

November 12, 2024

Q2FY25 Result Update

☑ Change in Estimates | ☑ Target | ■ Reco

Change in Estimates

	Current		Previous	
	FY26E	FY27E	FY26E	FY27E
Rating	ACCUMULATE		ACCUMULATE	
Target Price	25,815		27,481	
Sales (Rs. m)	2,23,472	2,47,468	2,37,530	2,62,007
% Chng.	(5.9)	(5.5)		
EBITDA (Rs. m)	47,824	54,620	51,514	58,593
% Chng.	(7.2)	(6.8)		
EPS (Rs.)	685.9	683.3	779.9	775.4
% Chng.	(12.0)	(11.9)		

Key Financials - Consolidated

Y/e Mar	FY24	FY25E	FY26E	FY27E
Sales (Rs. m)	2,02,461	2,00,654	2,23,472	2,47,468
EBITDA (Rs. m)	42,385	39,772	47,824	54,620
Margin (%)	20.9	19.8	21.4	22.1
PAT (Rs. m)	23,957	19,360	24,748	24,654
EPS (Rs.)	664.0	536.6	685.9	683.3
Gr. (%)	114.6	(19.2)	27.8	(0.4)
DPS (Rs.)	105.0	110.0	115.0	120.0
Yield (%)	0.4	0.5	0.5	0.5
RoE (%)	12.2	9.0	10.6	9.7
RoCE (%)	10.8	8.2	10.3	11.1
EV/Sales (x)	4.1	4.2	3.7	3.3
EV/EBITDA (x)	19.8	21.1	17.3	14.9
PE (x)	36.8	45.5	35.6	35.7
P/BV (x)	4.3	4.0	3.6	3.3

Key Data SHCM.BO | SRCM IN

52-W High / Low	Rs.30,738 / Rs.23,700
Sensex / Nifty	79,496 / 24,141
Market Cap	Rs.881bn / \$ 10,442m
Shares Outstanding	36m
3M Avg. Daily Value	Rs.894.3m

Shareholding Pattern (%)

Promoter's	62.55
Foreign	10.39
Domestic Institution	14.46
Public & Others	12.60
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	0.4	(4.8)	(7.3)
Relative	2.7	(13.0)	(24.3)

Tushar Chaudhari

tusharchaudhari@plindia.com | 91-22-663222391

Sluggish demand affected volumes

Quick Pointers:

- Premium products share grew to 15%, which is expected to remain at this level for the next two quarters.
- SRCM expects better demand growth in the North and South regions, while demand in the East is expected to remain muted.

SRCM Q2FY25 operating performance was weaker than PLe on weaker volumes. Volume declined 7.3% YoY as mgmt. adopted value over volume strategy during tepid demand scenario. Blended realization declined 2% QoQ due to weak pricing across regions. Delayed spending of governmental budgetary allocation led to lower capacity utilization (~56%). SRCM delivered better EBITDA/t vs peers in challenging quarter on the back of higher trade share. As govt orders were missing; higher trade volumes and mgmt. focus on selling premium products led to premium volumes reaching ~15% of total sales (9% in Q1FY25). As per Mgmt. November pricing is marginally better than Q2FY25 average and expected to improve as demand improves. Ongoing capacity commissioning is delayed by one quarter to Q1FY26 as demand scenario is tepid.

We cut our FY26/27E EBITDA by ~7% each on account of weak FY25 volumes. We expect SRCM to focus on cost efficiencies viz. improving green power share to 60% by Q1FY26, decrease in logistics costs, commissioning of rail sidings etc. Key things to watch out for: 1) Demand and pricing movement in H2FY25 2) GoI spends on infrastructure, and 3) mgmt. strategy to drive profitable growth in challenging times. The stock is trading at EV of 17.3x/14.9x FY26E/FY27E EBITDA. Maintain 'Accumulate' rating with revised TP of Rs25,815 (earlier Rs27,481) valuing at 17x EV of Sep'26E EBITDA.

