

JK Lakshmi Cement

Strong margin uptick; Healthy balance sheet

We maintain BUY on JK Lakshmi Cement with a TP of Rs 370. A sharp 16% vol dip in 4QFY20 pulled down FY20 vol by 5% YoY. The Covid impact will further pull down FY21E volume by 16% YoY. However, we build in 21% vol recovery in FY22E. This along with falling energy costs in FY21 to limit standalone EBITDA decline CAGR at 3% during FY20-22E. Healthy cash flows keep leverage comfortable and support capex acceleration FY22E onwards. In 4QFY20, despite lower vols, healthy pricing in the north/Guj markets boosted standalone EBITDA/APAT by 54/133%.

- EBITDA Margin surges to 30-qtr high; despite sharp sales' decline:** Sales vol fell 16% YoY (+6% QoQ) to 2.5mn MT, hit hard by Covid led lockdown, pulling down cem utilisation to 70% vs 96/80% YoY/QoQ. Higher share of clinker (13% vs 7/7% YoY/QoQ) in total sales flattened NSR QoQ. However, NSR remained 8% up YoY, benefitting from buoyant pricing in the north/Guj markets. This, along-with lower unitary opex (lower energy cost tailwinds) boosted unitary EBITDA by 84/26% YoY/QoQ to Rs 820/MT (30-qtr high)! Hence despite 10% revenue fall, EBITDA/PAT rose 54/133% YoY.
- Balance sheet firmed up on healthy cashflows, lower capex in FY20:** Solid pricing in the north/Guj regions boosted 10% NSR gain in FY20, which more than offset 5% vol loss and unitary EBITDA grew to its 7-yr high of Rs 732/MT. Falling petcoke prices and logistics cost control also boosted margin expansion. Thus, EBITDA/APAT soared 62/221% YoY. Amid low capex spends, JKLC's gross/net debt fell 10/18% YoY to Rs 14.5/10bn resp and its net Debt/EBITDA halved to 1.5x YoY (10-yr low).
- Concall/ capex updates:** The co is adding a 10MW WHRS in Sirohi by Mar'21E and its subs – Udaipur Works will debottleneck its clinker capacity by 0.3mn MT. It will start work on a 2.5mn MT brown-field expansion in Raj in FY22E, after the Covid situation normalizes. Thus, total capex outflow during FY21-22E in our view should be lower at Rs 8bn vs our earlier est of Rs 12bn. This should keep leverage under check amid earnings decline in the same period. We estimate net Debt/EBITDA to remain under 2x.
- Maintain BUY:** We have reduced EBITDA est for FY21/22E by 4/4% each as we factor in higher impact of Covid and build in EBITDA to decline at 3% CAGR during FY20-22E. We value the standalone cement biz at 8x FY22E EBITDA and value its 72.5% holding in Udaipur Cement Works at 20% disc. Thus, our SOTP based TP remains unchanged at Rs 370. We continue to like the co for its large presence in north markets and on increased cost controls.

YE Mar (Rs mn)	4Q FY20	4Q FY19	YoY (%)	3Q FY19	QoQ (%)	FY18	FY19	FY20	FY21E	FY22E
Net Sales	10,612	11,725	(9.5)	10,050	5.6	34,122	38,823	40,435	34,304	41,405
EBITDA	2,020	1,312	53.9	1,519	33.0	4,114	4,150	6,724	5,208	6,371
APAT	1,008	433	132.9	492	104.9	840	796	2,624	1,613	2,238
AEPS (Rs)	8.6	3.7	132.9	4.2	104.9	7.1	6.8	22.3	13.7	19.0
EV /EBITDA (x)						9.7	8.8	5.1	6.6	5.7
EV/MT (Rs bn)						3.66	3.36	2.93	2.93	3.13
P/E (x)						28.9	30.5	9.2	15.0	10.8
RoE (%)						5.9	5.3	16.2	9.0	11.4

Source: Company, HSIE Research, Standalone Financials

BUY

CMP (as on 21 May 2020)	Rs 206
Target Price	Rs 370
NIFTY	9,106

KEY CHANGES	OLD	NEW
Rating	Buy	Buy
Price Target	Rs 370	Rs 370
EBITDA %	FY21E (4.3)	FY22E (4.4)

KEY STOCK DATA

Bloomberg code	JKLC IN
No. of Shares (mn)	118
MCap (Rs bn) / (\$ mn)	24/321
6m avg traded value (Rs mn)	59
52 Week high / low	Rs 396/180

STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	(36.7)	(26.7)	(44.1)
Relative (%)	(11.8)	(3.0)	(23.5)

SHAREHOLDING PATTERN (%)

