

Hindalco Industries (HNDL IN)

Rating: BUY | CMP: Rs442 | TP: Rs500

August 7, 2021

Q1FY22 Result Update

☒ Change in Estimates | ■ Target | ■ Reco

Change in Estimates

	Current FY22E	Previous FY23E	Current FY22E	Previous FY23E
Rating	BUY	BUY		
Target Price	500	500		
Sales (Rs. m)	15,66,108	16,61,192	15,28,074	16,55,198
% Chng.	2.5	0.4		
EBITDA (Rs. m)	2,04,876	2,09,744	1,97,688	2,07,198
% Chng.	3.6	1.2		
EPS (Rs.)	34.5	35.0	32.6	34.3
% Chng.	6.0	1.8		

Key Financials - Consolidated

Y/e Mar	FY20	FY21	FY22E	FY23E
Sales (Rs. bn)	1,181	1,242	1,566	1,661
EBITDA (Rs. bn)	144	165	205	210
Margin (%)	12.1	13.3	13.1	12.6
PAT (Rs. bn)	39	53	77	78
EPS (Rs.)	17.8	23.8	34.5	35.0
Gr. (%)	(28.2)	33.8	45.1	1.3
DPS (Rs.)	1.0	3.0	3.3	3.5
Yield (%)	0.2	0.7	0.8	0.8
RoE (%)	6.8	8.7	11.5	10.5
RoCE (%)	7.8	8.7	11.1	10.7
EV/Sales (x)	1.2	1.1	0.8	0.8
EV/EBITDA (x)	9.6	8.3	6.5	6.1
PE (x)	24.9	18.6	12.8	12.6
P/BV (x)	1.7	1.5	1.4	1.3

Key Data	HALC.BO HNDL IN
52-W High / Low	Rs.474 / Rs.154
Sensex / Nifty	54,278 / 16,238
Market Cap	Rs.993bn/ \$ 13,397m
Shares Outstanding	2,247m
3M Avg. Daily Value	Rs.12352.22m

Shareholding Pattern (%)

Promoter's	34.64
Foreign	24.95
Domestic Institution	20.58
Public & Others	19.83
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	14.7	68.7	148.4
Relative	11.7	57.7	74.0

Kamlesh Bagmar

kamleshbagmar@plindia.com | 91-22-66322237

Amit Khimesra

amitkhimesra@plindia.com | 91-22-66322244

Beats estimate; sharpens focus on value added products

Quick Pointers:

- Net debt/EBITDA fell 9.0% QoQ to 2.36x. While, net debt increased 9.5% to Rs519.1bn due to higher working capital in copper (CU) and forex translation
- Recently announced expansion of Flat rolled products (FRP) in India will have an IRR of 15%+

Hindalco (HNDL) reported Q1FY22 EBITDA above our estimates by 8% on back of 5.5%/50.5% beat in AL/CU operations.

Backed by first mover advantage, market leadership and strong product support of Novelis, HNDL stands at forefront to exploit 1) evolution in India's FRP demand with acceleration in pace for light weighing of automobiles, increased consumption of AL beverage cans, EVs and emergence of new stream of demand under PLI scheme announced for major user sectors of FRP like Electronics, Auto components and white goods and 2) strong potential in exports market given its low cost of production. As guided in its analyst meet in Feb-2021 on capital allocation, HNDL announced brownfield expansion of its FRP capacity by 170kt (current capacity 320kt) at a capex of Rs30bn. Driven by strong earnings outlook in both India and Novelis, we reiterate BUY with TP of Rs500 based on EV/EBITDA of 6.7x FY23e.

