

May 31, 2024

Q4FY24 Result Update

☑ Change in Estimates | ☑ Target | ■ Reco

Change in Estimates

	Current		Previous	
	FY25E	FY26E	FY25E	FY26E
Rating	BUY		BUY	
Target Price	671		636	
Sales (Rs. m)	41,268	50,945	42,316	51,165
% Chng.	(2.5)	(0.4)		
EBITDA (Rs. m)	4,457	5,808	4,570	5,833
% Chng.	(2.5)	(0.4)		
EPS (Rs.)	18.7	24.0	19.1	23.9
% Chng.	(2.0)	0.2		

Key Financials - Consolidated

Y/e Mar	FY23	FY24	FY25E	FY26E
Sales (Rs. m)	35,280	34,663	41,268	50,945
EBITDA (Rs. m)	3,078	3,718	4,457	5,808
Margin (%)	8.7	10.7	10.8	11.4
PAT (Rs. m)	2,398	2,834	3,438	4,406
EPS (Rs.)	13.0	15.4	18.7	24.0
Gr. (%)	59.6	18.2	21.3	28.2
DPS (Rs.)	4.5	6.0	7.5	9.6
Yield (%)	0.9	1.1	1.4	1.8
RoE (%)	24.1	24.1	24.7	26.6
RoCE (%)	27.3	25.6	25.5	28.8
EV/Sales (x)	2.6	2.6	2.2	1.7
EV/EBITDA (x)	29.4	24.6	20.2	15.2
PE (x)	40.0	33.9	27.9	21.8
P/BV (x)	8.9	7.5	6.4	5.3

Key Data

PRAJ.BO | PRJ IN

52-W High / Low	Rs.651 / Rs.366
Sensex / Nifty	73,961 / 22,531
Market Cap	Rs.96bn/ \$ 1,150m
Shares Outstanding	184m
3M Avg. Daily Value	Rs.433.63m

Shareholding Pattern (%)

Promoter's	32.81
Foreign	18.87
Domestic Institution	13.69
Public & Others	34.63
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	(4.7)	(19.0)	32.6
Relative	(4.0)	(26.6)	12.3

Amit Anwani

amitanwani@plindia.com | 91-22-66322250

Shirom Kapur

shiromkapur@plindia.com | 91-22-66322344

Praj Industries (PRJ IN)

Rating: BUY | CMP: Rs522 | TP: Rs671

Healthy long-term growth outlook led by exports

Quick Pointers:

- Export order book more than doubled to Rs11.2bn (vs Rs5.1bn in FY23), while Engineering order book nearly doubled to Rs7.3bn (vs Rs3.8bn in FY23).
- Praj successfully commissioned commercial-scale CBG plants based on press mud & rice straw feedstock.

We revise our FY25E EPS estimate by -2.0% factoring in slightly lower execution this year. Praj Industries (PRJ) reported decent quarterly performance with revenue rising 1.2% YoY and EBITDA margin expanding by 198bps YoY to 12.4%. There is strong traction in starch-based ethanol, domestic CBG, and ETCA in international markets, while traction is building up in grain-based ethanol in Brazil and low-carbon ethanol in USA. Sugar-based ethanol ordering will likely pick up in FY25 following softness in H2FY24. The company's strong Engineering order book should translate into robust revenue growth in FY25. Praj is also scaling up its services business by continuously adding new offerings for its growing customer base.

We remain positive on PRJ in the long run given 1) its leadership in domestic ethanol (~50-55% market share), 2) large domestic CBG pipeline, 3) healthy export outlook in Engineering driven by ETCA, 4) focus on new technologies such as 2G ethanol, SAF, bio-manufacturing, and multi-feedstock plants, and 5) improving margins owing to growing share of exports & services. The stock is trading at a P/E of 27.9x/21.8x FY25/26E. We roll forward to FY26E and maintain 'Buy' rating with a revised TP of Rs671 (Rs636 earlier), valuing the stock at a P/E of 28x FY26E (28x Dec-25E earlier).

