



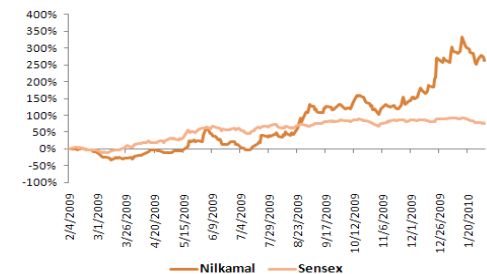
VISIT NOTE

Industry **Plastic products**

Market Data

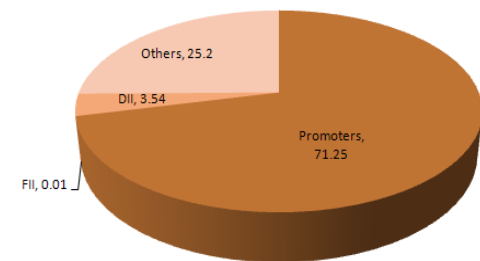
Market Cap (Rs.mn)	3,010
Share Cap (# mn)	12.8
52 wk High/Low (Rs.)	285 /42
Avg. Volume (weekly)	11,794

Price Performance (RIC: NKML.BO, BB: NILK IN)



Shareholding Pattern

(As on 31st December, 2009) (%)



Financials (Cons)

	FY06	FY07	FY08	FY09
Net sales (Rs mn)	4138	5152	8350	9552
EBIDTA (Rs mn)	358	364	1354	1067
PBT (Rs mn)	84	60	741	185
Adjusted PAT (Rs mn)	44	53	193	111
EBIDTA margin	8.6%	7.1%	16.2%	11.2%
Adjusted PAT margin	1.1%	1.0%	2.3%	1.2%
Adjusted EPS (Rs)	5.1	6.2	15.1	8.7
Price/Earnings (x)	46.0	37.9	15.5	27
EV/EBIDTA (x)	18.7	18.6	4.9	6.3
Price/Bookvalue (x)	1.6	1.6	1.5	1.4

Nilkamal Ltd. (NILK IN)

February 9th, 2010

@home holds the key

Not Rated (CMP: Rs 235)

Market Cap: Rs 3,010mn; USD 64.5mn

We recently met the management of Nilkamal Ltd (NILK) to have an understanding of the industry, its different businesses, its financials and details of its subsidiary operating in Sri Lanka, Bangladesh & UAE. NILK has the highest market share in its moulding furniture business as well as its material handling business. NILK has seven plants across India and is planning to open a new plant in Chennai for expanding its material handling business by the end of this year. The company plans to fund this expansion through the QIP route. An EGM has been scheduled on February 12, 2010 to discuss this issue. In addition to these businesses, the company has also entered the retail venture under the brand @Home with 13 stores in 10 cities. @home retail stores include a complete range of home furniture and accessories apart from a large variety of home decor products. Fruits of economic recovery & infrastructure development would provide NILK strong opportunities for growth. Further, with its large network of 33 regional sales offices & 45 warehouses, NILK is ideally poised to capitalize on this momentum. Its foray into @home retail would however need to be tracked closely on concerns of high initial capex and execution.

Moulded furniture business – high capex requirements a key entry barrier

During the year 2009, the Moulded furniture business of Nilkamal enjoyed close to 37% of domestic market share – the highest in the industry (the second only being the unorganized segment with 32% market share). The management is confident of achieving a CAGR of ~ 15% in coming years from this business. The moulded furniture industry is around Rs12bn and with high initial capex requirements, increasing raw material prices & imported moulds and costly injection moulding machines, NILK has a definite advantage over other unorganised players in the industry

Material handling business – ‘one stop shop’ for material handling equipments

Nilkamal also enjoys 71% market share in its material handling business with more than 350 different material handling equipments catering to different businesses. With the acquisition of the material handling business of Prince Containers Private Limited in 2007 & with strategic tie ups with various domestic and international industry players, NILK projects this business to grow at >20% CAGR in times to come

Complete range of home furniture under one roof through ‘@home’

Nilkamal entered the retail business of branded furniture in 2005 under ‘@home’ brand with 13 stores in 10 cities. Despite initial investment of Rs750mn & total losses of Rs600mn till date, management is confident of a turnaround within a year with the revival in the economy & consequently consumer spending.

