

November 3, 2022

Q2FY23 Result Update

☑ Change in Estimates | ■ Target | ■ Reco

Change in Estimates

	Current		Previous	
	FY24E	FY25E	FY24E	FY25E
Rating	HOLD		HOLD	
Target Price	195		195	
Sales (Rs. m)	41,52,627	43,20,697	41,52,895	43,20,952
% Chng.	-	-	-	-
EBITDA (Rs. m)	99,513	1,30,437	99,780	1,30,692
% Chng.	(0.3)	(0.2)	-	-
EPS (Rs.)	26.3	49.5	26.4	49.7
% Chng.	(0.5)	(0.3)	-	-

Key Financials - Standalone

Y/e Mar	FY22	FY23E	FY24E	FY25E
Sales (Rs. bn)	3,510	4,374	4,153	4,321
EBITDA (Rs. bn)	115	3	100	130
Margin (%)	3.3	0.1	2.4	3.0
PAT (Rs. bn)	77	(24)	37	70
EPS (Rs.)	54.0	(17.3)	26.3	49.5
Gr. (%)	(26.4)	(131.9)	(252.4)	88.3
DPS (Rs.)	15.0	-	8.8	16.6
Yield (%)	7.1	-	4.2	7.9
RoE (%)	20.5	(6.6)	10.0	17.0
RoCE (%)	9.4	(5.0)	4.4	7.0
EV/Sales (x)	0.2	0.2	0.2	0.2
EV/EBITDA (x)	5.9	292.2	8.6	6.2
PE (x)	3.9	(12.2)	8.0	4.3
P/BV (x)	0.8	0.8	0.8	0.7

Key Data

HPCL.BO | HPCL IN

52-W High / Low	Rs.355 / Rs.200
Sensex / Nifty	60,836 / 18,053
Market Cap	Rs.299bn / \$ 3,607m
Shares Outstanding	1,419m
3M Avg. Daily Value	Rs.970.27m

Shareholding Pattern (%)

Promoter's	54.90
Foreign	16.74
Domestic Institution	17.98
Public & Others	10.38
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	(2.5)	(22.6)	(32.9)
Relative	(8.9)	(27.5)	(34.1)

Avishek Datta

avishekdatta@plindia.com | 91-22-66322254

LPG grant support Q2 earnings

Quick Pointers:

- Global low product inventory, lower exports from Russia to support GRMs.
- One time grant of Rs56.2bn towards LPG losses in H1FY23 cushioned earnings.

We maintain our FY23/24E earnings estimate, due to possibility of adhoc government grants to compensate for marketing losses. HPCL reported better than expected Q2 results with EBITDA of -Rs14.9bn (-88%QoQ; PLE - Rs 86.4bn) and PAT of -Rs21.7bn (PLE -Rs95.9bn), due to receipt of one time grant of Rs56.2bn towards LPG under recovery for H1FY23. Also lower than expected inventory loss cushioned Q2 performance vs our expectation of Rs39bn loss.

We believe OMCs earnings will be hit by sharp jump in diesel marketing losses (current diesel loss at Rs10/litre) given low inventory, gas to oil switch (because of high spot LNG prices) and drop in Russian exports (despite improvement in refining profitability). Considering high crude price volatility we maintain 'HOLD' rating at PT of Rs195 (unchanged). Any sharp correction in crude prices is an upside risk to our estimates.

