

July 23, 2022

Q1FY23 Result Update

Change in Estimates | Target | Reco

Change in Estimates

	Current		Previous	
	FY23E	FY24E	FY23E	FY24E
Rating	HOLD		HOLD	
Target Price	3,500		3,490	
Sales (Rs. m)	78,779	91,913	77,619	90,586
% Chng.	1.5	1.5		
EBITDA (Rs. m)	13,678	16,145	13,359	15,911
% Chng.	2.4	1.5		
EPS (Rs.)	111.9	129.6	112.8	129.2
% Chng.	(0.8)	0.3		

Key Financials - Consolidated

Y/e Mar	FY21	FY22	FY23E	FY24E
Sales (Rs. m)	41,879	57,107	78,779	91,913
EBITDA (Rs. m)	6,830	9,582	13,678	16,145
Margin (%)	16.3	16.8	17.4	17.6
PAT (Rs. m)	4,507	6,904	8,952	10,367
EPS (Rs.)	56.4	86.3	111.9	129.6
Gr. (%)	32.4	53.2	29.7	15.8
DPS (Rs.)	14.7	22.6	29.3	37.3
Yield (%)	0.4	0.6	0.8	1.0
RoE (%)	17.4	22.4	24.3	23.8
RoCE (%)	19.5	23.5	25.6	25.9
EV/Sales (x)	6.2	4.7	3.4	2.6
EV/EBITDA (x)	38.3	28.1	19.7	14.9
PE (x)	64.5	42.1	32.5	28.0
P/BV (x)	9.9	8.2	7.0	5.3

Key Data

PERS.BO | PSYS IN

52-W High / Low	Rs.4,988 / Rs.2,813
Sensex / Nifty	56,072 / 16,719
Market Cap	Rs.278bn/ \$ 3,477m
Shares Outstanding	76m
3M Avg. Daily Value	Rs.1097.95m

Shareholding Pattern (%)

Promoter's	31.26
Foreign	20.45
Domestic Institution	25.94
Public & Others	22.35
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	12.9	(15.5)	28.4
Relative	6.2	(12.9)	21.3

Aditi Patil

aditipatil@plindia.com | 91-22-66322258

Consistent strong performance

Quick Pointers:

- Resilient EBIT margin at 14.3%, +30bps QoQ amidst supply side pressures.
- Strong deal win TCV at \$394 mn, 9% QoQ, 61% YoY with 58% net new wins

Persistent reported revenue of \$241.5mn, 11.1% QoQ USD above our estimate of 9.7%. Organic business grew 5.6% QoQ USD while Data Glove and Media Agility (2 months' integration) acquisitions contributed remaining 5.5% to growth. Deal wins were strong given TCV of \$394mn, 9% QoQ, 61% YoY with 58% net new wins. Management mentioned that demand continues to be robust, but clients are now also focusing on cost optimization initiatives (example: outsourcing product engineering/R&D) and Persistent is well placed to capture to this demand. EBIT margin was resilient at 14.3%, +30bps despite higher amortization charge, supply side pressures, visa and project travel related costs. In Q2FY22, there will be 250-300bps impact of higher than normal wage hike roll-out which is expected to be partially offset by productivity levers (utilization, offshore, pyramid).

Our EPS estimates remain largely unchanged as slight increase in revenue and margin due to beat in Q1 is offset by lower other income. We continue to value Persistent on 27x (FY24 EPS) to arrive at TP of Rs.3500. Persistent is currently trading at 32x/28x earnings multiple on FY23/24 EPS of INR 112/130 respectively with Revenue/EPS CAGR of 24%/23% over FY22-24. Maintain 'Hold'.

- Sustained strong deal TCV:** Deal TCV of \$394mn, 9% QoQ, 61% YoY with 58% net new wins. ACV stood at \$263mn, flat QoQ, 39% YoY with 53% net new wins. Persistent won a large 7-year deal with TCV of \$50mn+ with a European Software company in outsourcing R&D space. Persistent has also seen early synergy led wins from acquisitions – Data Glove and Media Agility.
- IP led revenue declined 12.6% QoQ USD, led by low royalty income due to ongoing restructuring of IP based into T&M pricing with top client and partner IP channel showing strong growth in Q4FY22.
- Margin levers to payout in H2FY23:** Pyramid optimization, lower sub-con costs as travel opens up and potential revenue synergies from acquisition will also benefit margins going forward. Utilization (blended) further decreased by 110bps QoQ to 79.5%, but there is scope of improvement. Persistent is able to get improved pricing on new orders and on some of renewal contracts. COLA clauses are now included in all renewals and new deal contracts.
- Strong hiring momentum, attrition at elevated levels:** Persistent did strong net headcount addition of 3039 employees, 16.3% QoQ including 545 employees from Media Agility acquisition. Persistent added 1095 fresh graduates in Q1 and plans to add another 1350 in Q2. LTM attrition declined to 24.8% (-180bps QoQ). Excluding freshers attrition was 26.3%. Attrition is expected to come down gradually with increased fresher hiring.

