

August 5, 2020

## Q1FY21 Result Update

Change in Estimates |  Target |  Reco

### Change in Estimates

	Current		Previous	
	FY22E	FY23E	FY22E	FY23E
Rating	BUY		BUY	
Target Price	501		529	
Sales (Rs. m)	51,931	60,142	57,874	66,208
% Chng.	(10.3)	(9.2)		
EBITDA (Rs. m)	9,682	11,695	10,420	12,060
% Chng.	(7.1)	(3.0)		
EPS (Rs.)	11.8	14.5	12.8	15.0
% Chng.	(8.0)	(3.4)		

### Key Financials - Standalone

Y/e Mar	FY20	FY21E	FY22E	FY23E
Sales (Rs. m)	49,432	43,578	51,931	60,142
EBITDA (Rs. m)	7,816	7,652	9,682	11,695
Margin (%)	15.8	17.6	18.6	19.4
PAT (Rs. m)	5,354	4,894	6,351	7,795
EPS (Rs.)	9.9	9.1	11.8	14.5
Gr. (%)	14.6	(8.6)	29.8	22.7
DPS (Rs.)	2.6	3.3	3.8	4.5
Yield (%)	0.6	0.7	0.9	1.0
RoE (%)	14.8	12.5	14.9	16.6
RoCE (%)	18.3	16.1	19.4	21.6
EV/Sales (x)	4.7	5.3	4.4	3.7
EV/EBITDA (x)	29.9	30.2	23.6	19.2
PE (x)	44.6	48.8	37.6	30.6
P/BV (x)	6.3	5.9	5.4	4.8

### Key Data

KANE.BO | KNPL IN

52-W High / Low	Rs.573 / Rs.294
Sensex / Nifty	37,663 / 11,102
Market Cap	Rs.239bn/ \$ 3,184m
Shares Outstanding	539m
3M Avg. Daily Value	Rs.229.4m

### Shareholding Pattern (%)

Promoter's	74.99
Foreign	3.93
Domestic Institution	12.01
Public & Others	9.07
Promoter Pledge (Rs bn)	-

### Stock Performance (%)

	1M	6M	12M
Absolute	(2.1)	(12.3)	3.4
Relative	(6.4)	(4.2)	0.7

#### Amnish Aggarwal

amnishaggarwal@plindia.com | 91-22-66322233

#### Charmi Mehta

charmimehta@plinida.com | 91-22-66322256

#### Heet Vora

heetvora@plindia.com | 91-22-66322381

## Worst seems over, BUY into uncertainty

### Quick Pointers:

- Decorative paint volumes grew in double digits during May-June'20
- KNPL to increase focus on new businesses to reduce Auto dependence in Industrial segment.

**We are cutting FY21/22/23 EPS estimates by 7.3%/8.0% and 3.4% following 54% volume decline in 1Q and gradual recovery in Industrial paints demand in near term. KNPL is well placed to capitalize on rising demand in decorative paints given success of its economy segment product soldier, higher dependence on tier2/3 cities and low base from 2Q (Lockdown in Kashmir last year, 60-70% market share). Although recovery in auto paints will be gradual steady improvement in Maruti volumes are positive. We believe kansai efforts to reduce dependence on Auto segment will play out over the next 2/3 years as it gets scale in Coil Coatings, Auto refinishes, Rebar coatings, floor coatings and diversification in adjacencies like waterproofing, wood coatings and adhesives (5% of sales).**

**Despite near term demand uncertainty due to sporadic lockdowns, long term outlook led by shift towards organized sector, housing push in Tier2/3 cities and shorter painting cycle will boost demand for decorative paints in coming years. We believe auto paints demand will show steady improvement given rising demand for personal mobility while rising demand for powder coatings from appliances, infra coatings, transport/metros, rebar and Industrial applications will power non-auto industrials. We estimate profits to decline 8.6% in FY21 and grow at CAGR of 26.3% in FY22/23. The stock trades at 33.6xSep22 EPS. We value the stock at 38xSep22 EPS and retain BUY with a target price of Rs501 (Rs 529 earlier).**