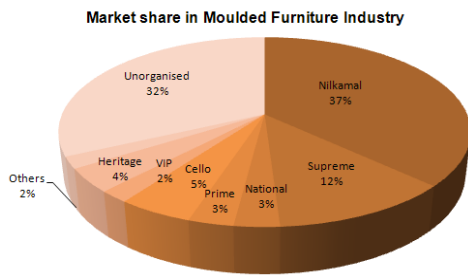
Foray into @home holds the key

We are bullish on Nilkamal’s plastics business growth in coming years but at the same time cautious on how its retail business spans out. We expect a significant jump in its profitability once its retail venture “@home” turns around. Significant reduction in interest cost (>40%) through efficient working capital management would be the key driver for the margins as well as profits this year. We expect revenues of around Rs 11bn & 13bn and PAT of Rs500-550mn & Rs650-700mn for FY10E & FY11E respectively translating into an EPS of Rs39-43/share & Rs51-54/share for FY10E & FY11E respectively.

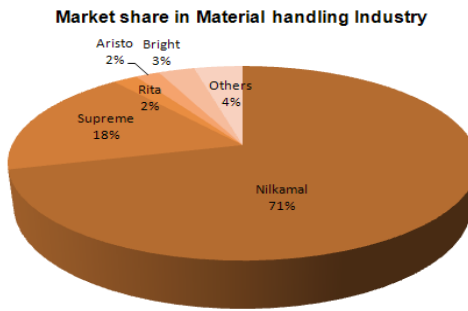
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Market share in Moulded Furniture Industry



Market share in Material handling Industry



Nilkamal has reduced the interest cost by more than 40% this year through efficient/optimum working capital management which has improved the margins significantly

Moulding Furniture Business:

- Nilkamal has 37% market share in the organised segment of the moulding furniture business. The industry comprises of 2 national players & around 40 regional players. Nilkamal has 350 distributors who cater to more than 15000 retailers across the country. Nilkamal has a current capacity to manufacture 1.2 Mn chairs/month with 1 chair manufactured in just 45 seconds.
- The nearest competitor of Nilkamal is Supreme furniture which has close to 12% market share, however the gap between the two is widening with Nilkamal making its presence felt across the country.
- Nilkamal has the biggest market share in South India followed by west, north & east. However the management said that the revenue from the eastern region has grown by close to 100% this year.
- The management is confident to achieve revenue of Rs 5 Bn during this financial year & around Rs 6 Bn in 2010-11. Moreover the management expects the revenue from this business to grow at a CAGR of 15% in coming years. Moreover 40% of the furniture is outsourced from franchisee with the supply of required mould to them.
- Majority of the raw material required is sourced from regional companies such as RIL, GAIL, etc. Nilkamal would import raw materials if the price disparity between the regional and international market is more than 3%. The mould required is imported from countries like Germany, Italy & Taiwan as the required quality mould is not produced in India.
- Freight cost for Nilkamal accounts to 6-8 % of total cost. Moreover one truck of raw material translates into 9 trucks of finished goods
- Nilkamal has a subsidiary in Sri Lanka as well as Bangladesh. The Sri Lankan subsidiary has captured a major market share with revenues of 750 Mn & net profit of 64 Mn in 2008-09. The management expects the subsidiary to achieve higher growth in coming years with the end of long drawn internal conflicts. The subsidiary in Bangladesh is making losses during last couple of years due to intense competition from the unregulated unorganised market. NIL had written off 52 Mn last year as a permanent diminution in the value of its total investment of 95 Mn & plans to exit Bangladesh market by writing off close to Rs 25 Mn to Rs 35 Mn this year.

