

January 21, 2022

Q3FY22 Result Update

☑ Change in Estimates | ☑ Target | ■ Reco

Change in Estimates

	Current		Previous	
	FY23E	FY24E	FY23E	FY24E
Rating	ACCUMULATE		ACCUMULATE	
Target Price	1,381		1,400	
Sales (Rs. m)	154,888	175,428	150,005	169,943
% Chng.	3.3	3.2		
EBITDA (Rs. m)	20,930	24,609	21,483	24,611
% Chng.	(2.6)	-		
EPS (Rs.)	22.7	27.0	23.2	26.8
% Chng.	(2.3)	0.5		

Key Financials - Standalone

Y/e Mar	FY21	FY22E	FY23E	FY24E
Sales (Rs. m)	104,279	134,118	154,888	175,428
EBITDA (Rs. m)	15,653	17,421	20,930	24,609
Margin (%)	15.0	13.0	13.5	14.0
PAT (Rs. m)	10,298	11,904	14,184	16,876
EPS (Rs.)	16.5	19.0	22.7	27.0
Gr. (%)	40.4	15.6	19.2	19.0
DPS (Rs.)	6.5	7.5	9.0	11.0
Yield (%)	0.5	0.6	0.7	0.8
RoE (%)	21.8	21.4	22.2	22.8
RoCE (%)	29.6	27.8	29.6	30.8
EV/Sales (x)	7.7	5.9	5.1	4.4
EV/EBITDA (x)	51.4	45.8	37.7	31.7
PE (x)	79.6	68.8	57.8	48.6
P/BV (x)	15.9	13.8	12.0	10.3

Key Data

HVEL.BO | HAVL IN

52-W High / Low	Rs.1,504 / Rs.958
Sensex / Nifty	59,465 / 17,757
Market Cap	Rs.820bn/ \$ 11,004m
Shares Outstanding	626m
3M Avg. Daily Value	Rs.1605.43m

Shareholding Pattern (%)

Promoter's	59.47
Foreign	26.51
Domestic Institution	6.36
Public & Others	7.66
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	1.5	18.6	28.3
Relative	(4.7)	4.1	7.5

Amnish Aggarwal

amnishaggarwal@plindia.com | 91-22-66322233

Paarth Gala

paarthgala@plindia.com | 91-22-66322242

Accumulate for LT gains amidst Omicron uncertainty

Quick Pointers:

- Overall volume growth flat YoY.
- Expect demand to remain resilient and will initiate gradual price hikes (5-10%)

We change FY22/FY23/FY24 EPS estimate by -2.2%/ -2.3%/ 0.5% given 1) margin pressures due to input cost inflation 2) moderating near term demand due to inflation, omicron scare. HAVL negatively surprised on GRMs for consecutive quarters due to inability to pass on RM inflation as 3Q closed on a soft note. However, with not so severe 3rd wave, management remains optimistic on demand resilience & will initiate gradual price hikes in coming months, which in our view will enable sequential margin improvement.

We expect HAVL to benefit from demand uptick in both Consumer & Industrial/Infra (25% of sales) portfolio given 1) Diverse product portfolio covering 70%+ of household electric sockets 2) Amongst top 3 players in most product categories (except Lloyd) 3) long runway for growth within current categories 4) Lloyd portfolio gaining traction & 5) focus on innovation & expansion of distribution reach. We estimate 17.9% earnings CAGR over FY21-24. Maintain Accumulate with DCF based TP of Rs1,381.

Revenues up by 15.4%; PAT down by 12.4%: Revenues grew by 15.4% YoY to Rs36.5bn with core segment growing by 20.1% while Lloyd de-grew by 9%. Gross margins down by 580bps YoY to 32.3% impacted by RM inflation. EBITDA de-grew by 13.3% YoY to Rs4.4bn while margins contracted by 400bps YoY to 12.1%. GRM impact was partially offset by 260bps/ 40bps decrease in opex/ employee cost. Ad spends as % of sale at 2.7% vs 1.6%. PAT de-grew by 12.4% YoY to Rs3.1bn

