

November 10, 2020

Q2FY21 Result Update

Change in Estimates | Target | Reco

Change in Estimates

| | Current | | Previous | |
|---------------------|------------|--------|------------|--------|
| | FY22E | FY23E | FY22E | FY23E |
| Rating | BUY | | BUY | |
| Target Price | 169 | | 153 | |
| Sales (Rs. m) | 10,232 | 13,429 | 8,912 | 11,696 |
| % Chng. | 14.8 | 14.8 | | |
| EBITDA (Rs. m) | 1,893 | 2,820 | 1,827 | 2,632 |
| % Chng. | 3.6 | 7.2 | | |
| EPS (Rs.) | 6.9 | 10.9 | 6.4 | 9.9 |
| % Chng. | 6.8 | 10.3 | | |

Key Financials - Standalone

| Y/e Mar | FY20 | FY21E | FY22E | FY23E |
|----------------|--------|--------|--------|--------|
| Sales (Rs. m) | 8,463 | 7,871 | 10,232 | 13,429 |
| EBITDA (Rs. m) | 1,765 | 1,220 | 1,893 | 2,820 |
| Margin (%) | 20.8 | 15.5 | 18.5 | 21.0 |
| PAT (Rs. m) | 1,310 | 734 | 1,136 | 1,810 |
| EPS (Rs.) | 7.9 | 4.4 | 6.9 | 10.9 |
| Gr. (%) | (28.9) | (44.0) | 54.7 | 59.3 |
| DPS (Rs.) | 1.8 | 1.0 | 1.6 | 2.5 |
| Yield (%) | 1.2 | 0.7 | 1.1 | 1.8 |
| RoE (%) | 11.2 | 6.1 | 8.9 | 13.1 |
| RoCE (%) | 13.2 | 8.3 | 12.0 | 17.5 |
| EV/Sales (x) | 2.8 | 2.9 | 2.1 | 1.4 |
| EV/EBITDA (x) | 13.2 | 18.7 | 11.3 | 6.9 |
| PE (x) | 18.1 | 32.3 | 20.9 | 13.1 |
| P/BV (x) | 2.0 | 1.9 | 1.8 | 1.6 |

Key Data

NOCI.BO | NOCIL IN

| | |
|---------------------|------------------|
| 52-W High / Low | Rs.156 / Rs.45 |
| Sensex / Nifty | 42,597 / 12,461 |
| Market Cap | Rs.24bn/ \$ 320m |
| Shares Outstanding | 166m |
| 3M Avg. Daily Value | Rs.531.99m |

Shareholding Pattern (%)

| | |
|-------------------------|-------|
| Promoter's | 33.98 |
| Foreign | 2.05 |
| Domestic Institution | 5.13 |
| Public & Others | 58.84 |
| Promoter Pledge (Rs bn) | 0.77 |

Stock Performance (%)

| | 1M | 6M | 12M |
|----------|-------|------|------|
| Absolute | (3.1) | 70.7 | 32.7 |
| Relative | (7.9) | 26.8 | 25.6 |

Avishek Datta

avishekdatta@plindia.com | 91-22-66322254

Record Q2 volume remains the highlight

Quick Pointers:

- Q2 volume growth of 15%YoY is impressive. Management confident of flat YoY volumes despite Q1 washout.
- Pricing likely to improve going ahead as Chinese competitors initiated price hikes first since December 2019.
- Management expects new capacity to ramp up to full capacity between 3-4 yrs against earlier expectation of 4 years.

We tweak our FY21-23E estimates by 1-10% to factor in higher volumes and lower the gross margins. While near term demand slowdown in China and India is a concern, long term opportunities remain impressive. Nocil, with new capacities commissioned is poised to benefit from any recovery in auto demand. Reiterate BUY with a PT of Rs169 (Rs153) based on 15x PER FY23E.