Material Handling Business:

- Nilkamal's material handling business offers "A one stop material handling shop" with comprehensive product mix comprising of Material Handling Equipment ranging from Pallet Trucks to Stackers, Forklifts and all equipment required for the logistics industry which is growing at a rapid pace in India.
- The company has close to 70% market share in material handling business after acquisition of material handling business from 'Prince Containers Pvt Ltd' (PCPL) and 'Prince Multiplast Pvt Ltd' (PMPL) in 2007. The company is also planning to open a new plant in Chennai by the end of this year for expanding its material handling business.
- Nilkamal has exclusive tie ups with various international companies for supply of its material handling equipments.
- The Company also has a Joint Venture with Bito Lagertechnik, Germany for the manufacture of Material Handling and Storage Systems in Metal, with a manufacturing plant at Samba, Jammu & Kashmir.

- Nilkamal has close to 350 designs in material handling equipments catering to various requirements.
- The management expects revenue from this business to be around Rs 4.75 Bn this year and the management is expecting it to grow at a CAGR of more than 20% in coming years, with majority of the growth coming from agriculture, retail & logistics sector.
- We expect strong growth in this sector on the back of a buoyant economy and sustainable growth in manufacturing and other services like organized retail, warehousing and logistics.

Retail Business:

- Nilkamal entered the retail venture in 2005 under the brand @home with 13 stores in 10 cities. @home retail stores includes a complete range of home furniture, accessories apart from a large variety of home décor products like artificial flowers, vases, show pieces, picture frames, paintings etc. @home is targeted to the middle and middle high mass market of the new youth of India.
- The total Indian furniture market is estimated to be more than Rs 600 billion dominated by the unorganised market which constitutes 90% of the market. The organised market is 10% and growing at about 35% CAGR. Imported furniture constitutes to 85% of the total organised furniture industry in India.
- The company started the retail business in 2005 with an initial investment of 750 Mn & has borne losses close to 600 Mn till date. The company was able to achieve break even on store level this year but is still into loss of Rs 98 Mn on an overall basis during the 9 months period ended Dec 2009.
- Revenue from this business was Rs 1.11 Bn last year and the management is expecting it to be around Rs 1.25 Bn for this financial year.
- The management is not keen on opening new stores or making fresh investments into this business until the current stores start generating profits.
- Nilkamal has close to 2,37,000 Sq ft area and all the premises are taken on lease with lease period of more than 18 years. The lease rental expenses are close to 15% or Rs 55/sq ft/month. Nilkamal would break even with revenues of Rs 400/sq ft which the company achieved this year but is not able to sustain it on a regular basis and would earn good profits if this figure touches Rs 600/sq ft.

COMPANY OVERVIEW

Nilkamal Plastics, Promoted by the Parekh family, was incorporated in Dec.'85 as Creamer Plastic a private limited company, and was converted into a public limited company in Jul.90. In Aug.'90, the name was changed to Nilkamal Ltd.

It is India's largest manufacturer of material handling plastic crates and a leader in moulded furniture. It is one of the companies to benefit from moulded plastic, which is fast replacing conventional materials in the manufacture of innumerable products.

Today, using state-of-the-art machines and imported moulds from Europe, the company manufactures a range of products -- material handling crates, moulded furniture, houseware, multi-layer packaging films and custom mouldings. Nilkamal has been exporting its quality products since 1986 and has won several export awards.

The company's has achieved ISO 9000 certification resulting in a consistent quality irrespective of whichever plant the material is produced. The Company has 7 large manufacturing plants in India. The Company has set up subsidiaries in Sri Lanka, near Colombo and in Bangladesh, near Dhaka to capture the market for Moulded Furniture.

Strategic tie ups:

Table 1:

Nilkamal – BITO Storage Systems Pvt. Ltd	JV with BITO Lagertechnik – Germany for sharing of technological expertise for Manufacturing of metal storage systems (Plant at Jammu-since 2007)
Hanel GmbH, Germany	Exclusive representative for vertical automatic storage & retrieval systems
SILC GmbH, Germany	Exclusive technical collaboration for PP Corrugated Crates for the automotive industry
Conteyor Multibag Systems NV, Belgium	Manufacture of textile partitions for crates and metal racks to provide valuable in transit protection for scratch sensitive products
Plastics Omnimum Systems, France	Supply of their international standard waste bins of all sizes conforming to EN/DIN standards.
CAMBRO Manufacturing Company, USA	Exclusive tie-up with for hospitality products suited for large restaurants and hotels