**PAT declined 71% despite 340bps GM expansion:** Net Sales declined 59.1% YoY to Rs 5.98bn (est. Rs 4.83bn). Gross margins were up 340bps YoY (up 320bps QoQ) due to benign raw material prices. EBITDA decreased 67.7% YoY to Rs 805m (Est Rs 290m) with margins contracting 360 bps to 13.5%(Est 6%) Expansion in gross margins were offset by increase in Employee expense by 620 bps and other expense by 80 bps. Adj. PAT decreased 71.1% YoY to Rs 427m (est. Rs 26m) with other income increasing 21.8% and depreciation increasing by 14.6 %.

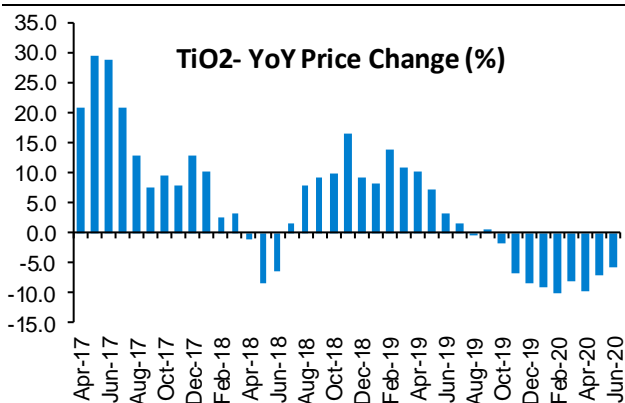
**Industrial paint volume decline 75%, Deco paint volumes down 40%:** We estimate 54% decline in volumes as Industrial/Auto and Decorative paints declined by 75%/80% and 40% as lockdown washed away April sales. Decorative Paints saw demand revival in May and June reporting double digit volume growth. Pent up demand following washout of peak April month, restocking by trade and pick up in Tier2/3 cities contributed to revival. Industrial sales remained impacted, although auto is also showing MOM improvement in demand.

**1QFY21 Concall highlights** 1) Decorative paints demand revived in May-June'20 driven by rural and smaller towns. 2) Volume growth in decorative segment was led by Enamel, Putty & Primers with construction chemicals also gaining traction. 3) KNPL will leverage technological strengths to acquire new customers and focus on new business like coil coating and high performance coating to partially mitigate impact of auto slowdown 4) KNPL launched economy emulsions, disinfectants and products in waterproofing range and top guard in exterior range. 5) KNPL disbursed advances to painters in April'20 and set up Covid fund for helping Corona infected painters 6) KNPL will push Adhesives and construction chemicals through 25,000 dealer network. New launches in construction chemicals/waterproofing and protective coatings accounted for 5% of revenues. 9) Demand for luxury products will improve with opening of markets and higher participation of Metros and Tier 1 and cities. 10) Nepal business was most impacted as it faced the brunt of lockdown while Bangladesh and Sri Lanka performed relatively better with growth in June'20.

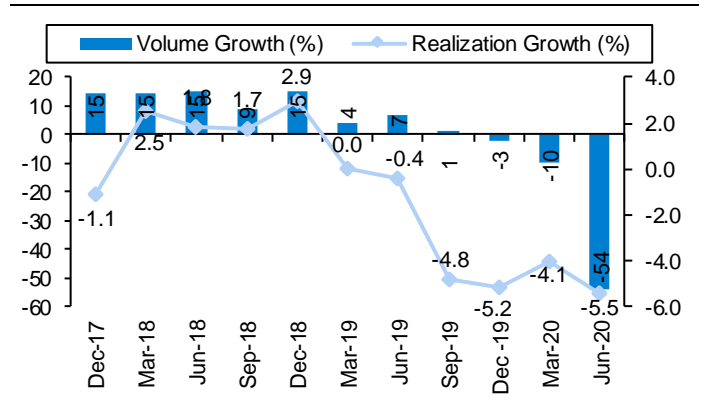
**Exhibit 1: Revenues decline 59.1%, PAT declines 71.1%**

