

Tesco has made an application (**likely to be taken up on 26th Dec 2013**) with the Govt of India to invest in Trent Hypermarket Ltd (THL), 100% subsidiary of Trent whereby it will take 50% stake. THL operates 16 stores. The investment would be for stores in Karnataka and Maharashtra (both states allow FDI in retail) where THL currently operates 12 stores. In [our note dated 2nd August 2013](#) we had stated that Tesco could further its relationship with Trent beyond its current franchise agreement.

We estimate that these 12 stores would end FY14 with a turnover of Rs 7-8 bn. The current FDI policy ([see page 9](#)) mandates deployment at least 50% of the stipulated \$100mn investment in back end infrastructure over a period of 3 years. Therefore there are three possible scenarios ([detailed analysis on pg 2](#))–

1. Tesco acquires the stated 50% stake in form of subscription of fresh issue of shares in THL (meet back end infrastructure needs from these proceeds)
2. Tesco acquires part stake from Trent Ltd and partly from subscription of fresh issue of shares THL taking its stake to 50% in THL (meet back end infrastructure needs from these proceeds + may have to bring additional capital if it acquires more than half of its target shares from Trent-likely scenario)
3. Tesco acquires 50% of Trent's share holding in THL. (has to bring additional capital if it acquires all of its target shares from Trent- maximum value for Trent's shareholders)

All three would fulfill the criteria of \$100 mn FDI however, the amount of money to be further deployed in back-end and post money value of the deal would be contingent on which of the above scenarios the deal falls under.

Media reports indicate that Tesco is likely to invest \$110 mn. Thus, valuing about 75% of the stores and part of the future store pipeline at Rs12 bn. Though a plain vanilla calculation implies that just these stores would be valued at ~1.8x FY14 sales, it is also likely that part of this investment would also be in lieu of future stores. Nevertheless, we believe that the decision of Tesco to invest in the franchise of Star Bazaar and comply with the FDI conditions is a reflection of the conviction on the long term success of this model.

We believe that this deal on fructification will bring in operational efficacies over a period of time to the Star Bazaar format in form of –a) Gross Margin expansion led by sourcing ability & private labels b) Improved Sales density due to product mix, led by scientific methods/loyalty card analytics led by Dunhumby c) Increased absorption of store level fixed costs as well as corporate overheads as business attains scale d) Continued efficiencies on distribution and improvement in store fill thus improving sales density. ([Details on pg 2](#))

Further clarity on exact consideration by Tesco, the structure (extent of fresh issue) and near term plans of Tesco will lead us to change our estimates. We believe that the benefits will accrue and be visible on financial parameters over a period of 2-5 years and hence earnings growth led by these could be exponential. We also expect ramp up in opening of stores so as to attain the optimum asset turnover from proposed investments in back-end. Consequently we may see Star Bazaar attain Rs~15 bn of turnover and break even in FY16. Moreover, the involvement of Tesco operationally and financially will improve the cash flow of the parent company and further enhance investments into the Westside Format, which we believe has been amongst best retail performers this year. We revise our fair value of stock marginally to Rs1252 to factor better LTL growth (not to be comprehended as a consequence of the proposed transaction)

BUY

TRENT IN | CMP RS 1160

TARGET RS 1252 (+8%)

Company Data

O/S SHARES (MN) :	33
MARKET CAP (RSBN) :	38.5
MARKET CAP (USDBN) :	0.6
52 - WK HI/LO (RS) :	1345 / 902
LIQUIDITY 3M (USDMN) :	0.5
FACE VALUE (RS) :	10

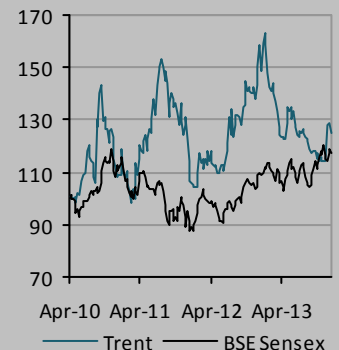
Share Holding Pattern, %

PROMOTERS :	32.6
FII / NRI :	15.9
FI / MF :	21.0
NON PROMOTER CORP. HOLDINGS :	8.7
PUBLIC & OTHERS :	21.8

Price Performance, %

	1mth	3mth	1yr
ABS	27.2	23.2	-5.4
REL TO BSE	28.1	22.9	-11.7

Price Vs. Sensex (Rebased values)



Source: PhillipCapital India Research

Other Key Ratios

Rs mn	FY13	FY14E	FY15E
Net Sales	21,320	25,337	30,782
EBIDTA	-120	668	1,516
Net Profit	229	429	1,044
EPS, Rs	6.9	12.9	31.4
PER, x	168.1	89.8	36.9
EV/EBIDTA, x	(326.6)	59.6	26.1
P/BV, x	3.1	3.0	2.8
ROE, %	1.9	3.3	7.5
Debt/Equity (%)	27.1	26.2	24.2

Source: PhillipCapital India Research Est.

