

Future Retail (FRETAIL IN)

Rating: BUY | CMP: Rs395 | TP: Rs512

August 26, 2019

Event Update

■ Change in Estimates | ■ Target | ■ Reco

Change in Estimates

	Current		Previous	
	FY20E	FY21E	FY20E	FY21E
Rating	BUY		BUY	
Target Price	512		512	
Sales (Rs. m)	232,382	264,954	232,382	264,954
% Chng.	-	-	-	-
EBITDA (Rs. m)	28,328	32,168	28,328	32,168
% Chng.	-	-	-	-
EPS (Rs.)	17.5	17.1	17.5	17.1
% Chng.	-	-	-	-

Key Financials - Standalone

Y/e Mar	FY18	FY19	FY20E	FY21E
Sales (Rs. bn)	184.8	201.6	232.4	265.0
EBITDA (Rs. bn)	8.3	10.4	28.3	32.2
Margin (%)	4.5	5.1	12.2	12.1
PAT (Rs. bn)	6.2	7.3	8.8	9.2
EPS (Rs.)	12.3	14.6	17.5	17.1
Gr. (%)	57.0	19.0	20.1	(2.6)
DPS (Rs.)	-	-	-	1.5
Yield (%)	-	-	-	0.4
RoE (%)	21.8	21.1	20.5	15.0
RoCE (%)	19.3	17.7	28.0	26.1
EV/Sales (x)	1.1	1.1	0.9	0.8
EV/EBITDA (x)	25.1	21.3	7.3	6.9
PE (x)	32.2	27.1	22.5	23.1
P/BV (x)	6.4	5.1	4.2	2.8

Key Data

FRTL.BO | FRETAIL IN

52-W High / Low	Rs.594 / Rs.374
Sensex / Nifty	36,701 / 10,829
Market Cap	Rs.196bn/ \$ 2,732m
Shares Outstanding	503m
3M Avg. Daily Value	Rs.309.24m

Shareholding Pattern (%)

Promoter's	46.56
Foreign	17.60
Domestic Institution	12.10
Public & Others	23.74
Promoter Pledge (Rs bn)	53.60

Stock Performance (%)

	1M	6M	12M
Absolute	(5.7)	(8.8)	(25.0)
Relative	(2.4)	(10.8)	(21.7)

Amnish Aggarwal

amnishaggarwal@plindia.com | 91-22-66322233

Nishita Doshi

nishitadoshi@plindia.com | 91-22-66322381

Amazon deal a long term positive

Quick Pointers:

- Amazon infusing Rs15bn for 3.58% indirect stake in FRL. Amazon gets option to acquire part/whole of promoter's holding in FRL in 3rd to 10th year.
- Cash infusion to enable acquisition of FEL's store infrastructure at EV of Rs43bn. FEL's deleveraging by ~Rs37bn to reduce group debt by 35%.
- Tie up with Amazon opens up huge opportunities for Future Group in providing Omni channel retailing and placement of Group brands/private labels online

Amazon's infusion of Rs15bn for acquiring 3.58% indirect stake in FRL with option to acquire full/part promoter holding in FRL between 3rd to 10th year is positive for the company and group. It will provide FRL with necessary capital to purchase store infrastructure from FEL and reduce group debt by ~35%. In addition it will provide an platform for Omni channel play, as FRL's online forays have not been a success.

We believe option for Amazon to acquire shareholding of Biyani family removes overhang related to ~Rs80bn of promoter pledge across group. Although the time period of 3-10 years and limitaions on FDI in multibrand retail are a roadblock, the restrictive covenants for raising further capital, pledge and transfer will increase investor confidence in FRL. We estimate PAT growth of 20.1% in FY20 and flattish in FY21 due to tax impact (33.7% PBT CAGR) over FY19-21 and value the stock at Rs512 based on 30xFY21EPS. Maintain BUY.

