

May 6, 2022

Q1CY22 Result Update

Change in Estimates | Target | Reco

Change in Estimates

	Current		Previous	
	CY22E	CY23E	CY22E	CY23E
Rating	HOLD		HOLD	
Target Price	2,293		2,209	
Sales (Rs. m)	81,107	95,979	81,107	95,979
% Chng.	-	-	-	-
EBITDA (Rs. m)	7,137	9,406	7,056	9,310
% Chng.	1.1	1.0	-	-
EPS (Rs.)	26.7	35.3	26.0	34.0
% Chng.	2.7	3.8	-	-

Key Financials - Standalone

Y/e Dec	CY20	CY21	CY22E	CY23E
Sales (Rs. m)	58,210	69,340	81,107	95,979
EBITDA (Rs. m)	2,759	5,567	7,137	9,406
Margin (%)	4.7	8.0	8.8	9.8
PAT (Rs. m)	1,859	4,433	5,660	7,476
EPS (Rs.)	8.8	20.9	26.7	35.3
Gr. (%)	(46.8)	138.4	27.7	32.1
DPS (Rs.)	5.0	5.2	8.0	10.6
Yield (%)	0.2	0.2	0.4	0.5
RoE (%)	5.2	11.6	13.3	15.9
RoCE (%)	4.3	11.7	14.0	17.1
EV/Sales (x)	7.7	6.4	5.5	4.6
EV/EBITDA (x)	162.8	79.8	62.2	47.1
PE (x)	253.1	106.2	83.2	63.0
P/BV (x)	13.1	11.6	10.6	9.5

Key Data

ABB.BO | ABB IN

52-W High / Low	Rs.2,470 / Rs.1,361
Sensex / Nifty	55,702 / 16,683
Market Cap	Rs.471bn/ \$ 6,172m
Shares Outstanding	212m
3M Avg. Daily Value	Rs.476.66m

Shareholding Pattern (%)

Promoter's	75.00
Foreign	3.83
Domestic Institution	7.26
Public & Others	13.91
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	0.6	5.5	62.0
Relative	8.7	13.7	41.6

Amit Anwani

amitanwani@plindia.com | 91-22-66322250

Nilesh Soni

nileshsoni@plindia.com | 91-22-66322214

Robust order inflow

Quick Pointers:

- Order inflow reported a strong growth of 26% YoY to Rs22.9bn, led by short cycle order in Electrification and Motion business.
- Better product mix and operational efficiency resulted in margin improvement.

ABB India (ABB) reported strong quarterly performance led by strong order book execution in Electrifications and Motions segment, price pass through, volume growth and order inflow uptick in exports as well as service business. Order inflows came in at Rs22.9bn (up 26% YoY), translating to order book of ~Rs52bn. Demand scenario continues to remain robust along with strong enquiry pipeline, thereby providing good order inflow visibility. Segments such as renewables, water & wastewater, warehouse logistics, Electronics, F&B, data center, railway, metro etc. will likely be key growth drivers in the medium term.

We believe ABB's 1) strong business model, 2) healthy global distribution network, 3) strong exports demand, 4) diversified business portfolio and 5) focus on high growth segments, margin improvement and organic as well as inorganic expansion will augur well in the long run. Given robust enquiry pipeline, increasing share of short cycle orders, penetration in Tier II & 3 markets and focus on operational efficiency, we have revised our earnings estimate upwards by 2.7%/3.8% for CY22/CY23. Stock is trading at 83.2x/63x CY22/CY23E. We maintain 'Hold' rating on stock with revised TP of Rs2,293 (earlier Rs2,209) valuing it at PE of 65x CY23E.

Revenue growth continues across segments: Sales grew 20.8% YoY to Rs19.7bn, (PLe~Rs17.8bn) led by growth of 35%/13%/36%/5% YoY across Robotics/ Motions/ Electrification/ Process Automation segments. Revenue growth was driven by price hikes as well as volume growth. Products contributed 77% of total revenue, followed by services at 14% and projects 9%. EBITDA grew 81.5% YoY to Rs1.9bn (PLe: Rs1.4bn) with margins expanding by 319bps YoY to 9.5% driven by better product mix, operational efficiency and increasing capacity utilization level. During the quarter ABB reported exceptional gains of Rs2.9bn towards sale of turbocharger business. Adjusted PBT came in at Rs2bn, led by healthy operating performance. Adj. PAT came in at Rs1.5bn (up ~56% YoY) (PLe ~Rs1.1bn).