- Strong show in both the segments:** AL/CU sales volumes declined 8%/25% QoQ at 303kt/80kt (PLe:305kt/65kt). AL/CU segment EBITDA boosted by Rs1.42bn/Rs.04bn due to declassification of corporate overheads not directly related to both the operations to unallocable expenses. Led by lower than expected costs, AL's EBITDA came above our estimate at Rs22.1bn (PLe:Rs20.9bn), up 29% QoQ. While, CU segment's EBITDA fell 19% QoQ at Rs2.2bn (PLe:Rs1.5bn) due to maintenance shutdown. Combined EBITDA (including unallocable expenses) of India operations grew 29% QoQ at Rs24.1bn (PLe:Rs22.2bn). Aided by higher other income, PAT grew 63% QoQ at Rs10.4bn (PLe:Rs9.5bn).

- Key highlights of earnings call:** 1) AL CoP will increase 5% QoQ in Q2 (over 4% QoQ increase in Q1) due to increase in coal and carbon prices 2) Reiterated strategy to not expand AL smelter capacity based on coal 3) The new FRP will produce high end products catering to defense, industrial, building & construction, automotive, transport and canbody stocks 4) Further scope for adding 3rd AL FRP line of 170-180kt 5) CU operations should operate at quarterly EBITDA run-rate of Rs3bn as maintenance shutdowns are behind 6) Hedged 32%/23% of AL volumes for FY22/FY23 at US\$1913/US\$2229 7) Capex guidance at Rs27bn (Spent Rs16bn in FY21) in FY22e 8) Exploring pumped hydro technology to replace 130-150MW of coal based CPP at Hirakud 9) Coal sourcing mix of 69%/22%/5% between Linkage/E-auction/Captive mines 10) Will source 75-80% of coal through captive mines in next 3-4 years on back of recently won Chakla coal block and acquisition of other available coal blocks in upcoming auctions

Exhibit 1: Q1FY22 Result Overview (Rs m)

Y/e March	Q1FY22	Q1FY21	YoY gr. (%)	Q4FY21	FY22E	FY21	YoY gr. (%)
Net Sales	132,980	74,200	79.2	144,120	588,753	427,010	37.9
Raw Material	76,490	43,740	74.9	95,540	391,284	266,070	47.1
% of Net Sales	57.5	58.9		66.3	66.5	62.3	
Staff Costs	4,880	4,610	5.9	5,020	19,362	18,440	5.0
% of Net Sales	3.7	6.2		3.5	3.3	4.3	
Power & Fuel	15,200	12,640	20.3	14,840	59,908	57,010	5.1
% of Net Sales	11.4	17.0		10.3	10.2	13.4	
Other Expenses	15,430	7,470	106.6	13,860	49,092	43,520	12.8
% of Net Sales	11.6	10.1		9.6	8.3	10.2	
Total Expenditure	112,000	68,460	63.6	129,260	519,645	385,040	35.0
EBITDA	20,980	5,740	265.5	14,860	69,108	41,970	64.7
Margin (%)	15.8	7.7		10.3	11.7	9.8	
Depreciation	4,420	4,250	4.0	4,420	17,192	17,080	0.7
Other income	1,010	2,460	(58.9)	530	6,994	6,500	7.6
EBIT	17,570	3,950	344.8	10,970	58,910	31,390	87.7
Interest	3,450	4,250	(18.8)	3,310	13,979	14,690	(4.8)
PBT	14,120	(300)	-	7,660	44,931	16,700	169.0
Extraordinary income/(expense)	(40)	(360)		240	-	(960)	
PBT (After EO)	14,080	(660)	-	7,900	44,931	15,740	185.5
Tax	4,980	(260)	-	2,950	16,175	5,810	178.4
% PBT	35.4	39.4		37.3	36.0	36.9	
Reported PAT	9,100	(400)	-	4,950	28,756	9,930	189.6
Adjusted PAT	9,126	(182)	-	4,800	28,756	10,527	173.2

