

# Stock Update VST Tillers Tractors Ltd.

September 22, 2021





# VST Tillers Tractors Ltd.

| Industry   | LTP     | Recommendation   | Base Case Fair Value | Bull Case Fair Value | Time Horizon |
|------------|---------|--|----------------------|----------------------|--------------|
| Automobile | Rs 2562 | Buy in Rs 2550-2580 band & add more on dips to Rs 2250-2280 band | Rs 2859              | Rs 3079              | 2 quarters   |

|                        |            |
|------------------------|------------|
| HDFC Scrip Code        | VSTTIL     |
| BSE Code               | 531266     |
| NSE Code               | VSTTILLERS |
| Bloomberg              | VSTT IN    |
| CMP Sep 22, 2021       | 2561.6     |
| Equity Capital (Rs cr) | 8.6        |
| Face Value (Rs)        | 10         |
| Equity Share O/S (cr)  | 0.9        |
| Market Cap (Rs cr)     | 2236.8     |
| Book Value (Rs)        | 772.7      |
| Avg. 52 Wk Volumes     | 31,300     |
| 52 Week High           | 2899.0     |
| 52 Week Low            | 1505.0     |

| Share holding Pattern % (Jun, 2021) |       |
|-------------------------------------|-------|
| Promoters                           | 54.8  |
| Institutions                        | 18.9  |
| Non Institutions                    | 26.4  |
| Total                               | 100.0 |



**HDFCsec Retail research**  
stock rating meter

for details about the ratings, refer at the end of the report

\* Refer at the end for explanation on Risk Ratings

**Fundamental Research Analyst**

Atul Karwa

atul.karwa@hdfcsec.com

## Our Take:

VST Tillers Tractors Ltd. (VTTL) is the leading power tiller company in India with a market share of ~54%. Power tillers are affordable farm mechanisation equipment (with an average selling price of Rs 1.45 lakhs), highly preferred by small and marginal farmers. VST being a dominant player in the tillers space and has been in a sweet spot since Jul'20 when the Indian government imposed import restrictions on Chinese tillers which used to command ~30% of the market and accounted for 50% of units imported annually. Restriction on cheaper Chinese imports provided level playing field for companies like VTTL. Also, the company has been expanding its product range and entering into strategic alliance with key players to expand its product portfolio and global reach. Govt. support in the form of subsidies under various schemes, increase in MSPs, easy finance options and normal monsoons augur well for the agricultural equipment market. VTTL has expanded its dealer network in the domestic as well as overseas markets and has been entering newer territories. New product launches, import curbs on power tillers and strong focus on tractors segment is likely to drive the growth of the company. VTTL is debt-free company with healthy cash flows and low capex requirement in the near term. Over the medium term the company has set an ambitious target of being a Rs 3,000cr company by 2025 in diversified farm mechanization products and solutions. It believes in leveraging electric, driver optional, and connected vehicle technologies to offer sustainable, productive, and profitable farming solutions and has made a strategic investment in Monarch Tractor (Zimeno Inc) – Maker of the World's First Fully Electric, Driver-Optional Smart Tractor.

On May 17, 2021, we had initiated coverage on the stock with a recommendation to 'Buy at LTP and add on dips to Rs 1,540-1,550 band' for base case fair value of Rs 1895 and bull case fair value of Rs 2105 ([Link](#)). The stock had achieved our base case target on May 18 and bull case target on June 3, 2021.

## Valuation & Recommendation:

We expect revenue/EBITDA/PAT of the company to grow at CAGR of 19/23/18% over FY21 to FY23E on the back of new product launches, increasing exports and continuing import curbs which could drive higher volumes. We expect RoE/RoCE to expand by 160/250bps to 16.2/21.9% in FY23E from FY21. We believe investors can buy the stock in the band of Rs 2550-2580 and add on dips to Rs 2250-2280 band (15.5x FY23E EPS) for a base case fair value of Rs 2859 (19.5x FY23E EPS) and bull case fair value of Rs 3079 (21x FY23E EPS) over the next 2 quarters.