	Q1FY21	Q1FY20	YoY gr.(%)	Q4FY20	FY20	FY19	YoY gr.(%)
<b>Total Revenue</b>	5,981	14,635	(59.1)	9,880	49,432	51,737	(4.5)
Gross Profit	2,491	5,598	(55.5)	3,802	18,856	18,711	0.8
% of NS	41.6	38.3		38.5	38.1	36.2	
<b>Other Expenses</b>	1,686	3,108	(45.8)	2,524	11,039	11,291	(2.2)
% of NS	28.2	21.2		25.5	22.3	21.8	
<b>EBITDA</b>	<b>805</b>	<b>2,490</b>	<b>(67.7)</b>	<b>1,278</b>	<b>7,816</b>	<b>7,420</b>	<b>5.3</b>
Margins %	13.5	17.0		12.9	15.8	14.3	
Depreciation	318	278	14.6	320	1,199	905	32.5
Interest	13	13	4.8	13	50	-	
<b>PBT from operations</b>	474	2,200	(78.5)	945	6,567	6,516	0.8
Other Income	79	65	21.8	40	269	619	(56.6)
<b>PBT</b>	<b>553</b>	<b>2,265</b>	<b>(75.6)</b>	<b>985</b>	<b>6,836</b>	<b>7,134</b>	<b>(4.2)</b>
Tax	126	786	(84.0)	270	1,482	2,461	(39.8)
Tax rate %	22.8	34.7		27.4	21.7	34.5	
<b>Adjusted PAT</b>	<b>427</b>	<b>1,479</b>	<b>(71.1)</b>	<b>715</b>	<b>5,354</b>	<b>4,674</b>	<b>14.6</b>

Source: Company, PL

**Exhibit 2: TiO2 is down 7.7% YoY but up 2% QoQ**


Source: Company, PL

**Exhibit 3: Impact of COVID and Automotive paints drag sales**


Source: Company, PL

## Financials

### Income Statement (Rs m)

Y/e Mar	FY20	FY21E	FY22E	FY23E
<b>Net Revenues</b>	<b>49,432</b>	<b>43,578</b>	<b>51,931</b>	<b>60,142</b>
YoY gr. (%)	(4.5)	(11.8)	19.2	15.8
Cost of Goods Sold	30,576	25,489	30,876	35,727
Gross Profit	18,856	18,089	21,055	24,416
Margin (%)	38.1	41.5	40.5	40.6
Employee Cost	2,694	2,658	2,908	3,188
Other Expenses	8,346	4,358	4,622	5,232
<b>EBITDA</b>	<b>7,816</b>	<b>7,652</b>	<b>9,682</b>	<b>11,695</b>
YoY gr. (%)	5.3	(2.1)	26.5	20.8
Margin (%)	15.8	17.6	18.6	19.4
Depreciation and Amortization	1,199	1,334	1,436	1,555
<b>EBIT</b>	<b>6,617</b>	<b>6,318</b>	<b>8,246</b>	<b>10,141</b>
Margin (%)	13.4	14.5	15.9	16.9
Net Interest	50	90	79	83
Other Income	269	313	320	359
<b>Profit Before Tax</b>	<b>6,836</b>	<b>6,541</b>	<b>8,487</b>	<b>10,417</b>
Margin (%)	13.8	15.0	16.3	17.3
Total Tax	1,482	1,646	2,136	2,622
Effective tax rate (%)	21.7	25.2	25.2	25.2
<b>Profit after tax</b>	<b>5,354</b>	<b>4,894</b>	<b>6,351</b>	<b>7,795</b>
Minority interest	-	-	-	-
Share Profit from Associate	-	-	-	-
<b>Adjusted PAT</b>	<b>5,354</b>	<b>4,894</b>	<b>6,351</b>	<b>7,795</b>
YoY gr. (%)	14.6	(8.6)	29.8	22.7
Margin (%)	10.8	11.2	12.2	13.0
Extra Ord. Income / (Exp)	-	-	-	-
<b>Reported PAT</b>	<b>5,354</b>	<b>4,894</b>	<b>6,351</b>	<b>7,795</b>
YoY gr. (%)	14.6	(8.6)	29.8	22.7
Margin (%)	10.8	11.2	12.2	13.0
Other Comprehensive Income	(10)	-	-	-
Total Comprehensive Income	5,344	4,894	6,351	7,795
<b>Equity Shares O/s (m)</b>	<b>539</b>	<b>539</b>	<b>539</b>	<b>539</b>
<b>EPS (Rs)</b>	<b>9.9</b>	<b>9.1</b>	<b>11.8</b>	<b>14.5</b>