Core segment revenues up by 20.1%; Lloyd de-grows by 9% YoY: Switchgear Revenues/ EBIT up by 13.5%/5.9% to Rs5bn/ Rs1.5bn; margins fell by 210bps to 29.3%. Cables Revenues/ EBIT up 33.2%/22.4% to Rs12.1bn/ Rs1.3bn; margins fell 90bps to 10.4%. Lighting Revenues / EBIT up 15.5%/ 7.1% to Rs4.1bn/ Rs869mn; margins fell by 170bps to 21.3%. ECD Revenues grew by 14% to Rs8.9bn. EBIT de-grew by 19% to Rs1.1bn; margins fell by 520bps to 12.7%. Lloyd Revenues de-grew by 9% to Rs4.7bn/. EBIT loss of Rs418mn vs profit of Rs309mn, margins at -9% vs 6%.

Concall Takeaways: 1) Demand moderated during later part of 3Q due to inflation and omicron scare. Continued in 1st half of Jan. However, expect it to pick in Feb 2) Input cost inflation sustains especially in durable portfolio. Expect gradual price hikes of 5-10% in coming months. 3) Growth seen in lighting is structural aided by distribution expansion and product enhancement 4) Channel inventory normal during Dec end. Dipped a bit in Jan. However, expect it to normalize in Feb 5) RAC market share at 10%. Optimistic of summer season 6) Washing Machine manufacturing facility will enable greater control over innovation and costs 7) FY22 capex to be in the range of Rs2-2.5bn.

Exhibit 1: Q3FY22 Result Overview (Rs mn): Sales grew by 15.4% YoY; Adj. PAT down by 12.4% YoY

Y/e March	Q3FY22	Q3FY21	YoY gr. (%)	Q2FY22	9MFY22	9MFY21	YoY gr. (%)
Net Sales	36,523	31,659	15.4	32,210	94,715	70,967	33.5
Operating & Manufacturing Expenses	24,730	19,592	26.2	21,175	62,618	43,908	42.6
<i>% of Net Sales</i>	<i>67.7</i>	<i>61.9</i>		<i>65.7</i>	<i>66.1</i>	<i>61.9</i>	
Gross Profit	11,793	12,067	(2.3)	11,035	32,097	27,060	18.6
<i>% of Net Sales</i>	<i>32.3</i>	<i>38.1</i>		<i>34.3</i>	<i>33.9</i>	<i>38.1</i>	
Personnel Cost	2,574	2,358	9.2	2,494	7,393	6,268	17.9
<i>% of Net Sales</i>	<i>7.0</i>	<i>7.4</i>		<i>7.7</i>	<i>7.8</i>	<i>8.8</i>	
Other Expenses	4,815	4,628	4.0	4,105	12,333	10,195	21.0
<i>% of Net Sales</i>	<i>13.2</i>	<i>14.6</i>		<i>12.7</i>	<i>13.0</i>	<i>14.4</i>	
Total Expenditure	32,119	26,578	20.8	27,774	82,344	60,371	36.4
EBITDA	4,403	5,081	(13.3)	4,436	12,371	10,596	16.7
<i>Margin (%)</i>	<i>12.1</i>	<i>16.0</i>		<i>13.8</i>	<i>13.1</i>	<i>14.9</i>	
Other income	488	392	24.6	333	1,163	1,078	7.8
Depreciation	662	644	2.8	623	1,901	1,839	3.4
EBIT	4,230	4,829	(12.4)	4,146	11,632	9,836	18.3
Interest	123	152	(18.8)	111	344	491	(30.1)
PBT before exceptional item	4,107	4,677	(12.2)	4,035	11,289	9,344	20.8
Total Taxes	1,047	1,186	(11.7)	1,019	2,871	2,398	19.7
<i>ETR (%)</i>	<i>25.5</i>	<i>25.4</i>		<i>25.3</i>	<i>25.4</i>	<i>25.7</i>	
Adj. PAT	3,059	3,491	(12.4)	3,016	8,418	6,946	21.2
PAT	3,059	3,491	(12.4)	3,016	8,418	7,374	14.2

Source: Company, PL

Exhibit 2: Segmental Breakup (Rs mn): Core segment revenues grew by 20.1%; Lloyd revenues down 9%

