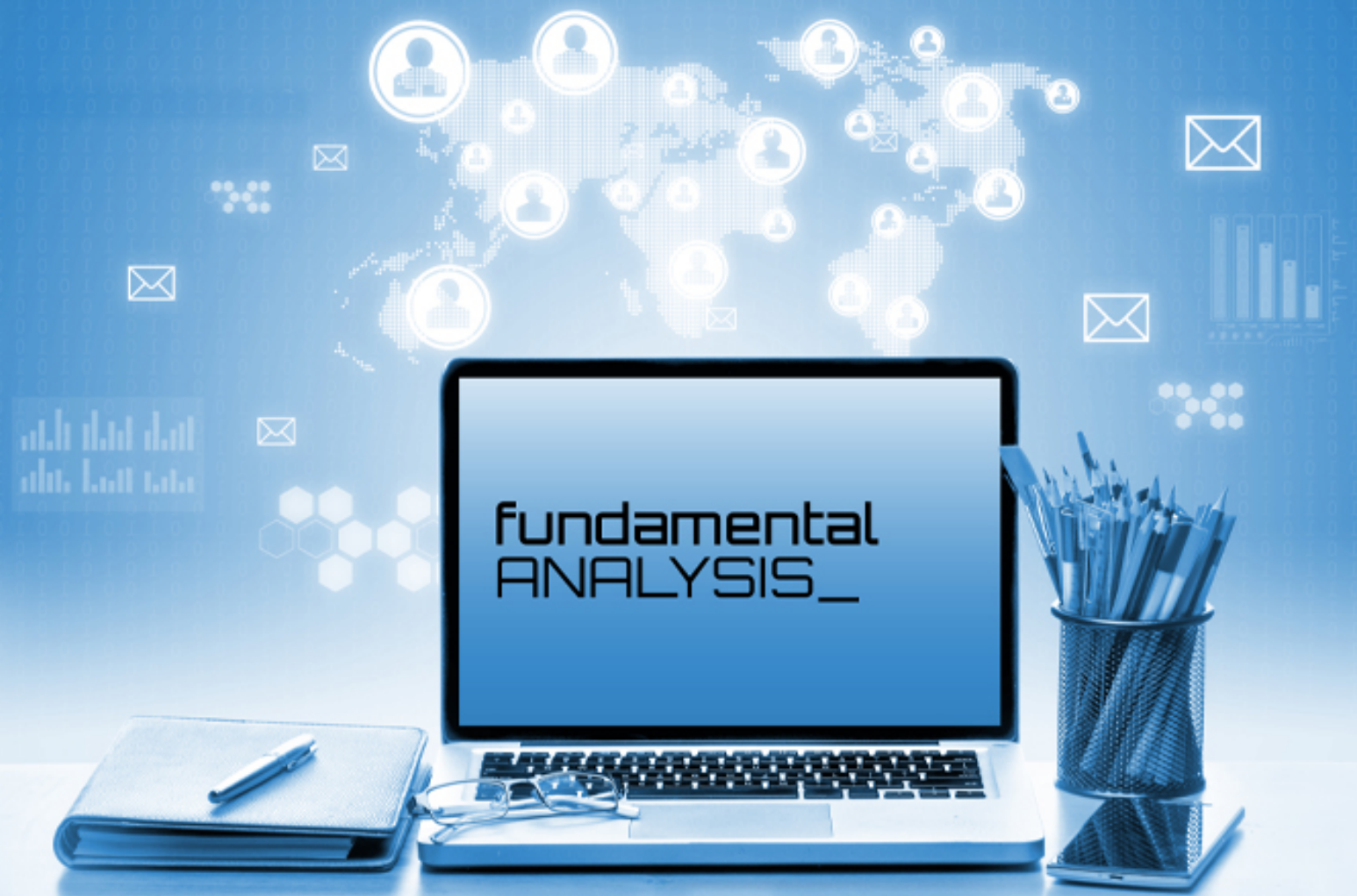


Initiating Coverage

PNC Infratech Ltd.