Exhibit 1: Q1FY23 Result Summary

Particulars (Rs mn)	1QFY23	4QFY22	QoQ gr.	1QFY22	YoY gr.	Ple	Var (ACT. Vs. Est)
Sales (USD mn)	242	217	11.1%	167	44.8%	238	1.3%
Sales	18,781	16,379	14.7%	12,299	52.7%	18,409	2.0%
EBITDA	3,333	2,812	18.5%	2,015	65.4%	3,111	7.1%
<i>EBITDA Margins</i>	<i>17.7%</i>	<i>17.2%</i>	<i>58bp</i>	<i>16.4%</i>	<i>136bp</i>	<i>16.9%</i>	<i>84.6</i>
EBIT	2,688	2,300	16.8%	1,665	61.4%	2,522	6.6%
<i>EBIT Margins</i>	<i>14.3%</i>	<i>14.0%</i>	<i>27bp</i>	<i>13.5%</i>	<i>77bp</i>	<i>13.7%</i>	<i>61.1</i>
PAT	2,116	2,010	5.3%	1,512	39.9%	2,177	-2.8%
EPS (diluted)	26.5	25.1	5.3%	18.9	39.9%	27.2	-2.8%

Source: Company, PL

Exhibit 2: Strong Deal win momentum

Deal win TCV	Q3FY21	Q4FY21	Q1FY22	Q2FY22	Q3FY22	Q4FY22	Q1FY23
Deal TCV	302	246.5	244.8	282.5	334.3	361.0	394
<i>QoQ</i>		<i>-18%</i>	<i>-1%</i>	<i>15%</i>	<i>18%</i>	<i>8%</i>	<i>9%</i>
New Deal TCV	175.5	137.7	147.7	149.3	157.6	195.1	230.3
<i>New Deal (%)</i>	<i>58%</i>	<i>56%</i>	<i>60%</i>	<i>53%</i>	<i>47%</i>	<i>54%</i>	<i>58%</i>
Deal ACV	256	200.7	188.8	201.1	291.3	261.9	263
<i>QoQ</i>		<i>-22%</i>	<i>-6%</i>	<i>7%</i>	<i>45%</i>	<i>-10%</i>	<i>0%</i>
New Deal ACV	140.1	96.9	93.5	108.8	128.6	131	139.8
<i>New Deal</i>		<i>48%</i>	<i>50%</i>	<i>54%</i>	<i>44%</i>	<i>50%</i>	<i>53%</i>

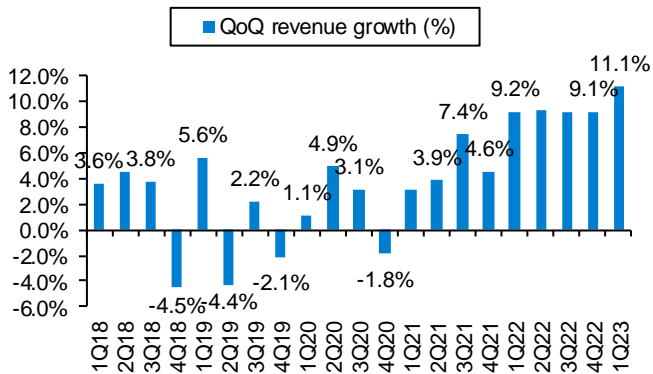
Source: Company, PL

Exhibit 3: Change in Estimates

	FY23E	FY24E
USD revenues (US\$ m)		
- New	1,019	1,178
- Old	1,005	1,161
<i>Change (%)</i>	<i>1.3%</i>	<i>1.5%</i>
EBIT Margin		
- New	13.9%	14.1%
- Old	13.8%	14.1%
<i>Change (%)</i>	<i>10 bps</i>	<i>0 bps</i>
Recurring EPS - Fully diluted (Rs)		
- New	111.9	129.6
- Old	112.8	129.2
<i>Change (%)</i>	<i>-0.8%</i>	<i>0.3%</i>

