

October 19, 2022

Q2FY23 Result Update

Change in Estimates | Target | Reco

Change in Estimates

	Current		Previous	
	FY24E	FY25E	FY24E	FY25E
Rating	BUY		BUY	
Target Price	520		507	
Sales (Rs. m)	37,058	37,790	37,054	37,772
% Chng.	-	-	-	-
EBITDA (Rs. m)	4,064	4,250	4,061	4,246
% Chng.	0.1	0.1	0.1	0.1
EPS (Rs.)	16.9	17.7	16.9	17.7
% Chng.	0.2	0.2	0.2	0.2

Key Financials - Consolidated

Ye Mar	FY22	FY23E	FY24E	FY25E
Sales (Rs. m)	23,333	33,678	37,058	37,790
EBITDA (Rs. m)	1,938	2,786	4,064	4,250
Margin (%)	8.3	8.3	11.0	11.2
PAT (Rs. m)	1,502	2,150	3,101	3,252
EPS (Rs.)	8.2	11.7	16.9	17.7
Gr. (%)	84.9	43.1	44.3	4.9
DPS (Rs.)	4.2	5.6	8.1	8.5
Yield (%)	1.0	1.3	1.9	2.0
RoE (%)	17.5	22.1	28.0	25.5
RoCE (%)	19.9	26.0	34.1	31.0
EV/Sales (x)	3.2	2.2	2.0	1.9
EV/EBITDA (x)	38.2	26.4	18.0	17.1
PE (x)	53.0	37.0	25.7	24.5
P/BV (x)	8.7	7.7	6.7	5.9

Key Data

PRAJ.BO | PRJ IN

52-W High / Low	Rs.462 / Rs.288
Sensex / Nifty	59,107 / 17,512
Market Cap	Rs.80bn/ \$ 959m
Shares Outstanding	184m
3M Avg. Daily Value	Rs.507.21m

Shareholding Pattern (%)

Promoter's	32.83
Foreign	15.93
Domestic Institution	10.01
Public & Others	41.23
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	11.8	6.9	30.3
Relative	11.9	2.1	36.0

Amit Anwani

amitanwani@plindia.com | 91-22-66322250

Nilesh Soni

nileshsoni@plindia.com | 91-22-66322214

Reasonable quarterly performance

Quick Pointers:

- Order inflow reported a healthy growth of 31.7% YoY, driven by strong growth in Bioenergy segment.
- Margins were impacted in Q2FY23 (down 62bps YoY), owing to higher domestic contribution, supply chain issues and commodity inflation.

Praj Industries (PRAJ) reported a reasonable quarterly performance with revenue growth of 64.6% YoY. EBITDA margin were impacted during the quarter owing to higher contribution of domestic revenue, commodity inflation and supply chain issues. Though margins are likely to improve from H2FY23 with commodity softening, improving supply chain conditions and favorable business mix. Praj's domestic market share has increased from 60% to 66% in 1G ethanol plant during the quarter, with increasing focus of customers on quality products. On exports front, healthy traction in order inflows is likely to be witnessed from H2FY23 onwards, led by increasing ethanol blending opportunities in geographies like Canada and Mexico, while CPES exports likely to be driven by modular process equipment in green hydrogen space.

We believe PRAJ is well poised for growth in the coming years given 1) its strong leadership in domestic ethanol plants (~60-65% market share), 2) global presence (+100 countries) 3) focus on future-ready technologies like 2G plants, Compressed Bio Gas (CBG) and 4) diversification in Wastewater Treatment (ZLD), Critical Process Equipment's & System (CPES) & HiPurity business. Factoring in lower margins in H1FY23 and revenue mix skid towards domestic market, we lower our FY23E EPS by 5.4%, but keep it unchanged for FY24E and FY25E. The stock is trading at 37x/25.7x/24.5x FY23/24/25E. We roll forward our TP to Sep'24E with revised TP of Rs520 (Rs507 earlier) valuing it at 30x Sep24E EPS and maintain 'Buy' rating.