March 31, 2023





Industry	LTP	Recommendation	Base Case Fair Value	Bull Case Fair Value	Time Horizon
Infrastructure	Rs.289.35	Buy in the band of Rs 286-292& add more on dips to Rs 255-260 band	319.2	352	3-4 quarters

HDFC Scrip Code	PNCINFEQNR
BSE Code	539150
NSE Code	PNCINFRA
Bloomberg	PNCL:IN
CMP March 29, 2023	289.35
Equity Capital (Rs cr)	51.3
Face Value (Rs)	2
Equity Share O/S (cr)	25.65
Market Cap (Rs cr)	7,422
Book Value (Rs)	155
Avg. 52 Wk Volumes	4,72,506
52 Week High	354
52 Week Low	219

Share holding Pattern % (Dec, 2022)	
Promoters	56.07
Institutions	38.89
Non Institutions	5.04
Total	100.0



* Refer at the end for explanation on Risk Ratings

Fundamental Research Analyst

Jinesh Kothari

jinesh.kothari@hdfcsec.com

Our Take:

PNC Infratech Limited (PNC) is engaged in Infrastructure construction, development, and management activities; having expertise in the execution of projects including highways, bridges, flyovers, airport runways, industrial areas, and transmission lines. The company is a major player of EPC projects having executed 54 projects, with 24 projects still under execution out of 78 major infrastructure projects spread across 13 states. The company is leveraging strong project execution track record to diversify into new functional areas of infrastructure development in dedicated freight and corridor projects and water related infrastructure projects. At present, the company has a portfolio of 26 projects on PPP format, comprising BOT-Toll, BOT-Annuity, and HAM assets. Out of total projects, 18 projects are on HAM based with an aggregate project cost of Rs 24,590 crores and remaining 5 projects are on PPP basis, 3 are BOT Toll and other two are BOT-Annuity Projects. Over the years, the company has diversified its order book, as water related projects now constitute approx. 39% of total order book. The company's revenue breakup from EPC projects constitute 82% of total revenue and Toll revenue consists 18% of consolidated revenues for 9MFY23. The toll revenue of company has seen a significant rise of 55% in 9MFY23.

The company is also targeting opportunities in drinking water supply aligning with Government's focus on Jal Jeevan Mission.

PNC has reiterated its target of increase in topline by 10-12% YoY and maintaining its current margin level of 13-13.5% on the back of its prudent bidding discipline. As of December-end 2022, the order book stood at Rs.17,800Crore indicating a robust visibility of 2.8x of FY22 revenue. By end of FY23, the company has set eyes on opportunities to secure the orders to the tune of Rs.8000-10,000 crores.

On account of its healthy order book, strong execution capabilities, robust order pipeline and stable EBITDA margins, we remain positive on the stock.

Valuation & Recommendation:

PNC is one of the key beneficiaries of increasing government focus on the greenfield expressway projects that National Highways Authority of India (NHAI) is focusing on by implementation on both EPC and HAM modes and Government's initiatives such as Bharatmala Pariyojana, Sagarmala, Atal Mission for Rejuvenation & Urban Transformation over next few years. Its focus on margins and cash flow generation augurs well from a long-term perspective. Over the years, the company has transformed itself into one of the leading EPC contractors and has grown its order book and revenue at a healthy rate with good margins. PNC has also calibrated



diversification to continue the growth momentum, without assuming the concentration risk, leading to superior scalability and recognition. Robust execution capabilities coupled with strong repository of asset base enabling efficient execution would reflect in strong revenue growth.

PNC Infratech Limited has strong financials and healthy balance sheet as compared to its peer companies which gives company a competitive advantage in bidding for new bulky projects. Its continued focus on adding and diversifying project portfolio at healthy margins reinforces our positive view on the company. We expect revenue/EBITDA/PAT to grow at a CAGR of 9%/11%/15.2% over FY22–25E. **We think the base case fair value of the stock based on *SOTP valuation is Rs.319.2 (8.75x FY25E EPS) and the bull case fair value is Rs.352 (10.0x FY25E EPS) over the next three-four quarters. Investors can buy the stock in the band of Rs.286-292 and add more on dips to Rs.255-260 band (6.5x FY25E EPS).**

*SOTP Valuation

Particulars (Rs Cr)	FY25E PAT	Equity Investment	Base Case Multiple	Base Case Valuation (Rs. Cr)	Base Case Per Share Value (Rs.)	Bull Case Multiple	Bull Case Valuation (Rs. Cr)	Bull Case Per Share Value (Rs.)
EPC Business	672.7	-	8.75	5886.1	229.4	10.0	6727.0	262.2
HAM Projects	-	2435.0	0.8	1948.0	75.9	0.8	1948.0	75.9
BOT Road projects (excl. GZB-ALG)	-	395.0	0.9	355.5	13.9	0.9	355.5	13.9
Total value					319.2			352.00

