

August 5, 2022

Q1FY23 Result Update

☑ Change in Estimates | ☑ Target | ■ Reco

Change in Estimates

	Current		Previous	
	FY23E	FY24E	FY23E	FY24E
Rating	HOLD		HOLD	
Target Price	1,030		1,071	
Sales (Rs. m)	90,961	1,02,873	94,489	1,09,739
% Chng.	(3.7)	(6.3)		
EBITDA (Rs. m)	8,459	9,979	8,787	10,645
% Chng.	(3.7)	(6.3)		
EPS (Rs.)	22.1	26.2	22.7	27.7
% Chng.	(2.5)	(5.4)		

Key Financials - Consolidated

Y/e Mar	FY21	FY22	FY23E	FY24E
Sales (Rs. m)	75,558	79,345	90,961	1,02,873
EBITDA (Rs. m)	6,414	6,816	8,459	9,979
Margin (%)	8.5	8.6	9.3	9.7
PAT (Rs. m)	5,251	5,060	7,323	8,672
EPS (Rs.)	15.9	15.3	22.1	26.2
Gr. (%)	(7.6)	(3.6)	44.7	18.4
DPS (Rs.)	5.0	5.3	8.5	10.3
Yield (%)	0.5	0.5	0.8	1.0
RoE (%)	11.3	9.6	12.6	13.6
RoCE (%)	16.4	15.0	17.2	18.3
EV/Sales (x)	4.3	4.1	3.5	3.1
EV/EBITDA (x)	50.9	47.6	38.0	32.0
PE (x)	63.0	65.4	45.2	38.1
P/BV (x)	6.6	6.0	5.4	5.0

Key Data

VOLT.BO | VOLT IN

52-W High / Low	Rs.1,357 / Rs.923
Sensex / Nifty	58,299 / 17,382
Market Cap	Rs.331bn / \$ 4,164m
Shares Outstanding	331m
3M Avg. Daily Value	Rs.1401.79m

Shareholding Pattern (%)

Promoter's	30.30
Foreign	24.67
Domestic Institution	29.44
Public & Others	15.59
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	3.6	(19.0)	(3.1)
Relative	(5.4)	(18.5)	(9.7)

Mayank Bhandari

mayankbhandari@plindia.com |

Voltas (VOLT IN)

Rating: HOLD | CMP: Rs1,000 | TP: Rs1,030

Market share rebound, margin headwind persists

Quick Pointers:

- Market share recovered to 24.1% in Jun-22 vs ~19% of Mar-22.
- Margin headwind persists amid rising inflation and competition.

Voltas share price corrected after Q4FY22 results, over concerns of losing market share in room AC segment. However, it recovered to 24.1% in Jun-22 as compared to 23.4% YTD in Mar-22 (vs 25.8% YTD Nov-21), thanks to pricing action and customer centric scheme. Market share recovery has also happened at the expense of margins (6.4% in 1QFY23) and management indicated prolonged weakness in margins, due to rising inflation and competition. We believe that Voltas will be able to fully recover its market share in the near term, with its strong brand presence and wide product portfolio.

We continue to like VOLT for longer term given 1) leadership position in high potential RAC segment 2) balance sheet comfort (Rs6.45bn net cash) and 3) restructuring in B2B business to focus on B2C. We estimate 35% EPS CAGR over FY22-24 and maintain 'Hold' rating with SOTP based TP of Rs1,030 (valuing UCP business at 46x FY24EPS). We have not cut our target multiple for UCP segment as we believe the company will be able to fully recover market share, going forward.

Revenues grew by 55% YoY; PAT up by 10.6%: Sales grew 55% YoY to ~Rs27.4bn led by growth in UCP (+124% YoY). EMP business revenue declined by 34% YoY. EBITDA up by 30.3% YoY to Rs1.77bn, while EBITDA margins contracted by 120bps YoY to 6.4%. Gross margin declined by -440 bps YoY. In terms of segmental EBIT margin, UCP segment margin came at 7.7% (-457bps YoY) whereas EMPS margin came at 40.9% (-718bps YoY). PBT declined by 4% YoY to Rs1.91bn. Adj.PAT declined 10.6% YoY to Rs1.09bn.

