

19 November 2018

## Ahluwalia Contracts (India)

*Impressive ytd inflows, ample assurance; retaining a Buy*Rating: **Buy**

Target Price: ₹417

Share Price: ₹313

With its best ever single-year order accretion already and a healthy bid pipeline, Ahluwalia has mostly insulated itself from any lull owing to the ensuing various state and the general elections. With a significant order backlog and a balance sheet in place to meet any working capital / capex needs, the future looks bright. We are positive on the appealing return ratios, a healthy balance sheet and fine revenue assurance, which drive us to maintain our Buy on the stock.

**Strongest single-year inflows already.** In FY19 till now, the company has attained its inflows of ~₹31bn, a figure not only greater than the original ~₹20bn guidance but even its revised ~₹24bn guidance. With L1 status of ~₹4bn, and a healthy ~₹30bn bid pipeline, even H2 is expected to see healthy accretion. Excl. L1, management is aiming at a further ~₹4bn-5bn in H2.

**Revenue assurance healthy; doesn't rule out election-period slowdown.** At ~₹53bn (incl. orders of ~₹11bn received in Q3 but excl. L1 of ~₹4bn), the OB seems good to deliver more-than-the-guided-to 15-20% but management does not intend to over-commit as it sees the coming elections to contain growth for a brief while.

**Guidance maintained.** The fine Q2 revenue growth largely made up for an ordinary Q1, thus helping management maintain its 15-20% revenue growth guidance. Margin and capex guidance too have been retained.

**WC increases, partly funded by debt.** The working-capital cycle lengthened to 95 days, from 75-80 in Q1 FY19. The increase was partly funded by debt (up ~₹0.2bn q/q) and partly through internal accruals.

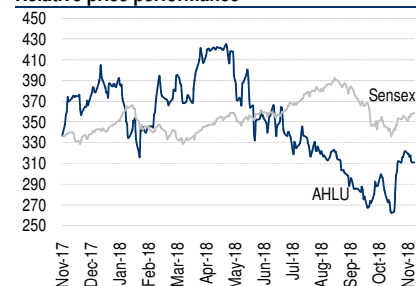
**Valuation.** Factoring in the longer-than-expected time to get the Alipore and Mohammadpur projects going, and some provisioning for the real-estate inventory held, we lower our FY19e earnings slightly (~6%, and ~1% for FY20). At the ruling price, the stock trades at PER (excl. the Kota asset) at 14x FY19e and 11x FY20e. **Risk:** Any slower-than-expected project execution.

| Key data           | AHLU IN / AHLU.BO |
|--------------------|-------------------|
| 52-week high / low | ₹445 / 256        |
| Sensex / Nifty     | 35457 / 10682     |
| 3-m average volume | \$0.1m            |
| Market cap         | ₹21bn / \$290m    |
| Shares outstanding | 67m               |

| Shareholding pattern (%) | Sep'18 | Jun'18 | Mar'18 |
|--------------------------|--------|--------|--------|
| Promoters                | 58.0   | 58.0   | 58.0   |
| - of which, Pledged      | 23.7   | 23.7   | 23.7   |
| Free float               | 42.0   | 42.0   | 42.0   |
| - Foreign institutions   | 18.3   | 18.3   | 20.3   |
| - Domestic institutions  | 19.2   | 18.8   | 15.8   |
| - Public                 | 4.6    | 5.0    | 6.0    |

| Estimates revision (%) | FY19e | FY20e |
|------------------------|-------|-------|
| Sales                  | -3.3  | -1.4  |
| EBITDA                 | -3.9  | -1.0  |
| EPS                    | -5.7  | -1.1  |

