

February 16, 2023

Analyst Meet Update

Change in Estimates | Target | Reco

Change in Estimates

	Current		Previous	
	CY23E	CY24E	CY23E	CY24E
Rating	ACCUMULATE		ACCUMULATE	
Target Price	21,021		20,201	
Sales (Rs. m)	1,93,440	2,16,013	1,88,714	2,07,909
% Chng.	2.5	3.9		
EBITDA (Rs. m)	44,352	50,476	43,438	48,816
% Chng.	2.1	3.4		
EPS (Rs.)	294.2	332.4	294.5	338.0
% Chng.	(0.1)	(1.6)		

Key Financials - Standalone

Y/e Dec	CY21	CY22	CY23E	CY24E
Sales (Rs. bn)	147	169	193	216
EBITDA (Rs. bn)	36	37	44	50
Margin (%)	24.2	21.9	22.9	23.4
PAT (Rs. bn)	24	24	28	32
EPS (Rs.)	244.7	247.4	294.2	332.4
Gr. (%)	12.5	1.1	18.9	13.0
DPS (Rs.)	200.0	210.0	235.0	200.0
Yield (%)	1.0	1.1	1.2	1.0
RoE (%)	119.0	108.3	104.7	90.0
RoCE (%)	157.6	147.9	143.6	124.2
EV/Sales (x)	12.8	11.1	9.8	8.7
EV/EBITDA (x)	52.8	50.7	42.5	37.4
PE (x)	80.2	79.3	66.7	59.0
P/BV (x)	97.2	77.0	64.0	45.5

Key Data

NEST.BO | NEST IN

52-W High / Low	Rs.21,053 / Rs.16,000
Sensex / Nifty	61,320 / 18,036
Market Cap	Rs.1,893bn / \$ 22,879m
Shares Outstanding	96m
3M Avg. Daily Value	Rs.1075.66m

Shareholding Pattern (%)

Promoter's	62.76
Foreign	12.12
Domestic Institution	9.06
Public & Others	16.06
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	(0.5)	(0.3)	7.7
Relative	(2.5)	(2.7)	1.9

Amnish Aggarwal

amnishaggarwal@plindia.com | 91-22-66322233

Harish Advani

harishadvani@plindia.com | 91-22-66322242

Anushka Chhajed

anushkachhajed@plindia.com | 91-22-66322244

Embarking on a capex cycle

Quick Pointers:

- Nestle embarking on Rs50bn capex over CY23-25, remains positive on growth opportunity given low rural penetration of its products
- Innovations and cost optimisation key parts of margin improvement strategy

Nestle remains positive on LT growth opportunity with focus on innovations, RURBAN penetration, sharp initiative led efficiency and optimum use of emerging trade channels. We believe Rs50 bn capex (Rs13,20,17bn) over next three years is testimony of growth potential even though we expect Nestle to cut dividend payout to fund growth plans. 4QCY22 results were slightly ahead of estimates, led by better than expected margins, superior margin mix and strong growth across large metros & smaller towns and across channels particularly MT, OOH & E-commerce.

Long term growth drivers remain intact, led by 1) sustained expansion in rural reach (~ 20% of sales) 2) capacity increase in Maggi and confectionary 3) huge scope of growth in segments like coffee, RTD & Chocolates and 4) channels of future like E-commerce (6.5% of revenues). We estimate 11.2% PAT CAGR over CY21-24. We expect moderate returns in near term given pending capex and rich valuations of 59x CY24 EPS. Maintain Accumulate with a DCF based TP of Rs21,021 (Rs20,201 earlier).

Sales up by 13.6%, EBITDA margins improve QoQ: Revenues grew by 13.6% YoY to Rs42.6bn (PLe: Rs 43.7bn) with domestic/ export sales up by 13.8%/ 17.1%. Gross margins contracted by 206bps YoY but improved by 218bps QoQ to 54.9% (PLe: 54.0%). EBITDA grew by 15.7% YoY to Rs9.8bn (PLe: Rs 9.3bn); Margins expanded by 42bps YoY/100bps QoQ to 22.9% (PLe:21.2%). Adjusted PAT grew by 5% YoY to Rs6.3bn (PLe: Rs 5.9bn). Board declares final dividend of Rs75/share. Total dividend for CY22 aggregates to Rs220/share.