	Dec-19	Mar-20
Promoters	45.93	46.21
FIs & Local MFs	18.71	18.96
FPIs	10.53	10.61
Public & Others	24.83	24.22
Pledged Shares	0.0	0.0

Source : BSE

Rajesh Ravi
 rajesh.ravi@hdfcsec.com
 +91-22-6171-7352

Saurabh Dugar
 saurabh.dugar@hdfcsec.com
 +91-22-6171-7352

During 4QFY20, JKLC corrected an expense reporting anomaly and regrouped packing expenses from RM earlier to other expenses currently. Thus, the co reported revised nos for FY19/FY20, and 4QFY19, 3Q/4QFY20

Sharp cement vol decline in the last 10 days pulled down revenues. However, strong NSR owing to north/Guj market presence bolstered unitary EBITDA to 30-qtr high.

Trade segment accounted for 60% of total sales

Falling petcoke prices (down 13/1% YoY/QoQ) and logistics cost control also bolstered margin

Fuel Mix: 80% petcoke, 20% coal

Increased cash balance (+18% YoY) buoyed treasury gains and int cost fell owing to 10% fall in gross debt.

Quarterly Standalone Financial Snapshot

Particulars (Rs mn)	4QFY20	4QFY19	YoY (%)	3QFY20	QoQ (%)
Net Sales	10,612	11,725	(9.5)	10,050	5.6
Raw Materials	2,361	3,392	(30.4)	2,253	4.8
Power and Fuel	2,005	2,563	(21.8)	2,111	(5.0)
Employee	760	654	16.2	788	(3.5)
Transport	2,140	2,759	(22.4)	2,062	3.8
Other Exp	1,326	1,044	27.1	1,317	0.7
EBITDA	2,020	1,312	53.9	1,519	33.0
EBITDA margin (%)	19.0	11.2	784	15.1	392
Depreciation	510	446	14.2	485	5.2
EBIT	1,511	866	74.4	1,035	46.0
Other Income (Including EO Items)	225	166	35.5	147	53.1
Interest Cost	425	458	(7.3)	428	(0.8)
PBT - Reported	1,311	574	128.4	754	74.0
Tax	303	142	114.4	262	15.9
Tax rate (%)	23.1	24.7	(151)	34.7	(1,160)
RPAT	1,008	433	132.9	492	104.9
EO (Loss) / Profit (Net Of Tax)	-	-	-	-	-
APAT	1,008	433	132.9	492	104.9
Adj PAT margin (%)	9.5	3.7	581	4.9	460

Source: Company, HSIE Research

Quarterly Performance Analysis

Particulars	4QFY20	4QFY19	YoY (%)	3QFY20	QoQ (%)
Sales vol (mn MT)	2.5	2.9	(16.1)	2.3	5.9
Rs/MT trend					
NSR	4,305	3,989	7.9	4,319	(0.3)
Raw materials	958	1,154	(17.0)	968	(1.1)
Power & fuel	813	872	(6.8)	907	(10.4)
Freight	868	939	(7.5)	886	(2.0)
Employee	308	222	38.6	338	(8.9)
Other Exp	538	355	51.5	566	(4.9)
Opex	3,485	3,543	(1.6)	3,666	(4.9)
EBITDA	820	447	83.5	653	25.6

Source: Company, HSIE Research

We have updated our financial model for FY19/20 P&L, BS and CF statements as reported.

JKLC's vol fell 5% YoY in FY20. We model in 16% fall in FY21 on Covid impact, but expect it to recover by 21% in FY22E

We factor in stable NSR during FY21/22E. This along with low energy costs to reduce earnings impact

By end FY21, JKLC will add 10MW WHRS in Sirohi. It will thereafter take-up 2.5mn MT brownfield exp in Rajasthan. The co expects to repay Rs 5bn during FY21/22E

We cut vol est by 12/6% for FY21/22E factoring in higher impact of Covid lockdown on demand, driving 4/4% EBITDA est downgrades

Operational Trends and Assumptions

Particulars	FY17	FY18	FY19	FY20	FY21E	FY22E
Cement Cap (mn MT)	10.9	10.9	10.9	11.7	11.7	11.7
Sales Volume (mn MT)	7.9	8.5	9.7	9.2	7.7	9.3
YoY change (%)	8.6	7.2	13.3	(4.8)	(15.8)	20.6
Utilisation (%)	72.9	78.2	88.5	78.5	66.1	79.7
(Rs/ MT trend)						
NSR (1)	3,661	4,005	4,023	4,403	4,435	4,438
YoY change (%)	2.3	9.4	0.5	9.4	0.7	0.1
Raw Materials (2)	959	914	847	927	1,002	1,000
Power & Fuel (3)	713	934	953	919	891	909
Freight costs (4)	906	1,024	988	890	863	881
Employee cost (5)	262	276	279	340	390	340
Other expense (6)	362	374	526	595	615	625
Total Opex (7)= sum(2 thru 6)	3,202	3,522	3,593	3,671	3,761	3,755
EBITDA per MT (1-7)	460	483	430	732	673	683
YoY change (%)	23.7	5.0	(10.9)	70.2	(8.0)	1.4

