

October 18, 2018

## Q2FY19 Result Update

Change in Estimates |  Target |  Reco

### Change in Estimates

	Current		Previous	
	FY19E	FY20E	FY19E	FY20E
<b>Rating</b>	BUY		BUY	
<b>Target Price</b>	810		860	
Sales (Rs. m)	47,042	54,600	47,701	55,661
% Chng.			(1.4)	(1.9)
EBITDA (Rs. m)	6,478	7,676	6,673	7,727
% Chng.			(2.9)	(0.7)
EPS (Rs.)	42.9	49.1	41.5	49.7
% Chng.			3.4	(1.3)

### Key Financials

	FY17	FY18	FY19E	FY20E
Sales (Rs. m)	36,022	39,176	47,042	54,600
EBITDA (Rs. m)	4,825	5,493	6,478	7,676
Margin (%)	13.4	14.0	13.8	14.1
PAT (Rs. m)	3,442	4,090	4,836	5,523
EPS (Rs.)	30.6	36.3	42.9	49.1
Gr. (%)	4.7	18.8	18.3	14.2
DPS (Rs.)	10.4	13.1	15.0	17.2
Yield (%)	1.6	2.0	2.2	2.6
RoE (%)	17.4	18.3	19.5	19.8
RoCE (%)	16.7	17.5	18.5	18.8
EV/Sales (x)	1.9	1.7	1.4	1.2
EV/EBITDA (x)	13.9	12.2	10.2	8.3
PE (x)	21.9	18.4	15.6	13.6
P/BV (x)	3.6	3.2	2.9	2.6

### Key Data

CYIE.BO | CYL IN

52-W High / Low	Rs.887 / Rs.520
Sensex / Nifty	34,780 / 10,453
Market Cap	Rs.76bn/ \$ 1,028m
Shares Outstanding	113m
3M Avg. Daily Value	Rs.459.53m

### Shareholding Pattern (%)

Promoter's	22.10
Foreign	43.17
Domestic Institution	24.21
Public & Others	10.52
Promoter Pledge (Rs bn)	-

### Stock Performance (%)

	1M	6M	12M
Absolute	(8.5)	2.9	21.1
Relative	(1.2)	1.8	13.6

### Madhu Babu

madhubabu@plindia.com | 91-22-66322300

### Rajat Gandhi

rajatgandhi@plindia.com | 91-22-66322246

## Steady quarter, Valuations remain cheap

**Steady quarter:** Cyient delivered a steady performance for 2QFY19 with a marginal beat on revenues and margins. Revenues came at USD 169mn up 5% QoQ and marginally above our estimates (PLe: USD167.8mn). Constant Currency growth for the quarter was 6.5% QoQ. Services business revenues at USD146mn were up 2.3% QoQ in USD (3.5% QoQ growth in constant currency). ANSEM contributed to additional USD1.4mn for the quarter owing to full impact of consolidation. Hence, Services business revenues have grown by 1.3% QoQ in USD (2.5% in cc). Design Led Manufacturing (DLM) business revenues for the quarter came at USD22.9mn for 2QFY19 (compared to USD18mn in 1QFY19). Management retained double digit revenue growth in Services business for FY19. However, considering the soft start (1HFY19), Cyient would need to deliver 4.5% CQGR over next two quarters to achieve 10% USD revenue growth in Services business. This is a tough ask considering that management has also guided that 3Q could see some softness in its key vertical (Aerospace vertical). Management also cited that 3Q revenues will be impacted by seasonality.

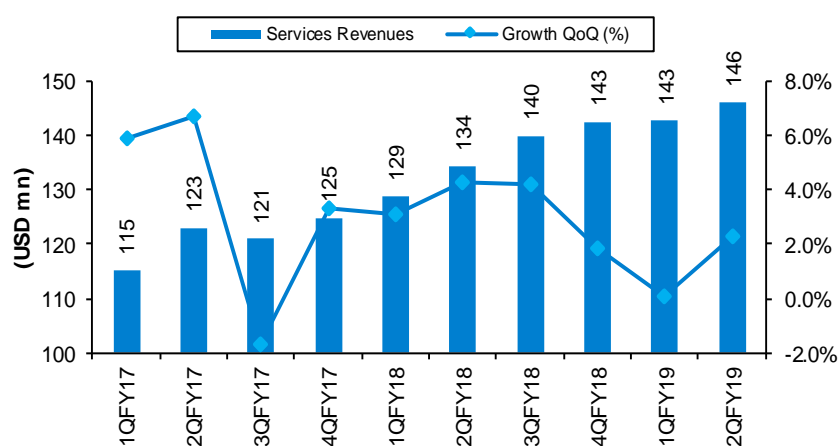
EBIDTA margin came at 13.7% up 150bps QoQ and down 91bps YoY and above our estimates (PLe:13.5%). Services business EBIDTA margin came at 15.3% for the quarter up 210bps QoQ. DLM business EBIDTA margins stood at 3.7% for 2QFY19 down 80 bps QoQ. Management guided for continued margin improvement trajectory in 2HFY19. Cyient has guided for 50 bps YoY consolidated EBIDTA margin improvement in FY19(vs Flat YoY margin guidance given earlier). We believe that achieving this margin improvement will remain an uphill task considering the tepid margin execution in 1HFY19. Low profitability in DLM business and select deals in Communication vertical (which have higher onsite effort and volatile utilization rates) and investments in New Business Acceleration could restrict margin performance in FY19. PAT for the quarter came at Rs1271mn which is 13% ahead of our estimates. Higher other Income (also aided by export Incentives) lead to PAT beat our estimates.

