

October 31, 2019

Q2FY20 Result Update

Change in Estimates | Target | Reco

Change in Estimates

	Current		Previous	
	FY20E	FY21E	FY20E	FY21E
Rating	BUY		BUY	
Target Price	652		601	
Sales (Rs. m)	71,372	79,619	75,835	84,857
% Chng.	(5.9)	(6.2)		
EBITDA (Rs. m)	17,422	19,811	18,819	20,958
% Chng.	(7.4)	(5.5)		
EPS (Rs.)	19.7	22.8	22.1	24.0
% Chng.	(11.0)	(5.2)		

Key Financials - Standalone

Y/e Mar	FY19	FY20E	FY21E	FY22E
Sales (Rs. m)	68,819	71,372	79,619	90,822
EBITDA (Rs. m)	17,800	17,422	19,811	22,627
Margin (%)	25.9	24.4	24.9	24.9
PAT (Rs. m)	12,154	11,980	13,879	15,895
EPS (Rs.)	19.9	19.7	22.8	26.1
Gr. (%)	16.4	(1.4)	15.9	14.5
DPS (Rs.)	8.5	7.9	9.1	10.4
Yield (%)	1.5	1.3	1.5	1.8
RoE (%)	12.3	11.2	12.2	13.1
RoCE (%)	13.3	11.8	13.0	13.9
EV/Sales (x)	5.3	4.8	4.2	3.7
EV/EBITDA (x)	20.4	19.5	17.1	14.8
PE (x)	29.5	29.9	25.8	22.6
P/BV (x)	3.5	3.3	3.1	2.9

Key Data

CCRI.BO | CCRI IN

52-W High / Low	Rs.666 / Rs.460
Sensex / Nifty	40,129 / 11,877
Market Cap	Rs.358bn / \$ 5,051m
Shares Outstanding	609m
3M Avg. Daily Value	Rs.1827.38m

Shareholding Pattern (%)

Promoter's	54.80
Foreign	28.34
Domestic Institution	12.36
Public & Others	4.50
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	(2.7)	19.3	16.0
Relative	(6.3)	16.0	(0.4)

Viral Shah

viralshah@plindia.com | 91-22-66322250

Long term story intact; Maintain Buy

Quick Pointers:

- Lowered its volume guidance to 1-2% from 8-10% earlier with revenue guidance of 5-6% on like-to-like basis for FY20 led by slowdown in economy.
- New strategic initiatives to help gain market share in both EXIM and Domestic segments driving the growth in future.
- To factor in lower guidance and one-time provisions, we have revised our estimate downward for revenue by 5.9%/6.2% & PAT by 11.0%/5.2 for FY20E/FY21E.

We believe CCRI's unmatched presence across the country as compared to its peers coupled with positive long-term industry prospects would support prolonged growth and maintain its market leadership. We remain positive on the structural growth story considering 1) continuous market share gains in the domestic segment 2) strong EXIM volumes, 3) new strategic initiatives and 4) a pick-up in economic trade. We have revised our revenue/PAT estimate downward by 5.9/11% for FY20E and 11%/5.2% for FY21E factoring in lowered guidance. We introduced our FY22E estimate with a Revenue/PAT growth of 14.1%/14.5% respectively. At CMP, the stock trades at a P/E of 29.9x/25.8x FY20E/FY21E earnings and trades at EV/EBITDA of 19.5x/17.1x FY20E/FY21E earnings. We maintain BUY rating on the stock with a TP of Rs652 valuing the company at a PE multiple of 25x on FY22E EPS, valuing at its three-year average multiple.

Subdued volume growth primarily in EXIM segment: CCRI reported a 2% yoy decline in volumes to 969,158 TEUs primarily driven by decline in the EXIM segment on the back of slowdown in economic activity. The company reported EXIM volumes of 826,013 TEUs (down 2.7% yoy) while domestic segment witnessed a 2.1% yoy rise in volumes to 143,145 TEUs. The blended realization contracted by 2.7% yoy to Rs17,940/TEUs due to change in revenue mix. Given the current macro environment, CCRI's management has reduced its guidance from 10-12% volume growth to 1-2% volume for FY20 respectively.