- Revenue declined on sharp volume decline:** SRCM's std. revenue declined 19% YoY to Rs37.3bn (-23% QoQ; PLe Rs 41.1bn) on sharp decline in cement volumes amidst weak demand scenario. Cement volumes declined 7.3% YoY to 7.6mt (down 21% QoQ; PLe 8.4mt). Blended realization declined 1.8% QoQ to Rs 4,498/t (-13% YoY; PLe Rs 4,453 /t) on falling cement prices across regions. Pure cement NSR was better than peers due to higher premium share.
- EBITDA affected by lower NSR and operating leverage:** EBITDA declined 32% YoY to Rs5.93bn (-35% QoQ; PLe Rs7bn) mainly led by sharp decline in volumes and lower operating leverage. P&F costs/t declined 21% YoY to Rs1,137 on softer fuel prices. Freight cost/t increased 1.2% YoY to Rs1,173. RM costs/t increased to Rs539 due to reclassification of royalty & cess on limestone from other expenses to RM. Other expense/t stood at to Rs766/t. Blended EBITDA/t works out at Rs780 (PLe Rs831/t). PAT declined sharp 81% YoY to Rs931mn (-71% QoQ, PLe884bn).

Q2FY25 Conference Call Highlights:

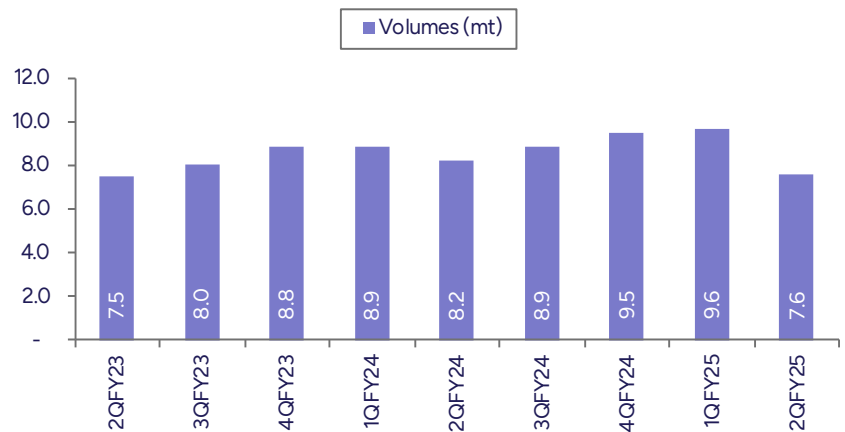
- Prices in November across regions are marginally better than Q2FY25 average.
- In Q2FY25, the North, East, and South regions contributed 58%, 31%, and 11% of volumes, which declined by 6%, 8%, and 10%, respectively.
- SRCM Capacity Utilization across regions was 56% in Q2FY25. For North, East and South were 58%, 63% and 40% respectively.
- SRCM expects better demand growth in the North and South regions, while demand in the East is expected to remain muted.
- Other Expenses dropped by Rs1bn due to reclassification of royalty to Raw Materials costs following industry norms.
- SRCM is set to add 90 MW of RE capacity by Q4 FY25. Green power capacity, currently at 54.8%, is projected to reach 60% by Q1 FY26.
- Clinker sales for Q2FY25 was 3.1 lakh tonnes vs 4.2 lakh tonnes in Q1FY25.
- Lead Distance for the quarter was 433KM vs 453KM in Q1FY25
- Capex is expected to be Rs40bn every year for the next 4 years.
- The blended cement share was 70%. Transportation by road accounted for 88%, while rail accounted for 12%
- Pet coke mix was 88%, while alternative fuels contributed 12%
- Cash EPS in Q2FY25 was Rs196-197/t vs Rs260/t in Q1FY25.
- Other Operating Income was Rs660mn in Q2FY25 vs Rs450mn in Q1FY25.
- In Q2FY25, premium products made up 15% of total trade sales, a share expected to stay steady over the next two quarters. Trade share rose from 59% in Q1 to 65% in Q2 in North.
- Ongoing expansion projects in Jaitaran, Rajasthan (6mtpa), Baloda Bazar, Chhattisgarh (3.4mtpa), and Etah, Uttar Pradesh (3mtpa) are delayed by 1 quarter and expected to commission by Q1FY26. 3mtpa capacity Kodla, Karnataka is pending regulatory approvals.
- Company reiterated its guidance of achieving 80mtpa by FY28.