**Valuation and View:** Led by softer 2Q performance of the services business (88% of company's total revenues), we now expect Services business to grow only 8.5% YoY in FY19 (vs 10% modeled earlier). We model DLM business (12% of total revenues) to grow by 34% YoY (20% organic and rest owing to acquired entity). We model Cyient's USD revenues growth rate to 11.2%/12.3% for FY19E/FY20E (vs.12.6%/13.5% for FY19E/FY20E modelled earlier). Despite steep INR reset, we retain Cyient's EBITDA margin assumptions at 13.8%/14.1% for FY19E/FY20E (vs. 13.8%/14.1% modelled earlier). Tepid margin execution in 1HFY19 leads us to refrain from upgrading Cyient's margin assumptions. Higher other income led by export incentives could aid PAT in FY19/FY20E. We modestly upgrade FY19 EPS estimates by 3.4% led by 2Q PAT beat. We retain our FY20/FY21E EPS estimates. Our EPS estimates are Rs 43/49/56.5/sh for FY19/FY20/FY21E. Stock trades at 13.6x FY20 EPS and is among the cheaper midcap IT stocks (Persistent trading at 12.6x FY20E is now the cheapest midcap). Owing to softer growth in the core service business as well as tepid margin execution (despite INR tailwinds), we trim P/E multiples for Cyient. We downgrade our TP by 6% to Rs 810/share (16.5x FY20E EPS vs 17.5x earlier) led by modest EPS downgrade. Retain Buy.

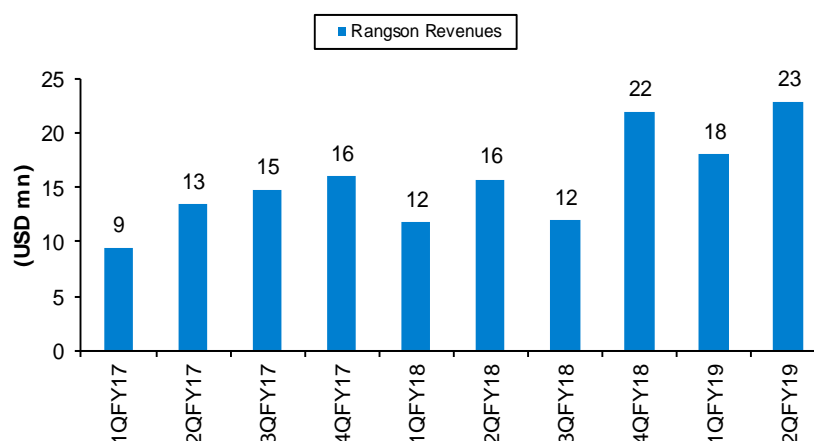
**Exhibit 1: Q2FY19: Consolidated P&L**

Rs mn	Q2FY19	Q1FY19	QoQ gr.	Q2FY18	YoY gr.	PL Estimates	Variance (Actual vs Ple)
Revenues (USD mn)	169	160.8	5.0%	150	12.5%	168	0.7%
Revenues	11,869	10,800	9.9%	9,654	22.9%	11,861	0.1%
EBITDA	1,626	1,316	23.6%	1,410	15.3%	1,601	1.5%
<i>EBITDA Margins</i>	13.7%	12.2%	151.4	14.6%	-90.6	13.5%	
Pre -Tax Income	1338	1031	29.8%	1151	16.2%	1317	1.6%
Tax	539	304	77.3%	421	28.0%	328	
<i>Tax- Rate</i>	29.8%	27.2%	262.8	28.1%	173	23.0%	
PAT	1,271	825	54.1%	1,115	14.0%	1,120	13.4%
EPS (Rs)	11.3	7.3	54.1%	9.9	14.0%	10.0	13.4%