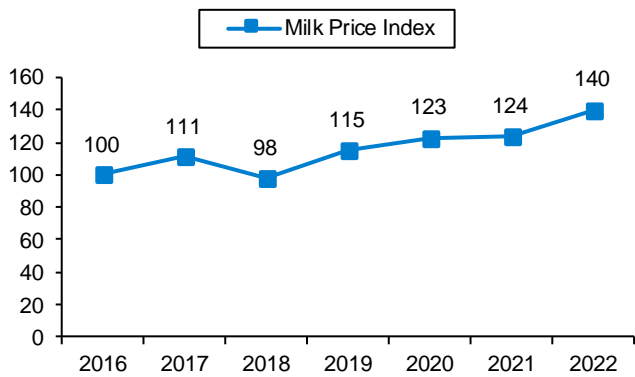
Concall Takeaways: 1) The company has posted double-digit growth across all quarters. Brand power remains strong despite commodity inflation & volatility 2) Demand trends across towns are fairly secular with growth across all town classes Town class 2-6 was impacted by specific circumstances but will bounce back 3) Lost momentum in tonnage due to price increase in small packs 4) Milk & Nutrition has grown 9.5% YoY led by value/volume growth of 6%/3% 5) Confectionary growth at 25% ahead of market growth at 10-12% which has led to market share gains in overall chocolates & white wafer categories 6) Accelerated RURBAN growth with 2x+ growth in total village coverage at 165k 7) Roll out of Nutrition products in RURBAN markets by working on relatively affordable packs 8) E-comm salience has increased to 6.5% of domestic sales vs 0.6% in CY16. However, the company does not want to destabilize terms of trade between channels 9) Launched 110+ products over the last 7 years and 30 more products in pipeline. NPD contributed 5.4% of sales in CY22 10) Royalty agreement with parent Nestle SA comes up for renewal in CY24. Agreement provides access to 2000 brands, R&D support etc 11) Capex budgeted for CY23/24/25 stands at 13/20/17bn 12) Focus remains to grow via penetration led volume growth

Exhibit 1: 4QCY22 Results: Revenue up 13.6% YoY; Gross Margins improve 218bps QoQ

Y/e Dec (Rs mn)	4QCY22	4QCY21	YoY gr. (%)	3QCY22	CY22	CY21	YoY gr. (%)
Net Sales	42,568	37,480	13.6	46,018	168,970	147,406	14.6
Gross Profit	23,353	21,334	9.5	24,241	91,471	83,924	9.0
<i>% of NS</i>	<i>54.9</i>	<i>56.9</i>	<i>-2.1</i>	<i>52.7</i>	<i>54.1</i>	<i>56.9</i>	<i>-2.8</i>
Other Expenses	13,584	12,889	5.4	14,141	53,888	48,498	11.1
EBITDA	9,769	8,445	15.7	10,101	37,583	35,426	6.1
<i>Margins (%)</i>	<i>22.9</i>	<i>22.5</i>	<i>0.4</i>	<i>21.9</i>	<i>22.2</i>	<i>24.0</i>	<i>-1.8</i>
Depreciation	987	1,060	(6.9)	982	4,030	3,910	3.1
Interest	448	436	2.8	372	1,546	2,017	(23.4)
Other Income	296	274	8.0	306	1,010	1,202	(15.9)
PBT	8,630	7,223	19.5	9,053	33,017	30,700	7.5
Tax	2,310	1,205	91.7	2,379	8,655	7,389	17.1
<i>Effective tax rate (%)</i>	<i>26.8</i>	<i>16.7</i>		<i>26.3</i>	<i>26.2</i>	<i>24.1</i>	
Adjusted PAT	6,319	6,018	5.0	6,674	24,362	23,311	4.5