Exhibit 1: Q2FY25 Result Overview (standalone)

Y/e March (Rs mn)	Q2FY25	Q2FY24	YoY gr. (%)	Q2FY25E	% Var.	Q1FY25	QoQ gr. (%)	1HFY25	1HFY24	YoY gr. (%)
Net Sales	37,270	45,600	(18.3)	41,121	(9.4)	48,347	(22.9)	85,617	95,590	(10.4)
Raw Material	4,099	5,497	(25.4)	3,456	18.6	5,106	(19.7)	9,205	11,256	(18.2)
% of Net Sales	11.0	12.1		8.4		10.6		10.8	11.8	
Staff Costs	2,495	2,332	7.0	2,570	(2.9)	2,446	2.0	4,942	4,681	5.6
% of Net Sales	6.7	5.1		6.2		5.1		5.8	4.9	
Power & Fuel	10,012	13,708	(27.0)	11,329	(11.6)	14,052	(28.7)	24,064	28,948	(16.9)
% of Net Sales	26.9	30.1		27.6		29.1		28.1	30.3	
Freight and selling expenses	8,918	9,508	(6.2)	9,870	(9.6)	11,151	(20.0)	20,069	20,138	(0.3)
% of Net Sales	23.9	20.9		24.0		23.1		23.4	21.1	
Other Expenses	5,820	5,854	(0.6)	6,872	(15.3)	6,428	(9.5)	12,248	12,541	(2.3)
% of Net Sales	15.6	12.8		16.7		13.3		14.3	13.1	
Total Expenditure	31,345	36,899	(15.1)	34,098	(8.1)	39,183	(20.0)	70,528	77,564	(9.1)
EBITDA	5,925	8,701	(31.9)	7,023	(15.6)	9,164	(35.3)	15,089	18,027	(16.3)
Margin (%)	15.9	19.1		17.1		19.0		17.6	18.9	
Depreciation	6,687	3,315	101.7	6,557	2.0	6,428	4.0	13,115	6,400	104.9
EBIT	(761)	5,386	(114.1)	466	(263.2)	2,736	(127.8)	1,974	11,627	(83.0)
Other income	1,776	1,261	40.8	1,400	26.9	1,346	31.9	3,122	2,878	8.5
Interest	567	681	(16.8)	688	(17.6)	573	(1.0)	1,140	1,435	(20.5)
PBT	448	5,965	(92.5)	1,178	(62.0)	3,508	(87.2)	3,956	13,070	(69.7)
Extraordinary income/(expense)	-	-		-		-		-	-	
PBT (After EO)	448	5,965	(92.5)	1,178	(62.0)	3,508	(87.2)	3,956	13,070	(69.7)
Tax	(484)	1,052	(146.0)	295		331	(246.0)	(152)	2,346	(106.5)
% PBT	-108.1	17.6		25.0		9.4		-3.9	17.9	
Reported PAT	931	4,913	(81.0)	884	5.4	3,177	(70.7)	4,108	10,725	(61.7)