Source: Company, HSIE Research

Change in Estimates

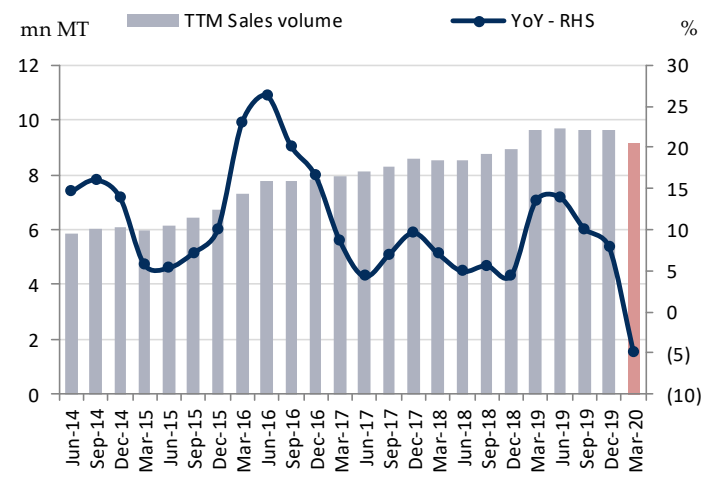
Rs Bn	FY21E Old	FY21E Revised	Change %	FY22E Old	FY22E Revised	Change %
Net Revenues	39.09	34.30	(12.2)	43.99	41.41	(5.9)
EBITDA	5.44	5.21	(4.3)	6.66	6.37	(4.4)
APAT	1.66	1.61	(2.7)	2.23	2.24	0.3
AEPS	14.1	13.7	(2.7)	19.0	19.0	0.3

Source: Company, HSIE Research

Long term op performance trends (TTM basis)

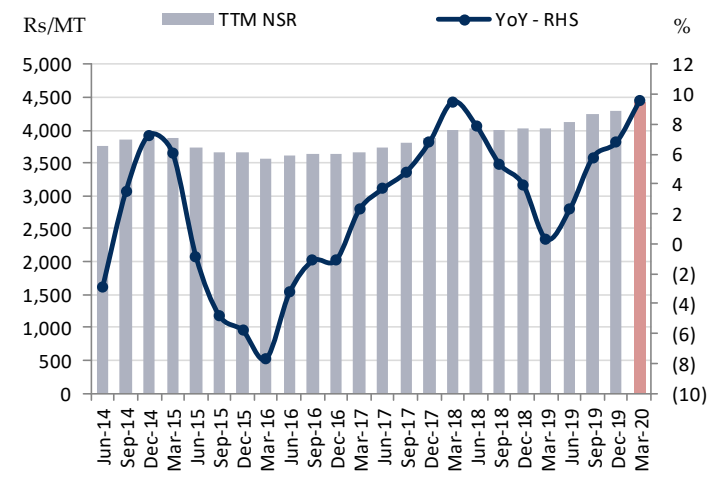
We have plotted JK Lakshmi Cement's operating metrics on trailing 12-month (TTM) basis, to assess its long term performance trends

JK Lakshmi Cement's vol declined (-5% YoY) in FY20 after a gap of nine yrs!!