Financial Summary

Particulars (Rs cr)	Q3FY23	Q3FY22	YoY-%	Q2FY23	QoQ-%	FY20	FY21	FY22	FY23E	FY24E	FY25E
Total Operating Income	1627.0	1522.0	6.9	1561.1	4.2	4,877.9	4,925.4	6,305.5	6,922.4	7,515.8	8,154.6
EBITDA	208.1	165.5	25.7	207.0	0.5	764.3	676.6	787.3	894.0	968.9	1,076.6
Depreciation	27.8	33.6	-17.3	27.4	1.2	126.4	112.4	129.9	111.1	129.6	147.8
Other Income	9.8	10.6	-7.4	10.5	-6.9	88.5	71.4	54.2	74.5	41.6	49.0
Interest Cost	16.2	20.8	-22.2	15.5	4.9	114.4	77.1	80.2	65.3	69.6	78.8
Tax	44.5	40.7	9.2	43.6	2.0	151.7	196.6	183.6	199.6	204.2	226.3
PAT	129.4	81.0	59.8	131.1	-1.3	460.3	362.0	447.9	592.5	607.1	672.7
Adjusted PAT	129.4	81.0	59.8	131.1	-1.3	460.3	362.0	447.9	592.5	607.1	672.7
EPS (Rs)	5.0	3.2	59.8	5.1	-1.3	17.9	14.1	17.5	22.0	23.7	26.2
RoE-%						19.7	13.3	14.3	16.6	14.9	14.4

