

February 11, 2019

Q3FY19 Result Update

Change in Estimates | Target | Reco

Change in Estimates

	Current		Previous	
	FY20E	FY21E	FY20E	FY21E
Rating	BUY		BUY	
Target Price	878		984	
Sales (Rs. m)	609,620	668,641	633,199	711,261
% Chng.	(3.7)	(6.0)		
EBITDA (Rs. m)	79,281	87,296	86,403	97,019
% Chng.	(8.2)	(10.0)		
EPS (Rs.)	46.0	51.6	50.2	57.4
% Chng.	(8.5)	(10.1)		

Key Financials

	FY18	FY19E	FY20E	FY21E
Sales (Rs. bn)	487	549	610	669
EBITDA (Rs. bn)	62	70	79	87
Margin (%)	12.8	12.8	13.0	13.1
PAT (Rs. bn)	39	49	55	61
EPS (Rs.)	33.0	41.0	46.0	51.6
Gr. (%)	26.4	24.4	12.2	12.3
DPS (Rs.)	7.8	20.9	22.0	22.0
Yield (%)	1.2	3.1	3.2	3.2
RoE (%)	13.7	15.6	16.3	16.9
RoCE (%)	15.1	15.7	17.1	17.4
EV/Sales (x)	1.6	1.4	1.2	1.1
EV/EBITDA (x)	12.4	11.0	9.5	8.4
PE (x)	20.7	16.6	14.8	13.2
P/BV (x)	2.7	2.5	2.3	2.1

Key Data

MAHM.BO | MM IN

52-W High / Low	Rs.993 / Rs.662
Sensex / Nifty	36,546 / 10,944
Market Cap	Rs.848bn / \$ 11,909m
Shares Outstanding	1,243m
3M Avg. Daily Value	Rs.5412.86m

Shareholding Pattern (%)

Promoter's	26.55
Foreign	32.98
Domestic Institution	21.85
Public & Others	18.62
Promoter Pledge (Rs bn)	4.93

Stock Performance (%)

	1M	6M	12M
Absolute	(5.7)	(26.5)	(9.3)
Relative	(7.2)	(23.8)	(14.6)

Saksham Kaushal

sakshamkaushal@plindia.com | 91-22-66322235

Poorvi Banka

poorvibanka@plindia.com | 91-22-66322426

Quarter missed expectations

M&M's performance over Q3FY19 missed our estimates, with operating margins at 12.4%, as against PLe of 13.3%. The recently launched Marazzo has been received well, with order book currently at ~13k units, however the overall decline in overall passenger car market especially in the UV segment has hampered M&M's existing UV portfolio. M&M's Tractor and Pick-up segment continue to do well, however the rural demand has been a little tepid in comparison to H1FY19 and after a high double digit growth over the last 30 months we expect demand to slow down a tad, we reduce our FY19E tractor volume estimates to 10% (earlier 14% YoY). In the near term we expect margins to be under pressure due to the upcoming UV launches (S201, Alturas) in H2FY19, however for the longer term up-tick in margins largely depends on the success of these models as they would not only boost volume growth but provide operating leverage benefits as well. Increased government focus on rural economy could further accelerate growth for both, Farm and Auto segment. We maintain 'BUY' with a price target of Rs878 (earlier Rs984), based on a core PE of 15x Sep'21E and value of subsidiaries at Rs268.

