

May 7, 2024

Q4FY24 Result Update

Change in Estimates | Target | Reco

Change in Estimates

	Current		Previous	
	FY25E	FY26E	FY25E	FY26E
Rating	REDUCE		HOLD	
Target Price	3,120		3,313	
Sales (Rs. m)	49,357	60,240	48,750	61,911
% Chng.	1.2	(2.7)		
EBITDA (Rs. m)	12,625	16,528	12,402	17,080
% Chng.	1.8	(3.2)		
EPS (Rs.)	55.5	78.0	56.1	82.8
% Chng.	(1.0)	(5.8)		

Key Financials - Consolidated

Y/e Mar	FY23	FY24	FY25E	FY26E
Sales (Rs. m)	56,847	42,808	49,357	60,240
EBITDA (Rs. m)	19,653	9,548	12,625	16,528
Margin (%)	34.6	22.3	25.6	27.4
PAT (Rs. m)	12,470	4,350	6,101	8,568
EPS (Rs.)	113.5	39.6	55.5	78.0
Gr. (%)	58.4	(65.1)	40.3	40.4
DPS (Rs.)	3.4	1.6	2.8	3.9
Yield (%)	0.1	0.0	0.1	0.1
RoE (%)	25.5	7.6	9.8	12.4
RoCE (%)	27.0	9.0	11.2	14.0
EV/Sales (x)	7.3	9.8	8.3	6.9
EV/EBITDA (x)	21.0	43.7	32.6	25.1
PE (x)	32.0	91.9	65.5	46.6
P/BV (x)	7.2	6.7	6.1	5.5

Key Data **GFL.L.BO | FLUROCH IN**

52-W High / Low	Rs.3,920 / Rs.2,537
Sensex / Nifty	73,896 / 22,443
Market Cap	Rs.400bn/ \$ 4,786m
Shares Outstanding	110m
3M Avg. Daily Value	Rs.395.41m

Shareholding Pattern (%)

Promoter's	63.81
Foreign	4.51
Domestic Institution	8.79
Public & Others	22.89
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	14.2	33.9	7.2
Relative	14.7	17.7	(11.4)

Swarnendu Bhushan

swarnendubhushan@plindia.com | 91-22-66322260

Saurabh Ahire

saurabhahire@plindia.com |

In line performance

Quick Pointers:

- In FY25, the company is set to invest Rs8bn in Battery chemical segment, with a total capex of Rs60bn earmarked for the next 3-4 years
- Volumes and prices for specialty chemicals anticipated to be sluggish in FY25, impacting both revenue and margins

Gujarat Fluorochemicals (FLUROCH) consolidated revenue from operations was at Rs 11.3bn (-23% YoY/ 14.2% QoQ), QoQ improvement was primarily led by Fluoro Polymers and Fluoro Chemicals. Even though, the plants for the Bulk Chemicals segment ran at full capacity, the segment saw a 1% QoQ decline in revenue due to subdued prices of Caustic Soda/MDC. Looking ahead to FY25, challenges loom for the Fluorochemicals segment, factors such as dumping from China, duty cuts in the US market impacting Refrigerants, and the phase-out of R-22 are anticipated to exert pressure on volumes and prices. Fluoropolymer capacities setup in FY24 are expected to fuel a continuous increase in sales with enhanced utilization levels. Additionally, progress in the Battery Chemical vertical is promising, with the LiPF6 plant already commissioned, commercial sales expected from H2FY25 upon customer approval. The stock is trading at 65x FY25 EPS. We downgrade the company to "REDUCE" from "HOLD" previously, with target price of Rs3,402, valuing it at 40x FY26 EPS.

- Consolidated revenue** stood at Rs 11.3bn (-23% YoY/ 14.2% QoQ), actual topline was 4.5% higher than Ple of Rs 10.8bn. For FY24, topline declined by 25% to Rs 42.8bn from Rs 56.8bn in FY23. **Gross profit margin** was at 65.3% (vs 64% in Q3FY24 and 72.1% in Q4FY23), actual gross profit was higher than PLe estimates by 6.6%.
- EBITDA** stood at Rs 2.3bn vs (-55.5% YoY/ 15.2% QoQ). EBITDA margin came at 21% (vs 36% in Q4FY23 and 20.8% in Q3FY24). FY24 EBITDA stood at Rs9.5bn, ~53% down YoY.
- In FY25, the **Fluoropolymer segment** is expected to grow as destocking is almost over, prices have remained stable and volumes have been improving QoQ. Furthermore, the exit of certain legacy players from the segment is anticipated to augment this growth trajectory.
- Battery chemicals vertical** is on track according to the established plan. In FY25, the company is set to invest Rs8bn, with a total capex of Rs60bn earmarked for the next 4-5 years. While China currently possesses excess capacity in EV chemical production, the geopolitical situation is prompting exploration for alternatives outside of China. As demand for EV battery manufacturing rises in regions like Europe and the US, the Company stands to benefit from this increased demand.
- Reported PAT** was at Rs 1bn (-70% YoY/ 26% QoQ), while margins were at 9% in Q4FY24 vs 23% and 8% in Q4FY23 & Q3FY24 respectively.