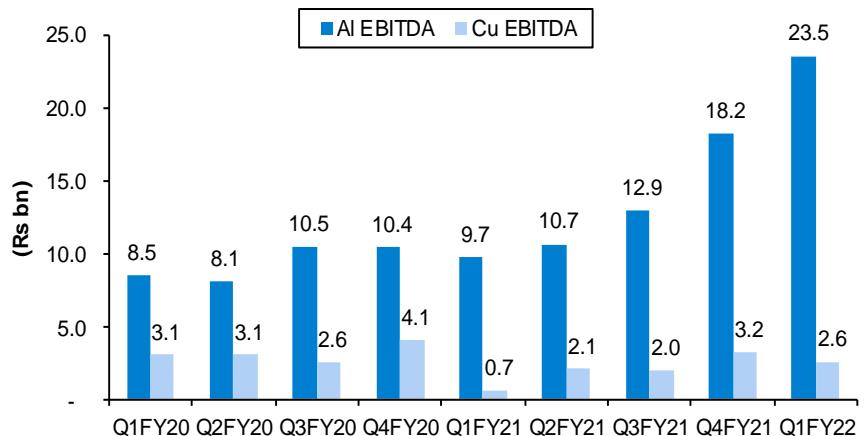
Source: Company, PL

Exhibit 2: Key Operating Metrics

	Q1FY22	Q1FY21	YoY gr. (%)	Q4FY21	FY22E	FY21	YoY gr. (%)
LME Aluminum average (US\$)	2,400	1,497	60.3	2,092	2,350	1,802	30.4
LME Copper average (US\$)	9,700	5,356	81.1	8,493	9,000	6,879	30.8
Rs/US\$	73.8	75.9	(2.8)	72.9	74.0	74.2	(0.3)
Sales volume (tonnes)							
Aluminium	303,000	303,000	-	329,000	1,293,864	1,250,000	3.5
Copper	80,000	58,000	37.9	107,000	363,911	313,000	16.3
Segment-wise break-up							
Revenue (Rs mn)							
Aluminum	62,670	44,360	41.3	59,690	253,774	204,950	23.8
Copper	70,940	30,310	134.0	85,080	335,279	224,460	49.4
EBITDA (Rs mn)							
Aluminum (Incl Utkal)	23,520	9,730	141.7	18,200	72,033	51,520	39.8
Copper	2,610	660	295.5	3,220	11,000	7,980	37.8
Total EBITDA (Domestic+Utkal)	26,140	10,400	151.3	21,490	83,033	59,620	39.3