- LPG grant and healthy refining drive earnings:** HPCL reported standalone EBITDA/PAT of -Rs14.9bn (-88% QoQ) and -Rs21.7bn (-79%QoQ), as one time LPG grant of Rs56.2bn for H1FY23 loss cushioned earnings. We calculate Q2 marketing EBITDA loss of Rs24.4bn vs Q1 levels of Rs144bn, due to reduced diesel losses (company stopped sharing segment's EBITDA). Q2 GRMs were strong at \$8.3/bbl, given healthy product spreads.
- High marketing volumes added to the loss:** HPCL's marketing volumes were down QoQ. MS demand was at 2.16MTPA (+12% YoY) and HSD demand was at 4.33MTPA (+16% YoY). For Q2, petrol and diesel industry volumes were at 8.6MTPA (+9%YoY) and 19.3MTPA (+11%YoY).
- Fuel marketing environment remains fluid. While petrol margins improved to ~Rs7/litre in Q3, diesel margins continued to report loss of 10/litre. Diesel margins are likely to remain under pressure, due to low product inventory along with strong demand due to gas to oil switch.
- Strong refining was a saving grace:** HPCL's Q2 refining margins were at USD8.3/bbl (Q1 at USD16.7/bb; PLE USD8.0/bbl) before export cess. Refining throughput was lower at 4.5MTPA (4.8 in Q1), due to maintenance shutdown. Refining margins are likely to remain healthy, as diesel demand along with ATF remains strong.
- As of Q2 end, HPCL's debt has increased to Rs685bn vs Rs431bn as on FY22 end due to weak financial performance.
- Maintain HOLD:** We maintain 'HOLD' on HPCL with a PT of Rs195 (unchanged) based on PER 7x FY24E and add value of investments.

Exhibit 1: Q2FY23 Result Overview (Rs mn)

Y/e March	Q2FY23	Q2FY22	YoY gr. (%)	Q1FY23	H1FY23	H1FY22	YoY gr. (%)
Net sales	11,41,723	8,76,004	30.3	12,14,488	23,56,211	16,51,860	42.6
Inc/dec in stock	20,744	-14,543	NA	-11,142	9,601	16,792	(42.8)
Raw material cons	3,12,563	1,20,520	159.3	3,37,067	6,49,630	2,15,474	201.5
Staff cost	7,395	7,828	(5.5)	7,060	14,455	16,188	(10.7)
Purchases	7,12,203	6,52,163	9.2	8,87,557	15,99,760	11,80,207	35.5
Duties	57,550	45,359	26.9	69,941	1,27,491	96,781	31.7
Other expenditure	46,248	34,541	33.9	48,951	95,199	64,353	47.9
Exp	-11,56,701	-8,45,868	NA	-13,39,434	-24,96,135	-15,89,794	NA
Operating profit	-14,979	30,136	NA	-1,24,946	-1,39,924	62,066	NA
Interest	-5,950	-1,545	NA	-3,327	-9,276	-4,087	NA
Depreciation	-10,809	-9,473	NA	-10,945	-21,754	-18,612	NA
Other income	2,805	4,494	(37.6)	3,397	6,202	8,214	(24.5)
Profit before tax	-28,932	23,613	NA	-1,35,820	-1,64,752	47,581	NA
Current tax	-	-4,231	NA	-	-	-8,545	NA
Profit after current tax	-28,932	19,382	NA	-1,35,820	-1,64,752	39,036	NA
Deferred tax	7,211	-147	NA	33,850	41,061	-1,851	NA
Net profit	-21,721	19,235	NA	-1,01,969	-1,23,691	37,185	NA

Source: Company, PL

Exhibit 2: HPCL quarterly details

	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Jun-22
Total throughput	3.97	4.06	4.00	4.39	2.51	2.53	4.24	4.69	4.81	4.49
Market sales										
Pipeline throughput (MMT)	3.54	4.70	5.52	5.36	4.34	4.7	5.5	5.32	5.75	5.53
Mkt sales (MMT)	7.24	8.10	10.03	9.83	8.45	9.1	10.0	10.3	10.4	9.97
GRMs (\$/bbl)	0.04	5.11	1.87	8.11	3.31	2.44	6.39	12.4	16.7	8.4

Source: Company, PL

Exhibit 3: Q2FY23 domestic fuel demand growth in India

	Q2FY23	Q2FY22	YoY gr.	Q1FY23	QoQ gr.
LPG	7,252	7,056	2.8%	6,561	10.5%
Gasoline	8,641	7,920	9.1%	8,783	-1.6%
Jet Fuel	1,769	1,104	60.3%	1,742	1.5%
Kerosene	96	391	-75.5%	185	-48.3%
Gasoil/Diesel	19,234	17,260	11.4%	22,166	-13.2%
Gasoil (LDO)	190	246	-22.7%	163	16.4%
Bitumen	1,385	1,154	20.0%	2,164	-36.0%
Lubes/Grs	1,069	1,075	-0.5%	1,079	-0.9%
Naphtha	3,373	3,301	2.2%	3,015	11.9%
F.O.	3,373	1,529	120.7%	1,595	111.5%
Petcoke	3,904	3,367	15.9%	3,766	3.6%