Source: Company, PL

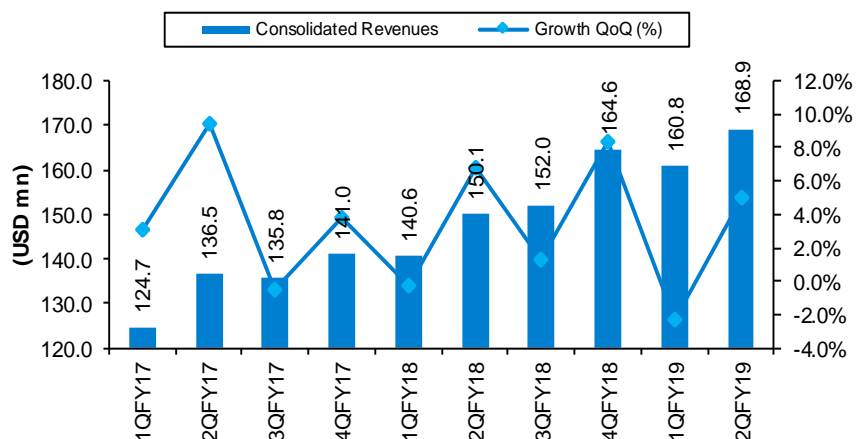
**Exhibit 2: Revenues from Services business (USD mn) and growth QoQ (%)**


Source: Company, PL

**Exhibit 3: Revenues from DLM business (USD mn)**


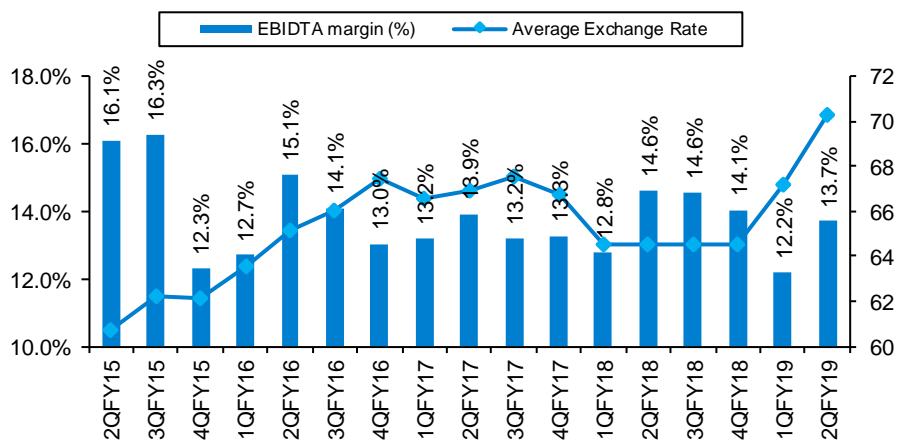
Source: Company, PL

**Exhibit 4: Consolidated Revenues (USD mn) and Growth QoQ (%)**



Source: Company, PL

**Exhibit 5: EBITDA Margin Vs Average Exchange Rate**



Source: Company, PL

## Key Metrics

### Exhibit 6: Revenue by Geography and Growth (QoQ & YoY)

USD in Mn	2QFY19	1QFY19	QoQ (%)	2QFY18	YoY(%)
America					
Europe, ME, Africa & India	88	84	4.0%	75	16.8%
APAC	40	40	1.6%	38	5.9%
<b>Total</b>	<b>41</b>	<b>37</b>	<b>11.0%</b>	<b>37</b>	<b>11.2%</b>

Source: Company, PL

### Exhibit 7: Revenue by Vertical and Growth (QoQ & YoY) (Includes DLM)

USD in Mn	2QFY19	1QFY19	QoQ (%)	2QFY18	YoY(%)
Aerospace and Defence	64.2	59.8	7.3%	50.4	27.3%
Transportation	17.2	17.2	0.1%	15.2	13.6%
I&ENR	16.4	15.1	8.4%	14.9	10.3%
Semiconductor	8.4	7.7	9.4%	5.6	52.1%
Medical & Healthcare	5.6	4.5	23.8%	4.4	28.0%
Utilities and Geospatial	20.8	20.3	2.5%	21.3	-2.5%
Communications	36.3	36.0	0.8%	38.6	-5.9%
<b>Total revenues</b>	<b>168.9</b>	<b>160.8</b>	<b>5.0%</b>	<b>150.4</b>	<b>12.3%</b>