Results in-line; one time provisions drags profitability: CCRI's Q2FY20 standalone revenue de-grew by 4.6% yoy to Rs17.4bn, in line with our estimate of Rs17.3bn. EXIM revenue came in at Rs13.6bn (our estimate was Rs13.1bn), a decline of 7.5% yoy whereas domestic segment reported a steady growth of 7.2% yoy to Rs3.8bn. EBITDA decline by 15.6% yoy to Rs4.3bn, with EBITDAM of 24.5% (our estimate was 24.5%). Margins were in line led by better operational efficiencies and lower empties. During the quarter, CCRI has made a provision of Rs8.6bn for SEIS income. Adjusting to this, Adj. PAT came in at Rs2.8bn (our estimate of Rs2.6bn).

Management has lowered its guidance to 1-2% volume growth: The strategic initiatives taken by the management over last few years have helped the company maintain its margins even in such a challenging environment. However, on the slowdown in economy management has lowered its guidance downward to 1-2% volume vs 8-10% for FY20 with a revenue guidance of 5-6% (10-12% earlier). CCRI is expected to spend ~Rs10bn in FY20 towards MMLPs and addition of rakes.

Exhibit 1: Quarterly Standalone Snapshot; Despite subdued volume EBITDA margins at 24.5% looks promising

Rs mn	Q2FY19	Q3FY19	Q4FY19	Q1FY20	Q2FY20	YoY gr. (%)	QoQ gr. (%)	H1FY20	H1FY19	YoY gr. (%)
Revenue	18,223	16,571	18,343	16,389	17,387	(4.6)	6.1	33,776	33,906	(0.4)
Total Revenues	18,223	16,571	18,343	16,389	17,387	(4.6)	6.1	33,776	33,906	(0.4)
Expenditure	13,181	12,387	13,671	12,357	13,132	(0.4)	6.3	25,488	24,962	2.1
<i>as % of sales</i>	<i>72.3</i>	<i>74.8</i>	<i>74.5</i>	<i>75.4</i>	<i>75.5</i>			<i>75.5</i>	<i>73.6</i>	
Rail Freight Expenses	9,714	9,237	9,640	11,035	11,648	19.9	5.6	22,683	18,437	23.0
<i>as % of sales</i>	<i>53.3</i>	<i>55.7</i>	<i>52.6</i>	<i>67.3</i>	<i>67.0</i>			<i>67.2</i>	<i>54.4</i>	
Employee Cost	802	768	1,097	806	829	3.4	2.9	1,635	1,503	8.8
<i>as % of sales</i>	<i>4.4</i>	<i>4.6</i>	<i>6.0</i>	<i>4.9</i>	<i>4.8</i>			<i>4.8</i>	<i>4.4</i>	
Other expenditure	2,666	2,382	2,933	516	654	(75.4)	26.8	1,171	5,022	(76.7)
<i>as % of sales</i>	<i>14.6</i>	<i>14.4</i>	<i>16.0</i>	<i>3.1</i>	<i>3.8</i>			<i>3.5</i>	<i>14.8</i>	
EBITDA	5,042	4,184	4,672	4,033	4,255	(15.6)	5.5	8,288	8,944	(7.3)
Depreciation	1,048	1,059	1,117	1,253	1,278	22.0	2.0	2,532	2,070	22.3
EBIT	3,994	3,125	3,555	2,779	2,977	(25.5)	7.1	5,756	6,874	(16.3)
Other Income	692	741	1,288	583	637	(8.0)	9.3	1,219	1,313	(7.1)
Interest	0	-	7	112	81		(27.7)	194	0	48275.0
PBT	4,686	3,866	4,837	3,250	3,532	(24.6)	8.7	6,782	8,186	(17.2)
Total Tax	1,326	1,119	1,313	971	(1,858)	(240.2)	(291.3)	(887)	2,302	(138.5)
PAT	3,361	2,747	3,523	2,278	5,390	60.4	136.6	7,669	5,884	30.3
Extra ordinary items	-	-	-	-	(8,611)			(8,611)	-	
(Profit)/loss from JV's/Ass/MI	-	-	-	-	-	0.0	0.0	-	-	0.0
Reported PAT	3,361	2,747	3,523	2,278	(3,220)	(195.8)	(241.3)	(942)	5,884	(116.0)
Extra ordinary items	-	-	-	-	(8,611)			(8,611)	-	
Adjusted PAT	3,361	2,747	3,523	2,278	2,807	(16.5)	23.2	5,085	5,884	(13.6)
Adjusted EPS	5.5	4.5	5.8	3.7	4.6	(16.5)	23.2	8.3	9.7	(13.6)
Margins (%)						bps	bps			bps
EBIDTA	27.7	25.2	25.5	24.6	24.5	(319)	(13)	24.5	26.4	184.1
EBIT	21.9	18.9	19.4	17.0	17.1	(480)	16	17.0	20.3	323.1
EBT	25.7	23.3	26.4	19.8	20.3	(540)	49	20.1	24.1	406.6
PAT	18.4	16.6	19.2	13.9	16.1	(230)	224	15.1	17.4	229.8