### Relative price performance



Source: Bloomberg

| Key financials (YE Mar) | FY16   | FY17   | FY18   | FY19e  | FY20e  |
|-------------------------|--------|--------|--------|--------|--------|
| Sales (₹ m)             | 12,496 | 14,266 | 16,466 | 19,082 | 22,732 |
| Net profit (₹ m)        | 844    | 863    | 1,154  | 1,434  | 1,806  |
| EPS (₹)                 | 12.6   | 12.9   | 17.2   | 21.4   | 27.0   |
| Growth (%)              | 28.6   | 2.3    | 33.8   | 24.2   | 26.0   |
| PE (x)                  | 23.5   | 24.2   | 20.1   | 14.6   | 11.6   |
| EV / EBITDA (x)         | 12.6   | 11.8   | 10.2   | 7.6    | 6.2    |
| PBV (x)                 | 4.7    | 4.1    | 3.7    | 2.7    | 2.2    |
| RoE (%)                 | 22.2   | 18.6   | 20.5   | 20.7   | 21.2   |
| RoCE (%)                | 26.2   | 24.7   | 30.6   | 32.3   | 32.6   |
| Net debt / equity (x)   | 0.1    | -0.1   | -0.2   | -0.2   | -0.2   |

Source: Company, Anand Rathi Research

Prem Khurana  
Research AnalystRachit R Kamath  
Research Associate

Anand Rathi Share and Stock Brokers Limited (hereinafter "ARSSBL") is a full-service brokerage and equities-research firm and the views expressed therein are solely of ARSSBL and not of the companies which have been covered in the Research Report. This report is intended for the sole use of the Recipient. Disclosures and analyst certifications are present in the Appendix.

## Quick Glance – Financials and Valuations

**Fig 1 – Income statement (₹ m) – standalone**

| Year-end: Mar               | FY16          | FY17          | FY18          | FY19e         | FY20e         |
|-----------------------------|---------------|---------------|---------------|---------------|---------------|
| Order inflow                | 14,864        | 13,723        | 11,663        | 40,822        | 25,000        |
| Order backlog               | 36,073        | 35,530        | 30,740        | 52,528        | 54,868        |
| <b>Net revenues</b>         | <b>12,496</b> | <b>14,266</b> | <b>16,466</b> | <b>19,082</b> | <b>22,732</b> |
| Growth (%)                  | 17.9          | 14.2          | 15.4          | 15.9          | 19.1          |
| Direct costs                | 10,688        | 12,234        | 13,947        | 16,158        | 19,198        |
| SG&A                        | 200           | 295           | 326           | 382           | 455           |
| <b>EBITDA</b>               | <b>1,608</b>  | <b>1,737</b>  | <b>2,193</b>  | <b>2,542</b>  | <b>3,080</b>  |
| EBITDA margins (%)          | 12.9          | 12.2          | 13.3          | 13.3          | 13.5          |
| Depreciation                | 201           | 239           | 256           | 265           | 278           |
| Other income                | 136           | 84            | 63            | 83            | 102           |
| Interest expenses           | 352           | 271           | 251           | 188           | 168           |
| PBT                         | 1,192         | 1,311         | 1,749         | 2,172         | 2,736         |
| Effective tax rate (%)      | 29.2          | 34.1          | 34.0          | 34.0          | 34.0          |
| + Associates / (Minorities) | -             | -             | -             | -             | -             |
| Net income                  | 844           | 863           | 1,154         | 1,434         | 1,806         |
| Adjusted income             | 844           | 863           | 1,154         | 1,434         | 1,806         |
| WANS                        | 67            | 67            | 67            | 67            | 67            |
| FDEPS (₹ / sh)              | 12.6          | 12.9          | 17.2          | 21.4          | 27.0          |