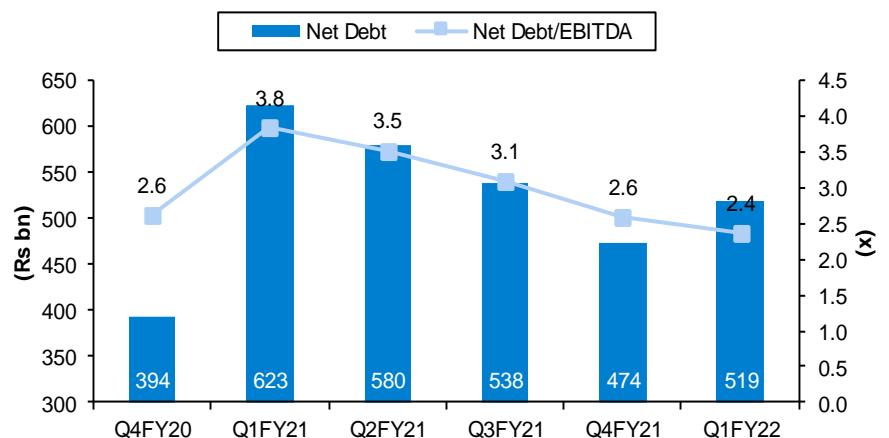
Source: Company, PL

Exhibit 3: Standalone AL EBITDA jumped on back of strong LME



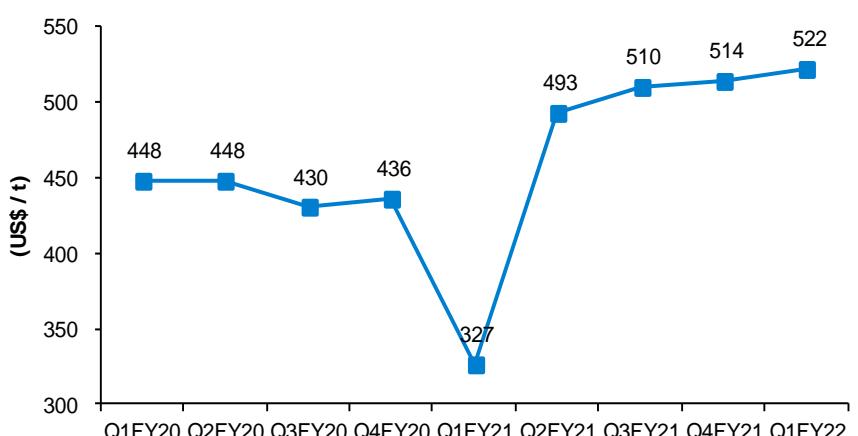
Source: Company, PL

Exhibit 4: Consol Net Debt/EBITDA fell 9% QoQ while net debt increased 9%



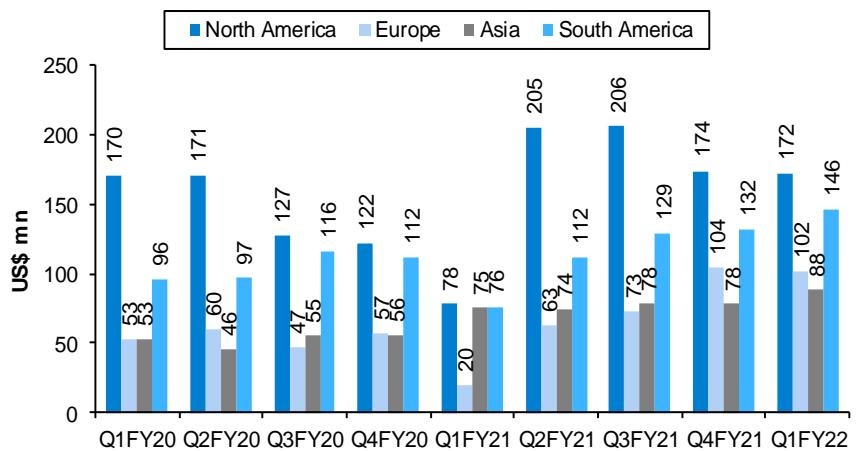
Source: Company, PL

Exhibit 5: Novelis' EBITDA/t steady at US\$500/t+ for last three quarters



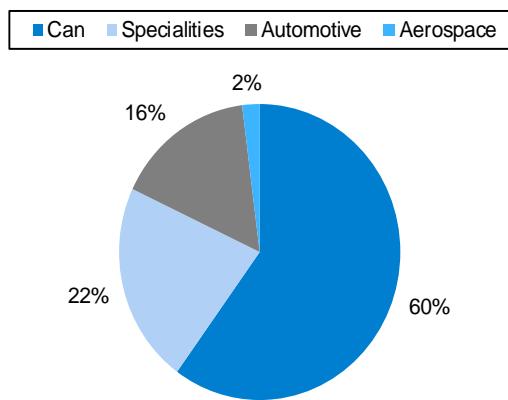
Source: Company, PL

Exhibit 6: South America and Asia drove Novelis' EBITDA growth QoQ



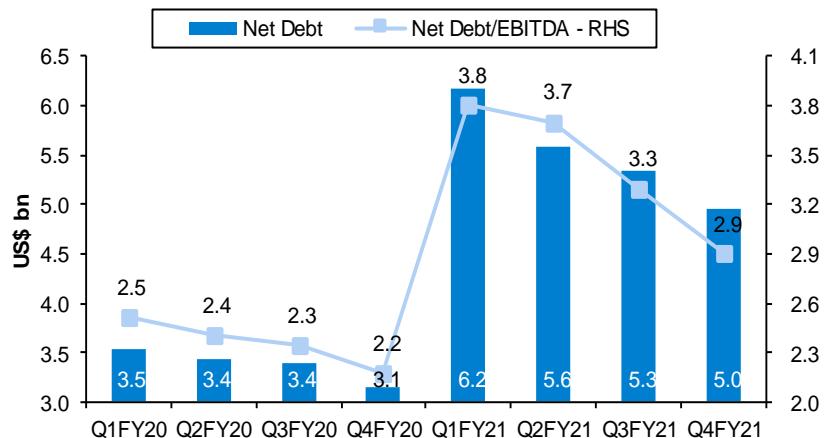
Source: Company, PL

Exhibit 7: Novelis' diversified shipment mix in FY21



Source: Company, PL

Exhibit 8: Novelis' Net Debt/EBITDA fell to 2.9x with net debt down by 7% QoQ



Source: Company, PL

Financials

Income Statement (Rs m)

Y/e Mar	FY20	FY21	FY22E	FY23E
Net Revenues	11,81,440	12,42,487	15,66,108	16,61,192
YoY gr. (%)	(9.5)	5.2	26.0	6.1
Cost of Goods Sold	6,76,110	7,47,513	9,44,259	10,06,841
Gross Profit	5,05,330	4,94,973	6,21,848	6,54,352
Margin (%)	42.8	39.8	39.7	39.4