- Volume growth of 15%YoY is impressive:** Nocil reported Q2FY21 EBITDA and PAT of Rs312mn (-35% YoY; PLe Rs 335mn) and Rs167mn (-37% YoY; PLe -Rs202mn) respectively. Q2 revenues were at Rs2.2bn (+6%YoY) and included volume growth of 15%YoY. EBITDA margins came down to 14.1% (20.8% in FY20) as gross margins came down to 48.1% (54.1% in FY20). For FY21 management is confident of flat volume growth YoY despite Q1 washout, which is impressive in our view.
- Gross margins come off:** For Q2 gross margins were at 48.1% as supply shortage of key raw materials had increased the prices, which is likely to ease. Also the company has consciously strategized volume maximization at the cost of margins, going ahead. We factor in gross margins of 48%/50%/50% for FY21/22/23E vs 54.2% in FY20. Price hikes by global competitors also will support margins going ahead.
- Volume maximization strategy is in line with China Sunshine, world's largest rubber chemical player, which prioritizes volumes. While near term demand uncertainty remains we remain structurally positive, as Nocil remains a play on operating leverage.
- Opportunities galore:** Nocil is one of the largest rubber chemicals player globally with capacity likely to increase to 110,000tons including intermediaries by Q1FY22. Rising clamor to diversify supplies away from China can open many opportunities for Nocil. Also, limited capacity addition by global players, ex Chinese, will mean Nocil is well placed to capitalize on any demand recovery.
- While FY21E demand environment is likely to remain muted, we expect smart recovery in replacement demand to drive earnings growth. We increase our FY21-23 estimates to factor in higher volumes even as we lower gross margins. Though the near term demand uncertainty persists given slowing global auto sales, we believe at current prices Nocil offers value. Reiterate BUY.

Exhibit 1: Q2FY21 Result Overview (Rs mn)

| Y/e March | Q2FY21 | Q2FY20 | YoY gr. (%) | Q1FY21 | H1FY21 | H1FY20 | YoY gr. (%) |
|--|--------------|--------------|---------------|--------------|--------------|--------------|---------------|
| Income From Operations | 2,216 | 2,097 | 5.7 | 1,065 | 3,281 | 4,393 | (25.3) |
| Total Expenditure | - | - | | - | - | - | |
| Cost of Material Consumed | 1,206 | 960 | 25.6 | 397 | 1,603 | 1,880 | (14.7) |
| Purchase of stock in trade | 3 | 3 | 36.0 | 1 | 5 | 14 | (67.4) |
| Change in inventory of FG, WIP and SIT | (60) | (76) | (21.2) | 150 | 90 | (6) | (1,616.9) |
| Total RM Cost | 1,150 | 887 | 29.7 | 547 | 1,697 | 1,888 | (10.1) |
| Gross Margin | 1,066 | 1,211 | (11.9) | 518 | 1,584 | 2,505 | (36.8) |
| <i>Margin (%)</i> | <i>48.1</i> | <i>47.5</i> | | <i>48.6</i> | <i>48.3</i> | <i>57.0</i> | |
| Employee Cost | 173 | 184 | (5.9) | 159 | 332 | 379 | (12.5) |
| Other Expense | 581 | 548 | 6.1 | 285 | 866 | 1,085 | (20.2) |
| <i>Other Expense (%)</i> | <i>26.2</i> | <i>26.1</i> | | <i>26.7</i> | <i>26.4</i> | <i>24.7</i> | |
| Excise | - | - | | - | - | - | |
| Total Expenditure | 1,904 | 1,618 | 17.6 | 990 | 2,894 | 3,353 | (13.7) |
| EBIDTA | 312 | 479 | (34.8) | 75 | 387 | 1,040 | (62.8) |
| <i>% of NS</i> | <i>14.1</i> | <i>22.8</i> | | <i>7.0</i> | <i>11.8</i> | <i>23.7</i> | |
| Depreciation | 88 | 77 | 14.0 | 88 | 176 | 154 | 14.4 |
| EBIT | 224 | 402 | (44.2) | (13) | 211 | 887 | (76.2) |
| Interest | 3 | 3 | (21.2) | 3 | 5 | 7 | (21.5) |
| Other Income | 9 | 25 | (63.3) | 106 | 115 | 50 | 132.9 |
| Exceptional Items | - | - | | - | - | - | |
| PBT | 231 | 423 | (45.5) | 91 | 322 | 930 | (65.4) |
| Tax | 64 | (129) | (149.8) | (27) | 37 | 51 | (26.3) |
| <i>Tax rate %</i> | <i>27.8</i> | <i>-30.5</i> | | <i>-29.7</i> | <i>11.6</i> | <i>5.4</i> | |
| Profit After Tax | 167 | 552 | (69.8) | 118 | 284 | 879 | (67.7) |

Source: Company, PL

Conference Call Highlights:

- Nocil has won incremental orders from domestic and international players as it diversifies supplies away from China. Enquiries have increased from customers recently.
- Management expects flat volumes YoY for FY21 despite washout Q1.
- Current utilization is at 75% on rated capacity of 85K tons and expect to improve to 80% by FY21 end.
- Rated capacity will increase to 110K tons by Q1FY22. Company expects full utilization between 3- 4 yrs.
- Price increase has started by Chinese competitors, first since December 2019.
- Gross margins have corrected in Q2 as there were some supply issues for key RM, which is likely to ease in near term.

