Prabhudas Lilladher
POWERING YOUR FINANCIAL GROWTH

Indian Railway Catering and Tourism Corporation (IRCTC IN)

Rating: BUY | CMP: Rs1,580 | TP: Rs1,656

February 14, 2020

Q3FY20 Result Update

☑ Change in Estimates | ☑ Target | ■ Reco

Change in Estimates

	Current		Previous	
	FY21E	FY22E	FY21E	FY22E
Rating	**BUY**		**BUY**	
Target Price	**1,656**		**1,339**	
Sales (Rs. m)	32,592	36,066	31,160	34,336
% Chng.	*4.6*	*5.0*		
EBITDA (Rs. m)	11,706	12,981	10,162	11,218
% Chng.	*15.2*	*15.7*		
EPS (Rs.)	56.7	63.1	50.4	56.0
% Chng.	*12.5*	*12.6*		

Key Financials - Standalone

Y/e Mar	FY19	FY20E	FY21E	FY22E
Sales (Rs. m)	18,679	24,280	32,592	36,066
EBITDA (Rs. m)	3,722	8,011	11,706	12,981
Margin (%)	*19.9*	*33.0*	*35.9*	*36.0*
PAT (Rs. m)	2,726	5,931	9,068	10,098
EPS (Rs.)	17.0	37.1	56.7	63.1
Gr. (%)	*(69.1)*	*117.6*	*52.9*	*11.4*
DPS (Rs.)	7.6	16.7	25.5	28.4
Yield (%)	*0.5*	*1.1*	*1.6*	*1.8*
RoE (%)	*27.3*	*49.2*	*56.1*	*47.1*
RoCE (%)	*34.4*	*62.8*	*68.7*	*57.6*
EV/Sales (x)	12.9	9.9	7.2	6.3
EV/EBITDA (x)	64.9	29.9	20.0	17.6
PE (x)	92.8	42.6	27.9	25.0
P/BV (x)	24.2	18.5	13.6	10.4

Key Data

Key Data	INIR.BO | IRCTC IN
52-W High / Low	Rs.1,609 / Rs.625
Sensex / Nifty	41,460 / 12,175
Market Cap	Rs.253bn/ $ 3,544m
Shares Outstanding	160m
3M Avg. Daily Value	Rs.4347.4m

Shareholding Pattern (%)

Promoter's	87.40
Foreign	1.99
Domestic Institution	5.11
Public & Others	5.50
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	68.3	-	-
Relative	69.9	-	-

Jinesh Joshi
jineshjoshi@plindia.com | 91-22-66322238

Service charge impact results in optical growth

Quick Pointers:

- Income from service charge stands at ~Rs1.6bn post levy of convenience fee. Sustainable EBIT margin for the segment is ~83-85%.
- Performance of the newly launched Lucknow-Delhi and Mumbai-Ahmedabad Tejas express is better than expectations with occupancy of ~65% and ~80-85% respectively
- 2 new Rail Neer plants have been commissioned in 3QFY20 and 2 more plants are expected to be commissioned in 4QFY20.

We upgrade our EPS estimates by 12.5%/12.6% for FY21E/FY22E given 1) strong traction and sustainability in non-service charge/convenience fee revenue (650mn in 3QFY20) amid pick up in income from advertisements, promotional mailers, targeted marketing, and RTSA fee 2) potential license fee margin delta that could accrue post tariff revision in mobile/static catering given the low cost structure (limited administrative cost after paying a share to IR's) of the business and 3) reduction in revenue share of IR's from 40% to 15% over a period of time once newly introduced pantry cars begin operations. Given the reintroduction of service charge (Rs15/Rs30 per ticket for non-AC/AC respectively) from 01 Sep 2019, capacity expansion in Rail Neer (aim is to increase the number of plants to 20 by FY21E) and average increase in mobile/static catering tariff's by ~70%/~61% respectively we expect sales/PAT to grow at a CAGR of 24.5%/54.7% over FY19-22E. Strong balance sheet (cash of Rs11.6bn as of Dec), healthy return ratios & dividend pay-out gives us additional comfort. While the stock has already appreciated by ~57% since our initiation report we expect premium valuations to sustain (stock is trading at 28x/25x our EPS estimates of FY21E/FY22E respectively) given monopolistic nature of the business, scarcity premium (low float) and clear growth traction in three business segments (Rail neer, internet ticketing & catering). We maintain BUY with a revised TP of Rs1,656 (earlier Rs1,339) valuing the stock at 26x (earlier 24x) our EPS estimate of Rs63.