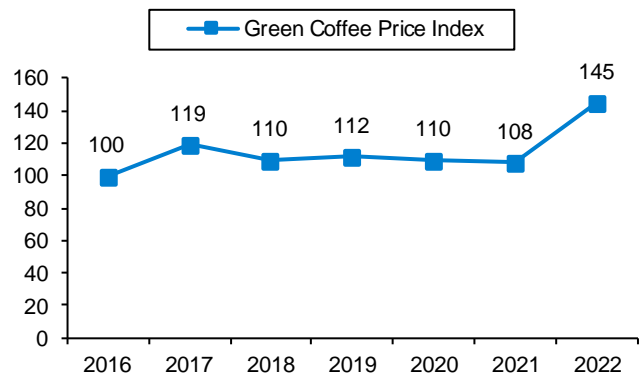
Source: Company, PL

Exhibit 2: Milk price index up 13% YoY



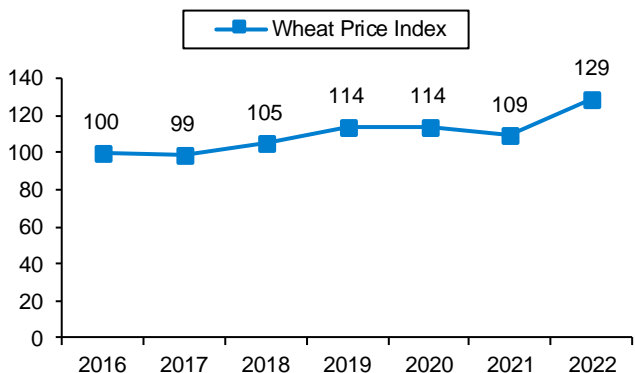
Source: Company, PL

Exhibit 3: Green Coffee price index up 34% YoY



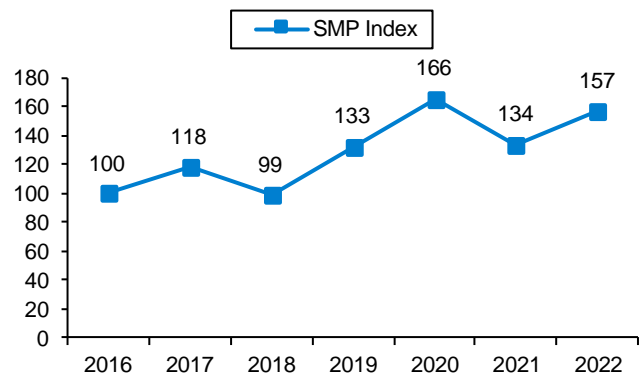
Source: Company, PL

Exhibit 4: Wheat price index up 18% YoY



Source: Company, PL

Exhibit 5: SMP price index up 17% YoY

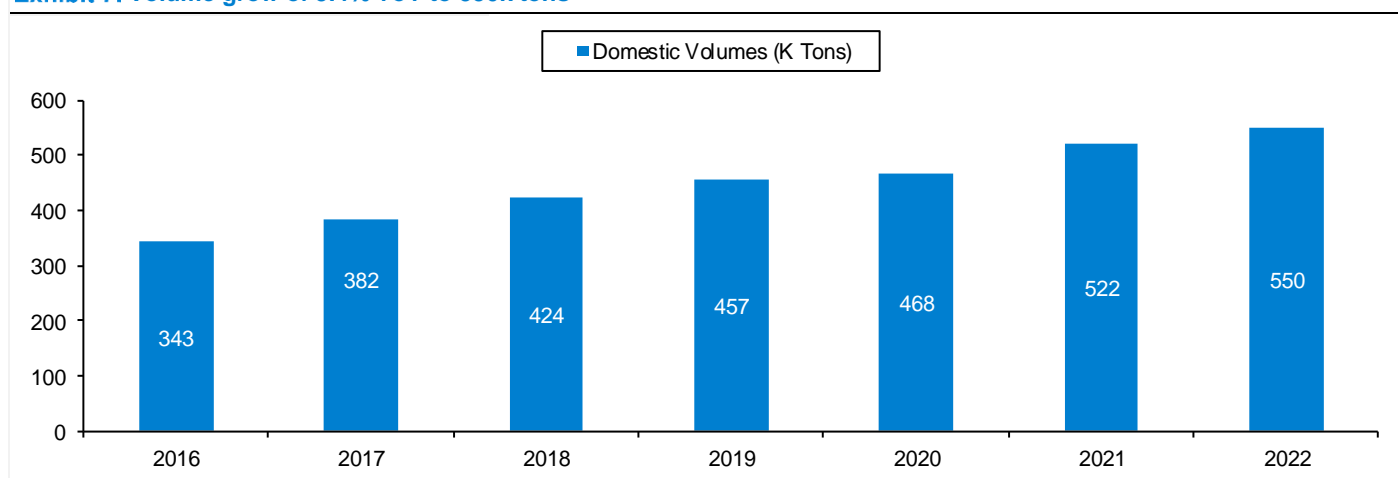


Source: Bloomberg, PL

Exhibit 6: Prepared dishes and chocolates to drive long term volume growth

Y/e (December)	CY19	CY20	CY21	CY22E	CY23E	CY24E
Milk Products						
Volume (MT)	1,38,941	1,38,402	1,34,669	137,362	140,796	144,316
<i>Volume growth</i>	1.4%	-0.4%	-2.7%	2.0%	2.5%	2.5%
Sales Value (Rs m)	56,518	61,488	62,686	67,776	73,639	78,499
<i>Growth in Value</i>	8.9%	8.8%	1.9%	8.1%	8.7%	6.6%
<i>% of sales</i>	46.0%	46.3%	42.8%	40.4%	38.3%	36.6%
Beverages						
Volume (MT)	26,380	20,772	24,507	26,345	28,980	32,167