Financials

Income Statement (Rs m)

| Y/e Mar | FY20 | FY21E | FY22E | FY23E |
|-------------------------------|--------------|--------------|---------------|---------------|
| Net Revenues | 8,463 | 7,871 | 10,232 | 13,429 |
| YoY gr. (%) | (18.9) | (7.0) | 30.0 | 31.3 |
| Cost of Goods Sold | 3,879 | 4,093 | 5,116 | 6,715 |
| Gross Profit | 4,585 | 3,778 | 5,116 | 6,715 |
| Margin (%) | 54.2 | 48.0 | 50.0 | 50.0 |
| Employee Cost | 741 | 708 | 921 | 1,074 |
| Other Expenses | 2,079 | 1,850 | 2,302 | 2,820 |
| EBITDA | 1,765 | 1,220 | 1,893 | 2,820 |
| YoY gr. (%) | (39.2) | (30.9) | 55.2 | 49.0 |
| Margin (%) | 20.8 | 15.5 | 18.5 | 21.0 |
| Depreciation and Amortization | 324 | 371 | 450 | 484 |
| EBIT | 1,440 | 848 | 1,443 | 2,336 |
| Margin (%) | 17.0 | 10.8 | 14.1 | 17.4 |
| Net Interest | 13 | 12 | 5 | 5 |
| Other Income | 97 | 145 | 81 | 89 |
| Profit Before Tax | 1,524 | 981 | 1,518 | 2,420 |
| Margin (%) | 18.0 | 12.5 | 14.8 | 18.0 |
| Total Tax | 214 | 247 | 383 | 610 |
| Effective tax rate (%) | 14.1 | 25.2 | 25.2 | 25.2 |
| Profit after tax | 1,310 | 734 | 1,136 | 1,810 |
| Minority interest | - | - | - | - |
| Share Profit from Associate | - | - | - | - |
| Adjusted PAT | 1,310 | 734 | 1,136 | 1,810 |
| YoY gr. (%) | (28.9) | (44.0) | 54.7 | 59.3 |
| Margin (%) | 15.5 | 9.3 | 11.1 | 13.5 |
| Extra Ord. Income / (Exp) | - | - | - | - |
| Reported PAT | 1,310 | 734 | 1,136 | 1,810 |
| YoY gr. (%) | (28.9) | (44.0) | 54.7 | 59.3 |
| Margin (%) | 15.5 | 9.3 | 11.1 | 13.5 |
| Other Comprehensive Income | - | - | - | - |
| Total Comprehensive Income | 1,310 | 734 | 1,136 | 1,810 |
| Equity Shares O/s (m) | 166 | 166 | 166 | 166 |
| EPS (Rs) | 7.9 | 4.4 | 6.9 | 10.9 |