Source: Company and Systematix Institutional Research

Shareholding more than 1% of the Total no. of shares

Table 2: Shareholding more than 1% of the Total no. of shares

Sweta Vikas Shah	1,63,334	1.28%
IDBI Fortis Life Insurance Company.	1,55,000	1.21%
DSP Blackrock Micro Fund	3,51,328	2.75%

Source: Bombay Stock Exchange

Equity History

Table 3: Equity History

Date	Equity Capital (Mn)	Reason	Premium (Rs)
10/30/2007	127.8	Scheme of Amalgamation	0
4/24/1996	85.7	Exercise of warrants	0
3/31/1995	73.7	Equity shares issued	0
11/30/1994	64.7	Rights shared partly paid	18.9
6/20/1994	60	Rights issue	10
3/31/1993	39	Shares issued to Promoters	0

Source: Capitaline

Table 4: QUARTERLY -REPORTED - Nilkamal Ltd As on 08/02/2010

(Rs Mn)	Q4FY08	Q1FY09	Q2FY09	Q3FY09	Q4FY09	Q1FY10	Q2FY10	Q3FY10
Net Sales	2378.5	2323.8	2212.1	1910.2	2249.5	2296	2457.7	2484.6
q-o-q growth (%)		-2.3%	-4.8%	-13.6%	17.8%	2.1%	7.0%	1.1%
y-o-y growth (%)					-5.4%	-1.2%	11.1%	30.1%
Other Operating Income	0	3.5	3.4	5.4	16.5	3.7	4.7	5.3
Other Income	3.7	0	1.3	0	-12.3	0	4.5	18.7
Total Income	2382.2	2327.3	2216.8	1915.6	2253.7	2299.7	2466.9	2508.6
Total Expenditure	2147.3	2091.1	1958.1	1765.8	2072.2	2012.2	2146.1	2141.9
q-o-q growth (%)		-2.6%	-6.4%	-9.8%	17.4%	-2.9%	6.7%	-0.2%
y-o-y growth (%)					-3.5%	-3.8%	9.6%	21.3%
% of net sales	90.3%	90.0%	88.5%	92.4%	92.1%	87.6%	87.3%	86.2%
Raw Material Consumed	526.2	995.7	906.6	423.1	603	949.3	866.8	980
Stock Adjustment	313.8	-210	-237.3	198.1	315.7	-40.3	13.3	-178
Purchase of Finished Goods	673.6	714.4	666.1	590.6	427.2	478.8	579.5	673.9
Employee Expenses	132.1	122.4	137.5	128.4	120.7	134.4	140.9	143.2
Other Expenses	501.6	468.6	485.2	425.6	605.6	490	545.6	522.8
EBITDA	234.9	236.2	258.7	149.8	181.5	287.5	320.8	366.7
EBITDA margins (%)	9.9%	10.2%	11.7%	7.8%	8.1%	12.5%	13.1%	14.8%
q-o-q growth (%)		0.6%	9.5%	-42.1%	21.2%	58.4%	11.6%	14.3%
y-o-y growth (%)					-22.7%	21.7%	24.0%	144.8%
Interest	83.5	93.2	110.8	107.2	85	70.2	64.9	54.8
q-o-q growth (%)		11.6%	18.9%	-3.2%	-20.7%	-17.4%	-7.5%	-15.6%
y-o-y growth (%)					1.8%	-24.7%	-41.4%	-48.9%
Depreciation	71.1	74.8	79.3	79.1	78.6	79.4	80.1	80.9
q-o-q growth (%)		5.2%	6.0%	-0.3%	-0.6%	1.0%	0.9%	1.0%
y-o-y growth (%)					10.5%	6.1%	1.0%	2.3%
Profit before tax	80.3	68.2	68.6	-36.5	17.9	137.9	175.8	231
q-o-q growth (%)		-15.1%	0.6%	-153.2%	-149.0%	670.4%	27.5%	31.4%
y-o-y growth (%)					-77.7%	102.2%	156.3%	532.9%
Tax	22.2	21	22	-9	23.2	35.1	44.5	63.4
q-o-q growth (%)		-5.4%	4.8%	-140.9%	-357.8%	51.3%	26.8%	42.5%
y-o-y growth (%)					4.5%	67.1%	102.3%	804.4%
Reported Profit After Tax	58.1	47.2	46.6	-27.5	-5.3	102.8	131.3	167.6
q-o-q growth (%)		-18.8%	-1.3%	-159.0%	80.7%	2039.6%	27.7%	27.6%
y-o-y growth (%)					-109.1%	117.8%	181.8%	709.5%