## Financial Summary

| Particulars (Rs cr) | Q1 FY22 | Q1 FY21 | YoY (%) | Q4 FY21 | QoQ (%) | FY20  | FY21  | FY22E | FY23E |
|---------------------|---------|---------|---------|---------|---------|-------|-------|-------|-------|
| Operating Income    | 194     | 146     | 32.4    | 195     | -0.6    | 544   | 764   | 933   | 1,075 |
| EBITDA              | 25      | 16      | 55.3    | 8       | 224.3   | 17    | 92    | 118   | 139   |
| APAT                | 24      | 17      | 40.7    | 13      | 85.7    | 18    | 91    | 110   | 127   |
| Diluted EPS (Rs)    | 27.8    | 19.8    | 40.7    | 15.0    | 85.7    | 20.8  | 105.1 | 126.7 | 146.6 |
| RoE (%)             |         |         |         |         |         | 3.1   | 14.6  | 15.6  | 16.2  |
| P/E (x)             |         |         |         |         |         | 123.0 | 24.4  | 20.2  | 17.5  |
| EV/EBITDA (x)       |         |         |         |         |         | 119.2 | 21.0  | 16.6  | 14.3  |

(Source: Company, HDFC sec)

## Recent Triggers

### Q1FY22 financials

VTTL reported strong performance for Q1FY22. Net sales increased by 32% YoY to Rs 194cr driven by 30% growth in power tiller volumes to 6729 units and 16% growth in tractor volumes to Rs 2048 units. Average realization of tractors increased by ~13%. EBITDA came in at Rs 25cr, a growth of 55% YoY with EBITDA margins at 13.1% (+193bps yoy) on account of operating leverage. Adj. PAT grew by 41% over Q1FY22 to Rs 24cr supported by higher other income. The company has added 40-50 dealers in the power tiller segment and 20 dealers in the tractor segment in Q1FY22.

In the months of Jul-Aug 2021, tractor sales increased by 8.9% to 6,185 units and power tillers sales witnessed a de-growth of 11.4% to 1,548 units.

## Recent Triggers

### Industry tailwinds to benefit VTTL

As per ICRA, the Indian agriculture machinery market is estimated to grow at a healthy CAGR of ~11% to Rs 120,700cr in FY25, spurred by the need to enhance mechanisation in Indian agriculture. Mechanisation levels in India have remained significantly lower than global benchmarks, with tractors being the mainstay to volumes. Inherent challenges, key among them being small land holdings, have continued to constrain enhanced adoption over the years. Projected decline in availability of agricultural labour led by increasing urbanisation and continued rise in labour costs necessitate higher mechanisation. Power Tillers market in India is likely to grow even faster from Rs 1350cr in FY21 to Rs 3150cr in FY25.



## **Agreement with ETG for African markets**

VST has entered into an agreement with ETG (Export Trading Group), for distribution of its tractors, power tillers, power reapers and diesel engines in the Southern African markets including South Africa, Namibia, Botswana, Zimbabwe, Swaziland, and Zambia. The objective behind the distribution model of VST Tillers Tractors in ETGL's portfolio is to expand its offering in the industry. ETGL operates an established automotive and farm equipment distribution business in South African region.

The launch introduces the complete range of VTTL's Tractors and Power Tillers into the Southern African market. The range extends from 18 HP (13.3 KW) 4WD to 50 HP (37.28 KW) Tractors and Small Farm Mechanisation implements like, Power Weeders, Power Reapers and Power Tillers ranging from 5 HP (3.7 KW) to 16 HP (11.8 KW).

## **Increasing exports to aid volume growth**

Tractor exports of VST has been increasing as the company is expanding its geographical reach. Tractor exports have increased from ~450 units in FY20 to ~ 860 units in FY21. The company is targeting exports of ~1200 units in FY22 of which it has exported 264 units in Q1FY22. Alliance with Zetor is helping the company to expand in the European markets and the recent agreement with ETGL would drive its presence in the South African region.