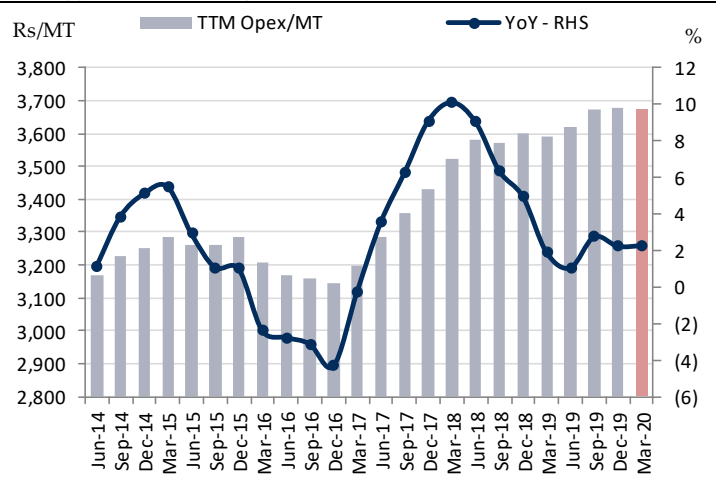
Source: Company, HSIE Research

NSR continued to firm up on healthy pricing in North/Guj regions



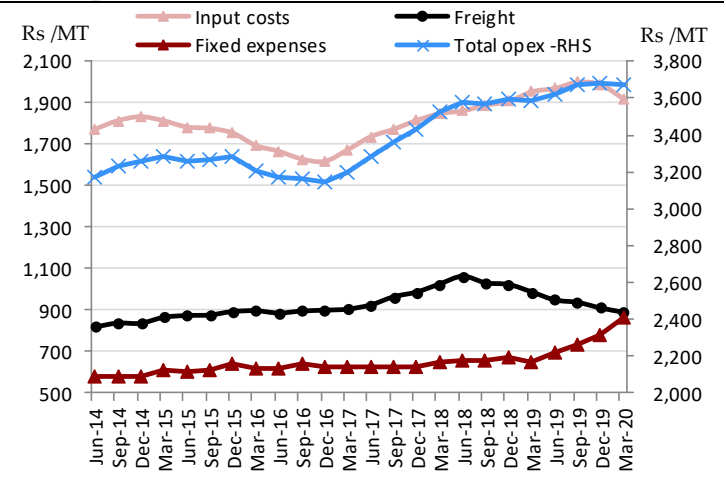
Source: Company, HSIE Research

Opex inflation remained benign on boosted by lower energy costs and logistics cost controls



Source: Company, HSIE Research

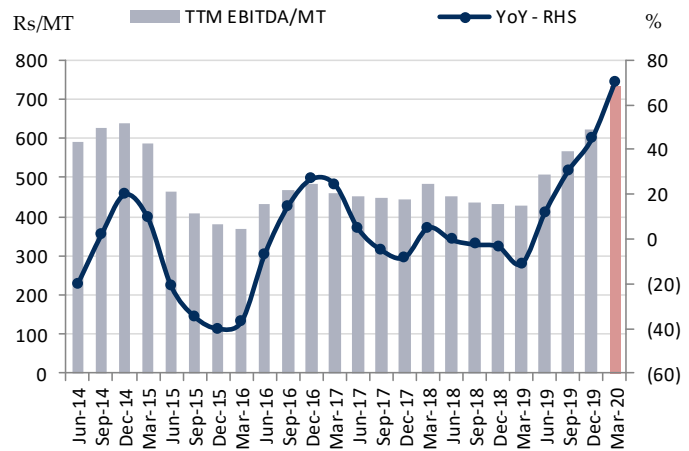
Opex trends: While low utilisation drove up fixed cost, the impact was moderated on lower var costs



Source: Company, HSIE Research

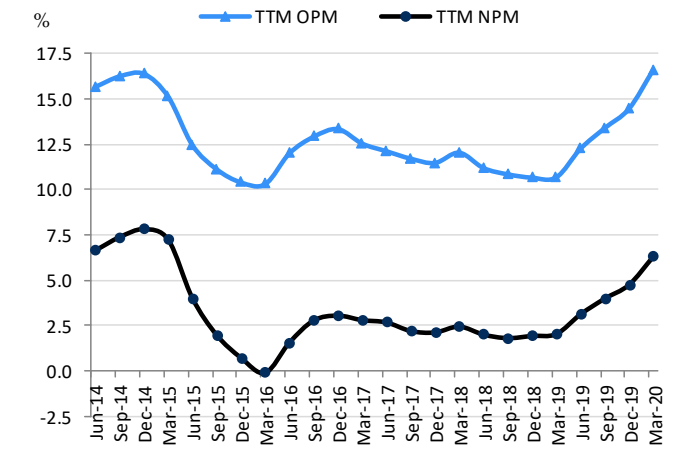
Long term performance trends (TTM basis) continued