Source: Company Data, PL Research

### Balance Sheet Abstract (Rs m)

Y/e Mar	FY20	FY21E	FY22E	FY23E
<b>Non-Current Assets</b>				
<b>Gross Block</b>	<b>24,896</b>	<b>27,050</b>	<b>29,560</b>	<b>32,070</b>
Tangibles	24,707	26,851	29,351	31,851
Intangibles	188	198	208	218
<b>Acc: Dep / Amortization</b>	<b>8,920</b>	<b>10,034</b>	<b>11,249</b>	<b>12,572</b>
Tangibles	8,759	9,866	11,073	12,387
Intangibles	161	168	176	185
<b>Net fixed assets</b>	<b>15,976</b>	<b>17,015</b>	<b>18,310</b>	<b>19,497</b>
Tangibles	15,948	16,985	18,278	19,464
Intangibles	28	30	32	33
Capital Work In Progress	1,644	2,000	2,000	2,000
Goodwill	-	-	-	-
Non-Current Investments	1,648	1,660	1,673	1,687
Net Deferred tax assets	(850)	(892)	(937)	(984)
Other Non-Current Assets	4,023	2,309	2,470	2,629
<b>Current Assets</b>				
Investments	3,051	3,109	3,168	3,228
Inventories	9,301	11,246	11,246	11,246
Trade receivables	6,745	5,937	7,078	8,199
Cash & Bank Balance	1,663	4,376	7,059	10,844
Other Current Assets	1,831	1,307	1,558	1,804
<b>Total Assets</b>	<b>45,924</b>	<b>49,003</b>	<b>54,614</b>	<b>61,196</b>
<b>Equity</b>				
Equity Share Capital	539	539	539	539
Other Equity	37,330	40,081	43,963	48,834
<b>Total Networkth</b>	<b>37,869</b>	<b>40,619</b>	<b>44,502</b>	<b>49,373</b>
<b>Non-Current Liabilities</b>				
Long Term borrowings	-	50	50	50
Provisions	-	-	-	-
Other non current liabilities	-	-	-	-
<b>Current Liabilities</b>				
ST Debt / Current of LT Debt	-	-	-	-
Trade payables	5,195	5,608	7,101	8,574
Other current liabilities	1,521	1,344	1,534	1,724
<b>Total Equity &amp; Liabilities</b>	<b>45,925</b>	<b>49,004</b>	<b>54,614</b>	<b>61,196</b>

Source: Company Data, PL Research

**Cash Flow (Rs m)**

Y/e Mar	FY20	FY21E	FY22E	FY23E
PBT	6,836	6,541	8,487	10,417
Add. Depreciation	1,199	1,334	1,436	1,555
Add. Interest	50	90	79	83
Less Financial Other Income	269	313	320	359
Add. Other	150	1,744	(128)	(127)
Op. profit before WC changes	8,235	9,709	9,873	11,928
Net Changes-WC	(1,177)	(436)	225	227
Direct tax	(1,482)	(1,646)	(2,136)	(2,622)
<b>Net cash from Op. activities</b>	<b>5,576</b>	<b>7,626</b>	<b>7,962</b>	<b>9,533</b>
Capital expenditures	(2,513)	(2,729)	(2,731)	(2,742)
Interest / Dividend Income	-	-	-	-
Others	(441)	-	-	-
<b>Net Cash from Inv. activities</b>	<b>(2,954)</b>	<b>(2,729)</b>	<b>(2,731)</b>	<b>(2,742)</b>
Issue of share cap. / premium	0	-	-	-
Debt changes	(34)	50	-	-
Dividend paid	(1,689)	(2,144)	(2,469)	(2,924)
Interest paid	(50)	(90)	(79)	(83)
Others	-	-	-	-
<b>Net cash from Fin. activities</b>	<b>(1,773)</b>	<b>(2,184)</b>	<b>(2,548)</b>	<b>(3,006)</b>
<b>Net change in cash</b>	<b>849</b>	<b>2,713</b>	<b>2,684</b>	<b>3,785</b>
Free Cash Flow	3,063	4,897	5,231	6,792