Source: Company, PL

## Key Financials

### Exhibit 8: Key Financials

	FY13	FY14	FY15	FY16	FY17	FY18	FY19E	FY20E	FY21E
Services Business (USD mn)	347	363	434	433	484	546	612	687	318
Growth (%)	7.1%	4.8%	19.6%	-0.4%	11.9%	12.7%	12.1%	12.2%	-53.6%
DLM (USD mn)			9.2	39.0	53.8	61.6	82.9	91.0	100.0
Growth (%)				323.9%	37.9%	14.6%	34.6%	9.7%	9.9%
<b>Total Revenues (USD mn)</b>	<b>347</b>	<b>363</b>	<b>444</b>	<b>472</b>	<b>538</b>	<b>608</b>	<b>695</b>	<b>778</b>	<b>418</b>
Growth (%)	6.7%	5.2%	23.0%	5.6%	14.0%	12.9%	11.2%	12.3%	12.2%
Average Exchange Rate ( USD vs INR)	54.3	60.7	61.2	65.6	66.9	64.5	69.6	72.0	70.0
Revenues (INR mn)	18730	22063	27359	30956	36022	39176	47042	54600	59576
Growth (%)	20.6%	17.8%	24.0%	13.1%	16.4%	8.8%	20.1%	16.1%	9.1%
EBIDTA	3417	4100	4012	4252	4825	5493	6478	7676	8712
EBIT	2781	3380	3299	3359	3873	4442	5332	6448	7401
PAT	2310	2660	3535	3281	3442	4090	4836	5523	6358
EPS	20.81	23.70	31.37	29.15	30.62	36.38	43.03	49.14	56.56
EPS growth (%)	43.1%	13.9%	32.4%	-7.1%	5.1%	18.8%	18.3%	14.2%	15.1%
EBIDTA margin (%)	18.2%	18.6%	14.7%	13.7%	13.4%	14.0%	13.8%	14.1%	14.6%
EBIT margin (%)	14.8%	15.3%	12.1%	10.9%	10.8%	11.3%	11.3%	11.8%	12.4%
ROE (%)	18.6%	18.3%	20.2%	17.2%	17.4%	18.3%	19.5%	19.8%	20.3%
ROCE (%) (Post Tax )	18.7%	18.4%	19.8%	16.6%	16.7%	17.5%	18.5%	18.8%	19.4%
ROIC (%)	27.1%	29.4%	22.6%	18.9%	24.5%	25.3%	26.5%	30.2%	34.2%
Dividend Payout Ratio (%)	25.4%	24.6%	29.7%	28.9%	40.9%	43.3%	42.1%	42.1%	42.1%
P/E	32.1	28.2	21.3	23.0	21.8	18.4	15.5	13.6	11.8
EV/EBIDTA	20.2	16.5	17.4	16.3	13.9	12.3	10.3	8.3	6.9
<b>Consolidated Balance Sheet (Rs mn)</b>									
Total Network	13221	15885	19117	18372	21199	23442	26240	29436	33114
Net Cash on Balance sheet	5591	7257	5282	4736	6088	7296	8527	9187	11782
Net Cash per share	50	65	47	42	54	65	76	82	105
Net Cash per share as a % of Mcap	6.7%	8.6%	6.3%	5.6%	7.2%	8.7%	11.3%	12.2%	15.7%
<b>Consolidated cash flow (Rs mn)</b>									
Cash Flow from Operations	1606	2272	3617	2785	4199	2963	2978	5442	6592
Capex	924	766	818	1287	1080	1474	1200	1000	1000
Acquisitions	0	0	4519	0	811	332	0	0	0
Free Cash Flow	682	1507	(1,720)	1497	2308	1157	1778	4442	5592
FCF/EBIDTA (%)	20.0%	36.7%	-42.9%	35.2%	47.8%	21.1%	27.4%	57.9%	64.2%

