.0	19.1	17.9
PE (x)	18.5	22.7	20.2	18.9
P/BV (x)	2.9	2.8	2.6	2.5

Key Data

CUMM.BO | KKC IN

52-W High / Low	Rs.653 / Rs.280
Sensex / Nifty	39,614 / 11,642
Market Cap	Rs.120bn / \$ 1,624m
Shares Outstanding	277m
3M Avg. Daily Value	Rs.1193.99m

Shareholding Pattern (%)

Promoter's	51.00
Foreign	8.17
Domestic Institution	28.03
Public & Others	12.80
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	(2.5)	15.0	(21.7)
Relative	(6.3)	(2.1)	(20.8)

Viral Shah

viralshah@plindia.com | 91-22-66322250

Khushboo Parekh

khushbooparekh@plindia.com | 91-22-66322257

CPCB-IV norms expected to turn the tables

Quick Pointers:

- Healthy recoveries in segments such as distribution, exports, domestic powergens and some industrials.
- Exports market grew by 18% YoY in 2Q led by some early signs of demand recovery and pent-up demand.

Cummins India (KKC) reported healthy performance for 2Q due to significant improvement in economic activities, sequentially. Revenue declined by 11% YoY, better than ours and streets expectation primarily led by growth in exports segment (up, 18% YoY). Margins expanded by 270bps due to low raw materials and cost rationalization measures. On Domestic market front, management indicated that business has recovered to 80% pre-covid levels led by faster recovery in distribution, construction and mining segments. Going ahead, KKC expects demand to improve across various segment in domestic market. Within exports market early signs of demand recovery in few export markets (~Asia Pacific, Europe & Latin America) were visible leading to better exports. As second wave of Covid seems to be started and lockdown is already announced in some regions, the market conditions continue to remain uncertain in the export market.

In short term we are cautious on account of impact of second Covid wave and expect gradual pick-up of demand in domestic and export markets. We believe that the government's push for Infrastructure will benefit the company in long term. We expect implementation of CPCB-IV norms to be positive for the company, given already invested money in product development. The stock is currently trading at 22.8x/20.3x FY21E/22E. We maintain Accumulate rating on the stock with TP of Rs472 (unchanged).

Lower RM and cost rationalization measures boosts margins: Sales came in at ~Rs11.6bn (down 11% YoY) impacted due to weak economic environment. EBITDA increased by 9.8% YoY to Rs1.7mn (PLe ~Rs980mn) with EBITDA margins expanding by 270bps coming at 14.4% vs 11.7% in 2QFY20. Margins came better than estimates due to lower employee cost (down 16% YoY), lower raw material cost and overall better than expected sales. PBT declined by 10% YoY to Rs1.9bn due to lower other income (down,37% YoY) and higher depreciation cost (up, 12% YoY). PAT came in at Rs1.5bn vs (PLe ~Rs1bn), down 20% YoY.

Visibility on growth in Domestic/Exports markets still hazy: In 2Q domestic markets declined 22% YoY where gradual recovery was seen across all segments. Domestic business recovered to ~80% levels of last year, led by faster recovery in distribution, construction and mining segments. Exports grew by 18% YoY due to pent-up demand and early signs of recovery in export markets (~Asia Pacific, Europe and Latin America). Management continues to remain cautious, where 3Q is expected to be slightly weaker for exports due to second wave of Covid-19 compared to 2Q, however 4Q would be stronger.

Exhibit 1: Q1FY21 Result Overview (Rs mn) – Cost control measures and higher other income boosts bottom-line.