Source: Company Data, PL Research

**Quarterly Financials (Rs m)**

Y/e Mar	Q2FY20	Q3FY20	Q4FY20	Q1FY21
<b>Net Revenue</b>	<b>12,435</b>	<b>12,481</b>	<b>9,880</b>	<b>5,981</b>
YoY gr. (%)	(3.9)	(7.6)	(14.3)	(59.1)
Raw Material Expenses	7,661	7,801	6,078	3,490
Gross Profit	4,774	4,681	3,802	2,491
Margin (%)	38.4	37.5	38.5	41.6
<b>EBITDA</b>	<b>2,129</b>	<b>1,919</b>	<b>1,278</b>	<b>805</b>
YoY gr. (%)	9.2	8.4	(14.6)	(67.7)
Margin (%)	17.1	15.4	12.9	13.5
Depreciation / Depletion	286	314	320	318
<b>EBIT</b>	<b>1,843</b>	<b>1,605</b>	<b>958</b>	<b>487</b>
Margin (%)	14.8	12.9	9.7	8.1
Net Interest	12	12	13	13
Other Income	39	124	40	79
<b>Profit before Tax</b>	<b>1,870</b>	<b>1,717</b>	<b>985</b>	<b>553</b>
Margin (%)	15.0	13.8	10.0	9.2
Total Tax	(64)	490	270	126
Effective tax rate (%)	(3.4)	28.6	27.4	22.8
<b>Profit after Tax</b>	<b>1,934</b>	<b>1,227</b>	<b>715</b>	<b>427</b>
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
<b>Adjusted PAT</b>	<b>1,934</b>	<b>1,227</b>	<b>715</b>	<b>427</b>
YoY gr. (%)	58.5	8.8	(23.0)	(71.1)
Margin (%)	15.6	9.8	7.2	7.1
Extra Ord. Income / (Exp)	-	-	-	-
<b>Reported PAT</b>	<b>1,934</b>	<b>1,227</b>	<b>715</b>	<b>427</b>
YoY gr. (%)	58.5	8.8	(23.0)	(71.1)
Margin (%)	15.6	9.8	7.2	7.1
Other Comprehensive Income	(5)	(4)	3	(5)
<b>Total Comprehensive Income</b>	<b>1,929</b>	<b>1,222</b>	<b>717</b>	<b>423</b>
Avg. Shares O/s (m)	539	539	539	539
<b>EPS (Rs)</b>	<b>3.6</b>	<b>2.3</b>	<b>1.3</b>	<b>0.8</b>