Employee Cost	88,320	90,326	1,14,100	1,21,662
Other Expenses	1,24,310	1,45,061	1,83,242	1,95,386
EBITDA	1,43,500	1,64,881	2,04,876	2,09,744
YoY gr. (%)	(7.4)	14.9	24.3	2.4
Margin (%)	12.1	13.3	13.1	12.6
Depreciation and Amortization	51,350	53,127	56,143	59,981
EBIT	92,150	1,11,755	1,48,733	1,49,763
Margin (%)	7.8	9.0	9.5	9.0
Net Interest	41,970	41,484	41,584	42,460
Other Income	11,860	8,499	8,994	9,006
Profit Before Tax	59,200	78,770	1,16,143	1,16,309
Margin (%)	5.0	6.3	7.4	7.0
Total Tax	21,570	25,608	38,581	37,895
Effective tax rate (%)	36.4	32.5	33.2	32.6
Profit after tax	37,630	53,161	77,562	78,414
Minority interest	-	377	957	833
Share Profit from Associate	40	41	42	42
Adjusted PAT	39,475	52,825	76,647	77,623
YoY gr. (%)	(28.2)	33.8	45.1	1.3
Margin (%)	3.3	4.3	4.9	4.7
Extra Ord. Income / (Exp)	(1,805)	-	-	-
Reported PAT	37,670	52,825	76,647	77,623
YoY gr. (%)	(31.5)	40.2	45.1	1.3
Margin (%)	3.2	4.3	4.9	4.7
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	37,670	52,825	76,647	77,623
Equity Shares O/s (m)	2,220	2,220	2,220	2,220
EPS (Rs)	17.8	23.8	34.5	35.0

