

Challenges remain!

We maintain SELL on eClerx post an in-line 4Q on revenues and better operating performance. We cut P/E multiple to 11x (vs. 13x) amid near term headwind to margins and lesser visibility on revenue growth.

HIGHLIGHTS OF THE QUARTER

- eClerx posted in-line revenue of USD 51.2mn (vs. est. of USD 51.4mn), growth was driven by Top 6-10 accounts (12% of rev, +12.3% QoQ) offset by de-growth in Top 5 accounts (56% of rev, -3.9% QoQ).
- Newer deal wins are shorter in duration which provides limited visibility to revenues.
- EBIT margin was 18.6%, up 333bps QoQ (post a sharp contraction of 514bps QoQ in 3QFY19), expansion was aided by higher utilisation (up 240bps QoQ) and lower employee cost (-250bps QoQ). Upcoming wage hike (in 1QFY20) will act as a major headwind to margins with limited tailwinds to offset.
- Shift to onshore delivery is expected to continue which is putting pressure on margins (-430bps impact in FY19), onshore employees are 5.9% of total headcount (vs. 3.9% in FY18 & 2% in FY17).

Financial Summary

YE March (Rs bn)	4QFY19	4QFY18	YoY (%)	3QFY19	QoQ (%)	FY17	FY18	FY19P	FY20E	FY21E
Net Revenues	3.65	3.61	1.1	3.58	2.1	13.30	13.65	14.31	15.58	16.96
EBIT	0.68	0.68	0.5	0.55	24.3	4.17	3.20	2.62	2.93	3.25
APAT	0.59	0.64	(7.5)	0.39	50.9	3.54	2.74	2.28	2.50	2.74
Diluted EPS (Rs)	16.0	17.3	(7.5)	10.6	50.9	91.5	74.1	61.7	67.8	74.1
P/E (x)						9.9	12.2	14.7	13.4	12.2
EV / EBITDA (x)						6.6	8.5	9.6	8.9	7.9
RoE (%)						30.8	24.1	18.1	18.2	19.6

Source: Company, HDFC sec Inst Research # Consolidated

STANCE: Unexciting, even in an optimistic scenario

eClerx has witnessed three consecutive years of USD revenue stagnation with declining profitability & cash generation. Return ratios have stumbled, RoE is at 18% (vs. >30% in FY17). The structural change in eClerx' operating model (shift to onshore) has resulted in EBIT margin contraction from 31% to 18.5% with onshore rev% increasing from 13% to 22% in the last two years. We reckon that the shift to onshore will continue given the on-site heavy (North Carolina center expansion) digital projects coupled with low demand for traditional KPO services which are at risk of getting automated.

We remain cautious on high concentration (68% of rev from T-10 accounts), shorter duration projects providing limited visibility, lower quality of revenue mix and growth lag to onsite investments. We factor USD rev growth of 7.9/8.6% with stable EBIT% at 18.8/19.2% for FY20/21E. We believe revenue growth assumptions are optimistic given the limited visibility and challenging macro environment. Risks to our thesis include traction in digital portfolio and increased offshoring.

INDUSTRY		IT
CMP (as on 23 May 2019)		Rs 907
Target Price		Rs 815
Nifty		11,657
Sensex		38,811
KEY STOCK DATA		
Bloomberg		ECLX IN
No. of Shares (mn)		39
MCap (Rs bn) / (\$ mn)		35/502
6m avg traded value (Rs mn)		31
STOCK PERFORMANCE (%)		
52 Week high / low		Rs 1,368/902
		3M 6M 12M
Absolute (%)		(8.9) (16.2) (31.7)
Relative (%)		(17.1) (27.2) (44.7)
SHAREHOLDING PATTERN (%)		
		Dec-18 Mar-19
Promoters		50.56 50.53
FIs & Local MFs		16.98 16.79
FPIs		24.18 23.06
Public & Others		8.28 9.62
Pledged Shares		0.00 0.00
Source : BSE		

Akshay Ramnani
akshay.ramnani@hdfcsec.com
+91-22-6171-7334

Apurva Prasad
apurva.prasad@hdfcsec.com
+91-22-6171-7327

Amit Chandra
amit.chandra@hdfcsec.com
+91-22-6171-7345

Revenue stood at USD 51.2mn, up 1.9% QoQ in CC terms

EBIT% expanded 333bps to 18.6% on lower employee cost (+251bps), wage hike a major headwind for margins in 1QFY20