Source: Company, PL Research

Exhibit 2: Segmental: Domestic segment continues to surprise positively

Particulars	Q2FY19	Q3FY19	Q4FY19	Q1FY20	Q2FY20	YoY gr. (%)	QoQ gr. (%)
Revenues							
EXIM	14,670	13,005	14,015	12,704	13,577	-7.5	6.9
Domestic	3,552	3,566	4,328	3,685	3,810	7.2	3.4
Total	18,223	16,571	18,343	16,389	17,387	-4.6	6.1
EBIT							
EXIM	4,060	3,176	3,916	2,926	3,139	-22.7	7.3
Domestic	297	258	227	189	198	-33.4	5.0
Total	4,358	3,434	4,144	3,114	3,337	-23.4	7.2
EBIT Margin							
EXIM	27.7	24.4	27.9	23.0	23.1	-455.4	9.2
Domestic	8.4	7.2	5.2	5.1	5.2	-317.4	8.2
Total	23.9	20.7	22.6	19.0	19.2	-471.8	19.3

Source: Company, PL Research

Exhibit 3: Segmental volumes; Slower economic activity impacts volumes in both segments

Volumes (TEU's)	Q2FY19	Q3FY19	Q4FY19	Q1FY20	Q2FY20	YoY gr. (%)	QoQ gr. (%)
EXIM	8,48,585	7,85,873	8,16,396	7,86,442	8,26,013	-2.7%	5.0%
Domestic	140142	140233	162534	140481	143145	2.1%	1.9%
Total	9,88,727	9,26,106	9,78,930	9,26,923	9,69,158	-2.0%	4.6%

Source: Company, PL Research

Volume assumption of 8% CAGR over FY19-22E

Exhibit 4: Key assumptions

Year ending March	FY18	FY19	FY20E	FY21E	FY22E
Volumes (TEUs)					
EXIM	30,01,948	32,45,259	32,93,938	36,23,332	40,58,131
Domestic	5,30,352	5,84,160	6,25,051	7,00,057	8,05,066
Total Volumes	35,32,300	38,29,419	39,18,989	43,23,389	48,63,197
Volume Growth (%)					
EXIM	13.6%	8.1%	1.5%	10.0%	12.0%
Domestic	15.2%	10.1%	7.0%	12.0%	15.0%
Total Volumes	13.9%	8.4%	2.3%	10.3%	12.5%
Realizations (Rs/TEU)					
Blended Realization	17,459	17,971	18,212	18,416	18,675

Source: Company, PL Research

Concall highlights

- On the back of subdued macroeconomic environment, Management has reduced its volume guidance from 8-10% to 1-2% with revenue guidance of 5-6% (10-12% earlier) on like-to-like basis for the full year.
- CCRI volumes de-grew 1.5% yoy to ~1.89mn TEUs in 1HFY20 (our estimate was 1.87mn TEUs), led by subdued volume in the EXIM segment on the back of slowdown in economic activity. Domestic segment reported a volume growth of 0.8% to 283,626 TEUs in 1HFY20 led by continuous gain in market share.
- On account of letter from Directorate General of Foreign Trade (DGFT) dated 26th Sep'19, CCRI was denied claims for its SEIS income. As prudent accounting policy, the company has made a provision of Rs8.6bn (against Rs10.4bn of SEIS income recognised during FY16-19) during the quarter however, management is very confident and have already started the process of filing an appeal against the matter.
- Despite subdued volumes, the company has been able to maintain margins of 24.5% led by a) 5% price hike in the month of April'19, b) focus of management on routes which are profitable and c) new strategic initiatives.
- Due to the rise in imbalances and lower double-stacking, empty running cost has increased marginally by Rs37mn sequentially to Rs526mn in 2QFY20. Further, the company handled 674 vs 809 (in 2QFY19) double-stacked trains during the quarter.
- The lead distance in the EXIM segment increased to 744km from 704km in Q2FY19 while domestic segment lead distance was flat qoq at 1356kms. The average lead distance increased to 795kms in 2QFY20 from 779kms in Q2FY19.
- The company has deferred payment payable for rail haulage expenses to Indian railways of Rs15bn till Nov'19 which was due in the month of Oct'19. As on 1HFY20, the company has consumed Rs18.9bn of total Rs30bn paid upfront to Indian Railways.
- Going forward, the commissioning of the new MMLPs and various new initiatives are expected to help CCRI sustain growth momentum in domestic volumes.
- As per management, the company has successfully completed trial runs for new initiative such as handling commodities like food grains, cement in bulk and expects such initiative would help fuel its future growth.
- The management indicated that development activity across logistics parks is on track and expects to commission 7 new terminals (1 terminal commissioned in 1HFY20) in FY20. During the 1HFY20, the company has incurred a capex of Rs1.2bn and has guided for a capex of Rs10bn for FY20 for MMLP's development and addition/up-gradation of rakes.