Order inflows reported strong growth: Order inflows came in strong at Rs22.9bn (up 26% YoY) contributed by Electrification (~39%), Motions (~38%) and Process Automation (~20%). Exports order inflow grew ~33% YoY and service order grew ~19% YoY. Traction continues from exports order across multiple business verticals. Order book remains strong at ~Rs52bn (0.7x TTM revenue), providing revenue visibility for next 3-4 quarters.

Exhibit 1: Strong Quarterly Performance

Y/e March (Rs mn)	Q1CY21	Q2CY21	Q3CY21	Q4CY21	Q1CY22	YoY gr. (%)	QoQ gr. (%)	CY21	CY20	YoY gr. (%)
Revenue	16,292	14,250	17,784	21,015	19,684	20.8	(6.3)	69,340	58,210	19.1
Total Revenues	16,292	14,250	17,784	21,015	19,684	20.8	(6.3)	69,340	58,210	19.1
Expenditure	15,256	13,302	16,095	19,163	17,805	16.7	(7.1)	63,773	55,450	15.0
<i>as % of sales</i>	<i>93.6</i>	<i>93.4</i>	<i>90.5</i>	<i>91.2</i>	<i>90.5</i>			<i>92.0</i>	<i>95.3</i>	
Consumption of RM	10,396	9,099	11,037	13,621	12,429	19.6	(8.8)	44,154	37,059	19.1
<i>as % of sales</i>	<i>63.8</i>	<i>63.9</i>	<i>62.1</i>	<i>64.8</i>	<i>63.1</i>			<i>63.7</i>	<i>63.7</i>	
Employee Cost	1,538	1,391	1,441	1,513	1,750	13.8	15.6	5,882	5,680	3.6
<i>as % of sales</i>	<i>9.4</i>	<i>9.8</i>	<i>8.1</i>	<i>7.2</i>	<i>8.9</i>			<i>8.5</i>	<i>9.8</i>	
Other expenditure	3,323	2,812	3,617	4,029	3,626	9.1	(10.0)	13,737	12,711	8.1
<i>as % of sales</i>	<i>20.4</i>	<i>19.7</i>	<i>20.3</i>	<i>19.2</i>	<i>18.4</i>			<i>19.8</i>	<i>21.8</i>	
EBITDA	1,035	948	1,689	1,852	1,879	81.5	1.4	5,567	2,759	101.8
Depreciation	253	284	263	227	257	1.6	12.9	1,027	1,204	(14.7)
EBIT	783	664	1,426	1,625	1,622	107.2	(0.2)	4,540	1,556	191.8
Other Income	540	252	248	599	373	(31.0)	(37.8)	1,596	1,069	49.4
Interest	32	16	20	39	15	(53.5)	(62.0)	107	169	(36.6)
Exceptional Item	(745)	-	-	(468)	(2,934)			(1,213)	(588)	
PBT	2,036	900	1,654	2,653	4,913	141.3	85.2	7,243	3,044	138.0
Total Tax	530	216	454	717	1,212	128.7	69.0	1,918	739	159.4
Reported PAT	1,506	683	1,200	1,936	3,701	145.7	91.2	5,325	2,304	131.1
Adjusted PAT	955	683	1,200	1,594	1,491	56.2	(5.8)	4,433	1,859	138.4
Adj. EPS	4.5	3.2	5.7	7.5	7.0	56.2	(5.8)	20.9	8.8	138.4
Margins (%)	Q1CY21	Q2CY21	Q3CY21	Q4CY21	Q1CY22	bps	bps	CY21	CY20	bps
EBIDTA	6.4	6.6	9.5	8.8	9.5	319	73	8.0	4.7	329
EBIT	4.8	4.7	8.0	7.7	8.2	344	51	6.5	2.7	387
EBT	12.5	6.3	9.3	12.6	25.0	1,246	1,234	10.4	5.2	522
PAT	5.9	4.8	6.7	7.6	7.6	172	(1)	6.4	3.2	320
Effective Tax rate	26.0	24.1	27.5	27.0	24.7	(136)	(237)	26.5	24.3	219