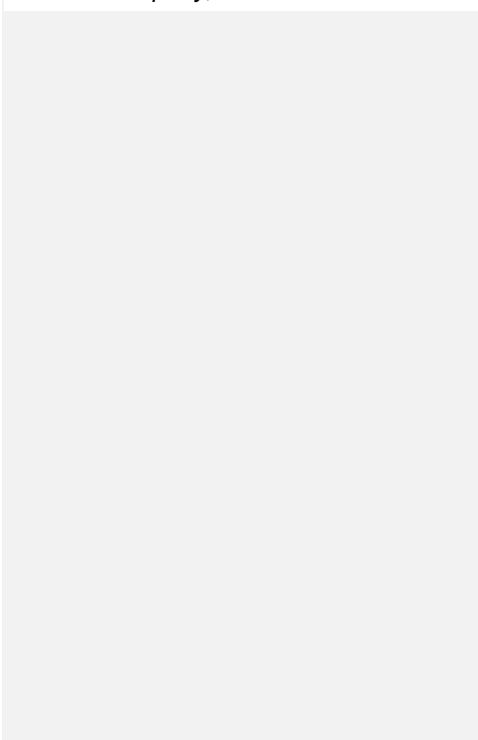
Commodity inflation, revenue mix impacts margin: PRAJ reported strong revenue growth of 64.6% YoY to Rs8.8bn (vs PLe ~Rs8.7bn). On segmental front, Bioenergy reported a strong revenue growth of ~66.9% YoY to Rs6.6bn, Engineering business grew 84% YoY to Rs1.7bn and Hi-Purity segment grew 9.8% YoY to Rs526mn. EBITDA grew 46.6% YoY to Rs676mn (PLe ~Rs721mn), while EBITDA margin declined 62bps YoY to 7.4% (vs PLe ~ 8.3%), majorly impacted due to lower gross margins (34.7% in Q2FY23 vs 37.2% in Q2FY22). PAT grew 44.3% YoY to Rs481mn (vs PLeRs541mn).

Healthy order book: Order inflows came in at Rs9.8bn up 31.7% YoY, mainly driven by healthy growth in Bioenergy segment up 44.8% YoY to Rs8.4bn. Order book stands healthy at Rs33.5bn (1.1x TTM revenue) comprising of Bioenergy (79%), HiPurity (4%) and Engineering segment (17%).