FY19 EBIT margin was 18.3% (vs.23.3% in FY18), margin contraction is largely attributable to higher deliver cost (-430bps impact) caused by onsite delivery

Wage hike (in 1QFY20) to act as headwind to margins offset by slight tailwind from lower facility cost, depreciation and CSR spend

Lower ETR at 23.63% aided APAT, FY19 ETR at 26.2%, ETR for FY20 guided at ~28%

Quarterly Consolidated Financials Snapshot

Particulars (Rs bn)	4QFY19	4QFY18	YoY (%)	3QFY19	QoQ (%)
Net Revenues (USD mn)	51.2	52.5	(2.5)	50.2	2.0
Net Revenues	3.65	3.61	1.1	3.58	2.1
Employee Costs	1.78	1.71	3.8	1.83	(2.9)
SG&A and Other Operating Expenses	1.07	1.09	(2.5)	1.08	(0.8)
EBITDA	0.81	0.80	0.3	0.67	20.5
Depreciation	0.13	0.13	(0.8)	0.12	3.6
EBIT	0.68	0.68	0.5	0.55	24.3
Interest Cost	0.00	0.00		0.00	
Other Income	0.10	0.18	(46.3)	0.00	NM
PBT	0.78	0.85	(9.3)	0.55	41.8
Tax	0.18	0.21	(11.8)	0.15	18.6
RPAT	0.59	0.65	(8.5)	0.39	50.9
E/o (adj for tax)	-	-0.01		-	
APAT	0.59	0.64	(7.5)	0.39	50.9

Source: Company, HDFC sec Inst Research

Margin Analysis

Particulars	4QFY19	4QFY18	YoY (bps)	3QFY19	QoQ (bps)
Employee Cost % Net Revenues	48.7	47.4	127	51.2	(251)
SG&A and Other Expenses % Net Revenues	29.2	30.3	(108)	30.1	(87)
EBITDA Margin (%)	22.1	22.3	(18)	18.7	338
EBIT Margin (%)	18.6	18.7	(12)	15.3	333
Tax Rate (%)	23.6	24.3	(68)	28.2	(462)
APAT Margin (%)	16.2	17.9	(170)	11.0	525

Source: Company, HDFC sec Inst Research

NorthAm (65.1% of rev) led growth, strong growth recovered after 7 quarters

In FY19, NorthAm was flat at +1.2% YoY, Growth was supported by RoW up 11.3% YoY

Revenue Trend

Particulars	2QFY18	3QFY18	4QFY18	1QFY19	2QFY19	3QFY19	4QFY19
Revenue (USD mn)	48.4	48.9	52.5	49.2	50.0	50.2	51.2
Revenue growth (USD QoQ%)	(0.9)	1.2	7.4	(6.3)	1.6	0.3	2.0
Revenue growth (CC QoQ%)	(1.8)	1.1	6.5	(5.7)	2.2	0.7	1.9

Source: Company, HDFC Sec Inst Research

Geographic Revenue Split

(% of revenue)	2QFY18	3QFY18	4QFY18	1QFY19	2QFY19	3QFY19	4QFY19
North America	64.6	64.7	59.0	64.4	63.6	64.3	65.1
Europe	28.6	27.9	35.0	28.2	29.3	28.9	28.6
Rest of the World	6.8	7.4	6.0	7.4	7.0	6.8	6.3
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: Company, HDFC Sec Inst Research

Geographic Revenue Growth

(QoQ, %)	2QFY18	3QFY18	4QFY18	1QFY19	2QFY19	3QFY19	4QFY19
North America	(7.1)	1.3	(2.1)	2.2	0.4	1.4	3.4
Europe	7.9	(1.5)	35.0	(24.6)	5.7	(0.9)	0.8
Rest of the World	40.4	11.0	(13.0)	15.3	(3.2)	(3.2)	(5.6)
Total	(0.9)	1.1	7.4	(6.4)	1.6	0.4	2.0

Source: Company, HDFC Sec Inst Research

Client Data

(% of revenue)	2QFY18	3QFY18	4QFY18	1QFY19	2QFY19	3QFY19	4QFY19
Top-10 clients	71.5	70.7	67.0	70.2	69.5	70.3	68.0
Non-top 10 clients	28.5	29.3	33.0	29.8	30.5	29.7	32.0
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: Company, HDFC Sec Inst Research

Top-10 accounts declined 1.3% QoQ, uptick in Non-top 10 accounts aided revenue growth

Onshore headcount continued to rise to 558 (vs. 520 in 3Q) and total headcount stood at 9,509