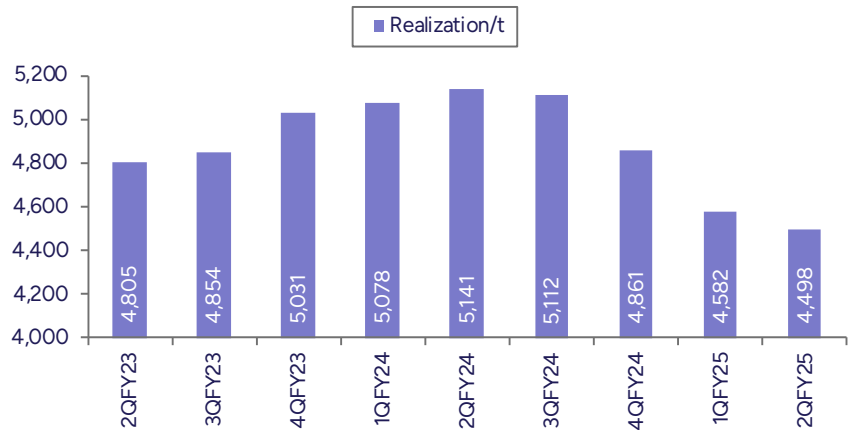
Source: Company, PL

Exhibit 2: Volumes de-grew 7.3% YoY due to tepid demand amid monsoon



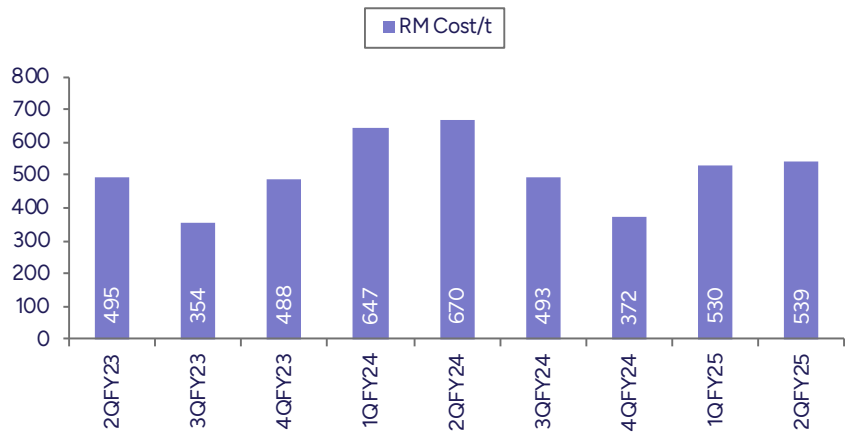
Source: Company, PL

Exhibit 3: Blended NSR declined ~2% QoQ on lower prices across regions



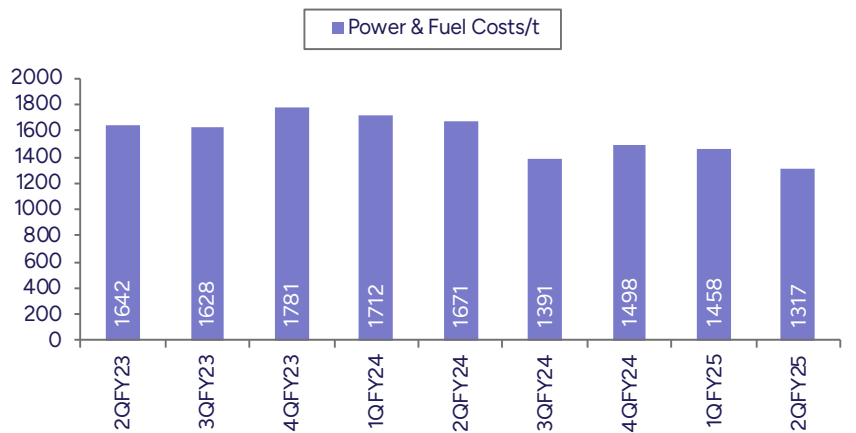
Source: Company, PL

Exhibit 4: RM costs/t increased 2% QoQ due to reclassification of royalty



Source: Company, PL

Exhibit 5: P&F costs/t declined 9.6% QoQ on lower fuel prices



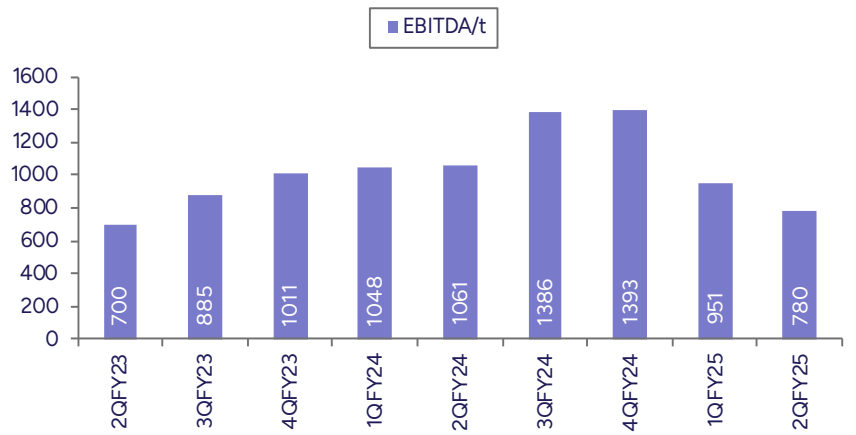
Source: Company, PL

Exhibit 6: Freight costs/t up just 1.4% QoQ led by decrease in lead distance



Source: Company, PL

Exhibit 7: Blended EBITDA/t declined sharp 18% QoQ



Source: Company, PL



Financials

Income Statement (Rs m)

Y/e Mar	FY24	FY25E	FY26E	FY27E
Net Revenues	2,02,461	2,00,654	2,23,472	2,47,468
YoY gr. (%)	15.3	(0.9)	11.4	10.7
Cost of Goods Sold	15,698	17,886	19,971	22,427
Gross Profit	1,86,763	1,82,768	2,03,501	2,25,041
Margin (%)	92.2	91.1	91.1	90.9
Employee Cost	10,644	11,404	12,253	13,190