JKLC's unitary EBITDA firmed up to 7-yr high levels on solid realisation gains



Source: Company, HSIE Research

JKLC's EBITDA/PAT margins rebound to 7-yr/6-yr high levels



Source: Company, HSIE Research

Peer Set Comparison

Company	Mcap (Rs bn)	CMP (Rs/sh)	Reco	TP	EV/EBITDA			EV/MT (Rs bn)			Net D:E (x)			RoE (%)		
					FY20E	FY21E	FY22E	FY20E	FY21E	FY22E	FY20E	FY21E	FY22E	FY20E	FY21E	FY22E
UltraTech Cem	978	3,561	BUY	4,720	12.7	14.2	11.5	10.32	9.88	9.26	0.4	0.3	0.2	10.4	7.6	9.5
Shree Cement	668	19,180	REDUCE	17,900	17.7	20.6	16.8	14.99	14.60	13.41	(0.3)	(0.3)	(0.3)	13.9	7.9	9.7
Ambuja Cements	359	181	BUY	210	9.1	10.2	8.6	6.59	6.23	6.22	(0.7)	(0.7)	(0.7)	6.8	5.3	6.0
ACC	222	1,182	BUY	1,440	7.3	10.0	8.2	5.52	5.67	5.73	(0.4)	(0.4)	(0.3)	11.6	8.4	10.6
Ramco Cements	133	563	BUY	670	13.7	14.1	10.4	8.29	7.95	7.20	0.4	0.4	0.3	12.1	10.2	12.7
Dalmia Bharat	95	492	BUY	930	6.7	8.5	6.5	5.11	4.38	3.70	0.4	0.4	0.4	2.0	(1.2)	0.5
JK Cement	85	1,106	BUY	1,355	9.9	10.2	9.3	6.75	6.82	7.22	0.9	0.9	1.0	14.9	11.8	13.9
Star Cement	30	71	BUY	100	7.1	7.6	6.6	4.89	5.19	5.52	(0.1)	(0.0)	0.1	15.7	13.5	16.1
JK Lakshmi	24	206	BUY	370	5.1	6.6	5.7	2.93	2.93	3.13	0.6	0.5	0.6	16.2	9.0	11.4
Orient Cement	8.2	40	BUY	85	6.4	6.5	5.9	2.56	2.63	3.00	1.1	1.2	1.3	4.7	4.6	12.3
Deccan Cements	3.2	226	BUY	370	3.7	3.5	3.8	1.30	1.18	1.81	(0.1)	(0.1)	0.2	9.9	7.9	11.8

Source: Company, HSIE Research, For ACC and Ambuja, the financial year is CY19/CY20E/CY21E resp

Financials

Standalone Income Statement

YE Mar (Rs mn)	FY17	FY18	FY19	FY20	FY21E	FY22E
Revenues	29,104	34,122	38,823	40,435	34,304	41,405
<i>Growth %</i>	<i>11.1</i>	<i>17.2</i>	<i>13.8</i>	<i>4.2</i>	<i>(15.2)</i>	<i>20.7</i>
Raw Material	7,620	7,784	8,177	8,513	7,748	9,332
Power & Fuel	5,670	7,959	9,198	8,439	6,894	8,482
Freight Expense	7,201	8,726	9,533	8,176	6,679	8,218
Employee cost	2,084	2,350	2,691	3,120	3,017	3,172
Other Expenses	2,876	3,190	5,075	5,465	4,757	5,831
EBITDA	3,654	4,114	4,150	6,724	5,208	6,371
<i>EBITDA Margin (%)</i>	<i>12.6</i>	<i>12.1</i>	<i>10.7</i>	<i>16.6</i>	<i>15.2</i>	<i>15.4</i>
<i>EBITDA Growth %</i>	<i>34.3</i>	<i>12.6</i>	<i>0.9</i>	<i>62.0</i>	<i>(22.5)</i>	<i>22.3</i>
Depreciation	1,724	1,793	1,794	1,884	1,915	2,057
EBIT	1,930	2,321	2,356	4,840	3,293	4,314
Other Income (Including EO Items)	698	681	572	370	500	400
Interest	1,887	1,975	1,883	1,644	1,385	1,373
PBT	742	1,027	1,044	3,566	2,408	3,341
Tax	(78)	188	249	1,143	795	1,103
RPAT	820	840	796	2,423	1,613	2,238
EO (Loss) / Profit (Net Of Tax)	-	-	-	(202)	-	-
APAT	820	840	796	2,624	1,613	2,238
<i>APAT Growth (%)</i>	<i>1,866.4</i>	<i>2.4</i>	<i>(5.2)</i>	<i>229.9</i>	<i>(38.5)</i>	<i>38.8</i>
AEPS	7.0	7.1	6.8	22.3	13.7	19.0
<i>AEPS Growth %</i>	<i>1,866.4</i>	<i>2.4</i>	<i>(5.2)</i>	<i>229.9</i>	<i>(38.5)</i>	<i>38.8</i>

