

January 24, 2022

Q3FY22 Result Update

Change in Estimates | Target | Reco

Change in Estimates

	Current		Previous	
	FY23E	FY24E	FY23E	FY24E
Rating	ACCUMULATE		ACCUMULATE	
Target Price	760		810	
Sales (Rs. m)	1,738,032	1,670,687	1,572,661	1,562,886
% Chng.	10.5	6.9		
EBITDA (Rs. m)	358,517	365,676	369,154	376,073
% Chng.	(2.9)	(2.8)		
EPS (Rs.)	74.3	73.5	80.0	79.4
% Chng.	(7.1)	(7.4)		

Key Financials - Consolidated

Y/e Mar	FY21	FY22E	FY23E	FY24E
Sales (Rs. bn)	798	1,549	1,738	1,671
EBITDA (Rs. bn)	201	414	359	366
Margin (%)	25.2	26.8	20.6	21.9
PAT (Rs. bn)	80	228	180	178
EPS (Rs.)	33.0	94.5	74.3	73.5
Gr. (%)	92.2	186.8	(21.4)	(1.0)
DPS (Rs.)	2.0	4.0	4.0	4.0
Yield (%)	0.3	0.6	0.6	0.6
RoE (%)	19.1	39.4	23.1	18.8
RoCE (%)	14.4	30.3	22.7	21.3
EV/Sales (x)	2.7	1.4	1.2	1.2
EV/EBITDA (x)	10.6	5.2	5.8	5.3
PE (x)	20.2	7.1	9.0	9.1
P/BV (x)	3.4	2.3	1.9	1.6

Key Data

JSTL.BO | JSTL IN

52-W High / Low	Rs.777 / Rs.356
Sensex / Nifty	59,037 / 17,617
Market Cap	Rs.1,610bn/ \$ 21,639m
Shares Outstanding	2,417m
3M Avg. Daily Value	Rs.3047.94m

Shareholding Pattern (%)

Promoter's	44.71
Foreign	11.21
Domestic Institution	8.38
Public & Others	35.70
Promoter Pledge (Rs bn)	129.84

Stock Performance (%)

	1M	6M	12M
Absolute	1.2	(2.3)	69.4
Relative	(3.5)	(13.6)	42.4

Kamlesh Bagmar

kamleshbagmar@plindia.com | 91-22-66322237

Amit Khimesra

amitkhimesra@plindia.com | 91-22-66322244

Abnormal rise in coking coal cost, a spoilsport

Quick Pointers:

- BPSL maintained EBITDA/t QoQ at Rs26,670 (PLe:Rs21,000)
- Net Debt increased ~20%/Rs109bn QoQ to Rs663bn which includes Rs75bn on consolidation of BPSL and rest on account of higher working capital.

Steel (JSTL) reported Q3FY22 Adj. EBITDA in-line with our estimates. While, it came above consensus estimates (CE) by 8%. On reported basis, EBITDA were below our estimates by 10% due to provision of Rs10.6bn for upward revision of already published average selling price of iron ore by Indian Bureau of Mines (IBM) for September and October'2021.

Recent relaxation of monetary policy for real-estate sector and increase in spending on infrastructure reflects Chinese authorities' aim to stimulate economic activity after witnessing sharp slowdown over last two quarters. While, concerns on oversupply resulting from contraction in demand were addressed by commensurate curbs on production. Unlike past, this limited the intensity of Chinese mills to dump steel in exports markets. In the midst of low competitive intensity of Chinese mills and improving visibility on demand, abnormal surge in coking coal prices by ~27% in a month to All-time high level of US\$445/t will turn out to be a major dampener for earnings of steel companies in next couple of quarters as scope for price hikes remains limited. Hence, we cut our EBITDA estimates by 5%/3% for FY22e/FY23e. However, we maintain our positive stance on stock given the strong capacity growth, peaked-out coking coal prices and restricted Chinese supplies. Reiterate Accumulate with revised TP of Rs760, EV/EBITDA of 6.5x FY23e.