Margins expand, but softness in Bio Energy leads to muted revenue growth:

Consolidated revenue rose 1.2% YoY to Rs10.2bn (PL: Rs10.4bn) as strong growth in HiPurity Solutions (+44.3% YoY to Rs1.2bn) was partly offset by a fall in Bio Energy (-3.1% YoY to Rs6.9bn). Engineering revenue was flattish at Rs2.1bn. Domestic revenue fell 2% YoY to Rs7.9bn, while exports grew 17% YoY to Rs2.2bn. Gross margin expanded by 265bps YoY to 43.6% (PL: 43.7%) on account of higher share of exports in the mix. EBITDA grew 20.7% YoY to Rs1.3bn (PL: Rs1.2bn). EBITDA margin increased by 198bps YoY to 12.4% (PL: 11.4%), as the gross margin expansion was partly offset by higher employee costs (+16.0% YoY to Rs819mn). PAT rose 4.3% YoY to Rs919mn (PL: Rs931mn) as the healthy operating performance was partly offset by lower other income (-20.1% YoY to Rs160mn), higher interest costs (Rs38mn vs Rs22mn in Q4FY23), higher D&A expenses (Rs153mn vs Rs98mn in Q4FY23), and a higher effective tax rate.

Order book stands at Rs38.6bn with share of exports & Engineering rising:

Q4FY23 order inflow fell 11.1% YoY to Rs9.2bn as strong growth in Engineering (+167% YoY to Rs2.8bn) was offset by decline in Bio Energy (-29% YoY to Rs6.0bn) and HiPurity (-44% YoY to Rs462mn). Order book stands at Rs38.6bn (1.1x FY24 revenue) with a mix of 76/19/5% in Bio Energy/Engineering/HiPurity (vs 84/11/5% in FY23) and 71/29% in Domestic/Export (vs 85/15% in FY23).

Exhibit 1: Muted topline due to soft Bio Energy execution; margins expand but high non-operating costs drag down PAT

Y/e March (Rs mn)	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24	YoY gr. (%)	QoQ gr. (%)	FY24	FY23	YoY gr. (%)
Revenue	10,040	7,367	8,824	8,286	10,186	1.5	22.9	34,663	35,280	(1.8)
Total Revenues	10,040	7,367	8,824	8,286	10,186	1.5	22.9	34,663	35,280	(1.8)
Expenditure	8,995	6,654	8,046	7,322	8,924	(0.8)	21.9	30,944	32,202	(3.9)
<i>as % of sales</i>	<i>89.6</i>	<i>90.3</i>	<i>91.2</i>	<i>88.4</i>	<i>87.6</i>			<i>89.3</i>	<i>91.3</i>	
Consumption of RM	5,925	4,395	4,990	4,496	5,741	(3.1)	27.7	19,621	22,014	(10.9)
<i>as % of sales</i>	<i>59.0</i>	<i>59.7</i>	<i>56.6</i>	<i>54.3</i>	<i>56.4</i>			<i>56.6</i>	<i>62.4</i>	
Employee Cost	705	628	889	852	819	16.2	(3.9)	3,187	2,576	23.7
<i>as % of sales</i>	<i>7.0</i>	<i>8.5</i>	<i>10.1</i>	<i>10.3</i>	<i>8.0</i>	<i>102</i>		<i>9.2</i>	<i>7.3</i>	
Other expenditure	2,365	1,631	2,167	1,974	2,364	(0.0)	19.7	8,136	7,612	6.9
<i>as % of sales</i>	<i>23.6</i>	<i>22.1</i>	<i>24.6</i>	<i>23.8</i>	<i>23.2</i>	<i>(35)</i>		<i>23.5</i>	<i>21.6</i>	
EBITDA	1,045	713	778	965	1,262	20.7	30.8	3,718	3,078	20.8
Depreciation	95	88	91	109	153	61.8	41.3	441	302	45.7
EBIT	950	625	687	856	1,109	16.6	29.5	3,278	2,776	18.1
Other Income	200	163	171	101	160	(20.1)	57.5	595	458	29.8
Interest	22	11	10	38	38	70.9	(0.4)	98	46	111.5
PBT	1,128	777	847	919	1,230	9.1	33.8	3,775	3,187	18.4
Total Tax	247	190	224	215	311	25.9	44.5	941	789	19.2
Adjusted PAT	881	587	623	704	919	4.3	30.6	2,834	2,398	18.2
(Profit)/loss from JV's/Ass/MI	0	0	0	0	0	-	-	-	-	-
PAT after MI	881	587	623	704	919	4.3	30.6	2,834	2,398	18.2
Extra ordinary items	-	-	-	-	-	-	-	-	-	-
Reported PAT	881	587	623	704	919	4.3	30.6	2,834	2,398	18.2
Adjusted EPS	4.8	3.2	3.4	3.8	5.0	4.3	30.6	15.4	13.0	18.2
Margins (%)	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24	bps	bps	FY24	FY23	bps
Gross	41.0	40.3	43.4	45.7	43.6	265	(211)	43.4	37.6	579
EBITDA	10.4	9.7	8.8	11.6	12.4	198	75	10.7	8.7	200
EBIT	9.5	8.5	7.8	10.3	10.9	142	55	9.5	7.9	159
EBT	11.2	10.5	9.6	11.1	12.1	84	98	10.9	9.0	186
PAT	8.8	8.0	7.1	8.5	9.0	25	53	8.2	6.8	138
Effective Tax rate	21.9	24.5	26.5	23.4	25.3	338	187	24.9	24.8	16

