PhillipCapital

Asian Paints (APNT IN)

Volume growth continues to be strong

INDIA | FMCG | Quarterly Update

25 October 2016

Top takeaways from Q2FY17

- ✓ Sales growth (value/volume) was in low double digits and above our expectations
- ✓ Decorative Coatings grew in double digits, Automotive Coatings/Industrial Liquid Paints/Home Improvement saw good growth
- ✓ In the international business, Nepal, Fiji, and parts of the Middle East saw strong growth
- × Gross margins were higher yoy but fell qoq

Conference call takeaways

- ⇔ Macro-demand environment remains challenging; however, after good and spatially distributed monsoons this year, demand should pick up
- ✓ Demand has improved in western/central India after monsoons; also, retail demand has improved after monsoons
- ✓ The company had taken a price cut of 2% in Q4FY16 and has had no price revisions after that, in spite of rising input prices
- × Rising raw material prices (including that of titanium dioxide) have affected all categories of products
- ✓ It may hike prices in Q3/Q4FY17 if input prices rise further
- ✓ There was no big change in mix in Q2FY17 as both premium categories and *putti* showed high growth
- ⇔ FY17 capex will be around Rs 6bn with major capex in Q3/Q4FY17; new plants should be capitalised by FY19
- ✓ It adds about 1000 to 2000 dealers every year; it is on track to achieve this target

Maintain Neutral: We have slightly increased our estimates for FY17/18 and introduced our estimates for FY19. The company has consistently delivered strong performance in the last six quarters while many FMCG companies have struggled. Also, it has considerable pricing power; despite a significant fall in RM prices, it has not been forced to drastically slash prices to defend its market share. A revival in the economy will aid paint demand. We value the stock at 42x our September 2018 earnings at Rs 1,150 (Rs 1,000 earlier) and maintain Neutral on rich valuations. Our target multiple for Asian Paints is at a 10% premium (historically 5%) to the target sector multiple due to the company's higher growth potential.

Neutral (Maintain)

CMP RS 1153 / TARGET RS 1150 (+0%)

COMPANY DATA

O/S SHARES (MN) :	959
MARKET CAP (RSBN) :	1082
MARKET CAP (USDBN) :	16.2
52 - WK HI/LO (RS) :	1230 / 785
LIQUIDITY 3M (USDMN) :	16.6
PAR VALUE (RS) :	1

SHARE HOLDING PATTERN, %

	Jun 16	Mar 16	Dec 15
PROMOTERS :	52.8	52.8	52.8
FII / NRI :	18.9	18.0	17.8
FI / MF :	7.5	9.1	9.3
NON PRO :	2.1	1.9	2.5
PUBLIC & OTHERS :	18.8	18.3	17.7

Key Financials

Rs mn	FY17E	FY18E	FY19E
Net Sales	170,929	197,055	227,485
EBIDTA	32,852	38,090	44,421
Net Profit	20,792	24,219	28,637
EPS, Rs	21.7	25.2	29.9
PER, x	**53.2**	**45.7**	**38.6**
EV/EBIDTA, x	33.5	28.6	24.3
ROE, %	31.4	31.2	31.4
Debt/Equity (%)	4.6	3.9	3.4

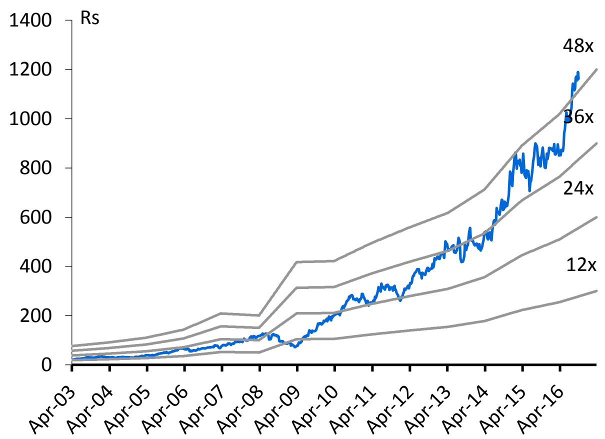
CHANGE IN ESTIMATES

	Revised Est.		% Revision	
Rs bn	FY17E	FY18E	FY17E	FY18E
Revenue	170,929	197,055	(1)	(1)
EBITDA	32,852	38,090	2	1
Core PAT	20,792	24,219	2	1
EPS (Rs)	21.7	25.2	2	1