Y/e March	Q3FY22	Q3FY21	YoY gr. (%)	Q2FY22	9MFY22	9MFY21	YoY gr. (%)
Revenues							
Switchgears	4,960	4,371	13.5	4,426	13,120	9,976	31.5
Cables	12,058	9,052	33.2	11,440	31,570	21,510	46.8
Lighting & Fixtures	4,080	3,533	15.5	3,536	9,715	7,559	28.5
Electrical Consumer Durables	8,926	7,831	14.0	7,284	21,970	16,646	32.0
Others	1,841	1,757	4.8	2,112	5,326	4,295	24.0
Core Revenues	31,866	26,543	20.1	28,797	81,701	59,986	36.2
Lloyd	4,657	5,116	(9.0)	3,413	13,014	10,982	18.5
EBIT							
Switchgears	1,454	1,372	5.9	1,203	3,677	2,813	30.7
<i>EBIT margin (%)</i>	<i>29.3</i>	<i>31.4</i>		<i>27.2</i>	<i>28.0</i>	<i>28.2</i>	
Cables	1,256	1,026	22.4	1,153	3,671	2,510	46.2
<i>EBIT margin (%)</i>	<i>10.4</i>	<i>11.3</i>		<i>10.1</i>	<i>11.6</i>	<i>11.7</i>	
Lighting & Fixtures	869	811	7.1	773	1,959	1,361	44.0
<i>EBIT margin (%)</i>	<i>21.3</i>	<i>23.0</i>		<i>21.9</i>	<i>20.2</i>	<i>18.0</i>	
Electrical Consumer Durables	1,138	1,405	(19.0)	1,264	3,075	2,947	4.3
<i>EBIT margin (%)</i>	<i>12.7</i>	<i>17.9</i>		<i>17.3</i>	<i>14.0</i>	<i>17.7</i>	
Others*	46	70	(34.9)	202	302	165	82.7
<i>EBIT margin (%)</i>	<i>2.5</i>	<i>4.0</i>		<i>9.6</i>	<i>5.7</i>	<i>3.8</i>	
Core EBIT	4,762	4,686	1.6	4,595	12,684	9,796	29.5
<i>EBIT margin (%)</i>	<i>14.9</i>	<i>17.7</i>		<i>16.0</i>	<i>15.5</i>	<i>16.3</i>	
Lloyd	(418)	309	NA	(183)	(498)	423	NA
<i>EBIT margin (%)</i>	<i>-9.0</i>	<i>6.0</i>		<i>-5.4</i>	<i>-3.8</i>	<i>3.9</i>	

Source: Company, PL *Pumps, Motors, Personal Grooming, Water Purifiers, Solar

Financials

Income Statement (Rs m)

Y/e Mar	FY21	FY22E	FY23E	FY24E
Net Revenues	104,279	134,118	154,888	175,428
YoY gr. (%)	10.6	28.6	15.5	13.3
Cost of Goods Sold	64,749	88,891	100,693	113,178
Gross Profit	39,530	45,227	54,195	62,249
Margin (%)	37.9	33.7	35.0	35.5
Employee Cost	8,853	10,461	12,081	13,683
Other Expenses	12,620	9,566	10,883	12,116
EBITDA	15,653	17,421	20,930	24,609
YoY gr. (%)	52.4	11.3	20.1	17.6
Margin (%)	15.0	13.0	13.5	14.0
Depreciation and Amortization	2,489	2,572	2,895	3,182
EBIT	13,164	14,850	18,035	21,427
Margin (%)	12.6	11.1	11.6	12.2
Net Interest	726	458	703	740
Other Income	1,450	1,576	1,694	1,951
Profit Before Tax	13,888	15,968	19,026	22,638
Margin (%)	13.3	11.9	12.3	12.9
Total Tax	3,590	4,064	4,842	5,761
Effective tax rate (%)	25.8	25.5	25.5	25.5
Profit after tax	10,298	11,904	14,184	16,876
Minority interest	-	-	-	-
Share Profit from Associate	-	-	-	-
Adjusted PAT	10,298	11,904	14,184	16,876
YoY gr. (%)	40.5	15.6	19.2	19.0
Margin (%)	9.9	8.9	9.2	9.6
Extra Ord. Income / (Exp)	98	-	-	-
Reported PAT	10,396	11,904	14,184	16,876
YoY gr. (%)	41.8	14.5	19.2	19.0
Margin (%)	10.0	8.9	9.2	9.6
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	10,396	11,904	14,184	16,876
Equity Shares O/s (m)	626	626	626	626
EPS (Rs)	16.5	19.0	22.7	27.0