Strong all round performance: Revenues increase 65% YoY to Rs7,160mn (PLe of Rs6,260mn) driven by 310% YoY increase in internet ticketing revenues to Rs2,269mn (first quarter where in the convenience fee impact was captured fully). Revenues from catering/rail neer increased 8.2%/41.9% to Rs2,692mn/Rs586mn respectively. Revenues from tourism increased 80% YoY to Rs1,613mn. EBITDA increased 169% YoY to Rs2,657mn while EBITDA margin expanded by 1,440bps to 37.1%.

Con-call highlights:- **1)** Catering EBIT margin is down 440bps as earlier provisions were taken in 4Q which is now equally divided across quarters **2)** Third Tejas express between Indore-Varanasi is expected to be launched in February **3)** For pre-paid trains (Rajdhani/Shatabdi/Duronto) catering tariff hike will be applicable from March while in case of post-paid trains (mails/express) price hike is effective since November **4)** After every 5-6 years, major overhaul is required in IT capex to the tune of Rs2.5-3bn. Approximately 20-30% of the IT modernization capex is planned in FY21E and balance in FY22E **5)** Rail Neer plants typically operate at 50-60% utilization in year 1, 80% in year 2 and at full capacity in year 3. All plants above 2 years are operating at 90%+ capacity **6)** In the earlier regime, convenience fee was Rs20/Rs40 per ticket for non-AC/AC respectively and 50% of it was shared with IR's. While the fee has reduced to Rs15/Rs30 per ticket for non-AC/AC respectively there is no sharing with IR's now. **7)** ~Rs700-800mn of business was done with Delhi Government last year (plying passengers) **8)** In case of private train operations, IRCTC pays a haulage charge but has complete flexibility in determining pricing & on-board catering **9)** 150 additional private trains are expected to be auctioned soon **10)** ~60% of the receivables pertain to IR's for the catering business. IRCTC has worked out an MoU with IR's wherein 80% of the payment will happen on the day of the journey (earlier lead time was 2-3 months) which shall improve the WC cycle **11)** Rs11.6bn cash sits on books as of Dec **12)** Capex per Rail Neer plant is Rs100-120mn **13)** IRCTC has 4 budget hotels and 2 more are in pipeline.

Exhibit 1: Q3FY20 Result Overview (Rs mn)