Utilisation improved 240bps QoQ aiding margin expansion

Client Growth

(QoQ, %)	2QFY18	3QFY18	4QFY18	1QFY19	2QFY19	3QFY19	4QFY19
Top-10 clients	(5.0)	0.0	1.8	(1.8)	0.6	1.5	(1.3)
Non-top 10 clients	11.1	3.9	21.0	(15.5)	4.1	(2.2)	9.9
Total	(0.9)	1.1	7.4	(6.4)	1.6	0.4	2.0

Source: Company, HDFC Sec Inst Research

Client Metrics

(No.s)	2QFY18	3QFY18	4QFY18	1QFY19	2QFY19	3QFY19	4QFY19
USD 0.5mn+ Clients	14	16	17	19	17	16	20
USD 1mm+ Clients	17	16	17	16	18	19	18
USD 5mm+ Clients	6	6	6	7	7	7	7

Source: Company, HDFC Sec Inst Research

Headcount, Utilisation Data

(Nos.)	2QFY18	3QFY18	4QFY18	1QFY19	2QFY19	3QFY19	4QFY19
Total headcount	9,223	9,091	9,429	9,363	9,583	9,520	9,509
- Operations headcount	7,740	7,592	7,825	7,746	7,907	7,788	7,747
- Onshore headcount	259	284	367	366	453	520	558
- Support Services headcount	615	613	618	638	640	641	635
- Tech services	463	431	460	444	406	393	388
- R&D	64	86	81	91	91	91	90
Selling & Distribution Staff	82	85	78	78	86	87	91
Net additions	59	(132)	338	(66)	220	(63)	(11)
Seat count	8,926	8,904	8,919	8,900	8,914	8,908	8,910
Utilisation (%)	73.8	72.9	72.4	72.4	72.5	71.9	74.3

Source: Company, HDFC Sec Inst Research

Key Assumptions

Particulars	FY15	FY16	FY17	FY18	FY19P	FY20E	FY21E
Volume growth (%)	13.5	17.4	3.9	(8.8)	2.5	3.6	4.0
Pricing change (%)	(2.0)	10.3	(6.1)	12.1	(1.4)	4.1	4.4
USD revenue growth (%)	11.3	29.5	(2.5)	2.3	1.0	7.9	8.6
EBIT margin (%)	28.2	32.4	31.4	23.5	18.3	18.8	19.2

Source: Company, HDFC Sec Inst Research

Change In Estimates

Particulars	Earlier estimates	Revised estimates	% change
FY20E			
Revenue (USD mn)	217.1	216.5	(0.3)
Revenue (Rs bn)	15.63	15.58	(0.3)
EBITDA (Rs bn)	3.06	2.93	(4.3)
EBITDA margin (%)	19.6	18.8	(78)bps
APAT (Rs bn)	2.60	2.50	(3.6)
FY21E			
Revenue (USD mn)	237.1	235.2	(0.8)
Revenue (Rs bn)	17.09	16.96	(0.8)
EBITDA (Rs bn)	3.60	3.25	(9.6)
EBITDA margin (%)	21.1	19.2	(187)bps
APAT (Rs bn)	2.99	2.74	(8.4)