Abhishek Ranganathan (+ 9122 6667 9952)
abhishekr@phillipcapital.in

Neha Garg (+ 9122 6667 9996)
ngarg@phillipcapital.in

Post Money Value Estimates

FY14E Sales	Scenario A	Scenario B	Scenario C
12 stores in Maharashtra & Karnataka	8,023	8,023	8,023
Remaining 4 Stores	1,500	1,500	1,500
	9,523	9,523	9,523
Total EV as per transaction	13,200	13,200	13,200
Amount Paid by Tesco	6,600	6,600	6,600
Stake acquired from Trent	0%	50%	100%
Stake acquired through fresh issue of shares in THL	100%	50%	0%
Amount paid to Trent	0	3,300	6,600
Amount infused in THL as fresh issue	6,600	3,300	0
Value post deal of THL	11,400	13,050	14,700
Value of Westside	15,075	15,075	15,075
Value of Landmark	2,393	2,393	2,393
Value of Zara	7,913	7,913	7,913
Cash	3,173	3,173	3,173
Fair Value	39,954	41,604	43,254
Value per share	1,202	1,252	1,301

Source: PhillipCapital India Research

The Macro opportunity for Tesco in India

- Economic growth, lifestyle changes and working women
- What is the market size and scope of the grocery retail industry in India
- Rising consumption and sustained food price inflation

The Key operating efficiencies which can kick in Star Bazaar

The five key areas that can further improve the most in the business are;

1. Higher sales densities -led by scientific methods such as sophisticated site research techniques, pricing, ranging, store processes and superior analytics on loyalty data, like Tesco's DunnHumby (customer analytics company).
2. Gross margin expansion – Led by wider range, private labels (one of Tesco's key strengths) (**Refer table below**), mix, cost of goods, own brand, direct delivery. Sourcing capabilities Tesco can improve gross margin across a categories such as fresh, FMCG (due to global sourcing agreements) and general merchandise. We believe the 5-6% gap in gross margin could be partly closed with global sourcing of opening price point value lines, category management, negotiations with global suppliers, own brand development and many other enhancements through pricing and range extensions on premium lines.
3. Store expenses reduction - In terms of store costs we believe these could be rapidly reduced via higher sales densities as more people shop in modern retail stores. We believe the level of store expenses as a percentage of sales could be reduced from 15-16% to 10-11% if sales densities improve covering more of the fixed costs of lighting, refrigeration and IT systems are used.
4. Better distribution and supply chain- We highlight that that quite a few stores in India have a shelf ready products and well filled shelves but a lot had very poor fill rates which still run in the 70% range. This is partly due to a lack of central distribution, a lack of investment by manufacturers and the fact that many stores receive multiple deliveries a day with most not on time. We believe that these metrics are better for Star Bazaar as Tesco has been handling the supply chain. As the business scales up the company will be able to milk the supply chain system more efficiently.
5. Overheads reduced from 5-6% of sales to 2-3% as central overheads are better absorbed as the business scales up.

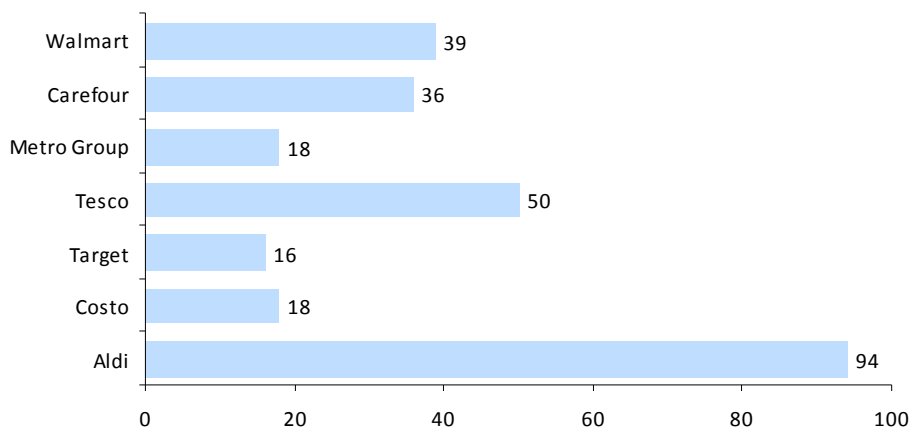
It is imperative to note that these changes will come in over a period of time and hence the benefits will accrue and be visible on financial parameters over a period of 2-5 years.

Trent Hypermarket – Key Metrics

Particulars	FY10	FY11	FY12	FY13	FY14E	FY15E	FY16E
Sales	2,895	4,893	6,478	7,811	9,523	11,073	15,086
EBITDA	(214)	(263)	(427)	(561)	(429)	(255)	45
EBITDA Margin	-7.4%	-5.4%	-6.6%	-7.2%	-4.5%	-2.3%	0.3%

Source: PhillipCapital India Research

International retailers -share of private label (%)



Source: PhillipCapital India Research

Some of the Private labels on Offer in Star Bazaar -

Chocolate Flavoured Breakfast Cereal

Available in 170g & 700g

TESCO
Britain's Biggest Brand

Exciting Food Products Specially imported from Tesco, Malaysia



Star tomato ketchup

- Made from farm fresh tomatoes
- 34% Thick and Rich Tomato Paste
- Contains 6% Extra Tomato Paste than Leading Brands

Great Quality. Great Price

An exciting range of **TESCO** products now at Star Bazaar



Star Rice Bran Oil

Pure Rice Bran Oil
All the goodnees of Rice Bran Oil at an unbelievable price

Great Quality. Great Price.

