

Initiating Coverage KNR Constructions Ltd.

24-May-2021





Industry	LTP	Recommendation	Base Case Fair Value	Bull Case Fair Value	Time Horizon
Construction & Engineering	Rs. 227.6	Buy at LTP and add on dips to Rs. 200.5	Rs. 252.5	Rs. 267.5	2 quarters

HDFC Scrip Code	KNRCON
BSE Code	532942
NSE Code	KNRCON
Bloomberg	KNRC:IN
CMP May 21, 2021	227.6
Equity Capital (Rs cr)	56.2
Face Value (Rs)	2
Equity Share O/S (cr)	28.1
Market Cap (Rs cr)	6400.9
Book Value (Rs)	66.0
Avg. 52 Wk Volumes	481856
52 Week High	242.1
52 Week Low	93.6

Share holding Pattern % (Mar, 2021)	
Promoters	55.0
Institutions	34.4
Non Institutions	10.6
Total	100.0

Fundamental Research Analyst

Debanjana Chatterjee

Debanjana.chatterjee@hdfcsec.com

Our Take:

KNR Constructions Ltd is one of the leading providers of engineering, procurement and construction (EPC) services. Its major projects are in the fast-growing sectors of roads and highways. Apart from this, it has an established presence in irrigation and urban water infrastructure management. It has 20 years of proven track record of executing >6,000 lane km road projects across 12 states in India. Its promoter Mr. K. Narasimha Reddy has wide experience of over 50 years in the highway sector.

After almost a decade, there is strong traction in orders for new infrastructure projects. Ordering has moved beyond roads with focus now on health, education, portable water, renewable energy, manufacturing, and real estate and this is coinciding with relatively lower crude prices, lowest interest rate, and improving GDP/tax collection.

We like the stock due to its best-in-class working capital (WC) cycle with a healthy balance sheet, strong order pipeline of Rs 20,000 crore (from NHAI), and Rs 3,000-4,000 crore of new order inflows (order book Rs. 11400 crore with 44% from irrigation). Although the rising incidence of COVID cases continues to pose a threat to government's ambitious plans for the infra sector, we are confident that KNR will overcome the tough environment to rise to the top on the back of a strong balance sheet and proven management.

Valuations & Recommendation:

A decent order book with a bid pipeline of Rs 20,000 crore, government's thrust on boosting infra, diversification in urban and water infra projects, strong liquidity, healthy cash accruals, unutilised bank lines, and moderate cash and cash equivalents together provide us a healthy medium-long term outlook. With labour availability back to pre-COVID levels, road construction grew by 8% Y-o-Y during 9MFY21. A significant improvement was seen across major segments like roads, urban infrastructure, water infrastructure, and irrigation. A healthy pipeline of orders from the NHAI adds further weight to the growth outlook, with the company achieving its overall revenue at Rs 2,702.7 crore in FY21 and guiding for 15-20% growth in FY22E.

The recent surge in COVID cases, subsequent lockdowns and restrictions, and the resulting curbs in various parts of the country may halt the ongoing infrastructure work, leading to execution delays. However, the rollout of vaccines should bring some relief.

We believe investors can buy at LTP and add on dips to Rs. 200.5 (13.5x FY23E EPS) with a base case target of Rs. 252.5 (17.0x FY23E EPS) and bull case target of Rs. 267.5 (18.0x FY23E EPS) over the next two quarters.



Financial Summary (Standalone)

Particulars (Rs cr)	Q4FY21	Q4FY20	YoY (%)	Q3FY21	QoQ (%)	FY19	FY20	FY21	FY22E	FY23E
Total Operating Income	935.8	675.6	38.5	686.3	36.4	2137.3	2244.2	2702.7	3099.0	3564.4
EBITDA	182.2	146.9	24.0	135.3	34.7	427.0	487.1	535.9	603.5	700.6
Depreciation	-38.8	-53.8	-27.9	-37.3	3.9	168.1	191.8	144.4	152.3	157.5
Other Income	9.4	7.3	28.8	26.6	-64.7	60.8	45.9	38.4	49.1	56.4
Interest Cost	-4.3	-14.5	-70.1	-18.4	-76.5	29.1	47.4	48.7	36.0	41.6
Tax	-71.5	-18.7	281.6	-28.5	150.6	27.3	68.5	137.0	116.8	140.4
APAT	96.3	67.2	43.3	77.6	24.1	229.0	235.9	274.8	347.3	417.5
Diluted EPS (Rs)	6.8	4.8	43.3	5.5	24.1	8.1	8.4	9.8	12.4	14.8
RoE-%						17.8	15.5	15.7	17.4	18.2
P/E (x)						28.0	27.1	23.3	18.4	15.3
EV/EBITDA						15.6	13.5	11.7	10.5	9.0

