INSTITUTIONAL EQUITY RESEARCH

PhillipCapital

KEC International (KECI IN)

Strong performance in subsidiary

29 July 2015

INDIA | CAPITAL GOODS | Quarterly Update

KEC International Q1FY16 results were above our and consensus estimates driven by strong subsidiary performance and improvement in margins led by lower legacy orders. Management reiterated guidance of 10%-15% growth for FY16 sales and improvement in margins to 7.5-8%. We tweak our FY16e/ FY17e to factor in higher margins in new orders. We maintain Neutral rating on the stock valuing it at 14x FY17E and a target price of Rs135.

Q1FY16 results highlights

- Sales in Q1FY16 at Rs 18.8bn (+9% yoy) were in line with our estimates led by 48% growth in subsidiary. Revenue from Transmission was Rs 13.5bn (+6% yoy), Cables (Rs 2.6bn,+31% yoy) and SAE was flat yoy at Rs 1.8bn.
- EBITDA at Rs 1.4bn (+38% yoy) and EBITDA margins at 7.5% (+160bps yoy) were higher than estimate driven by lower contribution from legacy order and higher contribution from recently won high margin orders. Management has guided margins of 7.5-8% (+100-150 bps yoy) in FY16 led by margins from profitable orders and improvement in profitability at SAE with improved utilisation.
- Interest cost was up 8% yoy to Rs 710 mn (3.8% of sales) and management expects to reduce it to 3% of sales by refinancing high cost debt and higher foreign currency borrowings. Higher other income (Rs 32 mn ,+115% yoy) was offset by higher tax rate at 40% leading to PAT at Rs 304mn higher than our and consensus estimate of Rs 220mn.
- Orders in Q1FY16 at Rs 31bn (+63%YoY) and the order book at Rs 105bn (+2% yoy), imply book to bill of 1.2x. Management highlighted L1 position in orders of Rs 30bn and expect strong traction in order inflow to continue led by spending from State transmission companies and PGCIL. Also it maintained that ordering activity in middle east remained strong despite correction in crude price
- Standalone sales at Rs 14bn, flat yoy. Lower raw material cost led to EBITDA of Rs 955mn (13.5% yoy) and margins of 6.8%(+80 bps yoy). PAT at Rs 86mn (-9% yoy) due to higher tax rate.
- Subsidiary reported 48% growth in revenue to Rs 4.8bn led by Saudi JV.EBITDA at Rs 452mn (+156% yoy) on lower base and margins were up 400 bps yoy to 9.4% due to execution of high margin order. Strong execution translated to operating leverage leading to PAT at Rs 217 mn (+1063%). Management expects growth in Saudi to continue led by strong order pipeline of Rs 4.5bn.
- Net working capital were 110 days in Q1FY16 up from 104 days in Q1FY15 and receivable days was flat yoy at 183 days. Management has guided to reduce net working capital days 90-100 days.
- Total debt at Rs 24bn was marginally higher yoy due to increase in working capital. Management expects Rs 810mn in FY16 from sale of tower that would be used to reduce debt.

Estimates and target price: We raise our FY16E/FY17E estimates by 9%/8% to incorporate higher margins. We ascribe 14x *(Historical average – 15x)* multiple to our FY17e EPS to arrive at our target price of Rs 135 (Rs 100 earlier). Management is guiding to a 200bps improvement in margins to 7.5-8% in FY16 as legacy orders would be largely over, SAE would have become profitable and a pickup in execution drives margins higher. Our margin estimates for FY16 and FY17 stand at 7.7% and 8.2%, respectively. Maintain Neutral.