## **Targeting topline of Rs 3,000cr by FY25**

VTTL is targeting revenues of Rs 3,000cr by FY25 which implies a CAGR of 41% from Rs 764cr of revenues in FY21. The company is relying on four major objectives to accomplish this objective i.e. (1) evolving from a power tillers company to an established small farm mechanization company (2) focus on strengthening leadership in the compact tractor category with greater coverage and a broader range of products (3) focus on utilizing capacities in the higher HP segment and (4) developing precision component business for the Mysore plant, to ensure precision in farm mechanization products.

## **MSP price hike to support rural income**

Government has increased the MSP of Kharif crops for marketing season 2021-22 and Rabi crops for marketing season 2022-23, to ensure remunerative prices to the growers for their produce. MSPs of key kharif crops such as paddy, bajra, ragi, jowar moong, urad and cotton have been increased by 1.1-5% in FY22 as compared to FY21. For Rabi crops like wheat, barley, gram, lentils, rapeseed & mustard and safflower MSPs have increased by 2-8.6%. With the total outlay of Rs 11,040cr, the MSP scheme will benefit the farmers by increasing their income and generation of additional employment. This in turn could push up the demand for agri equipments including tillers and tractors.



## New product launches to drive market share gains

VTTL has introduced several new products in FY21 like 27 HP high torque compact tractor, 16 HP power tiller, 30 HP VST 932 compact tractor, etc. Taking the advantage of import restrictions from China, VTTL started supplying products to various new brands who were previously dependent on the Chinese market. The alliances forged by the company in the past couple of years would help it to gain market share in the domestic as well as global market. VTTL has tied up with Pubert from France for Power Weeders and product development agreement with Zetor from the Czech Republic for Higher Horse Power Tractors. It has also signed supply agreement with Farm Mech Taiwan and MTD, USA.

### New Product launches

#### Successful transition to Small Farm Mechanization business with the introduction of:



Power Tiller - Kisan



Power tiller - 16 HP



Power Weeder-Josh FT50



Power Weeder-FT70



Power Reaper



Brush Cutters

#### Tractor Market Product Introduction



17 HP



24HP (Puddling, Spraying)



27 HP (High Torque Variant)



30 HP Tractor

#### International Business



VST FIELDTRAC 927 (NGT) seeding volumes offered to the market and will be launched officially during 2021-22.

#### Precision Components segment



Gear Drive Variants in 3feet (900 mm) Rotavator series and S blade variant in complete 3ft and 3.5 ft series in FY21.



1000 mm Compact Rotary model

(Source: Company, HDFC sec)





## **Expanding dealer network**

VTTL is expanding its reach and added 155 new dealers in the power tiller segment and 110 new dealers in the tractor segment in FY21. It has also strengthened its distributor network in overseas markets across various countries including Germany, Hungary, Nepal, Bangladesh, Sri Lanka, Guinea, Tunisia, Liberia and Congo. During FY21, it added 42 new dealers in Europe and 10 new dealers in Asia & Africa. It is also entering the Eastern Europe markets and has appointed dealers in Croatia and Slovenia and scouting for dealers in Romania and Bulgaria.

## **Value unlocking by way of sale of land at Bangalore could bring in extra ordinary gains.**

As per a communication from the company dated May 16, 2021, Voluntary Retirement Scheme for all eligible workmen of the Bangalore Factory has been accepted by the workmen and same has been implemented for workmen of the Bangalore Factory. Further to implementation of VRS scheme, the Bangalore tractor operation has been shifted to Hosur, Tamil Nadu. Now VTTL can look to sell the 20 acres Bangalore factory land and use the proceeds for retiring debt or incurring capex.