Other Expenses	1,33,734	1,31,592	1,43,425	1,57,231
EBITDA	42,385	39,772	47,824	54,620
YoY gr. (%)	58.8	(6.2)	20.2	14.2
Margin (%)	20.9	19.8	21.4	22.1
Depreciation and Amortization	18,973	20,957	22,343	24,893
EBIT	23,412	18,815	25,481	29,727
Margin (%)	11.6	9.4	11.4	12.0
Net Interest	2,549	1,817	1,665	1,665
Other Income	8,730	6,645	7,338	8,067
Profit Before Tax	29,592	23,643	31,154	36,129
Margin (%)	14.6	11.8	13.9	14.6
Total Tax	5,630	4,299	6,420	11,490
Effective tax rate (%)	19.0	18.2	20.6	31.8
Profit after tax	23,962	19,344	24,733	24,639
Minority interest	5	(16)	(14)	(15)
Share Profit from Associate	-	-	-	-
Adjusted PAT	23,957	19,360	24,748	24,654
YoY gr. (%)	114.6	(19.2)	27.8	(0.4)
Margin (%)	11.8	9.6	11.1	10.0
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	23,957	19,360	24,748	24,654
YoY gr. (%)	88.5	(19.2)	27.8	(0.4)
Margin (%)	11.8	9.6	11.1	10.0
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	23,957	19,360	24,748	24,654
Equity Shares O/s (m)	36	36	36	36
EPS (Rs)	664.0	536.6	685.9	683.3

