

February 13, 2025

Q3FY25 Result Update

Change in Estimates | Target | Reco

Change in Estimates

	Current		Previous	
	FY26E	FY27E	FY26E	FY27E
Rating	ACCUMULATE		ACCUMULATE	
Target Price	4,110		4,692	
Sales (Rs. m)	3,71,491	4,23,644	3,75,020	4,25,409
% Chng.	(0.9)	(0.4)		
EBITDA (Rs. m)	98,541	1,13,235	1,00,231	1,14,560
% Chng.	(1.7)	(1.2)		
EPS (Rs.)	109.8	125.1	112.1	127.0
% Chng.	(2.0)	(1.5)		

Key Financials - Consolidated

Y/e Mar	FY24	FY25E	FY26E	FY27E
Sales (Rs. m)	2,98,321	3,19,731	3,71,491	4,23,644
EBITDA (Rs. m)	91,921	82,085	98,541	1,13,235
Margin (%)	30.8	25.7	26.5	26.7
PAT (Rs. m)	72,123	64,657	73,416	83,667
EPS (Rs.)	107.8	96.7	109.8	125.1
Gr. (%)	55.9	(10.4)	13.5	14.0
DPS (Rs.)	34.2	30.5	32.9	37.5
Yield (%)	1.0	0.8	0.9	1.0
RoE (%)	27.4	20.5	20.0	19.8
RoCE (%)	19.9	14.7	15.4	15.8
EV/Sales (x)	7.2	6.6	5.6	4.9
EV/EBITDA (x)	23.3	25.8	21.3	18.3
PE (x)	33.3	37.2	32.7	28.7
P/BV (x)	8.2	7.1	6.1	5.3

Key Data

HIAE.BO | HNAL IN

52-W High / Low	Rs.5,675 / Rs.2,825
Sensex / Nifty	76,171 / 23,045
Market Cap	Rs.2,404bn/ \$ 27,663m
Shares Outstanding	669m
3M Avg. Daily Value	Rs.7095.77m

Shareholding Pattern (%)

Promoter's	71.64
Foreign	12.26
Domestic Institution	8.13
Public & Others	7.97
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	(10.2)	(24.0)	26.3
Relative	(8.7)	(20.5)	17.8

Amit Anwani

amitanwani@plindia.com | 91-22-66322250

Prathmesh Salunkhe

prathmeshsalunkhe@plindia.com | 91-22-66322324

Het Patel

hetpatel@plindia.com |

Healthy Q3; all eyes on Tejas Mk1A deliveries

Quick Pointers:

- HAL continues to encounter delays in F-404 engine procurement from GE.
- The company aims to achieve order book of ~Rs1.2trn in FY25.

We downwardly revise our EPS estimates by -2.0%/-1.5% for FY26/27E factoring the delays in deliveries of Tejas aircraft and maintain the rating of 'Accumulate' with a revised TP of Rs4,110 (Rs4,692 earlier). Hindustan Aeronautics (HAL) reported 14.8% YoY revenue growth in Q3FY25 with EBITDA margin increasing by 50bps YoY to 24.2%. During the quarter, HAL secured an order worth approximately Rs135bn from the MoD for 12 Su-30 MKI aircraft. The Tejas Mk1A program continues to experience delays due to the postponed delivery of F-404 engines from GE Aerospace. However, the company expects the delivery of 12 engines over the next 12 months, which is expected to provide some relief to the program. In addition, HAL's negotiations for the F-414 engines have encountered challenges, with GE Aerospace demanding an additional ~\$500.0mn over the previously agreed contract value of ~\$1.0bn. Despite this, HAL remains optimistic about finalizing the F-414 deal by the end of FY25. Overall, the company has secured orders exceeding Rs400bn during the first nine months of FY25 and aims to achieve an order book of ~Rs1.2trn the end of FY25 (vs Rs941bn in FY24).

We believe HAL's execution on the deliveries of Tejas Mk1A aircrafts will be a key monitorable in the coming quarter, however its long-term play on the growing strength & modernization of India's air defense given 1) it is the primary supplier of India's military aircraft, 2) long-term sustainable demand opportunity owing to government's push on indigenous procurement of defense aircraft, 3) a robust order book with a 3-year pipeline of Rs2trn+, 4) leap in HAL's technological capabilities due to development of advanced platforms (Tejas, AMCA, GE-414 & IMRH engines, etc.), and 5) improvement in profitability via scale & operating leverage. The stock is currently trading at a P/E of 32.8x/28.7x on FY26/27E earnings. We value the stock at a P/E of 35x Sep-26E (40x Sep-26E earlier) due to possible execution delays being a key risk. Maintain to 'Accumulate'.