Source: Company, HDFC Sec Inst Research

Peer Set Comparison

Company	MCap (Rs bn)	CMP (Rs)	TP (Rs)	RECO	EPS (Rs)				P/E (x)				RoE (%)			
					FY18	FY19E	FY20E	FY21E	FY18	FY19E	FY20E	FY21E	FY18	FY19E	FY20E	FY21E
TCS	7,708	2,054	2,410	BUY	68.8	83.9	90.4	100.5	29.8	24.5	22.7	20.4	30.1	36.1	37.1	39.1
Infosys	3,050	701	755	NEU	33.8	36.4	37.5	41.9	20.7	19.3	18.7	16.7	24.5	23.7	23.2	23.6
Wipro	1,609	282	250	SELL	14.0	15.8	16.5	17.9	20.1	17.9	17.1	15.8	16.5	17.3	16.9	17.0
HCL Tech	1,485	1,067	1,250	BUY	64.7	73.9	78.7	86.5	16.5	14.4	13.5	12.3	25.3	26.0	24.5	23.8
TechM	654	743	652	SELL	43.2	48.9	49.6	54.3	17.2	15.2	15.0	13.7	21.5	22.0	21.1	21.0
Tier-1 IT Median									20.1	17.9	17.1	15.8	24.5	23.7	23.2	23.6
LTI	305	1,760	2,095	BUY	66.9	87.3	93.0	104.6	26.3	20.1	18.9	16.8	33.2	34.6	30.1	28.6
Mphasis	180	968	1,370	BUY	45.4	56.9	64.9	76.2	21.3	17.0	14.9	12.7	14.6	20.1	22.4	23.0
LTTS	182	1,750	1,860	BUY	45.5	68.0	71.4	93.0	38.4	25.7	24.5	18.8	27.7	32.0	27.5	30.0
Mindtree	160	978	1,040	NEU	32.3	44.2	51.6	57.8	30.2	22.2	19.0	16.9	21.4	24.9	24.9	25.0
Hexaware *	106	356	430	BUY	16.8	19.6	21.4	26.1	21.2	18.2	16.7	13.7	26.6	26.5	25.0	26.6
Cyient	62	556	725	BUY	38.6	43.6	47.2	51.6	14.4	12.7	11.8	10.8	18.1	19.5	19.5	19.0
Tata Elxsi	53	848	850	NR	38.5	46.6	46.0	52.4	22.0	18.2	18.4	16.2	37.0	34.5	27.7	26.5
Zensar	56	246	305	BUY	10.6	13.8	16.0	19.1	23.1	17.8	15.3	12.9	15.1	17.0	17.1	17.8
Persistent	48	602	645	NEU	40.6	45.9	44.1	49.5	14.8	13.1	13.6	12.2	16.0	15.7	14.2	14.7
eClerx	35	907	815	SELL	74.1	61.7	67.8	74.1	12.2	14.7	13.4	12.2	24.1	18.1	18.2	19.6
Sonata	35	337	465	BUY	18.6	23.8	26.0	29.0	18.2	14.1	13.0	11.6	31.0	35.5	34.2	33.9
Intellect	30	239	313	BUY	3.7	8.1	11.0	15.9	NM	29.6	21.8	15.0	6.7	11.1	12.6	15.9
Majesco	14	506	715	BUY	(1.5)	22.1	28.2	33.5	NM	22.9	17.9	15.1	(1.1)	11.2	14.0	17.2
HGS	13	626	770	NR	96.5	72.5	86.4	96.4	6.5	8.6	7.3	6.5	14.3	9.8	10.7	10.9
Mastek	11	468	657	BUY	27.8	40.6	44.7	52.2	16.8	11.5	10.5	9.0	13.7	16.1	14.8	15.4
Tier-2 IT Median									21.2	17.8	15.3	12.9	18.1	19.5	19.5	19.6

Company	MCap (USD bn)	CMP USD	TP	RECO	EPS (USD)				P/E (x)				RoE (%)			
					FY18	FY19E	FY20E	FY21E	FY18	FY19E	FY20E	FY21E	FY18	FY19E	FY20E	FY21E
Accenture	114	178	NA	NR	5.6	6.5	7.3	8.0	32.0	27.6	24.3	22.4	41.7	42.0	39.9	36.7
Cognizant	34	62	NA	NR	2.5	3.6	3.9	4.3	24.4	17.2	15.8	14.4	14.1	19.0	18.2	19.1
Capgemini^	20	106	NA	NR	4.9	4.4	6.5	7.2	21.7	24.3	16.2	14.8	11.5	10.1	13.3	13.5
Global IT Median									24.4	24.3	16.2	14.8	14.1	19.0	18.2	19.1

Source: HDFC sec Inst Research, Bloomberg, *Dec YE, ^CMP and EPS in EUR terms

Consolidated Income Statement

Year ending March (Rs bn)	FY17	FY18	FY19P	FY20E	FY21E
Net Revenues (USD mn)	194.2	198.6	200.6	216.5	235.2
Growth (%)	(2.5)	2.3	1.0	7.9	8.6
Net Revenues	13.30	13.65	14.31	15.58	16.96
Growth (%)	1.2	2.6	4.8	8.9	8.8
Employee Costs	5.25	6.18	7.06	7.58	8.25
SG&A and Other Operating Expenses	3.37	3.80	4.17	4.64	4.97
EBITDA	4.69	3.67	3.08	3.36	3.74
EBITDA (%)	35.2	26.9	21.5	21.6	22.1
EBITDA Growth (%)	(2.8)	(21.8)	(16.1)	9.2	11.4
Depreciation	0.52	0.46	0.46	0.43	0.49
EBIT	4.17	3.20	2.62	2.93	3.25
Other Income	0.19	0.40	0.55	0.55	0.55
Interest	0.00	0.00	0.00	0.00	0.00
PBT	4.36	3.60	3.17	3.48	3.80
Tax (incl deferred)	0.82	0.90	0.83	0.97	1.07
RPAT	3.54	2.92	2.34	2.50	2.74
APAT	3.54	2.74	2.28	2.50	2.74
APAT Growth (%)	3.7	(22.7)	(16.6)	9.7	9.4
EPS	91.5	74.1	61.7	67.8	74.1
EPS Growth (%)	3.7	(19.0)	(16.6)	9.7	9.4