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY20	FY21	FY22E	FY23E
Non-Current Assets				
Gross Block	12,02,360	12,70,028	13,14,679	13,75,717
Tangibles	12,02,360	12,70,028	13,14,679	13,75,717
Intangibles	-	-	-	-
Acc: Dep / Amortization	5,11,390	5,64,517	6,20,660	6,80,641
Tangibles	5,11,390	5,64,517	6,20,660	6,80,641
Intangibles	-	-	-	-
Net fixed assets	6,90,970	7,05,512	6,94,019	6,95,075
Tangibles	6,90,970	7,05,512	6,94,019	6,95,075
Intangibles	-	-	-	-
Capital Work In Progress	81,570	1,09,332	1,17,100	1,19,235
Goodwill	2,00,980	2,00,980	2,00,980	2,00,980
Non-Current Investments	34,850	34,891	34,932	34,975
Net Deferred tax assets	(37,610)	(40,590)	(48,678)	(55,357)
Other Non-Current Assets	14,430	14,430	14,430	14,430
Current Assets				
Investments	62,790	62,790	62,790	62,790
Inventories	2,23,840	2,67,325	3,07,751	3,25,047
Trade receivables	94,010	1,01,363	1,29,752	1,38,595
Cash & Bank Balance	2,15,690	2,25,303	2,57,709	3,06,033
Other Current Assets	33,480	33,925	36,283	36,976
Total Assets	16,95,280	17,96,536	18,98,063	19,77,143
Equity				
Equity Share Capital	2,220	2,220	2,220	2,220
Other Equity	5,80,950	6,31,529	7,01,446	7,71,667
Total Networth	5,83,170	6,33,749	7,03,666	7,73,887
Non-Current Liabilities				
Long Term borrowings	6,72,570	6,69,730	6,63,730	6,63,270
Provisions	83,370	83,370	83,370	83,370
Other non current liabilities	13,770	13,770	13,770	13,770
Current Liabilities				
ST Debt / Current of LT Debt	-	-	-	-
Trade payables	1,83,000	2,33,159	2,61,725	2,63,532
Other current liabilities	1,00,530	1,00,530	1,00,530	1,00,530
Total Equity & Liabilities	16,95,280	17,96,536	18,98,063	19,77,143

Source: Company Data, PL Research

Cash Flow (Rs m)

Y/e Mar	FY20	FY21	FY22E	FY23E
PBT	59,240	78,770	1,16,143	1,16,309
Add. Depreciation	50,910	53,127	56,143	59,981
Add. Interest	41,970	41,484	41,584	42,460
Less Financial Other Income	11,860	8,499	8,994	9,006
Add. Other	(12,670)	(8,499)	(8,994)	(9,006)
Op. profit before WC changes	1,39,450	1,64,881	2,04,876	2,09,744
Net Changes-WC	(11,780)	860	(44,238)	(25,715)
Direct tax	(1,020)	(22,628)	(30,493)	(31,216)
Net cash from Op. activities	1,26,650	1,43,113	1,30,144	1,52,813
Capital expenditures	(67,320)	(50,390)	(61,838)	(65,200)
Interest / Dividend Income	-	-	-	-
Others	(15,690)	8,499	8,994	9,006
Net Cash from Invt. activities	(83,010)	(41,891)	(52,844)	(56,194)
Issue of share cap. / premium	70	-	-	-
Debt changes	1,12,830	(25,000)	(6,000)	(6,000)
Dividend paid	(3,200)	(2,246)	(6,730)	(7,403)
Interest paid	(40,160)	(41,484)	(41,584)	(42,460)
Others	(3,440)	-	-	-
Net cash from Fin. activities	66,100	(68,729)	(54,313)	(55,862)
Net change in cash	1,09,740	32,493	22,987	40,757
Free Cash Flow	59,330	92,723	68,306	87,613

Source: Company Data, PL Research
Key Financial Metrics

Y/e Mar	FY20	FY21	FY22E	FY23E
Per Share(Rs)				
EPS	17.8	23.8	34.5	35.0
CEPS	40.9	47.7	59.8	62.0
BVPS	262.7	285.5	317.0	348.6
FCF	26.7	41.8	30.8	39.5
DPS	1.0	3.0	3.3	3.5
Return Ratio(%)				
RoCE	7.8	8.7	11.1	10.7
ROIC	6.5	7.6	9.8	9.8
RoE	6.8	8.7	11.5	10.5
Balance Sheet				
Net Debt : Equity (x)	0.7	0.6	0.5	0.4
Net Working Capital (Days)	42	40	41	44
Valuation(x)				
PER	24.9	18.6	12.8	12.6
P/B	1.7	1.5	1.4	1.3
P/CEPS	10.8	9.3	7.4	7.1
EV/EBITDA	9.6	8.3	6.5	6.1
EV/Sales	1.2	1.1	0.8	0.8
Dividend Yield (%)	0.2	0.7	0.8	0.8