Y/e March	Q3FY20	Q3FY19	*YoY gr.*	Q2FY20	9MFY20	9MFY19	*YoY gr.*
Net sales	**7,160**	**4,350**	***64.6%***	**5,134**	**16,886**	**13,723**	***23.1%***
Total raw material cost	362	636	*-43.0%*	361	1,126	1,730	*-34.9%*
As a % of sales	*5.1%*	*14.6%*		*7.0%*	*6.7%*	*12.6%*	
Expenses of catering	1,810	1,277	*41.7%*	1,710	5,272	3,703	*42.4%*
As a % of sales	*25.3%*	*29.3%*		*33.3%*	*31.2%*	*27.0%*	
Expenses of tourism	1,215	664	*82.9%*	542	2,101	2,480	*-15.3%*
As a % of sales	*17.0%*	*15.3%*		*10.6%*	*12.4%*	*18.1%*	
Manufacturing & direct expenses	225	129	*74.3%*	228	691	465	*48.7%*
As a % of sales	*3.1%*	*3.0%*		*4.4%*	*4.1%*	*3.4%*	
Employee expenses	607	426	*42.6%*	593	1,755	1,453	*20.8%*
As a % of sales	*8.5%*	*9.8%*		*11.5%*	*10.4%*	*10.6%*	
Other expenses	283	230	*23.4%*	277	825	765	*7.8%*
As a % of sales	*4.0%*	*5.3%*		*5.4%*	*4.9%*	*5.6%*	
EBITDA	**2,657**	**989**	***168.7%***	**1,424**	**5,115**	**3,126**	***63.6%***
EBITDA margin	*37.1%*	*22.7%*		*27.7%*	*30.3%*	*22.8%*	
Depreciation	123	54	*128.9%*	88	295	161	*83.8%*
EBIT	**2,534**	**935**	***171.0%***	**1,336**	**4,820**	**2,965**	***62.5%***
EBIT margin	35.4%	21.5%		26.0%	28.5%	21.6%	
Interest cost	20	-	*NM*	12	44	0	*NM*
Other income	190	189	*0.5%*	218	581	465	*24.9%*
PBT	**2,704**	**1,124**	***140.6%***	**1,542**	**5,357**	**3,431**	***56.1%***
Exceptional items	-	-	*NM*	-	7	-	*NM*
Tax expenses	646	388	*66.4%*	544	1,584	1,185	*33.7%*
Tax rate	*23.9%*	*34.5%*		*35.3%*	*29.6%*	*34.5%*	
PAT	**2,058**	**736**	***179.6%***	**998**	**3,780**	**2,246**	***68.3%***
PAT margin	*28.7%*	*16.9%*		*19.4%*	*22.4%*	*16.4%*	
EPS (Rs)	**12.9**	**4.6**	***179.6%***	**6.2**	**23.6**	**14.0**	***68.2%***

Source: Company, PL

Exhibit 2: Segmental Breakup (Rs mn)

Y/e March	Q3FY20	Q3FY19	YoY gr.	Q2FY20	9MFY20	9MFY19	YoY gr.
Catering							
Revenue	2,692	2,487	*8.2%*	2,667	8,079	7,294	*10.8%*
As a % of sales	*37.6%*	*57.2%*		*52.0%*	*47.8%*	*53.2%*	
EBIT	298	386	*-22.7%*	298	906	1,192	*-24.0%*
EBIT margin	*11.1%*	*15.5%*		*11.2%*	*11.2%*	*16.3%*	
Internet ticketing							
Revenue	2,269	553	*310.1%*	1,172	4,262	1,656	*157.4%*
As a % of sales	*31.7%*	*12.7%*		*22.8%*	*25.2%*	*12.1%*	
EBIT	1,934	362	*434.8%*	919	3,402	981	*246.8%*
EBIT margin	*85.2%*	*65.4%*		*78.4%*	*79.8%*	*59.3%*	
Tourism							
Revenue	949	828	*14.6%*	507	1,932	1,634	*18.3%*
As a % of sales	*13.2%*	*19.0%*		*9.9%*	*11.4%*	*11.9%*	
EBIT	84	117	*-28.3%*	12	107	195	*-45.2%*
EBIT margin	*8.8%*	*14.1%*		*2.4%*	*5.5%*	*12.0%*	
State Teertha							
Revenue	664	69	*861.8%*	239	904	1,835	*-50.8%*
As a % of sales	*9.3%*	*1.6%*		*4.7%*	*5.4%*	*13.4%*	
EBIT	96	18	*448.8%*	57	148	421	*-64.9%*
EBIT margin	*14.5%*	*25.4%*		*24.0%*	*16.4%*	*23.0%*	
Rail Neer							
Revenue	586	413	*41.9%*	548	1,710	1,305	*31.0%*
As a % of sales	*8.2%*	*9.5%*		*10.7%*	*10.1%*	*9.5%*	
EBIT	145	97	*49.5%*	100	365	298	*22.4%*
EBIT margin	*24.7%*	*23.4%*		*18.3%*	*21.3%*	*22.8%*	
Total revenues	**7,160**	**4,350**	***64.6%***	**5,134**	**16,886**	**13,723**	***23.1%***

Source: Company, PL

Financials

Income Statement (Rs m)