Exhibit 1 : Commodity inflation from domestic market impacted margins

Y/e March (Rs mn)	Q2FY21	Q3FY21	Q4FY22	Q1FY23	Q2FY23	YoY gr. (%)	QoQ gr. (%)	H1FY23	H1FY22	YoY gr. (%)
Revenue	5,324	5,856	8,290	7,299	8,766	64.6	20.1	16,065	9,187	74.9
Total Revenues	5,324	5,856	8,290	7,299	8,766	64.6	20.1	16,065	9,187	74.9
Expenditure	4,899	5,385	7,548	6,773	8,119	65.7	19.9	14,892	8,463	76.0
<i>as % of sales</i>	<i>92.0</i>	<i>91.9</i>	<i>91.0</i>	<i>92.8</i>	<i>92.6</i>			<i>92.7</i>	<i>92.1</i>	
Consumption of RM	3,345	3,590	5,235	4,719	5,726	71.2	21.3	10,444	5,712	82.9
<i>as % of sales</i>	<i>62.8</i>	<i>61.3</i>	<i>63.2</i>	<i>64.7</i>	<i>65.3</i>			<i>65.0</i>	<i>62.2</i>	
Employee Cost	562	585	584	541	655	16.5	21.1	1,196	1,007	18.8
<i>as % of sales</i>	<i>10.6</i>	<i>10.0</i>	<i>7.0</i>	<i>7.4</i>	<i>7.5</i>			<i>7.4</i>	<i>11.0</i>	
Other expenditure	991	1,209	1,729	1,513	1,738	75.4	14.9	3,251	1,744	86.4
<i>as % of sales</i>	<i>18.6</i>	<i>20.6</i>	<i>20.9</i>	<i>20.7</i>	<i>19.8</i>			<i>20.2</i>	<i>19.0</i>	
EBITDA	426	472	742	526	647	52.0	23.0	1,173	724	62.0
Depreciation	54	52	67	64	72	33.6	12.5	136	107	26.8
EBIT	372	420	676	462	575	54.6	24.4	1,037	617	68.1
Other Income	102	88	113	88	91	(10.3)	3.9	179	161	11.3
Interest	6	5	8	7	8	43.9	10.8	16	12	33.3
PBT	468	503	781	542	658	40.6	21.3	1,200	766	56.7
Total Tax	134	132	204	130	177	31.4	36.1	306	210	45.6
Adjusted PAT	333	371	577	413	481	44.4	16.7	894	555	60.9
(Profit)/loss from JV's/Ass/MI	-	-	-	-	-	-	-	-	-	-
PAT after MI	333	371	577	413	481	44.4	16.7	894	555	60.9
Extra ordinary items	-	-	-	-	-	-	-	-	-	-
Reported PAT	333	371	577	413	481	44.4	16.7	894	555	60.9
Adjusted EPS	1.8	2.0	3.1	2.3	2.6	44.3	16.6	4.9	3.0	60.9
Margins (%)						bps	bps			bps
EBIDTA	8.0	8.1	9.0	7.2	7.4	(62)	17	7.3	7.9	(58)
EBIT	7.0	7.2	8.1	6.3	6.6	(42)	23	6.5	6.7	(26)
EBT	8.8	8.6	9.4	7.4	7.5	(128)	7	7.5	8.3	(86)
PAT	6.3	6.3	7.0	5.7	5.5	(77)	(16)	5.6	6.0	(48)
Effective Tax rate	28.7	26.3	26.1	23.9	26.8	(188)	292	25.5	27.5	(195)

Source: Company, PL



Conference call highlights

- Management indicated off the additional total required capacity of 10bn liter to meet 20% ethanol blending, ~5bn liter is yet to be tendered out.
- **Post EBP20:** Flex fuel, diesel blending, SAF and replacement of diesel generator with ethanol are likely to be key growth drivers in the long run.
- Commodity inflation, supply chain issues and higher revenue contribution from domestic market impacted margins.
- Other income on standalone basis is higher, due to dividend income from one of its subsidiary (HiPurity).
- Off the total domestic order inflows (~Rs9bn), bioenergy accounted for 89% of inflows during the quarter.
- **Bioenergy:** Praj's domestic market share has increased from 60% to 66% in 1G ethanol plant during the quarter, with increasing focus of customers on quality products. Sugar based ethanol plants are likely to witness traction in the coming period.
- **Exports:** Discussion on 2G ethanol plant in Europe is progressing well, though finalization has been delayed due to geopolitical tension. Management expects order inflows from export markets to gain traction from H2FY23 onwards.
 - The USA passed Inflation Reduction Act (IRA) that has significant provisions of support on advancement of biofuels across different modes of mobility. As a result of this development, low carbon ethanol is likely to witness traction opportunity.
- **CBG:** Customers are now seeking solutions for different varieties of agriculture residues and Praj is working on a program to find optimal solution for addressing this need.
 - Recently UP government issued comprehensive policy to attract big ticket investment in Biofuel project. Policy aims to support and promote CBG.
- **CPES:** Energy transition phenomena is driving development of blue, green hydrogen projects globally, creating business opportunities for this segment. Additional capacity at Kandla is now fully operational and exploring further capacity enhancement.
- **Brewery:** The beer consumption levels have crossed the pre-pandemic levels. Healthy enquiries are likely to be witnessed from India and Africa.
- **HiPurity Systems:** High Capacity fermenter offering is receiving positive response from customers.
- **Renewable Chemicals and Materials (RCM):** Praj has entered into an MoU with ICT to establish Center of Excellence Innovation (for Biopolymers). This center will undertake research besides promote and explore newer applications including biodegradable plastic.