Concall Takeaways: 1) Carry forward order book in EMPS segment was at Rs58.10bn (Domestic: Rs35.97bn and International: Rs22.14bn) as compared to Rs53.6bn in Mar-22 quarter. 2) Management highlighted that market share has recovered in southern markets. It remains market leader with overall 24.1% market share and 21.8% in inverter category 3) Management highlighted that price hike may not happen before festive season and improvement of margin may start from Q3 onwards. Industry has seen structural decline in margin and rising competition will keep margin under pressure. 4) Inventory level in the trade is 30-40 days and channel partners are now focusing on balancing inventory as season has ended. As BEE norms are kicking in, inventory level at company level remains high. Kicking in of BEE norms would further increase product pricing by 2-3% and price roll out may happen in late Q2. 5) It has given capex guidance of Rs4.5-5bn in next 2 years. 6) Spend on advertisement has led to dip in margins sequentially and Gross margins remains similar. 7) In terms of primary sales, industry has de-grown by almost 10% in FY22 vs FY19. In terms of volume secondary data: 1.3mn units in April, 1mn in May and 7,50,000 in June month. 8) In EMP projects, company expects margin will be normal for full year.

Exhibit 1: Q1FY23 Result Overview (Rs bn): Sales grew by 55% YoY to Rs27.7bn

Y/e March	Q1FY23	Q1FY22	YoY gr. (%)	Q4FY22	FY22	FY21	YoY gr. (%)
Net Sales	27,680	17,852	55.1	26,666	79,345	75,558	5.0
Expenditure							
Operating & Manufacturing Expenses	21,993	12,877	70.8	19,767	58,967	55,785	5.7
<i>% of Net Sales</i>	<i>79.5</i>	<i>72.1</i>	<i>7.3</i>	<i>74.1</i>	<i>74.3</i>	<i>73.8</i>	<i>0.5</i>
Gross Profit	5,687	4,976	14.3	6,898	20,378	19,773	3.1
<i>% of Net Sales</i>	<i>20.5</i>	<i>27.9</i>	<i>(7.3)</i>	<i>25.9</i>	<i>25.7</i>	<i>26.2</i>	<i>(0.5)</i>
Personnel Cost	1,505	1,474	2.1	1,600	6,176	6,017	2.6
<i>% of Net Sales</i>	<i>5.4</i>	<i>8.3</i>	<i>(2.8)</i>	<i>6.0</i>	<i>7.8</i>	<i>8.0</i>	<i>(0.2)</i>
Other Expenses	2,413	2,143	12.6	1,868	7,386	7,343	0.6
<i>% of Net Sales</i>	<i>8.7</i>	<i>12.0</i>	<i>(3.3)</i>	<i>7.0</i>	<i>9.3</i>	<i>9.7</i>	<i>(0.4)</i>
Total Expenditure	25,910	16,494	57.1	23,235	72,529	69,144	4.9
EBITDA	1,770	1,358	30.3	3,430	6,816	6,414	6.3
<i>Margin (%)</i>	<i>6.4</i>	<i>7.6</i>	<i>(1.2)</i>	<i>12.9</i>	<i>8.6</i>	<i>8.5</i>	<i>0.1</i>
Other income	268	750	(64.3)	372	1,892	1,889	0.2
Depreciation	85	86	(1.4)	94	373	339	9.9
EBIT	1,952	2,021	(3.4)	3,708	8,335	7,963	4.7
Interest	40	35	13.7	125	259	262	(1.1)
PBT	1,913	1,986	(3.7)	3,583	8,076	7,702	4.9
Total Taxes	508	456	11.3	647	1,927	1,804	6.8
<i>ETR (%)</i>	<i>26.6</i>	<i>23.0</i>	<i>3.6</i>	<i>18.1</i>	<i>23.9</i>	<i>23.4</i>	<i>0.4</i>
Share of JV/Associates	(310)	(306)	1.2	(289)	(1,103)	(610)	80.9
Minority Interest	6	6	-	0	-	37	(100.0)
Adj. PAT	1,089	1,218	(10.6)	2,648	5,046	5,251	(3.9)
Exceptional Items	-	-	-	-	-	-	-
Reported PAT	1,089	1,218	(10.6)	2,648	5,046	5,251	(3.9)