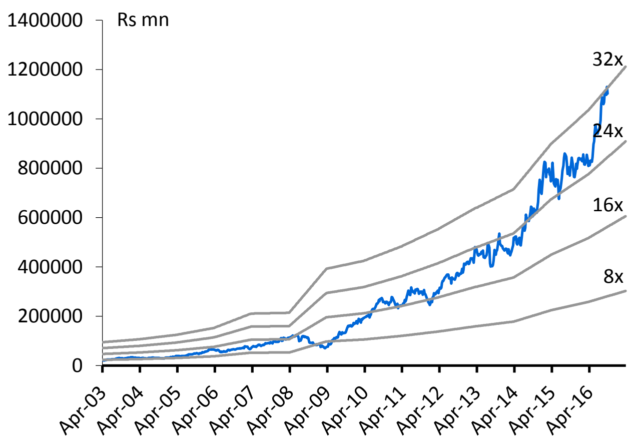
Naveen Kulkarni and Jubil Jain

(Rs mn)	Q2FY17	Q1FY17	qoq growth %	Q2FY16	yoy growth %	PC est. for yoy growth (%)	Comments
Volume growth est. (% yoy)	11	12		7		11	Volume growth continued to be strong
Price growth est. (%yoy)	-2	-2		-3		(2)	
Net Sales	41,897	40,348	4%	37,991	10%	9%	
Gross Profits	21,021	21,157	-1%	18,350	15%	17%	
Gross Margin (%)	50.2	52.4	-226 bps	48.3	187 bps	347 bps	Margin expansion was lower on rising input prices
Staff costs	2,794	2,774	1%	2,417	16%	15%	
Other operating expenses	6,834	6,206	10%	6,211	10%	9%	
EBITDA	7,130	8,203	-13%	6,080	17%	29%	
EBITDA margin (%)	17.0	20.3	-331 bps	16.0	101 bps	299 bps	
PBT	7,017	8,003	-12%	5,940	18%	29%	
Tax rate (%)	31.46	32.53	-107 bps	31.03	42 bps	131 bps	
PAT	4,810	5,400	-11%	4,096	17%	27%	
Adj. PAT	4,948	5,526	-10%	4,189	18%	24%	

One-year forward P/E band



EV/EBITDA



Source: Company, PhillipCapital India Research Estimates

Financials

Income Statement

Y/E Mar, Rs mn	FY16	FY17e	FY18e	FY19e
Net sales	**153,307**	**170,929**	**197,055**	**227,485**
Growth, %	9.5	11.5	15.3	15.4
Other income	2,034	2,339	2,690	3,094
Total income	155,341	173,269	199,745	230,578
Raw material expenses	-82,056	-89,385	-103,311	-119,415
Employee expenses	-10,178	-11,504	-13,108	-14,940
Other Operating expenses	-35,021	-39,527	-45,236	-51,802
EBITDA (Core)	**28,086**	**32,852**	**38,090**	**44,421**
Growth, %	25.6	17.0	15.9	16.6
Margin, %	18.3	19.2	19.3	19.5
Depreciation	-2,879	-3,306	-3,605	-3,904
EBIT	**25,207**	**29,547**	**34,485**	**40,518**
Growth, %	28.0	17.2	16.7	17.5
Margin, %	16.4	17.3	17.5	17.8
Interest paid	-405	-398	-398	-398
Other Non-Operating Income	2,007	2,308	2,541	3,158
Non-recurring Items	-525	0	0	0
Pre-tax profit	**26,285**	**31,457**	**36,629**	**43,278**
Tax provided	-8,491	-10,066	-11,720	-13,848
Profit after tax	**17,794**	**21,392**	**24,909**	**29,430**
Others (Minorities, Associates)	-531	-600	-690	-794
Net Profit	**17,263**	**20,792**	**24,219**	**28,637**
Growth, %	25.0	16.9	16.5	18.2
Net Profit (adjusted)	**17,787**	**20,792**	**24,219**	**28,637**
Unadj. shares (m)	959	959	959	959
Wtd avg shares (m)	959	959	959	959