- **Concall takeaways:** (1) Capex for FY24 was at Rs10.5bn (2) Bulk chemicals plants ran at full capacity during the quarter, while Caustic soda/MDC prices remained subdued, company believe they have bottomed and prices will increase in future (3) Fluoro Chemicals segment to remain subdued in FY25 and will impact volumes and prices due to dumping from China, headwinds for Refrigerants due to duty cuts in US market and phasing out of R-22 (4) Fluoropolymers segment which is company's core business has already been bottomed up and will see increase in performance in upcoming quarters. Destocking is phasing out and there has been improvement towards demand side for Fluoropolymers (5) Fluoropolymer capacities which were setup in FY24 are expected to result in continuous increase in sales with improved utilization levels, expected growth rate is 7-8% (6) Battery Chemical vertical is going as per plan, LiPF6 plant is commissioned, sampling is in process and commercial sale is expected in H2FY25. Capex target for FY25 is Rs8bn, and this segment is expected to be growth driver for the year (7) Rs8bn Capex plan for EV business will come from external funding and will take 4-6 months, bankers have been already appointed (8) Capex will be focused on Electrolyte Salt, Cathode and Cathode Binder plant (9) Working capital has increased due to decrease in sales YoY, once sales improve company expect it to decrease (10) Approval process of PVDF is of multiple stages, it takes 6-8 months and depending upon the customer it may take a year (11) The company is working with almost all the battery manufacturing companies coming up in India, the company expects Indian battery manufacturing to start on large scale by end of FY25 (12) Opex higher due to CSR expense, one off year end expense, Red Sea crisis and LiPF6 expenses (13) For battery chemical segment, Rs60bn will be invested in next 4-5 years and this investment will have 2x asset turnover (14) VCM to VDC project has been delayed due to lowering of prices, expected to be implemented in the middle of next year (15) In China, EV chemical has excess capacity however, outside China it is low and due to geopolitical situation replacement to China is looked for. As EV Battery manufacturing demand is coming up in Europe, US the company will benefit from the increased demand. (16) Capex of Rs5bn for non-EV business will be for tail ends of Fluoropolymer segment and part of it will be invested in backward integration (17) Realization stable in fluoropolymers except low end products (18) EBITDAM target is 25-30% overall (19) The company is expecting Caustic Soda prices to pick up

Exhibit 1: Q4FY24 Result Overview - Consolidated (Rs mn)

Y/e March	Q4FY24	Q4FY23	YoY gr. (%)	Q4FY24E	% Var.	Q3FY24	QoQ gr. (%)	FY24E	FY23	YoY gr. (%)
Net Sales	11,330	14,714	(23.0)	10,846	4.5	9,917	14.2	42,808	56,847	(24.7)
Gross Profit	7,403	10,606	(30.2)	6,941	6.6	6,348	16.6	28,275	41,141	(31.3)
Margin (%)	65.3	72.1		64.0		64.0		66.0	72.4	(8.7)
EBITDA	2,376	5,293	(55.1)	2,191	8.4	2,062	15.2	9,548	20,472	(53.4)
Margin (%)	21.0	36.0		20.2		20.8		22	36	
Other Income	183	186	(1.6)	195	(6.3)	132	38.8	595	904	(34.2)
Depreciation	812	638	27.2	719	12.9	719	12.9	2,861	2,361	21.2
EBIT	1,747	4,841	(63.9)	1,667	4.8	1,475	18.4	7,282	19,016	(61.7)
Interest	337	348	(3.2)	365	(7.9)	372	(9.6)	1,331	1,168	13.9
PBT before exceptional items	1,410	4,493	(68.6)	1,302	8.3	1,103	27.9	5,951	17,848	(66.7)
Total Tax	401	1,174	(65.9)	328	22.0	302	32.7	1,601	4,617	(65.3)
ETR (%)	28.4	26.1		25.2		27.4		26.9	25.9	
Adj. PAT	1,010	3,319	(69.6)	974	3.7	801	26.1	4,350	13,231	(67.1)
Exceptional Items	0	0		0		0		0	0	
PAT	1,010	3,319	(69.6)	974	3.7	801	26.1	4,350	13,231	(67.1)

