

December 18, 2023

Analyst Meet Update

■ Change in Estimates | ■ Target | ■ Reco

Change in Estimates

	Current		Previous	
	FY24E	FY25E	FY24E	FY25E
Rating	HOLD		HOLD	
Target Price	2,771		2,771	
Sales (Rs. m)	98,655	1,07,904	98,655	1,07,904
% Chng.	-	-	-	-
EBITDA (Rs. m)	9,213	10,346	9,213	10,346
% Chng.	-	-	-	-
EPS (Rs.)	60.8	68.1	60.8	68.1
% Chng.	-	-	-	-

Key Financials - Consolidated

Y/e Mar	FY23	FY24E	FY25E	FY26E
Sales (Rs. m)	80,898	89,832	98,655	1,07,904
EBITDA (Rs. m)	5,976	7,940	9,213	10,346
Margin (%)	7.4	8.8	9.3	9.6
PAT (Rs. m)	4,507	5,897	6,848	7,665
EPS (Rs.)	40.0	52.4	60.8	68.1
Gr. (%)	44.3	30.8	16.1	11.9
DPS (Rs.)	10.0	17.3	18.9	21.1
Yield (%)	0.4	0.6	0.7	0.7
RoE (%)	12.2	14.5	15.2	15.3
RoCE (%)	11.2	13.2	13.6	13.5
EV/Sales (x)	3.7	3.4	3.1	2.8
EV/EBITDA (x)	50.3	38.1	33.0	29.4
PE (x)	70.5	53.9	46.4	41.5
P/BV (x)	8.2	7.5	6.7	6.0

Key Data

[THMX.BO](#) | [TMX IN](#)

52-W High / Low	Rs.3,230 / Rs.1,830
Sensex / Nifty	71,484 / 21,457
Market Cap	Rs.336bn/ \$ 4,051m
Shares Outstanding	119m
3M Avg. Daily Value	Rs.309.42m

Shareholding Pattern (%)

Promoter's	61.98
Foreign	12.54
Domestic Institution	20.95
Public & Others	4.53
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	(2.5)	20.0	39.9
Relative	(10.4)	5.6	20.9

Amit Anwani

amitanwani@plindia.com | 91-22-66322250

Shirom Kapur

shiromkapur@plindia.com |

Thermax (TMX IN)

Rating: HOLD | CMP: Rs2,822 | TP: Rs2,771

Green solutions to drive next leg of growth

At the recent Thermax Fest held on December 15th, 2023, TMX showcased its innovative solutions across coal gasification, bio-CNG & biomass fuels, green hydrogen, renewable hybrid energy, construction chemicals, water, cooling & heating technologies, Thermal HVAC and industrial asset management. Although international manufacturing has not worked out as planned, there are some opportunities in Africa, Middle East and South East Asia. India, however, remains the fastest growing market for Thermax's offerings and the company is looking to capitalize on opportunities arising out of government policies on carbon footprint reduction, green energy, wastewater treatment, etc. Meanwhile, the chemicals business is unrelated to the energy transition theme, yet is expected to grow strongly over the next 4-5 years.

We believe TMX is well placed to gain from increasing thrust on energy transition & de-carbonization initiatives led by its 1) sustainable green industrial solutions in bio-energy, heating & cooling, chemicals, and water, 2) technical expertise, 3) strong balance sheet and 4) prudent working capital management. The stock is currently trading at a PE of 46.4x/41.5x FY25/26E. We maintain our 'Hold' rating with a TP of Rs2,771 (same as earlier), valuing it at a PE of 43x Sep'25E (same as earlier). We are positive on the long-term prospects of TMX, while maintaining a neutral view for the near-term given steep valuations.

Key takeaways from Thermax Fest

Thermax to capitalize on government's coal gasification policy

- The government's National Coal Gasification Mission has set a target to gasify 100MT of coal by 2030 with an expected investment outlay of ~Rs200bn.
- Various government incentives are expected including revenue concessions, GST exemptions, economical financing options, R&D funding, and Viability Gap Funding (VGF) for demo and commercial plants.
- To capture this growing opportunity, Thermax has launched a pilot gasifier project in Pune in collaboration with IIT Delhi. It is based on Fluidised Bed Coal Gasification Technology, which converts high ash Indian coal into value-added fuels.
- Overall, the company aims to develop gasification plants with carbon capture capabilities to process coal ranging from 100 to 500 tons per day.
- Coal gasification will help reduce dependence on coking coal imports for the steel industry, thereby cutting forex outflow and steel-making costs. Gasification based-steel making also has higher energy efficiency (55-60%) as compared to 35-45% efficiency of using coal for power generation.
- Gasification also finds application in blue chemicals and cleaner process heating.