Key countours of Amazon Deal

- Amazon to acquire 49% stake comprising both, voting and non-voting shares in Future Coupons. We estimate that is deal valued of Rs15bn.
- Future Coupons holds 7.3% stake in FRL through 39.6mn convertible warrants issued in February'19. This ultimately translates into 3.58% indirect shareholding for Amazon in FRL.
- Amazon is being granted a call option to acquire part or whole of promoter's shareholding in FRL at a future date which is exercisable between the 3rd and the 10th year subject to certain circumstances and applicable law.
- FRL Promoters have entered into an agreement to certain restrictions on share transfers during the same term including restrictions to not transfer shares to specified persons/ Pledge and a right of first offer in favor of Amazon
- Post the transaction, Kishore Biyani led promotor group shall own 50.8% stake in FRL on a fully diluted basis
- The transaction is subject to obtaining applicable regulatory approvals

Timeline of Events

4th February, 2019: Promoters commit to infuse Rs20bn: Promoters announce equity infusion of Rs 20bn at a price of Rs 505 per share through allotment of 39.6mn convertible warrants to Future Coupons Ltd. These are exercisable within a period of 18 months in one or more tranches.

23rd April, 2019: FRL receives Rs5bn from warrants: FRL receives initial warrant subscription price amount of Rs.5bn (25% of the warrant exercise price).

12th August, 2019: Gave special rights to Future Coupons Ltd through shareholder's agreement: FRL enters into a Shareholders' Agreement with Future Coupons Ltd, Mr. Kishore Biyani and other existing shareholders of the promoter group of the Company. It gave special rights to Future coupons ltd as under:

- Right to future Coupons to appoint an observer on the board of directors
- Existing promoters cannot transfer or create any pledge on FRL shares except as provided for under the agreement
- Future Coupons Limited will have a pre-emptive right in any further issue of share capital in order to maintain its shareholding
- FRL is required to take the prior approval of Future Coupons Limited on certain matters (such as transfer or license or material assets, material transactions with a related party, amendment of AOA or issue of share capital in conflict with the terms of the agreement)

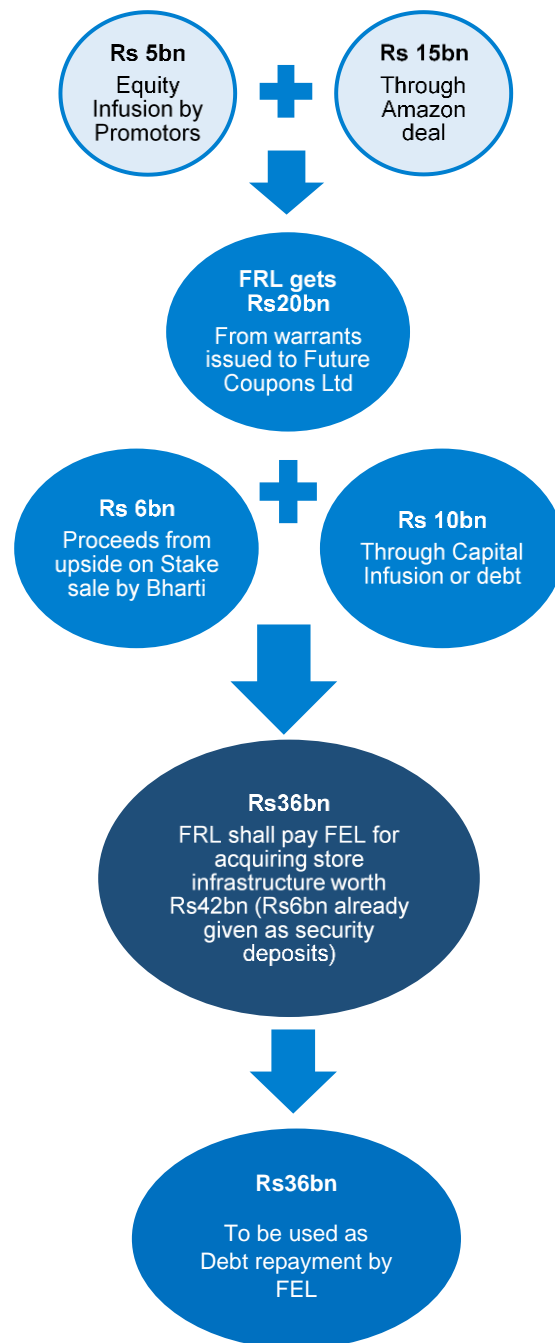
22nd August, 2019: Amazon acquires 49% stake in Future Coupons: Amazon will acquire 49% stake along with a call option to acquire part or whole of promoter's shareholding in FRL at a future date which is exercisable between the 3rd and the 10th year subject to certain circumstances and applicable law.