Source: Industry, PL

Financials

Income Statement (Rs m)

Y/e Mar	FY22	FY23E	FY24E	FY25E
Net Revenues	35,09,682	43,74,456	41,52,627	43,20,697
YoY gr. (%)	-	-	-	-
Cost of Goods Sold	32,20,157	41,39,073	38,36,921	39,52,028
Gross Profit	2,89,525	2,35,383	3,15,707	3,68,668
Margin (%)	8.2	5.4	7.6	8.5
Employee Cost	29,825	32,807	39,368	42,124
Other Expenses	1,45,090	1,99,768	1,76,826	1,96,107
EBITDA	1,14,611	2,808	99,513	1,30,437
YoY gr. (%)	(28.0)	(97.6)	3,444.1	31.1
Margin (%)	3.3	0.1	2.4	3.0
Depreciation and Amortization	39,691	46,723	56,473	59,098
EBIT	74,920	(43,916)	43,039	71,339
Margin (%)	2.1	(1.0)	1.0	1.7
Net Interest	9,727	12,673	18,058	5,080
Other Income	29,697	23,485	25,454	28,702
Profit Before Tax	94,889	(33,103)	50,435	94,961
Margin (%)	2.7	(0.8)	1.2	2.2
Total Tax	18,211	(8,607)	13,113	24,690
Effective tax rate (%)	19.2	26.0	26.0	26.0
Profit after tax	76,679	(24,496)	37,322	70,271
Minority interest	-	-	-	-
Share Profit from Associate	-	-	-	-
Adjusted PAT	76,679	(24,496)	37,322	70,271
YoY gr. (%)	(28.1)	(131.9)	(252.4)	88.3
Margin (%)	2.2	(0.6)	0.9	1.6
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	76,679	(24,496)	37,322	70,271
YoY gr. (%)	-	-	-	-
Margin (%)	2.2	(0.6)	0.9	1.6
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	76,679	(24,496)	37,322	70,271
Equity Shares O/s (m)	1,419	1,419	1,419	1,419
EPS (Rs)	54.0	(17.3)	26.3	49.5

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY22	FY23E	FY24E	FY25E
Non-Current Assets				
Gross Block	7,64,467	11,04,467	11,54,467	12,09,467
Tangibles	7,64,467	11,04,467	11,54,467	12,09,467
Intangibles	-	-	-	-
Acc: Dep / Amortization	2,01,354	2,48,077	3,04,551	3,63,649
Tangibles	2,01,354	2,48,077	3,04,551	3,63,649
Intangibles	-	-	-	-
Net fixed assets	5,63,113	8,56,390	8,49,916	8,45,818
Tangibles	5,63,113	8,56,390	8,49,916	8,45,818
Intangibles	-	-	-	-
Capital Work In Progress	2,65,574	30,533	80,533	1,00,000
Goodwill	10,308	10,308	10,308	10,308
Non-Current Investments	1,37,581	1,48,703	1,62,533	1,77,745
Net Deferred tax assets	(59,783)	(57,797)	(60,823)	(66,520)
Other Non-Current Assets	29,313	32,244	35,469	39,015
Current Assets				
Investments	53,715	59,087	64,995	71,495
Inventories	3,53,456	4,36,186	4,16,237	4,33,209
Trade receivables	63,318	78,364	74,802	77,856
Cash & Bank Balance	1,310	1,441	1,585	1,743
Other Current Assets	5,670	6,237	6,861	7,547
Total Assets	15,01,604	16,65,366	17,58,544	18,28,292
Equity				
Equity Share Capital	14,189	14,189	14,189	14,189
Other Equity	3,72,581	3,46,098	3,73,969	4,26,444
Total Networkth	3,86,770	3,60,288	3,88,158	4,40,633
Non-Current Liabilities				
Long Term borrowings	3,12,270	4,62,270	4,02,270	3,62,270
Provisions	450	495	544	599
Other non current liabilities	4,452	4,897	5,386	5,925
Current Liabilities				
ST Debt / Current of LT Debt	1,19,659	1,19,659	2,19,659	2,19,659
Trade payables	2,64,479	3,04,268	2,90,441	3,02,297
Other current liabilities	3,23,357	3,55,693	3,91,262	4,30,389
Total Equity & Liabilities	15,01,604	16,65,366	17,58,544	18,28,292