Balance Sheet

Y/E Mar, Rs mn	FY16	FY17e	FY18e	FY19e
Cash & bank	4,204	9,797	21,373	31,649
Debtors	12,483	14,679	16,634	19,514
Inventory	20,640	23,440	27,507	31,382
Loans & advances	5,181	5,802	6,498	7,278
Other current assets	2,800	3,136	3,513	3,934
Total current assets	45,308	56,854	75,526	93,758
Investments	20,982	20,982	20,982	20,982
Gross fixed assets	49,128	55,128	60,128	65,128
Less: Depreciation	-17,074	-20,382	-23,989	-27,897
Add: Capital WIP	1,108	1,108	1,108	1,108
Net fixed assets	33,162	35,854	37,247	38,339
Non-current assets	1,976	1,976	1,976	1,977
Total assets	**99,256**	**113,495**	**133,559**	**152,887**
Current liabilities	37,203	40,601	48,618	53,719
Total current liabilities	37,203	40,601	48,618	53,719
Non-current liabilities	3,060	3,060	3,060	3,060
Total liabilities	40,263	43,661	51,677	56,779
Paid-up capital	959	959	959	959
Reserves & surplus	55,093	65,334	76,691	90,123
Shareholders' equity	58,994	69,835	81,882	96,107
Total equity & liabilities	**99,257**	**113,496**	**133,560**	**152,887**

Cash Flow

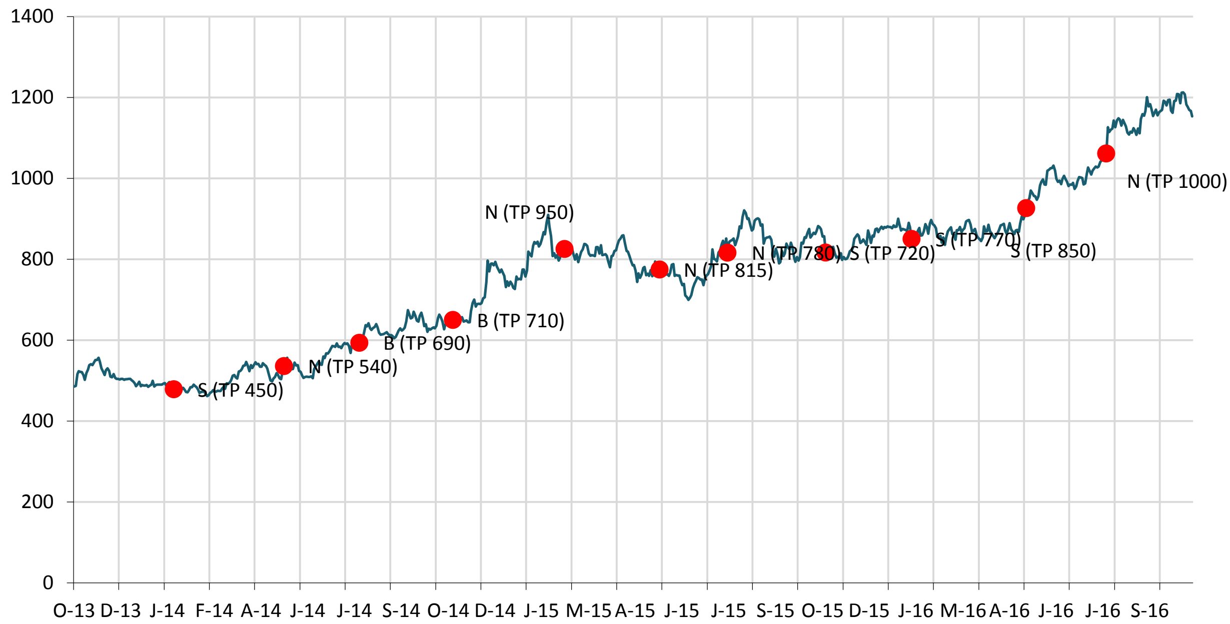
Y/E Mar, Rs mn	FY16	FY17e	FY18e	FY19e
Pre-tax profit	26,285	31,457	36,629	43,278
Depreciation	2,879	3,306	3,605	3,904
Chg in working capital	6,058	-2,556	922	-2,859
Total tax paid	-8,120	-10,066	-11,720	-13,848
Other operating activities	-8,618	-10,021	-11,247	0
Cash flow from operating activities	**18,484**	**12,120**	**18,188**	**30,475**
Capital expenditure	-9,939	-5,998	-4,997	-4,996
Chg in investments	-5,104	0	0	0
Cash flow from investing activities	**-15,043**	**-5,998**	**-4,997**	**-4,996**
Free cash flow	3,441	6,122	13,191	25,479
Equity raised/(repaid)	8,629	10,241	11,357	13,432
Dividend (incl. tax)	-8,645	-10,549	-12,858	-15,204
Cash flow from financing activities	**-1,281**	**-308**	**-1,501**	**-1,772**
Net chg in cash	2,160	5,814	11,690	23,707