- Standalone performance:** M&M's Q3FY19 total standalone revenues were up ~13% YoY / up 1% QoQ to Rs130.7bn (below PLe of Rs138.5bn). This was on account of decent volume growth of 11% YoY (up 2.4% QoQ), while realisations inched up 1.4% YoY (down 1.7% QoQ). Operating margins came in at 11.6% (below PLe: 12.3%), lower 130bps YoY & 80bps QoQ. The dip in operating margins was mainly owing to gross margin decline of 260bps YoY / 70bps QoQ, while staff costs as well as other expenses as a % of sales were lower 30bps & 100bps YoY respectively. Absolute EBITDA inched up just 1.6% YoY (lower 5.5% QoQ) to Rs15.2bn. With significantly higher non-operating income and lower tax rate, adjusted net profit (adjusting for impairment provision amounting to Rs800mn) for the company stood at Rs11.4bn, up 22.7% YoY, against PLe of ~Rs10bn.
- Segmental mix:** As for the segmental mix, tractors formed 38.8% of overall volumes in Q3FY19 (v/s 38.7% in Q3FY18 & 34% in Q2FY19) with farm equipment segment EBIT margins for the quarter at 19.2%, lower 130bps YoY & 100bps QoQ. Automotive margins for the quarter also stood lower at 3.8%, down 240bps YoY / 150bps QoQ.
- M&M+ MVML performance:** M&M+MVML revenues were up 12% YoY at Rs129bn, with OPM at 13.2% (down 150bps YoY / 130bps QoQ). Adj. PAT surged 54% YoY (down 10% QoQ) to ~Rs14bn (40% ahead of consensus). Auto EBIT margins for M&M + MVML came in at 5.8% (lower 260bps YoY, 210bps QoQ).
- Key takeaways from the con-call:** (1) Q3FY19 Auto margins were impacted by higher material costs (to the tune of ~120bps), higher discounts/incentives due to lower retails (to the tune of 40bps), Impact due to XUV300 launch ahead (by ~70bps in Q3FY19) as well as launch costs / lower margins for new products Marazzo / Altarus. (2) Overall material costs were up 4-4.5% over 9MFY19, of which the company was able to pass on 60-70%. (3) Q4FY19 margins to be impacted by high one-time launch costs for XUV300. (4) Commodity costs expected to be softer ahead in Q4FY19 as well as FY20. Management has reduced their tractor industry growth guidance for FY19E at 10-11%, with Q4FY19 expected to be flat. (5) Inventory levels for M&M are at desired level for the tractor segment while it is 4-5 days higher than desired levels for the auto segment.

Exhibit 1: Q3FY19 Result Overview (Rs m)

Y/e March	Q3FY19	Q3FY18	YoY gr. (%)	Q2FY19	9MFY19	9MFY18	YoY gr. (%)
Net Revenues	130,704	115,778	12.9	129,886	395,788	353,742	11.9
Raw Materials	94,069	80,306	17.1	92,561	282,197	248,948	13.4
<i>% of Net Sales</i>	<i>72.0</i>	<i>69.4</i>		<i>71.3</i>	<i>71.3</i>	<i>70.4</i>	
Personnel	7,775	7,228	7.6	7,418	22,709	21,346	6.4
<i>% of Net Sales</i>	<i>5.9</i>	<i>6.2</i>		<i>5.7</i>	<i>5.7</i>	<i>6.0</i>	
Manufacturing & Other Exp	13,687	13,308	2.8	13,857	40,945	38,755	5.7
<i>% of Net Sales</i>	<i>10.5</i>	<i>11.5</i>		<i>10.7</i>	<i>10.3</i>	<i>11.0</i>	
Total Expenditure	115,531	100,841	14.6	113,836	345,850	309,049	11.9
EBITDA	15,172	14,936	1.6	16,050	49,938	44,693	11.7
<i>EBITDA Margin (%)</i>	<i>11.6</i>	<i>12.9</i>		<i>12.4</i>	<i>12.6</i>	<i>12.6</i>	
Depreciation	4,735	3,693	28.2	4,614	13,279	10,801	22.9
EBIT	10,437	11,244	(7.2)	11,436	36,659	33,892	8.2
Interest Expenses	249	246	1.1	277	853	792	7.7
Non-operating income	3,409	983	246.9	8,463	14,522	8,654	67.8
	800	-		-	-	-	
Extraordinary Income	-	3,858		1,341	1,550	3,858	(59.8)
PBT	12,797	15,838	(19.2)	20,963	51,878	45,612	13.7
Tax-Total	2,029	3,678	(44.8)	4,469	11,606	12,642	(8.2)
<i>Tax Rate (%) - Total</i>	<i>15.9</i>	<i>23.2</i>		<i>21.3</i>	<i>22.4</i>	<i>27.7</i>	
Reported PAT	10,768	12,159	(11.4)	16,495	40,272	32,969	22.2
Adj. PAT	11,368	9,266	22.7	15,489	39,110	30,076	30.0