Source: Company, PL

Exhibit 2: Segmental breakup (Rs m)

Y/e March	Q1FY23	Q1FY22	YoY gr. (%)	Q4FY22	FY22	FY21	YoY gr. (%)
Revenues							
Unitary Cooling Products	21,622	9,631	124.5	18,184	48,819	42,185	15.7
Electro-Mechanical Projects & Services	4,547	6,884	(34.0)	6,918	24,705	28,786	(14.2)
Engineering Products & Services	1,243	1,151	8.1	1,235	4,887	3,595	35.9
EBIT							
Unitary Cooling Products	1,662	1,180	40.8	1,919	5,134	5,837	(12.0)
<i>EBIT margin (%)</i>	<i>7.7</i>	<i>12.3</i>	<i>(4.6)</i>	<i>10.6</i>	<i>10.5</i>	<i>13.8</i>	<i>(3.3)</i>
Electro-Mechanical Projects & Services	(125)	306	(140.8)	476	660	270	144.4
<i>EBIT margin (%)</i>	<i>(2.7)</i>	<i>4.4</i>	<i>(7.2)</i>	<i>6.9</i>	<i>2.7</i>	<i>0.9</i>	<i>1.7</i>
Engineering Products & Services	509	379	34.2	408	1,579	1,143	38.1
<i>EBIT margin (%)</i>	<i>40.9</i>	<i>32.9</i>	<i>8.0</i>	<i>33.0</i>	<i>32.3</i>	<i>31.8</i>	<i>0.5</i>

Source: Company, PL

Exhibit 3: SOTP based valuation

March-24	Basis	Multiple	EPS	Value (Rs)	Value %
UCP	P/E	46	19.2	882	86%
EMPS	P/E	13	3.3	43	4%
EPS	P/E	13	4.5	58	6%
Voltbek-JV	Investment	5	9.0	46	4%
TP (Rs)				1030	100%

Source: Company, PL

Financials

Income Statement (Rs m)

Y/e Mar	FY21	FY22	FY23E	FY24E
Net Revenues	75,558	79,345	90,961	1,02,873
YoY gr. (%)	(1.3)	5.0	14.6	13.1
Cost of Goods Sold	55,785	58,967	66,856	75,097
Gross Profit	19,773	20,378	24,105	27,776
Margin (%)	26.2	25.7	26.5	27.0
Employee Cost	6,017	6,176	7,004	7,921
Other Expenses	6,794	6,595	7,368	8,230
EBITDA	6,414	6,816	8,459	9,979
YoY gr. (%)	(6.6)	6.3	24.1	18.0
Margin (%)	8.5	8.6	9.3	9.7
Depreciation and Amortization	339	373	356	437
EBIT	6,075	6,443	8,104	9,541
Margin (%)	8.0	8.1	8.9	9.3
Net Interest	262	259	139	150
Other Income	1,889	1,892	2,333	2,506
Profit Before Tax	7,702	8,076	10,297	11,897
Margin (%)	10.2	10.2	11.3	11.6
Total Tax	1,804	1,913	2,574	2,974
Effective tax rate (%)	23.4	23.7	25.0	25.0
Profit after tax	5,898	6,163	7,723	8,922
Minority interest	37	-	-	-
Share Profit from Associate	(610)	(1,103)	(400)	(250)
Adjusted PAT	5,251	5,060	7,323	8,672
YoY gr. (%)	(7.6)	(3.6)	44.7	18.4
Margin (%)	7.0	6.4	8.1	8.4
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	5,251	5,060	7,323	8,672
YoY gr. (%)	1.5	(3.6)	44.7	18.4
Margin (%)	7.0	6.4	8.1	8.4
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	5,251	5,060	7,323	8,672
Equity Shares O/s (m)	331	331	331	331
EPS (Rs)	15.9	15.3	22.1	26.2

