

Dec'12 Preview- Unusual price trends to impact margins

January 8, 2013

Price Performance

ACC (Rs1,418 ACCUM)

(%)	1M	3M	6M	12M
Absolute	0	-1	9	29
Rel. to Nifty	-1	-6	-3	3

Ambuja (Rs202 HOLD)

(%)	1M	3M	6M	12M
Absolute	-2	-4	17	32
Rel. to Nifty	-4	-9	4	6

Grasim (Rs3,182 BUY)

(%)	1M	3M	6M	12M
Absolute	-2	-4	19	31
Rel. to Nifty	-4	-9	5	5

Ultratech (Rs2,019 HOLD)

(%)	1M	3M	6M	12M
Absolute	3	1	31	77
Rel. to Nifty	1	-5	16	42

India Cements (Rs92 HOLD)

(%)	1M	3M	6M	12M
Absolute	1	1	6	33
Rel. to Sensex	-1	-4	-6	7

Madras Cements (Rs240 ACCUM)

(%)	1M	3M	6M	12M
Absolute	16	26	54	131
Rel. to Sensex	14	20	36	85

Orient Paper (Rs80 BUY)

(%)	1M	3M	6M	12M
Absolute	-8	7	27	62
Rel. to Nifty	-10	1	13	30

Shree Cements (Rs4,544 ACCUM)

(%)	1M	3M	6M	12M
Absolute	6	18	55	118
Rel. to Nifty	4	12	38	75

Source: Bloomberg

- **Cement volumes for the current quarter remain subdued as reflected by 1.9% yoy growth (7% qoq) for companies under our coverage**
- **Poor post Diwali Cement offtake and constrained availability of construction materials (sand & bricks) in Northern and central region impact construction activities**
- **Unusual cement price trend in 3Q13 – All India prices down 3.6% qoq sharp declines of ~4.5% qoq witnessed in western and northern regions**
- **Companies under our coverage to post realization growth of 5.8% yoy (-2.5% qoq to Rs4472/t) leading to revenue growth of 8.1% yoy**
- **Cost/t is expected to increase 1.7% qoq driven by 7% increase in freight costs. However expect the same to be partially negated by 15% yoy decline in international coal prices**
- **Expect EBITDA/t at Rs870/t +0.9% yoy, -16.6% qoq. EBITDA is expected to grow 1.2% yoy but decline 11% qoq led by lower realizations. APAT to grow by 5% yoy but decline 15% qoq**
- **Un-seasonal Dec-12 price decline lead to lower exit price & EBITDA/t creating downside risk to our CY13E/FY14E estimates**
- **For every 1% downward revision in cement price assumption for FY14E/CY13E, expect max earnings impact for Ultratech and ACC of ~-5.3%**
- **Rich valuations for companies in the sector have left little room for further out performance. Retain HOLD on Ultratech & Ambuja. Remain positive on Grasim amongst large caps**
- **Shree Cements and Madras Cements remain preferred midcaps (strong volume growth and improving cost structure led by better energy efficiencies)**

Exhibit 1: Emkay Universe aggregates - Per ton analysis

Per ton analysis	Q312	Q213	Q3FY13E	YoY	QoQ
Cement volumes	29.5	28.1	30.1	1.9%	7.0%
Raw Material	508	567	564	11.0%	-0.5%
Staff cost	231	252	249	8.0%	-1.2%
Power & Fuel	1013	1087	1042	2.9%	-4.2%
Freight	814	918	962	18.1%	4.8%
Other expenses	725	773	771	6.5%	-0.2%
Total Cost Per ton	3367	3543	3603	7.0%	1.7%
Realisation	4229	4585	4472	5.8%	-2.5%
EBIDTA/Ton	862	1043	870	0.9%	-16.6%

Source: Company, Emkay Research

Cement Volume growth remains subdued

Cement demand remained subdued in Q3FY13E owing to slowdown in construction activities in the months of November and December impacting cement offtake. The month of December was rather unusual witnessing lower than expected cement demand as against an expected post diwali boost. The offtake has also been impacted by onset of Rabi sowing impacting labor availability while some regions are also witnessing negative impact of sand mining ban (particularly Northern region) and low availability of other construction materials like bricks. Our estimates for volume growth for companies under our coverage are at +2.1% yoy and 7.4% qoq. This implies a growth of 3.6% yoy for YTD FY13E. We expect demand to recover in post 15th January as peak construction season starts.