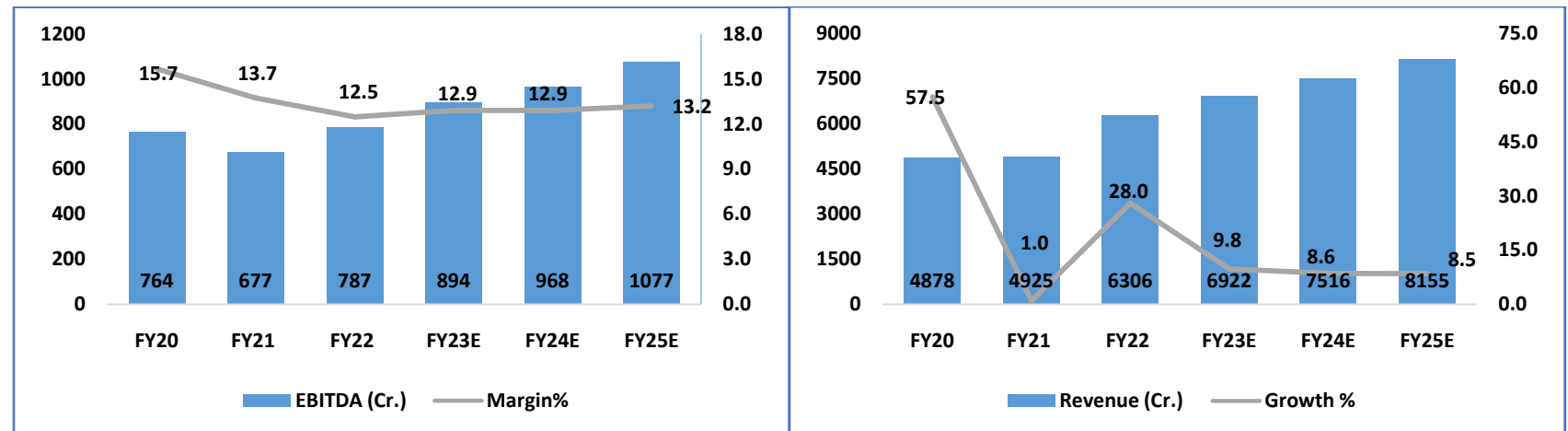


P/E (x)						16.1	20.5	16.6	12.5	12.2	11.0
EV/EBITDA						9.0	10.4	9.0	7.9	7.1	6.3

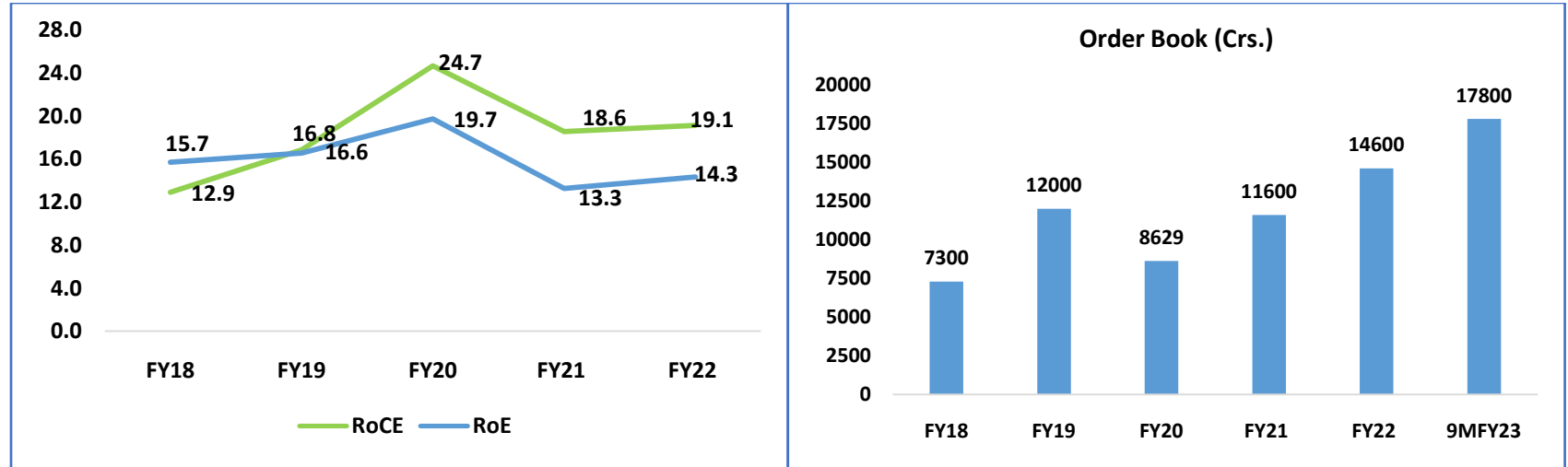
(Source: Company, HDFC sec)

Q3FY23 result update:

- Standalone Revenue of Q3FY23 stood at Rs.1,627 crore, up by 6.9% YoY/4.2% QoQ. The Standalone EBITDA for Q3FY23 stood at Rs.208 crores 25.7% YoY/flat QoQ.
- Standalone EBITDA margin for Q3FY23 stood at 12.8%, the margin contracted by 190bps YoY.
- Management has guided to maintain the current 13-13.5% EBITDA margin.
- Standalone PAT reported for Q3FY23 is Rs. 129.5crores up 59.8% YoY/-1.3% QoQ.
- The company has recently received 7 new HAM orders and has achieved financial closure for all projects and has received AD (appointing date) for 5 projects & balance 2 are likely to receive by end of the fiscal year.
- In Q3, the company has received an amount of Rs.3.64 crores towards an arbitration award published in company's favour from Military Engineer Services (MES), Government of India in a construction contract namely 'Resurfacing of Runway and Allied Works at AFS Panagarh, West Bengal.



(Source: Company, HDFC sec)



Q3FY23 Conference call highlights:

- The company has guided revenue growth of 10-15% YoY i.e around Rs.7200 crores during FY23 and 10-15% growth for FY24. It is expecting roads will constitute 75% of revenue and balance 25% to be contributed by JJM water projects, while maintaining a steady EBITDA margin around 13.5% during next fiscal year. The company stated that its projects are protected by an escalation clause and can maintain its EBITDA margin despite rise in Input prices. During the quarter, the company has received an Arbitration award worth Rs.3.6 crores.
- From JJM projects, the company has received total revenue of Rs.615 crores, and revenue from the previous financial year is Rs. 108 crores, and 9MFY23 revenue stood at Rs.507 crores. The company is expecting total revenue of around Rs.900 crores in FY23 from the drinking water sector projects.
- PNC has recently been awarded 7 New HAM Projects of approx. Rs.8,700 Crores from NHA, the company has achieved Financial Closure for all the projects & company has received the Appointing date (AD) for 5 projects and AD for other 2 projects (Mathura Pkg- 1B & Sonali Gorakhpur) is expected to receive till end of FY23.
- The awarding process by NHA and MoRTH during the first half of the financial year has always been lower. The company believes and sticks to the target Rs.8,000-10,000 crore of the business by the end of current FY, majority of which are expected to be in Highways. Company has anticipated very strong bid pipeline in coming months in Highways.
- The company is focusing aggressively on monetization of the projects, the company has selected 12 projects for monetization that includes 11 HAM assets, One BOT- Toll asset, the selected projects have total debt of Rs.6,800 crores and equity of Rs.1,550 crores.



The due diligence has already been commenced by a potential investor for the 3 HAM projects and for other 9 projects, company is in talks with potential investors who have shown interest in portfolio. The company is expecting to close many of these in FY24.