Source: Company, PL

Exhibit 2: Operating Metrics

Y/e March	Q3FY19	Q3FY18	YoY gr. (%)	Q2FY19	9MFY19	9MFY18	YoY gr. (%)
Sales Volume (nos)	234,001	210,223	11.3	228,590	703,475	630,161	11.6
Net Realisation/Vehicle	558,560	550,738	1.4	568,204	562,619	561,352	0.2
Material cost / vehicle	402,004	382,003	5.2	404,922	401,147	395,055	1.5
Gross Profit / vehicle	156,556	168,735	(7.2)	163,282	161,472	166,298	(2.9)
Employee cost /vehicle	33,227	34,382	(3.4)	32,451	32,281	33,874	(4.7)
Other expenses / vehicle	58,491	63,303	(7.6)	60,620	58,204	61,499	(5.4)
EBITDA/vehicle	64,838	71,050	(8.7)	70,211	70,988	70,924	0.1
Net Profit/vehicle	48,581	44,077	10.2	67,757	55,595	47,728	16.5

Source: Company, PL

Financials

Income Statement (Rs m)

Y/e Mar	FY18	FY19E	FY20E	FY21E
Net Revenues	486,856	548,548	609,620	668,641
YoY gr. (%)	10.5	12.7	11.1	9.7
Cost of Goods Sold	341,347	387,275	431,001	472,729
Gross Profit	145,509	161,273	178,619	195,912
Margin (%)	29.9	29.4	29.3	29.3
Employee Cost	28,409	31,816	35,968	39,450
Other Expenses	54,860	59,476	63,370	69,166
EBITDA	62,240	69,982	79,281	87,296
YoY gr. (%)	37.9	12.4	13.3	10.1
Margin (%)	12.8	12.8	13.0	13.1
Depreciation and Amortization	14,794	16,090	16,896	18,596
EBIT	47,446	53,891	62,385	68,700
Margin (%)	9.7	9.8	10.2	10.3
Net Interest	1,122	1,183	1,183	1,183
Other Income	10,364	13,211	15,854	19,024
Profit Before Tax	61,024	65,919	77,055	86,541
Margin (%)	12.5	12.0	12.6	12.9
Total Tax	17,464	17,139	22,346	25,097
Effective tax rate (%)	28.6	26.0	29.0	29.0
Profit after tax	43,560	48,780	54,709	61,444
Minority interest	-	-	-	-
Share Profit from Associate	-	-	-	-
Adjusted PAT	39,224	48,780	54,709	61,444
YoY gr. (%)	26.7	24.4	12.2	12.3
Margin (%)	8.1	8.9	9.0	9.2
Extra Ord. Income / (Exp)	4,336	-	-	-
Reported PAT	43,560	48,780	54,709	61,444
YoY gr. (%)	19.6	12.0	12.2	12.3
Margin (%)	8.9	8.9	9.0	9.2
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	43,560	48,780	54,709	61,444
Equity Shares O/s (m)	1,190	1,190	1,190	1,190
EPS (Rs)	33.0	41.0	46.0	51.6