## **What could go wrong?**

### **High correlation with monsoons**

The tractor industry volume growth has a high correlation with the deviation of monsoons from their long-term average. Although the monsoons started on a strong note, the month of August witnessed lower monsoons (September has seen some catch up so far). Any significant deviation (especially back-to-back in two years) resulting in weak monsoons could lead to a sharp decline in the industry's growth.

### **Dependence on government subsidy for power tillers**

The farmers are dependent on government subsidy for power tillers and any delay in implementing schemes by various states could impact the company's business. Most tiller sales are subsidy-driven with the subsidy at 40-50% of the cost of tillers. Farmers prefer to wait for new government permits which are available at different intervals which results in higher volatility in tiller sales volume. Also, lot of farmers are reluctant to go for outright purchase. Moreover, non-availability of retail finance may hamper the demand for power tillers. However, in the recent past, looking at the positive impact of mechanisation on farm output, some farmers are buying power tiller without waiting for the subsidy.

### **Huge competition in higher HP tractors**

The tractor industry consists of many small and big players, thereby the company faces high competition in tractor industry. This may result in pressure on margin and profitability.



### **Removal of import license**

The government has imposed curbs on tiller imports by moving it to restricted items (requiring a license to import) from free. Reversal of this policy could impact market share of VTTL as Chinese imports are relatively cheaper.

### **High input prices**

Hike in price of key raw materials like steel and components due to demand and supply gap may lead to rise in input cost, putting pressure on the company's margin and profitability.

### **Covid related disruption**

The second-wave of the pandemic impacted the rural areas as well unlike the first wave where the impact was minimal. Covid related disruptions could hamper sales.

### **About the company**

Established in 1967 VST Tillers Tractors Ltd. (VTTL) is one of the leading power tiller and compact tractor manufacturer in India. It was established by the VST Group of companies, a well-known century old business house in South India, as a JV with Mitsubishi Heavy Industries, Japan and Mysore State Industrial Investment Corporation. VTTL manufactures farm equipment, namely power tillers, tractors, power weeders, diesel engines and other precision agricultural and automotive components. It also trades in certain other farm equipment (mainly rice transplanters), which are sourced from China.

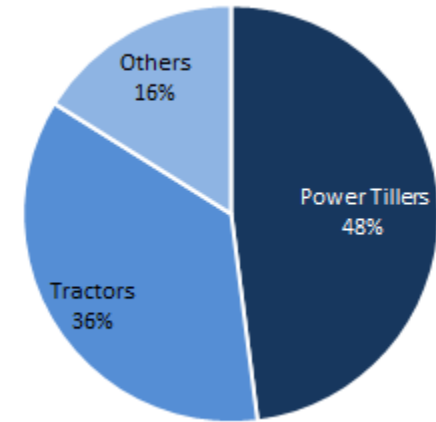
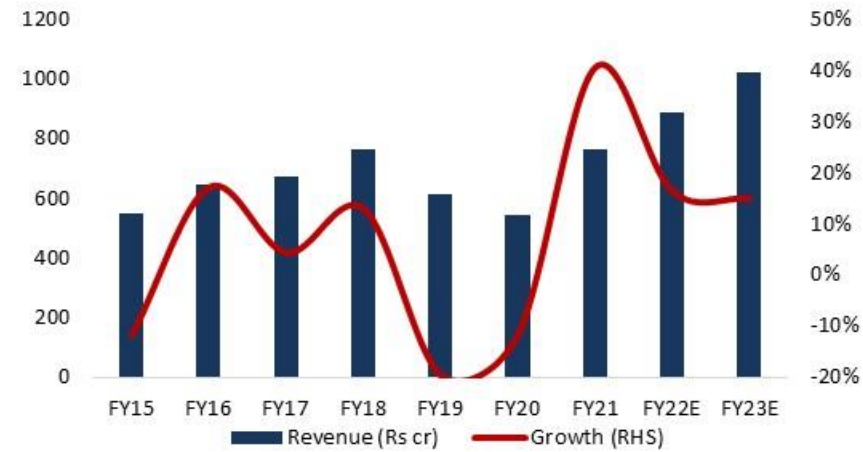
Headquartered in Bangalore, the company is now the largest manufacturer of Power Tillers in India with its 'VST Shakti' being the leader in power tillers. Its tractors are marketed under 'FIELDTRAC' brand in various markets of European Union meeting the latest EU standards. The company has expanded its presence in more than 20 countries over a decade and established itself as a most preferred brand for the compact tractors