- Standalone adjusted margins in line with estimates:** Sales volume grew 5.5% QoQ at 4.0mnt (PLe:3.9mnt). Blended realisations fell 2% QoQ/Rs1,550/t at Rs71,060/t, below our estimates of Rs74,105/t. The miss was primarily due to lower iron ore sales volumes and realisations. While, steel realisations increased 2% QoQ, in line with estimates. Adjusted for provision of Rs10.6bn for higher iron ore prices published by IBM, cost came in at Rs52,490/t (PLe:Rs55,400/t), +3% QoQ/1,500. Led by lower than expected costs, EBITDA/t came in line with our estimates at Rs19,635, down 14% QoQ.
- Margins fell sharply in coated products:** Aided by consolidation of Bhushan Power and steel (BPSL), fall in consolidated Adj. EBITDA was restricted at 2% QoQ to Rs102bn (PLe:Rs101bn). BPSL contributed an EBITDA of Rs15.5bn (PLe:Rs14.5bn). EBITDA of rest of the domestic subsidiaries fell 36% QoQ to Rs7.7bn (PLe:Rs7.5bn) due to 45% fall in coated product's EBITDA Overseas subsidiaries' EBITDA fell 30% QoQ at Rs3.6bn (PLe:Rs4.2bn) due to one-time impairment charge of €6mn in Italian subsidiary.. Due to higher interest cost and depreciation, Adj PAT fell 24% QoQ to Rs50.9bn (PLe:Rs55.8bn).
- Key takeaways of Con-call: 1) Steel realisations flat MoM in January 2) Coking coal cost would increase in excess of US\$25/t QoQ in Q4 3) Contesting in Orrisa High court against IBM for sharp increase in iron ore reference prices 4) Inventory increased by 300kt QoQ in Q3 5) Share of captive iron ore at 47% 6) Incurred capex of Rs40.3bn/Rs103.5bn in Q3FY22/9MFY22 against guidance of Rs182.4bn for FY22e**

Exhibit 1: Q3FY22 Result Overview (Rs mn)

Y/e March	Q3FY22	Q3FY21	YoY gr. (%)	Q2FY22	9MFY22	9MFY21	YoY gr. (%)
Net Sales	3,80,710	2,18,400	74.3	3,25,030	9,94,760	5,26,580	88.9
Raw Material	1,62,340	77,660	109.0	1,18,940	3,46,850	2,34,820	47.7
<i>% of Net Sales</i>	42.6	35.6		36.6	34.9	44.6	
Purchase of traded goods	1,580	210	652.4	740	2,870	550	
<i>% of Net Sales</i>	0.4	0.1		0.2	0.3	0.1	
Staff Costs	9,660	6,260	54.3	7,860	25,220	18,530	36.1
<i>% of Net Sales</i>	2.5	2.9		2.4	2.5	3.5	
Power & Fuel	33,110	14,810	123.6	23,610	76,820	41,400	85.6
<i>% of Net Sales</i>	8.7	6.8		7.3	7.7	7.9	
Mining premium and royalties	19,990	30,640	(34.8)	24,920	98,400	38,750	153.9
<i>% of Net Sales</i>	5.3	14.0		7.7	9.9	7.4	
Other Expenses	52,230	29,550	76.8	44,790	1,35,890	77,990	74.2
<i>% of Net Sales</i>	13.7	13.5		13.8	13.7	14.8	
Total Expenditure	2,78,910	1,59,130	75.3	2,20,860	6,86,050	4,12,040	66.5
EBITDA	1,01,800	59,270	71.8	1,04,170	3,08,710	1,14,540	169.5
<i>Margin (%)</i>	26.7	27.1		32.0	31.0	21.8	
Depreciation	17,640	12,300	43.4	12,390	41,860	34,260	22.2
Other income	1,540	1,470	4.8	2,440	5,960	4,310	38.3
EBIT	85,700	48,440	76.9	94,220	2,72,810	84,590	222.5
Interest	12,830	9,770	31.3	9,360	32,120	29,520	8.8
PBT	72,870	38,670	88.4	84,860	2,40,690	55,070	-
Extraordinary income/(expense)	(10,480)	190	-	7,020	(3,460)	2,470	
PBT (After EO)	62,390	38,860	-	91,880	2,37,230	57,540	312.3
Tax	17,450	12,120	-	26,120	70,760	20,610	-
<i>% PBT</i>	28.0	31.2		28.4	29.8	35.8	
Reported PAT	44,940	26,740	-	65,760	1,66,470	36,930	350.8
Minority interest	1,590	(120)	-	90	1,640	(310)	-
Share of profit/(losses) in Associates	220	(50)	-	6,030	9,480	(110)	-
Net Profit attributable to shareholders	43,570	26,810	-	71,700	1,74,310	37,130	369.5
Adjusted PAT	50,906	26,677	-	66,786	1,76,732	35,401	-