Valuation Ratios

	FY16	FY17e	FY18e	FY19e
Per Share data				
EPS (INR)	18.5	21.7	25.2	29.9
Growth, %	25.0	16.9	16.5	18.2
Book NAV/share (INR)	58.4	69.1	81.0	95.0
FDEPS (INR)	18.5	21.7	25.2	29.9
CEPS (INR)	22.1	25.1	29.0	33.9
CFPS (INR)	25.7	20.7	28.0	28.5
DPS (INR)	7.5	9.3	11.4	13.4
Return ratios				
Return on assets (%)	19.4	20.3	20.4	20.7
Return on equity (%)	31.7	31.4	31.2	31.4
Return on capital employed (%)	31.1	32.1	31.9	32.2
Turnover ratios				
Asset turnover (x)	4.2	4.3	4.6	5.1
Sales/Total assets (x)	1.6	1.6	1.6	1.6
Sales/Net FA (x)	5.2	5.0	5.4	6.0
Working capital/Sales (x)	0.0	0.0	0.0	0.0
Working capital days	9.3	13.8	10.3	13.5
Liquidity ratios				
Current ratio (x)	1.2	1.4	1.6	1.7
Quick ratio (x)	0.7	0.8	1.0	1.2
Interest cover (x)	62.2	74.3	86.7	101.9
Dividend cover (x)	2.5	2.3	2.2	2.2
Total debt/Equity (%)	5.5	4.6	3.9	3.4
Net debt/Equity (%)	(2.0)	(10.2)	(23.6)	(31.4)
Valuation				
PER (x)	62.2	53.2	45.7	38.6
Price/Book (x)	19.7	16.7	14.2	12.1
Yield (%)	0.7	0.8	1.0	1.2
EV/Net sales (x)	7.2	6.4	5.5	4.7
EV/EBITDA (x)	39.3	33.5	28.6	24.3
EV/EBIT (x)	43.8	37.2	31.5	26.6

Source: Company, PhillipCapital India Research Estimates

Stock Price, Price Target and Rating History



Rating Methodology

We rate stock on absolute return basis. Our target price for the stocks has an investment horizon of one year.