- PNC has invested Equity of Rs.1,200 crores till Q3FY23 and company plans to infuse around Rs.140 crores in last quarter of FY23, around Rs.450 crore by FY24 and Rs. 350 crores by FY25. The company aims to infuse the aforesaid equity Investment through Internal accruals.
- The company is expecting around Rs.100-120 crores of capex during FY23, out of which 37 crores was incurred in 9MFY23 and anticipates to receive new orders during FY23 between Rs.8000-10,000 crores and around bid pipeline of Rs.50,000 crores.
- In water projects, the company has received letter of awards of around Rs.7,000crores and company is expecting Rs.1,000 crores in current FY and Rs. 2,000 crores in FY24. The approved DPRs as on Dec'22 are Rs.2,700 crores, and execution target for FY23 is approx. Rs.900 crores and till date execution is Rs.510 crores.
- The company is looking for diversification in the areas which will have a synergy with the current operations. The company is eyeing more opportunities in Water sector and some canal and Irrigation projects apart from Roads. The primary focus of the company is on the JJM projects, the projects that have been floated by the different state governments, around Rs. 20,000 crores to Rs. 25,000 crores of new projects are expected to be bid out in the next 1-2 quarters.

Key Triggers:

Strong Revenue Visibility: The current order book of the company as on Dec'2022 stands overRs.17,800 crores which gives company a robust revenue visibility over next 2-3 years. The Current order book of the company stood at almost 2.8 times FY22 revenue. The company is expecting strong order inflows in the coming years on account of strong bidding pipeline and the execution of the existing order-book is likely to pick up in coming years. The company is anticipating more approvals on DPRs and receipt of appointed dates on existing awarded projects. Out of the 7 new awarded HAM projects, appointed dates for 6 projects are received and AD for remaining 1 Project is expected to receive by the end of FY23.

Monetization of New Projects: During the last quarter, the company has completed sale of its' entire 35% stake in Ghaziabad Aligarh Expressway Private Limited to Cube Highways and realized the capital. Discussions are underway with the potential investors for monetization of other fund-based projects which are already in operation, and expected to be completed during next one year. The company has identified 12 projects for Monetization which selected projects have total debt of Rs.6,800 crores and equity of Rs.1,550 crores, including 11 HAM projects and one BOT-Toll Asset, the due diligence for 3 projects is already underway.

Holistic Solutions and End-to-End Core Competency: The company provides integrated and holistic infrastructure development solutions under one roof with proven investment, design, development, construction, operation, maintenance & management capabilities in-house. This gives company an edge over other players in timely, and even ahead of schedule, completion of projects.



Strong Sectoral Outlook: The Government's plan to expand the national highway network by 25,000 Km in the current fiscal year is supported by this massive increase in budget. As per reports, the government would allocate Rs. 2.7 lakh crore for Highways in FY24 as against revised allocation of Rs.2.17 lakh crores in FY23, rise of 24% YoY. Allocation to NHAI increased to Rs 1.62 lakh crores from last year's revised allocation of Rs 1.42 lakh crore, a hike of 14% YoY. During the year, 5,774 km length of highways constructed till December'22, as against the target of 12,000 km for entire FY23. The execution was hampered due to prolonged monsoon till 3rd week of October.

In water sector also, the Jal Shakti Ministry has been allocated Rs.97,278 Cr in the Union Budget 2023-24, as against Rs.69,052 Cr YoY, a growth of 41%. In FY 2023-24 under the Jal Jeevan Mission (JJM), Rs.69,684 Cr have been allocated to provide Functional Household Tap Connections (FHTC) to 3.8 Cr households.

Strong order pipeline momentum – Bidding for new projects: The company is expecting around Rs.100-120 crores of capex during FY23 and anticipates to receive new orders during FY23& FY24 between Rs.8000-10,000 crores and around MoRTH &NHAI projects floated worth Rs.80,000 crores. out of which the company is working on 50 projects with an aggregate project cost of Rs.50,000 crores. This provides strong momentum in revenue visibility over the years.

Key Risks

- Geographical concentration of order book: The current order book remains concentrated in the state of Uttar Pradesh (about 75% of the total order book as on Dec 31, 2022). Hence, any unfavorable change in Central/State Government policies can affect the company's operations.
- Dependence on Government projects: Almost all the orders the company receives is from Government agencies and it has negligible order inflows from private players. Any reduction in state budgetary allocation to infrastructure sector might therefore impact the company significantly. Delay in receipt of LoA and approval of DPRs for the project may impact the execution and revenue realization.
- Competition Risk: The competition intensity was further increased owing to multiple Government initiatives, such as relaxed bidding criteria. This could lead to some pressure on margins driven by more competitive bids and lower contract prices.
- Delay in recovery of receivables: The company's clientele mainly comprises of Government regulated and government related entities. This results in increase in number of Debtor Days and delay in recovery of its receivables for the projects and higher working capital requirements.
- The Ministry of Road Transport and Highways (MoRTH) & National Highways Authority of India (NHAI) are now contemplating to reduce their contribution in HAM projects from 40% to 20%. This may result in increase in contribution and increase in debt funding for the HAM projects.