Source: Company Data, PL Research



Cash Flow (Rs m)

Y/e Mar	FY22	FY23E	FY24E	FY25E
PBT	82,037	(33,103)	50,435	94,961
Add. Depreciation	39,691	46,723	56,473	59,098
Add. Interest	9,727	12,673	18,058	5,080
Less Financial Other Income	29,697	23,485	25,454	28,702
Add. Other	-	-	-	-
Op. profit before WC changes	1,31,455	26,293	1,24,967	1,59,139
Net Changes-WC	88,616	(52,579)	(10,370)	18,265
Direct tax	(13,230)	6,621	(10,087)	(18,992)
Net cash from Op. activities	2,06,841	(19,665)	1,04,509	1,58,412
Capital expenditures	(1,64,180)	(1,16,875)	(1,13,108)	(88,887)
Interest / Dividend Income	-	-	-	-
Others	(3,136)	(656)	(721)	(793)
Net Cash from Inv. activities	(1,67,316)	(1,17,531)	(1,13,829)	(89,680)
Issue of share cap. / premium	(23,143)	-	-	-
Debt changes	13,038	1,50,000	40,000	(40,000)
Dividend paid	(20,754)	-	(12,478)	(23,494)
Interest paid	(9,727)	(12,673)	(18,058)	(5,080)
Others	-	-	-	-
Net cash from Fin. activities	(40,587)	1,37,327	9,464	(68,574)
Net change in cash	(1,062)	131	144	158
Free Cash Flow	42,661	(1,36,540)	(8,599)	69,526

Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q3FY22	Q4FY22	Q1FY23	Q2FY23
Net Revenue	9,66,024	9,75,727	11,44,547	10,84,173
YoY gr. (%)	40.7	30.4	58.0	30.5
Raw Material Expenses	9,06,271	9,01,413	12,13,482	10,45,509
Gross Profit	59,753	74,315	(68,935)	38,663
Margin (%)	6.2	7.6	(6.0)	3.6
EBITDA	18,707	20,986	(1,24,946)	(14,979)
YoY gr. (%)	(43.3)	(55.0)	(491.3)	(149.7)
Margin (%)	1.9	2.2	(10.9)	(1.4)
Depreciation / Depletion	10,247	10,832	10,945	10,809
EBIT	8,460	10,154	(1,35,890)	(25,788)
Margin (%)	0.9	1.0	(11.9)	(2.4)
Net Interest	2,358	3,283	3,327	5,950
Other Income	5,504	15,979	3,397	2,805
Profit before Tax	11,607	22,850	(1,35,820)	(28,932)
Margin (%)	1.2	2.3	(11.9)	(2.7)
Total Tax	2,918	4,897	(33,850)	(7,211)
Effective tax rate (%)	25.1	21.4	24.9	24.9
Profit after Tax	8,688	17,953	(1,01,969)	(21,721)
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
Adjusted PAT	8,688	17,953	(1,01,969)	(21,721)
YoY gr. (%)	(63.1)	(40.5)	(668.1)	(212.9)
Margin (%)	0.9	1.8	(8.9)	(2.0)
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	8,688	17,953	(1,01,969)	(21,721)
YoY gr. (%)	(63.1)	(40.5)	(668.1)	(212.9)
Margin (%)	0.9	1.8	(8.9)	(2.0)
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	-	-	-	-
Avg. Shares O/s (m)	-	-	-	-
EPS (Rs)	-	-	-	-