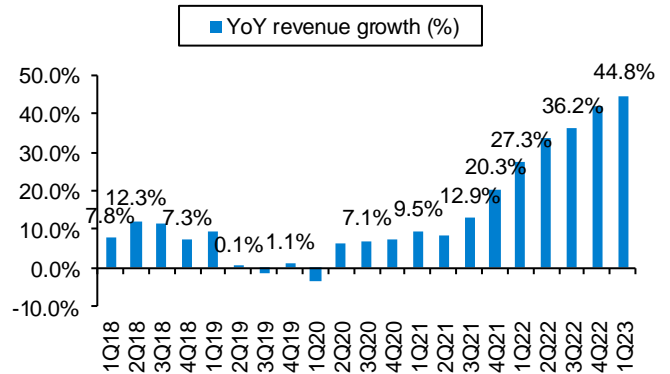
Source: Company, PL

Exhibit 4: Strong 9%+ QoQ growth for last 5 quarters



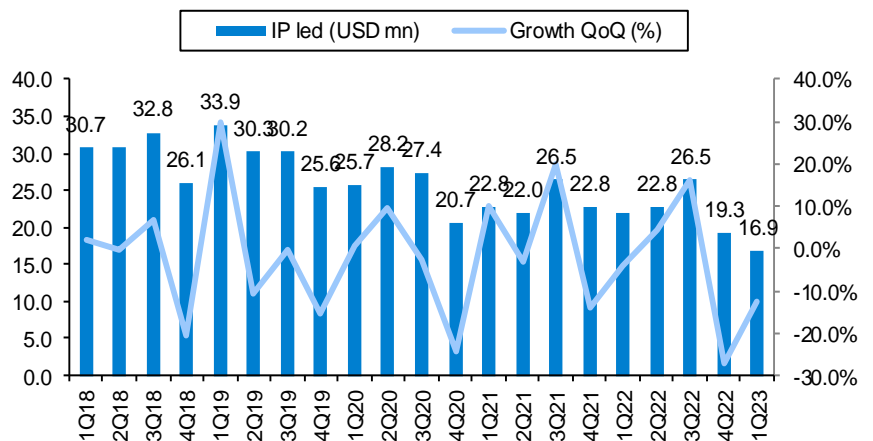
Source: Company, PL

Exhibit 5: Strong YoY growth momentum



Source: Company, PL

Exhibit 6: Restructuring of contract from license based to T&M pricing led to sharp decline in IP led business



Source: Company, PL

Exhibit 7: Geography-wise revenues

USD in Mn	1QFY23	4QFY22	QoQ gr.	1QFY22	YoY gr.
America	189.3	170.8	10.9%	131.6	43.9%
Europe	20.5	18.3	12.5%	15.8	29.5%
APAC	31.6	28.2	12.0%	19.3	63.5%
Total	241.5	217.3	11%	166.8	44.8%
-as a % of sales					
America	78.4%	78.6%	-20bp	78.9%	-50bp
Europe	8.5%	8.4%	10bp	9.5%	-100bp
APAC	13.1%	13.0%	10bp	11.6%	150bp

Source: Company, PL

Exhibit 8: Vertical-wise revenues

USD in Mn	1QFY23	4QFY22	QoQ gr.	1QFY22	YoY gr.
BFSI	81.39	70.41	15.6%	51.37	58.4%
Healthcare & Life Science	48.06	44.98	6.8%	34.19	40.5%
Tech. Cos. & Emerging Verticals	112.06	101.91	10.0%	81.23	37.9%
Total	241.50	217.30	11.1%	166.80	44.8%
-as a % of sales					
BFSI	33.70%	32.40%	130bp	30.80%	290bp
Healthcare & Life Science	19.90%	20.70%	-80bp	20.50%	-60bp
Tech. Cos. & Emerging Verticals	46.40%	46.90%	-50bp	48.70%	-230bp

Source: Company, PL

Financials

Income Statement (Rs m)

Y/e Mar	FY21	FY22	FY23E	FY24E
Net Revenues	41,879	57,107	78,779	91,913
YoY gr. (%)	17.4	36.4	37.9	16.7
Employee Cost	27,650	37,895	52,181	60,382
Gross Profit	14,229	19,213	26,597	31,531
Margin (%)	34.0	33.6	33.8	34.3
SG&A Expenses	-	-	-	-
Other Expenses	7,398	9,631	12,919	15,387
EBITDA	6,830	9,582	13,678	16,145
YoY gr. (%)	38.6	40.3	42.8	18.0
Margin (%)	16.3	16.8	17.4	17.6
Depreciation and Amortization	1,756	1,660	2,745	3,217
EBIT	5,075	7,922	10,933	12,928
Margin (%)	12.1	13.9	13.9	14.1
Net Interest	-	-	-	-
Other Income	1,020	1,321	1,091	1,042
Profit Before Tax	6,094	9,243	12,025	13,969
Margin (%)	14.6	16.2	15.3	15.2
Total Tax	1,588	2,339	3,073	3,603
Effective tax rate (%)	26.1	25.3	25.6	25.8
Profit after tax	4,507	6,904	8,952	10,367
Minority interest	-	-	-	-
Share Profit from Associate	-	-	-	-
Adjusted PAT	4,507	6,904	8,952	10,367
YoY gr. (%)	32.4	53.2	29.7	15.8
Margin (%)	10.8	12.1	11.4	11.3
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	4,507	6,904	8,952	10,367
YoY gr. (%)	32.4	53.2	29.7	15.8
Margin (%)	10.8	12.1	11.4	11.3
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	4,507	6,904	8,952	10,367
Equity Shares O/s (m)	76	76	76	69
EPS (Rs)	56.4	86.3	111.9	129.6