Source: Company, PL

Exhibit 2: Key Operating Metrics

Y/e March	Q3FY22	Q3FY21	YoY gr. (%)	Q2FY22	9MFY22	9MFY21	YoY gr. (%)
Crude steel production (000 tonnes)	4,410	4,080	8.1	4,100	12,610	10,890	15.8
Sales (000 Tonnes)	4,000	3,900	2.6	3,790	11,400	10,820	5.4
Realisation per tonne	71,058	48,615	46.2	72,604	71,510	42,019	70.2
EBITDA per tonne	19,633	14,444	35.9	22,884	22,822	10,386	119.7
Total cost per tonne	52,493	34,887	50.5	50,995	49,818	32,432	53.6

Source: Company, PL

Financials

Income Statement (Rs m)

Y/e Mar	FY21	FY22E	FY23E	FY24E
Net Revenues	798,390	1,549,155	1,738,032	1,670,687
YoY gr. (%)	10.0	94.0	12.2	(3.9)
Cost of Goods Sold	325,080	831,207	1,027,369	940,616
Gross Profit	473,310	717,948	710,662	730,071
Margin (%)	59.3	46.3	40.9	43.7
Employee Cost	25,060	24,226	26,757	28,966
Other Expenses	186,990	170,148	193,521	198,896
EBITDA	201,410	414,482	358,517	365,676
YoY gr. (%)	80.5	105.8	(13.5)	2.0
Margin (%)	25.2	26.8	20.6	21.9
Depreciation and Amortization	46,790	48,511	54,874	60,621
EBIT	154,620	365,971	303,643	305,056
Margin (%)	19.4	23.6	17.5	18.3
Net Interest	39,570	46,053	53,688	59,311
Other Income	5,920	7,389	8,453	9,560
Profit Before Tax	120,140	327,306	258,409	255,305
Margin (%)	15.0	21.1	14.9	15.3
Total Tax	41,420	109,275	87,273	86,031
Effective tax rate (%)	34.5	33.4	33.8	33.7
Profit after tax	78,720	218,032	171,135	169,274
Minority interest	(380)	(400)	(500)	(500)
Share Profit from Associate	10	10,000	8,000	8,000
Adjusted PAT	79,653	228,432	179,635	177,774
YoY gr. (%)	92.2	186.8	(21.4)	(1.0)
Margin (%)	10.0	14.7	10.3	10.6
Extra Ord. Income / (Exp)	(543)	-	-	-
Reported PAT	79,110	228,432	179,635	177,774
YoY gr. (%)	96.3	188.8	(21.4)	(1.0)
Margin (%)	9.9	14.7	10.3	10.6
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	79,110	228,432	179,635	177,774
Equity Shares O/s (m)	2,417	2,417	2,417	2,417
EPS (Rs)	33.0	94.5	74.3	73.5