(Source: Company, HDFC sec)

Q4FY21 standalone result-

The company posted a stellar performance with revenue growth of 38.5% YoY, to Rs 935.8 crore. EBITDA grew by 24% from Rs 146.9 crore to Rs 182.2 crore, with EBITDAM at 19.8%. PAT also grew by 43.3% to Rs 96.3 crore. PAT for FY21 has been adjusted for a) impairment of advances on sale of Wallayar tollways (Rs 11.2 crore) b) Tax pertaining to earlier years (Rs 19.3 crore). There was a (24% YoY; 31.4% QoQ) drop in finance cost on account of repayment of promoter loan of Rs 210 crore in Q2FY21.

Recent Triggers

Steady order book and completion of various projects augur well

The strong order book of Rs 7,117.9 crore (Rs 4,008.8 crore top 5 road projects and Rs 3,109.1 crore in irrigation sector) as on 31st March 2021 took the total order book to Rs 11,400 crore, including L1 orders of Rs 4,320 crore. This provides revenue visibility of three to four years. There are 4-5 more process bids that are underway - each of Rs 1,000 crore, taking the bid pipe-line to Rs 3,000-4,000 crore during FY22.



The order book comprises:

- Elevated Highway along Avinashi Road in Coimbatore City (EPC) Rs 989.6 crore,
- Magadi to Somwarpath Project (KSHIP HAM- Hybrid Annuity Model) Rs 634.4 crore,
- CheyyurPanayur Road (EPC) Rs 539 crore,
- Oddanchatram to Madathukulam Project (HAM) Rs 468.8 crore,
- Trichy toKallagam Project (HAM) Rs 263.1 crore,
- Other Road Projects Rs 1,113.9 crore,
- Irrigation Projects Rs 3,109.1 crore.

The Trichy-Kallagam, Oddanchatram-Madathukulam and Magadi-Somwarpath routes are slated to be completed by Q1FY22. The CoD for Tiruapti AP - Chittoor to Mallavaram is expected in the first week of June 2021. The Ramanasaplle mangloor - Telanagan PCOD is expected in another two months' time. Further, the company has bid for 16 more NHAI projects to the tune of Rs 20,000 crore (15 HAM and 1 EPC). Urban and water infra projects are also being considered along with road and irrigation projects to be completed by Q1FY22. Further, during Q4FY21, the company received 2 new NHAI HAM project and 1 EPC project worth Rs 4,507.5 crore (bid project), and Rs 982.9 crore respectively.

Many projects are lined up such as:

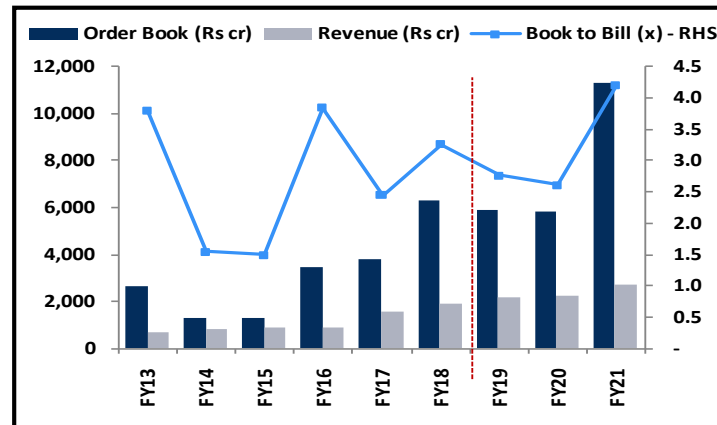
- The Palamal irrigation project (to start in Q1FY22),
- Hubli hotspot project (to be completed by Q1FY22),
- Receipt of LoA - six laning of Ramanattukara junction to start of Valanchery bypass section of NH – 66 with a bid price of Rs 1745 crore,
- Receipt of LoA - six laning from start of Valanchery Bypass to Kappirikkad Section of NH-66 with a bid price of Rs 1595 crore, on Hybrid Annuity Mode under Bharatmala Pariyojana in the state of Kerala,
- Four laning of Bangalore Mangalore Section including 6 lane flyover at Kalladka Town on EPC basis in the State of Karnataka (excluding GST) of Rs 982.9 crore.
- 778 lane Kms Projects in the state of Telangana, Karnataka & Bihar,
- Two annuity based projects and 1 toll-based project,
- MallanaSagar; Rs 195 crore (to be completed by Q1FY22); land acquisition cleared; pump house just started,
- Venkatadri reservoir bund; Rs 775 crore (to be completed by over next one year),