Source: Company, HDFC sec Inst Research

Consolidated Balance Sheet

As at March (Rs bn)	FY17	FY18	FY19P	FY20E	FY21E
SOURCES OF FUNDS					
Share Capital - Equity	0.40	0.38	0.38	0.37	0.37
Reserves	11.76	11.67	13.44	13.29	13.85
Total Shareholders' Funds	12.15	12.05	13.81	13.66	14.22
Net Deferred Taxes	0.17	(0.04)	(0.16)	(0.16)	(0.16)
Long Term Provisions & Others	0.29	0.47	0.53	0.58	0.63
TOTAL SOURCES OF FUNDS	12.62	12.54	14.21	14.11	14.72
APPLICATION OF FUNDS					
Net Block	1.25	1.21	1.30	1.31	1.33
CWIP	0.02	0.00	0.00	0.00	0.00
Goodwill	2.00	2.22	2.18	2.18	2.18
Investments	0.00	0.00	0.00	0.00	0.00
Other non-current assets	0.59	0.30	0.56	0.56	0.57
Total Non Current Assets	3.86	3.74	4.04	4.06	4.08
Debtors	2.14	2.33	2.43	2.64	2.88
Cash & Equivalents	6.07	6.05	7.38	7.04	7.36
Other Current Assets	1.91	1.99	1.84	2.00	2.18
Total Current Assets	10.12	10.37	11.64	11.68	12.41
Creditors	0.13	0.20	0.12	0.16	0.18
Other Current Liabilities & Provns	1.23	1.37	1.35	1.48	1.61
Total Current Liabilities	1.36	1.57	1.47	1.64	1.78
Net Current Assets	8.76	8.80	10.17	10.05	10.63
TOTAL APPLICATION OF FUNDS	12.62	12.54	14.21	14.11	14.72

Source: Company, HDFC sec Inst Research

Consolidated Cash Flow

Year ending March (Rs bn)	FY17	FY18	FY19P	FY20E	FY21E
Reported PBT	4.36	3.81	3.17	3.48	3.80
Non-operating & EO items	(0.26)	(0.26)	(0.41)	(0.39)	(0.40)
Interest expenses	0.00	0.00	0.00	0.00	0.00
Depreciation	0.52	0.46	0.46	0.43	0.49
Working Capital Change	(0.47)	(0.03)	0.04	(0.28)	(0.33)
Tax paid	(1.03)	(0.95)	(0.83)	(0.97)	(1.07)
OPERATING CASH FLOW (a)	3.12	3.05	2.43	2.26	2.50
Capex	(0.30)	(0.41)	(0.51)	(0.47)	(0.51)
<i>Free cash flow (FCF)</i>	<i>2.83</i>	<i>2.64</i>	<i>1.92</i>	<i>1.79</i>	<i>1.99</i>
INVESTING CASH FLOW (b)	(0.04)	(0.16)	(0.10)	(0.07)	(0.11)
Debt Issuance	(0.02)	0.05	(0.05)	0.00	0.00
Interest expenses	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)
<i>FCFE</i>	<i>2.80</i>	<i>2.69</i>	<i>1.87</i>	<i>1.79</i>	<i>1.99</i>
Share capital Issuance	0.08	0.09	0.00	0.00	0.00
Dividend/ Buyback	(2.40)	(2.65)	(0.05)	(2.66)	(2.18)
FINANCING CASH FLOW (c)	(2.35)	(2.51)	(0.09)	(2.66)	(2.18)
NET CASH FLOW (a+b+c)	0.74	0.38	2.23	(0.48)	0.21
Closing Cash & Equivalents	6.07	6.05	7.38	7.04	7.36