Rating	Criteria	Definition
BUY	>= +15%	Target price is equal to or more than 15% of current market price
NEUTRAL	-15% > to < +15%	Target price is less than +15% but more than -15%
SELL	<= -15%	Target price is less than or equal to -15%.

Management

Vineet Bhatnagar (Managing Director)	(91 22) 2483 1919
Kinshuk Bharti Tiwari (Head – Institutional Equity)	(91 22) 6667 9946
Jignesh Shah (Head – Equity Derivatives)	(91 22) 6667 9735

Research

Automobiles		**IT Services**		**Pharma & Speciality Chem**	
Dhawal Doshi	(9122) 6667 9769	Vibhor Singhal	(9122) 6667 9949	Surya Patra	(9122) 6667 9768
Nitesh Sharma, CFA	(9122) 6667 9965	Shyamal Dhruve	(9122) 6667 9992	Mehul Sheth	(9122) 6667 9996
Banking, NBFCs		**Infrastructure**		**Strategy**	
Manish Agarwalla	(9122) 6667 9962	Vibhor Singhal	(9122) 6667 9949	Naveen Kulkarni, CFA, FRM	(9122) 6667 9947
Pradeep Agrawal	(9122) 6667 9953	Deepak Agarwal	(9122) 6667 9944	**Telecom**	
Paresh Jain	(9122) 6667 9948	**Logistics, Transportation & Midcap**		Naveen Kulkarni, CFA, FRM	(9122) 6667 9947
Consumer & Retail		Vikram Suryavanshi	(9122) 6667 9951	Manoj Behera	(9122) 6667 9973
Naveen Kulkarni, CFA, FRM	(9122) 6667 9947	**Media**		**Technicals**	
Jubil Jain	(9122) 6667 9766	Manoj Behera	(9122) 6667 9973	Subodh Gupta, CMT	(9122) 6667 9762
Preeyam Tolia	(9122) 6667 9950	**Metals**		**Production Manager**	
Cement		Dhawal Doshi	(9122) 6667 9769	Ganesh Deorukhkar	(9122) 6667 9966
Vaibhav Agarwal	(9122) 6667 9967	Yash Doshi	(9122) 6667 9987	**Editor**	
Economics		**Mid-Caps & Database Manager**		Roshan Sony	98199 72726
Anjali Verma	(9122) 6667 9969	Deepak Agarwal	(9122) 6667 9944	**Sr. Manager – Equities Support**	
Engineering, Capital Goods		**Oil & Gas**		Rosie Ferns	(9122) 6667 9971
Jonas Bhutta	(9122) 6667 9759	Sabri Hazarika	(9122) 6667 9756		
Vikram Rawat	(9122) 6667 9986				

Sales & Distribution

Ashvin Patil	(9122) 6667 9991	**Sales Trader**	
Shubhangi Agrawal	(9122) 6667 9964	Dilesh Doshi	(9122) 6667 9747
Kishor Binwal	(9122) 6667 9989	Suniil Pandit	(9122) 6667 9745
Bhavin Shah	(9122) 6667 9974		
Ashka Mehta Gulati	(9122) 6667 9934	**Execution**	
Archan Vyas	(9122) 6667 9785	Mayur Shah	(9122) 6667 9945

Corporate Communications

Zarine Damania	(9122) 6667 9976
Bharati Ponda	(9122) 6667 9943

Contact Information (Regional Member Companies)

SINGAPORE: **Phillip Securities Pte Ltd**
250 North Bridge Road, #06-00 RafflesCityTower,
Singapore 179101
Tel : (65) 6533 6001 Fax: (65) 6535 3834
www.phillip.com.sg

MALAYSIA: **Phillip Capital Management Sdn Bhd**
B-3-6 Block B Level 3, Megan Avenue II,
No. 12, Jalan Yap Kwan Seng, 50450 Kuala Lumpur
Tel (60) 3 2162 8841 Fax (60) 3 2166 5099
www.poems.com.my