Source: Company, HSIE Research

Standalone Balance Sheet

YE Mar (Rs mn)	FY17	FY18	FY19	FY20	FY21E	FY22E
SOURCES OF FUNDS						
Share Capital	589	589	589	589	589	589
Reserves And Surplus	13,228	13,944	14,638	16,538	18,034	20,096
Total Equity	13,817	14,532	15,227	17,127	18,622	20,684
Long-term Debt	17,943	16,075	15,543	13,482	13,282	14,782
Short-term Debt	3,763	4,130	586	1,048	1,048	1,048
Total Debt	21,706	20,204	16,129	14,530	14,330	15,830
Deferred Tax Liability	(86)	(200)	(220)	205	205	205
Long-term Liab+ Provisions	3,079	3,112	3,621	4,076	4,076	4,472
TOTAL SOURCES OF FUNDS	38,515	37,648	34,757	35,937	37,232	41,190
APPLICATION OF FUNDS						
Net Block	28,263	27,952	26,390	28,037	27,622	26,565
Capital WIP	2,051	2,261	4,111	1,519	2,019	7,019
Goodwill	-	-	-	-	-	-
Other Non-current Assets	2,372	1,919	1,858	1,798	1,827	1,877
Total Non-current Investments	3,095	3,539	3,573	3,673	3,973	3,973
Total Non-current Assets	35,782	35,671	35,933	35,027	35,441	39,434
Inventories	2,776	3,170	3,117	4,128	3,289	4,027
Debtors	895	969	1,066	882	940	1,248
Cash and Cash Equivalents	5,087	4,518	3,804	4,484	4,297	3,485
Other Current Assets (& Loans/adv)	611	356	415	977	996	1,096
Total Current Assets	9,369	9,014	8,402	10,472	9,522	9,856
Creditors	2,648	3,186	5,114	4,685	3,723	3,877
Other Current Liabilities & Provns	3,988	3,851	4,464	4,877	4,008	4,222
Total Current Liabilities	6,636	7,037	9,578	9,562	7,731	8,099
Net Current Assets	2,733	1,977	(1,176)	909	1,792	1,757
TOTAL APPLICATION OF FUNDS	38,515	37,648	34,757	35,937	37,232	41,190

Source: Company, HSIE Research

Standalone Cash Flow

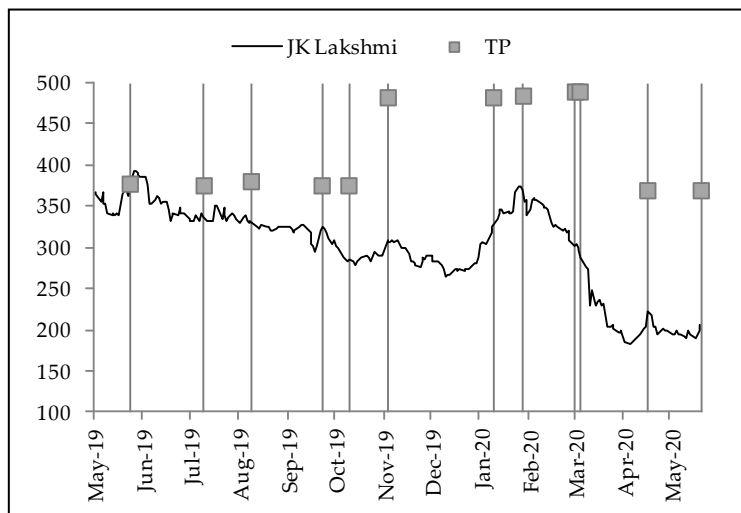
YE Mar (Rs mn)	FY17	FY18	FY19	FY20	FY21E	FY22E
Reported PBT	742	1,027	1,044	3,697	2,408	3,341
Non-operating & EO Items	(570)	(436)	(344)	(695)	(500)	(400)
Interest Expenses	1,887	1,975	1,883	1,644	1,385	1,373
Depreciation	1,724	1,793	1,794	1,884	1,915	2,057
Working Capital Change	(127)	591	2,698	(359)	(1,098)	(431)
Tax Paid	(26)	(386)	(181)	(758)	(795)	(1,103)
OPERATING CASH FLOW (a)	3,629	4,565	6,895	5,413	3,316	4,837
Capex	(1,251)	(1,369)	(1,888)	(865)	(2,000)	(6,000)
Free Cash Flow (FCF)	2,379	3,196	5,006	4,547	1,316	(1,163)
Investments	(2,929)	463	1,065	(781)	200	500
Non-operating Income	23	17	38	60	500	400
Others						
INVESTING CASH FLOW (b)	(4,156)	(888)	(785)	(1,586)	(1,300)	(5,100)
Debt Issuance/(Repaid)	2,558	(1,502)	(3,934)	(1,498)	(200)	1,500
Interest Expenses	(2,016)	(2,046)	(2,000)	(1,740)	(1,385)	(1,373)
FCFE	2,921	(351)	(928)	1,309	(269)	(1,036)
Share Capital Issuance	-	-	-	-	-	-
Dividend	(44)	(103)	(111)	(455)	(118)	(177)
FINANCING CASH FLOW (c)	499	(3,650)	(6,045)	(3,693)	(1,703)	(49)
NET CASH FLOW (a+b+c)	(28)	26	64	134	313	(312)
EO Items, Others						
Closing Cash & Equivalents	2,637	5,113	4,583	3,938	4,797	3,985