Value (Rs m)	15,018	14,763	16,918	21,107	24,146	27,338
<i>Growth in Volume</i>	-2.3%	-21.3%	18.0%	7.5%	10.0%	11.0%
<i>Growth in Value</i>	-1.4%	-1.7%	14.6%	24.8%	14.4%	13.2%
<i>%Sales</i>	12.2%	11.1%	11.6%	12.6%	12.6%	12.7%
Prepared Dishes & Cooking Aids						
Volume (MT)	2,64,072	2,81,392	3,27,659	363,701	418,257	468,448
Value (Rs m)	34,982	39,108	45,501	53,789	64,332	73,493
<i>Growth in Volume</i>	9.6%	6.6%	16.4%	11.0%	15.0%	12.0%
<i>Growth in Value</i>	12.7%	11.8%	16.3%	18.2%	19.6%	14.2%
<i>%Sales</i>	28.5%	29.4%	31.1%	32.0%	33.5%	34.2%
Chocolate & Confectionery						
Volume (MT)	49,033	50,358	55,648	60,100	69,115	78,791
Value (Rs.mn)	16,435	17,301	19,501	21,482	25,198	29,301
Realisation (Rs./Kg)	335	344	350	357	365	372
<i>Growth in volume</i>	16.2%	2.7%	10.5%	8.0%	15.0%	14.0%
<i>Growth in Value</i>	17.3%	5.3%	12.7%	10.2%	17.3%	16.3%
<i>Growth in Realisations</i>	1.0%	2.5%	2.0%	2.0%	2.0%	2.0%
<i>% Sales</i>	13.4%	13.0%	13.3%	12.8%	13.1%	13.6%

