

February 16, 2022

Q3FY22 Result Update

☑ Change in Estimates | ☑ Target | ■ Reco

Change in Estimates

	Current		Previous	
	FY23E	FY24E	FY23E	FY24E
Rating	BUY		BUY	
Target Price	4,600		4,400	
Sales (Rs. m)	20,935	22,369	18,892	21,558
% Chng.	10.8	3.8		
EBITDA (Rs. m)	4,037	4,794	3,578	4,549
% Chng.	12.8	5.4		
EPS (Rs.)	92.5	113.6	82.5	109.6
% Chng.	12.1	3.7		

Key Financials - Standalone

Y/e Mar	FY21	FY22E	FY23E	FY24E
Sales (Rs. m)	11,332	17,455	20,935	22,369
EBITDA (Rs. m)	1,993	2,904	4,037	4,794
Margin (%)	17.6	16.6	19.3	21.4
PAT (Rs. m)	1,203	1,949	2,835	3,484
EPS (Rs.)	39.2	63.6	92.5	113.6
Gr. (%)	(27.0)	61.9	45.5	22.9
DPS (Rs.)	11.0	12.7	18.5	22.7
Yield (%)	0.3	0.3	0.5	0.6
RoE (%)	17.8	24.0	27.9	27.2
RoCE (%)	19.5	28.4	34.6	33.7
EV/Sales (x)	10.0	6.5	5.3	4.9
EV/EBITDA (x)	56.9	39.2	27.7	22.7
PE (x)	95.8	59.1	40.6	33.1
P/BV (x)	15.8	12.9	10.1	8.1

Key Data

FINO.BO | FINEORG IN

52-W High / Low	Rs.4,178 / Rs.2,123
Sensex / Nifty	58,142 / 17,352
Market Cap	Rs.115bn / \$ 1,529m
Shares Outstanding	31m
3M Avg. Daily Value	Rs.165.43m

Shareholding Pattern (%)

Promoter's	75.00
Foreign	6.79
Domestic Institution	11.32
Public & Others	6.89
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	0.7	29.8	58.0
Relative	6.0	23.8	41.8

Nitesh Dhoot

niteshdhoot@plindia.com | 91-22-66322260

Fine Organic Industries (FINEORG IN)

Rating: BUY | CMP: Rs3,758 | TP: Rs4,600

Strong performance and improved outlook

Quick Pointers:

- Positively surprised by improved guidance of full capacity utilization by FY23 end (FY24 end earlier) on better demand visibility and client wallet share gains.
- Benefits from global consolidation visible, as Croda's PTIC division (housing polymer additives business) is acquired by global food major Cargill Inc.
- Supply chain challenges persist and RM pricing environment remains elevated though volatility has subsided; margin improvement likely.

FINEORG's growth prospects look encouraging given 1) healthy demand traction aided by improved client confidence and visible global consolidation benefits 2) capacity headroom enables capturing demand improvement, though constraints likely to appear in FY24 3) subsiding margin headwinds with reduced volatility and intensified pass through of higher costs to customers (incremental business only at spot pricing; negligible long term contracts) 4) net cash balance sheet and healthy cash flow generation of Rs 6.5 bn over FY22-24 to enable self-funded capex.

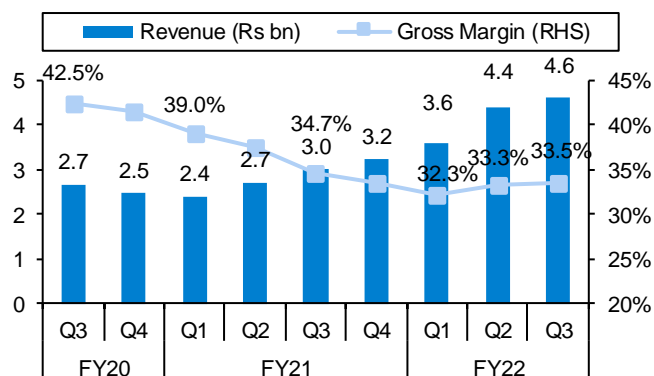
We increase our EPS estimates by 7% / 12% / 4% for FY22/23/24E factoring in strong Q3 performance and improved earnings visibility given advancement in capacity absorption driving operating leverage benefits. Reiterate 'BUY' with revised TP of Rs4600 based on 28x FY24 EV/EBITDA.