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY21	FY22E	FY23E	FY24E
Non-Current Assets				
Gross Block	42,131	46,051	50,482	53,903
Tangibles	29,801	33,621	37,951	41,273
Intangibles	12,330	12,430	12,530	12,630
Acc: Dep / Amortization	12,333	14,904	17,800	20,981
Tangibles	11,194	13,518	16,139	19,044
Intangibles	1,139	1,387	1,661	1,938
Net fixed assets	29,798	31,146	32,682	32,922
Tangibles	18,607	20,103	21,813	22,229
Intangibles	11,191	11,044	10,869	10,692
Capital Work In Progress	899	1,000	1,000	1,000
Goodwill	3,105	3,105	3,105	3,105
Non-Current Investments	216	226	236	247
Net Deferred tax assets	(3,391)	(3,351)	(3,304)	(3,247)
Other Non-Current Assets	1,313	1,440	1,462	1,587
Current Assets				
Investments	3,063	2,563	2,563	2,563
Inventories	26,199	29,396	31,826	36,047
Trade receivables	5,603	5,879	5,941	6,729
Cash & Bank Balance	16,247	22,410	29,843	39,158
Other Current Assets	1,092	1,341	1,549	1,754
Total Assets	88,202	99,283	110,987	125,994
Equity				
Equity Share Capital	626	626	626	626
Other Equity	51,019	58,853	67,716	78,958
Total Network	51,645	59,479	68,342	79,584
Non-Current Liabilities				
Long Term borrowings	3,937	3,137	2,337	1,537
Provisions	584	671	697	789
Other non current liabilities	46	52	54	54
Current Liabilities				
ST Debt / Current of LT Debt	-	-	-	-
Trade payables	15,968	19,483	22,070	24,806
Other current liabilities	11,604	11,889	12,931	14,559
Total Equity & Liabilities	88,202	99,283	110,987	125,994

Source: Company Data, PL Research

Cash Flow (Rs m)

Y/e Mar	FY21	FY22E	FY23E	FY24E
PBT	13,888	15,968	19,026	22,638
Add. Depreciation	2,489	2,572	2,895	3,182
Add. Interest	726	458	703	740
Less Financial Other Income	1,450	1,576	1,694	1,951
Add. Other	(824)	121	(23)	70
Op. profit before WC changes	16,279	19,118	22,600	26,630
Net Changes-WC	(6,985)	(44)	929	(958)
Direct tax	(2,714)	(4,064)	(4,842)	(5,761)
Net cash from Op. activities	6,579	15,010	18,687	19,911
Capital expenditures	(1,536)	(4,020)	(4,431)	(3,422)
Interest / Dividend Income	894	-	-	-
Others	(6,987)	(4,300)	(6,200)	(8,800)
Net Cash from Invst. activities	(7,629)	(8,320)	(10,631)	(12,222)
Issue of share cap. / premium	98	-	-	-
Debt changes	4,233	(800)	(800)	(800)
Dividend paid	(1,878)	(4,069)	(5,321)	(5,634)
Interest paid	(559)	(458)	(703)	(740)
Others	-	-	-	-
Net cash from Fin. activities	1,894	(5,327)	(6,824)	(7,174)
Net change in cash	845	1,363	1,233	515
Free Cash Flow	5,044	10,990	14,257	16,489