**Fig 3 – Cash-flow statement (₹ m) – standalone**

| Year-end: Mar                  | FY16  | FY17  | FY18  | FY19e | FY20e |
|--------------------------------|-------|-------|-------|-------|-------|
| PBT + Net interest expense     | 1,408 | 1,498 | 1,936 | 2,277 | 2,801 |
| + Non-cash items               | 201   | 239   | 256   | 265   | 278   |
| Oper. prof. before WC          | 1,608 | 1,737 | 2,193 | 2,542 | 3,080 |
| - Incr. / (decr.) in WC        | 401   | 13    | 556   | 890   | 1,241 |
| Others incl. taxes             | 343   | 445   | 665   | 739   | 930   |
| Operating cash-flow            | 864   | 1,279 | 972   | 913   | 908   |
| - Capex (tang. + intang.)      | 218   | 201   | 176   | 200   | 523   |
| Free cash-flow                 | 646   | 1,078 | 797   | 713   | 385   |
| Acquisitions                   | -     | -     | -     | -     | -     |
| - Div. (incl. buyback & taxes) | -     | -     | -     | 25    | 42    |
| + Equity raised                | -     | -     | -     | -     | -     |
| + Debt raised                  | -308  | -515  | -674  | -26   | -3    |
| - Fin investments              | -     | 4     | -5    | -     | -     |
| -Net interest expense + Misc.  | 220   | 216   | 106   | 105   | 66    |
| Net cash-flow                  | 117   | 343   | 22    | 558   | 275   |

Source: Company, Anand Rathi Research

**Fig 5 – Price movement**



Source: Bloomberg

**Fig 2 – Balance sheet (₹ m) – standalone**

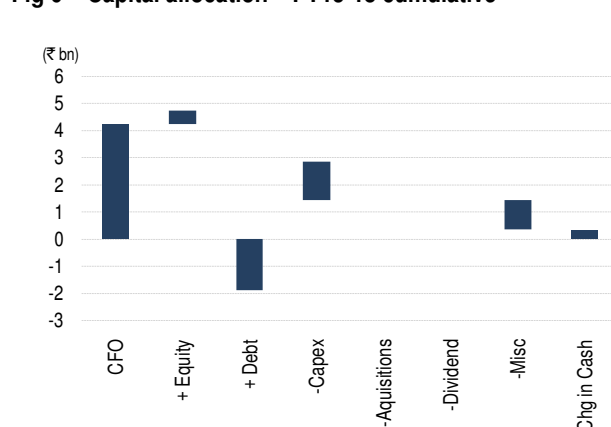
| Year-end: Mar            | FY16         | FY17         | FY18         | FY19e        | FY20e        |
|--------------------------|--------------|--------------|--------------|--------------|--------------|
| Share capital            | 134          | 134          | 134          | 134          | 134          |
| Net worth                | 4,221        | 5,058        | 6,224        | 7,633        | 9,397        |
| Debt                     | 1,419        | 901          | 298          | 272          | 269          |
| Minority interest        | -            | -            | -            | -            | -            |
| DTL / (Assets)           | -149         | -147         | -217         | -217         | -217         |
| <b>Capital employed</b>  | <b>5,491</b> | <b>5,813</b> | <b>6,305</b> | <b>7,688</b> | <b>9,449</b> |
| Net tangible assets      | 285          | 1,920        | 1,836        | 1,773        | 2,020        |
| Net intangible assets    | 843          | 5            | 8            | 5            | 3            |
| Goodwill                 | -            | -            | -            | -            | -            |
| CWIP (tang. & intang.)   | 838          | 3            | 3            | 3            | 3            |
| Investments (strategic)  | 63           | 67           | 63           | 63           | 63           |
| Investments (financial)  | -            | -            | -            | -            | -            |
| Current assets (ex cash) | 8,508        | 8,966        | 9,080        | 11,069       | 13,345       |
| Cash                     | 882          | 1,225        | 1,247        | 1,804        | 2,080        |
| Current liabilities      | 5,928        | 6,373        | 5,932        | 7,030        | 8,065        |
| Working capital          | 2,580        | 2,593        | 3,148        | 4,039        | 5,280        |
| <b>Capital deployed</b>  | <b>5,491</b> | <b>5,813</b> | <b>6,305</b> | <b>7,688</b> | <b>9,449</b> |
| Contingent liabilities   | 10,464       | 9,035        | 3,652        | -            | -            |