Company Background

PNC Infratech Limited is engaged in executing projects across varied formats including EPC (Design-Build), BOT-Annuity, BOT-Toll, OMT, Operation & Management and Hybrid Annuity Mode (HAM) projects across sectors like highways, expressways, bridges, flyovers, drinking water supply, airports, dedicated rail freight corridor. Over the years the company has completed more than 60 major road, highway, and expressway projects, setting up rural drinking water supply and irrigation projects on EPC basis, set up power transmission lines of approximately 350km of 132/220 kilovolt lines & executed 21 airport runway projects across the country.

The Company has worked on several projects with various State and Central Governments have built strong, long-term relationships with key infrastructural development & government authorities. The company with the strong execution credentials has been able to qualify for bidding on large projects and can bid for a single project up to a ticket size of Rs. 4,000 Cr. During the last year FY22 the company received orders worth Rs 11,146 crores. As on 31st December, 2022 the company has a strong order book amounting to approx. Rs.17,800 crores.

Out of company's total order book, the Roads & Highway Projects contribute around 65% and Water & Irrigation projects contribute around 35%. The bid pipeline continues to be strong around Rs.50,000 crores by NHAI which indicates a positive outlook for securing more orders.

PNC Infratech Limited has unblemished debt servicing and impressive credit ratings with stable outlook for both short and long-term borrowings CARE AA for Long-Term and CARE A1+ for Short-Term Loans.

PNC's Major Clients:





Detailed Order book of Rs. 17,800 Crores as on 31st December, 2022.

Key EPC Projects Under Construction	Awarding Authority	Value of Contract (Rs. Crores)
Akkalkot Pkg-II (Badadal-Maradgi S)	NHAI	1,367
Kanpur-Lucknow Expressway Pkg-2	NHAI	1,315
Sonali – Gorukhpur	NHAI	1,283
Kanpur-Lucknow Expressway Pkg-1	NHAI	1,278
Mathura Bypass Pkg-1B (Mathura - Gaju Village)	NHAI	788
Hardoi Bypass	NHAI	756
Major Projects (Total)		6,787
Water & Canal Projects		7,413
Other Projects		3,642
Total Order Book		17,842

Details of New HAM Projects (Excluding projects awarded post Q3): (As on Current Date)

Project	%Stake	Authority	State/Stretch	Kms/Lanes	Status	Total Value Rs.Crs.
Kanpur-Lucknow (Pkg I)	100%	NHAI	UP / NH-27	17.5 / 6	Under Construction	1618
Kanpur-Lucknow (Pkg II)	100%	NHAI	UP / NH-31/25	45.2 / 6	Under Construction	1662
Sonauli- Gorakhpur	100%	NHAI	UP / NH-29E	79.5 / 4	*AD received on 06.03.23*	1458
Mathura - Gaju Village	100%	NHAI	UP/ NH-530B	32.9 / 4	FC	885
Hardoi	100%	NHAI	UP / NH-731	54.4 / 4	Under Construction	864
Gaju Village- Devinagar	100%	NHAI	UP/ NH-530B	33.0 / 4	Under Construction	738
Badadal-Maradgi S	100%	NHAI	MH & KN / NH-150C	71.0 / 6	Under Construction	1733

Developments in Q4 FY23 (Post Q3): Out of company's total estimated total order inflow of Rs.8000-10,000 crores for the full year, the awarding of the orders have picked up substantially, Post Q3 the company has been declared as L-1 bidder for HAM Orders worth Rs.4,083 crores and received an EPC project of Rs.771 crores.

List of New Orders received (Post Q3)	Type of Project	Total Value (Rs. Crs)	Date Of Receipt
L-1 Bidder for project of Design and Construction of Civil Works from New Patli to Patli Station and New Patli to Sultanpur Station from Haryana Orbital Rail Corporation Limited	EPC	771.0	28.02.2023
L-1 Bidder for Bhabhua - Adhaura Road in Bhairpur village to Konki village for 36.0 km	HAM	1113.4	09.03.2023



length (Varanasi-Ranchi-Kolkata Highway)			
L-1 Bidder for Chandauli - Chainpur Road for 27.0 km length (Varanasi-Ranchi-Kolkata Highway)	HAM	891.0	09.03.2023
L-1 Bidder for Pachmon village to Anarbansalea village for 35.2 km Length (Varanasi-Ranchi-Kolkata Highway)	HAM	1260.0	14.03.2023
L-1 Bidder for Singraur Uphar to Baranpur Kadipur Ichauli ((i/c Ganga Bridge) in U.P	HAM	819.0	27.03.2023