HONG KONG: **Phillip Securities (HK) Ltd**
11/F United Centre 95 Queensway Hong Kong
Tel (852) 2277 6600 Fax: (852) 2868 5307
www.phillip.com.hk

JAPAN: **Phillip Securities Japan, Ltd**
4-2 Nihonbashi Kabutocho, Chuo-ku
Tokyo 103-0026
Tel: (81) 3 3666 2101 Fax: (81) 3 3664 0141
www.phillip.co.jp

INDONESIA: **PT Phillip Securities Indonesia**
ANZTower Level 23B, Jl Jend Sudirman Kav 33A,
Jakarta 10220, Indonesia
Tel (62) 21 5790 0800 Fax: (62) 21 5790 0809
www.phillip.co.id

CHINA: **Phillip Financial Advisory (Shanghai) Co. Ltd.**
No 550 Yan An East Road, OceanTower Unit 2318
Shanghai 200 001
Tel (86) 21 5169 9200 Fax: (86) 21 6351 2940
www.phillip.com.cn

THAILAND: **Phillip Securities (Thailand) Public Co. Ltd.**
15th Floor, VorawatBuilding, 849 Silom Road,
Silom, Bangrak, Bangkok 10500 Thailand
Tel (66) 2 2268 0999 Fax: (66) 2 2268 0921
www.phillip.co.th

FRANCE: **King & Shaxson Capital Ltd.**
3rd Floor, 35 Rue de la Bienfaisance
75008 Paris France
Tel (33) 1 4563 3100 Fax : (33) 1 4563 6017
www.kingandshaxson.com

UNITED KINGDOM: **King & Shaxson Ltd.**
6th Floor, Candlewick House, 120 Cannon Street
London, EC4N 6AS
Tel (44) 20 7929 5300 Fax: (44) 20 7283 6835
www.kingandshaxson.com

UNITED STATES: **Phillip Futures Inc.**
141 W Jackson Blvd Ste 3050
The Chicago Board of TradeBuilding
Chicago, IL 60604 USA
Tel (1) 312 356 9000 Fax: (1) 312 356 9005

AUSTRALIA: **PhillipCapital Australia**
Level 10, 330 Collins Street
Melbourne, VIC 3000, Australia
Tel: (61) 3 8633 9800 Fax: (61) 3 8633 9899
www.phillipcapital.com.au

SRI LANKA: **Asha Phillip Securities Limited**
Level 4, Millennium House, 46/58 Navam Mawatha,
Colombo 2, Sri Lanka
Tel: (94) 11 2429 100 Fax: (94) 11 2429 199
www.ashaphillip.net/home.htm

INDIA
PhillipCapital (India) Private Limited
No. 1, 18th Floor, Urmi Estate, 95 Ganpatrao Kadam Marg, Lower Parel West, Mumbai 400013
Tel: (9122) 2300 2999 Fax: (9122) 6667 9955 www.phillipcapital.in

Disclosures and Disclaimers

PhillipCapital (India) Pvt. Ltd. has three independent equity research groups: Institutional Equities, Institutional Equity Derivatives, and Private Client Group. This report has been prepared by Institutional Equities Group. The views and opinions expressed in this document may, may not match, or may be contrary at times with the views, estimates, rating, and target price of the other equity research groups of PhillipCapital (India) Pvt. Ltd.

This report is issued by PhillipCapital (India) Pvt. Ltd., which is regulated by the SEBI. PhillipCapital (India) Pvt. Ltd. is a subsidiary of Phillip (Mauritius) Pvt. Ltd. References to "PCIPL" in this report shall mean PhillipCapital (India) Pvt. Ltd unless otherwise stated. This report is prepared and distributed by PCIPL for information purposes only, and neither the information contained herein, nor any opinion expressed should be construed or deemed to be construed as solicitation or as offering advice for the purposes of the purchase or sale of any security, investment, or derivatives. The information and opinions contained in the report were considered by PCIPL to be valid when published. The report also contains information provided to PCIPL by third parties. The source of such information will usually be disclosed in the report. Whilst PCIPL has taken all reasonable steps to ensure that this information is correct, PCIPL does not offer any warranty as to the accuracy or completeness of such information. Any person placing reliance on the report to undertake trading does so entirely at his or her own risk and PCIPL does not accept any liability as a result. Securities and Derivatives markets may be subject to rapid and unexpected price movements and past performance is not necessarily an indication of future performance.