Source: Company, PL

## Financials

### Income Statement (Rs m)

Y/e Mar	FY17	FY18	FY19E	FY20E
<b>Net Revenues</b>	<b>36,022</b>	<b>39,176</b>	<b>47,042</b>	<b>54,600</b>
YoY gr. (%)	16.4	8.8	20.1	16.1
Employee Cost	20,388	21,432	26,092	30,817
Gross Profit	15,634	17,744	20,950	23,784
Margin (%)	43.4	45.3	44.5	43.6
SG&A Expenses	10,809	12,251	14,472	16,108
Other Expenses	-	-	-	-
<b>EBITDA</b>	<b>4,825</b>	<b>5,493</b>	<b>6,478</b>	<b>7,676</b>
YoY gr. (%)	13.5	13.8	17.9	18.5
Margin (%)	13.4	14.0	13.8	14.1
Depreciation and Amortization	953	1,051	1,146	1,228
<b>EBIT</b>	<b>3,873</b>	<b>4,442</b>	<b>5,332</b>	<b>6,448</b>
Margin (%)	10.8	11.3	11.3	11.8
Net Interest	177	224	279	200
Other Income	887	1,458	1,418	880
<b>Profit Before Tax</b>	<b>4,582</b>	<b>5,676</b>	<b>6,471</b>	<b>7,128</b>
Margin (%)	12.7	14.5	13.8	13.1
Total Tax	1,044	1,381	1,693	1,711
Effective tax rate (%)	22.8	24.3	26.2	24.0
<b>Profit after tax</b>	<b>3,538</b>	<b>4,295</b>	<b>4,778</b>	<b>5,417</b>
Minority interest	(42)	(38)	-	-
Share Profit from Associate	123	11	58	106
<b>Adjusted PAT</b>	<b>3,442</b>	<b>4,090</b>	<b>4,836</b>	<b>5,523</b>
YoY gr. (%)	4.9	18.8	18.3	14.2
Margin (%)	9.6	10.4	10.3	10.1
Extra Ord. Income / (Exp)	-	-	-	-
<b>Reported PAT</b>	<b>3,442</b>	<b>4,090</b>	<b>4,836</b>	<b>5,523</b>
YoY gr. (%)	4.9	18.8	18.3	14.2
Margin (%)	9.6	10.4	10.3	10.1
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	3,442	4,090	4,836	5,523
<b>Equity Shares O/s (m)</b>	<b>113</b>	<b>113</b>	<b>113</b>	<b>113</b>
<b>EPS (Rs)</b>	<b>30.6</b>	<b>36.3</b>	<b>42.9</b>	<b>49.1</b>

Source: Company Data, PL Research

### Balance Sheet Abstract (Rs m)

Y/e Mar	FY17	FY18	FY19E	FY20E
<b>Non-Current Assets</b>				
<b>Gross Block</b>	<b>11,107</b>	<b>12,217</b>	<b>13,417</b>	<b>14,417</b>
Tangibles	6,972	7,616	8,576	9,376
Intangibles	4,135	4,601	4,841	5,041
<b>Acc: Dep / Amortization</b>	<b>6,875</b>	<b>7,791</b>	<b>8,938</b>	<b>10,166</b>
Tangibles	3,955	4,396	4,978	5,653
Intangibles	2,920	3,395	3,960	4,512
<b>Net fixed assets</b>	<b>4,232</b>	<b>4,426</b>	<b>4,479</b>	<b>4,251</b>
Tangibles	3,017	3,220	3,598	3,723
Intangibles	1,215	1,206	881	529
Capital Work In Progress	265	515	515	515
Goodwill	3,278	3,549	3,549	3,549
Non-Current Investments	1,237	568	788	1,008
Net Deferred tax assets	(201)	(35)	(35)	(35)
Other Non-Current Assets	1,538	1,491	1,491	1,491
<b>Current Assets</b>				
Investments	925	1,130	1,230	1,330
Inventories	935	1,312	1,312	1,312
Trade receivables	6,496	6,913	8,377	9,723
Cash & Bank Balance	8,781	9,807	10,367	12,862
Other Current Assets	916	910	930	950
<b>Total Assets</b>	<b>31,364</b>	<b>34,326</b>	<b>36,744</b>	<b>40,697</b>
<b>Equity</b>				
Equity Share Capital	563	563	563	563
Other Equity	20,610	22,876	25,674	28,870
<b>Total Networkth</b>	<b>21,173</b>	<b>23,439</b>	<b>26,237</b>	<b>29,433</b>
<b>Non-Current Liabilities</b>				
Long Term borrowings	492	630	630	630
Provisions	813	878	978	1,078
Other non current liabilities	35	26	26	26
<b>Current Liabilities</b>				
ST Debt / Current of LT Debt	1,159	1,780	1,780	1,780
Trade payables	4,021	3,813	3,223	3,750
Other current liabilities	3,111	3,028	3,158	3,288
<b>Total Equity &amp; Liabilities</b>	<b>31,364</b>	<b>34,326</b>	<b>36,744</b>	<b>40,697</b>