Financials:

Income Statement

(Rs Cr)	FY20	FY21	FY22	FY23E	FY24E	FY25E
Net Revenues	4877.9	4925.4	6305.5	6922.4	7515.8	8154.6
Growth (%)	57.5	1	28	9.8	8.6	8.5
Operating Expenses	4113.6	4248.8	5518.3	6028.4	6546.9	7078
EBITDA	764.3	676.6	787.3	894	968.9	1076.6
Growth (%)	67.1	-11.5	16.4	13.6	8.4	11.1
EBITDA Margin (%)	15.7	13.7	12.5	12.9	12.9	13.2
Depreciation	126.4	112.4	129.9	111.1	129.6	147.8
EBIT	638	564.2	657.4	782.9	839.3	928.8
Other Income	88.5	71.4	54.2	74.5	41.6	49
Interest expenses	114.4	77.1	80.2	65.3	69.6	78.8
PBT	612	558.5	631.4	792.1	811.3	899
Tax	151.7	196.6	183.6	199.6	204.2	226.3
PAT	460.3	362	447.9	592.5	607.1	672.7
Adjusted PAT	460.3	362	447.9	592.5	607.1	672.7
Growth (%)	41.7	-21.4	23.7	32.3	2.5	10.8
EPS	17.9	14.1	17.5	22	23.7	26.2

Balance Sheet

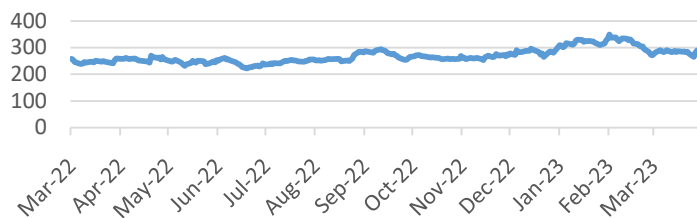
As at March	FY20	FY21	FY22	FY23E	FY24E	FY25E
SOURCE OF FUNDS						
Share Capital	51.3	51.3	51.3	51.3	51.3	51.3
Reserves	2495.3	2857.2	3288.9	3756.1	4314.9	4939.3
Shareholders' Funds	2546.6	2908.5	3340.2	3807.4	4366.2	4990.6
Long Term Debt	223.8	254.7	129.2	129.2	129.2	129.2
Net Deferred Taxes	-121.5	-22.5	-15.2	-15.2	-15.2	-15.2
Long Term Provisions & Others	653.3	433.4	751.6	568.8	541.3	515.2
Total Source of Funds	3302.2	3574.1	4205.9	4490.2	5021.5	5619.8
APPLICATION OF FUNDS						
Net Block & Goodwill	588.1	655.8	589.4	594.6	600.1	702.2
CWIP	0	3.4	0	0	0	0
Other Non-Current Assets	1208.5	1454.1	1760.6	2110.6	2275.6	2440.6
Total Non-Current Assets	1796.6	2113.2	2350	2705.2	2875.7	3142.8
Current Investments	62.3	100.5	0	0	0	0
Inventories	267.3	353.6	480.8	541.9	617.7	692.6
Trade Receivables	803.5	839.3	1272.8	1192.1	1359	1496.9
Cash & Equivalents	740.1	768.3	527.7	546.2	757.8	946.3
Other Current Assets	619	659.6	655.7	805.5	969.8	1105.8
Total Current Assets	2492.2	2721.1	2937	3085.7	3704.3	4241.6
Short-Term Borrowings	0	148.2	90.2	15	105	195
Trade Payables	467.5	719.4	507.6	541.9	617.7	670.2
Other Current Liab & Provisions	519.1	392.7	483.4	743.8	835.8	899.4
Total Current Liabilities	986.6	1260.2	1081.1	1300.7	1558.5	1764.6
Total Application of Funds	3302.2	3574.1	4205.9	4490.2	5021.5	5619.8