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY24	FY25E	FY26E	FY27E
Non-Current Assets				
Gross Block	2,17,858	2,47,858	2,77,858	3,07,858
Tangibles	2,17,858	2,47,858	2,77,858	3,07,858
Intangibles	-	-	-	-
Acc: Dep / Amortization	1,21,949	1,42,907	1,65,250	1,90,142
Tangibles	1,21,949	1,42,907	1,65,250	1,90,142
Intangibles	-	-	-	-
Net fixed assets	95,909	1,04,952	1,12,609	1,17,716
Tangibles	95,909	1,04,952	1,12,609	1,17,716
Intangibles	-	-	-	-
Capital Work In Progress	26,982	36,982	36,982	36,982
Goodwill	-	-	-	-
Non-Current Investments	24,090	24,090	24,090	24,090
Net Deferred tax assets	6,293	6,293	6,293	6,293
Other Non-Current Assets	3,850	3,850	3,850	3,850
Current Assets				
Investments	52,640	52,640	52,640	52,640
Inventories	35,551	31,885	33,674	37,290
Trade receivables	12,865	12,644	14,082	15,594
Cash & Bank Balance	4,218	6,039	17,302	29,020
Other Current Assets	14,402	14,402	14,402	14,402
Total Assets	2,79,535	2,96,511	3,18,658	3,40,611
Equity				
Equity Share Capital	361	361	361	361
Other Equity	2,06,668	2,22,060	2,42,658	2,62,983
Total Networth	2,07,029	2,22,421	2,43,019	2,63,344
Non-Current Liabilities				
Long Term borrowings	15,139	15,139	15,139	15,139
Provisions	307	307	307	307
Other non current liabilities	246	246	246	246
Current Liabilities				
ST Debt / Current of LT Debt	-	-	-	-
Trade payables	12,142	13,743	15,306	16,950
Other current liabilities	41,128	41,128	41,128	41,128
Total Equity & Liabilities	2,79,535	2,96,511	3,18,658	3,40,611

Source: Company Data, PL Research

Cash Flow (Rs m)

Y/e Mar	FY24	FY25E	FY26E	FY27E
PBT	29,592	23,643	31,154	36,129
Add. Depreciation	18,973	20,957	22,343	24,893
Add. Interest	2,583	1,817	1,665	1,665
Less Financial Other Income	8,730	6,645	7,338	8,067
Add. Other	(5,979)	(6,645)	(7,338)	(8,067)
Op. profit before WC changes	45,170	39,772	47,824	54,620
Net Changes-WC	(7,253)	5,488	(1,664)	(3,484)
Direct tax	(4,442)	(4,299)	(6,420)	(11,490)
Net cash from Op. activities	33,475	40,961	39,739	39,646
Capital expenditures	(31,695)	(40,000)	(30,000)	(30,000)
Interest / Dividend Income	3,497	-	-	-
Others	14,014	6,645	7,338	8,067
Net Cash from Invt. activities	(14,185)	(33,355)	(22,662)	(21,933)
Issue of share cap. / premium	-	-	-	-
Debt changes	(11,111)	-	-	-
Dividend paid	(3,790)	(3,969)	(4,149)	(4,330)
Interest paid	(2,197)	(1,817)	(1,665)	(1,665)
Others	(2)	-	-	-
Net cash from Fin. activities	(17,101)	(5,786)	(5,815)	(5,995)
Net change in cash	2,190	1,821	11,263	11,718
Free Cash Flow	1,471	961	9,739	9,646

Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q3FY24	Q4FY24	Q1FY25	Q2FY25
Net Revenue	49,008	50,727	48,347	37,270
YoY gr. (%)	20.4	6.0	(3.3)	(18.3)
Raw Material Expenses	4,393	3,540	5,106	4,099
Gross Profit	44,615	47,186	43,241	33,171
Margin (%)	91.0	93.0	89.4	89.0
EBITDA	12,337	13,272	9,164	5,925
YoY gr. (%)	74.3	48.7	(1.7)	(31.9)
Margin (%)	25.2	26.2	19.0	15.9
Depreciation / Depletion	3,466	6,281	6,428	6,687
EBIT	8,871	6,991	2,736	(761)
Margin (%)	18.1	13.8	5.7	(2.0)
Net Interest	561	648	573	567
Other Income	1,354	1,379	1,346	1,776
Profit before Tax	9,664	7,722	3,508	448
Margin (%)	19.7	15.2	7.3	1.2
Total Tax	2,322	1,105	331	(484)
Effective tax rate (%)	24.0	14.3	9.4	(108.1)
Profit after Tax	7,342	6,618	3,177	931
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
Adjusted PAT	7,342	6,618	3,177	931
YoY gr. (%)	165.3	21.2	-	(81.0)
Margin (%)	15.0	13.0	6.6	2.5
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	7,342	6,618	3,177	931
YoY gr. (%)	165.3	21.2	-	(81.0)
Margin (%)	15.0	13.0	6.6	2.5
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	7,342	6,618	3,177	931
Avg. Shares O/s (m)	36	36	36	36
EPS (Rs)	203.5	183.4	88.1	25.8