Source: Company, PL

Exhibit 7: Volume grow of 5.4% YoY to 550k tons


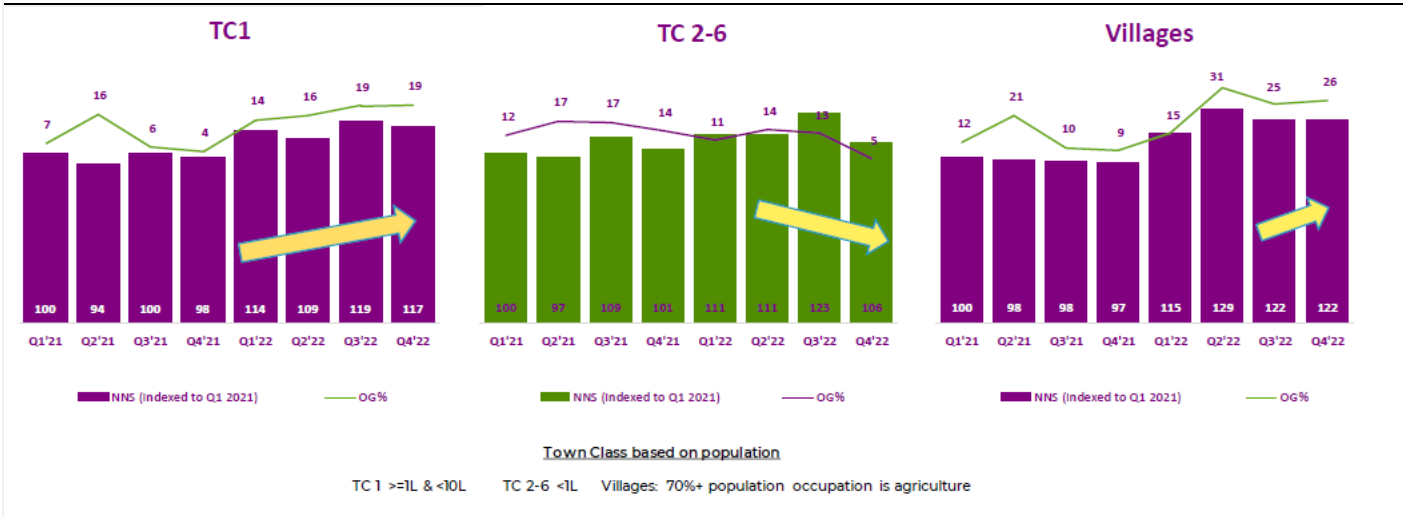
Source: Company, PL

Exhibit 8: Broad based growth across mega cities & metros



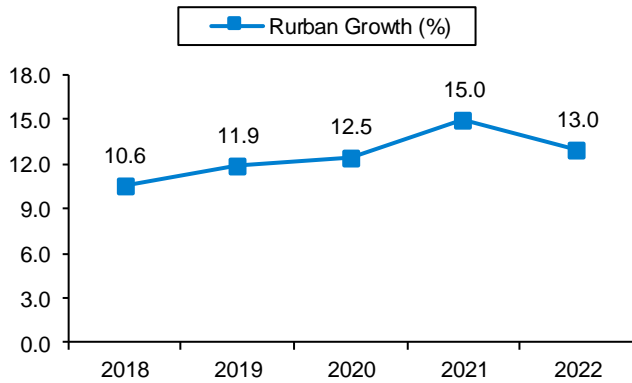
Source: Company, PL

Exhibit 9: While town classes 2-6 see pressure



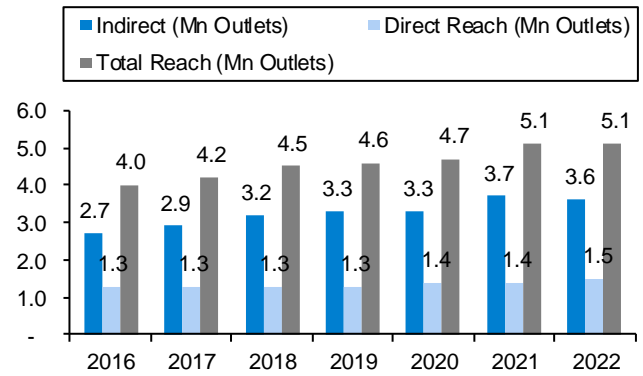
Source: Company, PL

Exhibit 10: RURBAN growth continues in double-digits



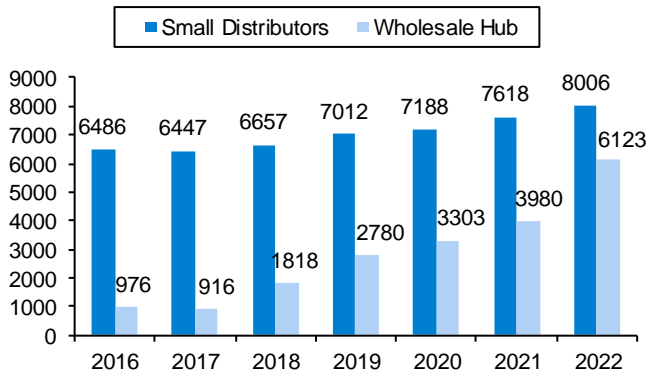
Source: Company, PL

Exhibit 11: Led by increase in outlet coverage



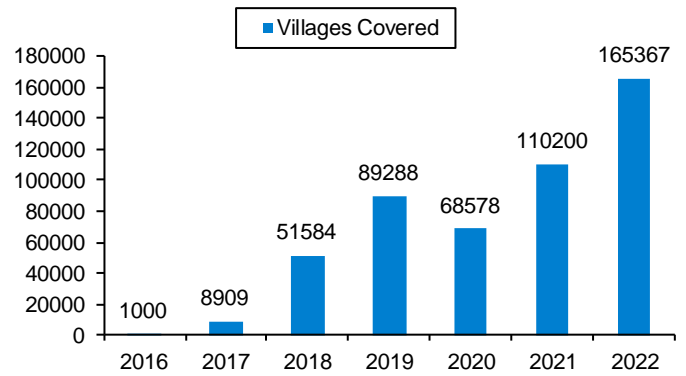
Source: Company, PL

Exhibit 12: Calibrated increase in distribution



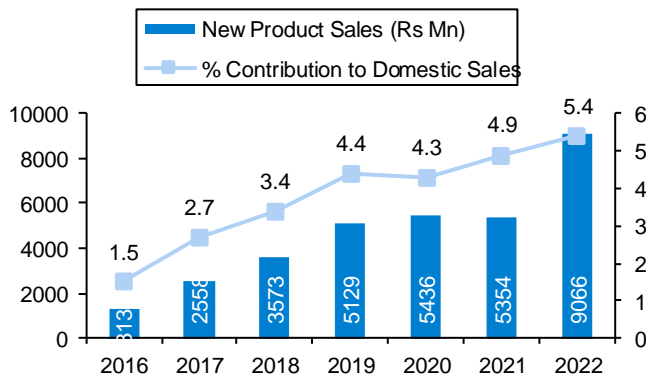
Source: Company, PL

Exhibit 13: To support village coverage



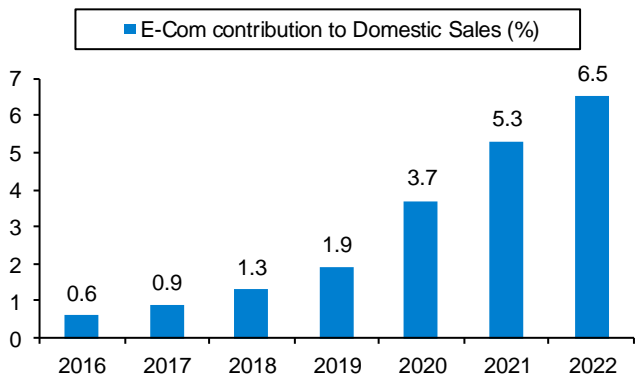
Source: Bloomberg, PL

Exhibit 14: NPD salience continues to gain scale



Source: Company, PL

Exhibit 15: E-comm channel grew 41% YoY in CY22



Source: Bloomberg, PL

Financials

Income Statement (Rs m)

Y/e Dec	CY21	CY22	CY23E	CY24E
Net Revenues	1,47,406	1,68,970	1,93,440	2,16,013
YoY gr. (%)	10.4	14.6	14.5	11.7
Cost of Goods Sold	63,189	77,712	85,554	94,713