Financials

Income Statement (Rs m)

Y/e Mar	FY19	FY20E	FY21E	FY22E
Net Revenues	68,819	71,372	79,619	90,822
YoY gr. (%)	11.8	3.7	11.6	14.1
Railway Expenses	45,175	47,748	52,946	60,487
Gross Profit	68,819	71,372	79,619	90,822
Margin (%)	100.0	100.0	100.0	100.0
Employee Cost	3,368	3,705	4,075	4,075
Other Expenses	2,477	2,498	2,787	3,633
EBITDA	17,800	17,422	19,811	22,627
YoY gr. (%)	20.6	(2.1)	13.7	14.2
Margin (%)	25.9	24.4	24.9	24.9
Depreciation and Amortization	4,246	4,425	5,085	5,745
EBIT	13,554	12,997	14,726	16,882
Margin (%)	19.7	18.2	18.5	18.6
Net Interest	7	-	-	-
Other Income	3,342	3,569	3,822	4,359
Profit Before Tax	16,889	7,955	18,548	21,241
Margin (%)	24.5	11.1	23.3	23.4
Total Tax	4,735	2,002	4,668	5,346
Effective tax rate (%)	28.0	25.2	25.2	25.2
Profit after tax	12,154	5,952	13,879	15,895
Minority interest	-	-	-	-
Share Profit from Associate	-	-	-	-
Adjusted PAT	12,154	11,980	13,879	15,895
YoY gr. (%)	16.4	(1.4)	15.9	14.5
Margin (%)	17.7	16.8	17.4	17.5
Extra Ord. Income / (Exp)	-	(6,028)	-	-
Reported PAT	12,154	5,952	13,879	15,895
YoY gr. (%)	16.4	(51.0)	133.2	14.5
Margin (%)	17.7	8.3	17.4	17.5
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	12,154	5,952	13,879	15,895
Equity Shares O/s (m)	609	609	609	609
EPS (Rs)	19.9	19.7	22.8	26.1

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY19	FY20E	FY21E	FY22E
Non-Current Assets				
Gross Block	57,038	67,038	77,038	87,038
Tangibles	57,038	67,038	77,038	87,038
Intangibles	-	-	-	-
Acc: Dep / Amortization	15,091	19,516	24,600	30,345
Tangibles	15,091	19,516	24,600	30,345
Intangibles	-	-	-	-
Net fixed assets	41,947	47,522	52,438	56,693
Tangibles	41,947	47,522	52,438	56,693
Intangibles	-	-	-	-
Capital Work In Progress	6,247	6,247	6,247	6,247
Goodwill	-	-	-	-
Non-Current Investments	14,737	14,732	14,778	14,829
Net Deferred tax assets	(1,616)	(1,616)	(1,616)	(1,616)
Other Non-Current Assets	15,826	22,299	23,737	25,383
Current Assets				
Investments	-	-	-	-
Inventories	233	391	436	498
Trade receivables	884	782	873	995
Cash & Bank Balance	1,704	19,398	20,222	22,631
Other Current Assets	42,753	11,150	11,868	12,691
Total Assets	126,068	125,163	133,411	142,975
Equity				
Equity Share Capital	3,047	3,047	3,047	3,047
Other Equity	100,632	106,835	114,022	122,252
Total Network	103,679	109,882	117,069	125,299
Non-Current Liabilities				
Long Term borrowings	7,007	-	-	-
Provisions	719	714	796	908
Other non current liabilities	-	-	-	-
Current Liabilities				
ST Debt / Current of LT Debt	-	-	-	-
Trade payables	3,504	3,252	3,605	4,110
Other current liabilities	9,544	9,700	10,326	11,042
Total Equity & Liabilities	126,068	125,163	133,411	142,975