Source: Company Data, PL Research
Quarterly Financials (Rs m)

Y/e Mar	Q2FY21	Q3FY21	Q4FY21	Q1FY22
Net Revenue	95,180	1,13,510	1,44,120	1,32,980
YoY gr. (%)	(4.5)	11.0	44.2	79.2
Raw Material Expenses	56,890	69,900	95,540	76,490
Gross Profit	38,290	43,610	48,580	56,490
Margin (%)	40.2	38.4	33.7	42.5
EBITDA	9,880	11,490	14,860	20,980
YoY gr. (%)	24.1	13.0	31.6	265.5
Margin (%)	10.4	10.1	10.3	15.8
Depreciation / Depletion	4,270	4,140	4,420	4,420
EBIT	5,610	7,350	10,440	16,560
Margin (%)	5.9	6.5	7.2	12.5
Net Interest	3,610	3,520	3,310	3,450
Other Income	1,660	1,850	530	1,010
Profit before Tax	3,180	5,320	7,900	14,080
Margin (%)	3.3	4.7	5.5	10.6
Total Tax	1,200	1,920	2,950	4,980
Effective tax rate (%)	37.7	36.1	37.3	35.4
Profit after Tax	1,980	3,400	4,950	9,100
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
Adjusted PAT	2,279	3,630	4,800	9,126
YoY gr. (%)	118.6	79.3	50.8	(5,119.2)
Margin (%)	2.4	3.2	3.3	6.9
Extra Ord. Income / (Exp)	(299)	(230)	150	(26)
Reported PAT	1,980	3,400	4,950	9,100
YoY gr. (%)	153.8	76.2	51.8	(2,375.0)
Margin (%)	2.1	3.0	3.4	6.8
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	1,980	3,400	4,950	9,100
Avg. Shares O/s (m)	2,229	2,229	2,229	2,229
EPS (Rs)	1.0	1.6	2.2	4.1

Source: Company Data, PL Research
Key Operating Metrics

Y/e Mar	FY20	FY21	FY22E	FY23E
Aluminium (Al) prod (t)	13,13,666	12,50,480	12,93,864	13,06,624
Copper (Cu) prod (t)	3,21,000	2,62,203	3,50,000	4,00,000
LME-Al (USD/t)	2,100	1,766	2,210	2,134
LME-Cu (USD/t)	5,850	6,879	9,000	8,500
EBITDA-Al (Rs m)	37,490	1,46,211	72,033	67,685
EBITDA-Cu (Rs m)	12,760	17,740	11,000	11,000
Novelis (volumes kt)	3,273	3,158	3,301	3,466
Novelis-EBITDA/t (US\$)	429	475	505	510
Novelis-EBITDA (US\$ mn)	1,404	1,500	1,667	1,767

Source: Company Data, PL Research

Price Chart

Recommendation History



No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	05-Aug-21	BUY	500	443
2	08-Jul-21	BUY	455	383
3	24-May-21	BUY	455	390
4	23-Feb-21	BUY	360	316
5	10-Feb-21	BUY	305	279
6	04-Feb-21	BUY	305	257
7	13-Jan-21	BUY	305	264
8	11-Nov-20	BUY	230	192
9	10-Nov-20	BUY	230	195
10	09-Oct-20	BUY	218	174

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	ACC	BUY	2,460	2,152
2	Ambuja Cement	BUY	460	402
3	Coal India	Hold	160	146
4	Dalmia Bharat	Accumulate	2,300	2,148
5	Heidelberg Cement India	Reduce	225	261
6	Hindalco Industries	BUY	500	443
7	Hindustan Zinc	Reduce	271	331
8	Jindal Steel & Power	Accumulate	500	387
9	JK Lakshmi Cement	Hold	690	692
10	JSW Steel	Accumulate	810	718
11	NMDC	Accumulate	175	167
12	Shree Cement	Hold	28,625	27,000
13	Steel Authority of India	Accumulate	155	123
14	Tata Steel	Accumulate	1,400	1,190
15	The Ramco Cements	Reduce	980	1,060
16	Ultratech Cement	BUY	8,600	7,459