- Strong performance in challenging environment:** Revenue up 55% YoY/ 6% QoQ to Rs 4.6 bn largely on improvement in realizations. Export rev grew 85%YoY while domestic rev grew 30% YoY. Gross margin was stable QoQ at 33.5% (vs 33.3% in Q2, -118bps YoY), despite the continuing surge in input prices. Stable margins in an extreme inflationary environment indicates expansion of per kg margin, which is encouraging. EBITDA increased 69% YoY / 9% QoQ to Rs 798 mn, while EBITDA margin expanded 145 bps YoY / 50bps QoQ on stable fixed costs, although freight and power & fuel costs increased sharply. PAT up 81%YoY/ 4% QoQ, EPS Rs17 (Rs 45 for 9MFY22).
- Meeting takeaways:** (1) Full capacity utilization by FY23 end (vs. FY24 end earlier) on better demand visibility led by (a) increased client confidence on company's ability to honor all contracts over last 1-1.5 years despite extremely challenging environment, aiding client wallet share gains (b) Cargill Inc being a new entrant in polymer additives business aids dominant polymer additives players like FINEORG to gain global market share, while transition happens over the next year (2) Capacity constrains likely in FY24 given delay in land acquisition and setting up new facilities; land acquisition likely to be closed in 2-3 months. Only capex due to commission currently is Patalganga 2nd phase (~5000 tpa; <5% of current capacity), which will be commissioned by Mar'22. Inorganic expansion is also being evaluated, however opportunities are limited (3) Challenges on raw materials, supply chain etc continue to persist (elevated pricing and some availability issues also prevailing) and likely to stay for next year or so, but the volatility has subsided.

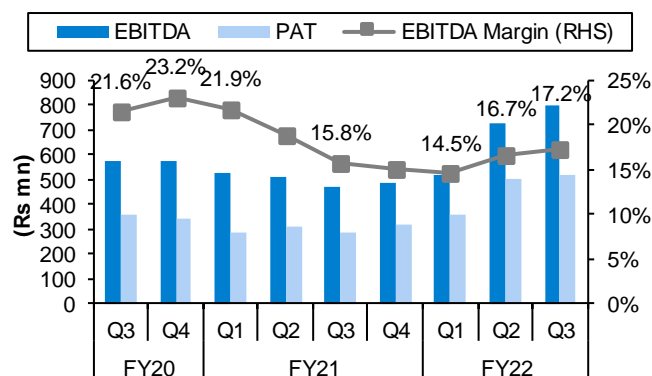
Exhibit 1: Q3FY22 Result Overview - Consolidated (Rs mn)

Y/e March	Q3FY22	Q3FY21	YoY gr. (%)	Q2FY22	QoQ gr. (%)	9MFY22	9MFY21	YoY gr (%)
Net sales	4,634	2,993	54.8	4,384	5.7	12,594	8,103	55.4
Material Cost	3,081	1,955	57.6	2,924	5.4	8,427	5,110	64.9
Gross Profit	1,553	1,038	49.6	1,460	6.4	4,167	2,994	39.2
<i>Gross Margin (%)</i>	<i>33.5</i>	<i>34.7</i>		<i>33.3</i>		<i>33.1</i>	<i>36.9</i>	
Other Overheads	755	566	33.3	730	3.5	2,118	1,485	42.7
EBITDA	798	472	69.0	731	9.2	2,048	1,509	35.8
<i>EBITDA margin (%)</i>	<i>17.2</i>	<i>15.8</i>		<i>16.7</i>		<i>16.3</i>	<i>18.6</i>	
Depreciation	101	119		98		293	344	
EBIT	697	353	97.5	633	10.2	1,755	1,165	50.7
Other income	66	53	23.4	62	6.2	187	108	73.6
Interest	12	16	(20.3)	12	1.9	38	49	(23.1)
PBT	750	391	92.1	683	10.0	1,904	1,224	55.6
Tax	231	99	133.0	181	27.6	519	323	60.5
Sh of profits from associates	1	(5)		(3)		(7)	(15)	
Net profit	520	287	81.2	499	4.2	1,378	885	55.6
Extra ordinary income/ (exp.)	0	0		0		0	0	
Adjusted PAT	520	287	81.2	499	4.2	1,378	885	55.6
<i>Adj. PAT margin (%)</i>	<i>11.2</i>	<i>9.6</i>		<i>11.4</i>		<i>10.9</i>	<i>10.9</i>	
No. of shares (mn)	31	31		31		31	31	
Adj. EPS (Rs.)	17.0	9.4	81.2	16.3	4.2	44.9	28.9	55.6