Source: Company Data, PL Research

Key Financial Metrics

Y/e Mar	FY22	FY23E	FY24E	FY25E
Per Share(Rs)				
EPS	54.0	(17.3)	26.3	49.5
CEPS	82.0	15.7	66.1	91.2
BVPS	272.6	253.9	273.6	310.5
FCF	30.1	(96.2)	(6.1)	49.0
DPS	15.0	-	8.8	16.6
Return Ratio(%)				
RoCE	9.4	(5.0)	4.4	7.0
ROIC	5.2	(2.7)	2.5	4.1
RoE	20.5	(6.6)	10.0	17.0
Balance Sheet				
Net Debt : Equity (x)	1.0	1.4	1.4	1.2
Net Working Capital (Days)	16	18	18	18
Valuation(x)				
PER	3.9	(12.2)	8.0	4.3
P/B	0.8	0.8	0.8	0.7
P/CEPS	2.6	13.5	3.2	2.3
EV/EBITDA	5.9	292.2	8.6	6.2
EV/Sales	0.2	0.2	0.2	0.2
Dividend Yield (%)	7.1	-	4.2	7.9

Source: Company Data, PL Research

Key Operating Metrics

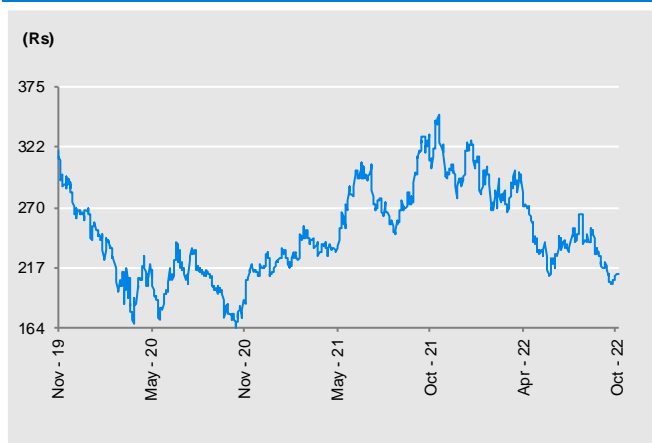
Y/e Mar	FY22	FY23E	FY24E	FY25E
Crude /bbl	65	100	90	90
US\$/Rs	77	80	82	85
GRM (US\$/bbl)	7	14	7	6
Refining volume (MTPA)	14	23	23	23

Source: Company Data, PL Research



Price Chart

Recommendation History



No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	01-Oct-22	Hold	195	217
2	08-Aug-22	Hold	247	251
3	05-Jul-22	BUY	368	226
4	23-May-22	BUY	368	244
5	04-Apr-22	BUY	349	280
6	31-Jan-22	BUY	445	314
7	06-Jan-22	BUY	445	314

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Bharat Petroleum Corporation	Reduce	240	305
2	Bharti Airtel	BUY	1,058	836
3	GAIL (India)	BUY	120	87
4	Gujarat Gas	Hold	530	503
5	Hindustan Petroleum Corporation	Hold	195	217
6	Indian Oil Corporation	Reduce	50	68
7	Indraprastha Gas	BUY	596	397
8	Mahanagar Gas	BUY	1,103	832
9	Oil & Natural Gas Corporation	BUY	160	127
10	Oil India	BUY	300	175
11	Petronet LNG	BUY	307	200
12	Reliance Industries	BUY	2,892	2,480

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. Avishek Datta- MBA Research Analysts, authors and the names subscribed to this report, hereby certify that all of the views expressed in this research report accurately reflect our views about the subject issuer(s) or securities. We also certify that no part of our compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view(s) in this report.

(US Clients)

The research analysts, with respect to each issuer and its securities covered by them in this research report, certify that: All of the views expressed in this research report accurately reflect his or her or their personal views about all of the issuers and their securities; and No part of his or her or their compensation was, is or will be directly related to the specific recommendation or views expressed in this research report.

DISCLAIMER

Indian Clients

Prabhudas Lilladher Pvt. Ltd, Mumbai, India (hereinafter referred to as "PL") is engaged in the business of Stock Broking, Portfolio Manager, Depository Participant and distribution for third party financial products. PL is a subsidiary of Prabhudas Lilladher Advisory Services Pvt Ltd. which has its various subsidiaries engaged in business of commodity broking, investment banking, financial services (margin funding) and distribution of third party financial/other products, details in respect of which are available at www.plindia.com.