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY18	FY19E	FY20E	FY21E
Non-Current Assets				
Gross Block	168,780	188,780	208,780	228,780
Tangibles	141,589	161,589	181,589	201,589
Intangibles	27,191	27,191	27,191	27,191
Acc: Dep / Amortization	90,186	106,276	123,172	141,769
Tangibles	76,509	92,599	109,496	128,092
Intangibles	13,677	13,677	13,677	13,677
Net fixed assets	78,594	82,504	85,608	87,011
Tangibles	65,080	68,989	72,093	73,497
Intangibles	13,515	13,515	13,515	13,515
Capital Work In Progress	31,287	31,287	31,287	31,287
Goodwill	-	-	-	-
Non-Current Investments	171,772	183,022	194,272	205,522
Net Deferred tax assets	(2,772)	(2,772)	(2,772)	(2,772)
Other Non-Current Assets	27,769	28,269	28,769	29,269
Current Assets				
Investments	39,375	49,375	59,375	69,375
Inventories	27,017	35,059	38,962	42,727
Trade receivables	31,730	32,765	36,412	39,931
Cash & Bank Balance	28,937	21,599	25,517	37,780
Other Current Assets	20,618	20,618	20,618	20,618
Total Assets	488,903	515,950	553,022	596,473
Equity				
Equity Share Capital	5,950	5,950	5,950	5,950
Other Equity	296,991	317,462	342,447	374,166
Total Networkth	302,940	323,412	348,396	380,116
Non-Current Liabilities				
Long Term borrowings	22,896	22,896	22,896	22,896
Provisions	8,618	9,368	10,118	10,868
Other non current liabilities	902	902	902	902
Current Liabilities				
ST Debt / Current of LT Debt	6,685	6,685	6,685	6,685
Trade payables	86,034	90,610	100,698	110,429
Other current liabilities	39,576	40,826	42,076	43,326
Total Equity & Liabilities	488,903	515,950	553,022	596,473

Source: Company Data, PL Research

Cash Flow (Rs m)

Y/e Mar	FY18	FY19E	FY20E	FY21E
PBT	61,024	65,919	77,055	86,541
Add. Depreciation	14,794	16,090	16,896	18,596
Add. Interest	1,122	1,183	1,183	1,183
Less Financial Other Income	10,364	13,211	15,854	19,024
Add. Other	(842)	-	-	-
Op. profit before WC changes	76,098	83,193	95,135	106,320
Net Changes-WC	9,100	(3,900)	2,037	1,947
Direct tax	(12,143)	(17,139)	(22,346)	(25,097)
Net cash from Op. activities	73,055	62,154	74,825	83,171
Capital expenditures	(53,307)	(40,000)	(40,000)	(40,000)
Interest / Dividend Income	-	-	-	-
Others	-	-	-	-
Net Cash from Invt. activities	(53,307)	(40,000)	(40,000)	(40,000)
Issue of share cap. / premium	2,982	-	-	-
Debt changes	1,070	-	-	-
Dividend paid	(10,616)	(28,309)	(29,724)	(29,724)
Interest paid	(1,122)	(1,183)	(1,183)	(1,183)
Others	-	-	-	-
Net cash from Fin. activities	(7,686)	(29,492)	(30,908)	(30,908)
Net change in cash	12,063	(7,338)	3,918	12,263
Free Cash Flow	46,494	42,154	54,825	63,171

Source: Company Data, PL Research

Key Financial Metrics

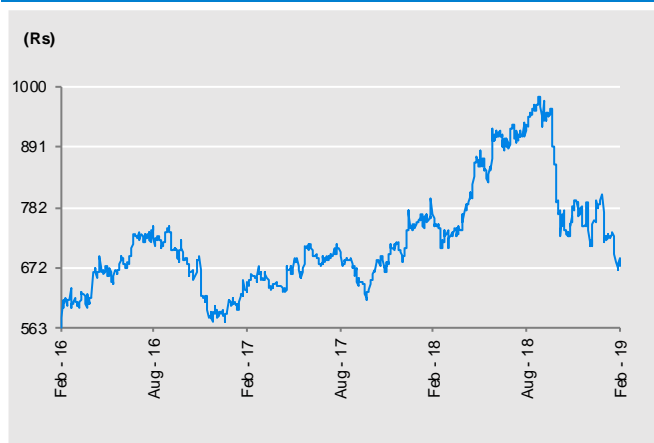
Y/e Mar	FY18	FY19E	FY20E	FY21E
Per Share(Rs)				
EPS	33.0	41.0	46.0	51.6
CEPS	45.4	54.5	60.2	67.3
BVPS	254.6	271.8	292.8	319.4
FCF	39.1	35.4	46.1	53.1
DPS	7.8	20.9	22.0	22.0
Return Ratio(%)				
RoCE	15.1	15.7	17.1	17.4
ROIC	13.8	14.7	15.8	17.0
RoE	13.7	15.6	16.3	16.9
Balance Sheet				
Net Debt : Equity (x)	(0.1)	(0.1)	(0.2)	(0.2)
Net Working Capital (Days)	(20)	(15)	(15)	(15)
Valuation(x)				
PER	20.7	16.6	14.8	13.2
P/B	2.7	2.5	2.3	2.1
P/CEPS	33.2	39.9	44.1	49.2
EV/EBITDA	12.4	11.0	9.5	8.4
EV/Sales	1.6	1.4	1.2	1.1
Dividend Yield (%)	1.2	3.1	3.2	3.2

Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q4FY18	Q1FY19	Q2FY19	Q3FY19
Net Revenue	133,079	135,199	129,886	130,704
YoY gr. (%)	19.6	16.4	6.6	12.9
Raw Material Expenses	92,364	95,566	92,561	94,069
Gross Profit	40,715	39,633	37,325	36,634
Margin (%)	30.6	29.3	28.7	28.0
EBITDA	17,542	18,716	16,050	15,172
YoY gr. (%)	17.4	6.7	(14.2)	(5.5)
Margin (%)	13.2	13.8	12.4	11.6
Depreciation / Depletion	3,993	3,930	4,614	4,735
EBIT	13,549	14,787	11,436	10,437
Margin (%)	10.2	10.9	8.8	8.0
Net Interest	330	327	277	249
Other Income	1,715	2,650	8,463	3,409
Profit before Tax	15,412	17,318	20,963	12,797
Margin (%)	11.6	12.8	16.1	9.8
Total Tax	4,821	5,108	4,469	2,029
Effective tax rate (%)	31.3	29.5	21.3	15.9
Profit after Tax	10,591	12,210	16,495	10,768
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
Adjusted PAT	10,112	12,001	15,153	11,568
YoY gr. (%)	60.1	60.1	13.8	39.3
Margin (%)	7.6	8.9	11.7	8.9
Extra Ord. Income / (Exp)	479	209	1,341	(800)
Reported PAT	10,591	12,210	16,495	10,768
YoY gr. (%)	46.0	62.9	23.9	(11.4)
Margin (%)	8.0	9.0	12.7	8.2
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	10,591	12,210	16,495	10,768
Avg. Shares O/s (m)	1,245	1,245	1,245	1,245
EPS (Rs)	8.1	9.6	12.2	9.3

Source: Company Data, PL Research

Price Chart
Recommendation History


No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	12-Feb-18	BUY	890	750
2	12-Feb-18	BUY	890	750
3	15-Mar-18	BUY	890	735
4	19-Mar-18	BUY	890	742
5	13-Apr-18	BUY	886	788
6	23-May-18	BUY	890	831
7	29-May-18	BUY	1,041	869
8	11-Jun-18	BUY	1,041	869
9	21-Jun-18	BUY	1,041	884
10	27-Jun-18	BUY	1,041	893

Analyst Coverage Universe

Sr. No.	CompanyName	Rating	TP (Rs)	Share Price (Rs)
1	Ashok Leyland	BUY	146	93
2	Atul Auto	Accumulate	397	347
3	Bajaj Auto	Reduce	2,362	2,500
4	Bharat Forge	Accumulate	696	480
5	CEAT	Accumulate	1,178	1,086
6	Eicher Motors	Hold	23,137	19,830
7	Exide Industries	Accumulate	238	224
8	Hero Motocorp	Accumulate	2,947	2,614
9	Mahindra & Mahindra	BUY	984	730
10	Maruti Suzuki	BUY	7,600	6,513
11	Motherson Sumi Systems	Accumulate	179	157
12	Tata Motors	BUY	267	175
13	TVS Motors	Accumulate	665	554
14	Wabco India	Accumulate	7,111	6,475

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. Saksham Kaushal- BSc Accounting & Finance (Hons.), Ms. Poorvi Banka- MSc. 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. Saksham Kaushal- BSc Accounting & Finance (Hons.), Ms. Poorvi Banka- MSc. 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>