Source: Company, PL

Exhibit 2: Revenue increase led by better realizations


Source: Company, PL

Exhibit 3: Margin improvement amidst extreme inflation


Source: Company, PL

Exhibit 4: Croda Intl CY20 Segment Financial Snapshot

USD mn	Total	Personal Care	Life Sciences	Performance Technologies	Industrial Chemicals
Revenue	1785	611	516	535	124
Growth (YoY %)	1%	-1%	15%	-3%	-13%
Revenue Mix (%)		34%	29%	30%	7%
Adj. Op. Income	410	175	166	69	0
Growth (YoY %)	-5%	-15%	21%	-22%	
Adj OI Mix (%)		43%	40%	17%	0%
Margin (%)	23.0%	28.7%	32.2%	13.0%	-0.3%

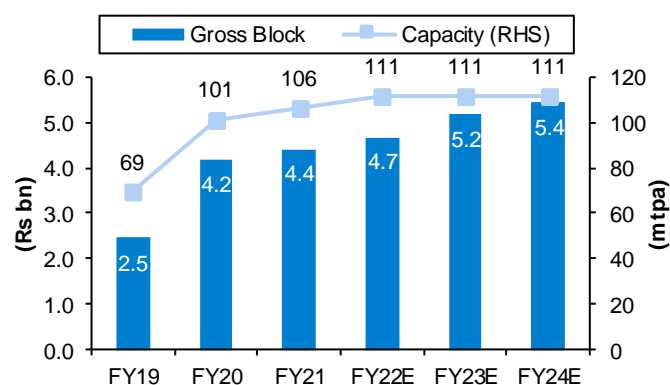
Source: Company, PL

Croda's Performance Technologies and Industrial Chemicals division (housing polymer additives business) acquired by global food major Cargill

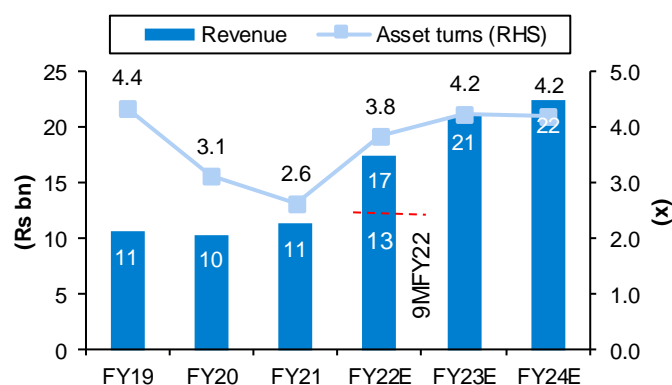
Exhibit 5: Large global M & A deals in chemicals sector

Announce Date	Target Name	Acquirer Name	Value (USD bn)	Pay Type	Status
22-Dec-21	Croda PTIC BU	Cargill Inc	1.0	Cash	Pending
15-Dec-19	Nutrition & Biosciences	IFF	24.7	Cash and Stock	Completed
21-Aug-20	Nippon Paint Holdings	Rainbow Light/ BVI	13.7	Cash	Completed
21-Aug-20	Nippon Paint Sabah	Nippon Paint Holdings Co Ltd	12.1	Cash	Completed
01-Jul-21	Atotech Ltd	MKS Instruments Inc	7.0	Cash and Stock	Pending
13-Sep-21	Tronox Holdings PLC	Apollo Global Management Inc	6.7	Cash	Proposed
26-Apr-21	W R Grace & Co	Standard Industries Holdings	6.4	Cash	Completed
18-Nov-20	Diversey Inc	Potential Buyer	6.0	Undisclosed	Proposed
11-Nov-21	MBCC Group	Sika AG	6.0	Cash	Pending
06-Jul-21	Solenis LLC	Platinum Equity LLC	5.3	Cash	Completed
02-Nov-21	Rogers Corp	DuPont de Nemours Inc	5.2	Cash	Pending
12-Jul-21	Allnex Holding GmbH	PTT Global Chemical PCL	4.2	Cash	Completed
23-Feb-21	Synthomer PLC	CVC Advisers Ltd	3.7	Cash	Proposed