Source: Company, PL

Exhibit 2: Segmental Performance

Segmental Performance	Q1CY21	Q2CY21	Q3CY21	Q4CY21	Q1CY22	YoY gr. (%)	QoQ gr. (%)	CY21	CY20	YoY gr. (%)
Revenue										
Robotics & Discrete Automation	480	890	639	544	647	34.9	18.8	2,553	1,552	64.5
Motion	6,312	5,005	7,002	7,599	7,157	13.4	(5.8)	25,917	22,381	15.8
Electrification	6,330	5,766	6,933	8,493	8,610	36.0	1.4	27,522	22,224	23.8
Process Automation	3,256	2,674	3,396	4,708	3,421	5.1	(27.3)	14,034	12,850	9.2
Others	247	90	108	60	111	(55.2)	83.1	505	437	15.4
Less Intersegmental	(332)	(174)	(294)	(390)	(261)	(21.3)	(33.0)	(1,190)	(1,234)	(3.6)
Total	16,292	14,250	17,784	21,015	19,684	20.8	(6.3)	69,340	58,210	19.1
EBIT										
Robotics & Discrete Automation	53	46	76	28	57	7.7	103.2	203	47	331.1
<i>EBIT margin (%)</i>	<i>11.1</i>	<i>5.1</i>	<i>11.9</i>	<i>5.2</i>	<i>8.8</i>			<i>7.9</i>	<i>3.0</i>	
Motion	896	550	762	1,032	954	6.5	(7.6)	3,239	2,416	34.1
<i>EBIT margin (%)</i>	<i>14.2</i>	<i>11.0</i>	<i>10.9</i>	<i>13.6</i>	<i>13.3</i>			<i>12.5</i>	<i>10.8</i>	
Electrification	745	394	835	1,086	1,180	58.4	8.7	3,060	2,344	30.6
<i>EBIT margin (%)</i>	<i>11.8</i>	<i>6.8</i>	<i>12.0</i>	<i>12.8</i>	<i>13.7</i>			<i>11.1</i>	<i>10.5</i>	
Process Automation	285	161	422	411	354	24.3	(13.8)	1,279	(569)	NA
<i>EBIT margin (%)</i>	<i>8.8</i>	<i>6.0</i>	<i>12.4</i>	<i>8.7</i>	<i>10.4</i>			<i>9.1</i>	<i>(4.4)</i>	

Source: Company, PL

Conference Call Highlights:

- Management indicated strong order book execution, reviving demand scenario price hike and volume growth which will result in strong revenue growth.
- Dependence on core sector has been reduced in past few years and company's offering is now broad based with major portion of short cycle products.
- Revenue contribution- Products (77%), Services (14%), Projects (9%).
- Improving product mix and operational efficiency resulted in margin improvement during the quarter.
- Employee cost increase was due to salary revision and bonuses issued.
- Other expenses increased due to higher freight cost and increasing travel expenses.
- Focus is on growth segment such as renewables, water & wastewater, logistics, Electronics, F&B, Pharma etc. which accounts 85% of the business.
- Inventory during the quarter had increased to mitigate risk of supply chain disruption and meet execution timeline.
- Demand scenario continues to remain strong along with strong enquiry level.
- Management indicated it has been continuously investing for expansion and is looking for organic as well as inorganic route of expansion.
- Management expects PBT margin to reach double digit in CY22.

Segment wise

- **Electrification:** Order inflow came in at Rs9.2bn, mainly due to strong customer connect and penetration in Tier II & 3 markets. Revenue growth was driven by across division. Better product mix and improved price realization helped offset increase in commodity prices.
- **Motion:** Order inflow came in at Rs8.9bn (up 28% YoY) led by customer engagement, Tier II & 3 markets and good contribution from Channel Business & Exports. Orders growth was driven by price increase (18-20% price increase) and volume growth (8-10%). Revenue growth was witnessed across business division.
- **Process Automation:** Order inflow came in at Rs4.6bn from steel, paint and downstream units. Customer focus has increased towards resource efficiency, new renewable energy models and energy transition.
- **Robotics:** Order inflow came in at Rs800mn including order from service order for system upgrades. Automotive segment is showing signs of recovery.