Source: Company Data, PL Research

**Cash Flow (Rs m)**

Y/e Mar	FY17	FY18	FY19E	FY20E
PBT	4,441	5,411	6,529	7,234
Add. Depreciation	953	1,052	1,146	1,228
Add. Interest	172	204	279	200
Add. Other	(737)	(392)	(1,418)	(880)
Op. profit before WC changes	4,829	6,275	6,536	7,782
Net Changes-WC	366	(1,659)	(1,865)	(628)
Direct tax	(996)	(1,653)	(1,693)	(1,711)
<b>Net cash from Op. activities</b>	<b>4,199</b>	<b>2,963</b>	<b>2,978</b>	<b>5,442</b>
Capital expenditures	(1,849)	(1,801)	(1,200)	(1,000)
Interest / Dividend Income	375	440	1,418	880
Others	(329)	492	(300)	(300)
<b>Net Cash from Inv. activities</b>	<b>(1,803)</b>	<b>(869)</b>	<b>(82)</b>	<b>(420)</b>
Issue of share cap. / premium	15	9	-	-
Debt changes	(41)	97	-	-
Dividend paid	(746)	(1,894)	(2,038)	(2,327)
Interest paid	(174)	(192)	(279)	(200)
Others	12	621	(20)	-
<b>Net cash from Fin. activities</b>	<b>(934)</b>	<b>(1,359)</b>	<b>(2,337)</b>	<b>(2,527)</b>
<b>Net change in cash</b>	<b>1,462</b>	<b>735</b>	<b>559</b>	<b>2,495</b>
Free Cash Flow	2,308	1,157	1,778	4,442

Source: Company Data, PL Research

**Quarterly Financials (Rs m)**

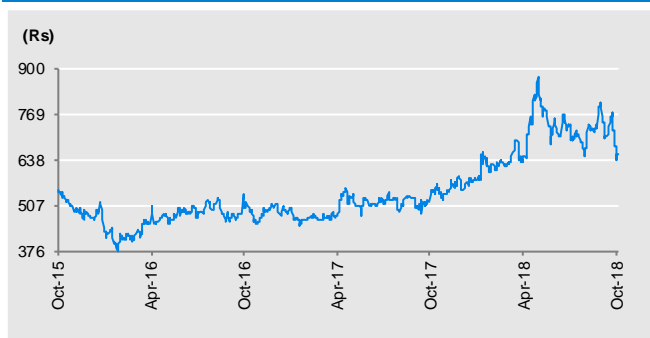
Y/e Mar	Q3FY18	Q4FY18	Q1FY19	Q2FY19
<b>Net Revenue</b>	<b>9,834</b>	<b>10,618</b>	<b>10,800</b>	<b>11,869</b>
YoY gr. (%)	7.2	12.8	19.1	22.9
Employee Expenses	5,731	5,868	6,242	6,591
Gross Profit	4,103	4,750	4,558	5,278
Margin (%)	41.7	44.7	42.2	44.5
<b>EBITDA</b>	<b>1,431</b>	<b>1,492</b>	<b>1,316</b>	<b>1,626</b>
YoY gr. (%)	1.5	4.3	(11.8)	23.6
Margin (%)	14.6	14.1	12.2	13.7
Depreciation / Depletion	274	257	285	288
<b>EBIT</b>	<b>1,157</b>	<b>1,235</b>	<b>1,031</b>	<b>1,338</b>
Margin (%)	11.8	11.6	9.5	11.3
Net Interest	56	67	82	97
Other Income	273	408	170	568
<b>Profit before Tax</b>	<b>1,120</b>	<b>1,576</b>	<b>1,119</b>	<b>1,809</b>
Margin (%)	11.4	14.8	10.4	15.2
Total Tax	251	336	304	539
Effective tax rate (%)	22.4	21.3	27.2	29.8
<b>Profit after Tax</b>	<b>869</b>	<b>1,240</b>	<b>815</b>	<b>1,270</b>
Minority interest	(7)	-	-	-
Share Profit from Associates	-	(28)	10	1
<b>Adjusted PAT</b>	<b>876</b>	<b>1,212</b>	<b>825</b>	<b>1,271</b>
YoY gr. (%)	(7.0)	53.9	(6.9)	14.0
Margin (%)	8.9	11.4	7.6	10.7
Extra Ord. Income / (Exp)	-	-	-	-
<b>Reported PAT</b>	<b>876</b>	<b>1,212</b>	<b>825</b>	<b>1,271</b>
YoY gr. (%)	(7.0)	53.9	(6.9)	14.0
Margin (%)	8.9	11.4	7.6	10.7
Other Comprehensive Income	-	-	-	-
<b>Total Comprehensive Income</b>	<b>876</b>	<b>1,212</b>	<b>825</b>	<b>1,271</b>
Avg. Shares O/s (m)	113	113	113	113
<b>EPS (Rs)</b>	<b>7.8</b>	<b>10.8</b>	<b>7.3</b>	<b>11.3</b>