This document has been prepared by the Research Division of PL and is meant for use by the recipient only as information and is not for circulation. This document is not to be reported or copied or made available to others without prior permission of PL. It should not be considered or taken as an offer to sell or a solicitation to buy or sell any security.

The information contained in this report has been obtained from sources that are considered to be reliable. However, PL has not independently verified the accuracy or completeness of the same. Neither PL nor any of its affiliates, its directors or its employees accepts any responsibility of whatsoever nature for the information, statements and opinion given, made available or expressed herein or for any omission therein.

Recipients of this report should be aware that past performance is not necessarily a guide to future performance and value of investments can go down as well. The suitability or otherwise of any investments will depend upon the recipient's particular circumstances and, in case of doubt, advice should be sought from an independent expert/advisor.

Either PL or its affiliates or its directors or its employees or its representatives or its clients or their relatives may have position(s), make market, act as principal or engage in transactions of securities of companies referred to in this report and they may have used the research material prior to publication.

PL may from time to time solicit or perform investment banking or other services for any company mentioned in this document.

PL is 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. Avishek Datta- MBA Research Analysts of this report have not received any compensation from the companies mentioned in the report in the preceding twelve months

Compensation of our Research Analysts is not based on any specific merchant banking, investment banking or brokerage service transactions.

The Research analysts for this report certifies that all of the views expressed in this report accurately reflect his or her personal views about the subject company or companies and its or their securities, and no part of his or her compensation was, is or will be, directly or indirectly related to specific recommendations or views expressed in this report.

The research analysts for this report has not served as an officer, director or employee of the subject company PL or its research analysts have not engaged in market making activity for the subject company

Our sales people, traders, and other professionals or affiliates may provide oral or written market commentary or trading strategies to our clients that reflect opinions that are contrary to the opinions expressed herein, and our proprietary trading and investing businesses may make investment decisions that are inconsistent with the recommendations expressed herein. In reviewing these materials, you should be aware that any or all of the foregoing, among other things, may give rise to real or potential conflicts of interest.

PL and its associates, their directors and employees may (a) from time to time, have a long or short position in, and buy or sell the securities of the subject company or (b) be engaged in any other transaction involving such securities and earn brokerage or other compensation or act as a market maker in the financial instruments of the subject company or act as an advisor or lender/borrower to the subject company or may have any other potential conflict of interests with respect to any recommendation and other related information and opinions.

US Clients

This research report is a product of Prabhudas Lilladher Pvt. Ltd., which is the employer of the research analyst(s) who has prepared the research report. The research analyst(s) preparing the research report is/are resident outside the United States (U.S.) and are not associated persons of any U.S. regulated broker-dealer and therefore the analyst(s) is/are not subject to supervision by a U.S. broker-dealer, and is/are not required to satisfy the regulatory licensing requirements of FINRA or required to otherwise comply with U.S. rules or regulations regarding, among other things, communications with a subject company, public appearances and trading securities held by a research analyst account.

This report is intended for distribution by Prabhudas Lilladher Pvt. Ltd. only to "Major Institutional Investors" as defined by Rule 15a-6(b)(4) of the U.S. Securities and Exchange Act, 1934 (the Exchange Act) and interpretations thereof by U.S. Securities and Exchange Commission (SEC) in reliance on Rule 15a 6(a)(2). If the recipient of this report is not a Major Institutional Investor as specified above, then it should not act upon this report and return the same to the sender. Further, this report may not be copied, duplicated and/or transmitted onward to any U.S. person, which is not the Major Institutional Investor.

In reliance on the exemption from registration provided by Rule 15a-6 of the Exchange Act and interpretations thereof by the SEC in order to conduct certain business with Major Institutional Investors, Prabhudas Lilladher Pvt. Ltd. has entered into an agreement with a U.S. registered broker-dealer, Marco Polo Securities Inc. ("Marco Polo").

Transactions in securities discussed in this research report should be effected through Marco Polo or another U.S. registered broker dealer.

Prabhudas Lilladher Pvt. Ltd.

3rd Floor, Sadhana House, 570, P. B. Marg, Worli, Mumbai-400 018, India | Tel: (91 22) 6632 2222 Fax: (91 22) 6632 2209

www.plindia.com