Cash Flow Statement

(Rs Cr)	FY20	FY21	FY22	FY23E	FY24E	FY25E
Reported PBT	612	558.5	631.4	689	811.3	898.9
Non-operating & EO items	8.7	-5.1	132	0	0	0
Interest Expenses	44.4	33.3	27.1	22	28	29.8
Depreciation	126.4	112.4	129.9	144.7	129.6	147.8
Working Capital Change	182.3	-226.1	-657.5	12.5	-266.7	-258.7
Tax Paid	-161.2	-199.8	-175.1	-173.4	-204.2	-226.3
OPERATING CASH FLOW (a)	812.6	273.2	87.8	694.8	498	591.5
Capex	-90.9	-182	-54.6	-150	-135	-250
Free Cash Flow	721.7	91.2	33.2	544.8	363	341.5
Investments	-160.9	-119.3	-84.2	-350	-165	-165
Non-operating income	21.1	26.1	12.8	0	0	0
INVESTING CASH FLOW (b)	-230.7	-275.1	-126	-500	-300	-415
Debt Issuance / (Repaid)	-48.2	72.7	-183.5	15	90	90
Interest Expenses	-103.9	-61.9	-42.5	-70.3	-76.3	-78.1
FCFE	569.7	102	-192.7	559.8	453	431.5
Share Capital Issuance/ (Buy Back)	0	0	0	0	0	0
Dividend	-25.7	0	-12.8	0	0	0
Others	26.2	-3.4	-4	0	0	0
FINANCING CASH FLOW (c)	-151.5	7.4	-242.7	-55.3	13.7	11.9
NET CASH FLOW (a+b+c)	430.4	5.5	-280.9	139.5	211.7	188.4

1 Year Price Chart



Key ratios:

	FY20	FY21	FY22	FY23E	FY24E	FY25E
PROFITABILITY RATIOS						
EBITDA Margin	15.7	13.7	12.5	12.9	12.9	13.2
EBIT Margin	13.1	11.5	10.4	11.3	11.2	11.4
PAT Margin	9.4	7.3	7.1	8.6	8.1	8.2
RoE	19.7	13.3	14.3	16.6	14.9	14.4
RoCE	24.7	18.6	19.1	20.8	19.6	18.7
SOLVENCY RATIOS						
Debt/EBITDA (x)	0.3	0.6	0.3	0.2	0.2	0.3
D/E	0.1	0.1	0.1	0	0.1	0.1
PER SHARE DATA						
EPS	17.9	14.1	17.5	23.1	23.7	26.2
CEPS	22.9	18.5	22.5	27.4	28.7	32
Dividend	1	0.5	0.5	0	0	0
BVPS	99.3	113.4	130.2	148.4	170.2	194.6
TURNOVER RATIOS						
Debtor days	53	61	61	65	62	64
Inventory days	25	23	24	27	28	29
Creditors days	35	44	36	28	28	29
VALUATION						
P/E	16.1	20.5	16.6	12.5	12.2	11
P/BV	2.9	2.6	2.2	1.9	1.7	1.5
EV/EBITDA	9	10.4	9	7.9	7.1	6.3
EV/Revenues	1.4	1.4	1.1	1	0.9	0.8



HDFC Sec Retail Research Rating description

Green Rating stocks

This rating is given to stocks that represent large and established business having track record of decades and good reputation in the industry. They are industry leaders or have significant market share. They have multiple streams of cash flows and/or strong balance sheet to withstand downturn in economic cycle. These stocks offer moderate returns and at the same time are unlikely to suffer severe drawdown in their stock prices. These stocks can be kept as a part of long term portfolio holding, if so desired. These stocks offer low risk and lower reward and are suitable for beginners. They offer stability to the portfolio.

Yellow Rating stocks

This rating is given to stocks that have strong balance sheet and are from relatively stable industries which are likely to remain relevant for long time and unlikely to be affected much by economic or technological disruptions. These stocks have emerged stronger over time but are yet to reach the level of green rating stocks. They offer medium risk, medium return opportunities. Some of these have the potential to attain green rating over time.

Red Rating stocks

This rating is given to emerging companies which are riskier than their established peers. Their share price tends to be volatile though they offer high growth potential. They are susceptible to severe downturn in their industry or in overall economy. Management of these companies need to prove their mettle in handling cyclicity of their business. If they are successful in navigating challenges, the market rewards their shareholders with handsome gains; otherwise their stock prices can take a severe beating. Overall these stocks offer high risk high return opportunities.

Disclosure:

I, **Jinesh Kothari, Research Analyst, (Chartered Accountant)**, 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 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 her 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 meant for sole use by the recipient and not for circulation. 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. This document is for information purposes only. Descriptions of any company or companies or their securities mentioned herein are not intended to be complete and 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 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. 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 t 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: Murlu V Karkera 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

Mutual Funds Investments are subject to market risk. Please read the offer and scheme related documents carefully before investing.