Source: Company Data, PL Research



Cash Flow (Rs m)

Y/e Mar	FY19	FY20E	FY21E	FY22E
PBT	16,889	7,955	18,548	21,241
Add. Depreciation	4,432	4,425	5,085	5,745
Add. Interest	(2,398)	-	-	-
Less Financial Other Income	3,342	3,569	3,822	4,359
Add. Other	(20)	-	-	-
Op. profit before WC changes	18,903	12,379	23,632	26,986
Net Changes-WC	(33,386)	24,072	(1,446)	(1,567)
Direct tax	(5,404)	(2,002)	(4,668)	(5,346)
Net cash from Op. activities	(19,887)	34,449	17,517	20,073
Capital expenditures	(7,498)	(10,000)	(10,000)	(10,000)
Interest / Dividend Income	3,153	-	-	-
Others	18,805	-	-	-
Net Cash from Inv. activities	14,461	(10,000)	(10,000)	(10,000)
Issue of share cap. / premium	-	-	-	-
Debt changes	7,007	(7,007)	-	-
Dividend paid	(2,201)	(5,777)	(6,693)	(7,665)
Interest paid	-	-	-	-
Others	-	-	-	-
Net cash from Fin. activities	4,805	(12,783)	(6,693)	(7,665)
Net change in cash	(621)	11,666	825	2,408
Free Cash Flow	(27,430)	24,449	7,517	10,073

Source: Company Data, PL Research

Key Financial Metrics

Y/e Mar	FY19	FY20E	FY21E	FY22E
Per Share(Rs)				
EPS	19.9	19.7	22.8	26.1
CEPS	26.9	26.9	31.1	35.5
BVPS	170.2	180.3	192.1	205.6
FCF	(45.0)	40.1	12.3	16.5
DPS	8.5	7.9	9.1	10.4
Return Ratio(%)				
RoCE	13.3	11.8	13.0	13.9
ROIC	9.7	10.7	11.8	12.8
RoE	12.3	11.2	12.2	13.1
Balance Sheet				
Net Debt : Equity (x)	0.1	(0.2)	(0.2)	(0.2)
Net Working Capital (Days)	(13)	(11)	(11)	(11)
Valuation(x)				
PER	29.5	29.9	25.8	22.6
P/B	3.5	3.3	3.1	2.9
P/CEPS	21.9	21.9	18.9	16.6
EV/EBITDA	20.4	19.5	17.1	14.8
EV/Sales	5.3	4.8	4.2	3.7
Dividend Yield (%)	1.5	1.3	1.5	1.8

Source: Company Data, PL Research

Quarterly Financials (Rs m)

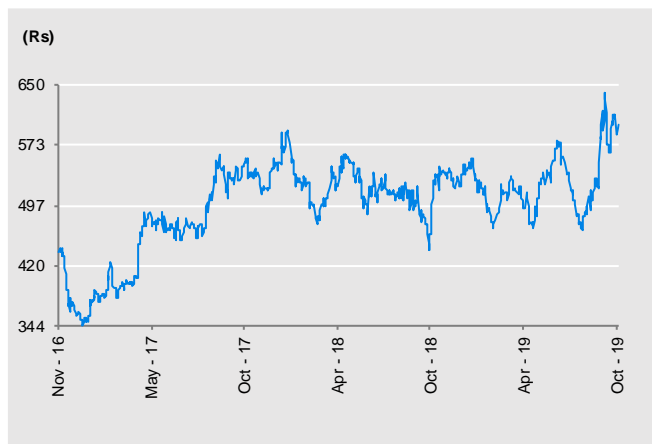
Y/e Mar	Q3FY19	Q4FY19	Q1FY20	Q2FY20
Net Revenue	16,571	18,343	16,389	17,387
YoY gr. (%)	3.2	11.9	4.5	(4.6)
Raw Material Expenses	-	-	-	-
Gross Profit	16,571	18,343	16,389	17,387
Margin (%)	100.0	100.0	100.0	100.0
EBITDA	4,184	4,672	4,033	4,255
YoY gr. (%)	(2.3)	17.2	3.4	(15.6)
Margin (%)	25.2	25.5	24.6	24.5
Depreciation / Depletion	1,059	1,117	1,253	1,278
EBIT	3,125	3,555	2,779	2,977
Margin (%)	18.9	19.4	17.0	17.1
Net Interest	-	7	112	81
Other Income	741	1,288	583	637
Profit before Tax	3,866	4,837	3,250	(5,078)
Margin (%)	23.3	26.4	19.8	(29.2)
Total Tax	1,119	1,313	971	(1,858)
Effective tax rate (%)	28.9	27.2	29.9	36.6
Profit after Tax	2,747	3,523	2,278	(3,220)
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
Adjusted PAT	2,747	3,523	2,278	2,807
YoY gr. (%)	(0.9)	20.7	(9.7)	(16.5)
Margin (%)	16.6	19.2	13.9	16.1
Extra Ord. Income / (Exp)	-	-	-	(6,027)
Reported PAT	2,747	3,523	2,278	(3,220)
YoY gr. (%)	(0.9)	20.7	(9.7)	(195.8)
Margin (%)	16.6	19.2	13.9	(18.5)
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	2,747	3,523	2,278	(3,220)
Avg. Shares O/s (m)	-	-	-	-
EPS (Rs)	-	-	-	-