Source: Company Data, PL Research

**Key Financial Metrics**

Y/e Mar	FY17	FY18	FY19E	FY20E
<b>Per Share(Rs)</b>				
EPS	30.6	36.3	42.9	49.1
CEPS	39.0	45.7	53.1	60.0
BVPS	188.0	208.2	233.0	261.4
FCF	20.5	10.3	15.8	39.5
DPS	10.4	13.1	15.0	17.2
<b>Return Ratio(%)</b>				
RoCE	16.7	17.5	18.5	18.8
ROIC	24.5	25.3	26.5	30.2
RoE	17.4	18.3	19.5	19.8
<b>Balance Sheet</b>				
Net Debt : Equity (x)	(0.4)	(0.4)	(0.4)	(0.4)
Debtor (Days)	66	64	65	65
<b>Valuation(x)</b>				
PER	21.9	18.4	15.6	13.6
P/B	3.6	3.2	2.9	2.6
P/CEPS	39.8	46.5	54.1	61.1
EV/EBITDA	13.9	12.2	10.2	8.3
EV/Sales	1.9	1.7	1.4	1.2
Dividend Yield (%)	1.6	2.0	2.2	2.6

Source: Company Data, PL Research

**Price Chart**
**Recommendation History**


No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	28-Jun-18	BUY	880	753
2	10-Jul-18	BUY	880	749
3	12-Jul-18	BUY	860	742
4	05-Oct-18	BUY	860	759

**Analyst Coverage Universe**

Sr. No.	CompanyName	Rating	TP (Rs)	Share Price (Rs)
1	Cyient	BUY	860	759
2	HCL Technologies	BUY	1,255	1,077
3	Hexaware Technologies	Hold	475	409
4	Infosys	BUY	790	695
5	L&T Technology Services	Accumulate	1,780	1,651
6	Mindtree	BUY	1,140	978
7	Mphasis	Accumulate	1,250	1,148
8	NIIT Technologies	BUY	1,460	1,192
9	Redington (India)	BUY	140	92
10	Sonata Software	BUY	420	330
11	Tata Consultancy Services	Accumulate	2,300	1,980
12	TeamLease Services	Hold	2,740	2,219
13	Tech Mahindra	BUY	885	721
14	Wipro	Hold	350	325
15	Zensar Technologies	BUY	330	297

**PL's Recommendation Nomenclature (Absolute Performance)**

<b>Buy</b>	: > 15%
<b>Accumulate</b>	: 5% to 15%
<b>Hold</b>	: +5% to -5%
<b>Reduce</b>	: -5% to -15%
<b>Sell</b>	: < -15%
<b>Not Rated (NR)</b>	: No specific call on the stock
<b>Under Review (UR)</b>	: Rating likely to change shortly

## ANALYST CERTIFICATION

### **(Indian Clients)**

We/I, Mr. Madhu Babu- BTEch & PG MBA, Mr. Rajat Gandhi- MBA Research Analysts, 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. 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.

### **(US Clients)**

The research analysts, with respect to each issuer and its securities covered by them in this research report, certify that: All of the views expressed in this research report accurately reflect his or her or their personal views about all of the issuers and their securities; and No part of his or her or their compensation was, is or will be directly related to the specific recommendation or views expressed in this research report.

## DISCLAIMER

### **Indian Clients**

Prabhudas Lilladher Pvt. Ltd, Mumbai, India (hereinafter referred to as "PL") is engaged in the business of Stock Broking, Portfolio Manager, Depository Participant and distribution for third party financial products. PL is a subsidiary of Prabhudas Lilladher Advisory Services Pvt Ltd. which has its various subsidiaries engaged in business of commodity broking, investment banking, financial services (margin funding) and distribution of third party financial/other products, details in respect of which are available at [www.plindia.com](http://www.plindia.com).

This document has been prepared by the Research Division of PL and is meant for use by the recipient only as information and is not for circulation. This document is not to be reported or copied or made available to others without prior permission of PL. It should not be considered or taken as an offer to sell or a solicitation to buy or sell any security.

The information contained in this report has been obtained from sources that are considered to be reliable. However, PL has not independently verified the accuracy or completeness of the same. Neither PL nor any of its affiliates, its directors or its employees accepts any responsibility of whatsoever nature for the information, statements and opinion given, made available or expressed herein or for any omission therein.

Recipients of this report should be aware that past performance is not necessarily a guide to future performance and value of investments can go down as well. The suitability or otherwise of any investments will depend upon the recipient's particular circumstances and, in case of doubt, advice should be sought from an independent expert/advisor.