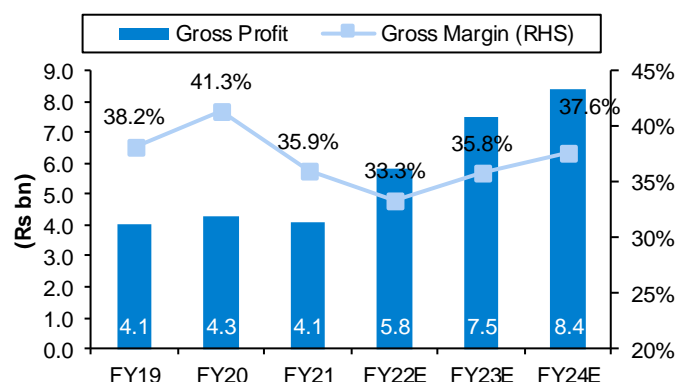
Source: Boomberg, PL

Exhibit 6: Capacity headroom to enable upcoming growth


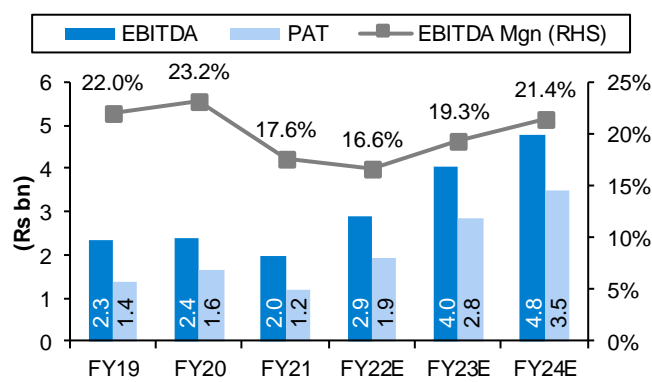
Source: Company, PL

Exhibit 7: Expect 13% revenue CAGR over FY22-24E


Source: Company, PL

Exhibit 8: Volatility subsiding; margins to improve


Source: Company, PL

Exhibit 9: Improved earnings visibility


Source: Company, PL

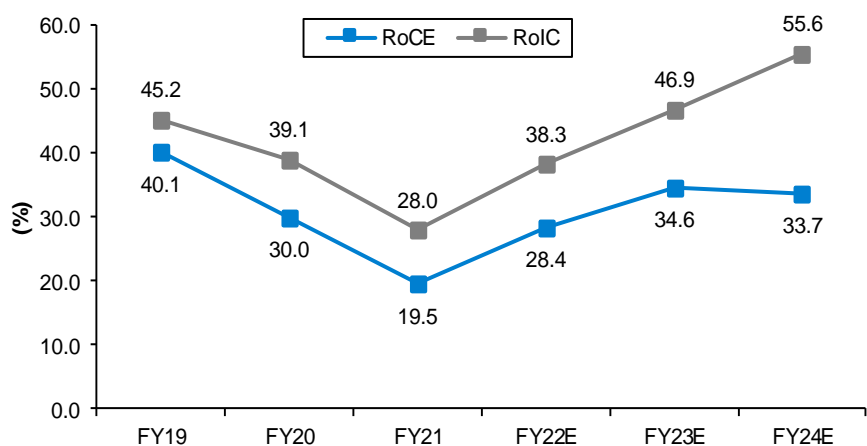
Exhibit 10: Healthy cash flow generation to enable self funded capex

Cash Flow (Rs bn)	FY19	FY20	FY21	FY22E	FY23E	FY24E
PBIT	2.3	2.1	1.6	2.7	3.8	4.6
Add: Depreciation	0.2	0.3	0.5	0.4	0.4	0.5
Add: Others	(0.1)	(0.1)	(0.1)	(0.2)	(0.2)	(0.2)
Working Capital Changes	(0.5)	0.4	(0.2)	(1.9)	(0.6)	(0.1)
Less: Tax	(0.9)	(0.6)	(0.4)	(0.7)	(0.9)	(1.1)
Cash from Operations	1.0	2.2	1.3	0.4	2.6	3.7
Capex	(0.9)	(0.7)	(0.5)	(0.5)	(0.3)	(0.3)
FCFF	0.1	1.5	0.9	(0.1)	2.3	3.4