Green & renewable utility solutions offered via TOESL and FEPL

- Thermax Onsite Energy Solutions Ltd. (TOESL), a wholly-owned subsidiary of Thermax, offers outsourced utilities such as steam & heat, chilled water, treated water, power co-generation, solar, bio-CNG, and biomass gasification through the Build-Own-Operate (BOO) business model.
- The asset is recorded on TOESL's books, consequently helping its customers maintain an asset light balance sheet.
- TOESL projects have a much higher return on investment threshold than the 15-16% for Thermax as a whole.
- The company is seeing order inflows of Rs1.5-2bn per year.
- It has developed an end-to-end supply chain for sourcing biomass fuels, with capability to source 2500+ TPD through a base of 150+ vendors across India.
- Another subsidiary, First Energy Pvt. Ltd. (FEPL), is involved in clean energy initiatives with a target of installing 1 GW of hybrid renewable energy solutions by FY27.
- The company currently manages an operational portfolio of 140 MWp, with an additional 145 MWp under construction, over 300 MW in development and 400 MW in the pipeline.
- The captive users are leading organizations from tyre, auto, petrochemical and textile industries.

Bio-CNG solutions offered via TBSPL

- Thermax Bioenergy Solutions Pvt. Ltd. is a joint venture established to offer solutions in India's bio-CNG market.
- It contributes to the circular economy by producing bio-CNG from a variety of waste material such as agri residue, municipal solid waste, press-mud (sugar industry waste), cattle dung, etc.
- TBSPL has ~50,000 TPA of bio-CNG projects currently under construction/commissioning, thereby helping accelerate India's Net Zero target of 2070.
- Thermax recently won an order worth Rs5bn for setting up 5 bio-CNG plants across India from a leading energy conglomerate.

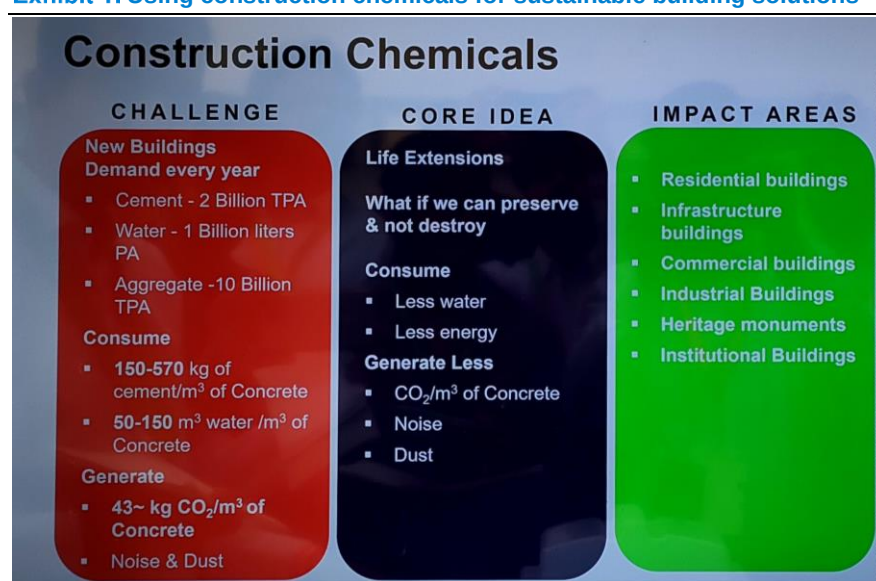
Integrated solutions to be offered in Green Hydrogen

- Thermax launched its green hydrogen strategic business unit in June 2023 to work on electrolysis technologies as well as on technologies for biomass-based hydrogen generation.
- The company will offer integrated solutions across the green hydrogen value chain, including setting up electrolyser manufacturing facilities, green hydrogen generation projects on BOO basis, and green hydrogen & green ammonia EPC execution.

Chemicals Business to contribute high double digit growth

- Thermax has introduced sustainable solutions in construction chemicals – **Seismocrete UHP and BS 66 MuciS** – which increase the structural strength & durability of existing buildings (industrial, residential, commercial, etc.), thus preserving them for longer.
- This lowers the need to construct new buildings, hence reducing consumption of water & energy and generation of carbon dioxide, dust and noise, while also minimizing shutdown time of the existing buildings.