Financials

Income Statement (Rs m)

Y/e Dec	CY20	CY21	CY22E	CY23E
Net Revenues	58,210	69,340	81,107	95,979
YoY gr. (%)	(20.4)	19.1	17.0	18.3
Cost of Goods Sold	37,059	44,154	50,976	60,419
Gross Profit	21,151	25,187	30,131	35,560
Margin (%)	36.3	36.3	37.2	37.1
Employee Cost	5,680	5,882	6,326	6,959
Other Expenses	5,786	5,865	7,381	8,878
EBITDA	2,759	5,567	7,137	9,406
YoY gr. (%)	(48.0)	101.8	28.2	31.8
Margin (%)	4.7	8.0	8.8	9.8
Depreciation and Amortization	1,204	1,027	1,161	1,321
EBIT	1,556	4,540	5,977	8,085
Margin (%)	2.7	6.5	7.4	8.4
Net Interest	169	107	130	154
Other Income	1,069	1,596	1,719	2,064
Profit Before Tax	3,044	7,243	7,566	9,995
Margin (%)	5.2	10.4	9.3	10.4
Total Tax	739	1,918	1,907	2,519
Effective tax rate (%)	24.3	26.5	25.2	25.2
Profit after tax	2,304	5,325	5,660	7,476
Minority interest	-	-	-	-
Share Profit from Associate	-	-	-	-
Adjusted PAT	1,859	4,433	5,660	7,476
YoY gr. (%)	(46.8)	138.4	27.7	32.1
Margin (%)	3.2	6.4	7.0	7.8
Extra Ord. Income / (Exp)	445	892	-	-
Reported PAT	2,304	5,325	5,660	7,476
YoY gr. (%)	(23.8)	131.1	6.3	32.1
Margin (%)	4.0	7.7	7.0	7.8
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	2,304	5,325	5,660	7,476
Equity Shares O/s (m)	212	212	212	212
EPS (Rs)	8.8	20.9	26.7	35.3

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Dec	CY20	CY21	CY22E	CY23E
Non-Current Assets				
Gross Block	10,950	11,724	14,224	16,724
Tangibles	10,950	11,724	14,224	16,724
Intangibles	-	-	-	-
Acc: Dep / Amortization	3,321	3,741	4,901	6,222
Tangibles	3,321	3,741	4,901	6,222
Intangibles	-	-	-	-
Net fixed assets	7,630	7,983	9,322	10,501
Tangibles	7,630	7,983	9,322	10,501
Intangibles	-	-	-	-
Capital Work In Progress	946	956	956	956
Goodwill	-	-	-	-
Non-Current Investments	100	87	285	338
Net Deferred tax assets	1,172	939	939	939
Other Non-Current Assets	5,221	4,410	5,880	8,638
Current Assets				
Investments	1	-	-	-
Inventories	8,408	10,091	10,888	11,833
Trade receivables	16,950	18,838	21,110	24,981
Cash & Bank Balance	22,066	26,877	27,373	28,402
Other Current Assets	4,362	3,672	5,677	6,719
Total Assets	74,733	79,789	89,036	101,294
Equity				
Equity Share Capital	424	424	424	424
Other Equity	35,640	40,028	43,990	49,223
Total Networkth	36,064	40,452	44,414	49,647
Non-Current Liabilities				
Long Term borrowings	449	185	185	185
Provisions	-	-	-	-
Other non current liabilities	-	-	-	-
Current Liabilities				
ST Debt / Current of LT Debt	133	181	181	181
Trade payables	17,207	19,613	22,221	26,296
Other current liabilities	22,051	20,296	22,973	25,923
Total Equity & Liabilities	74,733	79,789	89,036	101,294

Source: Company Data, PL Research

Cash Flow (Rs m)

Y/e Dec	CY20	CY21	CY22E	CY23E
PBT	2,894	7,072	7,566	9,995
Add. Depreciation	1,204	1,027	1,161	1,321
Add. Interest	169	107	130	154
Less Financial Other Income	1,069	1,596	1,719	2,064
Add. Other	78	(1,598)	-	-
Op. profit before WC changes	4,344	6,608	8,857	11,470
Net Changes-WC	(130)	1,015	(2,125)	(3,025)
Direct tax	(1,033)	(1,131)	(1,907)	(2,519)
Net cash from Op. activities	3,182	6,492	4,825	5,926
Capital expenditures	310	(913)	(2,500)	(2,500)
Interest / Dividend Income	639	503	-	-
Others	3,476	(19,669)	(2)	0
Net Cash from Invt. activities	4,424	(20,079)	(2,502)	(2,500)
Issue of share cap. / premium	-	-	-	-
Debt changes	(337)	(102)	-	-
Dividend paid	(1,017)	(1,060)	(1,698)	(2,243)
Interest paid	(169)	(107)	(130)	(154)
Others	-	-	-	-
Net cash from Fin. activities	(1,523)	(1,268)	(1,828)	(2,396)
Net change in cash	6,084	(14,855)	495	1,029
Free Cash Flow	1,968	4,770	2,325	3,426