This report does not regard the specific investment objectives, financial situation, and the particular needs of any specific person who may receive this report. Investors must undertake independent analysis with their own legal, tax, and financial advisors and reach their own conclusions regarding the appropriateness of investing in any securities or investment strategies discussed or recommended in this report and should understand that statements regarding future prospects may not be realised. Under no circumstances can it be used or considered as an offer to sell or as a solicitation of any offer to buy or sell the securities mentioned within it. The information contained in the research reports may have been taken from trade and statistical services and other sources, which PCIL believe is reliable. PhillipCapital (India) Pvt. Ltd. or any of its group/associate/affiliate companies do not guarantee that such information is accurate or complete and it should not be relied upon as such. Any opinions expressed reflect judgments at this date and are subject to change without notice.

Important: These disclosures and disclaimers must be read in conjunction with the research report of which it forms part. Receipt and use of the research report is subject to all aspects of these disclosures and disclaimers. Additional information about the issuers and securities discussed in this research report is available on request.

Certifications: The research analyst(s) who prepared this research report hereby certifies that the views expressed in this research report accurately reflect the research analyst's personal views about all of the subject issuers and/or securities, that the analyst(s) have no known conflict of interest and no part of the research analyst's compensation was, is, or will be, directly or indirectly, related to the specific views or recommendations contained in this research report.

Additional Disclosures of Interest:
Unless specifically mentioned in Point No. 9 below:

1. The Research Analyst(s), PCIL, or its associates or relatives of the Research Analyst does not have any financial interest in the company(ies) covered in this report.
2. The Research Analyst, PCIL or its associates or relatives of the Research Analyst affiliates collectively do not hold more than 1% of the securities of the company (ies)covered in this report as of the end of the month immediately preceding the distribution of the research report.
3. The Research Analyst, his/her associate, his/her relative, and PCIL, do not have any other material conflict of interest at the time of publication of this research report.
4. The Research Analyst, PCIL, and its associates have not received compensation for investment banking or merchant banking or brokerage services or for any other products or services from the company(ies) covered in this report, in the past twelve months.
5. The Research Analyst, PCIL or its associates have not managed or co-managed in the previous twelve months, a private or public offering of securities for the company (ies) covered in this report.
6. PCIL or its associates have not received compensation or other benefits from the company(ies) covered in this report or from any third party, in connection with the research report.
7. The Research Analyst has not served as an Officer, Director, or employee of the company (ies) covered in the Research report.
8. The Research Analyst and PCIL has not been engaged in market making activity for the company(ies) covered in the Research report.
9. Details of PCIL, Research Analyst and its associates pertaining to the companies covered in the Research report:

Sr. no.	Particulars	Yes/No
1	Whether compensation has been received from the company(ies) covered in the Research report in the past 12 months for investment banking transaction by PCIL	No
2	Whether Research Analyst, PCIL or its associates or relatives of the Research Analyst affiliates collectively hold more than 1% of the company(ies) covered in the Research report	No
3	Whether compensation has been received by PCIL or its associates from the company(ies) covered in the Research report	No
4	PCIL or its affiliates have managed or co-managed in the previous twelve months a private or public offering of securities for the company(ies) covered in the Research report	No
5	Research Analyst, his associate, PCIL or its associates have received compensation for investment banking or merchant banking or brokerage services or for any other products or services from the company(ies) covered in the Research report, in the last twelve months	No

Independence: PhillipCapital (India) Pvt. Ltd. has not had an investment banking relationship with, and has not received any compensation for investment banking services from, the subject issuers in the past twelve (12) months, and PhillipCapital (India) Pvt. Ltd does not anticipate receiving or intend to seek compensation for investment banking services from the subject issuers in the next three (3) months. PhillipCapital (India) Pvt. Ltd is not a market maker in the securities mentioned in this research report, although it, or its affiliates/employees, may have positions in, purchase or sell, or be materially interested in any of the securities covered in the report.