Exhibit 1: Using construction chemicals for sustainable building solutions



Source: Company, PL

- The company has also launched drumless delivery of chemicals for non-industrial sectors such as Hospitality, Commercial & Entertainment. This increases safety by lowering spills and accidents, while also reducing carbon footprint (by ~90%) and water consumption.
- Thermax exports resins to USA and Europe, but has low single digit market share given the persistent risk of low-cost dumping from China.
- Contribution of specialty chemicals is 15-20%.
- Many new product lines are quite profitable. **The company expects high double digit growth & profitability in this business at least for the next 4-5 years.**

Domestic business to continue to outperform international business

- Thermax's experience in international manufacturing has not been as great as expected. The company had to shut down its operations in China due to local competition, while its Indonesian operations are running in losses.
- On the other hand, its German subsidiary, Danstoker, is doing well with plenty of orders coming in. Furthermore, the company is seeing sweet spots for growth in Middle East, Africa, and South-East Asia.

- **However, India is still the fastest growing market;** thus domestic revenue will continue to outpace exports.

Government policies to drive opportunities in water business

- Business has grown from Rs3.5bn to Rs10bn over the past 3 years.
- Thermax stayed away from the municipal market and instead focused on industrial projects. Margins now range from ~5% to ~7.5%.
- The company faces competition from 2-3 players in this segment.
- With increasing government regulations on manufacturing wastewater treatment, Zero Liquid Discharge (ZLD) is a significant market opportunity in India. Thermax is seeing stronger enquiries for ZLD solutions.
- The company has developed an in-house ZLD system based on **Mechanical Vapour Recompression (MVR) technology**, a mechanism that reduces energy used in the evaporation process by reusing heat energy contained in the vapor, which would otherwise be wasted.

Exhibit 2: Thermax's Advanced MVR solution for ZLD



Source: Company, PL

Innovative solutions introduced in Cooling & Heating

- **FlexiSource Boilers:** Solution that can combust 10+ types of waste fuels, providing higher fuel flexibility to customers while reducing waste volume by up to 95%.
- **Thermal HVAC System:** Cooling solution for buses & trucks by utilizing waste heat from the vehicles themselves. Launched the product in Europe two years ago; now doing trials with major OEMs and fleet owners in the domestic market.

Cost of running a typical air conditioner exceeds the cost of the bus in the long run, while the investment in THVAC has a payback period of 1-2 years.

- Thermax is mainly present in industrial chillers; 70% of the chillers made are exported.
- Not present in residential electric chillers, as the market is small and scale required is massive given the high cost of importing the compressor.

Thermax EDGE Live to elevate customer experience

- Digital solution powered by artificial intelligence, machine learning and Thermax engineered algorithms. It integrates a client's industrial assets across the globe and can perform data analytics seamlessly.
- It optimizes energy efficiency, increases reliability and life expectancy of the assets and enables safer operations.
- It is sold in both subscription model to opex customers and in bundle form to capex customers.

Financials

Income Statement (Rs m)

Y/e Mar	FY23	FY24E	FY25E	FY26E
Net Revenues	80,898	89,832	98,655	1,07,904
YoY gr. (%)	32.0	11.0	9.8	9.4
Cost of Goods Sold	46,247	49,193	53,334	58,065
Gross Profit	34,651	40,638	45,320	49,839
Margin (%)	42.8	45.2	45.9	46.2
Employee Cost	9,542	10,959	12,135	13,272
Other Expenses	6,762	8,893	9,865	10,790
EBITDA	5,976	7,940	9,213	10,346
YoY gr. (%)	41.8	32.9	16.0	12.3
Margin (%)	7.4	8.8	9.3	9.6
Depreciation and Amortization	1,169	1,303	1,380	1,468
EBIT	4,807	6,637	7,833	8,879
Margin (%)	5.9	7.4	7.9	8.2
Net Interest	376	531	672	813
Other Income	1,602	1,779	1,995	2,182
Profit Before Tax	6,033	7,884	9,155	10,247
Margin (%)	7.5	8.8	9.3	9.5
Total Tax	1,524	1,987	2,307	2,582
Effective tax rate (%)	25.3	25.2	25.2	25.2
Profit after tax	4,509	5,897	6,848	7,665
Minority interest	-	-	-	-
Share Profit from Associate	(2)	-	-	-
Adjusted PAT	4,507	5,897	6,848	7,665
YoY gr. (%)	44.3	30.8	16.1	11.9
Margin (%)	5.6	6.6	6.9	7.1
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	4,507	5,897	6,848	7,665
YoY gr. (%)	44.3	30.8	16.1	11.9
Margin (%)	5.6	6.6	6.9	7.1
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	4,507	5,897	6,848	7,665
Equity Shares O/s (m)	113	113	113	113
EPS (Rs)	40.0	52.4	60.8	68.1