**Fig 4 – Ratio analysis**

| Year-end: Mar                   | FY16  | FY17  | FY18 | FY19e | FY20e |
|---------------------------------|-------|-------|------|-------|-------|
| P/E (x)                         | 23.5  | 24.2  | 20.1 | 14.6  | 11.6  |
| EV / EBITDA (x)                 | 12.6  | 11.8  | 10.2 | 7.6   | 6.2   |
| EV / sales (x)                  | 1.6   | 1.4   | 1.4  | 1.0   | 0.8   |
| P/B (x)                         | 4.7   | 4.1   | 3.7  | 2.7   | 2.2   |
| RoE (%)                         | 22.2  | 18.6  | 20.5 | 20.7  | 21.2  |
| RoCE (%)                        | 26.2  | 24.7  | 30.6 | 32.3  | 32.6  |
| Sales / FA (x)                  | 6.4   | 7.4   | 8.9  | 10.7  | 11.2  |
| DPS (₹ / sh)                    | -     | -     | -    | 0.3   | 0.5   |
| Dividend yield (%)              | -     | -     | -    | 0.1   | 0.2   |
| Dividend payout (%) - incl. DDT | -     | -     | -    | 1.8   | 2.3   |
| Net debt / equity (x)           | 0.1   | -0.1  | -0.2 | -0.2  | -0.2  |
| Receivables (days)              | 146   | 116   | 125  | 126   | 126   |
| Inventory (days)                | 60    | 63    | 42   | 50    | 54    |
| Payables (days)                 | 86    | 90    | 84   | 84    | 84    |
| CFO : PAT %                     | 102.3 | 148.2 | 84.2 | 63.7  | 50.3  |

Source: Company, Anand Rathi Research

**Fig 6 – Capital allocation – FY13-18 cumulative**



Source: Company

## Result / Concall highlights

### Income statement

- **Q2 makes up for subdued Q1 revenues.** With ~31% y/y growth in revenue from operations (to ₹4.4bn) in Q2, the company has largely made good the muted revenue in Q1 (when comparable revenue was down ~10% y/y). We believe, the growth is a function of work commencing on some of the recently bagged projects. As the pace of execution stabilises at these orders and as the company commences activity on the orders secured in Q2 and subsequently, we expect revenue growth in coming quarters to be fine.
- **Margin within the guided-to range.** The EBITDA margin, though at 13.1% declining 181bps y/y, is still within the guided-to 13-14% range. The contraction was largely owing to management's decision to mark to market the value of real-estate inventory (hence, ~₹60m of provisioning) taken from clients in lieu of payments. Sequentially, there was a ~17bps expansion, largely due to operating leverage.
- **Strong earnings growth (in a way).** Earnings were up ~21% y/y to ~₹312m, owing to healthy growth in operating profits; aided further by a contained rise in finance cost (up ~10% y/y) and depreciation (up ~9% y/y).

**Fig 7 – Financial highlights (₹ m)**

| Quarterly results (YE: Mar) | Q2 FY18 | Q2 FY19 | % Y/Y   | Q1 FY19 | % Q/Q | H1 FY18 | H1 FY19 | % Y/Y |
|-----------------------------|---------|---------|---------|---------|-------|---------|---------|-------|
| Sales                       | 3,345   | 4,392   | 31.3    | 4,070   | 7.9   | 8,387   | 8,462   | 0.9   |
| EBITDA                      | 498     | 574     | 15.3    | 526     | 9.3   | 1,034   | 1,100   | 6.4   |
| EBITDA margins (%)          | 14.9    | 13.1    | -181bps | 12.9    | 17bps | 12.3    | 13.0    | 67bps |
| Interest                    | 46      | 51      | 9.8     | 39      | 30.7  | 84      | 90      | 6.1   |
| Depreciation                | 64      | 69      | 8.9     | 66      | 5.1   | 127     | 135     | 6.4   |
| Other income                | 10      | 13      | 36.6    | 13      | 3.9   | 25      | 26      | 5.4   |
| PBT                         | 398     | 468     | 17.5    | 434     | 7.9   | 848     | 902     | 6.3   |
| Tax                         | 141     | 156     | 11.2    | 152     | 2.9   | 295     | 308     | 4.5   |
| PAT                         | 258     | 312     | 20.9    | 282     | 10.6  | 553     | 593     | 7.3   |