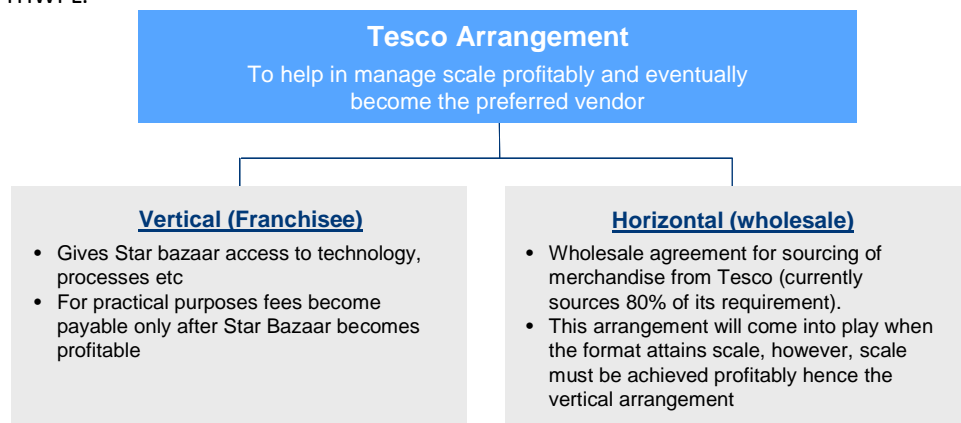
Stay Healthy



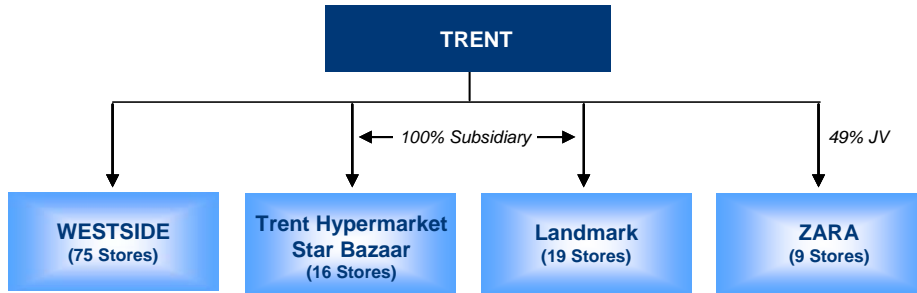
Source: Company, PhillipCapital Research

Existing Arrangement with Tesco

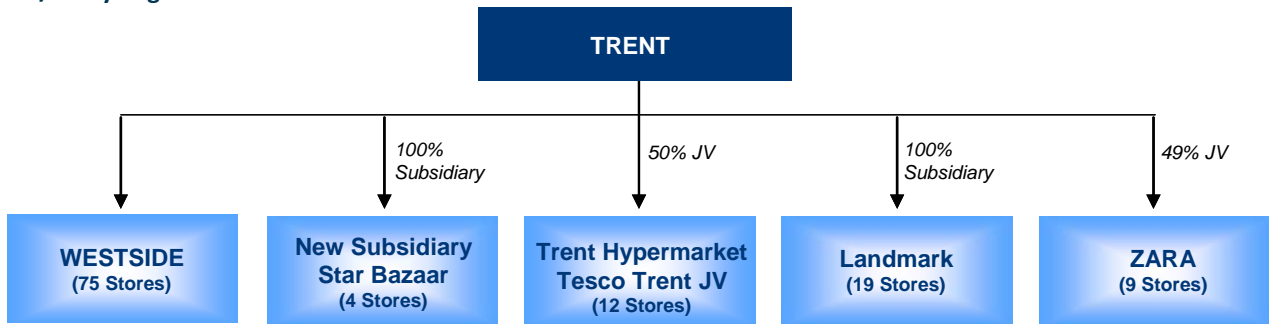
Trent Hypermarket Limited (THL) currently has a franchise and a wholesale supply arrangement with Tesco Plc and its wholly owned Indian subsidiary-Tesco Hindustan Wholesaling Pvt Limited (THWPL) respectively. The exclusive franchise agreement is allowing the Star Bazaar business access to Tesco’s extensive retail expertise and technical capability including world class IT systems, processes and best practices in functions like marketing, stock management, retail information systems, supply-chain infrastructure and front-end services to drive the growth of hypermarket business. Under the wholesale supply arrangement, Star Bazaar also sources merchandise from Tesco’s wholesale cash-and-carry business in India, benefiting from Tesco’s sourcing capability and supply chain expertise. Given concerted efforts from both teams, a significant share of merchandise retailed across Star Bazaar stores is being sourced by THWPL.



Current Organizational Structure



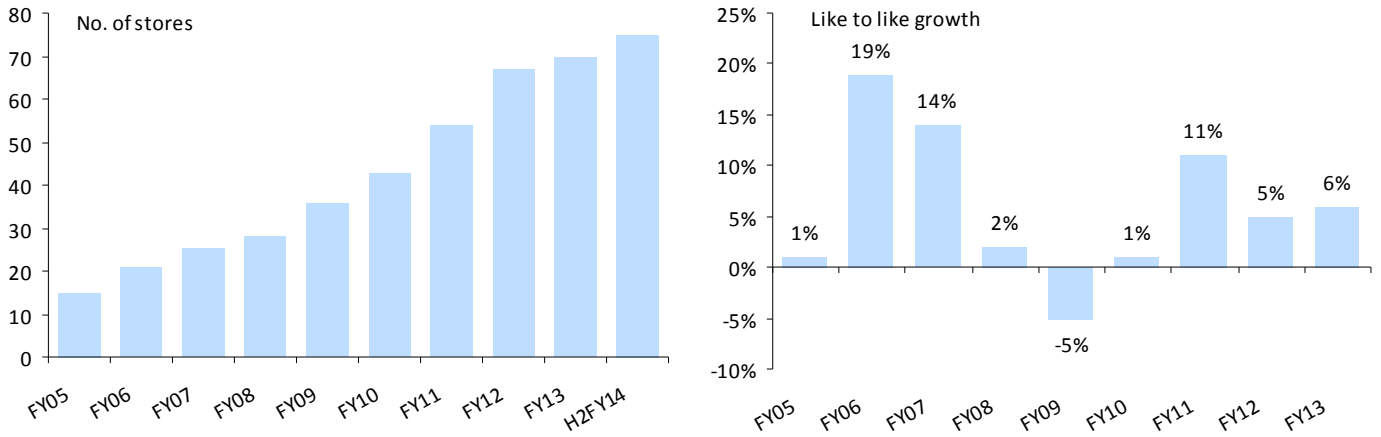
Proposed/Likely Organizational Structure