Gross Profit	84,217	91,258	1,07,886	1,21,300
Margin (%)	57.1	54.0	55.8	56.2
Employee Cost	15,299	16,355	19,421	21,475
Other Expenses	16,951	19,644	23,155	25,951
EBITDA	35,706	37,075	44,352	50,476
YoY gr. (%)	11.0	3.8	19.6	13.8
Margin (%)	24.2	21.9	22.9	23.4
Depreciation and Amortization	3,910	4,030	5,015	5,854
EBIT	31,796	33,045	39,337	44,622
Margin (%)	21.6	19.6	20.3	20.7
Net Interest	2,017	1,546	1,790	1,984
Other Income	1,202	1,010	781	677
Profit Before Tax	30,981	32,510	38,327	43,315
Margin (%)	21.0	19.2	19.8	20.1
Total Tax	7,389	8,655	9,965	11,262
Effective tax rate (%)	23.9	26.6	26.0	26.0
Profit after tax	23,592	23,855	28,362	32,053
Minority interest	-	-	-	-
Share Profit from Associate	-	-	-	-
Adjusted PAT	23,592	23,855	28,362	32,053
YoY gr. (%)	12.5	1.1	18.9	13.0
Margin (%)	16.0	14.1	14.7	14.8
Extra Ord. Income / (Exp)	(2,115)	(163)	(202)	(226)
Reported PAT	21,477	23,692	28,160	31,827
YoY gr. (%)	3.1	10.3	18.9	13.0
Margin (%)	14.6	14.0	14.6	14.7
Other Comprehensive Income	(1,514)	1,119	(500)	(500)
Total Comprehensive Income	19,963	24,812	27,660	31,327
Equity Shares O/s (m)	96	96	96	96
EPS (Rs)	244.7	247.4	294.2	332.4