Source: Company, PL

Conference Call Highlights

- **1G Domestic:** Bulk of the orders came from starch-based feedstock (~90%). Sugary feedstock ordering should return on the back of a strong sugar season.
- **1G International:** Praj successfully commissioned its first grain-based ethanol plant in Brazil and has signed a contract with BE8 for a 2nd plant. While Brazil has ample sugar production, grain-based ethanol is gaining traction as an alternative feedstock. The company also won a 2nd order from a French firm for a 60KLPD green field ENA plant at Ivory Coast, Africa. Meanwhile, it is still awaiting IRA's 45Z notification on low-carbon ethanol in USA.
- **2G Ethanol:** IOCL Panipat plant has produced 1mn+ liters of ethanol till date.
- **Engineering:** There is strong traction in international markets, and the order book has nearly doubled vs FY23. Praj was selected for building modules for one of the largest blue hydrogen projects in Europe, and it also booked & executed an Alcohol-to-Jet modularization project in USA. Commercial activity at the new GenX Mangalore facility started in Feb-24. ETCA orders will build up over the next 2 quarters before execution ramps up from H2FY25 onwards.
- **Compressed Biogas (CBG):** Praj successfully commissioned commercial scale-CBG plants based on press mud & rice straw, and has now proven commercial-scale CBG projects for 3 key feedstocks (including spent wash). The company set the benchmark yield performance on a reliable & consistent basis, abating market concerns regarding unreliability. Praj is also developing new feedstock options such as cotton, crop residue, poultry litter, etc. It's addressable scope in a CBG project can range from 30-100% depending on the customer's demand (either supply of equipment or entire turnkey solution). Although viability is still a work-in-progress, project IRRs can range from 14-18% depending on feedstock, size, solid/liquid manure, etc.
- **Services business grew ~2x in FY24**, and Praj is eyeing significant growth in both domestic & international markets in FY25. The company is aiming to increase services contribution to revenue from ~4-5% currently by continuously adding new offerings and leveraging an expanding customer base. It started to provide solutions in biogenic CO2 capture, which is gaining traction as carbon sequestration activities pick up. Performance enhancer Juicezyme, which enhances sugar yield & quality, is also gaining traction in the Brazil market.
- **HiPurity Solutions (PHS):** Share of international orders on the rise. Praj has the capability to supply high purity water for semiconductor manufacturing as it already supplies the same for pharmaceuticals. However, no semiconductor projects have reached the stage of placing equipment orders yet.
- **Bio-plastics:** PLA pilot plant should get commissioned in Q2FY25, following which customers will be invited to explore the facility. Praj is not building in any revenue or order inflow from this segment in FY25.
- **Margins:** Revenue mix shifting towards exports (management is aiming for a 50/50 mix in domestic/exports by 2030 vs 81/19 in FY24), engineering, and services should aid margins. However, Praj is also investing heavily in R&D for bioplastics, CBG feedstock, etc. Management expects momentum of double digit EBITDA margin from the last two quarters to continue.

Financials

Income Statement (Rs m)

Y/e Mar	FY23	FY24	FY25E	FY26E
Net Revenues	35,280	34,663	41,268	50,945
YoY gr. (%)	50.6	(1.8)	19.1	23.4
Cost of Goods Sold	22,014	19,621	23,275	28,402
Gross Profit	13,266	15,042	17,993	22,543
Margin (%)	37.6	43.4	43.6	44.3
Employee Cost	2,576	3,187	3,673	4,432
Other Expenses	1,675	1,897	2,517	3,286
EBITDA	3,078	3,718	4,457	5,808
YoY gr. (%)	58.8	20.8	19.9	30.3
Margin (%)	8.7	10.7	10.8	11.4
Depreciation and Amortization	302	441	476	549
EBIT	2,776	3,278	3,981	5,259
Margin (%)	7.9	9.5	9.6	10.3
Net Interest	46	98	45	56
Other Income	458	595	660	688
Profit Before Tax	3,187	3,775	4,596	5,891
Margin (%)	9.0	10.9	11.1	11.6
Total Tax	789	941	1,158	1,484
Effective tax rate (%)	24.8	24.9	25.2	25.2
Profit after tax	2,398	2,834	3,438	4,406
Minority interest	0	0	-	-
Share Profit from Associate	-	-	-	-
Adjusted PAT	2,398	2,834	3,438	4,406
YoY gr. (%)	59.6	18.2	21.3	28.2
Margin (%)	6.8	8.2	8.3	8.6
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	2,398	2,834	3,438	4,406
YoY gr. (%)	59.6	18.2	21.3	28.2
Margin (%)	6.8	8.2	8.3	8.6
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	2,398	2,834	3,438	4,406
Equity Shares O/s (m)	184	184	184	184
EPS (Rs)	13.0	15.4	18.7	24.0