Working Capital (Days)	FY19	FY20	FY21	FY22E	FY23E	FY24E
Inventory	31	46	41	45	43	42
Receivable	54	47	52	55	53	50
Payable	(18)	(30)	(35)	(29)	(30)	(30)
Core W.C.Days	66	63	58	71	66	62
Other Current Assets	28	18	22	21	21	21
Other Current Liabilities & Prov	6	5	5	5	5	5
Overall W.C.Days	88	75	75	87	82	78

Source: Company, PL

Exhibit 11: Strong operational performance to drive return ratios higher



Source: Company, PL

Financials

Income Statement (Rs m)

Y/e Mar	FY21	FY22E	FY23E	FY24E
Net Revenues	11,332	17,455	20,935	22,369
YoY gr. (%)	9.2	54.0	19.9	6.8
Cost of Goods Sold	7,260	11,636	13,444	13,951
Gross Profit	4,072	5,819	7,491	8,418
Margin (%)	35.9	33.3	35.8	37.6
Employee Cost	796	855	1,026	1,096
Other Expenses	1,284	2,060	2,429	2,528
EBITDA	1,993	2,904	4,037	4,794
YoY gr. (%)	(17.1)	45.8	39.0	18.8
Margin (%)	17.6	16.6	19.3	21.4
Depreciation and Amortization	468	405	439	472
EBIT	1,525	2,499	3,598	4,322
Margin (%)	13.5	14.3	17.2	19.3
Net Interest	61	46	16	-
Other Income	171	188	150	188
Profit Before Tax	1,635	2,642	3,732	4,510
Margin (%)	14.4	15.1	17.8	20.2
Total Tax	418	700	941	1,136
Effective tax rate (%)	25.6	26.5	25.2	25.2
Profit after tax	1,216	1,942	2,792	3,373
Minority interest	0	-	-	-
Share Profit from Associate	(13)	7	44	110
Adjusted PAT	1,203	1,949	2,835	3,484
YoY gr. (%)	(27.0)	61.9	45.5	22.9
Margin (%)	10.6	11.2	13.5	15.6
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	1,203	1,949	2,835	3,484
YoY gr. (%)	(27.0)	61.9	45.5	22.9
Margin (%)	10.6	11.2	13.5	15.6
Other Comprehensive Income	23	-	-	-
Total Comprehensive Income	1,227	1,949	2,835	3,484
Equity Shares O/s (m)	31	31	31	31
EPS (Rs)	39.2	63.6	92.5	113.6

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY21	FY22E	FY23E	FY24E
Non-Current Assets				
Gross Block	4,436	4,699	5,199	5,449
Tangibles	4,421	4,684	5,184	5,434
Intangibles	15	15	15	15
Acc: Dep / Amortization	2,477	2,882	3,321	3,794
Tangibles	2,468	2,873	3,312	3,785
Intangibles	9	9	9	9
Net fixed assets	1,959	1,816	1,877	1,655
Tangibles	1,953	1,811	1,872	1,649
Intangibles	5	5	5	5
Capital Work In Progress	263	500	250	250
Goodwill	-	-	-	-
Non-Current Investments	323	323	323	323
Net Deferred tax assets	79	79	79	79
Other Non-Current Assets	647	647	647	647
Current Assets				
Investments	-	-	-	-
Inventories	1,262	2,152	2,466	2,574
Trade receivables	1,610	2,630	3,040	3,064
Cash & Bank Balance	2,637	1,923	3,521	6,583
Other Current Assets	689	1,004	1,205	1,287
Total Assets	9,470	11,076	13,409	16,462
Equity				
Equity Share Capital	153	153	153	153
Other Equity	7,161	8,772	11,217	14,134
Total Network	7,314	8,925	11,371	14,288
Non-Current Liabilities				
Long Term borrowings	892	492	-	-
Provisions	-	-	-	-
Other non current liabilities	44	44	44	44
Current Liabilities				
ST Debt / Current of LT Debt	-	-	-	-
Trade payables	1,072	1,387	1,721	1,839
Other current liabilities	148	228	273	292
Total Equity & Liabilities	9,470	11,076	13,409	16,462