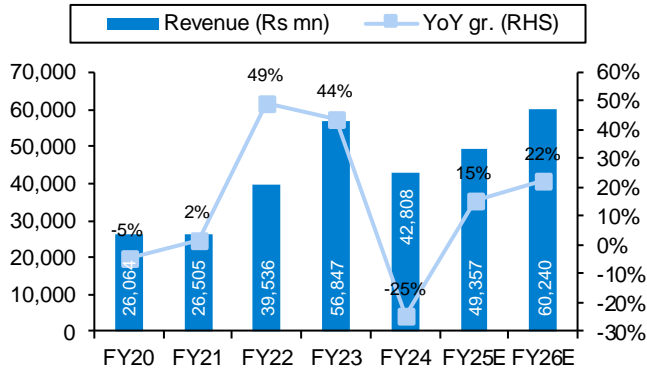
Source: Company, PL

Exhibit 2: Segmental Revenue (Rs Mn)

Y/e March	Q4FY24	Q4FY23	YoY gr.	Q3FY24	QoQ gr.	FY24	FY23	YoY gr.
Bulk Chemicals	1,760	2,370	-25.7%	1,780	-1.1%	6,910	10,850	-36.3%
Fluoro Chemicals	3,030	4,760	-36.3%	2,460	23.2%	10,650	15,400	-30.8%
Fluoropolymers	6,450	7,230	-10.8%	5,450	18.3%	24,380	29,580	-17.6%
Others	90	354	-74.5%	227	-60.3%	868	1,014	-14.4%
Total Revenue	11,330	14,714	-23.0%	9,917	14.2%	42,808	56,844	-24.7%