VTTL derives over ~95% of its revenues from the domestic market and has a nationwide network of more than 350 active dealers to support sales and provide after-sales services. VTTL's current capacity stands at 36,000 units p.a. of tractors and it had sold ~7,150/8,842 tractors in FY20/FY21 which implies a capacity utilisation of ~20/25%. Tiller capacity stands at 60,000 units p.a. and FY21 utilisation was ~45%.



# VST Tillers Tractors Ltd.

Revenue trend and breakup (FY21)



(Source: Company, HDFC sec)





# VST Tillers Tractors Ltd.

## Financials – Consolidated

### Income Statement

| (Rs cr)                      | FY19         | FY20         | FY21         | FY22E        | FY23E        |
|------------------------------|--------------|--------------|--------------|--------------|--------------|
| <b>Net Revenues</b>          | <b>615</b>   | <b>544</b>   | <b>764</b>   | <b>933</b>   | <b>1075</b>  |
| <b>Growth (%)</b>            | <b>-19.5</b> | <b>-11.6</b> | <b>40.6</b>  | <b>22.0</b>  | <b>15.3</b>  |
| Operating Expenses           | 570          | 526          | 672          | 815          | 937          |
| <b>EBITDA</b>                | <b>45</b>    | <b>17</b>    | <b>92</b>    | <b>118</b>   | <b>139</b>   |
| <b>Growth (%)</b>            | <b>-62.7</b> | <b>-61.2</b> | <b>429.2</b> | <b>28.1</b>  | <b>18.1</b>  |
| <b>EBITDA Margin (%)</b>     | <b>7.3</b>   | <b>3.2</b>   | <b>12.0</b>  | <b>12.6</b>  | <b>12.9</b>  |
| Depreciation                 | 16           | 16           | 17           | 22           | 25           |
| Other Income                 | 45           | 24           | 46           | 52           | 57           |
| <b>EBIT</b>                  | <b>74</b>    | <b>25</b>    | <b>121</b>   | <b>148</b>   | <b>171</b>   |
| Interest expenses            | 2            | 1            | 2            | 2            | 2            |
| <b>PBT</b>                   | <b>72</b>    | <b>23</b>    | <b>119</b>   | <b>146</b>   | <b>169</b>   |
| Tax                          | 25           | 5            | 28           | 37           | 43           |
| <b>PAT</b>                   | <b>46</b>    | <b>18</b>    | <b>91</b>    | <b>110</b>   | <b>127</b>   |
| Share of Asso./Minority Int. | -58.9        | -60.9        | 404.3        | 20.6         | 15.7         |
| <b>Adj. PAT</b>              | <b>53.3</b>  | <b>20.8</b>  | <b>105.1</b> | <b>126.7</b> | <b>146.6</b> |