Source: Company Data, PL Research

Key Financial Metrics

Y/e Mar	FY21	FY22E	FY23E	FY24E
Per Share(Rs)				
EPS	16.5	19.0	22.7	27.0
CEPS	20.4	23.1	27.3	32.0
BVPS	82.5	95.0	109.2	127.1
FCF	8.1	17.6	22.8	26.3
DPS	6.5	7.5	9.0	11.0
Return Ratio(%)				
RoCE	29.6	27.8	29.6	30.8
ROIC	32.5	32.4	39.3	46.7
RoE	21.8	21.4	22.2	22.8
Balance Sheet				
Net Debt : Equity (x)	(0.3)	(0.4)	(0.4)	(0.5)
Net Working Capital (Days)	55	43	37	37
Valuation(x)				
PER	79.6	68.8	57.8	48.6
P/B	15.9	13.8	12.0	10.3
P/CEPS	64.1	56.6	48.0	40.9
EV/EBITDA	51.4	45.8	37.7	31.7
EV/Sales	7.7	5.9	5.1	4.4
Dividend Yield (%)	0.5	0.6	0.7	0.8

Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q4FY21	Q1FY22	Q2FY22	Q3FY22
Net Revenue	33,312	25,982	32,210	36,523
YoY gr. (%)	50.3	75.7	31.4	15.4
Raw Material Expenses	20,841	16,713	21,175	24,730
Gross Profit	12,471	9,269	11,035	11,793
Margin (%)	37.4	35.7	34.3	32.3
EBITDA	5,057	3,531	4,436	4,403
YoY gr. (%)	106.1	169.8	5.5	(13.3)
Margin (%)	15.2	13.6	13.8	12.1
Depreciation / Depletion	650	616	623	662
EBIT	4,407	2,915	3,813	3,742
Margin (%)	13.2	11.2	11.8	10.2
Net Interest	235	110	111	123
Other Income	372	342	333	488
Profit before Tax	4,544	3,148	4,035	4,107
Margin (%)	13.6	12.1	12.5	11.2
Total Tax	1,191	805	1,019	1,047
Effective tax rate (%)	26.2	25.6	25.3	25.5
Profit after Tax	3,352	2,343	3,016	3,059
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
Adjusted PAT	3,352	2,343	3,016	3,059
YoY gr. (%)	89.2	269.9	6.9	(12.4)
Margin (%)	10.1	9.0	9.4	8.4
Extra Ord. Income / (Exp)	(330)	-	-	-
Reported PAT	3,023	2,343	3,016	3,059
YoY gr. (%)	70.6	269.9	(7.2)	(12.4)
Margin (%)	9.1	9.0	9.4	8.4
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	3,023	2,343	3,016	3,059
Avg. Shares O/s (m)	626	626	626	626
EPS (Rs)	5.4	3.7	4.8	4.9

Source: Company Data, PL Research

Price Chart

Recommendation History



No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	7-Jan-22	Accumulate	1,400	1,380
2	21-Oct-21	Accumulate	1,400	1,286
3	6-Oct-21	Accumulate	1,414	1,390
4	22-Jul-21	Accumulate	1,226	1,151
5	6-Jul-21	Hold	1,066	1,022
6	21-May-21	Hold	1,066	1,028
7	6-Apr-21	Hold	1,128	1,026

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Asian Paints	BUY	3,762	3,306
2	Avenue Supermarts	Accumulate	5,345	4,731
3	Bajaj Electricals	Accumulate	1,230	1,223
4	Britannia Industries	Accumulate	4,093	3,660
5	Burger King India	BUY	242	140
6	Colgate Palmolive	Accumulate	1,852	1,466
7	Crompton Greaves Consumer Electricals	BUY	530	441
8	Dabur India	Accumulate	647	583
9	Emami	Accumulate	624	511
10	Havells India	Accumulate	1,400	1,380
11	Hindustan Unilever	BUY	2,900	2,262
12	ITC	BUY	270	221
13	Jubilant FoodWorks	Accumulate	4,109	3,638
14	Kansai Nerolac Paints	BUY	707	596
15	Marico	Hold	544	501
16	Mold-tek Packaging	UR	725	821
17	Nestle India	Accumulate	18,723	19,936
18	Pidilite Industries	Hold	2,491	2,638
19	Titan Company	BUY	2,651	2,576
20	Titan Company	BUY	2,915	2,596
21	Voltas	Hold	1,200	1,250
22	Westlife Development	Accumulate	603	542

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. Amnish Aggarwal- MBA, CFA, Mr. Paarth Gala- B.Com 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. Amnish Aggarwal- MBA, CFA, Mr. Paarth Gala- B.Com 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