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY21	FY22E	FY23E	FY24E
Non-Current Assets				
Gross Block	871,980	955,530	1,089,730	1,169,730
Tangibles	871,980	955,530	1,089,730	1,169,730
Intangibles	-	-	-	-
Acc: Dep / Amortization	226,170	274,681	329,554	390,175
Tangibles	226,170	274,681	329,554	390,175
Intangibles	-	-	-	-
Net fixed assets	645,810	680,849	760,176	779,555
Tangibles	645,810	680,849	760,176	779,555
Intangibles	-	-	-	-
Capital Work In Progress	332,390	430,190	472,450	513,850
Goodwill	3,360	3,360	3,360	3,360
Non-Current Investments	117,490	127,680	135,880	144,080
Net Deferred tax assets	(31,240)	(84,692)	(127,203)	(169,108)
Other Non-Current Assets	21,750	44,876	45,176	45,476
Current Assets				
Investments	80	80	80	80
Inventories	142,490	269,492	302,686	292,246
Trade receivables	44,860	117,468	131,619	126,431
Cash & Bank Balance	128,130	75,885	51,839	105,097
Other Current Assets	21,990	68,518	76,484	73,936
Total Assets	1,483,170	1,852,153	2,024,646	2,140,291
Equity				
Equity Share Capital	3,020	3,020	3,020	3,020
Other Equity	464,620	688,217	858,184	1,026,289
Total Networth	467,640	691,237	861,204	1,029,309
Non-Current Liabilities				
Long Term borrowings	654,350	604,250	524,150	444,050
Provisions	8,520	8,520	8,520	8,520
Other non current liabilities	1,640	1,640	1,640	1,640
Current Liabilities				
ST Debt / Current of LT Debt	-	-	-	-
Trade payables	152,430	320,620	359,430	345,592
Other current liabilities	163,810	138,055	139,859	139,932
Total Equity & Liabilities	1,483,170	1,852,153	2,024,646	2,140,291

Source: Company Data, PL Research

Cash Flow (Rs m)

Y/e Mar	FY21	FY22E	FY23E	FY24E
PBT	120,150	327,306	258,409	255,305
Add. Depreciation	46,790	48,511	54,874	60,621
Add. Interest	37,450	46,053	53,688	59,311
Less Financial Other Income	5,920	7,389	8,453	9,560
Add. Other	(9,840)	(6,369)	(7,312)	(8,397)
Op. profit before WC changes	194,550	415,502	359,658	366,839
Net Changes-WC	12,640	(135,955)	(26,338)	(7,372)
Direct tax	(19,300)	(55,823)	(44,762)	(44,126)
Net cash from Op. activities	187,890	223,724	288,559	315,342
Capital expenditures	(158,690)	(181,350)	(176,460)	(121,400)
Interest / Dividend Income	6,300	6,369	7,312	8,397
Others	71,200	-	-	-
Net Cash from Inv. activities	(81,190)	(174,982)	(169,148)	(113,003)
Issue of share cap. / premium	390	-	-	-
Debt changes	16,740	(50,100)	(80,100)	(80,100)
Dividend paid	(4,830)	(4,834)	(9,669)	(9,669)
Interest paid	(43,400)	(46,053)	(53,688)	(59,311)
Others	-	-	-	-
Net cash from Fin. activities	(31,100)	(100,988)	(143,457)	(149,080)
Net change in cash	75,600	(52,245)	(24,046)	53,259
Free Cash Flow	95,820	42,374	112,099	193,942

Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q4FY21	Q1FY22	Q2FY22	Q3FY22
Net Revenue	269,340	289,020	325,030	380,710
YoY gr. (%)	50.6	145.3	70.7	74.3
Raw Material Expenses	89,710	66,120	119,680	163,920
Gross Profit	179,630	222,900	205,350	216,790
Margin (%)	66.7	77.1	63.2	56.9
EBITDA	84,400	102,740	104,170	101,800
YoY gr. (%)	183.7	666.1	148.9	71.8
Margin (%)	31.3	35.5	32.0	26.7
Depreciation / Depletion	12,530	11,830	12,390	17,640
EBIT	71,870	90,910	91,780	84,160
Margin (%)	26.7	31.5	28.2	22.1
Net Interest	10,050	9,930	9,360	12,830
Other Income	1,610	1,980	2,440	1,540
Profit before Tax	62,600	82,960	91,880	62,390
Margin (%)	23.2	28.7	28.3	16.4
Total Tax	20,810	27,190	26,120	17,450
Effective tax rate (%)	33.2	32.8	28.4	28.0
Profit after Tax	41,790	55,770	65,760	44,940
Minority interest	(70)	(40)	90	1,590
Share Profit from Associates	120	3,230	6,030	220
Adjusted PAT	42,561	59,040	66,786	50,906
YoY gr. (%)	435.7	(1,152.4)	365.9	90.8
Margin (%)	15.8	20.4	20.5	13.4
Extra Ord. Income / (Exp)	(581)	-	4,914	(7,336)
Reported PAT	41,980	59,040	71,700	43,570
YoY gr. (%)	1,717.3	(1,152.4)	350.1	62.5
Margin (%)	15.6	20.4	22.1	11.4
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	41,980	59,040	71,700	43,570
Avg. Shares O/s (m)	2,417	2,417	2,417	2,417
EPS (Rs)	17.6	24.4	27.6	21.1