Exhibit 2: Subdued volume growth across the board

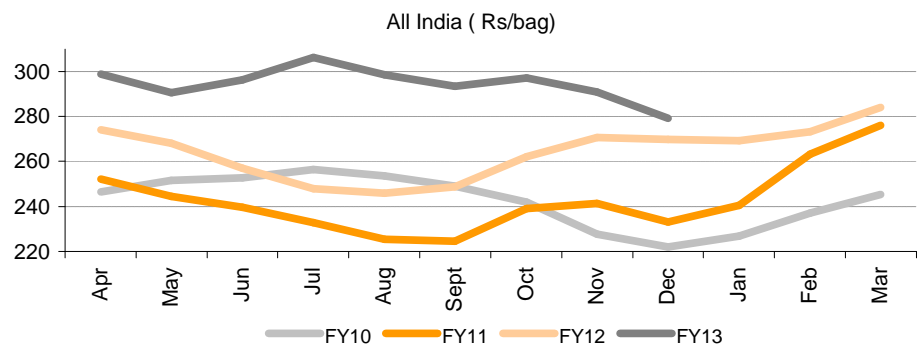
Volumes (mnt)	Q3'12	Q2'13	Q3'13E	YoY	QoQ	YTD'13	YTD'12	YoY
ACC	5.96	5.40	5.98	0.5%	10.8%	17.43	17.57	-0.8%
Ambuja	5.70	4.79	5.73	0.6%	19.7%	16.15	15.81	2.2%
Ultratech	10.12	9.39	10.26	1.4%	9.4%	29.98	29.49	1.7%
India Cements	2.19	2.48	2.29	5.0%	-7.5%	7.16	6.93	3.3%
Madras Cements	1.75	2.04	1.87	6.9%	-8.4%	6.07	5.37	13.0%
Shree Cements	2.85	3.04	3.00	5.3%	-1.4%	9.41	8.03	17.2%
Total Universe	28.56	27.14	29.14	2.1%	7.4%	86.20	83.20	3.6%

Source: Emkay Research, Company

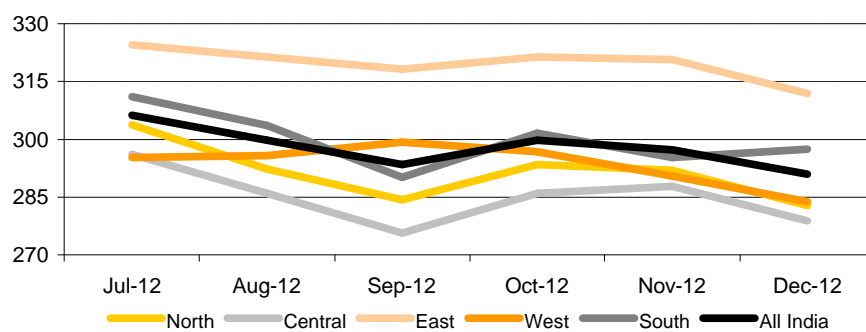
Unusual Price trend continues- Cement prices soften in Q3FY13E

After an unusually low seasonal price decline in Q2FY13, cement sector is set to witness another quarter of unusual price trend in Q3FY13. Our Channel check suggests that cement offtake has been weaker than expected resulting in a steep fall in cement prices across regions. The sharpest decline has been witnessed in the West (-4.8% qoq) followed by North (-4.2% qoq), East (-3.5% qoq) and Central (-3.2% qoq). On the other hand, prices in the South have largely fluctuated led by strong swings witnessed in AP cement market where ~7% qoq fall has resulted in a regional decline of 2.1% in southern cement price averages. Overall on an All India basis, cement prices at Rs289/bag have corrected by Rs11/bag or 3.6% qoq (however remains at +8% yoy). Dealers expect the demand to improve from mid Jan when the peak construction season kicks in which is expected to support price hikes.