Healthy Q3FY25; higher other income boosts margins: Consolidated revenue rose 14.8% YoY to Rs69.6bn (PLe: Rs64.9bn). Gross margin declined 240bps YoY to 50.8% (PLe: 56.5%). EBITDA grew 17.2% YoY to Rs16.8bn (PLe: Rs15.4bn). EBITDA margin rose by 50bps YoY to 24.4% (PLe: 23.7%) as unfavorable gross margins and higher provisions (+51.8% YoY to Rs3.7bn) were offset by lower employee expense (flattish at Rs13.0bn) and higher expense capitalized (+105.7% YoY to Rs3.4bn – this is subtracted from operating expenses). PBT rose 21.0% YoY to Rs20.4bn (PLe: Rs18.3bn) as significantly higher other income (+37.3% YoY to Rs6.3bn) offsets higher depreciation expense (+30.6% YoY to Rs2.8bn). PAT jumped 14.1% YoY to Rs14.4bn (PLe: Rs13.6bn) aided by better operational performance despite of higher effective tax base (29.6% vs 25.4% in Q3FY24).

GE supply chain issue continues to impact Tejas Mk1A deliveries: GE Aerospace is facing significant supply chain constraints in engine components, leading to delays in supply of F-404 engines for the Tejas Mk1A program. Although deliveries of 12 F-404 engines are expected from United States over the next 12 months, which shall help the company in delivering the jets to IAF and clear the backlogs.

Exhibit 1: Higher other income boosts PAT by 14.1% YoY

Y/e March (Rs mn)	Q3FY25	Q3FY24	YoY gr.	Q3FY25E	% Var.	Q2FY25	QoQ gr.	9MFY25	9MFY24	YoY gr.
Sales	69,573	60,613	14.8%	64,856	7.3%	59,763	16.4%	1,72,811	1,56,123	10.7%
Gross Profit	35,363	32,264	9.6%	36,643	-3.5%	35,304	0.2%	99,630	94,014	6.0%
Margin (%)	50.8	53.2	(240)	56.5	(567.1)	59.1	(825)	57.7	60.2	(257)
Employee Cost	12,962	13,005	-0.3%	13,944	-7.0%	13,753	-5.8%	39,190	39,001	0.5%
as % of sales	18.6	21.5	(283)	21.5	(287.0)	23.0	(438)	22.7	25.0	(230)
Other expenditure	5,576	4,906	13.7%	7,329	-23.9%	5,152	8.2%	17,308	16,616	4.2%
as % of sales	8.0	8.1	(8)	11.3	(328.5)	8.6	(60)	10.0	10.6	(63)
EBITDA	16,825	14,353	17.2%	15,371	9.5%	16,400	2.6%	43,132	38,398	12.3%
Margin (%)	24.2	23.7	50	23.7	48.3	27.4	(326)	25.0	24.6	36
Depreciation	2,771	2,122	30.6%	2,140	29.5%	1,776	56.0%	6,039	7,632	-20.9%
EBIT	14,054	12,232	14.9%	13,231	6.2%	14,624	-3.9%	37,093	30,766	20.6%
Margin (%)	20.2	20.2	2	20.4	(19.9)	24.5	(427)	21.5	19.7	176
Other Income	6,314	4,600	37.3%	5,124	23.2%	5,424	16.4%	17,212	13,393	28.5%
Interest	1	4	-77.8%	10	-92.0%	0	300.0%	2	7	-65.7%
PBT (ex. Extra-ordinaries)	20,368	16,828	21.0%	18,344	11.0%	20,048	1.6%	54,303	44,152	23.0%
Margin (%)	29.3	27.8	151	28.3	99.0	33.5	(427)	31.4	28.3	314
Extraordinary Items	-	-	-	-	-	59	-	4,509	-	-
PBT	20,368	16,828	21.0%	18,344	11.0%	20,107	1.3%	58,812	44,152	33.2%
Total Tax	6,024	4,279	40.8%	4,696	28.3%	5,122	17.6%	15,173	11,176	35.8%
Effective Tax Rate (%)	29.6	25.4	415	25.6	397.6	25.5	410	25.8	25.3	49
PAT	14,344	12,549	14.3%	13,648	5.1%	14,985	-4.3%	43,639	32,976	32.3%
Profit/(loss) from JVs	54	67	-18.3%	(60)	-190.5%	120	-54.9%	235	147	59.9%
Profit/(loss) from MI	(0)	1	-136.4%	-	#DIV/0!	0	-500.0%	(1)	(1)	-28.6%
PAT after MI & JVs	14,398	12,614	14.1%	13,588	6.0%	15,105	-4.7%	43,875	33,123	32.5%
Adj. PAT	14,398	12,614	14.1%	13,588	6.0%	15,061	-4.4%	40,502	33,123	22.3%
Margin (%)	20.7	20.8	(12)	21.0	(25.6)	25.2	(451)	23.4	21.2	222
Adj. EPS	21.5	18.9	14.1%	20.3	6.0%	22.5	-4.4%	60.6	49.5	22.3%