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY23	FY24	FY25E	FY26E
Non-Current Assets				
Gross Block	5,361	7,508	8,208	8,708
Tangibles	5,361	7,508	8,208	8,708
Intangibles	-	-	-	-
Acc: Dep / Amortization	2,996	3,436	3,912	4,461
Tangibles	2,996	3,436	3,912	4,461
Intangibles	-	-	-	-
Net fixed assets	2,366	4,072	4,296	4,247
Tangibles	2,366	4,072	4,296	4,247
Intangibles	-	-	-	-
Capital Work In Progress	735	1,106	1,106	1,106
Goodwill	-	-	-	-
Non-Current Investments	1,105	1,367	1,234	1,302
Net Deferred tax assets	111	78	78	78
Other Non-Current Assets	50	80	83	102
Current Assets				
Investments	4,584	4,021	4,952	5,604
Inventories	3,336	2,209	3,618	4,327
Trade receivables	7,948	8,360	9,497	11,305
Cash & Bank Balance	1,448	2,127	2,737	3,570
Other Current Assets	4,316	5,370	6,190	7,642
Total Assets	26,075	28,864	33,919	39,409
Equity				
Equity Share Capital	367	368	368	368
Other Equity	10,413	12,377	14,712	17,743
Total Network	10,780	12,745	15,079	18,111
Non-Current Liabilities				
Long Term borrowings	263	1,417	1,417	1,417
Provisions	-	-	-	-
Other non current liabilities	-	-	-	-
Current Liabilities				
ST Debt / Current of LT Debt	159	276	276	276
Trade payables	5,050	4,968	5,879	6,979
Other current liabilities	9,934	9,535	11,344	12,702
Total Equity & Liabilities	26,075	28,864	33,919	39,409

Source: Company Data, PL Research

Cash Flow (Rs m)

Y/e Mar	FY23	FY24	FY25E	FY26E
PBT	3,187	3,775	4,596	5,891
Add. Depreciation	302	441	476	549
Add. Interest	11	0	45	56
Less Financial Other Income	458	595	660	688
Add. Other	(32)	(206)	-	-
Op. profit before WC changes	3,468	4,010	5,117	6,495
Net Changes-WC	(1,222)	(971)	(2,314)	(1,595)
Direct tax	(625)	(1,045)	(1,158)	(1,484)
Net cash from Op. activities	1,621	1,994	1,645	3,416
Capital expenditures	(353)	(885)	(700)	(500)
Interest / Dividend Income	80	159	-	-
Others	(571)	625	(931)	(652)
Net Cash from Invt. activities	(844)	(101)	(1,631)	(1,152)
Issue of share cap. / premium	4	9	-	-
Debt changes	-	-	-	-
Dividend paid	(771)	(827)	(1,103)	(1,375)
Interest paid	(42)	(94)	(45)	(56)
Others	(125)	(327)	1,744	1,318
Net cash from Fin. activities	(934)	(1,239)	596	(113)
Net change in cash	(157)	654	610	2,151
Free Cash Flow	1,269	1,101	945	2,916

Source: Company Data, PL Research

Key Financial Metrics

Y/e Mar	FY23	FY24	FY25E	FY26E
Per Share(Rs)				
EPS	13.0	15.4	18.7	24.0
CEPS	14.7	17.8	21.3	27.0
BVPS	58.6	69.3	82.0	98.5
FCF	6.9	6.0	5.1	15.9
DPS	4.5	6.0	7.5	9.6
Return Ratio(%)				
RoCE	27.3	25.6	25.5	28.8
ROIC	50.4	36.9	37.6	43.2
RoE	24.1	24.1	24.7	26.6
Balance Sheet				
Net Debt : Equity (x)	(0.5)	(0.3)	(0.4)	(0.4)
Net Working Capital (Days)	64	59	64	62
Valuation(x)				
PER	40.0	33.9	27.9	21.8
P/B	8.9	7.5	6.4	5.3
P/CEPS	35.5	29.3	24.5	19.4
EV/EBITDA	29.4	24.6	20.2	15.2
EV/Sales	2.6	2.6	2.2	1.7
Dividend Yield (%)	0.9	1.1	1.4	1.8