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY21	FY22	FY23E	FY24E
Non-Current Assets				
Gross Block	6,584	6,656	8,163	9,835
Tangibles	5,878	5,941	7,398	9,021
Intangibles	706	714	764	814
Acc: Dep / Amortization	3,427	3,542	3,739	4,126
Tangibles	2,806	2,899	3,059	3,407
Intangibles	621	643	680	719
Net fixed assets	3,157	3,114	4,424	5,709
Tangibles	3,072	3,042	4,339	5,614
Intangibles	85	72	85	95
Capital Work In Progress	88	593	88	88
Goodwill	723	723	723	723
Non-Current Investments	28,934	32,646	33,646	37,762
Net Deferred tax assets	558	317	491	551
Other Non-Current Assets	1,202	1,155	1,058	1,096
Current Assets				
Investments	2,493	4,343	8,186	10,287
Inventories	12,796	16,614	13,706	14,092
Trade receivables	18,009	21,097	21,681	23,957
Cash & Bank Balance	4,588	5,717	3,279	3,350
Other Current Assets	12,897	10,193	12,523	13,844
Total Assets	86,555	97,463	1,00,838	1,12,623
Equity				
Equity Share Capital	331	331	331	331
Other Equity	49,603	54,665	60,630	66,491
Total Network	49,933	54,996	60,961	66,822
Non-Current Liabilities				
Long Term borrowings	-	127	-	-
Provisions	899	1,030	-	1,132
Other non current liabilities	70	98	98	98
Current Liabilities				
ST Debt / Current of LT Debt	2,514	3,432	1,819	1,955
Trade payables	24,645	29,421	29,307	32,919
Other current liabilities	7,882	7,707	8,631	9,453
Total Equity & Liabilities	86,555	97,463	1,01,197	1,12,982

Source: Company Data, PL Research

Cash Flow (Rs m)

Y/e Mar	FY21	FY22	FY23E	FY24E
PBT	7,702	8,076	10,297	11,897
Add. Depreciation	339	373	356	437
Add. Interest	262	259	139	150
Less Financial Other Income	1,889	1,892	2,333	2,506
Add. Other	(469)	(258)	(1,869)	920
Op. profit before WC changes	7,834	8,449	8,924	13,404
Net Changes-WC	(1,580)	(438)	(1,011)	456
Direct tax	(693)	(217)	(2,574)	(2,974)
Net cash from Op. activities	5,561	7,794	5,338	10,887
Capital expenditures	(187)	-	(1,161)	(1,723)
Interest / Dividend Income	323	64	-	-
Others	(2,695)	(10,988)	(4,632)	(6,131)
Net Cash from Invst. activities	(2,559)	(10,925)	(5,793)	(7,854)
Issue of share cap. / premium	(15)	-	-	-
Debt changes	425	-	(127)	-
Dividend paid	(1,358)	(1,676)	(1,736)	(2,811)
Interest paid	(267)	(225)	(139)	(150)
Others	-	-	-	-
Net cash from Fin. activities	(1,215)	(1,901)	(2,003)	(2,962)
Net change in cash	1,787	(5,032)	(2,457)	71
Free Cash Flow	5,375	7,794	4,177	9,164