Exhibit 1: FEL houses 59.7% of group debt; Amazon deal to ease pressures

Company (Rs in mn)	Long Term Borrowings	Short Term Borrowings	Total Borrowings	Promoter pledge
Future Retail	3,753	21,787	25,540	47468.2
Future Enterprise	59,318	3,747	63,065	4419.6
Future Supply chain	2,178	0	2,178	0
Future Consumer	2,634	4,350	6,984	15727
Future Lifestyle	6,531	1,363	7,894	11996.6
Total	74,414	31,246	1,05,660	79,611

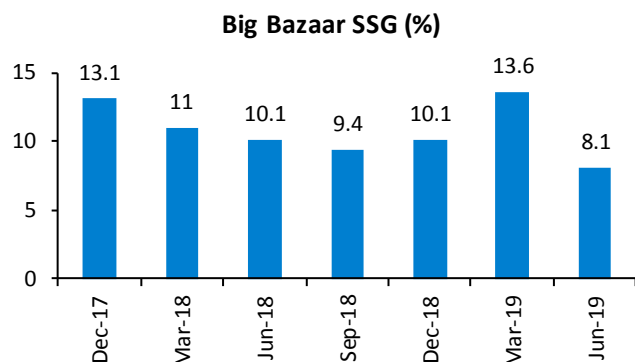
Source: Company, PL

Exhibit 2: Flow chart of Amazon Deal



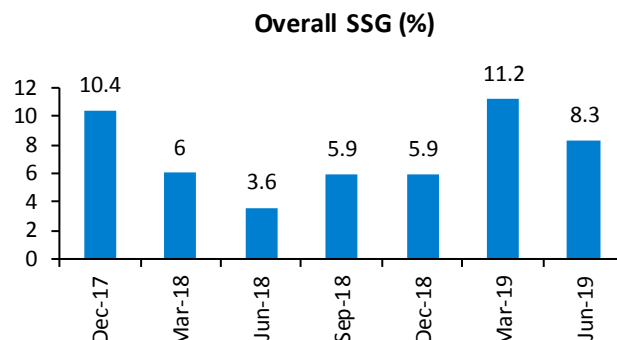
Source: Company, PL

Exhibit 3: Big Bazaar up 8.1% in 1Q



Source: Company, PL

Exhibit 4: FRL SSG up by 8.4% in 1Q



Source: Company, PL

Exhibit 5: Quarterly Operating Matrix: Sales/ft. grew 2.6%; Cost of retail declined 110bps QoQ

Y/e March	Mar-18	Jun-18	Sep-18	Dec-18	Mar-19	Jun-19*
Operating Area	14.5	14.7	15.5	15.9	16.2	16.3
Sales/ Ft (Rs)	3166	3083	3180	3334	3331	3165
Growth %	0.3	-11.7	-4.4	-7.9	5.2	2.6
Gross Profit (Rs mn)	12341	12446	13142	13804	14445	14226
Gross profit/ft/month	285	282	283	289	297	291
Change (%)	5.2	-3.1	-0.7	-5.1	4.4	3.4
Gross Margin %	27.0	27.4	26.7	26.0	26.8	27.6
EBIDTA Margin %	4.4	4.9	5.0	5.2	5.4	5.1
Cost of retail %	22.6	22.6	21.6	20.8	21.4	22.5