Source: Company, PhillipCapital India Research

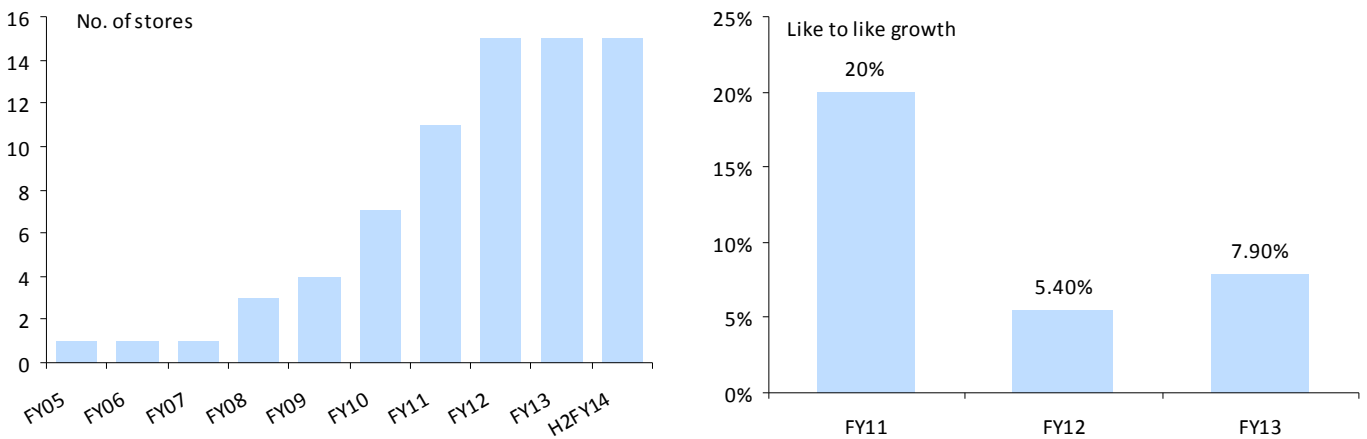
Format wise Store count over the years

Westside Format



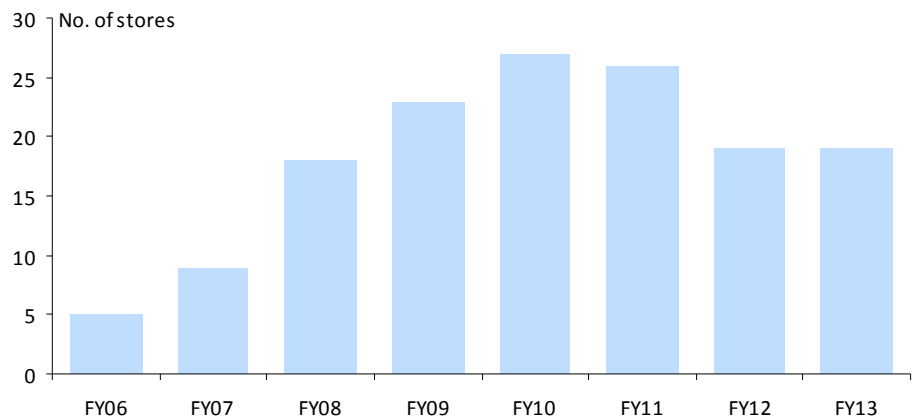
Source: PhillipCapital India Research

Star Bazaar format



Source: PhillipCapital India Research

Landmark



Source: PhillipCapital India Research

Who said what on investment?

Excerpts from Tesco's statement – “today we supply around 80% of the goods in Tata's 16 Star Bazaar and Star Daily stores in Southern and Western India, as well as sharing our technical knowhow with their team.....

...They've taught us a huge amount about this exciting market and we've developed some great relationships with local suppliers and farmers.

...It could open the way to Tesco investing directly and forming a partnership from our existing relationship with the Tata Group. That partnership would mean working closely every day to bring more of the benefits and capabilities we have developed over decades to Indian consumers, manufacturers and the supply chain.”

Trent's press release

Trent and Tesco have been in discussions regarding an investment by Tesco in Trent Hypermarket limited (THL) which operates the Star Bazaar business and is engaged in multi brand retail trading. In this context, Tesco is making an application to the Foreign Investment Promotion Board. If the application is successful, the intent would be to enter into a partnership where Trent and Tesco will each own a 50% stake in THL.

THL currently operates 16 stores across the Southern and Western regions of India. The proposed partnership will operate and build on the existing portfolio of Star Bazaar stores in Maharashtra and Karnataka. The application envisages a minimum foreign direct investment in line with the applicable multi brand retail trading policy.