Exhibit 3: Price movt in 2Q remains favorable led by shorter period of seasonal price decline



Source: Emkay Research, Industry

Exhibit 4: Prices in North, Central and East witness first seasonal uptick

Source: Emkay Research, Industry

Exhibit 5: Quarterly Price Trend

(Rs per bag)	North	Central	East	West	South	All India
Q1FY12	280	253	249	268	283	266
Q2FY12	247	229	242	241	278	247
Q3FY12	274	252	276	248	288	268
QoQ (%)	10.9%	10.4%	13.8%	2.7%	3.5%	8.1%
Q4FY12	273	249	296	269	290	275
Q1FY13	285	277	331	281	303	295
Jul-12	304	296	325	295	311	306
Aug-12	292	286	321	296	304	300
Sep-12	284	276	318	299	290	293
Q2FY13	293	286	321	297	302	300
Oct-12	292	288	321	290	295	297
Nov-12	283	279	312	284	297	291
Dec-12	268	263	298	273	293	279
Q3FY13	281	277	310	283	295	289
YoY (%)	2.5%	9.6%	12.6%	14.0%	2.5%	8.1%
QoQ (%)	-4.2%	-3.2%	-3.5%	-4.8%	-2.1%	-3.6%

Source: Emkay Research

*Note: Prices for December include averages only till December 22, 2012

Q3FY13E EBITDA growth +1.2% yoy but -11% qoq

During Q2FY13 cement realizations witnessed a very healthy improvement of 17% yoy resulting in EBITDA/t of Rs1008/t, +51% yoy. However with ~3.6% decline in cement prices this quarter we could see these growth figures slipping to low teens.

Led by decline in cement prices due to an unusual trend observed in the current quarter, cement realizations for the sector could decline by ~Rs113/t sequentially. On the cost front though the full impact of the diesel price hike would be visible during the quarter, we expect the decline in international coal prices to help the companies contain cost pressure. Hence led by lower realisation, the sector could see ~17% sequential decline in EBITDA/t to Rs870 (+0.9% yoy). Given that the volume growth this quarter is likely to remain subdued coupled with lower realizations, EBITDA growth for the quarter is expected to be +1.2% yoy vs a phenomenal ~51% yoy growth witnessed in Q2FY13. Overall we see Q3FY13 to be a weak quarter for cement companies

Exhibit 6: Landed price of int'l coal (in INR terms) declines 15% yoy and 4% qoq

International Coal	Q212	Q312	Q412	Q113	Q213	Q313
Coal price USD	117	107	105	94	87	85
USD-INR	45.9	50.9	50.1	54	55	54
Coal Price INR	5347	5421	5257	5065	4801	4620
YoY (%)	30%	16%	-4%	-6%	-10%	-15%

Source: Bloomberg, Emkay Research

Exhibit 7: Industry Per ton analysis

Per ton analysis	Q312	Q213	Q3FY13E	YoY	QoQ	YTDFY13	YTDFY12	YoY
Cement volumes	29.5	28.1	30.1	1.9%	7.0%	89.1	85.9	3.8%
Raw Material	508	567	564	11.0%	-0.5%	554	489	13.3%
Staff cost	231	252	249	8.0%	-1.2%	241	222	8.9%
Power & Fuel	1013	1087	1042	2.9%	-4.2%	1041	995	4.6%
Freight	814	918	962	18.1%	4.8%	943	817	15.3%
Other expenses	725	773	771	6.5%	-0.2%	732	671	9.2%
Total Cost Per ton	3367	3543	3603	7.0%	1.7%	3503	3219	8.8%
Realisation	4229	4585	4472	5.8%	-2.5%	4538	4091	10.9%
EBIDTA/Ton	862	1043	870	0.9%	-16.6%	1036	872	18.7%

Source: Company, Emkay Research, Industry

Q2FY13 earnings expectations

ACC

- Volume growth is expected to remain flattish at 0.5% yoy while a unusual cement price trend in November and December is expected to result in a 2.8% qoq dip in cement realisation. Overall we expect 5.3% yoy growth in revenues for ACC.
- Variable costs for ACC are expected to remain under control with no increase qoq. The full impact of diesel price hike would be visible in the quarter with freight costs increasing by 3.3% qoq. However we expect this to be negated with 3.6% qoq decline in P&F costs led by decline in international coal prices.
- Resultant EBITDA/t at Rs645 is expected to decline 20% qoq with margins contracting 310 bps qoq to 14.6%. Consequently APAT at Rs2.2bn is expected to decline 8.8% yoy and 11.1% qoq.