Source: Company, PL * June 2019 numbers are without considering impact of IND AS 116

Exhibit 6: FRL has opened 2 FBB stores and 44 Easy day stores in 1Q

Key Retail Metrics	Jun-18	Sep-18	Dec-18	Mar-19	Jun-19
Retail Space (m sq.ft.)					
Big Bazaar	12.1	12.4	12.5	12.5	12.5
FBB	0.7	0.8	0.9	1.0	1.0
E Zone	0.1	0.1	0.1	0.1	0.1
Easyday	1.7	2.1	2.3	2.5	2.5
Foodhall	0.1	0.1	0.1	0.1	0.1
Total	14.7	15.5	15.9	16.2	16.27
Store Count (x)					
Big Bazaar	285	284	286	292	293
FBB	67	74	89	94	96
E Zone	12	9	8	7	7
Easyday	749	959	1050	1106	1150
Foodhall	10	10	11	12	11
Net Store Addition (x)					
Big Bazaar	0	-1	2	6	1
FBB	6	7	15	5	2
E Zone	-1	-3	-1	-1	0
Easyday	83	210	91	56	44
Foodhall	0	0	1	1	-1

Source: Company, PL

Financials

Income Statement (Rs m)

Y/e Mar	FY18	FY19	FY20E	FY21E
Net Revenues	184,780	201,649	232,382	264,954
YoY gr. (%)	8.2	9.1	15.2	14.0
Cost of Goods Sold	137,407	147,811	169,742	193,368
Gross Profit	47,373	53,838	62,639	71,586
Margin (%)	25.6	26.7	27.0	27.0
Employee Cost	9,300	10,744	12,549	14,440
Other Expenses	15,697	17,851	20,663	23,816
EBITDA	8,323	10,369	28,328	32,168
YoY gr. (%)	43.2	24.6	173.2	13.6
Margin (%)	4.5	5.1	12.2	12.1
Depreciation and Amortization	534	1,006	9,968	10,981
EBIT	7,789	9,363	18,360	21,187
Margin (%)	4.2	4.6	7.9	8.0
Net Interest	1,754	2,240	9,886	8,817
Other Income	117	205	325	472
Profit Before Tax	6,152	7,328	8,799	12,842
Margin (%)	3.3	3.6	3.8	4.8
Total Tax	-	-	-	3,596
Effective tax rate (%)	-	-	-	28.0
Profit after tax	6,152	7,328	8,799	9,246
Minority interest	-	-	-	-
Share Profit from Associate	-	-	-	-
Adjusted PAT	6,152	7,328	8,799	9,246
YoY gr. (%)	67.0	19.1	20.1	5.1
Margin (%)	3.3	3.6	3.8	3.5
Extra Ord. Income / (Exp)	(6,039)	-	-	-
Reported PAT	113	7,328	8,799	9,246
YoY gr. (%)	(96.9)	6,379.4	20.1	5.1
Margin (%)	0.1	3.6	3.8	3.5
Other Comprehensive Income	20	58	-	-
Total Comprehensive Income	133	7,386	8,799	9,246
Equity Shares O/s (m)	502	503	503	542
EPS (Rs)	12.3	14.6	17.5	17.1