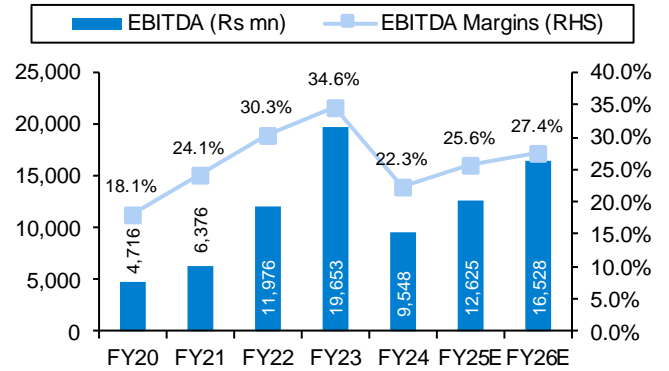
Source: Company, PL

Exhibit 3: Rev to grow at 15% in FY25



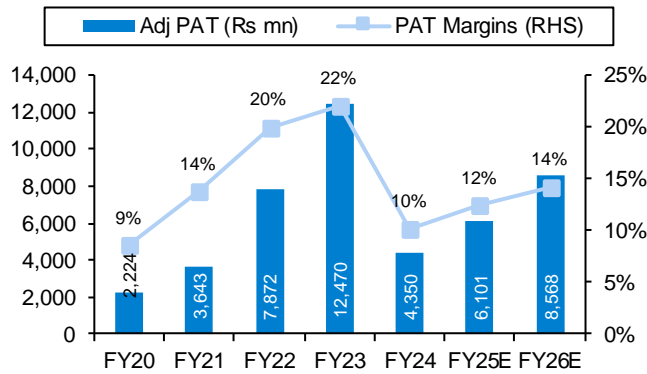
Source: Company, PL

Exhibit 4: EBITDAM improvement expected FY24-FY26E



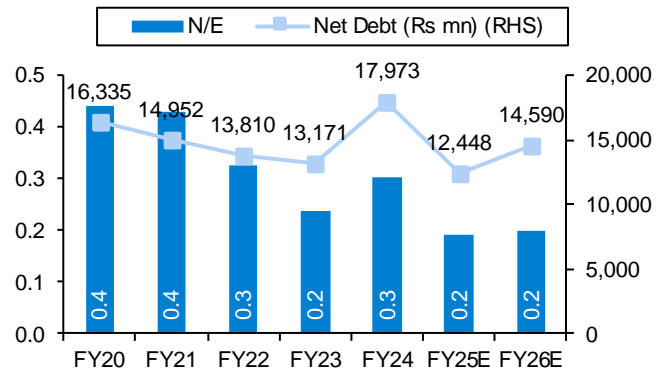
Source: Company, PL

Exhibit 5: PAT margins to rise to 14%



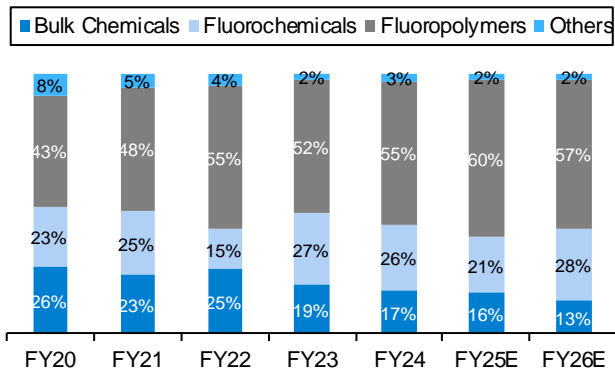
Source: Company, PL

Exhibit 6: D/E to be at 0.2x



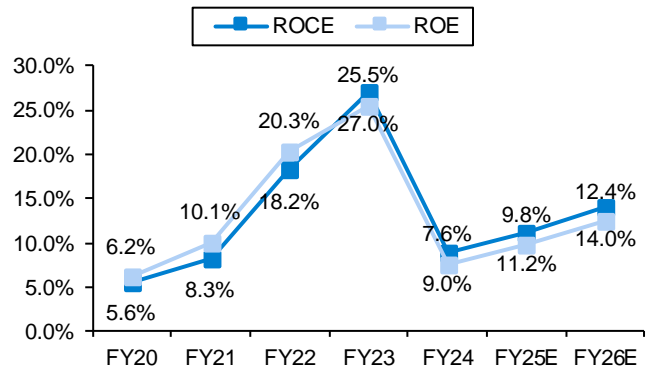
Source: Company, PL

Exhibit 7: Fluoropolymers contribution strong



Source: Company, PL

Exhibit 8: Return Ratios to stay around 11-14%



Source: Company, PL

Financials

Income Statement (Rs m)

Y/e Mar	FY23	FY24	FY25E	FY26E
Net Revenues	56,847	42,808	49,357	60,240
YoY gr. (%)	43.8	(24.7)	15.3	22.0
Cost of Goods Sold	15,705	14,533	16,166	19,143
Gross Profit	41,141	28,275	33,191	41,096
Margin (%)	72.4	66.0	67.2	68.2
Employee Cost	3,221	3,504	3,784	4,087
Other Expenses	18,267	15,223	16,781	20,482
EBITDA	19,653	9,548	12,625	16,528
YoY gr. (%)	64.1	(51.4)	32.2	30.9
Margin (%)	34.6	22.3	25.6	27.4
Depreciation and Amortization	2,361	2,861	3,492	4,052
EBIT	17,293	6,686	9,134	12,476
Margin (%)	30.4	15.6	18.5	20.7
Net Interest	1,168	1,331	1,364	1,383
Other Income	904	595	601	661
Profit Before Tax	17,029	5,951	8,371	11,754
Margin (%)	30.0	13.9	17.0	19.5
Total Tax	4,617	1,601	2,270	3,187
Effective tax rate (%)	27.1	26.9	27.1	27.1
Profit after tax	12,412	4,349	6,101	8,567
Minority interest	(58)	-	-	-
Share Profit from Associate	0	0	0	0
Adjusted PAT	12,470	4,350	6,101	8,568
YoY gr. (%)	58.4	(65.1)	40.3	40.4
Margin (%)	21.9	10.2	12.4	14.2
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	12,470	4,350	6,101	8,568
YoY gr. (%)	58.4	(65.1)	40.3	40.4
Margin (%)	21.9	10.2	12.4	14.2
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	12,470	4,350	6,101	8,568
Equity Shares O/s (m)	110	110	110	110
EPS (Rs)	113.5	39.6	55.5	78.0