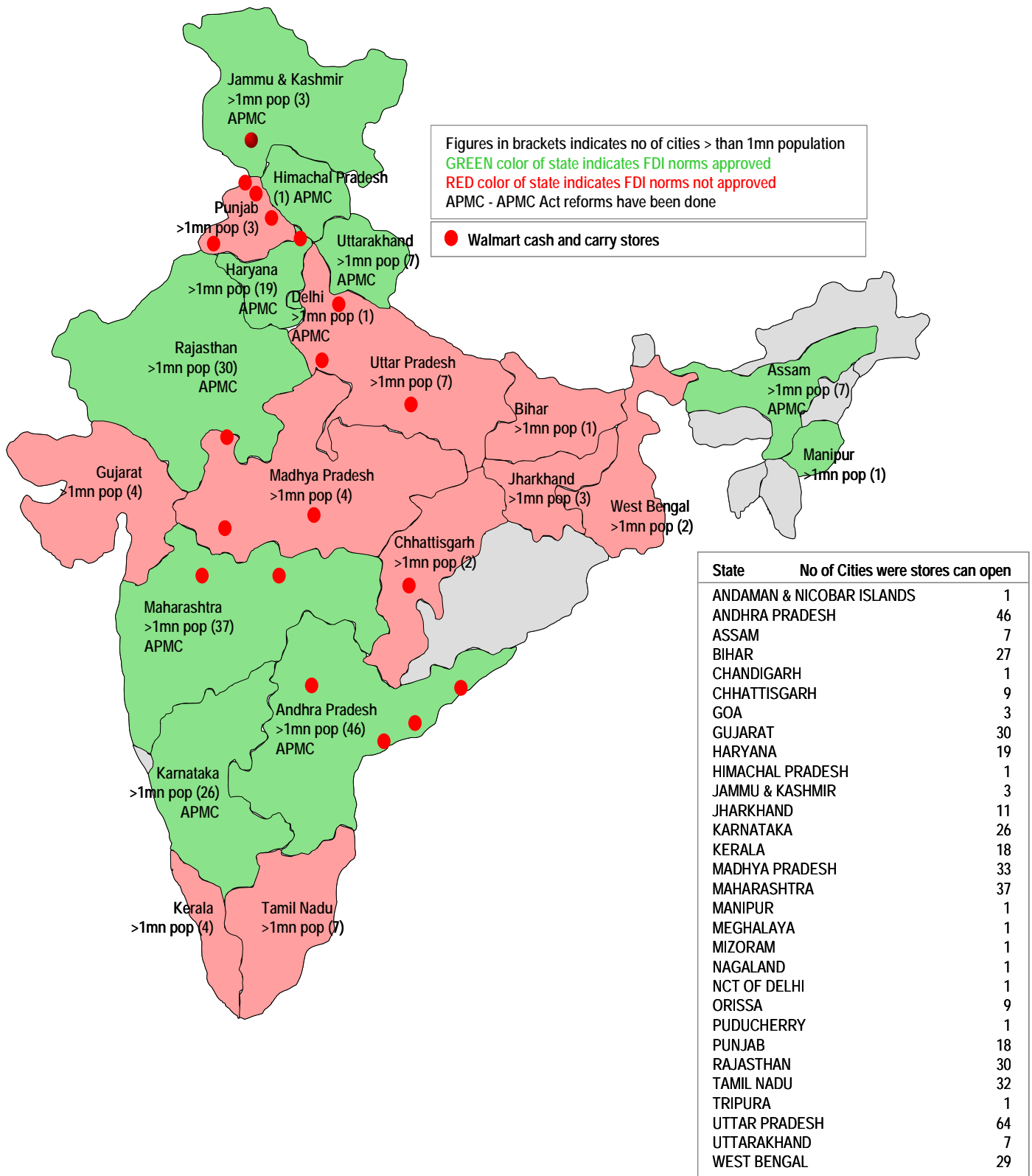
Our take (PhillipCapital) in August 2013 – “.....The move to relax the SME sourcing, back-end infra will make the policy more attractive and importantly more economically viable for foreign retailers. The move to allow cities and municipal/urban agglomerations even with population lower than 1 mn will open 178 cities (earlier 19 cities) with the states that are currently in favor of FDI in MBRT (overall 468 cities across states), therefore there is significant increase in the opportunity to do more business for the foreign retails. Tesco could get more active in India and further its relationship with Trent beyond its current franchise agreement.” ([For full report click here](#))

Key Conditions for FDI in Retail-

- At least 50% of total FDI brought in the first tranche of US\$ 100 million, shall be invested in 'backend infrastructure' within three years, where 'back-end infrastructure' will include capital expenditure on all activities, excluding that on front-end units. For instance, back-end infrastructure will include investment made towards processing, manufacturing, distribution, design improvement, quality control, packaging, logistics, storage, ware-house, agriculture market produce infrastructure etc. Expenditure on land cost and rentals, if any, will not be counted for purposes of backend infrastructure. Subsequent investment in the back-end infrastructure would be made by the MBRT retailer as needed, depending upon his business requirements. (Refer to our earlier reports on the [original policy](#) and [clarifications](#) thereafter)
- At least 30% of the value of procurement of manufactured/ processed products purchased shall be sourced from Indian micro, small and medium industries which have a total investment in plant & machinery not exceeding US \$ 2. million (earlier it was \$1 mn). This valuation refers to the value at the time of installation, without providing for depreciation. The 'small industry' status would be reckoned only at the time of first engagement with the retailer and such industry shall continue to qualify as a 'small industry' for this purpose even if it outgrows the said investment of US\$ 2.00 million, during the course of its relationship with the said retailer. Sourcing from agricultural co-operatives and farmer co-operatives would also be considered in this category (point raised by Tesco). The procurement requirement would have to be met, in the first instance, as an average of five years' total value of the manufactured/ processed products purchased, beginning 1st April of the year during which the first tranche of FDI is received. Thereafter, it would have to be met on an annual basis.
- Retail sales outlets may be set up only in cities with a population of more than 1 mn as per the 2011 Census or any other cities as per the decision of the respective State Governments, and may also cover an area of 10 kms around the municipal/urban agglomeration limits of such cities; retail locations will be restricted to conforming areas as per the Master/Zonal Plans of the concerned cities and provision will be made for requisite facilities such as transport connectivity and parking.