Exhibit 8: ACC

Rs mn	Q4'11	Q3'12	Q4'12E	YoY	QoQ
Net Sales	25027	24445	26344	5.3%	7.8%
EBIDTA	3893	4350	3859	-0.9%	-11.3%
APAT	2425	2487	2212	-8.8%	-11.1%
EBIDTA (%)	15.6%	17.8%	14.6%	-0.9%	-3.1%
Cement volumes	5.96	5.40	5.98	0.5%	10.8%
Total Cost/ton	3549	3721	3757	5.9%	1.0%
Realisation	4203	4527	4402	4.7%	-2.8%
EBIDTA/Ton	654	806	645	-1.4%	-20.0%

Source: Company, Emkay Research

Ambuja Cements

- Volumes for Ambuja are also expected to be subdued as northern and central markets witnessed a slowdown in construction activities and volumes in its key western market too declined on account of election activities in the region (Gujarat). We expect volumes to grow at 0.6% yoy at 5.73mnt.
- Further led by an unusual cement price trend influenced by weak overall demand, realizations are also expected to decline by 3.2% qoq thereby resulting in revenue growth of 7.9% yoy for Q4CY12.
- On the cost front we expect the same trends in freight costs as ACC (due to full impact of diesel hike) and the fall in international coal prices resulting in lower P&F costs (-6.4% qoq) negating the impact. Resultant EBITDA/t at Rs887/t is expected to decline by 25% qoq but show improvement of 17.5% yoy.
- EBITDA is expected to grow by 18.2% yoy but decline 10% qoq to Rs5.08bn with EBIDTA margin contracting 580 bps qoq to 20.2%. PAT at Rs3.1bn is expected to grow 15% yoy but decline 8.4% qoq.

Exhibit 9: Ambuja Cements

Rs mn	Q4'11	Q3'12	Q4'12E	YoY	QoQ
Net Sales	23291	21684	25122	7.9%	15.9%
EBIDTA	4300	5650	5082	18.2%	-10.1%
APAT	2683	3371	3089	15.1%	-8.4%
EBIDTA (%)	18.5%	26.1%	20.2%	1.8%	-5.8%
Cement volumes	5.70	4.79	5.73	0.6%	19.7%
Total Cost/ton	3332	3349	3497	4.9%	4.4%
Realisation	4086	4529	4383	7.3%	-3.2%
EBIDTA/Ton	754	1180	887	17.5%	-24.9%

Source: Company, Emkay Research

Ultratech

- Revenues are expected to grow 10% yoy to Rs50.13 bn led by subdued volume growth of 1% yoy and a sequential dip of 2.5% in blended realizations
- Freight Costs are expected to increase by 5% qoq while P&F costs decline of 4.6% is expected to negate its impact. The increase in cost/t for Ultratech is expected to be lowest compared to ACC and Ambuja (-0.1% qoq). However led by lower realizations resultant EBITDA/t at Rs953/t is expected to decline 11.2% qoq (flat yoy).
- Consequently EBITDA at Rs9.78bn is expected to grow by 1.4%yoy (-2.9% qoq) while APAT is expected to be at Rs5.19bn, +1.4% yoy.

Exhibit 10: Ultratech

Rs mn	Q3'12	Q2'13	Q3'13E	YoY	QoQ
Net Sales	45681	46996	50136	9.8%	6.7%
EBIDTA	9647	10073	9784	1.4%	-2.9%
APAT	5118	5499	5191	1.4%	-5.6%
EBIDTA (%)	21.1%	21.4%	19.5%	-1.6%	-1.9%
Cement volumes	10.12	9.39	10.26	1.4%	9.4%
Total Cost/ton	3561	3934	3931	10.4%	-0.1%
Realisation	4514	5007	4884	8.2%	-2.4%
EBIDTA/Ton	953	1073	953	0.0%	-11.2%

Source: Company, Emkay Research

Grasim Industries

- Grasim's standalone net revenue for the quarter is expected to grow by 4.5%yoy to Rs12.98bn with VSF segment reporting growth of 1.6% yoy at Rs11bn whereas the chemical business segment revenues growing 13.2% yoy.
- VSF realizations are expected to decline by 3% qoq led by price cuts
- Overall EBIDTA at Rs2.48bn is expected to decline 13%yoy. Consequently, pre-exceptional net profit at Rs2.36bn is expected to decline 13.9% yoy.