Source: Company and Systematix Institutional Research

FINANCIAL DETAILS

Profit & Loss

Statement (Rs Mn)	FY06	FY07	FY08	FY09
Sales Turnover	4465	5914	9556	10993
Excise Duty	327	762	1206	1442
Net Sales	4138	5152	8350	9552
y-o-y growth(%)	16%	24%	62%	14%
Other Income	6	11.8	519.5	15.4
Total Income	4144	5164	8870	9567
TOTAL EXPENDITURE :				
Stock Adjustments Increase/(Decrease)	-5	-500	-499	-1003
Raw Materials	3053	4275	6009	5859
Power & Fuel Cost	109	118	222	281
Employee Cost	155	205	406	567
Other Manufacturing Expenses	116	157	343	1442
Selling and Administration Expenses	285	411	833	1091
Miscellaneous Expenses	75	135	193	263
Less: Pre-operative Expenses Capitalised	0	0	8	0
Total Expenditure	3787	4800	7515	8500
EBITDA	358	364	1354	1067
EBITDA Margins	8.6%	7.1%	16.2%	11.2%
Interest	77	131	348	533
Depreciation	197	173	266	349
Profit Before Tax	84	60	741	185
Tax	46	15	179	45
Fringe Benefit Tax	5	-10	23	11
Deferred Tax	-15	4	12	19
Net Profit	48	52	544	110
Minority Interest (after tax)	3	2	2	4
Net Profit after Minority Interest	44	50	542	107
Extraordinary Items	0	-4	348	-4
Adjusted Net Profit	44	53	193	111
y-o-y growth(%)	-	21%	262%	-42%
EPS (RS) Diluted	5.1	6.2	15.1	8.7

Key Ratio	FY06	FY07	FY08	FY09
Price / Earnings (x)	46.0	37.9	15.5	27.0
Price / BV (x)	1.6	1.6	1.5	1.4
EV / EBITDA (x)	18.7	18.6	4.9	6.3
Market cap/ Sales (x)	0.4	0.3	0.3	0.1
Adjusted EPS (Rs)-	5.1	6.2	15.1	8.7
Book value	145.4	147.2	156.8	164.7
RONW (%)	3.8%	4.1%	11.8%	5.3%
ROCE (%)	7.6%	7.6%	15.3%	12.6%

Solvency Ratio (x)	FY06	FY07	FY08	FY09
Debt / Equity (x)	0.7	1.0	1.5	1.7
Long Term Debt/Equity	0.7	0.5	0.5	0.8
Current Ratio	2.9	1.6	1.2	1.4
Interest Coverage Ratio	2.1	1.5	1.8	1.4

Turnover Ratio (x)	FY06	FY07	FY08	FY09
Fixed Asset Turnover	1.9	2.4	2.8	2.4
Inventory	8.3	7.1	6.7	5.1
Debtors	7.6	9.6	9.4	8.8

Margin Ratio	FY06	FY07	FY08	FY09
EBIDTA Margin	8.6%	7.1%	16.2%	11.2%
PBT Margin	2.0%	1.2%	8.9%	1.9%
Adjusted PAT Margin	1.1%	1.0%	2.3%	1.2%

Growth Ratio	FY06	FY07	FY08	FY09
Revenues	13.4%	24.5%	62.1%	14.4%
EBIDTA	-4.6%	1.8%	272.0%	-21.2%
Adjusted Net Profit	-55.3%	21%	262%	-42%