Y/e March	Q2FY20	Q3FY20	Q4FY20	Q1FY21	Q2FY21	YoY gr. (%)	QoQ gr. (%)	1HFY21	1HFY20	YoY gr. (%)
Revenue	13,084	14,534	10,528	4,982	11,602	(11.3)	132.9	16,583.9	26,514.5	(37.5)
Total Revenues	13,084	14,534	10,528	4,982	11,602	(11.3)	132.9	16,584	26,515	(37.5)
Expenditure	11,560	12,377	9,862	4,953	9,928	(14.1)	100.4	14,881	23,476	(36.6)
<i>as % of sales</i>	<i>88.3</i>	<i>85.2</i>	<i>93.7</i>	<i>99.4</i>	<i>85.6</i>			<i>89.7</i>	<i>88.5</i>	
Consumption of RM	8,513	9,460	6,844	2,927	7,187	(15.6)	145.5	10,114	17,375	(41.8)
<i>as % of sales</i>	<i>65.1</i>	<i>65.1</i>	<i>65.0</i>	<i>58.8</i>	<i>61.9</i>			<i>61.0</i>	<i>65.5</i>	
Employee Cost	1,407	1,416	1,403	1,150	1,189	(15.5)	3.5	2,339	2,783	(16.0)
<i>as % of sales</i>	<i>10.8</i>	<i>9.7</i>	<i>13.3</i>	<i>23.1</i>	<i>10.3</i>			<i>14.1</i>	<i>10.5</i>	
Other expenditure	1,639	1,502	1,615	876	1,552	(5.3)	77.1	2,428	3,318	(26.8)
<i>as % of sales</i>	<i>12.5</i>	<i>10.3</i>	<i>15.3</i>	<i>17.6</i>	<i>13.4</i>			<i>14.6</i>	<i>12.5</i>	
EBITDA	1,525	2,158	667	29	1,674	9.8	5,672.4	1,703	3,039	(44.0)
Depreciation	293	296	308	303	327	11.5	7.8	630	584	7.9
EBIT	1,232	1,862	359	(274)	1,347	9.4	(591.5)	1,073	2,455	(56.3)
Other Income	926	723	898	1,022	580	(37.4)	(43.3)	1,601	1,695	(5.5)
Interest	55	47	49	43	40	(27.2)	(6.7)	83	107	(22.2)
PBT	2,102	2,538	1,208	705	1,887	(10.2)	167.8	2,591	4,043	(35.9)
Total Tax	269	515	(13)	179	431	60.1	141.1	610	795	(23.2)
Adjusted PAT	1,833	2,023	1,221	526	1,456	(20.6)	176.9	1,981	3,248	(39.0)
(Profit)/loss from JV's/Ass/MI	-	-	-	-	-	-	-	-	-	-
PAT after MI	1,833	2,023	1,221	526	1,456	(20.6)	176.9	1,981	3,248	(39.0)
Extra ordinary items	-	(161)	(38)	-	-	-	-	-	-	-
Reported PAT	1,833	1,862	1,183	526	1,456	(20.6)	176.9	1,981	3,248	(39.0)
Adjusted EPS	6.6	6.7	4.3	1.9	5.3	(20.6)	176.9	7.2	11.7	(39.0)
Margins (%)	Q2FY20	Q3FY20	Q4FY20	Q1FY21	Q2FY21	bps	bps	1HFY21	1HFY20	bps
EBIDTA	11.7	14.8	6.3	0.6	14.4	278	1,385	10.3	11.5	(119)
EBIT	9.4	12.8	3.4	-5.5	11.6	220	1,711	6.5	9.3	(279)
EBT	16.1	17.5	11.5	14.1	16.3	20	212	15.6	15.2	38
PAT	14.0	12.8	11.2	10.5	12.5	(146)	200	11.9	12.2	(30)
Effective Tax rate	12.8	20.3	-1.1	25.4	22.9	1,004	(254)	23.5	19.7	389

Source: Company, PL

Conference Call Highlights:

- Post steep decline in 1Q, management indicated that various segments such as distribution, exports, domestic powergen and some industrial segments have been an uptick in recovery led by significant improvement in economic activities.
- **Domestic market-** In 2Q domestic markets declined 22% YoY. Gradual recovery was seen across all segments with healthy pickup in demand witnessed in some sectors. Domestic business recovered to ~80% levels of last year, led by faster recovery in distribution, construction and mining segments and expect gradual recovery in powergen segment.
- Within Powergen sectors such as data centres, healthcare, pharma, industrial and residential & commercial have seen a strong recovery, sectors such as large infrastructure projects and hospitality have been a lag.
- **Exports markets-** During 2Q exports grew by 18% YoY due to pent-up demand and early signs of demand recovery in few export markets (~Asia Pacific, Europe and Latin America). Going ahead, management continues to remain cautious and expect 3Q to be slightly weaker for exports compared to 2Q due to covid-19 uncertainty, however 4Q would be stronger. KKC continues to export variety of products to China and caters to sectors such as Data centres, telecom, etc.
- Pricing pressure continues, but management is looking at ways to deal with that by offering better opportunities.
- Gross margins were better due to favorable revenue mix such as low sale of LHP and construction which are low margin and relatively higher exports of HHP which resulted in cost saving of 2.5%. In addition to this there was costing savings of 100bps led by efficient management in procurement.
- Going ahead management expects cost saving measures to continue and expects employee cost will rise slightly higher due to expected reversal of wages cut (10-20%) announced earlier.
- Further, the company has made a provision of Rs130mn towards the export incentive for 2Q and is expected to make similar in 3Q as well. However, management expects some of this to reverse in 4Q based on expectation of government policy on the same.
- In the short run, Rail segment is expected to remain under pressure as operations of railways had come to a complete halt with no procurement. Management believes this to be temporary and expects a strong revival in FY22 for this segment.
- As countries are steadily moving towards 5G networks and investing heavily primarily in Asian countries, management expects strong demand for LHP's division from telecom sector going forward.
- Due to Pandemic, the company has reduced its capex for FY21 and would be investing on product development and new product launches.
- **Outlook:** On account of Pandemic and uncertainty, management has refrained itself from giving any guidance; however, KKC is cautiously optimistic based on gradual recovery in demand witnessed across various sectors.

Financials

Income Statement (Rs m)

Y/e Mar	FY20	FY21E	FY22E	FY23E
Net Revenues	51,577	49,489	52,977	56,747
YoY gr. (%)	(8.9)	(4.0)	7.0	7.1
Cost of Goods Sold	33,679	32,762	34,541	36,999
Gross Profit	17,899	16,727	18,436	19,748
Margin (%)	34.7	33.8	34.8	34.8
Employee Cost	5,602	5,444	5,827	6,242
Other Expenses	3,331	3,464	3,708	3,972
EBITDA	5,863	5,196	6,039	6,469
YoY gr. (%)	(32.2)	(11.4)	16.2	7.1
Margin (%)	11.4	10.5	11.4	11.4
Depreciation and Amortization	1,187	1,217	1,301	1,370
EBIT	4,676	3,980	4,738	5,099
Margin (%)	9.1	8.0	8.9	9.0
Net Interest	203	332	362	392
Other Income	3,315	3,464	3,602	3,859
Profit Before Tax	7,789	7,112	7,978	8,565
Margin (%)	15.1	14.4	15.1	15.1
Total Tax	1,297	1,813	2,035	2,184
Effective tax rate (%)	16.7	25.5	25.5	25.5
Profit after tax	6,492	5,298	5,944	6,381
Minority interest	-	-	-	-
Share Profit from Associate	-	-	-	-
Adjusted PAT	6,492	5,298	5,944	6,381
YoY gr. (%)	(10.2)	(18.4)	12.2	7.4
Margin (%)	12.6	10.7	11.2	11.2
Extra Ord. Income / (Exp)	(199)	-	-	-
Reported PAT	6,293	5,298	5,944	6,381
YoY gr. (%)	(12.9)	(15.8)	12.2	7.4
Margin (%)	12.2	10.7	11.2	11.2
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	6,293	5,298	5,944	6,381
Equity Shares O/s (m)	277	277	277	277
EPS (Rs)	23.4	19.1	21.4	23.0