Exhibit 11: Grasim Industries

Rs mn	Q312	Q213	Q313E	yoy	qoq
Net Sales	12429	13345	12,986	4.5%	-2.7%
EBIDTA	2854	2898	2,483	-13.0%	-14.3%
APAT	2745	3827	2,365	-13.9%	-38.2%
EBIDTA (%)	23.0%	21.7%	19.1%	-3.8%	-2.6%
VSF volumes (mnt)	78215	85312	82043	4.9%	-3.8%
Total Cost Per kg	93	98	98	5.0%	-0.4%
Realisation (Rs/kg)	128	128	124	-3.7%	-3.0%
EBIDTA/kg	36	29	26	-26.6%	-11.6%

Source: Company, Emkay Research

Shree Cements

- Shree's revenues for the quarter are estimated to grow by 8.6% yoy to Rs13.6bn. Cement revenues at Rs11.4bn are expected to grow by 5% yoy led by subdued volume growth of 5% yoy and flat yoy growth in cement realizations (-2.7% qoq). Revenues from Power segment are expected to decline 25%yoy at Rs2.27bn.
- Though sequentially Shree will witness some benefit of the lower fuel cost (Petcoke prices currently ruling @Rs6300/t down Rs400/t mom as compared to Rs.6700 in Nov-12), the recent decline would be fully reflected in March -13 quarter. With decline in cement prices, Shree's Dec-12 quarter cement profitability is likely to witness some pressure.
- Cement EBITDA/t at Rs1049/t is expected to decline 9% yoy and 11% qoq as compared to Rs1184 in Sept -12 quarter. Consequently APAT at Rs1.98bn is expected to post growth of 178% yoy but decline 13.2% qoq.

Exhibit 12: Shree Cements

Rs mn	Q3'12	Q2'13	Q3'13E	YoY	QoQ
Net Sales	12586	13238	13662	8.6%	3.2%
EBIDTA	3440	3930	3684	7.1%	-6.3%
APAT	712	2281	1979	178.0%	-13.2%
EBIDTA (%)	27.3%	29.7%	27.0%	-0.4%	-2.7%
Cement volumes	2.85	3.04	3.00	5.3%	-1.4%
Total Cost/ton	2641	2721	2751	4.1%	1.1%
Realisation	3797	3905	3799	0.1%	-2.7%
EBIDTA/Ton	1155	1184	1049	-9.2%	-11.4%

Source: Company, Emkay Research

India Cements

- Net revenues for the quarter are expected to grow by 7.3% yoy to Rs10.1bn.
- Cement revenue at Rs9.9bn are expected to improve by 6.7% yoy but decline 9.6% qoq led by lower realizations (+1.6% yoy and -2.3% qoq). Volumes declined 7.5% qoq as construction activities in key Andhra Pradesh was affected by cyclone and despite the cement prices in the region showing signs of revival in October, fell sharply back to levels seen in September (Rs225-30/bag).
- On the cost front softening prices of international coal is expected to partially negate the impact of increase in freight expenses. However total cost is expected to increase by 7.7% yoy and 1.3% qoq. Consequently EBITDA/t is expected to decline by 22% yoy and 18% qoq to Rs673/t.
- EBITDA is expected to decline by 15.6% yoy (Rs1.6bn) while APAT is expected to decline 74% yoy to Rs0.15bn.

Exhibit 13: India Cements

Rs mn	Q3'12	Q2'13	Q3'13E	YoY	QoQ
Net Sales	9415	11227	10102	7.3%	-10.0%
EBIDTA	1946	2051	1642	-15.6%	-19.9%
APAT	563	391	149	-73.6%	-61.9%
EBIDTA (%)	20.7%	18.3%	16.3%	-4.4%	-2.0%
Cement volumes	2.19	2.48	2.29	5.0%	-7.5%
Total Cost/ton	3376	3590	3637	7.7%	1.3%
Realisation	4243	4411	4310	1.6%	-2.3%
EBIDTA/Ton	866	821	673	-22.3%	-18.0%