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

| Y/e Mar | FY20 | FY21E | FY22E | FY23E |
|---------------------------------------|---------------|---------------|---------------|---------------|
| Non-Current Assets | | | | |
| Gross Block | 9,812 | 10,031 | 11,731 | 12,431 |
| Tangibles | 9,812 | 10,031 | 11,731 | 12,431 |
| Intangibles | - | - | - | - |
| Acc: Dep / Amortization | 2,130 | 2,501 | 2,951 | 3,435 |
| Tangibles | 2,130 | 2,501 | 2,951 | 3,435 |
| Intangibles | - | - | - | - |
| Net fixed assets | 7,683 | 7,530 | 8,780 | 8,996 |
| Tangibles | 7,683 | 7,530 | 8,780 | 8,996 |
| Intangibles | - | - | - | - |
| Capital Work In Progress | 1,563 | 1,576 | 150 | 150 |
| Goodwill | 12 | 13 | 15 | 16 |
| Non-Current Investments | 551 | 590 | 590 | 590 |
| Net Deferred tax assets | (887) | (913) | (1,065) | (1,307) |
| Other Non-Current Assets | 301 | 224 | 236 | 250 |
| Current Assets | | | | |
| Investments | 232 | 280 | 280 | 280 |
| Inventories | 1,361 | 1,335 | 1,736 | 2,279 |
| Trade receivables | 2,032 | 2,133 | 2,772 | 3,639 |
| Cash & Bank Balance | 128 | 644 | 2,048 | 4,087 |
| Other Current Assets | 405 | 261 | 287 | 316 |
| Total Assets | 14,279 | 14,597 | 16,907 | 20,616 |
| Equity | | | | |
| Equity Share Capital | 1,656 | 1,656 | 1,656 | 1,656 |
| Other Equity | 10,104 | 10,641 | 11,514 | 12,905 |
| Total Networkth | 11,760 | 12,297 | 13,170 | 14,561 |
| Non-Current Liabilities | | | | |
| Long Term borrowings | - | - | - | - |
| Provisions | 163 | 156 | 187 | 225 |
| Other non current liabilities | 1 | 1 | 1 | 1 |
| Current Liabilities | | | | |
| ST Debt / Current of LT Debt | - | - | - | - |
| Trade payables | 892 | 997 | 1,296 | 1,700 |
| Other current liabilities | 507 | 375 | 446 | 533 |
| Total Equity & Liabilities | 14,279 | 14,795 | 16,164 | 18,327 |

Source: Company Data, PL Research

Cash Flow (Rs m)

| Y/e Mar | FY20 | FY21E | FY22E | FY23E |
|--------------------------------------|----------------|---------------|--------------|--------------|
| PBT | 1,524 | 981 | 1,518 | 2,420 |
| Add. Depreciation | 324 | 371 | 450 | 484 |
| Add. Interest | 13 | 12 | 5 | 5 |
| Less Financial Other Income | 97 | 145 | 81 | 89 |
| Add. Other | (65) | 97 | 170 | 266 |
| Op. profit before WC changes | 1,796 | 1,462 | 2,144 | 3,174 |
| Net Changes-WC | 407 | 40 | (698) | (947) |
| Direct tax | (214) | (247) | (383) | (610) |
| Net cash from Op. activities | 1,989 | 1,255 | 1,064 | 1,617 |
| Capital expenditures | (1,986) | (233) | (275) | (701) |
| Interest / Dividend Income | - | - | - | - |
| Others | 761 | (87) | - | - |
| Net Cash from Inv. activities | (1,225) | (320) | (275) | (701) |
| Issue of share cap. / premium | 2 | 10,838 | (66) | (156) |
| Debt changes | - | - | - | - |
| Dividend paid | (494) | (350) | (197) | (263) |
| Interest paid | (13) | (12) | (5) | (5) |
| Others | - | - | - | - |
| Net cash from Fin. activities | (506) | 10,475 | (268) | (424) |
| Net change in cash | 258 | 11,410 | 521 | 492 |
| Free Cash Flow | 3 | 1,022 | 788 | 916 |

Source: Company Data, PL Research

Key Financial Metrics

| Y/e Mar | FY20 | FY21E | FY22E | FY23E |
|----------------------------|------|-------|-------|-------|
| Per Share(Rs) | | | | |
| EPS | 7.9 | 4.4 | 6.9 | 10.9 |
| CEPS | 9.9 | 6.7 | 9.6 | 13.9 |
| BVPS | 71.0 | 74.3 | 79.5 | 87.9 |
| FCF | 0.0 | 6.2 | 4.8 | 5.5 |
| DPS | 1.8 | 1.0 | 1.6 | 2.5 |
| Return Ratio(%) | | | | |
| RoCE | 13.2 | 8.3 | 12.0 | 17.5 |
| ROIC | 12.4 | 8.4 | 11.2 | 13.7 |
| RoE | 11.2 | 6.1 | 8.9 | 13.1 |
| Balance Sheet | | | | |
| Net Debt : Equity (x) | 0.0 | (0.1) | (0.2) | (0.3) |
| Net Working Capital (Days) | 108 | 115 | 115 | 115 |
| Valuation(x) | | | | |
| PER | 18.1 | 32.3 | 20.9 | 13.1 |
| P/B | 2.0 | 1.9 | 1.8 | 1.6 |
| P/CEPS | 14.5 | 21.4 | 15.0 | 10.3 |
| EV/EBITDA | 13.2 | 18.7 | 11.3 | 6.9 |
| EV/Sales | 2.8 | 2.9 | 2.1 | 1.4 |
| Dividend Yield (%) | 1.2 | 0.7 | 1.1 | 1.8 |