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY23	FY24	FY25E	FY26E
Non-Current Assets				
Gross Block	45,361	57,350	67,350	77,350
Tangibles	43,099	55,088	65,088	75,088
Intangibles	2,262	2,262	2,262	2,262
Acc: Dep / Amortization	14,095	16,956	20,448	24,499
Tangibles	13,438	16,299	19,791	23,842
Intangibles	657	657	657	657
Net fixed assets	31,266	40,394	46,902	52,850
Tangibles	29,661	38,789	45,297	51,246
Intangibles	1,605	1,605	1,605	1,605
Capital Work In Progress	11,424	10,913	10,913	10,913
Goodwill	-	-	-	-
Non-Current Investments	6,043	4,369	4,369	4,369
Net Deferred tax assets	(2,410)	(2,654)	(2,654)	(2,654)
Other Non-Current Assets	-	-	-	-
Current Assets				
Investments	2	-	-	-
Inventories	14,854	15,713	11,900	14,524
Trade receivables	11,068	8,446	9,466	11,553
Cash & Bank Balance	1,610	1,985	6,563	5,926
Other Current Assets	-	-	-	-
Total Assets	83,714	89,721	97,560	1,09,222
Equity				
Equity Share Capital	110	110	110	110
Other Equity	55,097	59,254	65,072	73,212
Total Networkth	55,207	59,363	65,182	73,322
Non-Current Liabilities				
Long Term borrowings	1,832	3,731	3,731	3,731
Provisions	395	545	545	545
Other non current liabilities	477	1,009	1,009	1,009
Current Liabilities				
ST Debt / Current of LT Debt	12,950	16,227	15,280	16,785
Trade payables	6,910	5,189	6,085	7,427
Other current liabilities	3,529	3,612	3,064	3,739
Total Equity & Liabilities	83,714	92,341	97,560	1,09,222

Source: Company Data, PL Research

Cash Flow (Rs m)

Y/e Mar	FY23	FY24	FY25E	FY26E
PBT	17,847	5,951	8,371	11,754
Add. Depreciation	2,361	2,861	3,492	4,052
Add. Interest	1,168	1,331	1,364	1,383
Less Financial Other Income	904	595	601	661
Add. Other	(461)	(491)	(601)	(661)
Op. profit before WC changes	20,915	9,652	12,625	16,528
Net Changes-WC	(8,827)	(1,440)	3,337	(4,518)
Direct tax	(4,700)	(1,949)	(2,010)	(3,003)
Net cash from Op. activities	7,389	6,263	13,952	9,008
Capital expenditures	(6,700)	(9,410)	(10,000)	(10,000)
Interest / Dividend Income	351	191	601	661
Others	1,586	(445)	-	-
Net Cash from Inv. activities	(4,764)	(9,665)	(9,399)	(9,339)
Issue of share cap. / premium	(37)	0	-	-
Debt changes	(796)	5,191	(947)	1,504
Dividend paid	(439)	(220)	(305)	(428)
Interest paid	(1,336)	(1,406)	(1,364)	(1,383)
Others	(33)	(90)	1	1
Net cash from Fin. activities	(2,641)	3,476	(2,614)	(306)
Net change in cash	(16)	74	1,939	(637)
Free Cash Flow	639	(3,293)	3,952	(992)

Source: Company Data, PL Research

Key Financial Metrics

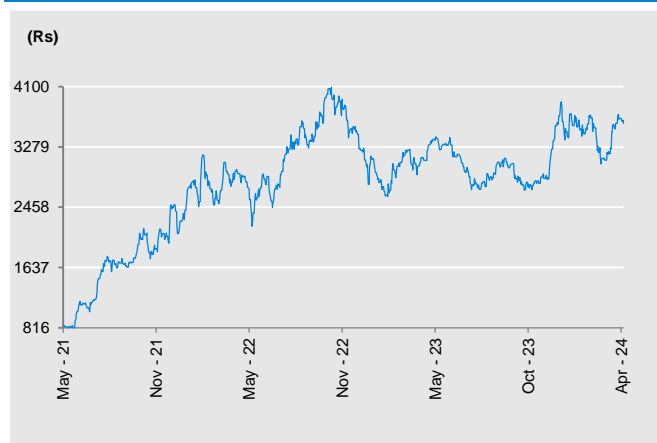
Y/e Mar	FY23	FY24	FY25E	FY26E
Per Share(Rs)				
EPS	113.5	39.6	55.5	78.0
CEPS	135.0	65.6	87.3	114.9
BVPS	502.6	540.4	593.4	667.5
FCF	5.8	(30.0)	36.0	(9.0)
DPS	3.4	1.6	2.8	3.9
Return Ratio(%)				
RoCE	27.0	9.0	11.2	14.0
ROIC	20.2	6.7	8.6	11.0
RoE	25.5	7.6	9.8	12.4
Balance Sheet				
Net Debt : Equity (x)	0.2	0.3	0.2	0.2
Net Working Capital (Days)	122	162	113	113
Valuation(x)				
PER	32.0	91.9	65.5	46.6
P/B	7.2	6.7	6.1	5.5
P/CEPS	26.9	55.4	41.7	31.7
EV/EBITDA	21.0	43.7	32.6	25.1
EV/Sales	7.3	9.8	8.3	6.9
Dividend Yield (%)	0.1	0.0	0.1	0.1

Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q1FY24	Q2FY24	Q3FY24	Q4FY24
Net Revenue	12,093	9,468	9,917	11,330
YoY gr. (%)	(9.3)	(35.2)	(30.1)	(23.0)
Raw Material Expenses	3,619	3,418	3,569	3,927
Gross Profit	8,473	6,050	6,348	7,403
Margin (%)	70.1	63.9	64.0	65.3
EBITDA	3,479	1,631	2,062	2,376
YoY gr. (%)	(24.2)	(69.6)	(60.6)	(55.1)
Margin (%)	28.8	17.2	20.8	21.0
Depreciation / Depletion	655	676	719	812
EBIT	2,824	955	1,343	1,564
Margin (%)	23.4	10.1	13.5	13.8
Net Interest	280	342	372	337
Other Income	146	135	132	183
Profit before Tax	2,690	749	1,103	1,410
Margin (%)	22.2	7.9	11.1	12.4
Total Tax	678	221	302	401
Effective tax rate (%)	25.2	29.5	27.4	28.4
Profit after Tax	2,012	527	801	1,010
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
Adjusted PAT	2,011	527	801	1,010
YoY gr. (%)	(33.7)	(85.4)	(75.7)	(69.6)
Margin (%)	16.6	5.6	8.1	8.9
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	2,011	527	801	1,010
YoY gr. (%)	(33.7)	(85.4)	(75.7)	(69.6)
Margin (%)	16.6	5.6	8.1	8.9
Other Comprehensive Income	(15)	(2)	(2)	(2)
Total Comprehensive Income	1,997	525	799	1,008
Avg. Shares O/s (m)	110	110	-	110
EPS (Rs)	18.3	4.8	-	9.2

Source: Company Data, PL Research

Price Chart
Recommendation History


No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	09-Apr-24	Hold	3,313	3,270
2	07-Feb-24	Hold	3,727	3,616
3	08-Jan-24	Reduce	3,342	3,626
4	06-Nov-23	Reduce	2,413	2,780
5	09-Oct-23	Accumulate	3,230	2,846
6	15-Sep-23	Accumulate	3,230	3,125

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Aarti Industries	Reduce	599	705
2	Ashok Leyland	BUY	210	176
3	Bajaj Auto	Sell	7,267	9,021
4	Bharat Forge	Accumulate	1,270	1,146
5	Bharat Petroleum Corporation	Sell	504	592
6	Bharti Airtel	Accumulate	1,269	1,204
7	CEAT	BUY	3,017	2,545
8	Clean Science and Technology	Hold	1,386	1,335
9	Deepak Nitrite	Reduce	1,985	2,208
10	Divgi Torqtransfer Systems	BUY	1,135	843
11	Eicher Motors	Accumulate	4,215	4,031
12	Endurance Technologies	Hold	1,980	1,900
13	Exide Industries	Accumulate	495	472
14	Fine Organic Industries	Hold	4,351	4,361
15	GAIL (India)	Sell	162	201
16	Gujarat Fluorochemicals	Hold	3,313	3,270
17	Gujarat Gas	Hold	548	565
18	Gujarat State Petronet	BUY	392	378
19	Hero Motocorp	Accumulate	5,070	4,525
20	Hindustan Petroleum Corporation	Reduce	400	462
21	Indian Oil Corporation	Reduce	151	169
22	Indraprastha Gas	Sell	383	475
23	Jubilant Ingrevia	Hold	480	486
24	Laxmi Organic Industries	Sell	206	251
25	Mahanagar Gas	Sell	1,125	1,485
26	Mahindra & Mahindra	BUY	2,306	2,013
27	Mangalore Refinery & Petrochemicals	Sell	142	233
28	Maruti Suzuki	BUY	14,432	12,703
29	Navin Fluorine International	BUY	3,929	3,093

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. Swarnendu Bhushan- IIT, MBA Finance, Mr. Saurabh Ahire- MBA, Passed CFA Level II 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. Swarnendu Bhushan- IIT, MBA Finance, Mr. Saurabh Ahire- MBA, Passed CFA Level II 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