Annexure I

State-wise stance on FDI in Retail



Financials

Income Statement

Y/E Mar, Rs mn	FY12	FY13	FY14E	FY15E
Net sales	18,449	21,320	25,337	30,782
Growth, %	22	16	19	21
Total income	18,449	21,320	25,337	30,782
Raw material expenses	-12,161	-13,994	-15,010	-17,190
Employee expenses	-1,568	-1,739	-1,621	-1,865
Other Operating expenses	-5,291	-5,708	-8,038	-10,212
EBITDA (Core)	-571	-120	668	1,516
Growth, %	(536.7)	(79.0)	(655.8)	126.8
Margin, %	(3.1)	(0.6)	2.6	4.9
Depreciation	-411	-447	-530	-581
EBIT	-982	-568	138	935
Growth, %	(536.7)	(79.0)	(655.8)	126.8
Margin, %	(3.1)	(0.6)	2.6	4.9
Interest paid	-104	-160	-159	-159
Other Non-Operating Income	559	682	594	617
Pre-tax profit	-526	-45	572	1,393
Tax provided	-29	274	-143	-348
Profit after tax	-556	229	429	1,044
Net Profit	-556	229	429	1,044
Growth, %	(2,552.4)	(141.3)	87.1	143.4
Net Profit (adjusted)	(556)	229	429	1,044
Unadj. shares (m)	25	33	33	33
Wtd avg shares (m)	27	33	33	33

Balance Sheet

Y/E Mar, Rs mn	FY12	FY13	FY14E	FY15E
Cash & bank	3,037	2,065	1,480	1,792
Marketable securities at cost	673	581	581	581
Debtors	184	244	243	295
Inventory	3,481	3,311	3,769	4,345
Loans & advances	2,702	3,520	3,801	4,617
Total current assets	10,077	9,721	9,873	11,631
Investments	1,579	2,592	2,592	2,592
Gross fixed assets	8,912	10,651	11,780	12,909
Less: Depreciation	-1,451	-1,898	-2,428	-3,009
Add: Capital WIP	732	732	732	732
Net fixed assets	8,193	9,484	10,083	10,631
Non-current assets	62	84	84	84
Total assets	20,144	22,091	22,842	25,148
Current liabilities	3,844	4,645	4,651	5,482
Provisions	1,591	1,681	1,998	2,427
Total current liabilities	5,435	6,326	6,649	7,909
Non-current liabilities	3,013	3,355	3,355	3,355
Total liabilities	8,448	9,681	10,004	11,264
Paid-up capital	387	402	402	402
Reserves & surplus	11,252	11,983	12,410	13,456
Shareholders' equity	11,697	12,410	12,837	13,882
Total equity & liabilities	20,144	22,091	22,842	25,148

Source: Company, PhillipCapital India Research Estimates

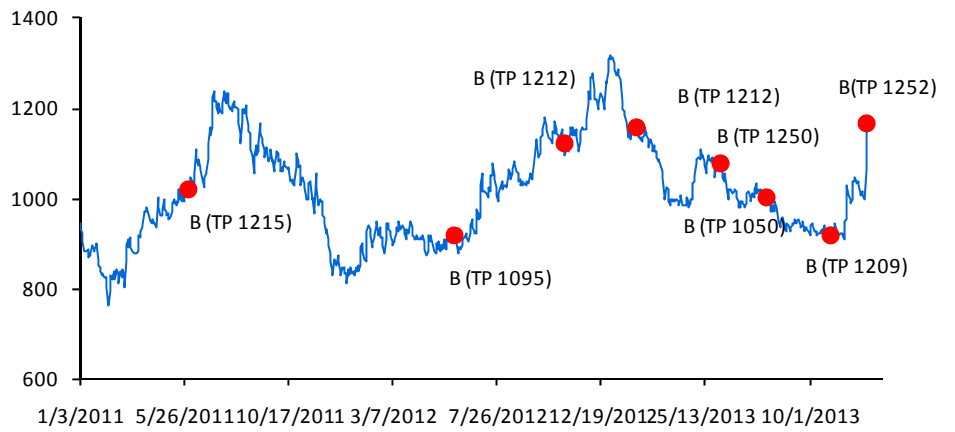
Cash Flow

Y/E Mar, Rs mn	FY12	FY13	FY14E	FY15E
Pre-tax profit	-526	-45	572	1,393
Depreciation	411	447	530	581
Chg in working capital	305	162	-415	-185
Total tax paid	4	298	-143	-348
Cash flow from operating activities	194	862	544	1,441
Capital expenditure	-1,584	-1,739	-1,129	-1,129
Cash flow from investing activities	-2,483	-2,660	-1,129	-1,129
Free cash flow	-2,289	-1,798	-585	312
Equity raised/(repaid)	3,746	746	427	1,045
Debt raised/(repaid)	-55	342	0	0
Other financing activities	-1,508	-230	-573	-981
Cash flow from financing activities	2,094	825	-146	64
Net chg in cash	-196	-973	-730	376

Valuation Ratios & Per Share Data

	FY12	FY13	FY14E	FY15E
Per Share data				
EPS (INR)	(20.4)	6.9	12.9	31.4
Growth, %	(1,904.7)	(133.8)	87.1	143.4
Book NAV/share (INR)	427.1	372.6	385.4	416.9
FDEPS (INR)	(20.4)	6.9	12.9	31.4
CEPS (INR)	(5.3)	20.4	28.9	48.9
CFPS (INR)	(11.1)	6.1	(1.5)	24.8
Return ratios				
Return on assets (%)	(2.6)	1.6	2.4	4.8
Return on equity (%)	(4.8)	1.9	3.3	7.5
Return on capital employed (%)	(3.2)	2.0	3.0	6.1
Turnover ratios				
Asset turnover (x)	1.8	1.9	2.0	2.2
Sales/Total assets (x)	1.0	1.0	1.1	1.3
Sales/Net FA (x)	2.4	2.4	2.6	3.0
Working capital/Sales (x)	0.1	0.1	0.1	0.1
Working capital days	49.9	41.6	45.5	44.8
Liquidity ratios				
Current ratio (x)	2.6	2.1	2.1	2.1
Quick ratio (x)	1.7	1.4	1.3	1.3
Interest cover (x)	(9.5)	(3.6)	0.9	5.9
Total debt/Equity (%)	25.9	27.1	26.2	24.2
Net debt/Equity (%)	(0.2)	10.4	14.6	11.3
Valuation				
PER (x)	(56.9)	168.1	89.8	36.9
PEG (x) - y-o-y growth	0.0	(1.3)	1.0	0.3
Price/Book (x)	2.7	3.1	3.0	2.8
EV/Net sales (x)	1.5	1.8	1.6	1.3
EV/EBITDA (x)	(48.6)	(326.6)	59.6	26.1
EV/EBIT (x)	(48.6)	(326.6)	59.6	26.1