Source: Company Data, PL Research

Key Financial Metrics

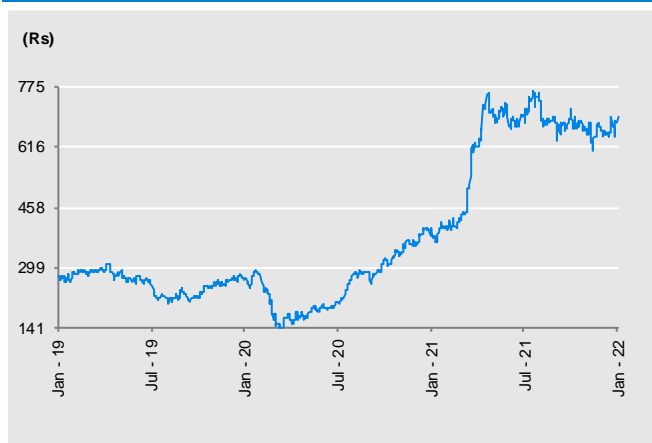
Y/e Mar	FY21	FY22E	FY23E	FY24E
Per Share(Rs)				
EPS	33.0	94.5	74.3	73.5
CEPS	52.3	114.6	97.0	98.6
BVPS	193.5	286.0	356.3	425.8
FCF	39.6	17.5	46.4	80.2
DPS	2.0	4.0	4.0	4.0
Return Ratio(%)				
RoCE	14.4	30.3	22.7	21.3
ROIC	10.7	21.5	15.6	15.3
RoE	19.1	39.4	23.1	18.8
Balance Sheet				
Net Debt : Equity (x)	1.1	0.8	0.5	0.3
Net Working Capital (Days)	16	16	16	16
Valuation(x)				
PER	20.2	7.1	9.0	9.1
P/B	3.4	2.3	1.9	1.6
P/CEPS	52.3	114.6	97.0	98.6
EV/EBITDA	10.6	5.2	5.8	5.3
EV/Sales	2.7	1.4	1.2	1.2
Dividend Yield (%)	0.3	0.6	0.6	0.6

Source: Company Data, PL Research

Key Operating Metrics

Y/e Mar	FY21	FY22E	FY23E	FY24E
Crude Steel Prod.	15	19	23	23
Rolled Products Prod.	14	18	22	22
Sales Vol. (mt)	15	18	22	23
Realisation / tonne (Rs)	46,688	74,208	67,785	63,144
EBITDA / tonne (Rs)	12,945	21,148	14,783	14,897
Cost / tonne of iron ore (Rs)	3,850	6,000	5,000	4,500
Cost / tonne of coking coal (Rs)	10,247	20,414	23,226	19,869

Source: Company Data, PL Research

Price Chart
Recommendation History


No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	11-Jan-22	Accumulate	810	672
2	21-Oct-21	Accumulate	810	674
3	7-Oct-21	Accumulate	810	667
4	26-Jul-21	Accumulate	810	718
5	8-Jul-21	Reduce	652	668

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	ACC	BUY	2,555	2,324
2	Ambuja Cement	BUY	440	399
3	Coal India	Accumulate	172	161
4	Dalmia Bharat	Accumulate	2,280	1,990
5	Heidelberg Cement India	Reduce	225	243
6	Hindalco Industries	BUY	620	493
7	Hindustan Zinc	Reduce	288	330
8	Jindal Steel & Power	BUY	555	404
9	JK Lakshmi Cement	Hold	665	602
10	JSW Steel	Accumulate	810	672
11	NMDC	Accumulate	165	140
12	Shree Cement	Hold	28,000	27,001
13	Steel Authority of India	Accumulate	152	110
14	Tata Steel	BUY	1,842	1,169
15	The Ramco Cements	Hold	1,015	1,047
16	Ultratech Cement	Accumulate	8,535	7,870

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