NEUTRAL

CMP RS 151

TARGET RS 135(-15%)

COMPANY DATA

O/S SHARES (MN) :	257
MARKET CAP (RSBN) :	39
MARKET CAP (USDBN) :	0.6
52 - WK HI/LO (RS) :	156 / 72
LIQUIDITY 3M (USDMN) :	3.9
PAR VALUE (RS) :	2

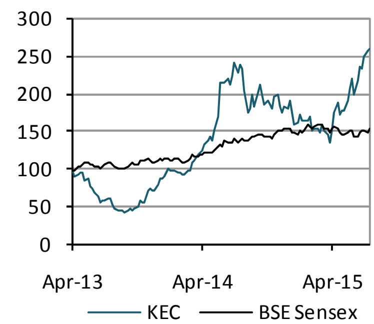
SHARE HOLDING PATTERN, %

PROMOTERS :	50.1
FII / NRI :	4.8
FI / MF :	26.2
NON PROMOTER CORP. HOLDINGS :	3.2
PUBLIC & OTHERS :	15.8

PRICE PERFORMANCE, %

	1MTH	3MTH	1YR
ABS	17.9	56.9	15.1
REL TO BSE	16.5	54.5	8.1

PRICE VS. SENSEX



Source: Phillip Capital India Research

KEY FINANCIALS

Rs mn	FY15	FY16E	FY17E
Net Sales	84,680	90,852	104,389
EBIDTA	5,120	6,970	8,527
Net Profit	705	1,546	2,423
EPS, Rs	2.7	6.0	9.4
PER, x	56.5	25.8	16.4
EV/EBIDTA, x	11.4	8.7	7.1
P/BV, x	3.0	2.7	2.4
ROE, %	5.3	10.6	14.6
Debt/Equity (%)	153.8	176.6	194.5

Source: PhillipCapital India Research Est.

Ankur Sharma (+ 9122 6667 9759)
asharma@phillipcapital.in

Hrishikesh Bhagat (+ 9122 6667 9986)
hbhagat@phillipcapital.in

Quarterly results (Consolidated)

Y/E MAR, RS MN	Q116	Q115	% Change
Net Sales	**18,780**	**17,207**	**9%**
Raw Material	8,833	8,624	2%
% of sales	47.0%	50.1%	-3.1%
Erecton and sub contracting expenses	4,988	4,172	20%
Employee cost	1,578	1,484	6%
% of sales	8%	9%	
Other Expenses	1,973	1,911	3%
% of sales	11%	11%	-1%
EBITDA	**1,407**	**1,017**	**38%**
EBITDA margins(%)	7.5%	5.9%	1.6%
Depreciation	226	210	8%
EBIT	**1,182**	**808**	**46%**
EBIT margins(%)	6.3%	4.7%	1.6%
Interest	710	660	8%
Other Income	32	15	115%
PBT	***504***	***163***	***209%***
Tax	200	49	305%
PAT	**304**	**114**	**168%**
PAT Margin(%)	2%	1%	
EPS	1.2	0.4	167%

Source: PhillipCapital India Research

Change in estimates

Y/E Mar, Rs mn	____NEW estimates_____		___Old estimates___		____% change____	
	2016e	2017e	2016e	2017e	2016e	2017e
Sales	90,852	104,389	88,551	98,381	3%	6%
EBITDA	6,970	8,527	6,514	7,820	7%	9%
Margins (%)	7.7%	8.2%	7.4%	7.9%	0%	0%
PAT	1,546	2,423	1,420	2,241	9%	8%
EPS	6.0	9.4	5.5	8.7	9%	8%

Source: PhillipCapital India Research Estimates

Financials

Income Statement

Y/E Mar, Rs mn	FY14	FY15	FY16e	FY17e
Net sales	**79,018**	**84,680**	**90,852**	**104,389**
Growth, %	13	7	7	15
Total income	79,018	84,680	90,852	104,389
Raw material expenses	-59,594	-64,527	-67,753	-77,330
Employee expenses	-5,661	-5,865	-6,292	-7,230
Other Operating expenses	-8,831	-9,168	-9,837	-11,302
EBITDA (Core)	**4,933**	**5,120**	**6,970**	**8,527**
Growth, %	29.3	3.8	36.1	22.3
Margin, %	6.2	6.0	7.7	8.2
Depreciation	-705	-881	-917	-979
EBIT	**4,227**	**4,239**	**6,053**	**7,547**
Growth, %	29.9	0.3	42.8	24.7
Margin, %	5.3	5.0	6.7	7.2
Interest paid	-2,633	-3,089	-3,603	-4,144
Other Non-Operating Income	138	116	127	324
Pre-tax profit	**1,733**	**1,266**	**2,577**	**3,727**
Tax provided	-883	-561	-1,031	-1,305
Profit after tax	**849**	**705**	**1,546**	**2,423**
Net Profit	**849**	**705**	**1,546**	**2,423**
Growth, %	30.3	(16.9)	119.2	56.7
Net Profit (adjusted)	**849**	**705**	**1,546**	**2,423**
Wtd avg shares (m)	257	257	257	257