Source: Company Data, PL Research

Quarterly Financials (Rs m)

| Y/e Mar | Q3FY20 | Q4FY20 | Q1FY21 | Q2FY21 |
|-----------------------------------|--------------|--------------|--------------|--------------|
| Net Revenue | 1,943 | 2,127 | 1,065 | 2,216 |
| YoY gr. (%) | (25.6) | (12.0) | (53.6) | 5.7 |
| Raw Material Expenses | 927 | 1,063 | 547 | 1,150 |
| Gross Profit | 1,016 | 1,064 | 518 | 1,066 |
| Margin (%) | 52.3 | 50.0 | 48.6 | 48.1 |
| EBITDA | 357 | 367 | 75 | 312 |
| YoY gr. (%) | (50.8) | (37.8) | (86.7) | (34.8) |
| Margin (%) | 18.4 | 17.3 | 7.0 | 14.1 |
| Depreciation / Depletion | 79 | 92 | 88 | 88 |
| EBIT | 278 | 276 | (13) | 224 |
| Margin (%) | 14.3 | 13.0 | (1.2) | 10.1 |
| Net Interest | 3 | 4 | 3 | 3 |
| Other Income | 13 | 35 | 106 | 9 |
| Profit before Tax | 287 | 307 | 91 | 231 |
| Margin (%) | 14.8 | 14.4 | 8.5 | 10.4 |
| Total Tax | 81 | 83 | (27) | 64 |
| Effective tax rate (%) | 28.1 | 27.0 | (29.7) | 27.8 |
| Profit after Tax | 207 | 224 | 118 | 167 |
| Minority interest | - | - | - | - |
| Share Profit from Associates | - | - | - | - |
| Adjusted PAT | 207 | 224 | 118 | 167 |
| YoY gr. (%) | (53.7) | (37.4) | - | - |
| Margin (%) | 10.6 | 10.5 | 11.0 | 7.5 |
| Extra Ord. Income / (Exp) | - | - | - | - |
| Reported PAT | 207 | 224 | 118 | 167 |
| YoY gr. (%) | (53.7) | (37.4) | - | - |
| Margin (%) | 10.6 | 10.5 | 11.0 | 7.5 |
| Other Comprehensive Income | - | - | - | - |
| Total Comprehensive Income | 207 | 224 | 118 | - |
| 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 | 7-Oct-20 | BUY | 153 | 154 |
| 2 | 9-Sep-20 | BUY | 153 | 124 |
| 3 | 25-Aug-20 | BUY | 153 | 132 |
| 4 | 7-Jul-20 | BUY | 96 | 98 |
| 5 | 30-Jun-20 | BUY | 96 | 83 |
| 6 | 8-Apr-20 | BUY | 96 | 72 |
| 7 | 31-Jan-20 | BUY | 129 | 109 |
| 8 | 3-Jan-20 | BUY | 174 | 111 |

Analyst Coverage Universe

| Sr. No. | Company Name | Rating | TP (Rs) | Share Price (Rs) |
|---------|---------------------------------|------------|---------|------------------|
| 1 | Aarti Industries | Accumulate | 1,024 | 1,007 |
| 2 | Bharat Petroleum Corporation | BUY | 479 | 342 |
| 3 | GAIL (India) | Accumulate | 108 | 87 |
| 4 | Gujarat Gas | BUY | 403 | 301 |
| 5 | Hindustan Petroleum Corporation | BUY | 280 | 186 |
| 6 | Indian Oil Corporation | BUY | 118 | 78 |
| 7 | Indraprastha Gas | BUY | 590 | 384 |
| 8 | Mahanagar Gas | BUY | 1,226 | 829 |
| 9 | NOCIL | BUY | 153 | 154 |
| 10 | Oil & Natural Gas Corporation | BUY | 96 | 71 |
| 11 | Oil India | Accumulate | 117 | 92 |
| 12 | Petronet LNG | BUY | 384 | 219 |
| 13 | Reliance Industries | BUY | 2,232 | 2,055 |

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. Avishek Datta- 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. Avishek Datta- 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