Source: Company Data, PL Research

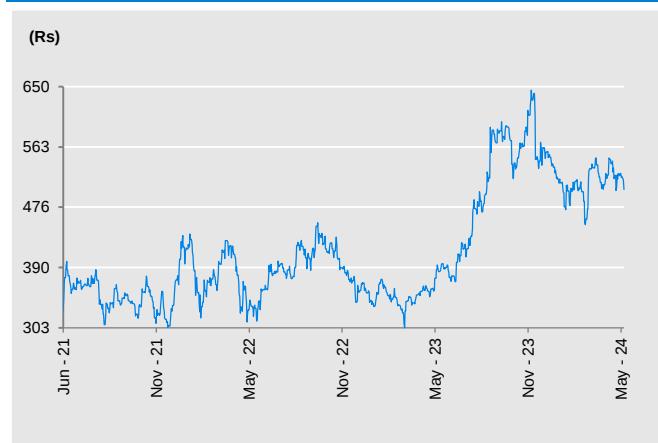
Quarterly Financials (Rs m)

Y/e Mar	Q1FY24	Q2FY24	Q3FY24	Q4FY24
Net Revenue	7,367	8,824	8,286	10,186
YoY gr. (%)	0.7	0.2	(9.1)	1.5
Raw Material Expenses	4,395	4,990	4,496	5,741
Gross Profit	2,972	3,834	3,790	4,444
Margin (%)	40.3	43.4	45.7	43.6
EBITDA	713	778	965	1,262
YoY gr. (%)	35.7	20.3	12.2	20.7
Margin (%)	9.7	8.8	11.6	12.4
Depreciation / Depletion	88	91	109	153
EBIT	625	687	856	1,109
Margin (%)	8.5	7.8	10.3	10.9
Net Interest	11	10	38	38
Other Income	163	171	101	160
Profit before Tax	777	847	919	1,230
Margin (%)	10.5	9.6	11.1	12.1
Total Tax	190	224	215	311
Effective tax rate (%)	24.5	26.5	23.4	25.3
Profit after Tax	587	623	704	919
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
Adjusted PAT	587	623	704	919
YoY gr. (%)	42.2	29.4	13.0	4.3
Margin (%)	8.0	7.1	8.5	9.0
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	587	623	704	919
YoY gr. (%)	42.2	29.4	13.0	4.3
Margin (%)	8.0	7.1	8.5	9.0
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	587	623	704	919
Avg. Shares O/s (m)	184	184	184	184
EPS (Rs)	3.2	3.4	3.8	5.0

Source: Company Data, PL Research

Price Chart

Recommendation History



No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	12-Apr-24	BUY	636	520
2	05-Feb-24	BUY	636	474
3	09-Jan-24	Accumulate	611	540
4	01-Nov-23	Accumulate	611	534
5	05-Oct-23	Accumulate	618	571
6	18-Sep-23	Accumulate	618	581
7	28-Jul-23	BUY	475	416
8	06-Jul-23	BUY	475	371

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	ABB India	Accumulate	8,400	7,984
2	Apar Industries	Accumulate	8,877	8,340
3	BEML	Hold	4,520	4,549
4	Bharat Electronics	Hold	290	284
5	BHEL	Reduce	264	302
6	Carborundum Universal	Accumulate	1,631	1,516
7	Cummins India	Hold	2,480	3,001
8	Engineers India	Hold	257	223
9	GE T&D India	Reduce	1,100	1,430
10	Grindwell Norton	Accumulate	2,512	2,196
11	Harsha Engineers International	Hold	436	438
12	Hindustan Aeronautics	Hold	4,515	4,715
13	Kalpataru Projects International	Hold	1,211	1,188
14	KEC International	Hold	750	737
15	Larsen & Toubro	BUY	4,047	3,487
16	Praj Industries	BUY	636	520
17	Siemens	Accumulate	7,030	6,660
18	Thermax	Reduce	3,923	4,609
19	Triveni Turbine	Hold	653	631
20	Voltamp Transformers	Hold	10,018	9,985

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