Source: Company Data, PL Research



Cash Flow (Rs m)

Y/e Mar	FY21	FY22E	FY23E	FY24E
PBT	1,621	2,649	3,776	4,620
Add. Depreciation	468	405	439	472
Add. Interest	(15)	46	16	-
Less Financial Other Income	171	188	150	188
Add. Other	(84)	(188)	(150)	(188)
Op. profit before WC changes	1,990	2,911	4,080	4,905
Net Changes-WC	(235)	(1,877)	(571)	(89)
Direct tax	(421)	(653)	(914)	(1,126)
Net cash from Op. activities	1,334	380	2,595	3,690
Capital expenditures	(463)	(500)	(250)	(250)
Interest / Dividend Income	66	188	150	188
Others	(6)	-	-	-
Net Cash from Invt. activities	(403)	(312)	(100)	(62)
Issue of share cap. / premium	-	-	-	-
Debt changes	(347)	(400)	(492)	-
Dividend paid	(92)	(337)	(390)	(567)
Interest paid	(52)	(46)	(16)	-
Others	93	-	-	-
Net cash from Fin. activities	(399)	(783)	(897)	(567)
Net change in cash	533	(714)	1,598	3,061
Free Cash Flow	871	(120)	2,345	3,440

Source: Company Data, PL Research

Key Financial Metrics

Y/e Mar	FY21	FY22E	FY23E	FY24E
Per Share(Rs)				
EPS	39.2	63.6	92.5	113.6
CEPS	54.5	76.8	106.8	129.0
BVPS	238.5	291.1	370.9	466.0
FCF	28.4	(3.9)	76.5	112.2
DPS	11.0	12.7	18.5	22.7
Return Ratio(%)				
RoCE	19.5	28.4	34.6	33.7
ROIC	21.9	26.7	34.3	42.0
RoE	17.8	24.0	27.9	27.2
Balance Sheet				
Net Debt : Equity (x)	(0.2)	(0.2)	(0.3)	(0.5)
Net Working Capital (Days)	58	71	66	62
Valuation(x)				
PER	95.8	59.1	40.6	33.1
P/B	15.8	12.9	10.1	8.1
P/CEPS	69.0	49.0	35.2	29.1
EV/EBITDA	56.9	39.2	27.7	22.7
EV/Sales	10.0	6.5	5.3	4.9
Dividend Yield (%)	0.3	0.3	0.5	0.6

Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q4FY21	Q1FY22	Q2FY22	Q3FY22
Net Revenue	3,229	3,576	4,384	4,634
YoY gr. (%)	30.6	49.0	61.8	54.8
Raw Material Expenses	2,150	2,422	2,924	3,081
Gross Profit	1,078	1,154	1,460	1,553
Margin (%)	33.4	32.3	33.3	33.5
EBITDA	484	520	731	798
YoY gr. (%)	(15.6)	(0.9)	42.7	69.0
Margin (%)	15.0	14.5	16.7	17.2
Depreciation / Depletion	124	95	98	101
EBIT	360	425	633	697
Margin (%)	11.2	11.9	14.4	15.0
Net Interest	13	13	12	12
Other Income	63	59	62	66
Profit before Tax	411	471	683	750
Margin (%)	12.7	13.2	15.6	16.2
Total Tax	95	106	181	231
Effective tax rate (%)	23.1	22.6	26.5	30.8
Profit after Tax	316	365	501	519
Minority interest	-	-	-	-
Share Profit from Associates	2	(5)	(3)	-
Adjusted PAT	318	359	499	520
YoY gr. (%)	(7.5)	25.4	59.7	81.2
Margin (%)	9.8	10.0	11.4	11.2
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	318	359	499	520
YoY gr. (%)	(7.5)	25.4	59.7	81.2
Margin (%)	9.8	10.0	11.4	11.2
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	318	359	499	520
Avg. Shares O/s (m)	31	31	31	31
EPS (Rs)	10.4	11.7	16.3	17.0

Source: Company Data, PL Research



Price Chart

Recommendation History



No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	05-Jan-22	BUY	4,400	3,831

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Fine Organic Industries	BUY	4,400	3,831
2	NOCIL	BUY	270	229

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. Nitesh Dhoot- B.Com (Hons), 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. Nitesh Dhoot- B.Com (Hons), 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