Source: Company Data, PL Research



Price Chart

Recommendation History



No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	3-Oct-19	BUY	601	632
2	1-Aug-19	BUY	601	515

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Container Corporation of India	BUY	601	632

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

(US Clients)

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

DISCLAIMER

Indian Clients

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

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

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

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

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

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

PL is 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. Viral Shah- BE Chemical Engineering, MBA Finance Research Analysts of this report have not received any compensation from the companies mentioned in the report in the preceding twelve months

Compensation of our Research Analysts is not based on any specific merchant banking, investment banking or brokerage service transactions.

The Research analysts for this report certifies that all of the views expressed in this report accurately reflect his or her personal views about the subject company or companies and its or their securities, and no part of his or her compensation was, is or will be, directly or indirectly related to specific recommendations or views expressed in this report.

The research analysts for this report has not served as an officer, director or employee of the subject company PL or its research analysts have not engaged in market making activity for the subject company

Our sales people, traders, and other professionals or affiliates may provide oral or written market commentary or trading strategies to our clients that reflect opinions that are contrary to the opinions expressed herein, and our proprietary trading and investing businesses may make investment decisions that are inconsistent with the recommendations expressed herein. In reviewing these materials, you should be aware that any or all of the foregoing, among other things, may give rise to real or potential conflicts of interest.

PL and its associates, their directors and employees may (a) from time to time, have a long or short position in, and buy or sell the securities of the subject company or (b) be engaged in any other transaction involving such securities and earn brokerage or other compensation or act as a market maker in the financial instruments of the subject company or act as an advisor or lender/borrower to the subject company or may have any other potential conflict of interests with respect to any recommendation and other related information and opinions.

US Clients

This research report is a product of Prabhudas Lilladher Pvt. Ltd., which is the employer of the research analyst(s) who has prepared the research report. The research analyst(s) preparing the research report is/are resident outside the United States (U.S.) and are not associated persons of any U.S. regulated broker-dealer and therefore the analyst(s) is/are not subject to supervision by a U.S. broker-dealer, and is/are not required to satisfy the regulatory licensing requirements of FINRA or required to otherwise comply with U.S. rules or regulations regarding, among other things, communications with a subject company, public appearances and trading securities held by a research analyst account.

This report is intended for distribution by Prabhudas Lilladher Pvt. Ltd. only to "Major Institutional Investors" as defined by Rule 15a-6(b)(4) of the U.S. Securities and Exchange Act, 1934 (the Exchange Act) and interpretations thereof by U.S. Securities and Exchange Commission (SEC) in reliance on Rule 15a 6(a)(2). If the recipient of this report is not a Major Institutional Investor as specified above, then it should not act upon this report and return the same to the sender. Further, this report may not be copied, duplicated and/or transmitted onward to any U.S. person, which is not the Major Institutional Investor.

In reliance on the exemption from registration provided by Rule 15a-6 of the Exchange Act and interpretations thereof by the SEC in order to conduct certain business with Major Institutional Investors, Prabhudas Lilladher Pvt. Ltd. has entered into an agreement with a U.S. registered broker-dealer, Marco Polo Securities Inc. ("Marco Polo").

Transactions in securities discussed in this research report should be effected through Marco Polo or another U.S. registered broker dealer.

Prabhudas Lilladher Pvt. Ltd.

3rd Floor, Sadhana House, 570, P. B. Marg, Worli, Mumbai-400 018, India | Tel: (91 22) 6632 2222 Fax: (91 22) 6632 2209

www.plindia.com | Bloomberg Research Page: PRLD <GO>