- Kaleshwaram project (work on first package started during Q3FY21 while work on the second project will commence in Q1FY22),
- 5 HAM projects with total bid project cost of Rs 6,049.2 crore is under construction/development.

Project execution highlights during Q4FY21:

- Completed widening to 4/6 lanes and strengthening of the existing two lane carriageway of NH-5 in Orissa for a length of 56.0 kms and total contract value of Rs 231 crore,
- Existing road was widened and strengthened with flexible pavement but a new two-lane road was constructed with concrete (PQC),
- A concrete road was paved for a width of 8.75m with G&Z slip form paver having automatic device for placement of tie bars and dowel bars at fixed intervals,
- A concreted batching plant was installed with a capacity compatible with the paving capacity of G&Z paver for better quality control of PQC Road,
- 2.6 million cubic meters deep hard rock excavation was carried out in the four-laning project of Islam Nagar (KM 230.00) to Kadatal (KM 278.00) at the Nagpur-Hyderabad section on NH-7 in Telangana.

With these, the management has guided for 15-20% growth in FY22E with an 18%+ margin, going ahead.



(Source: Company, HDFC sec)



Divestment of company's HAM projects to improve liquidity cushion

KNR Construction's special purpose vehicle (SPV) KNR Srirangam Infra Pvt Ltd entered an agreement to divest HAM projects to Cube Highways and Infrastructure III Pte. Ltd (a Singapore-based company) on 29 Jan 2019. Under this agreement, KNR will transfer 74% of its shareholding on the commercial operation date (CoD) of these projects, while it would transfer the balance 26% stake on the expiry of the lock-in period after two years from the CoD. As per the share purchase agreement signed between KNR Constructions and Cube Highways, the divestment would take place in two stages. The first stage will be undertaken post the achievement of the CoD for the projects. The second stage would come after the expiry of the mandatory lock-in period, with the transaction subject to the shareholding transfer clauses set out in the concession agreement executed between the National Highway Authority of India (NHAI) and the SPV, as well as regulatory and lender approvals.

For this project, KNR is expected to invest Rs 49.1 crore and, through the deal, it is expected to receive approximately Rs 73 crore. PCOD for three assets is expected in Q1FY22 and the company expects to complete divestment by Q3FY22. During Q4FY21 the company transferred 100% stake of KNR WalayarTollways Private Limited ("SPV") to Cube Highways with an enterprise value of Rs 511.8 crore (debt Rs 127 crore; Rs 384.7 crore equity). Share purchase agreement was signed on January 9, 2020 and sale of the same was completed on September 28, 2020. KNR intends to utilise the divestment proceeds from the above-mentioned HAM projects to meet commitments of new HAM projects that the company may win in the medium term.

Robust balance sheet, no more debtors overhang

KNR has been bringing down dues from the Telangana state government for irrigation project receivables, which have been piling up since the onset of COVID-19 pandemic. Net Working Capital days have jumped to 82 (vs 54 in Q3) and debtor days at 117 (vs 76 in Q3). Strong FCF generation of Rs 200 crore and Rs 300 crore from Kerala BOT sale during FY21 led to KNR becoming virtually debt-free. Standalone debt reduced further to Rs 16 crore (from Rs 64 crore/230 crore as on Sep-20/Mar-20) and as at Q4FY21 stands at Rs 0.7 crore, with debt/equity at-0.1x. With Rs 117.3 crore of cash, KNR remains net cash positive.