Source: Company, Emkay Research

Madras Cements

- MCL's revenues are expected to grow by 15.2% yoy to Rs8.54bn with cement revenue growth of 15.3% yoy. This is expected to be higher compared to India cements as MCL is expected to post better volume growth of 7%.
- Net realizations are expected to improve by just 8% yoy (Rs4523/t) but decline sequentially by 2.3% led by price volatility witnessed in the state of Andhra Pradesh.
- EBITDA/t is expected to decline 13%yoy to Rs1009/t. However sequentially the decline is 22% as both volumes (-8.4% qoq) and realizations (-2.3%qoq) have dipped while costs have increased by 5.4% qoq led by lower operating efficiencies are expected to impact fixed expenses
- Consequently net profit for the quarter is expected to be at Rs0.47bn, -38.6% yoy.

Exhibit 14: Madras cements

Rs mn	Q3'12	Q2'13	Q3'13E	YoY	QoQ
Net Sales	7410	9995	8536	15.2%	-14.6%
EBIDTA	2075	3139	1964	-5.3%	-37.4%
APAT	768	1329	492	-36.0%	-63.0%
EBIDTA (%)	28.0%	31.4%	23.0%	-5.0%	-8.4%
Cement volumes	1.75	2.04	1.87	6.9%	-8.4%
Total Cost/ton	3031	3334	3514	15.9%	5.4%
Realisation	4191	4632	4523	7.9%	-2.3%
EBIDTA/Ton	1160	1298	1009	-13.0%	-22.2%

Source: Company, Emkay Research

Orient Paper

- OPIL's net revenues are estimated to grow 2.4% yoy to Rs6.03bn. Cement volumes are expected to decline by 2% yoy and 3.5% qoq while realizations are expected to decline 3.6%yoy and 5% qoq to Rs3423/t led by price decline in OPIL's key markets of Andhra Pradesh and Gujarat.
- Resultant revenues from cement are expected to decline 5.5% yoy. Revenues from paper segment are expected to grow 2% to Rs0.96bn while electrical segment is expected to register growth of 18% in revenues at Rs1.58bn. Consequently net profit is expected to be at Rs135mn, -72% yoy.

Exhibit 15: Orient Paper cement financials

Rs mn	Q3'12	Q2'13	Q3'13E	YoY	QoQ
Net Sales	5678	5984	5815	2.4%	-2.8%
EBIDTA	871	417	420	-51.7%	0.9%
APAT	478	192	135	-71.8%	-29.6%

Source: Company, Emkay Research

Exhibit 16: Orient Paper cement financials

Rs mn	Q3'12	Q2'13	Q3'13E	YoY	QoQ
Net Sales	3446	3550	3255	-5.5%	-8.3%
EBIDTA	956	715	566	-40.8%	-20.9%
APAT	480	366	266	-44.6%	-27.4%
EBIDTA (%)	27.7%	20.1%	17.4%	-10.4%	-2.8%
Cement volumes	0.97	0.99	0.95	-2.0%	-3.5%
Total Cost/ton	2566	2878	2828	10.2%	-1.7%
Realisation	3551	3604	3423	-3.6%	-5.0%
EBIDTA/Ton	985	726	595	-39.6%	-18.1%

Source: Company, Emkay Research

Remain positive on Grasim, Shree cements & Madras cements

Rich valuations for companies in the sector have left little room for further out performance. Retain HOLD on Ultratech & Ambuja. We remain positive on Grasim (led by structural change in VSF business and improved performance from cement division) amongst large caps while in mid caps we prefer Shree Cements (attractive valuations) and Madras Cements (robust volume growth, low energy cost inflation and accelerated debt repayment to help stock outperformance).