Source: Company, PL

Financials

Income Statement (Rs m)

Y/e Mar	FY24	FY25E	FY26E	FY27E
Net Revenues	2,98,321	3,19,731	3,71,491	4,23,644
YoY gr. (%)	10.8	7.2	16.2	14.0
Cost of Goods Sold	1,10,591	1,39,083	1,63,084	1,88,098
Gross Profit	1,87,731	1,80,648	2,08,406	2,35,546
Margin (%)	62.9	56.5	56.1	55.6
Employee Cost	52,907	55,953	64,268	72,443
Other Expenses	42,902	42,610	45,597	49,868
EBITDA	91,921	82,085	98,541	1,13,235
YoY gr. (%)	37.6	(10.7)	20.0	14.9
Margin (%)	30.8	25.7	26.5	26.7
Depreciation and Amortization	14,072	16,670	20,528	23,120
EBIT	77,850	65,414	78,014	90,116
Margin (%)	26.1	20.5	21.0	21.3
Net Interest	321	448	743	763
Other Income	18,966	21,473	20,879	22,501
Profit Before Tax	1,01,984	90,949	98,150	1,11,854
Margin (%)	34.2	28.4	26.4	26.4
Total Tax	26,039	22,919	24,734	28,187
Effective tax rate (%)	25.5	25.2	25.2	25.2
Profit after tax	75,945	68,030	73,416	83,667
Minority interest	(1)	-	-	-
Share Profit from Associate	265	-	-	-
Adjusted PAT	72,123	64,657	73,416	83,667
YoY gr. (%)	55.9	(10.4)	13.5	14.0
Margin (%)	22.7	18.9	18.7	18.8
Extra Ord. Income / (Exp)	4,088	3,373	-	-
Reported PAT	76,211	68,030	73,416	83,667
YoY gr. (%)	30.8	(10.7)	7.9	14.0
Margin (%)	25.5	21.3	19.8	19.7
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	76,211	68,030	73,416	83,667
Equity Shares O/s (m)	669	669	669	669
EPS (Rs)	107.8	96.7	109.8	125.1