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY18	FY19	FY20E	FY21E
Non-Current Assets				
Gross Block	11,265	17,065	24,912	53,085
Tangibles	5,036	9,836	16,933	44,356
Intangibles	6,229	7,229	7,979	8,729
Acc: Dep / Amortization	1,080	2,657	4,242	7,783
Tangibles	150	1,210	2,395	5,500
Intangibles	930	1,448	1,847	2,283
Net fixed assets	10,186	14,408	20,671	45,303
Tangibles	4,886	8,626	14,538	38,856
Intangibles	5,299	5,782	6,133	6,446
Capital Work In Progress	336	1,902	1,424	1,224
Goodwill	-	-	-	-
Non-Current Investments	2,738	4,995	4,837	4,705
Net Deferred tax assets	-	-	-	-
Other Non-Current Assets	1,327	2,751	2,905	2,650
Current Assets				
Investments	396	479	10,715	9,711
Inventories	44,174	50,656	46,211	51,687
Trade receivables	2,701	3,165	3,502	3,847
Cash & Bank Balance	1,436	2,049	2,037	2,178
Other Current Assets	5,586	9,471	9,760	10,068
Total Assets	81,945	105,277	118,589	149,276
Equity				
Equity Share Capital	1,004	1,005	1,005	1,084
Other Equity	29,959	37,514	46,314	74,500
Total Network	30,963	38,520	47,319	75,585
Non-Current Liabilities				
Long Term borrowings	2,233	3,753	20	20
Provisions	523	578	645	719
Other non current liabilities	1,185	1,370	1,404	1,439
Current Liabilities				
ST Debt / Current of LT Debt	10,631	21,787	21,934	21,084
Trade payables	34,242	29,373	39,041	43,508
Other current liabilities	2,168	9,897	8,226	6,730
Total Equity & Liabilities	81,945	105,277	118,589	149,085

Source: Company Data, PL Research

Cash Flow (Rs m)

Y/e Mar	FY18	FY19	FY20E	FY21E
PBT	6,152	7,328	8,799	12,842
Add. Depreciation	534	1,006	9,968	10,981
Add. Interest	1,754	2,240	9,886	8,817
Less Financial Other Income	117	205	325	472
Add. Other	(108)	(55)	(168)	(306)
Op. profit before WC changes	8,332	10,519	28,486	32,334
Net Changes-WC	(768)	(11,574)	402	(3,168)
Direct tax	-	-	-	(3,596)
Net cash from Op. activities	7,564	(1,055)	28,887	25,570
Capital expenditures	(5,399)	(6,794)	(15,752)	(35,413)
Interest / Dividend Income	108	55	168	306
Others	(65)	(2,256)	157	133
Net Cash from Invt. activities	(5,356)	(8,996)	(15,427)	(34,974)
Issue of share cap. / premium	(726)	229	-	20,000
Debt changes	423	12,676	(3,586)	(849)
Dividend paid	-	-	-	(980)
Interest paid	(1,754)	(2,240)	(9,886)	(8,817)
Others	-	-	-	-
Net cash from Fin. activities	(2,057)	10,665	(13,472)	9,354
Net change in cash	151	613	(12)	(50)
Free Cash Flow	2,165	(7,850)	13,135	(9,843)

Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q2FY19	Q3FY19	Q4FY19	Q1FY20
Net Revenue	49,285	53,011	53,966	51,494
YoY gr. (%)	9.4	12.9	18.0	13.5
Raw Material Expenses	36,143	39,206	39,521	37,267
Gross Profit	13,142	13,804	14,445	14,226
Margin (%)	26.7	26.0	26.8	27.6
EBITDA	2,476	2,778	2,907	6,328
YoY gr. (%)	17.3	29.3	44.3	186.6
Margin (%)	5.0	5.2	5.4	12.3
Depreciation / Depletion	230	253	324	2,397
EBIT	2,246	2,525	2,583	3,931
Margin (%)	4.6	4.8	4.8	7.6
Net Interest	554	563	612	2,394
Other Income	59	52	62	88
Profit before Tax	1,751	2,014	2,032	1,625
Margin (%)	3.6	3.8	3.8	3.2
Total Tax	-	-	-	-
Effective tax rate (%)	-	-	-	-
Profit after Tax	1,751	2,014	2,032	1,625
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
Adjusted PAT	1,751	2,014	2,032	1,625
YoY gr. (%)	14.3	10.0	(143.8)	6.1
Margin (%)	3.6	3.8	3.8	3.2
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	1,751	2,014	2,032	1,625
YoY gr. (%)	14.3	10.0	(143.8)	6.1
Margin (%)	3.6	3.8	3.8	3.2
Other Comprehensive Income	-	-	58	-
Total Comprehensive Income	1,751	2,014	2,090	1,625
Avg. Shares O/s (m)	1,004	1,004	1,004	1,004
EPS (Rs)	1.7	2.0	2.0	1.6