Key Ratios

	FY17	FY18	FY19	FY20	FY21E	FY22E
PROFITABILITY %						
EBITDA Margin	12.6	12.1	10.7	16.6	15.2	15.4
EBIT Margin	6.6	6.8	6.1	12.0	9.6	10.4
APAT Margin	2.8	2.5	2.0	6.5	4.7	5.4
RoE	6.1	5.9	5.3	16.2	9.0	11.4
RoIC	4.6	5.7	5.6	10.5	6.9	8.2
RoCE	5.6	6.4	6.2	10.4	6.9	8.1
EFFICIENCY						
Tax Rate %	(10.5)	18.3	23.8	32.1	33.0	33.0
Fixed Asset Turnover (x)	1.0	1.1	1.2	1.2	0.9	1.1
Inventory (days)	35	34	29	37	35	36
Debtors (days)	11	10	10	8	10	11
Other Current Assets (days)	8	4	4	9	11	10
Payables (days)	33	34	48	42	40	34
Other Current Liab & Provns (days)	50	41	42	44	43	37
Cash Conversion Cycle (days)	(30)	(27)	(47)	(32)	(27)	(15)
Net Debt/EBITDA (x)	4.5	3.8	3.0	1.5	1.9	1.9
Net D/E	1.2	1.1	0.8	0.6	0.5	0.6
Interest Coverage	1.0	1.2	1.3	2.9	2.4	3.1
PER SHARE DATA (Rs)						
EPS	7.0	7.1	6.8	22.3	13.7	19.0
CEPS	21.6	22.4	22.0	38.3	30.0	36.5
Dividend	0.2	0.8	0.8	2.5	1.0	1.5
Book Value	117.4	123.5	129.4	145.5	158.2	175.7
VALUATION						
P/E (x)	29.6	28.9	30.5	9.2	15.0	10.8
P/Cash EPS (x)	9.5	9.2	9.4	5.6	6.9	5.6
P/BV (x)	1.8	1.7	1.6	1.4	1.3	1.2
EV/EBITDA (x)	11.2	9.7	8.8	5.1	6.6	5.7
EV/MT (Rs bn)	3.75	3.66	3.36	2.93	2.93	3.13
Dividend Yield (%)	0.1	0.4	0.4	1.2	0.5	0.7
OCF/EV (%)	8.9	11.4	18.9	15.8	9.7	13.2
FCFF/EV (%)	5.8	8.0	13.7	13.3	3.8	(3.2)
FCFE/M Cap (%)	12.0	(1.4)	(3.8)	5.4	(1.1)	(4.3)

Source: Company, HSIE Research

RECOMMENDATION HISTORY



Date	CMP	Reco	Target
27-May-19	376	NEU	378
10-Jul-19	341	NEU	376
11-Aug-19	332	BUY	381
22-Sep-19	303	BUY	376
10-Oct-19	286	BUY	376
5-Nov-19	308	BUY	483
10-Jan-20	319	BUY	483
29-Jan-20	370	BUY	485
2-Mar-20	308	BUY	490
5-Mar-20	300	BUY	490
17-Apr-20	203	BUY	370
22-May-20	206	BUY	370

From 2nd March 2020, we have moved to new rating system

Rating Criteria

- BUY: >+15% return potential
- ADD: +5% to +15% return potential
- REDUCE: -10% to +5% return potential
- SELL: > 10% Downside return potential

Disclosure:

We, **Rajesh Ravi, MBA & Saurabh Dugar, MBA**, 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. HSL has no material adverse disciplinary history as on the date of publication of this report. 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.

Research Analyst or his/her relative or HDFC Securities Ltd. **does not have** any financial interest in the subject company. Also Research Analyst or his relative or HDFC Securities Ltd. or its Associate may have beneficial ownership of 1% or more in the subject company at the end of the month immediately preceding the date of publication of the Research Report. Further Research Analyst or his relative or HDFC Securities Ltd. or its associate **does not have** any material conflict of interest.

Any holding in stock –No

HDFC Securities Limited (HSL) is a SEBI Registered Research Analyst having registration no. INH000002475.