Source: Company Data, PL Research

Key Financial Metrics

Y/e Dec	CY20	CY21	CY22E	CY23E
Per Share(Rs)				
EPS	8.8	20.9	26.7	35.3
CEPS	14.5	25.8	32.2	41.5
BVPS	170.2	190.9	209.6	234.3
FCF	9.3	22.5	11.0	16.2
DPS	5.0	5.2	8.0	10.6
Return Ratio(%)				
RoCE	4.3	11.7	14.0	17.1
ROIC	8.5	28.2	29.0	31.8
RoE	5.2	11.6	13.3	15.9
Balance Sheet				
Net Debt : Equity (x)	(0.6)	(0.7)	(0.6)	(0.6)
Net Working Capital (Days)	51	49	44	40
Valuation(x)				
PER	253.1	106.2	83.2	63.0
P/B	13.1	11.6	10.6	9.5
P/CEPS	153.7	86.2	69.0	53.5
EV/EBITDA	162.8	79.8	62.2	47.1
EV/Sales	7.7	6.4	5.5	4.6
Dividend Yield (%)	0.2	0.2	0.4	0.5

Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Dec	Q2CY21	Q3CY21	Q4CY21	Q1CY22
Net Revenue	14,250	17,784	21,015	19,684
YoY gr. (%)	44.6	10.3	23.6	20.8
Raw Material Expenses	9,099	11,037	13,621	12,429
Gross Profit	5,150	6,747	7,394	7,255
Margin (%)	36.1	37.9	35.2	36.9
EBITDA	948	1,689	1,852	1,879
YoY gr. (%)	304.2	39.2	117.1	81.5
Margin (%)	6.6	9.5	8.8	9.5
Depreciation / Depletion	284	263	227	257
EBIT	664	1,426	1,625	1,622
Margin (%)	4.7	8.0	7.7	8.2
Net Interest	16	20	39	15
Other Income	252	248	599	373
Profit before Tax	900	1,654	2,653	4,913
Margin (%)	6.3	9.3	12.6	25.0
Total Tax	216	454	717	1,212
Effective tax rate (%)	24.1	27.5	27.0	24.7
Profit after Tax	683	1,200	1,936	3,701
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
Adjusted PAT	683	1,200	1,594	1,491
YoY gr. (%)	307.9	40.3	156.3	56.2
Margin (%)	4.8	6.7	7.6	7.6
Extra Ord. Income / (Exp)	-	-	342	2,210
Reported PAT	683	1,200	1,936	3,701
YoY gr. (%)	307.9	40.3	211.2	145.7
Margin (%)	4.8	6.7	9.2	18.8
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	683	1,200	1,936	3,701
Avg. Shares O/s (m)	212	212	212	212
EPS (Rs)	3.2	5.7	7.5	7.0

Source: Company Data, PL Research

Price Chart
Recommendation History


No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	08-Apr-22	Hold	2,209	2,192
2	11-Feb-22	Hold	2,209	2,179
3	11-Jan-22	UR	-	2,288
4	28-Oct-21	Hold	1,832	1,875
5	05-Oct-21	UR	-	1,878
6	29-Jul-21	Hold	1,687	1,684
7	06-Jul-21	UR	-	1,758

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	ABB India	Hold	2,209	2,192
2	Apar Industries	BUY	830	666
3	Bharat Electronics	BUY	258	234
4	BHEL	Sell	34	57
5	Cummins India	Accumulate	1,032	1,113
6	Engineers India	BUY	89	69
7	GE T&D India	Hold	102	105
8	Kalpataru Power Transmission	BUY	467	394
9	KEC International	Accumulate	451	375
10	Larsen & Toubro	BUY	2,357	1,826
11	Siemens	Accumulate	2,602	2,470
12	Thermax	Accumulate	2,158	1,970
13	Triveni Turbine	BUY	244	202
14	Voltamp Transformers	Accumulate	2,215	2,075

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. Amit Anwani- MBA (Finance), Mr. Nilesh Soni- BCom, MBA (Finance) 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 a registered with SEBI under the SEBI (Research Analysts) Regulation, 2014 and having registration number INH000000271.

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. Amit Anwani- MBA (Finance), Mr. Nilesh Soni- BCom, MBA (Finance) 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