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Dec	CY21	CY22	CY23E	CY24E
Non-Current Assets				
Gross Block	73,399	80,014	90,643	1,07,088
Tangibles	73,399	80,014	90,643	1,07,088
Intangibles	-	-	-	-
Acc: Dep / Amortization	43,459	47,066	51,743	57,343
Tangibles	43,459	47,066	51,743	57,343
Intangibles	-	-	-	-
Net fixed assets	29,940	32,948	38,900	49,745
Tangibles	29,940	32,948	38,900	49,745
Intangibles	-	-	-	-
Capital Work In Progress	2,462	3,584	13,000	20,000
Goodwill	-	-	-	-
Non-Current Investments	7,599	6,160	6,275	6,354
Net Deferred tax assets	258	256	754	1,317
Other Non-Current Assets	14,746	14,449	14,810	15,180
Current Assets				
Investments	7,430	8,970	3,846	4,295
Inventories	15,927	19,288	20,141	22,297
Trade receivables	1,660	1,919	2,107	2,353
Cash & Bank Balance	557	2,659	2,813	943
Other Current Assets	1,141	1,381	1,519	1,671
Total Assets	82,335	92,299	1,04,997	1,25,075
Equity				
Equity Share Capital	964	964	964	964
Other Equity	18,500	23,628	28,629	40,673
Total Network	19,464	24,592	29,594	41,637
Non-Current Liabilities				
Long Term borrowings	275	267	267	267
Provisions	32,853	32,052	35,086	38,443
Other non current liabilities	2,103	2,080	2,785	3,244
Current Liabilities				
ST Debt / Current of LT Debt	66	34	34	34
Trade payables	17,482	19,338	23,440	25,949
Other current liabilities	10,100	11,426	13,793	15,501
Total Equity & Liabilities	82,341	89,787	1,04,997	1,25,075

Source: Company Data, PL Research

Cash Flow (Rs m)

Y/e Dec	CY21	CY22	CY23E	CY24E
PBT	30,688	32,723	38,327	43,315
Add. Depreciation	3,910	4,030	5,015	5,854
Add. Interest	2,017	1,546	1,790	1,984
Less Financial Other Income	1,202	1,010	781	677
Add. Other	(18,956)	(1,661)	126	140
Op. profit before WC changes	17,659	36,638	45,258	51,293
Net Changes-WC	16,974	(2,017)	10,236	1,094
Direct tax	(7,389)	(8,655)	(9,965)	(11,262)
Net cash from Op. activities	27,244	25,966	45,530	41,126
Capital expenditures	(8,139)	(5,642)	(22,894)	(23,699)
Interest / Dividend Income	1,958	2,084	1,937	1,938
Others	301	1,505	-	-
Net Cash from Inv. activities	(5,880)	(2,052)	(20,957)	(21,761)
Issue of share cap. / premium	1	-	-	-
Debt changes	(8)	(40)	-	-
Dividend paid	(19,283)	(20,247)	(22,658)	(19,283)
Interest paid	(2,017)	(1,546)	(1,790)	(1,984)
Others	-	-	-	-
Net cash from Fin. activities	(21,306)	(21,833)	(24,448)	(21,267)
Net change in cash	58	2,080	124	(1,902)
Free Cash Flow	19,104	20,324	22,635	17,427

Source: Company Data, PL Research

Key Financial Metrics

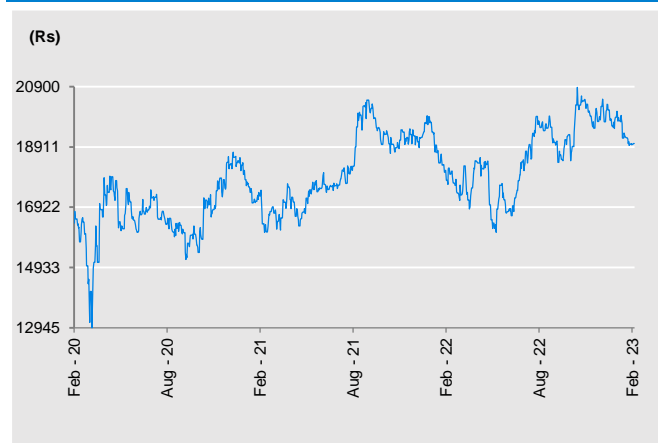
Y/e Dec	CY21	CY22	CY23E	CY24E
Per Share(Rs)				
EPS	244.7	247.4	294.2	332.4
CEPS	285.2	289.2	346.2	393.2
BVPS	201.9	255.1	306.9	431.9
FCF	198.1	210.8	234.8	180.8
DPS	200.0	210.0	235.0	200.0
Return Ratio(%)				
RoCE	157.6	147.9	143.6	124.2
ROIC	42.8	41.0	40.0	37.2
RoE	119.0	108.3	104.7	90.0
Balance Sheet				
Net Debt : Equity (x)	(0.4)	(0.5)	(0.2)	(0.1)
Net Working Capital (Days)	0	4	(2)	(2)
Valuation(x)				
PER	80.2	79.3	66.7	59.0
P/B	97.2	77.0	64.0	45.5
P/CEPS	285.2	289.2	346.2	393.2
EV/EBITDA	52.8	50.7	42.5	37.4
EV/Sales	12.8	11.1	9.8	8.7
Dividend Yield (%)	1.0	1.1	1.2	1.0

Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Dec	Q1CY22	Q2CY22	Q3CY22	Q4CY22
Net Revenue	39,807	40,366	46,018	42,568
YoY gr. (%)	10.2	16.1	18.5	13.8
Raw Material Expenses	17,757	18,583	21,777	19,215
Gross Profit	22,050	21,782	24,241	23,353
Margin (%)	55.4	54.0	52.7	54.9
EBITDA	9,308	8,492	10,101	9,769
YoY gr. (%)	0.1	1.8	6.1	14.8
Margin (%)	23.4	21.0	21.9	22.9
Depreciation / Depletion	1,043	1,016	982	987
EBIT	8,265	7,476	9,119	8,782
Margin (%)	20.8	18.5	19.8	20.6
Net Interest	356	370	372	448
Other Income	214	194	306	296
Profit before Tax	8,124	7,300	9,053	8,630
Margin (%)	20.4	18.1	19.7	20.3
Total Tax	2,115	1,850	2,379	2,310
Effective tax rate (%)	26.0	25.3	26.3	26.8
Profit after Tax	6,008	5,450	6,674	6,319
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
Adjusted PAT	6,008	5,450	6,674	6,319
YoY gr. (%)	(0.2)	3.9	7.4	3.8
Margin (%)	15.1	13.5	14.5	14.8
Extra Ord. Income / (Exp)	(61)	(297)	(60)	(39)
Reported PAT	5,947	5,153	6,615	6,281
YoY gr. (%)	(1.3)	(4.3)	7.1	62.4
Margin (%)	14.9	12.8	14.4	14.8
Other Comprehensive Income	1	13	31	1,075
Total Comprehensive Income	5,948	5,167	6,645	7,355
Avg. Shares O/s (m)	96	96	96	96
EPS (Rs)	62.3	56.5	69.2	65.5

Source: Company Data, PL Research

Price Chart
Recommendation History


No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	06-Jan-23	Accumulate	20,201	19,890
2	19-Oct-22	Accumulate	20,111	19,388
3	04-Oct-22	Accumulate	20,178	18,966
4	28-Jul-22	Accumulate	19,721	19,112
5	07-Jul-22	Accumulate	19,426	18,205
6	21-Apr-22	Accumulate	19,426	18,203
7	08-Apr-22	Accumulate	19,626	18,453
8	17-Feb-22	Accumulate	19,120	18,126

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Asian Paints	Accumulate	3,150	2,866
2	Avenue Supermarts	BUY	4,675	3,864
3	Britannia Industries	Hold	4,580	4,573
4	Colgate Palmolive	Hold	1,578	1,459
5	Dabur India	Accumulate	609	554
6	Emami	Accumulate	516	420
7	Hindustan Unilever	Accumulate	2,800	2,650
8	ITC	Accumulate	438	381
9	Jubilant FoodWorks	BUY	567	456
10	Kansai Nerolac Paints	Accumulate	485	416
11	Marico	Hold	532	494
12	Mold-tek Packaging	UR	-	1,063
13	Nestle India	Accumulate	20,201	19,890
14	Pidilite Industries	Hold	2,500	2,315
15	Restaurant Brands Asia	Accumulate	145	107
16	Titan Company	BUY	2,905	2,308
17	Westlife Foodworld	BUY	852	735

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. Amnish Aggarwal- MBA, CFA, Mr. Harish Advani- PGDM Finance, Ms. Anushka Chhajed- CA 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. Amnish Aggarwal- MBA, CFA, Mr. Harish Advani- PGDM Finance, Ms. Anushka Chhajed- CA 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