Exhibit 17: Valuations & Recommendations

Company	Reco	TP (Rs)	PE (x)			EV/EBITDA (X)			EV/tonne (USD)		
			FY12	FY13E	FY14E	FY12	FY13E	FY14E	FY12	FY13E	FY14E
ACC	Accumulate	1,350	25.3	19.5	15.6	14.6	10.8	9.1	180.7	141.2	140.5
Ambuja Cements	Hold	180	25.7	18.6	16.1	15.5	12.1	10.3	225.6	187.3	178.4
Grasim Industries	Buy	3,700	11.0	10.5	9.6	7.8	7.7	6.3			
India Cements	Hold	103	9.3	11.6	9.0	6.2	6.1	5.5	81.5	67.2	66.1
Madras Cements	Accumulate	195	14.5	14.4	12.4	7.5	6.8	5.7	165.4	118.6	113.1
Orient Paper	Buy	80	7.7	7.8	6.9	5.1	4.5	3.6	82.5	68.1	70.7
Shree Cements	Accumulate	3,850	25.7	19.3	19.6	7.5	7.9	6.9	221.6	183.3	155.8
Ultratech Cement	Hold	1,530	24.3	19.5	17.8	14.1	12.0	10.5	218.5	206.0	169.5

Source: Companies, Emkay Research

Exhibit 18: Key Financials

Rs bn Company	Sales			EBITDA			PAT			EPS (Rs/share)		
	FY12	FY13E	FY14E	FY12	FY13E	FY14E	FY12	FY13E	FY14E	FY12	FY13E	FY14E
ACC	94.4	109.3	126.3	17.0	22.1	27.1	10.5	13.6	17.1	56.0	72.6	91.1
Ambuja Cements	85.1	100.5	115.0	19.4	26.2	30.3	12.2	16.8	19.4	7.9	10.9	12.6
Grasim Industries	249.9	268.3	311.9	53.2	61.2	71.6	26.5	27.8	30.3	288.6	303.5	330.1
India Cements	42.0	46.4	50.9	9.0	9.2	10.3	3.0	2.4	3.1	9.7	7.7	10.0
Madras Cements	32.4	39.1	44.4	9.3	10.8	11.9	4.0	4.0	4.6	16.6	16.8	19.4
Orient Paper	24.7	28.2	32.2	4.0	3.9	4.4	2.1	2.1	2.4	10.4	10.3	11.6
Shree Cements	59.0	59.0	66.4	16.5	16.8	18.4	6.2	8.2	8.2	177.5	235.0	235.2
Ultratech Cement	181.7	215.8	249.2	40.0	49.7	57.3	23.0	28.7	31.5	83.9	104.9	114.9

Source: Companies, Emkay Research

Emkay Global Financial Services Ltd.

7th Floor, The Ruby, Senapati Bapat Marg, Dadar - West, Mumbai - 400028. India

Tel: +91 22 66121212 Fax: +91 22 66121299 Web: www.emkayglobal.com

DISCLAIMER: Emkay Global Financial Services Limited and its affiliates are a full-service, brokerage, investment banking, investment management, and financing group. We along with our affiliates are participants in virtually all securities trading markets in India. Our research professionals provide important input into our investment banking and other business selection processes. Investors may assume that Emkay Global Financial Services Limited and/or its affiliates may seek investment banking or other business from the company or companies that are the subject of this material and that the research professionals who were involved in preparing this material may participate in the solicitation of such business. Our salespeople, traders, and other professionals 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. Additionally, other important information regarding our relationships with the company or companies that are the subject of this material is provided herein. This report is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation or which would subject Emkay Global Financial Limited or its group companies to any registration or licensing requirement within such jurisdiction. Specifically, this document does not constitute an offer to or solicitation to any U.S. person for the purchase or sale of any financial instrument or as an official confirmation of any transaction to any U.S. person unless otherwise stated, this message should not be construed as official confirmation of any transaction. No part of this document may be distributed in Canada or used by private customers in United Kingdom. All material presented in this report, unless specifically indicated otherwise, is under copyright to Emkay. None of the material, nor its content, nor any copy of it, may be altered in any way, transmitted to, copied or distributed to any other party, without the prior express written permission of Emkay. All trademarks, service marks and logos used in this report are trademarks or registered trademarks of Emkay or its Group Companies. The information contained herein is not intended for publication or distribution or circulation in any manner whatsoever and any unauthorized reading, dissemination, distribution or copying of this communication is prohibited unless otherwise expressly authorized. Please ensure that you have read "Risk Disclosure Document for Capital Market and Derivatives Segments" as prescribed by Securities and Exchange Board of India before investing in Indian Securities Market. In so far as this report includes current or historic information, it is believed to be reliable, although its accuracy and completeness cannot be guaranteed.