Balance Sheet (Rs Mn)	FY06	FY07	FY08	FY09
SOURCES OF FUNDS:				
Share Capital	86	86	128	128
Reserves Total	1161	1176	1877	1977
	1246	1262	2005	2105
Loan Funds				
Secured Loans	782	1157	2995	2705
Unsecured Loans	50	532	381	1152
	832	1689	3375	3856
Minority Interest	16	14	19	27
Total Liabilities	2095	2965	5400	5988
APPLICATION OF FUNDS :				
Gross Block	2374	2542	4317	4807
Less: Accumulated Depreciation	1317	1454	1930	2296
Net Block	1057	1088	2387	2510
Capital Work in Progress	48	250	139	59
Current Assets, Loans & Advances				
Inventories	539	1118	1734	2616
Sundry Debtors	576	655	1384	1126
Cash and Bank	54	85	161	150
Loans and Advances	339	363	647	613
	1508	2221	3926	4505
Less : Current Liabilities and Provisions				
Current Liabilities	381	469	762	828
Provisions	44	46	167	111
	425	514	929	939
Net Current Assets	1083	1707	2997	3566
Deferred Tax Assets	8	11	-	-
Deferred Tax Liability	100	92	125	148
Net Deferred Tax	-93	-81	-125	-148
Total Assets	2095	2965	5400	5988
Contingent Liabilities	28	41	189	182

Cash Flow

Statement (Rs Mn)	FY06	FY07	FY08	FY09
Net Profit before Tax & Extraordinary Items	84	60	757	185
Adjustment For:				
Depreciation	197	173	266	349
Interest (Net)	73	125	301	527
P/L on Sales of Assets	0	-3	2	6
Prov. & W/O (Net)	5	7	2	9
P/L in Forex	-2	-1	18	69
Others	-	-	-466	-
Op. Profit before Working Capital Changes	356	361	879	1146
Adjustment For				
Trade & Other receivables	3	-29	-506	294
Inventories	-4	-585	-248	-929
Cash Generated from/(used in) Operations	363	-222	275	540
Direct Taxes Paid	-22	-41	-122	-73
Net Cash Flow From Operating Activities(A)	341	-263	153	467
Cash Flow from Investing Activities				
Purchased of Fixed Assets	-173	-429	-1085	-405
Sale of Fixed Assets	9	10	16	7
Sale of Investments	-	-	361	-
Others	-50	-	-	-
Net Cash Used in Investing Activities(B)	-214	-419	-708	-398
Cash Flow From Financing Activities				
Proceeds from Issue of shares	0.4	-	-	-
Proceed from Other Long Term Borrowings	-	343	499	370
Proceed from Bank Borrowings	-	-	881	-
Proceed from Short Tem Borrowings	-	479	-	771
Of the short term Borrowings	-50	-	-368	-705
Dividend Paid	-30	-30	-82	-45
Interest Paid	-70	-110	-319	-485
Others	76	29	-	5
Net Cash Flow from Financing Activities(C)	-130	712	610	-90
Net Inc/(Dec) in Cash & CE (A+B+C)	-2	31	56	-20
Cash & CE at Beginning of the year	44	42	91	147
Cash & CE at End of the year	42	73	147	126

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Stock Ratings

BUY (B)	The stock's total return is expected to exceed 20% over the next 12 months.
ACCUMULATE (A)	The stock's total return is expected to be within 10-20% over the next 12 months.
REDUCE (R)	The stock's total return is expected to be within 0-10% over the next 12 months.
SELL (S)	The stock's is expected to give negative returns over the next 12 months.
NOT RATED (NR)	The analyst has no recommendation on the stock under review.

Industry Views

ATTRACTIVE (AT)	Fundamentals /Valuations of the sector is expected to be attractive over the next 12-18 months.
NEUTRAL (NL)	Fundamentals /Valuations of the sector are expected to neither improve nor deteriorate over the next 12-18 months.
CAUTIOUS (CS)	Fundamentals /Valuations of the sector is expected to deteriorate over the next 12-18 months.

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