Source: Company Data, PL Research

**Key Financial Metrics**

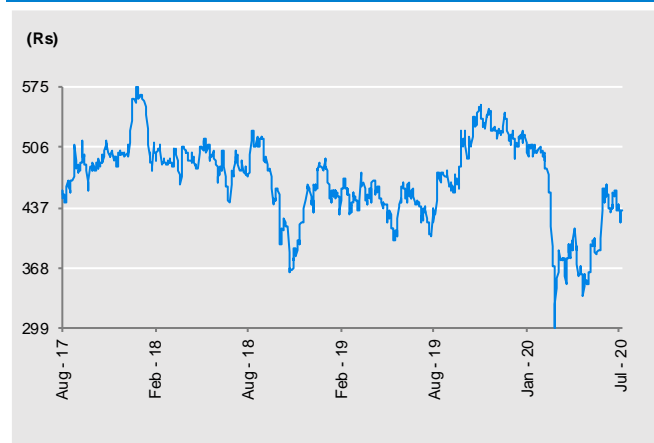
Y/e Mar	FY20	FY21E	FY22E	FY23E
<b>Per Share(Rs)</b>				
EPS	9.9	9.1	11.8	14.5
CEPS	12.2	11.6	14.4	17.3
BVPS	70.3	75.4	82.6	91.6
FCF	5.7	9.1	9.7	12.6
DPS	2.6	3.3	3.8	4.5
<b>Return Ratio(%)</b>				
RoCE	18.3	16.1	19.4	21.6
ROIC	16.5	14.9	19.1	23.1
RoE	14.8	12.5	14.9	16.6
<b>Balance Sheet</b>				
Net Debt : Equity (x)	(0.1)	(0.2)	(0.2)	(0.3)
Net Working Capital (Days)	80	97	79	66
<b>Valuation(x)</b>				
PER	44.6	48.8	37.6	30.6
P/B	6.3	5.9	5.4	4.8
P/CEPS	12.2	11.6	14.4	17.3
EV/EBITDA	29.9	30.2	23.6	19.2
EV/Sales	4.7	5.3	4.4	3.7
Dividend Yield (%)	0.6	0.7	0.9	1.0

Source: Company Data, PL Research

**Key Operating Metrics**

Y/e Mar	FY20	FY21E	FY22E	FY23E
Volume Gr %	(1.5)	(9.0)	18.0	14.0
Gross Margins %	38.1	41.5	40.5	40.6

Source: Company Data, PL Research

**Price Chart**
**Recommendation History**


No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	08-Jul-20	BUY	529	444
2	18-Jun-20	BUY	487	389
3	08-May-20	BUY	486	360
4	13-Apr-20	BUY	486	379
5	31-Jan-20	Accumulate	545	499
6	03-Jan-20	Accumulate	546	513
7	01-Nov-19	Accumulate	548	539
8	03-Oct-19	Accumulate	507	496

**Analyst Coverage Universe**

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Asian Paints	Accumulate	1,829	1,717
2	Avenue Supermarts	Reduce	1,695	2,323
3	Bajaj Electricals	BUY	500	384
4	Britannia Industries	BUY	4,316	3,785
5	Colgate Palmolive	Reduce	1,344	1,448
6	Crompton Greaves Consumer Electricals	BUY	288	247
7	Dabur India	Hold	469	494
8	Emami	Hold	287	233
9	Future Retail	Under Review	-	332
10	GlaxoSmithKline Consumer Healthcare	Hold	9,377	9,247
11	Havells India	Reduce	524	595
12	Hindustan Unilever	Hold	2,304	2,249
13	ITC	BUY	262	200
14	Jubilant FoodWorks	UR	-	1,746
15	Kansai Nerolac Paints	BUY	529	444
16	Marico	Hold	355	350
17	Nestle India	Reduce	14,089	17,095
18	Pidilite Industries	Hold	1,418	1,399
19	Titan Company	Hold	1,025	1,016
20	Voltas	Accumulate	600	575

**PL's Recommendation Nomenclature (Absolute Performance)**

<b>Buy</b>	: > 15%
<b>Accumulate</b>	: 5% to 15%
<b>Hold</b>	: +5% to -5%
<b>Reduce</b>	: -5% to -15%
<b>Sell</b>	: < -15%
<b>Not Rated (NR)</b>	: No specific call on the stock
<b>Under Review (UR)</b>	: Rating likely to change shortly



## ANALYST CERTIFICATION

### (Indian Clients)

We/I, Mr. Amnish Aggarwal- MBA, CFA, Ms. Charmi Mehta- CA, Mr. Heet Vora- 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](http://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. Charmi Mehta- CA, Mr. Heet Vora- 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](http://www.plindia.com)