Recommendation History



Source: PhillipCapital India Research

Management

Vineet Bhatnagar (Managing Director) (91 22) 2300 2999
Jignesh Shah (Head – Equity Derivatives) (91 22) 6667 9735

Research

Automobiles

Deepak Jain (9122) 6667 9758
Priya Ranjan (9122) 6667 9965

Banking, NBFCs

Manish Agarwalla (9122) 6667 9962
Sachit Motwani, CFA, FRM (9122) 6667 9953

Consumer, Media, Telecom

Naveen Kulkarni, CFA, FRM (9122) 6667 9947
Ennette Fernandes (9122) 6667 9764
Vivekanand Subbaraman (9122) 6667 9766

Cement

Vaibhav Agarwal (9122) 6667 9967

Economics

Anjali Verma (9122) 6667 9969

Engineering, Capital Goods

Ankur Sharma (9122) 6667 9759
Aditya Bahety (9122) 6667 9986

Infrastructure & IT Services

Vibhor Singhal (9122) 6667 9949
Varun Vijayan (9122) 6667 9992

Metals

Dhawal Doshi (9122) 6667 9769
Dharmesh Shah (9122) 6667 9974

Oil&Gas, Agri Inputs

Gauri Anand (9122) 6667 9943
Deepak Pareek (9122) 6667 9950

Pharma

Surya Patra (9122) 6667 9768

Retail, Real Estate

Abhishek Ranganathan, CFA (9122) 6667 9952
Neha Garg (9122) 6667 9996

Quant

Shikha Khurana (9122) 6667 9948

Database Manager

Vishal Randive (9122) 6667 9944

Sr. Manager – Equities Support

Rosie Ferns (9122) 6667 9971

Sales & Distribution

Kinshuk Tiwari (9122) 6667 9946
Ashvin Patil (9122) 6667 9991
Shubhangi Agrawal (9122) 6667 9964
Kishor Binwal (9122) 6667 9989
Sidharth Agrawal (9122) 6667 9934
Dipesh Sohani (9122) 6667 9756

Sales Trader

Dilesh Doshi (9122) 6667 9747
Sunil Pandit (9122) 6667 9745

Execution

Mayur Shah (9122) 6667 9945

Contact Information (Regional Member Companies)

SINGAPORE

Phillip Securities Pte Ltd

250 North Bridge Road, #06-00 Raffles City Tower,
Singapore 179101
Tel : (65) 6533 6001 Fax: (65) 6535 3834
www.phillip.com.sg

JAPAN

Phillip Securities Japan, Ltd

4-2 Nihonbashi Kabutocho, Chuo-ku
Tokyo 103-0026
Tel: (81) 3 3666 2101 Fax: (81) 3 3664 0141
www.phillip.co.jp

THAILAND

Phillip Securities (Thailand) Public Co. Ltd.

15th Floor, Vorawat Building, 849 Silom Road,
Silom, Bangrak, Bangkok 10500 Thailand
Tel (66) 2 2268 0999 Fax: (66) 2 2268 0921
www.phillip.co.th

UNITED STATES

Phillip Futures Inc.

141 W Jackson Blvd Ste 3050
The Chicago Board of Trade Building
Chicago, IL 60604 USA
Tel (1) 312 356 9000 Fax: (1) 312 356 9005

MALAYSIA

Phillip Capital Management Sdn Bhd

B-3-6 Block B Level 3, Megan Avenue II,
No. 12, Jalan Yap Kwan Seng, 50450 Kuala Lumpur
Tel (60) 3 2162 8841 Fax (60) 3 2166 5099
www.poems.com.my

INDONESIA

PT Phillip Securities Indonesia

ANZ Tower Level 23B, Jl Jend Sudirman Kav 33A,
Jakarta 10220, Indonesia
Tel (62) 21 5790 0800 Fax: (62) 21 5790 0809
www.phillip.co.id

FRANCE

King & Shaxson Capital Ltd.

3rd Floor, 35 Rue de la Bienfaisance
75008 Paris France
Tel (33) 1 4563 3100 Fax : (33) 1 4563 6017
www.kingandshaxson.com

AUSTRALIA

PhillipCapital Australia

Level 37, 530 Collins Street
Melbourne, Victoria 3000, Australia
Tel: (61) 3 9629 8380 Fax: (61) 3 9614 8309
www.phillipcapital.com.au

INDIA

PhillipCapital (India) Private Limited

No. 1, C-Block, 2nd Floor, Modern Center , Jacob Circle, K. K. Marg, Mahalaxmi Mumbai 400011
Tel: (9122) 2300 2999 Fax: (9122) 6667 9955 www.phillipcapital.in

HONG KONG

Phillip Securities (HK) Ltd

11/F United Centre 95 Queensway Hong Kong
Tel (852) 2277 6600 Fax: (852) 2868 5307
www.phillip.com.hk

CHINA

Phillip Financial Advisory (Shanghai) Co. Ltd.

No 550 Yan An East Road, Ocean Tower Unit 2318
Shanghai 200 001
Tel (86) 21 5169 9200 Fax: (86) 21 6351 2940
www.phillip.com.cn

UNITED KINGDOM

King & Shaxson Ltd.