Financials

Income Statement (Rs m)

Y/e Mar	FY22	FY23E	FY24E	FY25E
Net Revenues	23,333	33,678	37,058	37,790
YoY gr. (%)	78.8	44.3	10.0	2.0
Cost of Goods Sold	14,538	20,995	21,142	21,336
Gross Profit	8,796	12,683	15,916	16,454
Margin (%)	37.7	37.7	42.9	43.5
Employee Cost	2,176	2,673	3,351	3,535
Other Expenses	1,142	1,987	2,594	2,683
EBITDA	1,938	2,786	4,064	4,250
YoY gr. (%)	72.5	43.8	45.8	4.6
Margin (%)	8.3	8.3	11.0	11.2
Depreciation and Amortization	226	261	287	303
EBIT	1,712	2,526	3,777	3,947
Margin (%)	7.3	7.5	10.2	10.4
Net Interest	25	34	37	42
Other Income	362	382	407	443
Profit Before Tax	2,049	2,874	4,146	4,348
Margin (%)	8.8	8.5	11.2	11.5
Total Tax	546	724	1,045	1,096
Effective tax rate (%)	26.7	25.2	25.2	25.2
Profit after tax	1,502	2,150	3,101	3,252
Minority interest	-	-	-	-
Share Profit from Associate	-	-	-	-
Adjusted PAT	1,502	2,150	3,101	3,252
YoY gr. (%)	85.4	43.1	44.3	4.9
Margin (%)	6.4	6.4	8.4	8.6
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	1,502	2,150	3,101	3,252
YoY gr. (%)	85.4	43.1	44.3	4.9
Margin (%)	6.4	6.4	8.4	8.6
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	1,502	2,150	3,101	3,252
Equity Shares O/s (m)	184	184	184	184
EPS (Rs)	8.2	11.7	16.9	17.7

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY22	FY23E	FY24E	FY25E
Non-Current Assets				
Gross Block	4,817	5,117	5,417	5,717
Tangibles	4,817	5,117	5,417	5,717
Intangibles	-	-	-	-
Acc: Dep / Amortization	2,731	2,992	3,279	3,582
Tangibles	2,731	2,992	3,279	3,582
Intangibles	-	-	-	-
Net fixed assets	2,085	2,124	2,137	2,134
Tangibles	2,085	2,124	2,137	2,134
Intangibles	-	-	-	-
Capital Work In Progress	659	659	659	659
Goodwill	-	-	-	-
Non-Current Investments	928	941	974	940
Net Deferred tax assets	19	19	19	19
Other Non-Current Assets	31	67	74	76
Current Assets				
Investments	3,979	4,547	4,573	4,950
Inventories	3,450	4,060	4,467	4,763
Trade receivables	5,118	6,920	7,919	8,283
Cash & Bank Balance	1,551	1,580	1,919	2,046
Other Current Assets	4,233	4,412	5,040	5,744
Total Assets	22,108	25,394	27,855	29,727
Equity				
Equity Share Capital	367	367	367	367
Other Equity	8,790	9,908	11,520	13,212
Total Network	9,157	10,275	11,888	13,579
Non-Current Liabilities				
Long Term borrowings	-	-	-	-
Provisions	-	-	-	-
Other non current liabilities	-	-	-	-
Current Liabilities				
ST Debt / Current of LT Debt	-	-	-	-
Trade payables	4,248	5,997	6,599	6,730
Other current liabilities	8,715	9,134	9,381	9,431
Total Equity & Liabilities	22,108	25,394	27,855	29,727

Source: Company Data, PL Research

Cash Flow (Rs m)

Y/e Mar	FY22	FY23E	FY24E	FY25E
PBT	2,049	2,874	4,146	4,348
Add. Depreciation	0	-	-	-
Add. Interest	-	-	-	-
Less Financial Other Income	362	382	407	443
Add. Other	56	295	324	345
Op. profit before WC changes	2,104	3,169	4,471	4,692
Net Changes-WC	93	(482)	(1,235)	(1,189)
Direct tax	(450)	(724)	(1,045)	(1,096)
Net cash from Op. activities	1,747	1,962	2,191	2,408
Capital expenditures	(184)	(300)	(300)	(300)
Interest / Dividend Income	87	-	-	-
Others	(1,171)	(568)	(26)	(378)
Net Cash from Inv. activities	(1,268)	(868)	(326)	(678)
Issue of share cap. / premium	26	-	-	-
Debt changes	-	-	-	-
Dividend paid	(397)	(1,032)	(1,489)	(1,561)
Interest paid	(19)	(34)	(37)	(42)
Others	(54)	-	-	-
Net cash from Fin. activities	(444)	(1,066)	(1,526)	(1,603)
Net change in cash	36	29	339	127
Free Cash Flow	1,562	1,662	1,891	2,108

Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q3FY22	Q4FY22	Q1FY23	Q2FY23
Net Revenue	5,856	8,290	7,299	8,766
YoY gr. (%)	68.4	46.2	89.0	64.6
Raw Material Expenses	3,590	5,235	4,719	5,726
Gross Profit	2,266	3,055	2,580	3,040
Margin (%)	38.7	36.8	35.3	34.7
EBITDA	472	742	526	647
YoY gr. (%)	18.6	(1.0)	76.3	51.9
Margin (%)	8.1	9.0	7.2	7.4
Depreciation / Depletion	52	67	64	72
EBIT	420	676	462	575
Margin (%)	7.2	8.1	6.3	6.6
Net Interest	5	8	7	8
Other Income	88	113	88	91
Profit before Tax	503	781	542	658
Margin (%)	8.6	9.4	7.4	7.5
Total Tax	132	204	130	177
Effective tax rate (%)	26.3	26.1	23.9	26.8
Profit after Tax	371	577	412	481
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
Adjusted PAT	371	577	412	481
YoY gr. (%)	31.6	10.8	85.8	44.3
Margin (%)	6.3	7.0	5.7	5.5
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	371	577	412	481
YoY gr. (%)	31.6	10.8	85.8	44.3
Margin (%)	6.3	7.0	5.7	5.5
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	371	577	412	481
Av g. Shares O/s (m)	183	183	183	183
EPS (Rs)	2.0	3.1	2.3	2.6

Source: Company Data, PL Research

Key Financial Metrics

Y/e Mar	FY22	FY23E	FY24E	FY25E
Per Share(Rs)				
EPS	8.2	11.7	16.9	17.7
CEPS	9.4	13.1	18.4	19.4
BVPS	49.9	55.9	64.7	73.9
FCF	8.5	9.0	10.3	11.5
DPS	4.2	5.6	8.1	8.5
Return Ratio(%)				
RoCE	19.9	26.0	34.1	31.0
ROIC	41.1	52.6	61.5	51.5
RoE	17.5	22.1	28.0	25.5
Balance Sheet				
Net Debt : Equity (x)	(0.6)	(0.6)	(0.5)	(0.5)
Net Working Capital (Days)	68	54	57	61
Valuation(x)				
PER	53.0	37.0	25.7	24.5
P/B	8.7	7.7	6.7	5.9
P/CEPS	46.1	33.0	23.5	22.4
EV/EBITDA	38.2	26.4	18.0	17.1
EV/Sales	3.2	2.2	2.0	1.9
Dividend Yield (%)	1.0	1.3	1.9	2.0

Source: Company Data, PL Research

Price Chart
Recommendation History


No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	06-Oct-22	BUY	507	415
2	26-Aug-22	BUY	507	390

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	ABB India	Accumulate	3,115	3,100
2	Apar Industries	UR	-	1,445
3	Bharat Electronics	BUY	98	102
4	BHEL	Sell	36	62
5	Cummins India	Accumulate	1,296	1,214
6	Engineers India	BUY	89	65
7	GE T&D India	Hold	102	129
8	Kalpataru Power Transmission	BUY	442	419
9	KEC International	Accumulate	473	440
10	Larsen & Toubro	BUY	2,030	1,873
11	Praj Industries	BUY	507	415
12	Siemens	Accumulate	3,116	2,750
13	Thermax	Accumulate	2,190	2,199
14	Triveni Turbine	UR	-	268
15	Voltamp Transformers	Hold	2,748	2,616

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 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. 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