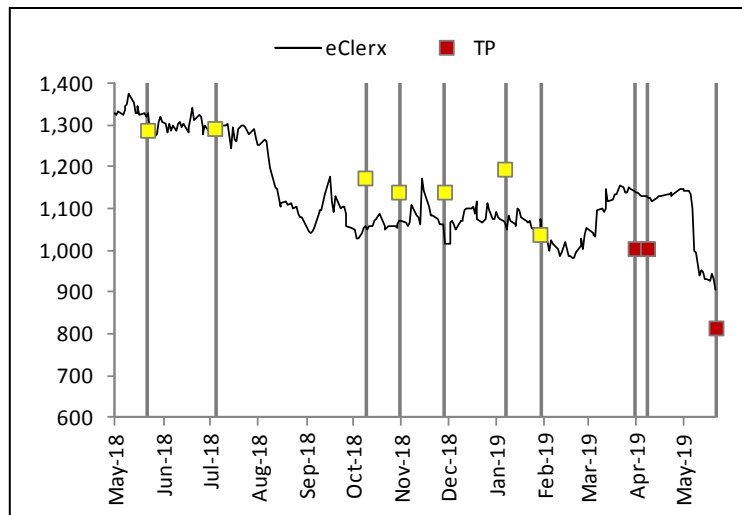
Source: Company, HDFC sec Inst Research

Key Ratios

	FY17	FY18	FY19P	FY20E	FY21E
PROFITABILITY (%)					
EBITDA Margin	35.2	26.9	21.5	21.6	22.1
APAT Margin	26.6	21.4	16.4	16.1	16.2
RoE	30.8	24.1	18.1	18.2	19.6
RolC or Core RoCE	55.2	37.6	29.0	30.4	32.5
RoCE	29.7	23.2	17.5	17.7	19.0
EFFICIENCY					
Tax Rate (%)	18.8	23.5	26.2	28.0	28.0
Fixed Asset Turnover (x)	5.9	5.1	4.5	4.3	4.1
Debtors (days)	59	62	62	62	62
<i>Other current assets (days)</i>	<i>52</i>	<i>53</i>	<i>47</i>	<i>47</i>	<i>47</i>
<i>Payables (days)</i>	<i>4</i>	<i>5</i>	<i>3</i>	<i>4</i>	<i>4</i>
<i>Other current liab & prov (days)</i>	<i>34</i>	<i>37</i>	<i>35</i>	<i>35</i>	<i>35</i>
Cash Conversion Cycle (days)	74	73	71	70	70
Net Debt/EBITDA (x)	(1.3)	(1.6)	(2.4)	(2.1)	(2.0)
Net Debt/Equity (x)	(0.5)	(0.5)	(0.5)	(0.5)	(0.5)
Interest Coverage (x)	17,021	8,009	6,718	NA	NA
PER SHARE DATA					
EPS (Rs/sh)	91.5	74.1	61.7	67.8	74.1
CEPS (Rs/sh)	109.8	86.6	74.1	79.3	87.4
DPS (Rs/sh)	1.0	1.0	1.0	1.0	50.0
BV (Rs/sh)	306.1	311.6	356.8	369.6	384.7
VALUATION					
P/E	9.9	12.2	14.7	13.4	12.2
P/BV	3.0	2.9	2.5	2.5	2.4
EV/EBITDA	6.6	8.5	9.6	8.9	7.9
OCF/EV (%)	9.5	10.6	9.6	8.9	9.8
FCF/EV (%)	8.6	9.3	7.8	7.3	8.1
FCFE/mkt cap (%)	7.1	7.9	6.2	5.9	6.5
Dividend Yield (%)	0.1	0.1	0.1	0.1	5.5

Source: Company, HDFC sec Inst Research

RECOMMENDATION HISTORY



Date	CMP	Reco	Target
24-May-18	1,325	NEU	1,285
6-Jul-18	1,300	NEU	1,290
10-Oct-18	1,059	NEU	1,170
1-Nov-18	1,072	NEU	1,140
30-Nov-18	1,061	NEU	1,140
8-Jan-19	1,060	NEU	1,195
1-Feb-19	1,074	NEU	1,035
1-Apr-19	1,148	SELL	1,005
9-Apr-19	1,129	SELL	1,005
24-May-19	907	SELL	815

Rating Definitions

BUY : Where the stock is expected to deliver more than 10% returns over the next 12 month period
NEUTRAL : Where the stock is expected to deliver (-)10% to 10% returns over the next 12 month period
SELL : Where the stock is expected to deliver less than (-)10% returns over the next 12 month period

Disclosure:

We, **Akshay Ramnani, CA, Apurva Prasad, MBA & Amit Chandra, 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.

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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

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