6th Floor, Candlewick House, 120 Cannon Street
London, EC4N 6AS
Tel (44) 20 7929 5300 Fax: (44) 20 7283 6835
www.kingandshaxson.com

SRI LANKA

Asha Phillip Securities Limited

Level 4, Millennium House, 46/58 Navam Mawatha,
Colombo 2, Sri Lanka
Tel: (94) 11 2429 100 Fax: (94) 11 2429 199
www.ashaphillip.net/home.htm

Disclosures and Disclaimers

PhillipCapital (India) Pvt. Ltd. has three independent equity research groups: Institutional Equities, Institutional Equity Derivatives and Private Client Group. This report has been prepared by Institutional Equities Group. The views and opinions expressed in this document may or may not match or may be contrary at times with the views, estimates, rating, target price of the other equity research groups of PhillipCapital (India) Pvt. Ltd.

This report is issued by PhillipCapital (India) Pvt. Ltd. which is regulated by SEBI. PhillipCapital (India) Pvt. Ltd. is a subsidiary of Phillip (Mauritius) Pvt. Ltd. References to "PCIPL" in this report shall mean PhillipCapital (India) Pvt. Ltd. unless otherwise stated. This report is prepared and distributed by PCIPL for information purposes only and neither the information contained herein nor any opinion expressed should be construed or deemed to be construed as solicitation or as offering advice for the purposes of the purchase or sale of any security, investment or derivatives. The information and opinions contained in the Report were considered by PCIPL to be valid when published. The report also contains information provided to PCIPL by third parties. The source of such information will usually be disclosed in the report. Whilst PCIPL has taken all reasonable steps to ensure that this information is correct, PCIPL does not offer any warranty as to the accuracy or completeness of such information. Any person placing reliance on the report to undertake trading does so entirely at his or her own risk and PCIPL does not accept any liability as a result. Securities and Derivatives markets may be subject to rapid and unexpected price movements and past performance is not necessarily an indication to future performance.

This report does not have regard to the specific investment objectives, financial situation and the particular needs of any specific person who may receive this report. Investors must undertake independent analysis with their own legal, tax and financial advisors and reach their own regarding the appropriateness of investing in any securities or investment strategies discussed or recommended in this report and should understand that statements regarding future prospects may not be realized. In no circumstances it be used or considered as an offer to sell or a solicitation of any offer to buy or sell the Securities mentioned in it. The information contained in the research reports may have been taken from trade and statistical services and other sources, which we believe are reliable. PhillipCapital (India) Pvt. Ltd. or any of its group/associate/affiliate companies do not guarantee that such information is accurate or complete and it should not be relied upon as such. Any opinions expressed reflect judgments at this date and are subject to change without notice

Important: These disclosures and disclaimers must be read in conjunction with the research report of which it forms part. Receipt and use of the research report is subject to all aspects of these disclosures and disclaimers. Additional information about the issuers and securities discussed in this research report is available on request.

Certifications: The research analyst(s) who prepared this research report hereby certifies that the views expressed in this research report accurately reflect the research analyst's personal views about all of the subject issuers and/or securities, that the analyst have no known conflict of interest and no part of the research analyst's compensation was, is or will be, directly or indirectly, related to the specific views or recommendations contained in this research report. The Research Analyst certifies that he /she or his / her family members does not own the stock(s) covered in this research report.

Independence: PhillipCapital (India) Pvt. Ltd. has not had an investment banking relationship with, and has not received any compensation for investment banking services from, the subject issuers in the past twelve (12) months, and PhillipCapital (India) Pvt. Ltd. does not anticipate receiving or intend to seek compensation for investment banking services from the subject issuers in the next three (3) months. PhillipCapital (India) Pvt. Ltd. is not a market maker in the securities mentioned in this research report, although it or its affiliates may hold either long or short positions in such securities. PhillipCapital (India) Pvt. Ltd. does not hold more than 1% of the shares of the company(ies) covered in this report.

Suitability and Risks: This research report is for informational purposes only and is not tailored to the specific investment objectives, financial situation or particular requirements of any individual recipient hereof. Certain securities may give rise to substantial risks and may not be suitable for certain investors. Each investor must make its own determination as to the appropriateness of any securities referred to in this research report based upon the legal, tax and accounting considerations applicable to such investor and its own investment objectives or strategy, its financial situation and its investing experience. The value of any security may be positively or adversely affected by changes in foreign exchange or interest rates, as well as by other financial, economic or political factors. Past performance is not necessarily indicative of future performance or results.

Sources, Completeness and Accuracy: The material herein is based upon information obtained from sources that PCIPL and the research analyst believe to be reliable, but neither PCIPL nor the research analyst represents or guarantees that the information contained herein is accurate or complete and it should not be relied upon as such. Opinions expressed herein are current opinions as of the date appearing on this material and are subject to change without notice. Furthermore, PCIPL is under no obligation to update or keep the information current.

Copyright: The copyright in this research report belongs exclusively to PCIPL. All rights are reserved. Any unauthorized use or disclosure is prohibited. No reprinting or reproduction, in whole or in part, is permitted without the PCIPL's prior consent, except that a recipient may reprint it for internal circulation only and only if it is reprinted in its entirety.

Caution: Risk of loss in trading in can be substantial. You should carefully consider whether trading is appropriate for you in light of your experience, objectives, financial resources and other relevant circumstances.

For U.S. persons only: This research report is a product of PhillipCapital (India) 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 PhillipCapital (India) 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, PhillipCapital (India) 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

PhillipCapital (India) Pvt. Ltd.

Registered office: 2nd Floor, C-Block, Modern Centre, Mahalaxmi, Mumbai – 400011