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY23	FY24E	FY25E	FY26E
Non-Current Assets				
Gross Block	21,192	22,392	23,592	24,792
Tangibles	21,192	22,392	23,592	24,792
Intangibles	-	-	-	-
Acc: Dep / Amortization	9,033	10,336	11,716	13,184
Tangibles	9,033	10,336	11,716	13,184
Intangibles	-	-	-	-
Net fixed assets	12,160	12,056	11,876	11,609
Tangibles	12,160	12,056	11,876	11,609
Intangibles	-	-	-	-
Capital Work In Progress	4,660	4,660	4,660	4,660
Goodwill	-	-	-	-
Non-Current Investments	4,212	5,469	7,811	10,562
Net Deferred tax assets	1,057	1,057	1,057	1,057
Other Non-Current Assets	4,322	5,210	5,426	5,935
Current Assets				
Investments	13,929	14,429	14,929	15,929
Inventories	7,556	9,106	10,001	10,938
Trade receivables	18,766	20,920	22,974	25,128
Cash & Bank Balance	11,316	11,852	13,434	15,160
Other Current Assets	4,851	5,300	5,623	5,827
Total Assets	87,300	94,599	1,02,683	1,12,254
Equity				
Equity Share Capital	225	225	225	225
Other Equity	38,456	42,407	47,132	52,420
Total Network	38,681	42,632	47,357	52,646
Non-Current Liabilities				
Long Term borrowings	4,373	4,591	4,821	5,062
Provisions	-	-	-	-
Other non current liabilities	-	-	-	-
Current Liabilities				
ST Debt / Current of LT Debt	3,933	6,714	9,485	12,243
Trade payables	15,286	18,705	20,542	22,468
Other current liabilities	26,063	23,014	21,536	20,892
Total Equity & Liabilities	87,300	94,599	1,02,683	1,12,254

Source: Company Data, PL Research

Cash Flow (Rs m)

Y/e Mar	FY23	FY24E	FY25E	FY26E
PBT	6,033	7,884	9,155	10,247
Add. Depreciation	1,169	1,303	1,380	1,468
Add. Interest	260	531	672	813
Less Financial Other Income	1,602	1,779	1,995	2,182
Add. Other	(726)	(1,779)	(1,995)	(2,182)
Op. profit before WC changes	6,736	7,940	9,213	10,346
Net Changes-WC	(628)	(1,243)	(1,660)	(2,311)
Direct tax	1,512	1,987	2,307	2,582
Net cash from Op. activities	4,596	4,710	5,246	5,453
Capital expenditures	(7,392)	(1,200)	(1,200)	(1,200)
Interest / Dividend Income	696	1,779	1,995	2,182
Others	(100)	(1,706)	(2,751)	(3,561)
Net Cash from Invt. activities	(6,797)	(1,127)	(1,956)	(2,579)
Issue of share cap. / premium	-	-	-	-
Debt changes	4,481	3,000	3,000	3,000
Dividend paid	(1,021)	(1,946)	(2,123)	(2,376)
Interest paid	(256)	(531)	(672)	(813)
Others	281	(3,569)	(1,913)	(958)
Net cash from Fin. activities	3,485	(3,047)	(1,708)	(1,148)
Net change in cash	1,284	536	1,582	1,727
Free Cash Flow	(1,904)	3,510	4,046	4,253

Source: Company Data, PL Research

Key Financial Metrics

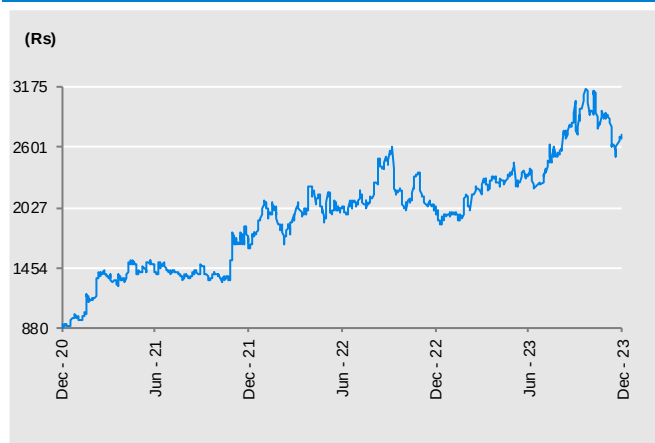
Y/e Mar	FY23	FY24E	FY25E	FY26E
Per Share(Rs)				
EPS	40.0	52.4	60.8	68.1
CEPS	50.4	63.9	73.1	81.1
BVPS	343.5	378.6	420.6	467.5
FCF	(16.9)	31.2	35.9	37.8
DPS	10.0	17.3	18.9	21.1
Return Ratio(%)				
RoCE	11.2	13.2	13.6	13.5
ROIC	20.5	20.5	19.9	19.1
RoE	12.2	14.5	15.2	15.3
Balance Sheet				
Net Debt : Equity (x)	(0.4)	(0.4)	(0.3)	(0.3)
Net Working Capital (Days)	50	46	46	46
Valuation(x)				
PER	70.5	53.9	46.4	41.5
P/B	8.2	7.5	6.7	6.0
P/CEPS	56.0	44.1	38.6	34.8
EV/EBITDA	50.3	38.1	33.0	29.4
EV/Sales	3.7	3.4	3.1	2.8
Dividend Yield (%)	0.4	0.6	0.7	0.7

Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q3FY23	Q4FY23	Q1FY24	Q2FY24
Net Revenue	20,493	23,108	19,330	23,025
YoY gr. (%)	26.9	16.0	16.8	10.9
Raw Material Expenses	11,451	12,767	10,774	12,805
Gross Profit	9,042	10,342	8,556	10,219
Margin (%)	44.1	44.8	44.3	44.4
EBITDA	1,611	1,999	1,322	2,046
YoY gr. (%)	42.4	47.8	37.7	45.6
Margin (%)	7.9	8.7	6.8	8.9
Depreciation / Depletion	291	294	294	330
EBIT	1,320	1,705	1,028	1,717
Margin (%)	6.4	7.4	5.3	7.5
Net Interest	91	139	134	198
Other Income	423	575	531	659
Profit before Tax	1,652	2,140	919	2,177
Margin (%)	8.1	9.3	4.8	9.5
Total Tax	386	581	315	589
Effective tax rate (%)	23.3	27.2	34.3	27.0
Profit after Tax	1,267	1,559	603	1,589
Minority interest	-	-	-	-
Share Profit from Associates	(3)	3	(4)	(3)
Adjusted PAT	1,264	1,562	994	1,586
YoY gr. (%)	59.1	52.3	68.6	45.3
Margin (%)	6.2	6.8	5.1	6.9
Extra Ord. Income / (Exp)	-	-	(394)	-
Reported PAT	1,264	1,562	600	1,586
YoY gr. (%)	59.1	52.3	1.7	45.3
Margin (%)	6.2	6.8	3.1	6.9
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	1,264	1,562	600	1,586
Avg. Shares O/s (m)	113	113	113	113
EPS (Rs)	11.2	13.9	8.8	14.1

Source: Company Data, PL Research

Price Chart
Recommendation History


No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	06-Nov-23	Hold	2,771	2,895
2	05-Oct-23	Hold	2,613	3,101
3	23-Aug-23	Hold	2,613	2,721
4	02-Aug-23	Hold	2,613	2,602
5	06-Jul-23	BUY	2,613	2,240
6	18-May-23	BUY	2,613	2,280
7	11-Apr-23	BUY	2,608	2,316
8	14-Feb-23	BUY	2,604	2,149
9	04-Jan-23	Accumulate	2,556	1,956

Analyst Coverage Universe

Sr. No.	Company IName	Rating	TP (Rs)	Share Price (Rs)
1	ABB India	Accumulate	4,950	4,311
2	Apar Industries	Accumulate	5,630	5,165
3	Bharat Electronics	Accumulate	143	133
4	BHEL	Reduce	67	127
5	Carborundum Universal	BUY	1,408	1,076
6	Cummins India	Hold	1,811	1,767
7	Engineers India	BUY	166	145
8	GE T&D India	Hold	367	386
9	Grindwell Norton	BUY	2,604	2,159
10	Harsha Engineers International	Accumulate	415	393
11	Hindustan Aeronautics	BUY	2,266	2,059
12	Kalpataru Projects International	BUY	740	636
13	KEC International	Hold	645	615
14	Larsen & Toubro	BUY	3,437	2,929
15	Praj Industries	Accumulate	611	534
16	Siemens	Accumulate	4,241	3,647
17	Thermax	Hold	2,771	2,895
18	Triveni Turbine	Accumulate	450	392
19	Voltamp Transformers	Hold	5,079	4,989

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. Shirom Kapur- BSc, Passed CFA Level III 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. Amit Anwani- MBA (Finance), Mr. Shirom Kapur- BSc, Passed CFA Level III 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