Balance Sheet

Y/E Mar, Rs mn	FY14	FY15	FY16e	FY17e
Cash & bank	1,440	2,063	5,267	11,655
Debtors	43,390	38,529	43,827	50,357
Inventory	5,052	4,764	5,111	5,873
Loans & advances	8,520	9,507	10,200	11,720
Total current assets	60,197	64,519	74,060	89,260
Gross fixed assets	14,026	14,155	15,159	16,162
Less: Depreciation	-4,283	-5,164	-6,081	-7,060
Add: Capital WIP	180	180	180	180
Net fixed assets	9,922	9,171	9,258	9,282
Total assets	**74,114**	**77,808**	**87,437**	**102,660**
Current liabilities	38,946	41,777	44,822	51,500
Provisions	1,251	1,219	1,219	1,219
Total current liabilities	40,197	42,995	46,040	52,719
Non-current liabilities	22,001	21,155	26,452	32,982
Total liabilities	62,198	64,150	72,493	85,701
Paid-up capital	514	514	514	514
Reserves & surplus	11,402	12,784	14,070	16,085
Shareholders' equity	11,916	13,298	14,584	16,599
Total equity & liabilities	**74,114**	**77,808**	**87,437**	**102,660**

Source: Company, PhillipCapital India Research Estimates

Cash Flow

	FY14	FY15e	FY16e	FY17e
Pre-tax profit	1,733	1,266	2,577	3,727
Depreciation	705	881	917	979
Chg in working capital	-4,871	-901	-3,293	-2,133
Total tax paid	-991	-547	-1,031	-1,305
Cash flow from operating activities	**-3,424**	**699**	**-830**	**1,269**
Capital expenditure	-513	-130	-1,004	-1,004
Cash flow from investing activities	**-866**	**-295**	**-1,004**	**-1,004**
Free cash flow	-4,291	405	-1,833	265
Equity raised/(repaid)	0	0	0	0
Debt raised/(repaid)	4,580	-818	5,297	6,530
Dividend (incl. tax)	-128	-192	-184	-289
Other financing activities	-278	869	0	0
Cash flow from financing activities	**4,175**	**-142**	**5,113**	**6,241**
Net chg in cash	-116	263	3,280	6,506

Valuation Ratios

	FY14	FY15e	FY16e	FY17e
Per Share data				
EPS (INR)	3.3	2.7	6.0	9.4
Growth, %	30.3	(16.9)	119.2	56.7
Book NAV/share (INR)	46.3	51.7	56.7	64.6
FDEPS (INR)	3.3	2.7	6.0	9.4
CEPS (INR)	6.0	6.2	9.6	13.2
CFPS (INR)	(13.9)	2.3	(3.7)	3.7
DPS (INR)	0.6	0.9	0.9	1.4
Return ratios				
Return on assets (%)	3.7	3.5	4.7	5.3
Return on equity (%)	7.1	5.3	10.6	14.6
Return on capital employed (%)	7.8	7.6	9.9	10.8
Turnover ratios				
Asset turnover (x)	2.9	2.8	2.9	3.0
Sales/Total assets (x)	1.2	1.1	1.1	1.1
Sales/Net FA (x)	7.9	8.9	9.9	11.3
Working capital/Sales (x)	0.3	0.2	0.3	0.3
Working capital days	91.5	89.1	96.3	91.3
Liquidity ratios				
Current ratio (x)	1.5	1.5	1.7	1.7
Quick ratio (x)	1.4	1.4	1.5	1.6
Interest cover (x)	1.6	1.4	1.7	1.8
Dividend cover (x)	5.5	3.0	7.0	
Total debt/Equity (%)	178.5	153.8	176.6	194.5
Net debt/Equity (%)	166.4	138.3	140.4	124.2
Valuation				
PER (x)	46.9	56.5	25.8	16.4
Price/Book (x)	3.3	3.0	2.7	2.4
Yield (%)	0.4	0.6	0.6	0.6
EV/Net sales (x)	0.8	0.7	0.7	0.6
EV/EBITDA (x)	12.1	11.4	8.7	7.1
EV/EBIT (x)	14.1	13.7	10.0	8.0