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY24	FY25E	FY26E	FY27E
Non-Current Assets				
Gross Block	1,71,679	1,97,706	2,22,403	2,47,089
Tangibles	1,25,739	1,45,239	1,64,739	1,84,239
Intangibles	45,941	52,467	57,665	62,850
Acc: Dep / Amortization	1,04,310	1,18,961	1,37,142	1,57,428
Tangibles	67,936	77,420	89,820	1,03,779
Intangibles	36,374	41,541	47,322	53,649
Net fixed assets	67,369	78,745	85,261	89,661
Tangibles	57,803	67,818	74,919	80,460
Intangibles	9,566	10,927	10,342	9,201
Capital Work In Progress	24,934	26,642	29,323	31,502
Goodwill	-	-	-	-
Non-Current Investments	19,924	21,296	24,417	27,562
Net Deferred tax assets	14,543	14,543	14,543	14,543
Other Non-Current Assets	24,006	23,980	27,862	31,773
Current Assets				
Investments	-	-	-	-
Inventories	1,32,175	1,40,156	1,67,934	1,97,314
Trade receivables	46,169	52,558	66,156	81,247
Cash & Bank Balance	2,64,316	2,82,715	3,08,780	3,26,528
Other Current Assets	53,326	54,354	61,296	67,783
Total Assets	7,80,952	8,24,576	9,43,567	10,60,799
Equity				
Equity Share Capital	3,344	3,344	3,344	3,344
Other Equity	2,88,038	3,36,662	3,89,056	4,48,626
Total Network	2,91,382	3,40,006	3,92,400	4,51,970
Non-Current Liabilities				
Long Term borrowings	11	11	11	11
Provisions	15,783	16,226	17,995	19,560
Other non current liabilities	1,05,438	1,11,906	1,22,592	1,27,093
Current Liabilities				
ST Debt / Current of LT Debt	0	0	0	0
Trade payables	34,129	39,419	46,818	54,551
Other current liabilities	3,29,114	3,11,537	3,57,770	4,01,223
Total Equity & Liabilities	7,80,952	8,24,576	9,43,567	10,60,799

Source: Company Data, PL Research

Cash Flow (Rs m)

Y/e Mar	FY24	FY25E	FY26E	FY27E
PBT	1,02,249	90,949	98,150	1,11,854
Add. Depreciation	14,221	16,916	20,803	23,421
Add. Interest	314	448	743	763
Less Financial Other Income	18,966	21,473	20,879	22,501
Add. Other	16,389	(18,235)	(17,488)	(18,634)
Op. profit before WC changes	1,33,173	90,078	1,02,208	1,17,403
Net Changes-WC	(31,251)	(16,651)	(14,803)	(32,895)
Direct tax	(19,693)	(22,919)	(24,734)	(28,187)
Net cash from Op. activities	82,228	50,508	62,671	56,321
Capital expenditures	(17,472)	(30,000)	(30,000)	(30,000)
Interest / Dividend Income	17,488	18,235	17,488	18,634
Others	(64,117)	(3,722)	(27,329)	(22,347)
Net Cash from Invt. activities	(64,101)	(15,487)	(39,841)	(33,713)
Issue of share cap. / premium	-	-	-	-
Debt changes	-	-	-	-
Dividend paid	(19,729)	(19,406)	(21,022)	(24,097)
Interest paid	(257)	(448)	(743)	(763)
Others	(3)	-	-	-
Net cash from Fin. activities	(19,989)	(19,853)	(21,765)	(24,859)
Net change in cash	(1,861)	15,168	1,065	(2,251)
Free Cash Flow	64,677	20,508	32,671	26,321

Source: Company Data, PL Research

Key Financial Metrics

Y/e Mar	FY24	FY25E	FY26E	FY27E
Per Share(Rs)				
EPS	107.8	96.7	109.8	125.1
CEPS	128.9	121.6	140.5	159.7
BVPS	435.7	508.4	586.7	675.8
FCF	96.7	30.7	48.9	39.4
DPS	34.2	30.5	32.9	37.5
Return Ratio(%)				
RoCE	19.9	14.7	15.4	15.8
ROIC	45.9	30.0	29.5	27.5
RoE	27.4	20.5	20.0	19.8
Balance Sheet				
Net Debt : Equity (x)	(0.9)	(0.8)	(0.8)	(0.7)
Net Working Capital (Days)	176	175	184	193
Valuation(x)				
PER	33.3	37.2	32.7	28.7
P/B	8.2	7.1	6.1	5.3
P/CEPS	27.9	29.6	25.6	22.5
EV/EBITDA	23.3	25.8	21.3	18.3
EV/Sales	7.2	6.6	5.6	4.9
Dividend Yield (%)	1.0	0.8	0.9	1.0