Long-term Triggers

Various governmental infra projects to benefit KNR

The current government has provided a renewed thrust to infrastructure in the country. The government's promise to usher in sweeping economic reforms, attract investments, and build infrastructure across the nation stands vindicated by the firm measures it has undertaken

in the segment. Its focus on the development of health, institutions and urban infrastructure has continually sustained. The Railways has been another major driver for the EPC segment. This segment has always managed to attract higher budgetary allocations. These above segments are likely to further get a push in the future as the government plans health, education, smart cities and “Housing for All” projects. Further, FDI in India in the infra sector is less than 1% of GDP, compared to 2.4% in China and 1.8% in Brazil. As a result, rapid acceleration of FDI inflows is expected.

Bright future for Indian infrastructure is a good sign for KNR

The following factors bode well for the company: (1) relaxation on FDI norms in construction industry with 100% FDI allowance in townships and settlements; (2) US\$ 1 trillion investment in infrastructure targeted in the 12th FYP; (3) 50% contribution from the private sector; (4) new rail corridors such as agri-rail and tourist rail networks creating opportunities requiring real estate for the warehousing; (5) new cold storages and fillip to the hospitality sector; (6) Rs 48,000 crore for building 100 smart cities under the government’s Smart Cities Mission; (7) allocation of Rs 50,000 crore for 500 cities under Atal Mission for Rejuvenation and Urban Transformation; (8) incumbent government’s ‘Housing for All by 2022’ initiative; (9) Rs 500 crore allocated in the Budget towards 3P India to rejuvenate the PPP mode; (10) the highest-ever allocation for infrastructure development (Rs 3.9 lacs crore); (11) the introduction of the Real Estate Regulation & Development (RERA) Act 2016 from 1 May 2017.

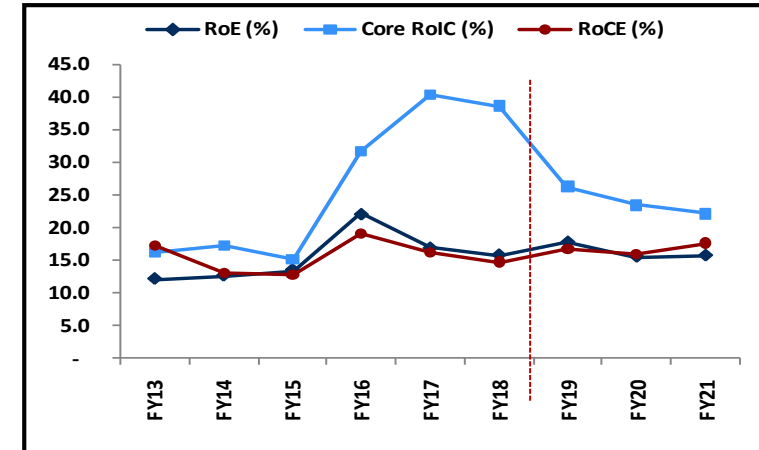
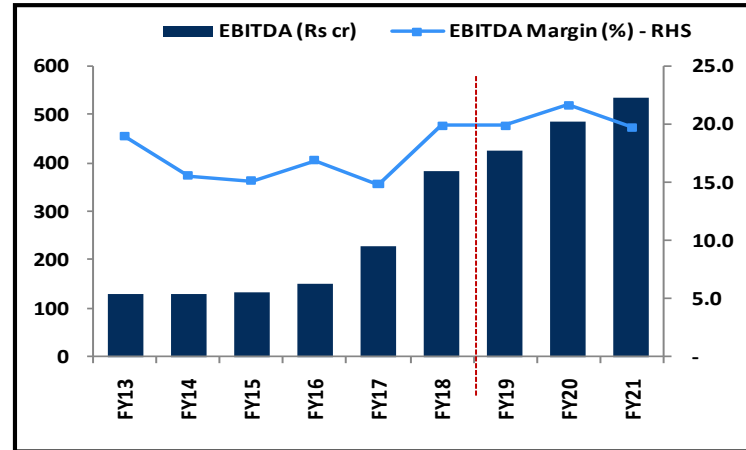
Established market position and strong project execution capability

KNR has established strong associations with the NHAI, ministry of road transport and highways (MoRTH), and various state government departments. The company mainly bids for projects floated by government bodies and funded by apex bodies such as Asian the Development Bank, MoRTH, and NHAI. Furthermore, established relationship with leading players in the infrastructure segment helps in joint bidding of projects. In May 2020, irrigation orders worth Rs 2,309 crore have been won directly from the state government of Telangana through joint ventures with HES Infra, the Navyuga Group, and Nagarjuna Construction Company (NCC).