Suitability and Risks: This research report is for informational purposes only and is not tailored to the specific investment objectives, financial situation or particular requirements of any individual recipient hereof. Certain securities may give rise to substantial risks and may not be suitable for certain investors. Each investor must make its own determination as to the appropriateness of any securities referred to in this research report based upon the legal, tax and accounting considerations applicable to such investor and its own investment objectives or strategy, its financial situation and its investing experience. The value of any security may be positively or adversely affected by changes in foreign exchange or interest rates, as well as by other financial, economic, or political factors. Past performance is not necessarily indicative of future performance or results.

Sources, Completeness and Accuracy: The material herein is based upon information obtained from sources that PCIPL and the research analyst believe to be reliable, but neither PCIPL nor the research analyst represents or guarantees that the information contained herein is accurate or complete and it should not be relied upon as such. Opinions expressed herein are current opinions as of the date appearing on this material, and are subject to change without notice. Furthermore, PCIPL is under no obligation to update or keep the information current. Without limiting any of the foregoing, in no event shall PCIL, any of its affiliates/employees or any third party involved in, or related to computing or compiling the information have any liability for any damages of any kind including but not limited to any direct or consequential loss or damage, however arising, from the use of this document.

Caution: Risk of loss in trading/investment can be substantial and even more than the amount / margin given by you. The recipient should carefully consider whether trading/investment is appropriate for the recipient in light of the recipient's experience, objectives, financial resources and other relevant circumstances. PCIPL and any of its employees, directors, associates, group entities, or affiliates shall not be liable for losses, if any, incurred by the recipient. The recipient is further cautioned that trading/investments in financial markets are subject to market risks and are advised to seek trading/investment advice before investing. There is no guarantee/assurance as to returns or profits or capital protection or appreciation. PCIPL and any of its employees, directors, associates, group entities, affiliates are not inducing the recipient for trading/investing in the financial market(s). Trading/Investment decision is the sole responsibility of the recipient.

For U.S. persons only: This research report is a product of PhillipCapital (India) 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 PhillipCapital (India) 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 the 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 a 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, PhillipCapital (India) Pvt Ltd. has entered into an agreement with a U.S. registered broker-dealer, Decker & Co, LLC. Transactions in securities discussed in this research report should be effected through Decker & Co, LLC or another U.S. registered broker dealer.

If Distribution is to Australian Investors
This report is produced by PhillipCapital (India) Pvt Ltd and is being distributed in Australia by Phillip Capital Limited (Australian Financial Services Licence No. 246827).

This report contains general securities advice and does not take into account your personal objectives, situation and needs. Please read the Disclosures and Disclaimers set out above. By receiving or reading this report, you agree to be bound by the terms and limitations set out above. Any failure to comply with these terms and limitations may constitute a violation of law. This report has been provided to you for personal use only and shall not be reproduced, distributed or published by you in whole or in part, for any purpose. If you have received this report by mistake, please delete or destroy it, and notify the sender immediately.

PhillipCapital (India) Pvt. Ltd.
Registered office: No. 1, 18th Floor, Urmi Estate, 95 Ganpatrao Kadam Marg, Lower Parel West, Mumbai 400013

NAVEEN KULKARNI

Digitally signed by NAVEEN KULKARNI
DN: c=IN, o=Personal , CID - 3573687, postalCode=400072, st=Maharashtra, serialNumber=97c18031b020ff979ee607a3efa48cfba8b1455defbde1b85beecbfbf99bbde3, cn=NAVEEN KULKARNI
Date: 2016.10.26 09:38:40 +05'30'