Source: Company Data, PL Research

Key Financial Metrics

Y/e Mar	FY24	FY25E	FY26E	FY27E
Per Share(Rs)				
EPS	664.0	536.6	685.9	683.3
CEPS	1,189.9	1,117.5	1,305.2	1,373.3
BVPS	5,738.1	6,164.7	6,735.6	7,298.9
FCF	40.8	26.6	269.9	267.4
DPS	105.0	110.0	115.0	120.0
Return Ratio(%)				
RoCE	10.8	8.2	10.3	11.1
ROIC	11.8	9.0	11.4	10.9
RoE	12.2	9.0	10.6	9.7
Balance Sheet				
Net Debt : Equity (x)	(0.2)	(0.2)	(0.2)	(0.3)
Net Working Capital (Days)	65	56	53	53
Valuation(x)				
PER	36.8	45.5	35.6	35.7
P/B	4.3	4.0	3.6	3.3
P/CEPS	20.5	21.9	18.7	17.8
EV/EBITDA	19.8	21.1	17.3	14.9
EV/Sales	4.1	4.2	3.7	3.3
Dividend Yield (%)	0.4	0.5	0.5	0.5

Source: Company Data, PL Research

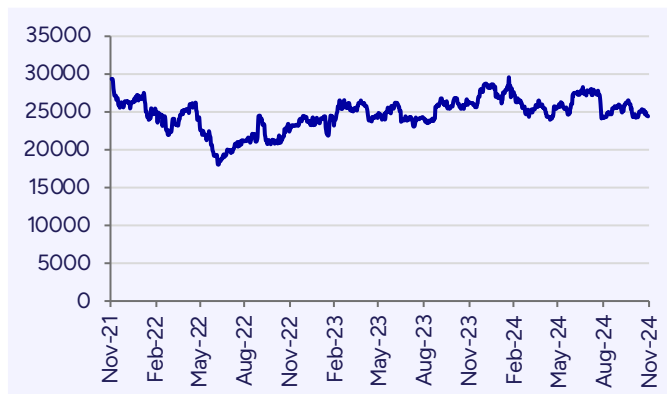
Key Operating Metrics

Y/e Mar	FY24	FY25E	FY26E	FY27E
Domestic volumes (mt)	34	37	41	45
Net Realisations (Rs/t)	4,862	4,716	4,857	4,954
Cement EBITDA (Rs/te)	1,164	1,039	1,138	1,179

Source: Company Data, PL Research

Price Chart

Recommendation History



No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	07-Oct-24	Accumulate	27,481	26,034
2	08-Aug-24	Accumulate	27,524	24,143
3	07-Jul-24	Accumulate	29,225	27,417
4	15-May-24	BUY	29,225	25,820
5	09-Apr-24	BUY	28,966	25,949
6	11-Mar-24	BUY	28,966	24,754

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	ACC	BUY	3,262	2,238
2	Ambuja Cement	BUY	708	569
3	Dalmia Bharat	Accumulate	2,073	1,831
4	Hindalco Industries	BUY	847	748
5	Jindal Stainless	Accumulate	814	740
6	Jindal Steel & Power	Accumulate	1,017	948
7	JSW Steel	Accumulate	1,014	944
8	National Aluminium Co.	Sell	186	220
9	NMDC	Accumulate	266	237
10	Nuvoco Vistas Corporation	Accumulate	372	342
11	Shree Cement	Accumulate	27,481	26,034
12	Steel Authority of India	Reduce	104	118
13	Tata Steel	Accumulate	161	151
14	Ultratech Cement	Accumulate	12,401	10,869

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. Tushar Chaudhari- MMS-Finance 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. Tushar Chaudhari- MMS-Finance 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