### Balance Sheet

| As at March (Rs cr)               | FY19       | FY20       | FY21       | FY22E      | FY23E      |
|-----------------------------------|------------|------------|------------|------------|------------|
| <b>SOURCE OF FUNDS</b>            |            |            |            |            |            |
| Share Capital                     | 9          | 9          | 9          | 9          | 9          |
| Reserves                          | 581        | 568        | 659        | 732        | 816        |
| <b>Shareholders' Funds</b>        | <b>590</b> | <b>577</b> | <b>668</b> | <b>741</b> | <b>824</b> |
| Total Debt                        | 0          | 0          | 0          | 0          | 0          |
| Net Deferred Taxes                | 7          | 1          | -1         | -1         | -1         |
| <b>Total Sources of Funds</b>     | <b>597</b> | <b>578</b> | <b>667</b> | <b>740</b> | <b>824</b> |
| <b>APPLICATION OF FUNDS</b>       |            |            |            |            |            |
| Net Block & Goodwill              | 183        | 184        | 248        | 291        | 341        |
| CWIP                              | 35         | 48         | 25         | 20         | 26         |
| Investments                       | 197        | 193        | 318        | 301        | 274        |
| Other Non-Curr. Assets            | 9          | 14         | 6          | 19         | 22         |
| <b>Total Non Current Assets</b>   | <b>415</b> | <b>424</b> | <b>592</b> | <b>613</b> | <b>641</b> |
| Inventories                       | 124        | 102        | 107        | 118        | 141        |
| Debtors                           | 96         | 96         | 82         | 115        | 127        |
| Cash & Equivalents                | 19         | 26         | 32         | 30         | 32         |
| Other Current Assets              | 94         | 80         | 72         | 84         | 88         |
| <b>Total Current Assets</b>       | <b>333</b> | <b>304</b> | <b>293</b> | <b>347</b> | <b>389</b> |
| Creditors                         | 34         | 58         | 83         | 84         | 65         |
| Other Current Liab & Provisions   | 117        | 93         | 135        | 135        | 141        |
| <b>Total Current Liabilities</b>  | <b>151</b> | <b>150</b> | <b>218</b> | <b>219</b> | <b>206</b> |
| Net Current Assets                | 182        | 154        | 75         | 128        | 183        |
| <b>Total Application of Funds</b> | <b>597</b> | <b>578</b> | <b>667</b> | <b>740</b> | <b>824</b> |