Y/e Mar	FY19	FY20E	FY21E	FY22E
Net Revenues	**18,679**	**24,280**	**32,592**	**36,066**
YoY gr. (%)	*27.4*	*30.0*	*34.2*	*10.7*
Cost of Goods Sold	1,241	1,632	2,235	2,685
Gross Profit	17,438	22,648	30,357	33,381
Margin (%)	*93.4*	*93.3*	*93.1*	*92.6*
Employee Cost	1,951	2,379	3,096	3,282
Other Expenses	1,672	1,214	1,662	1,839
EBITDA	**3,722**	**8,011**	**11,706**	**12,981**
YoY gr. (%)	*36.3*	*115.2*	*46.1*	*10.9*
Margin (%)	*19.9*	*33.0*	*35.9*	*36.0*
Depreciation and Amortization	286	447	600	645
EBIT	**3,435**	**7,563**	**11,106**	**12,336**
Margin (%)	*18.4*	*31.2*	*34.1*	*34.2*
Net Interest	23	66	65	72
Other Income	888	750	1,050	1,200
Profit Before Tax	**4,300**	**8,248**	**12,091**	**13,464**
Margin (%)	*23.0*	*34.0*	*37.1*	*37.3*
Total Tax	1,574	2,309	3,023	3,366
Effective tax rate (%)	*36.6*	*28.0*	*25.0*	*25.0*
Profit after tax	**2,726**	**5,938**	**9,068**	**10,098**
Minority interest	-	-	-	-
Share Profit from Associate	-	-	-	-
Adjusted PAT	**2,726**	**5,931**	**9,068**	**10,098**
YoY gr. (%)	*23.6*	*117.6*	*52.9*	*11.4*
Margin (%)	*14.6*	*24.4*	*27.8*	*28.0*
Extra Ord. Income / (Exp)	-	7	-	-
Reported PAT	**2,726**	**5,938**	**9,068**	**10,098**
YoY gr. (%)	*23.6*	*117.8*	*52.7*	*11.4*
Margin (%)	*14.6*	*24.5*	*27.8*	*28.0*
Other Comprehensive Income	3	(30)	-	-
Total Comprehensive Income	2,729	5,909	9,068	10,098
Equity Shares O/s (m)	**160**	**160**	**160**	**160**
EPS (Rs)	**17.0**	**37.1**	**56.7**	**63.1**

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY19	FY20E	FY21E	FY22E
Non-Current Assets				
Gross Block	**3,564**	**5,264**	**6,664**	**7,164**
Tangibles	3,092	4,792	6,192	6,692
Intangibles	472	472	472	472
Acc: Dep / Amortization	**2,018**	**2,465**	**3,065**	**3,709**
Tangibles	1,621	2,068	2,668	3,313
Intangibles	396	396	396	396
Net fixed assets	**1,546**	**2,799**	**3,599**	**3,454**
Tangibles	1,471	2,723	3,523	3,379
Intangibles	75	75	75	75
Capital Work In Progress	404	404	404	404
Goodwill	-	-	-	-
Non-Current Investments	301	301	301	301
Net Deferred tax assets	771	1,320	1,935	2,154
Other Non-Current Assets	229	291	391	433
Current Assets				
Investments	-	-	-	-
Inventories	79	133	179	198
Trade receivables	5,817	7,650	10,358	11,561
Cash & Bank Balance	11,400	13,440	18,358	24,484
Other Current Assets	4,860	6,260	8,426	8,952
Total Assets	**25,838**	**33,156**	**44,700**	**52,771**
Equity				
Equity Share Capital	1,600	1,600	1,600	1,600
Other Equity	8,828	12,065	17,052	22,606
Total Networth	**10,428**	**13,665**	**18,652**	**24,206**
Non-Current Liabilities				
Long Term borrowings	-	-	-	-
Provisions	462	607	815	902
Other non current liabilities	58	73	98	108
Current Liabilities				
ST Debt / Current of LT Debt	-	-	-	-
Trade payables	1,920	2,661	3,750	4,249
Other current liabilities	12,823	15,957	21,124	23,017
Total Equity & Liabilities	**25,838**	**33,156**	**44,700**	**52,771**

Source: Company Data, PL Research

Cash Flow (Rs m)