The company’s strong project execution capabilities are reflected in its timely and successful completion of projects within the stipulated budgets. The strong in house EPC division undertakes all project implementation for BOT/HAM road projects. The company also has a track record for completing projects before time and has received early completion bonuses from relevant authorities for the same. Given these factors, it has successfully executed >6,000 lane kms of road projects until date.

Liquidity remains quite strong with equity infusion by the company in HAM projects slated for Q4FY21 (Rs 90 crore), FY22 (Rs 139 crore), and FY23 (Rs 50 crore). Until date, it has infused capital worth Rs 346 crore towards HAM projects, with the remaining Rs 280 crore planned. These infusions would be funded through internal accruals.

Standalone



(Source: Company, HDFC sec)

What could go wrong?

- High dependence on state and central government authorities for timely receipt of payments is a challenge to the working capital requirements of the company. As of Q4FY21, working capital days stood at 84 up from 55 in QoQ, owing to increase in receivable days from 76 to 117 QoQ, and vs 78 YoY. Surge in Covid-19 cases and resultant curbs in various parts of the country have raised concerns regarding completion of projects. However, the management believes there would be no further increase in receivables.
- Increase in commodity prices could impact margins of EPC projects.
- The order book is concentrated in South India, with the following states comprising the bulk of orders: Andhra Pradesh and Telangana (67%), Tamil Nadu (16%) and Karnataka (15%). The order book also exhibits project concentration, with the top five projects comprising 59% of it.



- Due to the recent COVID spike, the labour availability has reduced to 60-65% and execution to 55-65% levels. This could delay the execution of some projects till normalcy is restored in labour availability.
- The company is evaluating the Cube deal of selling 3 HAM projects. These are impacted by the negative carry, due to difference in interest rates. If KNR does not find the valuations compelling enough, it is willing to walk away from the deal, having a strong zero debt balance sheet.

Company Profile:

KNR Constructions Ltd is a multi-domain infrastructure project development company. It undertakes engineering, procurement, and construction (EPC) contracts, as well as build-operate-transfer (BOT) projects across sectors such as construction and maintenance of roads, highways, flyovers, and bridges. Its verticals include irrigation projects, water management, agriculture and trading business. As of date, it has completed around 5,890 kilometres of projects across >10 states in India. Its urban water infrastructure management project is the Challaghatta Main Valley Project, which involves remodelling of primary and secondary storm drains, bridges/culverts and related works in the Challaghatta Main Valley in Bengaluru. The company's irrigation and water management projects include Shankara Samudram balancing reservoir, Eastern Kosi canal system, reservoir across Mathadivagu, and Budpur balancing reservoir.

 4. Host of Marquee Clients					
 National Highways Authority of India (NHAI)	 Andhra Pradesh Road Development Corporation (APRDC)	 Ministry of Road Transport & Highways (MoRTH)	 Hyderabad Growth Corridor Limited (HGCL)	 Karnataka State Highway Improvement Project (KSHIP)	 Karnataka Road Development Corporation (KRDCL)
 Madhya Pradesh Road Development Corporation Limited (MPRDCL)	 Bruhat Bangalore Mahanagara Palike (BBMP)	 Uttar Pradesh State Highways Authority (UPSHA)	 Telangana Irrigation (Government of Telangana)	 A.P. Irrigation (Government of Andhra Pradesh)	 GMR Projects Private Limited
 Engineers India Limited (Government of India Undertaking)	 NMDC Limited	 Sadbhav Engineering Limited	 Public Works Department (Government of Arunachal Pradesh)	 Oriental Structural Engineers Pvt. Ltd.	

(Source: Company, HDFC sec)

KNR Constructions Ltd.