Source: Company Data, PL Research

Key Financial Metrics

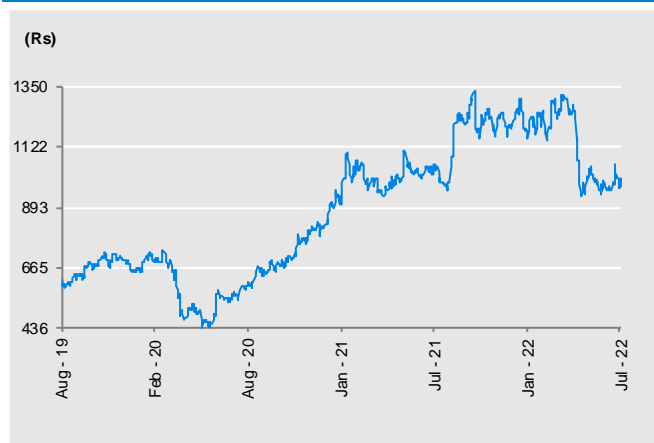
Y/e Mar	FY21	FY22	FY23E	FY24E
Per Share(Rs)				
EPS	15.9	15.3	22.1	26.2
CEPS	16.9	16.4	23.2	27.5
BVPS	151.0	166.3	184.3	202.0
FCF	16.2	23.6	12.6	27.7
DPS	5.0	5.3	8.5	10.3
Return Ratio(%)				
RoCE	16.4	15.0	17.2	18.3
ROIC	11.2	10.8	12.4	13.7
RoE	11.3	9.6	12.6	13.6
Balance Sheet				
Net Debt : Equity (x)	(0.1)	(0.1)	(0.2)	(0.2)
Net Working Capital (Days)	30	38	24	18
Valuation(x)				
PER	63.0	65.4	45.2	38.1
P/B	6.6	6.0	5.4	5.0
P/CEPS	59.2	60.9	43.1	36.3
EV/EBITDA	50.9	47.6	38.0	32.0
EV/Sales	4.3	4.1	3.5	3.1
Dividend Yield (%)	0.5	0.5	0.8	1.0

Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q2FY22	Q3FY22	Q4FY22	Q1FY23
Net Revenue	16,891	17,936	26,666	27,680
YoY gr. (%)	4.7	(10.1)	0.6	55.1
Raw Material Expenses	12,405	13,097	20,588	21,993
Gross Profit	4,485	4,839	6,078	5,687
Margin (%)	26.6	27.0	22.8	20.5
EBITDA	1,291	1,556	2,610	1,770
YoY gr. (%)	31.8	6.7	(21.1)	30.3
Margin (%)	7.6	8.7	9.8	6.4
Depreciation / Depletion	95	97	94	85
EBIT	1,196	1,459	2,515	1,685
Margin (%)	7.1	8.1	9.4	6.1
Net Interest	62	36	125	40
Other Income	483	288	372	268
Profit before Tax	1,617	1,711	2,762	1,913
Margin (%)	9.6	9.5	10.4	6.9
Total Tax	385	425	647	508
Effective tax rate (%)	23.8	24.8	23.4	26.6
Profit after Tax	1,232	1,286	2,116	1,405
Minority interest	7	6	-	6
Share Profit from Associates	(189)	(320)	(289)	(310)
Adjusted PAT	1,036	960	1,827	1,089
YoY gr. (%)	32.2	(25.0)	(23.2)	(10.6)
Margin (%)	6.1	5.4	6.9	3.9
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	1,036	960	1,827	1,089
YoY gr. (%)	32.2	(25.0)	(23.2)	(10.6)
Margin (%)	6.1	5.4	6.9	3.9
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	1,036	960	1,827	1,089
Avg. Shares O/s (m)	331	331	331	331
EPS (Rs)	3.1	2.9	5.5	3.3

Source: Company Data, PL Research

Price Chart
Recommendation History


No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	04-Jul-22	Hold	1,071	966
2	09-May-22	Hold	1,071	1,047
3	27-Apr-22	Hold	1,182	1,266
4	11-Apr-22	Hold	1,182	1,318
5	14-Feb-22	Hold	1,200	1,169
6	07-Jan-22	Hold	1,200	1,250
7	01-Nov-21	Hold	1,200	1,245
8	06-Oct-21	UR	-	1,250
9	09-Aug-21	Hold	1,014	1,025

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Bajaj Electricals	Accumulate	1,091	1,077
2	Crompton Greaves Consumer Electricals	BUY	505	375
3	Havells India	Hold	1,251	1,257
4	KEI Industries	Accumulate	1,273	1,214
5	Polycab India	Hold	2,264	2,199
6	Voltas	Hold	1,071	966

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. Mayank Bhandari- 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 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. Mayank Bhandari- 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