Either PL or its affiliates or its directors or its employees or its representatives or its clients or their relatives may have position(s), make market, act as principal or engage in transactions of securities of companies referred to in this report and they may have used the research material prior to publication.

PL may from time to time solicit or perform investment banking or other services for any company mentioned in this document.

PL is in the process of applying for certificate of registration as Research Analyst under Securities and Exchange Board of India (Research Analysts) Regulations, 2014

PL submits that no material disciplinary action has been taken on us by any Regulatory Authority impacting Equity Research Analysis activities.

PL or its research analysts or its associates or his relatives do not have any financial interest in the subject company.

PL or its research analysts or its associates or his relatives do not have actual/beneficial ownership of one per cent or more securities of the subject company at the end of the month immediately preceding the date of publication of the research report.

PL or its research analysts or its associates or his relatives do not have any material conflict of interest at the time of publication of the research report.

PL or its associates might have received compensation from the subject company in the past twelve months.

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

PL or its associates might have received any compensation for investment banking or merchant banking or brokerage services from the subject company in the past twelve months.

PL or its associates might have received any compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company in the past twelve months

PL or its associates might have received any compensation or other benefits from the subject company or third party in connection with the research report.

PL encourages independence in research report preparation and strives to minimize conflict in preparation of research report. PL or its analysts did not receive any compensation or other benefits from the subject Company or third party in connection with the preparation of the research report. PL or its Research Analysts do not have any material conflict of interest at the time of publication of this report.

It is confirmed that Mr. Madhu Babu- BTEch & PG MBA, Mr. Rajat Gandhi- MBA Research Analysts of this report have not received any compensation from the companies mentioned in the report in the preceding twelve months

Compensation of our Research Analysts is not based on any specific merchant banking, investment banking or brokerage service transactions.

The Research analysts for this report certifies that all of the views expressed in this report accurately reflect his or her personal views about the subject company or companies and its or their securities, and no part of his or her compensation was, is or will be, directly or indirectly related to specific recommendations or views expressed in this report.

The research analysts for this report has not served as an officer, director or employee of the subject company PL or its research analysts have not engaged in market making activity for the subject company

Our sales people, traders, and other professionals or affiliates may provide oral or written market commentary or trading strategies to our clients that reflect opinions that are contrary to the opinions expressed herein, and our proprietary trading and investing businesses may make investment decisions that are inconsistent with the recommendations expressed herein. In reviewing these materials, you should be aware that any or all of the foregoing, among other things, may give rise to real or potential conflicts of interest.

PL and its associates, 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 subject company 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 subject company or act as an advisor or lender/borrower to the subject company or may have any other potential conflict of interests with respect to any recommendation and other related information and opinions.

### **US Clients**

This research report is a product of Prabhudas Lilladher Pvt. Ltd., which is the employer of the research analyst(s) who has prepared the research report. The research analyst(s) preparing the research report is/are resident outside the United States (U.S.) and are not associated persons of any U.S. regulated broker-dealer and therefore the analyst(s) is/are not subject to supervision by a U.S. broker-dealer, and is/are not required to satisfy the regulatory licensing requirements of FINRA or required to otherwise comply with U.S. rules or regulations regarding, among other things, communications with a subject company, public appearances and trading securities held by a research analyst account.

This report is intended for distribution by Prabhudas Lilladher Pvt. Ltd. only to "Major Institutional Investors" as defined by Rule 15a-6(b)(4) of the U.S. Securities and Exchange Act, 1934 (the Exchange Act) and interpretations thereof by U.S. Securities and Exchange Commission (SEC) in reliance on Rule 15a 6(a)(2). If the recipient of this report is not a Major Institutional Investor as specified above, then it should not act upon this report and return the same to the sender. Further, this report may not be copied, duplicated and/or transmitted onward to any U.S. person, which is not the Major Institutional Investor.

In reliance on the exemption from registration provided by Rule 15a-6 of the Exchange Act and interpretations thereof by the SEC in order to conduct certain business with Major Institutional Investors, Prabhudas Lilladher Pvt. Ltd. has entered into an agreement with a U.S. registered broker-dealer, Marco Polo Securities Inc. ("Marco Polo").

Transactions in securities discussed in this research report should be effected through Marco Polo or another U.S. registered broker dealer.

---

### **Prabhudas Lilladher Pvt. Ltd.**

**3rd Floor, Sadhana House, 570, P. B. Marg, Worli, Mumbai-400 018, India | Tel: (91 22) 6632 2222 Fax: (91 22) 6632 2209**

**[www.plindia.com](http://www.plindia.com) | Bloomberg Research Page: PRLD <GO>**