Y/e Mar	FY19	FY20E	FY21E	FY22E
PBT	4,300	8,248	12,091	13,464
Add. Depreciation	286	447	600	645
Add. Interest	-	-	-	-
Less Financial Other Income	888	750	1,050	1,200
Add. Other	(631)	(30)	-	-
Op. profit before WC changes	3,955	8,665	12,691	14,109
Net Changes-WC	2,599	56	730	428
Direct tax	(1,628)	(2,309)	(3,023)	(3,366)
Net cash from Op. activities	**4,927**	**6,412**	**10,398**	**11,171**
Capital expenditures	(539)	(1,700)	(1,400)	(500)
Interest / Dividend Income	468	-	-	-
Others	(3,393)	-	-	-
Net Cash from Invt. activities	**(3,464)**	**(1,700)**	**(1,400)**	**(500)**
Issue of share cap. / premium	-	-	-	-
Debt changes	-	-	-	-
Dividend paid	(1,794)	(2,672)	(4,081)	(4,544)
Interest paid	-	-	-	-
Others	-	-	-	-
Net cash from Fin. activities	**(1,794)**	**(2,672)**	**(4,081)**	**(4,544)**
Net change in cash	**(331)**	**2,040**	**4,917**	**6,127**
Free Cash Flow	4,384	4,712	8,998	10,671

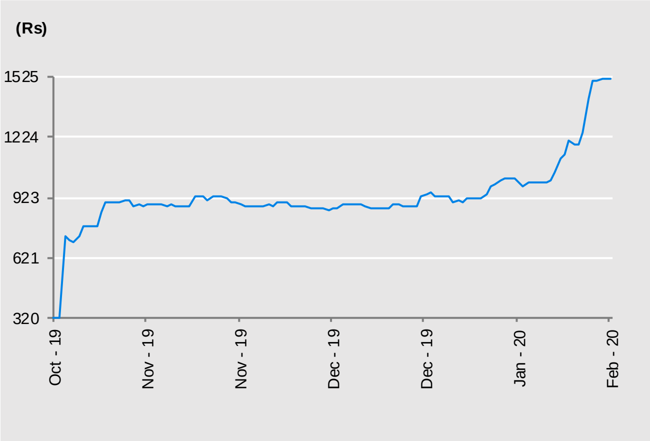
Source: Company Data, PL Research

Key Financial Metrics

Y/e Mar	FY19	FY20E	FY21E	FY22E
Per Share(Rs)				
EPS	17.0	37.1	56.7	63.1
CEPS	18.8	39.9	60.4	67.1
BVPS	65.2	85.4	116.6	151.3
FCF	27.4	29.5	56.2	66.7
DPS	7.6	16.7	25.5	28.4
Return Ratio(%)				
RoCE	34.4	62.8	68.7	57.6
ROIC	(154.1)	(390.7)	(378.7)	(302.8)
RoE	27.3	49.2	56.1	47.1
Balance Sheet				
Net Debt : Equity (x)	(1.1)	(1.0)	(1.0)	(1.0)
Net Working Capital (Days)	78	77	76	76
Valuation(x)				
PER	92.8	42.6	27.9	25.0
P/B	24.2	18.5	13.6	10.4
P/CEPS	83.9	39.6	26.2	23.5
EV/EBITDA	64.9	29.9	20.0	17.6
EV/Sales	12.9	9.9	7.2	6.3
Dividend Yield (%)	0.5	1.1	1.6	1.8

Source: Company Data, PL Research

Price Chart



Recommendation History

No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	28-Jan-20	BUY	1,339	1,004

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Dish TV India	NR	-	74
2	Entertainment Network (India)	Hold	287	260
3	Indian Railway Catering and Tourism Corporation	BUY	1,339	1,004
4	Inox Leisure	BUY	476	424
5	Music Broadcast	Hold	39	27
6	Navneet Education	BUY	108	91
7	PVR	Accumulate	2,053	1,900
8	S Chand and Company	Accumulate	92	75
9	V.I.P. Industries	Hold	472	486
10	Zee Media Corporation	Under Review	-	14

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. Jinesh Joshi- MS(Finance) and CFA 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. Jinesh Joshi- MS(Finance) and CFA 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

AMNISH AGGARWAL