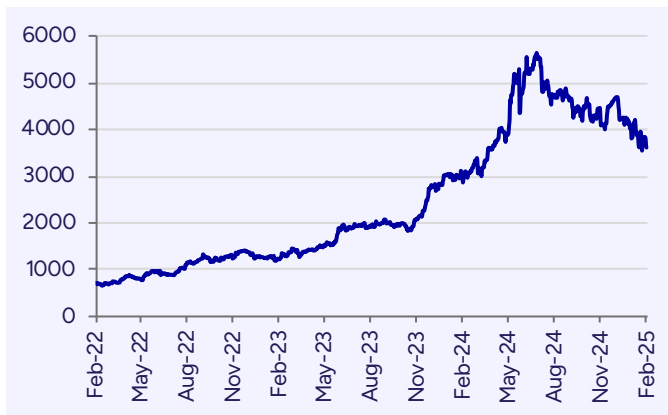
Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q4FY24	Q1FY25	Q2FY25	Q3FY25
Net Revenue	1,42,198	43,475	59,763	69,573
YoY gr. (%)	13.8	11.0	6.0	14.8
Raw Material Expenses	48,482	14,512	24,459	34,210
Gross Profit	93,716	28,963	35,304	35,363
Margin (%)	65.9	66.6	59.1	50.8
EBITDA	53,523	9,907	16,400	16,825
YoY gr. (%)	64.9	13.0	7.4	17.2
Margin (%)	37.6	22.8	27.4	24.2
Depreciation / Depletion	6,440	1,492	1,776	2,771
EBIT	47,084	8,415	14,624	14,054
Margin (%)	33.1	19.4	24.5	20.2
Net Interest	314	1	-	1
Other Income	5,573	5,474	5,424	6,314
Profit before Tax	57,832	18,338	20,107	20,368
Margin (%)	40.7	42.2	33.6	29.3
Total Tax	14,863	4,027	5,122	6,024
Effective tax rate (%)	25.7	22.0	25.5	29.6
Profit after Tax	42,969	14,311	14,985	14,344
Minority interest	-	-	-	-
Share Profit from Associates	118	60	120	54
Adjusted PAT	39,009	10,898	15,061	14,398
YoY gr. (%)	100.6	33.8	21.8	14.1
Margin (%)	27.4	25.1	25.2	20.7
Extra Ord. Income / (Exp)	4,079	3,473	44	-
Reported PAT	43,087	14,372	15,105	14,398
YoY gr. (%)	52.2	76.5	22.1	14.1
Margin (%)	30.3	33.1	25.3	20.7
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	43,087	14,372	15,105	14,398
Avg. Shares O/s (m)	669	669	669	669
EPS (Rs)	58.3	16.3	22.5	21.5

Source: Company Data, PL Research

Price Chart



Recommendation History

No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	09-Jan-25	Accumulate	4,692	4,110
2	15-Nov-24	Accumulate	4,692	4,087
3	07-Oct-24	Hold	4,515	4,257
4	14-Aug-24	Hold	4,515	4,662
5	08-Jul-24	Hold	4,515	5,552
6	20-May-24	Hold	4,515	4,715
7	12-Apr-24	Hold	2,787	3,565

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	ABB India	Accumulate	8,133	6,657
2	Apar Industries	Accumulate	8,219	7,179
3	BEML	Accumulate	3,561	3,132
4	Bharat Electronics	BUY	340	279
5	BHEL	Accumulate	226	200
6	Carborundum Universal	Accumulate	1,583	1,245
7	Cummins India	BUY	3,723	2,870
8	Elgi Equipments	Accumulate	608	539
9	Engineers India	BUY	242	170
10	GE Vernova T&D India	Accumulate	1,950	1,710
11	Grindwell Norton	BUY	2,511	1,850
12	Harsha Engineers International	Accumulate	561	493
13	Hindustan Aeronautics	Accumulate	4,692	4,110
14	Ingersoll-Rand (India)	BUY	4,467	3,800
15	Kalpataru Projects International	Accumulate	1,306	1,245
16	KEC International	Accumulate	930	813
17	Kirloskar Pneumatic Company	BUY	1,564	1,013
18	Larsen & Toubro	BUY	4,025	3,421
19	Praj Industries	BUY	751	632
20	Siemens	Accumulate	7,716	6,297
21	Thermax	Accumulate	3,857	3,385
22	Triveni Turbine	BUY	800	634
23	Voltamp Transformers	BUY	11,437	8,358

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. Amit Anwani- MBA (Finance), Mr. Prathmesh Salunkhe- MBA Finance, Mr. Het Patel- CA 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 a registered with SEBI under the SEBI (Research Analysts) Regulation, 2014 and having registration number INH000000271.

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. Amit Anwani- MBA (Finance), Mr. Prathmesh Salunkhe- MBA Finance, Mr. Het Patel- CA 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