Financials (Standalone)

Income Statement

(Rs Cr)	FY19	FY20	FY21	FY22E	FY23E
Net Revenues	2137.3	2244.2	2702.7	3099.0	3564.4
<i>Growth (%)</i>		5.0%	20.4%	14.7%	15.0%
Operating Expenses	1710.3	1757.2	2166.8	2495.6	2863.8
EBITDA	427.0	487.1	535.9	603.5	700.6
<i>Growth (%)</i>		14.1%	10.0%	12.6%	16.1%
<i>EBITDA Margin (%)</i>	20.0%	21.7%	19.8%	19.5%	19.7%
Depreciation	168.1	191.8	144.4	152.3	157.5
EBIT	258.9	295.2	391.5	451.1	543.1
Other Income (Incl. EO Items)	60.8	45.9	38.4	49.1	56.4
Interest	29.1	47.4	48.7	36.0	41.6
EBT	290.6	293.7	381.2	464.2	558.0
Tax	27.3	68.5	137.0	116.8	140.4
RPAT	263.3	225.2	244.2	347.3	417.5
APAT	229.0	235.9	274.8	347.3	417.5
<i>Growth (%)</i>		3.0%	16.5%	26.4%	20.2%
EPS	8.1	8.4	9.8	12.4	14.8

Balance Sheet

(Rs Cr)	FY19	FY20	FY21	FY22E	FY23E
SOURCES OF FUNDS					
Share Capital	28.1	28.1	56.2	56.2	56.2
Reserves	1386.2	1595.8	1811.6	2268.0	2668.7
Total Share-holders Funds	1414.3	1623.9	1867.8	2324.3	2724.9
Long Term Debt	247.2	196.1	0.0	101.0	102.0
Short Term Debt	16.9	33.6	0.7	58.6	83.6
Total Debt	264.1	229.7	0.7	159.7	185.7
Deferred Taxes	-173.9	-161.0	-148.6	-161.0	-161.0
Other Non-Current Liabilities	18.1	17.6	19.8	17.6	17.6
TOTAL SOURCES OF FUNDS	1522.6	1710.2	1739.7	2340.6	2767.2
APPLICATION OF FUNDS					
Net Block	371.0	380.5	405.1	434.6	477.1
CWIP	0.0	10.2	2.4	10.2	10.2
Goodwill	0.1	0.2	0.2	0.2	0.2
Investments, LT Loans & Advances	620.1	714.9	492.8	907.8	1122.8
Other Non-Current Assets	200.3	180.9	102.6	81.5	81.9
Total Non-current Assets	1191.4	1286.5	1002.9	1434.0	1691.9
Inventories	95.1	123.2	148.0	175.3	156.1
Debtors	234.4	476.1	863.2	679.2	683.6
Cash & Equivalents	13.0	33.0	117.3	213.6	295.5
ST Loans & Advances, Others	562.5	638.0	640.7	681.8	784.2
Total Current Assets	905.0	1270.3	1769.2	1750.0	1919.4
Creditors	223.6	251.1	239.7	254.2	292.4
Other Current Liabilities & Provisions	350.2	595.5	792.7	794.2	803.7
Total Current Liabilities	573.8	846.6	1032.4	1048.4	1096.1
Net Current Assets	331.2	423.8	736.8	701.6	823.3
Misc Expenses & Others	0.0	0.0	0.0	205.0	252.0
TOTAL APPLICATION OF FUNDS	1522.6	1710.2	1739.7	2340.6	2767.2

Cash Flow Statement

(Rs Cr)	FY19	FY20	FY21	FY22E	FY23E
PBT	290.6	293.7	381.1	464.2	558.0
Non-operating & EO items	-34.7	-23.9	8.9	-31.2	-31.2
Interest expenses	29.1	47.3	42.7	36.0	41.6
Depreciation	168.1	192.3	144.4	152.3	157.5
Working Capital Change	-150.6	-30.9	-200.4	114.4	-56.1
Tax paid	-55.0	-84.4	-78.7	-116.8	-140.4
OPERATING CASH FLOW (a)	247.5	394.1	298.0	618.9	529.3
CAPEX	-203.4	-207.8	-93.9	-180.0	-200.0
Investments	-82.6	-108.7	138.8	-415.0	-215.0
Other non-operating income	0.0	26.6	20.0	0.0	0.0
INVESTING CASH FLOW (b)	-286.0	-290.0	64.9	-595.0	-415.0
Share capital Issuance	16.9	0.0	0.0	0.0	0.0
Debt Issuance	26.8	-34.4	-229.0	125.3	26.0
Interest expenses	-29.8	-40.1	-45.9	-36.0	-41.6
Dividend	-6.8	-15.3	0.0	-16.9	-16.9
Others	0.0	0.0	0.0	0.0	0.0
FINANCING CASH FLOW (c)	7.2	-89.8	-274.9	72.4	-32.5
NET CASH FLOW (a+b+c)	-31.3	14.4	88.0	96.3	81.9