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY21	FY22	FY23E	FY24E
Non-Current Assets				
Gross Block	4,484	12,546	13,546	14,246
Tangibles	3,254	4,276	4,776	5,126
Intangibles	1,230	8,270	8,770	9,120
Acc: Dep / Amortization	-	-	-	-
Tangibles	-	-	-	-
Intangibles	-	-	-	-
Net fixed assets	4,484	12,546	13,546	14,246
Tangibles	3,254	4,276	4,776	5,126
Intangibles	1,230	8,270	8,770	9,120
Capital Work In Progress	122	1,071	1,071	1,071
Goodwill	86	2,790	2,790	2,790
Non-Current Investments	3,782	7,740	7,840	7,940
Net Deferred tax assets	1,038	1,123	1,123	1,123
Other Non-Current Assets	442	532	532	532
Current Assets				
Investments	6,375	4,347	4,347	4,347
Inventories	-	-	-	-
Trade receivables	5,709	9,484	11,871	13,850
Cash & Bank Balance	9,809	9,144	9,891	14,610
Other Current Assets	2,272	2,132	2,182	2,232
Total Assets	36,656	54,141	58,164	66,288
Equity				
Equity Share Capital	764	764	764	764
Other Equity	27,192	32,918	39,175	46,422
Total Networkth	27,957	33,682	39,939	47,186
Non-Current Liabilities				
Long Term borrowings	44	3,915	4,915	4,915
Provisions	241	246	246	246
Other non current liabilities	-	-	-	-
Current Liabilities				
ST Debt / Current of LT Debt	222	1,525	1,525	1,525
Trade payables	3,124	4,299	4,964	5,792
Other current liabilities	4,352	8,386	4,487	4,537
Total Equity & Liabilities	36,655	54,141	58,164	66,288

Source: Company Data, PL Research

Cash Flow (Rs m)

Y/e Mar	FY21	FY22	FY23E	FY24E
PBT	6,094	9,243	12,025	13,969
Add. Depreciation	1,756	1,660	2,745	3,217
Add. Interest	(559)	(600)	(533)	(480)
Less Financial Other Income	1,020	1,321	1,091	1,042
Add. Other	-	921	-	-
Op. profit before WC changes	-	11,224	14,236	16,706
Net Changes-WC	1,578	(407)	(5,511)	(1,828)
Direct tax	(1,582)	(2,339)	(3,073)	(3,603)
Net cash from Op. activities	-	8,478	5,652	11,276
Capital expenditures	(1,638)	(9,840)	(3,745)	(3,917)
Interest / Dividend Income	-	719	533	480
Others	(3,717)	2,992	-	-
Net Cash from Invt. activities	-	(6,129)	(3,212)	(3,437)
Issue of share cap. / premium	-	-	-	-
Debt changes	(5)	3,928	-	-
Dividend paid	-	(1,987)	(2,238)	(2,592)
Interest paid	(319)	(118)	-	-
Others	9	-	(457)	(529)
Net cash from Fin. activities	(315)	1,823	(2,694)	(3,120)
Net change in cash	-	4,172	(254)	4,719
Free Cash Flow	-	(1,469)	1,907	7,359