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY20	FY21E	FY22E	FY23E
Non-Current Assets				
Gross Block	20,450	24,450	27,450	30,450
Tangibles	20,450	24,450	27,450	30,450
Intangibles	-	-	-	-
Acc: Dep / Amortization	8,192	9,409	10,710	12,080
Tangibles	8,192	9,409	10,710	12,080
Intangibles	-	-	-	-
Net fixed assets	12,258	15,042	16,740	18,370
Tangibles	12,258	15,042	16,740	18,370
Intangibles	-	-	-	-
Capital Work In Progress	819	800	800	800
Goodwill	-	-	-	-
Non-Current Investments	11,079	9,804	9,933	10,061
Net Deferred tax assets	(800)	(800)	(800)	(800)
Other Non-Current Assets	1,773	1,831	1,854	1,986
Current Assets				
Investments	7,815	7,815	7,815	7,815
Inventories	5,729	6,101	6,531	6,996
Trade receivables	11,316	11,905	12,744	13,651
Cash & Bank Balance	4,538	3,545	3,382	3,258
Other Current Assets	2,053	1,980	2,119	2,270
Total Assets	59,541	60,901	64,144	67,590
Equity				
Equity Share Capital	554	554	554	554
Other Equity	41,195	42,997	45,018	47,187
Total Network	41,750	43,551	45,572	47,742
Non-Current Liabilities				
Long Term borrowings	4,879	5,379	5,879	6,379
Provisions	-	-	-	-
Other non current liabilities	-	-	-	-
Current Liabilities				
ST Debt / Current of LT Debt	158	158	158	158
Trade payables	6,964	6,779	7,257	7,774
Other current liabilities	4,989	4,233	4,477	4,737
Total Equity & Liabilities	59,541	60,901	64,144	67,590

Source: Company Data, PL Research

Cash Flow (Rs m)

Y/e Mar	FY20	FY21E	FY22E	FY23E
PBT	7,591	7,112	7,978	8,565
Add. Depreciation	1,187	1,217	1,301	1,370
Add. Interest	203	332	362	392
Less Financial Other Income	3,315	3,464	3,602	3,859
Add. Other	(1,525)	-	-	-
Op. profit before WC changes	7,455	8,661	9,642	10,328
Net Changes-WC	144	(1,815)	(825)	(1,055)
Direct tax	(1,609)	(1,813)	(2,035)	(2,184)
Net cash from Op. activities	5,990	5,033	6,783	7,089
Capital expenditures	(2,366)	(2,696)	(3,161)	(3,109)
Interest / Dividend Income	1,395	-	-	-
Others	(1,163)	-	-	-
Net Cash from Inv. activities	(2,135)	(2,696)	(3,161)	(3,109)
Issue of share cap. / premium	-	-	-	-
Debt changes	1,762	500	500	500
Dividend paid	(5,681)	(3,497)	(3,923)	(4,212)
Interest paid	(154)	(332)	(362)	(392)
Others	(36)	-	-	-
Net cash from Fin. activities	(4,109)	(3,329)	(3,785)	(4,104)
Net change in cash	(254)	(993)	(164)	(124)
Free Cash Flow	3,413	1,051	3,783	4,089

Source: Company Data, PL Research

Key Financial Metrics

Y/e Mar	FY20	FY21E	FY22E	FY23E
Per Share(Rs)				
EPS	23.4	19.1	21.4	23.0
CEPS	27.7	23.5	26.1	28.0
BVPS	150.6	157.1	164.4	172.2
FCF	12.3	3.8	13.6	14.8
DPS	15.5	12.6	14.2	15.2
Return Ratio(%)				
RoCE	10.3	8.3	9.4	9.6
ROIC	11.7	8.1	9.0	9.1
RoE	15.6	12.4	13.3	13.7
Balance Sheet				
Net Debt : Equity (x)	(0.2)	(0.1)	(0.1)	(0.1)
Net Working Capital (Days)	71	83	83	83
Valuation(x)				
PER	18.5	22.7	20.2	18.9
P/B	2.9	2.8	2.6	2.5
P/CEPS	15.7	18.5	16.6	15.5
EV/EBITDA	19.3	22.0	19.1	17.9
EV/Sales	2.2	2.3	2.2	2.0
Dividend Yield (%)	3.6	2.9	3.3	3.5

Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q3FY20	Q4FY20	Q1FY21	Q2FY21
Net Revenue	14,534	10,528	4,982	11,602
YoY gr. (%)	(3.3)	(21.5)	(62.9)	(11.3)
Raw Material Expenses	9,460	6,844	2,927	7,187
Gross Profit	5,075	3,685	2,055	4,415
Margin (%)	34.9	35.0	41.2	38.1
EBITDA	2,158	667	29	1,674
YoY gr. (%)	(4.8)	(61.2)	(98.1)	9.8
Margin (%)	14.8	6.3	0.6	14.4
Depreciation / Depletion	296	308	303	327
EBIT	1,862	359	(274)	1,347
Margin (%)	12.8	3.4	(5.5)	11.6
Net Interest	47	49	43	40
Other Income	723	898	1,022	580
Profit before Tax	2,378	1,170	705	1,887
Margin (%)	16.4	11.1	14.1	16.3
Total Tax	515	(13)	179	431
Effective tax rate (%)	21.7	(1.1)	25.4	22.9
Profit after Tax	1,862	1,183	526	1,456
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
Adjusted PAT	1,862	1,183	526	1,456
YoY gr. (%)	(0.5)	(16.0)	(62.9)	(20.6)
Margin (%)	12.8	11.2	10.5	12.5
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	1,862	1,183	526	1,456
YoY gr. (%)	(0.5)	(16.0)	(62.9)	(20.6)
Margin (%)	12.8	11.2	10.5	12.5
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	1,862	1,183	526	1,456
Avg. Shares O/s (m)	277	277	277	277
EPS (Rs)	6.7	4.3	1.9	5.3

Source: Company Data, PL Research

Price Chart
Recommendation History


No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	08-Oct-20	Accumulate	472	443
2	13-Aug-20	Accumulate	472	437
3	08-Jul-20	BUY	472	411
4	18-Jun-20	BUY	472	370
5	27-Apr-20	BUY	493	385
6	16-Apr-20	BUY	493	375
7	29-Jan-20	Hold	580	601
8	03-Jan-20	Hold	543	573
9	16-Dec-19	Hold	543	549

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	ABB	Hold	874	877
2	Ahluwalia Contracts (India)	BUY	288	231
3	Ashoka Buildcon	BUY	147	64
4	Bharat Electronics	Hold	99	94
5	BHEL	Hold	34	28
6	Capacite's Infraprojects	BUY	162	120
7	Container Corporation of India	BUY	468	386
8	Cummins India	Accumulate	472	443
9	Engineers India	BUY	104	64
10	GE T&D India	Hold	86	89
11	H.G. Infra Engineering	BUY	259	185
12	IRB Infrastructure Developers	BUY	152	112
13	ITD Cementation India	BUY	67	50
14	J.Kumar Infraprojects	BUY	176	109
15	Kalpataru Power Transmission	BUY	276	238
16	KEC International	BUY	333	345
17	KNR Constructions	BUY	305	257
18	Larsen & Toubro	BUY	1,284	935
19	NCC	BUY	83	34
20	PNC Infratech	BUY	219	164
21	Power Grid Corporation of India	BUY	205	170
22	Sadbhav Engineering	BUY	87	52
23	Siemens	BUY	1,402	1,275
24	Thermax	Accumulate	798	719
25	Triveni Turbine	BUY	83	72
26	Voltamp Transformers	BUY	1,244	988

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