Key Ratios

Particulars	FY19	FY20	FY21	FY22E	FY23E
PROFITABILITY RATIOS (%)					
GPM	35.1	39.6	35.8	35.0	34.6
EBITDAM	20.0	21.7	19.8	19.5	19.7
APATM	10.7	10.5	10.2	11.2	11.7
RoE	17.8	15.5	15.7	17.4	18.2
RoCE	16.8	15.9	17.6	16.0	16.2
SOLVENCY RATIOS (X)					
Net Debt/EBITDA	0.6	0.5	0.0	0.3	0.3
Net D/E	0.2	0.1	-0.1	0.0	0.0
PER SHARE DATA (Rs)					
EPS	8.1	8.4	9.8	12.4	14.8
CEPS	14.1	15.2	14.9	17.8	20.4
DPS	0.2	0.5	0.0	0.5	0.5
BVPS	50.3	57.7	66.4	82.6	96.9
TURNOVER RATIOS (Days)					
Inventory	16.2	20.0	20.0	20.7	16.0
Debtors	40.0	77.4	116.6	80.0	70.0
Payables	38.2	40.8	32.4	29.9	29.9
VALUATION					
P/E (x)	28.0	27.1	23.3	18.4	15.3
P/BV (x)	4.5	3.9	3.4	2.8	2.3
EV/EBITDA (x)	15.6	13.5	11.7	10.5	9.0
EV/Revenues (x)	3.1	2.9	2.3	2.0	1.8
Dividend Yield (%)	0.1	0.2	0.0	0.2	0.2

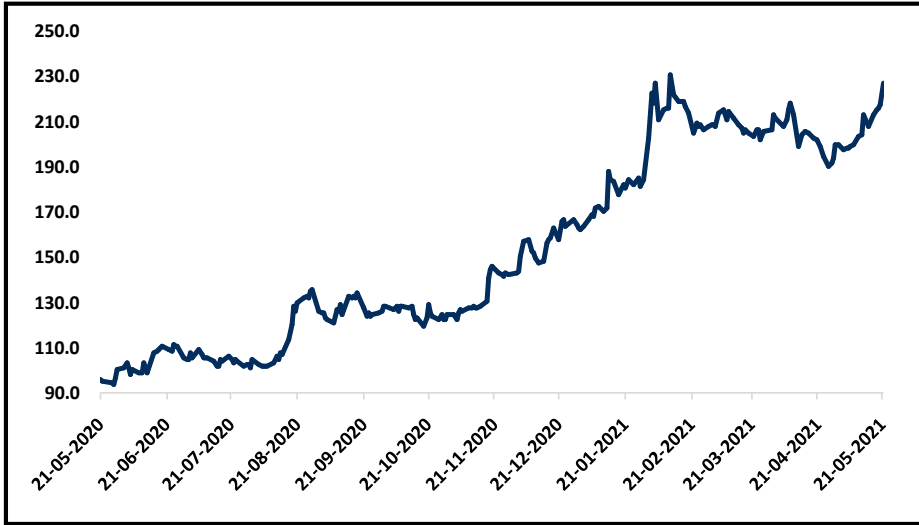
(Source: Company, HDFC sec)

KNR Constructions Ltd.



598.71	685.65	685.65	685.65	203.88	118.92	118.92
(-55.90)	(-55.90)	(-55.90)	(-55.90)	(-55.90)	(-55.90)	(-55.90)
142.09	167.22	154.12	393.13	-62.95	-107.58	-42.88
(-35.1)	(-17.4)	(-7.84)	(-7.84)	(-7.84)	(-7.84)	(-7.84)

One year stock price chart



(Source: Company, HDFC sec)



Disclosure:

I, Debanjana Chatterjee (Msc in Economics) (PGDM in Finance), 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 her 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

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 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: INZ00186937; 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.