Source: Company Data, PL Research

Key Financial Metrics

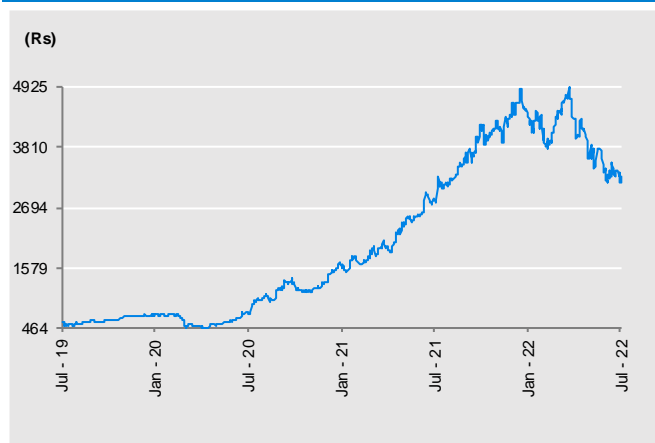
Y/e Mar	FY21	FY22	FY23E	FY24E
Per Share(Rs)				
EPS	56.4	86.3	111.9	129.6
CEPS	81.9	112.1	153.0	195.5
BVPS	365.8	440.7	522.6	679.2
FCF	-	(19.2)	25.0	105.9
DPS	14.7	22.6	29.3	37.3
Return Ratio(%)				
RoCE	19.5	23.5	25.6	25.9
ROIC	31.2	23.1	25.3	27.7
RoE	17.4	22.4	24.3	23.8
Balance Sheet				
Net Debt : Equity (x)	(0.6)	(0.2)	(0.2)	(0.3)
Debtor (Days)	50	61	55	55
Valuation(x)				
PER	64.5	42.1	32.5	28.0
P/B	9.9	8.2	7.0	5.3
P/CEPS	81.9	112.1	153.0	195.5
EV/EBITDA	38.3	28.1	19.7	14.9
EV/Sales	6.2	4.7	3.4	2.6
Dividend Yield (%)	0.4	0.6	0.8	1.0

Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q2FY22	Q3FY22	Q4FY22	Q1FY23
Net Revenue	13,512	14,917	16,379	18,781
YoY gr. (%)	34.1	38.7	47.1	52.7
Raw Material Expenses	8,982	9,880	10,859	12,433
Gross Profit	4,530	5,037	5,519	6,348
Margin (%)	33.5	33.8	33.7	33.8
EBITDA	2,244	2,511	2,812	3,333
YoY gr. (%)	35.4	37.6	49.3	65.4
Margin (%)	16.6	16.8	17.2	17.7
Depreciation / Depletion	371	428	511	645
EBIT	1,873	2,083	2,300	2,688
Margin (%)	13.9	14.0	14.0	14.3
Net Interest	-	-	-	-
Other Income	303	281	371	131
Profit before Tax	2,176	2,364	2,672	2,819
Margin (%)	16.1	15.8	16.3	15.0
Total Tax	559	600	662	703
Effective tax rate (%)	25.7	25.4	24.8	24.9
Profit after Tax	1,618	1,764	2,010	2,116
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
Adjusted PAT	1,618	1,764	2,010	2,116
YoY gr. (%)	58.6	45.9	45.9	39.9
Margin (%)	12.0	11.8	12.3	11.3
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	1,618	1,764	2,010	2,116
YoY gr. (%)	58.6	45.9	45.9	39.9
Margin (%)	12.0	11.8	12.3	11.3
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	1,618	1,764	2,010	2,116
Avg. Shares O/s (m)	80	80	80	80
EPS (Rs)	20.2	22.1	25.1	26.5

Source: Company Data, PL Research

Price Chart
Recommendation History


No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	04-Jul-22	Hold	3,490	3,329
2	28-Apr-22	BUY	4,915	4,309
3	05-Apr-22	BUY	5,160	4,792
4	23-Jan-22	BUY	4,970	4,302
5	04-Jan-22	BUY	4,808	4,872
6	28-Oct-21	BUY	4,641	4,060
7	05-Oct-21	BUY	3,994	3,714
8	01-Oct-21	BUY	3,954	3,716
9	06-Aug-21	BUY	3,603	3,118
10	25-Jul-21	Hold	2,851	3,039

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Affle (India)	BUY	1,342	1,009
2	Coforge	BUY	4,095	3,488
3	Cyient	Hold	776	799
4	HCL Technologies	Hold	982	928
5	Infosys	Accumulate	1,646	1,479
6	L&T Technology Services	Hold	3,184	3,093
7	Larsen & Toubro Infotech	Accumulate	4,280	3,874
8	Mindtree	Accumulate	3,131	2,901
9	Mphasis	Hold	2,421	2,241
10	Persistent Systems	Hold	3,490	3,329
11	Redington (India)	BUY	162	127
12	Sonata Software	Accumulate	694	655
13	Tata Consultancy Services	Accumulate	3,607	3,265
14	TeamLease Services	Accumulate	3,642	3,300
15	Tech Mahindra	Hold	1,065	1,011
16	Wipro	Hold	418	412
17	Zensar Technologies	Hold	279	270

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, Ms. Aditi Patil- 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 Ms. Aditi Patil- 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