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. Kamlesh Bagmar- CA, Mr. Amit Khimesra- MBA Research Analysts, authors and the names subscribed to this report, hereby certify that all of the views expressed in this research report accurately reflect our views about the subject issuer(s) or securities. We also certify that no part of our compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view(s) in this report.

(US Clients)

The research analysts, with respect to each issuer and its securities covered by them in this research report, certify that: All of the views expressed in this research report accurately reflect his or her or their personal views about all of the issuers and their securities; and No part of his or her or their compensation was, is or will be directly related to the specific recommendation or views expressed in this research report.

DISCLAIMER

Indian Clients

Prabhudas Lilladher Pvt. Ltd, Mumbai, India (hereinafter referred to as "PL") is engaged in the business of Stock Broking, Portfolio Manager, Depository Participant and distribution for third party financial products. PL is a subsidiary of Prabhudas Lilladher Advisory Services Pvt Ltd. which has its various subsidiaries engaged in business of commodity broking, investment banking, financial services (margin funding) and distribution of third party financial/other products, details in respect of which are available at www.plindia.com.

This document has been prepared by the Research Division of PL and is meant for use by the recipient only as information and is not for circulation. This document is not to be reported or copied or made available to others without prior permission of PL. It should not be considered or taken as an offer to sell or a solicitation to buy or sell any security.

The information contained in this report has been obtained from sources that are considered to be reliable. However, PL has not independently verified the accuracy or completeness of the same. Neither PL nor any of its affiliates, its directors or its employees accepts any responsibility of whatsoever nature for the information, statements and opinion given, made available or expressed herein or for any omission therein.

Recipients of this report should be aware that past performance is not necessarily a guide to future performance and value of investments can go down as well. The suitability or otherwise of any investments will depend upon the recipient's particular circumstances and, in case of doubt, advice should be sought from an independent expert/advisor.

Either PL or its affiliates or its directors or its employees or its representatives or its clients or their relatives may have position(s), make market, act as principal or engage in transactions of securities of companies referred to in this report and they may have used the research material prior to publication.

PL may from time to time solicit or perform investment banking or other services for any company mentioned in this document.

PL is in the process of applying for certificate of registration as Research Analyst under Securities and Exchange Board of India (Research Analysts) Regulations, 2014

PL submits that no material disciplinary action has been taken on us by any Regulatory Authority impacting Equity Research Analysis activities.

PL or its research analysts or its associates or his relatives do not have any financial interest in the subject company.

PL or its research analysts or its associates or his relatives do not have actual/beneficial ownership of one per cent or more securities of the subject company at the end of the month immediately preceding the date of publication of the research report.

PL or its research analysts or its associates or his relatives do not have any material conflict of interest at the time of publication of the research report.

PL or its associates might have received compensation from the subject company in the past twelve months.

PL or its associates might have managed or co-managed public offering of securities for the subject company in the past twelve months or mandated by the subject company for any other assignment in the past twelve months.

PL or its associates might have received any compensation for investment banking or merchant banking or brokerage services from the subject company in the past twelve months.

PL or its associates might have received any compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company in the past twelve months

PL or its associates might have received any compensation or other benefits from the subject company or third party in connection with the research report.

PL encourages independence in research report preparation and strives to minimize conflict in preparation of research report. PL or its analysts did not receive any compensation or other benefits from the subject Company or third party in connection with the preparation of the research report. PL or its Research Analysts do not have any material conflict of interest at the time of publication of this report.

It is confirmed that Mr. Kamlesh Bagmar- CA, Mr. Amit Khimesra- MBA 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