Source: Company Data, PL Research

Key Financial Metrics

Y/e Mar	FY18	FY19	FY20E	FY21E
Per Share(Rs)				
EPS	12.3	14.6	17.5	17.1
CEPS	13.3	16.6	37.3	37.3
BVPS	61.7	76.6	94.1	139.4
FCF	4.3	(15.6)	26.1	(18.2)
DPS	-	-	-	1.5
Return Ratio(%)				
RoCE	19.3	17.7	28.0	26.1
ROIC	10.2	9.8	23.9	21.5
RoE	21.8	21.1	20.5	15.0
Balance Sheet				
Net Debt : Equity (x)	0.4	0.6	0.2	0.1
Net Working Capital (Days)	25	44	17	17
Valuation(x)				
PER	32.2	27.1	22.5	23.1
P/B	6.4	5.1	4.2	2.8
P/CEPS	29.6	23.8	10.6	10.6
EV/EBITDA	25.1	21.3	7.3	6.9
EV/Sales	1.1	1.1	0.9	0.8
Dividend Yield (%)	-	-	-	0.4

Source: Company Data, PL Research

Key Operating Metrics

Y/e Mar	FY18	FY19	FY20E	FY21E
No. of Stores (Nos.)				
Big Bazar	285	292	310	330
FBB	61	94	102	110
Easyday	666	1,106	1,331	1,581
Area (mn sq. ft.)				
Big Bazar	12.1	12.5	13.0	13.7
FBB	0.6	1.0	1.1	1.1
Easyday	1.5	2.5	2.8	3.2
Sales (Rs m)				
Big Bazar	151,794	161,070	176,976	200,012
FBB	5,157	6,993	10,255	11,401
Easyday	23,784	27,298	40,595	48,346
EBITDA (Rs m)				
Big Bazar / FBB	8,522	10,215	27,719	30,960
Easyday	(238)	136	609	1,209
Cost of Retail (%)	21	22	15	15

Source: Company Data, PL Research

Recommendation History

No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	31-Jul-19	BUY	512	412
2	4-Jul-19	BUY	554	471
3	5-Apr-19	BUY	554	446
4	4-Feb-19	BUY	576	448
5	7-Jan-19	BUY	604	459
6	14-Nov-18	BUY	604	529
7	5-Oct-18	BUY	613	443
8	1-Oct-18	BUY	613	466

Analyst Coverage Universe

Sr. No.	CompanyName	Rating	TP (Rs)	Share Price (Rs)
1	Asian Paints	Accumulate	1,522	1,479
2	Avenue Supermarts	Hold	1,338	1,359
3	Britannia Industries	Accumulate	3,068	2,602
4	Colgate Palmolive	Hold	1,208	1,204
5	Crompton Greaves Consumer Electricals	BUY	297	225
6	Dabur India	Hold	437	429
7	Emami	Accumulate	386	310
8	Future Retail	BUY	512	412
9	GlaxoSmithKline Consumer Healthcare	Hold	7,972	7,473
10	Hindustan Unilever	Accumulate	1,816	1,690
11	ITC	BUY	367	265
12	Jubilant FoodWorks	BUY	1,459	1,153
13	Kansai Nerolac Paints	Accumulate	479	434
14	Marico	Hold	357	363
15	Nestle India	Hold	10,900	12,004
16	Pidilite Industries	Accumulate	1,301	1,290
17	Titan Company	BUY	1,173	1,047
18	Voltas	Hold	609	601

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. Amnish Aggarwal- MBA, CFA, Ms. Nishita Doshi- CA, B.Com 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. Amnish Aggarwal- MBA, CFA, Ms. Nishita Doshi- CA, B.Com 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>