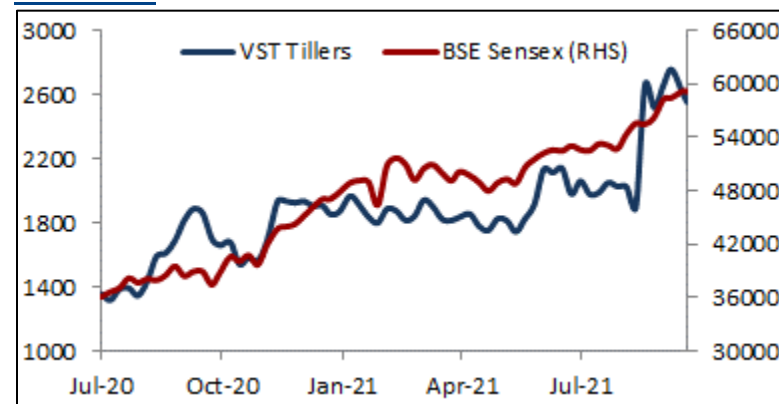


# VST Tillers Tractors Ltd.

## Cash Flow Statement

| (Rs cr)                          | FY19       | FY20       | FY21        | FY22E      | FY23E      |
|----------------------------------|------------|------------|-------------|------------|------------|
| PBT                              | 72         | 23         | 119         | 146        | 169        |
| Non-operating & EO items         | -19        | 1          | -30         | 0          | 6          |
| Interest Expenses                | -3         | 0          | -3          | 2          | 2          |
| Depreciation                     | 16         | 16         | 17          | 22         | 25         |
| Working Capital Change           | 13         | 42         | 77          | -67        | -62        |
| Tax Paid                         | -34        | -10        | -25         | -37        | -43        |
| <b>OPERATING CASH FLOW ( a )</b> | <b>43</b>  | <b>72</b>  | <b>155</b>  | <b>66</b>  | <b>97</b>  |
| Capex                            | -45        | -34        | -28         | -60        | -80        |
| Free Cash Flow                   | -2         | 38         | 127         | 6          | 17         |
| Investments                      | 34         | -4         | -127        | 30         | 30         |
| Non-operating income             | 22         | 5          | 8           | 0          | 0          |
| <b>INVESTING CASH FLOW ( b )</b> | <b>11</b>  | <b>-33</b> | <b>-148</b> | <b>-30</b> | <b>-50</b> |
| Debt Issuance / (Repaid)         | 0          | 0          | 0           | 0          | 0          |
| Interest Expenses                | -2         | -1         | -2          | -2         | -2         |
| FCFE                             | 52         | 38         | 6           | 35         | 45         |
| Share Capital Issuance           | 0          | 0          | 0           | 0          | 0          |
| Dividend                         | -43        | -26        | 0           | -36        | -43        |
| Others                           | -9         | -5         | 0           | 0          | 0          |
| <b>FINANCING CASH FLOW ( c )</b> | <b>-54</b> | <b>-33</b> | <b>-2</b>   | <b>-38</b> | <b>-45</b> |
| <b>NET CASH FLOW (a+b+c)</b>     | <b>0</b>   | <b>7</b>   | <b>6</b>    | <b>-2</b>  | <b>2</b>   |

## Price chart



## Key Ratios

|                                 | FY19  | FY20  | FY21  | FY22E | FY23E |
|---------------------------------|-------|-------|-------|-------|-------|
| <b>Profitability Ratios (%)</b> |       |       |       |       |       |
| EBITDA Margin                   | 7.3   | 3.2   | 12.0  | 12.6  | 12.9  |
| EBIT Margin                     | 12.0  | 4.5   | 15.8  | 15.9  | 15.9  |
| APAT Margin                     | 7.5   | 3.3   | 11.9  | 11.7  | 11.8  |
| RoE (excl. Goodwill)            | 7.8   | 3.1   | 14.6  | 15.6  | 16.2  |
| RoCE (excl. Goodwill)           | 12.4  | 4.2   | 19.4  | 21.0  | 21.9  |
| <b>Solvency Ratio (x)</b>       |       |       |       |       |       |
| Net Debt/EBITDA                 | -0.4  | -1.5  | -0.3  | -0.3  | -0.2  |
| Net D/E                         | 0.0   | 0.0   | 0.0   | 0.0   | 0.0   |
| <b>PER SHARE DATA (Rs)</b>      |       |       |       |       |       |
| EPS                             | 53.3  | 20.8  | 105.1 | 126.7 | 146.6 |
| CEPS                            | 71.6  | 39.8  | 124.8 | 151.9 | 175.0 |
| BV                              | 682.8 | 667.7 | 772.7 | 857.4 | 954.0 |
| Dividend                        | 15.0  | 15.0  | 35.0  | 42.0  | 50.0  |
| <b>Turnover Ratios (days)</b>   |       |       |       |       |       |
| Inventory days                  | 84    | 65    | 42    | 39    | 41    |
| Debtor days                     | 60    | 76    | 50    | 44    | 44    |
| Creditor days                   | 28    | 31    | 34    | 33    | 25    |
| <b>VALUATION (x)</b>            |       |       |       |       |       |
| P/E                             | 48.1  | 123.0 | 24.4  | 20.2  | 17.5  |
| P/BV                            | 3.8   | 3.8   | 3.3   | 3.0   | 2.7   |
| EV/EBITDA                       | 46.4  | 119.2 | 21.0  | 16.6  | 14.3  |
| EV/Revenues                     | 3.4   | 3.8   | 2.5   | 2.1   | 1.8   |
| Dividend Yield (%)              | 0.6   | 0.6   | 1.4   | 1.6   | 2.0   |
| Dividend Payout (%)             | 28.1  | 72.0  | 33.3  | 33.1  | 34.1  |

(Source: Company, HDFC sec Research)



## 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. This 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 cyclical 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, **Atul Karwa, MMS-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 his 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 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: 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

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