Management

Vineet Bhatnagar (Managing Director)	(91 22) 2300 2999
Kinshuk Bharti Tiwari (Head – Institutional Equity)	(91 22) 6667 9946
Jignesh Shah (Head – Equity Derivatives)	(91 22) 6667 9735

Research

Automobiles
Dhawal Doshi (9122) 6667 9769
Nitesh Sharma, CFA (9122) 6667 9965

Banking, NBFCs
Manish Agarwalla (9122) 6667 9962
Pradeep Agrawal (9122) 6667 9953
Paresh Jain (9122) 6667 9948

Consumer, Media, Telecom
Naveen Kulkarni, CFA, FRM (9122) 6667 9947
Jubil Jain (9122) 6667 9766
Manoj Behera (9122) 6667 9973

Cement
Vaibhav Agarwal (9122) 6667 9967

Engineering, Capital Goods
Ankur Sharma (9122) 6667 9759
Hrishikesh Bhagat (9122) 6667 9986

Economics
Anjali Verma (9122) 6667 9969

Infrastructure & IT Services
Vibhor Singhal (9122) 6667 9949
Deepan Kapadia (9122) 6667 9992

Logistics, Transportation & Midcap
Vikram Suryavanshi (9122) 6667 9951

Metals
Dhawal Doshi (9122) 6667 9769
Yash Doshi (9122) 6667 9987

Oil&Gas, Agri Inputs
Gauri Anand (9122) 6667 9943

Pharma
Surya Patra (9122) 6667 9768
Mehul Sheth (9122) 6667 9996

Midcap
Amol Rao (9122) 6667 9952

Portfolio Strategy
Anindya Bhowmik (9122) 6667 9764

Technicals
Subodh Gupta, CMT (9122) 6667 9762

Production Manager
Ganesh Deorukhkar (9122) 6667 9966

Database Manager
Deepak Agarwal (9122) 6667 9944

Editor
Roshan Sony 98199 72726

Sr. Manager – Equities Support
Rosie Ferns (9122) 6667 9971

Sales & Distribution

Ashvin Patil (9122) 6667 9991
Shubhangi Agrawal (9122) 6667 9964
Kishor Binwal (9122) 6667 9989
Sidharth Agrawal (9122) 6667 9934
Bhavin Shah (9122) 6667 9974

Sales Trader
Dilesh Doshi (9122) 6667 9747
Suniil Pandit (9122) 6667 9745

Execution
Mayur Shah (9122) 6667 9945

Corporate Communications

Zarine Damania (9122) 6667 9976

Contact Information (Regional Member Companies)

SINGAPORE
Phillip Securities Pte Ltd
250 North Bridge Road, #06-00 Raffles City Tower,
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
ANZ Tower 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, Ocean Tower 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, Vorawat Building, 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 Trade Building
Chicago, IL 60604 USA
Tel (1) 312 356 9000 Fax: (1) 312 356 9005

AUSTRALIA
PhillipCapital Australia
Level 37, 530 Collins Street
Melbourne, Victoria 3000, Australia
Tel: (61) 3 9629 8380 Fax: (61) 3 9614 8309
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, 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

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