Disclaimer:

This report has been prepared by HDFC Securities Ltd and is solely for information of the recipient only. The report must not be used as a singular basis of any investment decision. The views herein are of a general nature and do not consider the risk appetite or the particular circumstances of an individual investor; readers are requested to take professional advice before investing. Nothing in this document should be construed as investment advice. Each recipient of this document should make such investigations as they deem necessary to arrive at an independent evaluation of an investment in securities of the companies referred to in this document (including merits and risks) and should consult their own advisors to determine merits and risks of such investment. The information and opinions contained herein have been compiled or arrived at, based upon information obtained in good faith from sources believed to be reliable. Such information has not been independently verified and no guaranty, representation of warranty, express or implied, is made as to its accuracy, completeness or correctness. All such information and opinions are subject to change without notice. Descriptions of any company or companies or their securities mentioned herein are not intended to be complete. HSL is not obliged to update this report for such changes. HSL has the right to make changes and modifications at any time.

This report is not directed to, or intended for display, downloading, printing, reproducing or for distribution to or use by, any person or entity who is a citizen or resident or located in any locality, state, country or other jurisdiction where such distribution, publication, reproduction, availability or use would be contrary to law or regulation or what would subject HSL or its affiliates to any registration or licensing requirement within such jurisdiction.

If this report is inadvertently sent or has reached any person in such country, especially, United States of America, the same should be ignored and brought to the attention of the sender. This document may not be reproduced, distributed or published in whole or in part, directly or indirectly, for any purposes or in any manner.

Foreign currencies denominated securities, wherever mentioned, are subject to exchange rate fluctuations, which could have an adverse effect on their value or price, or the income derived from them. In addition, investors in securities such as ADRs, the values of which are influenced by foreign currencies effectively assume currency risk. It should not be considered to be taken as an offer to sell or a solicitation to buy any security.

This document is not, and should not, be construed as an offer or solicitation of an offer, to buy or sell any securities or other financial instruments. This report should not be construed as an invitation or solicitation to do business with HSL. HSL may from time to time solicit from, or perform broking, or other services for, any company mentioned in this mail and/or its attachments.

HSL and its affiliated company(ies), 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 company(ies) mentioned herein 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 company(ies) discussed herein or act as an advisor or lender/borrower to such company(ies) or may have any other potential conflict of interests with respect to any recommendation and other related information and opinions.

HSL, its directors, analysts or employees do not take any responsibility, financial or otherwise, of the losses or the damages sustained due to the investments made or any action taken on basis of this report, including but not restricted to, fluctuation in the prices of shares and bonds, changes in the currency rates, diminution in the NAVs, reduction in the dividend or income, etc.

HSL and other group companies, its directors, associates, employees may have various positions in any of the stocks, securities and financial instruments dealt in the report, or may make sell or purchase or other deals in these securities from time to time or may deal in other securities of the companies / organizations described in this report.

HSL or its associates might have managed or co-managed public offering of securities for the subject company or might have been mandated by the subject company for any other assignment in the past twelve months.

HSL or its associates might have received any compensation from the companies mentioned in the report during the period preceding twelve months from the date of this report for services in respect of managing or co-managing public offerings, corporate finance, investment banking or merchant banking, brokerage services or other advisory service in a merger or specific transaction in the normal course of business.

HSL or its analysts did not receive any compensation or other benefits from the companies mentioned in the report or third party in connection with preparation of the research report. Accordingly, neither HSL nor Research Analysts have any material conflict of interest at the time of publication of this report. Compensation of our Research Analysts is not based on any specific merchant banking, investment banking or brokerage service transactions. HSL may have issued other reports that are inconsistent with and reach different conclusion from the information presented in this report.

Research entity has not been engaged in market making activity for the subject company. Research analyst has not served as an officer, director or employee of the subject company. We have not received any compensation/benefits from the subject company or third party in connection with the Research Report.

HDFC securities Limited, I Think Techno Campus, Building - B, "Alpha", Office Floor 8, Near Kanjurmarg Station, Opp. Crompton Greaves, Kanjurmarg (East), Mumbai 400 042 Phone: (022) 3075 3400 Fax: (022) 2496 5066 Compliance Officer: Binkle R. Oza Email: complianceofficer@hdfcsec.com Phone: (022) 3045 3600

HDFC Securities Limited, SEBI Reg. No.: NSE, BSE, MSEI, MCX: INZ000186937; AMFI Reg. No. ARN: 13549; PFRDA Reg. No. POP: 11092018; IRDA Corporate Agent License No.: CA0062; SEBI Research Analyst Reg. No.: INH000002475; SEBI Investment Adviser Reg. No.: INA000011538; CIN - U67120MH2000PLC152193

HDFC securities**Institutional Equities**

Unit No. 1602, 16th Floor, Tower A, Peninsula Business Park,

Senapati Bapat Marg, Lower Parel, Mumbai - 400 013

Board: +91-22-6171-7330 www.hdfcsec.com