Source: Company

**Fig 8 – Highlights, segment-wise**

| YE: Mar (₹ m)             | Q2 FY18      | Q2 FY19      | % Y/Y       | Q1 FY19      | % Q/Q      | H1 FY18      | H1 FY19      | % Y/Y      |
|---------------------------|--------------|--------------|-------------|--------------|------------|--------------|--------------|------------|
| <b>Revenue (₹ m)</b>      |              |              |             |              |            |              |              |            |
| Contract work             | 3,343        | 4,330        | 29.5        | 4,033        | 7.4        | 8,382        | 8,363        | -0.2       |
| Lease rentals             | 3            | 12           | 342.8       | 6            | 99.0       | 5            | 18           | 236.7      |
| Others                    | -            | 50           | -           | 32           | 58.4       | -            | 81           | -          |
| <b>Total</b>              | <b>3,345</b> | <b>4,392</b> | <b>31.3</b> | <b>4,070</b> | <b>7.9</b> | <b>8,387</b> | <b>8,462</b> | <b>0.9</b> |
| <b>Segment-wise (₹ m)</b> |              |              |             |              |            |              |              |            |
| Contract work             | 468          | 596          | 27.5        | 501          | 19.0       | 977          | 1,097        | 12.2       |
| Lease rentals             | -24          | -22          | -           | -23          | -          | -48          | -45          | -          |
| Others                    | -            | -57          | -           | -4           | -          | -            | -61          | -          |
| <b>Total</b>              | <b>444</b>   | <b>518</b>   | <b>16.7</b> | <b>473</b>   | <b>9.4</b> | <b>929</b>   | <b>991</b>   | <b>6.7</b> |
| <b>Segment-wise (%)</b>   |              |              |             |              |            |              |              |            |
| Contract work             | 14.0         | 13.8         | -           | 12.4         | -          | 11.7         | 13.1         | -          |
| Lease rentals             | -896.0       | -183.5       | -           | -395.7       | -          | -919.3       | -254.5       | -          |
| Others                    | -            | -113.8       | -           | -12.5        | -          | -            | -74.6        | -          |
| <b>Total</b>              | <b>13.3</b>  | <b>11.8</b>  | <b>-</b>    | <b>11.6</b>  | <b>-</b>   | <b>11.1</b>  | <b>11.7</b>  | <b>-</b>   |

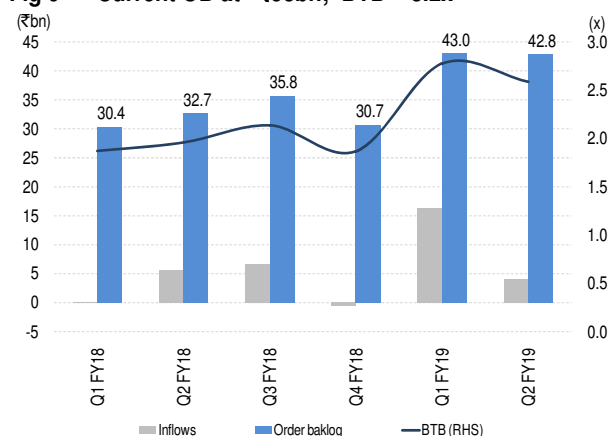
Source: Company

- **The Kota asset.** Though the H1 FY19 losses booked of ~₹45m were largely flat y/y, the company had ~₹0.2m in cash profit. For FY19, management expects ~₹47m revenue to result in ~₹80m book losses but expects cash PAT at ~₹5m. For FY20, it expects book losses to decline sharply to ~₹10m-20m and consequently cash PAT to improve.
  - Management expects a monthly rental income run-rate in Q3 of ~₹4m (65% leasing expected, from 53% now), ~₹6m by Q4 (75% leasing expected) and touch the targeted figure of ~₹8m a month by Q1 FY20. There is a potential to this number as it would still some space for leasing and the guided-to-figure excludes any advertisement revenues.
  - The company has not yet decided to take up construction of its hotel asset (60 rooms expected).

### Order backlog / Growth opportunities

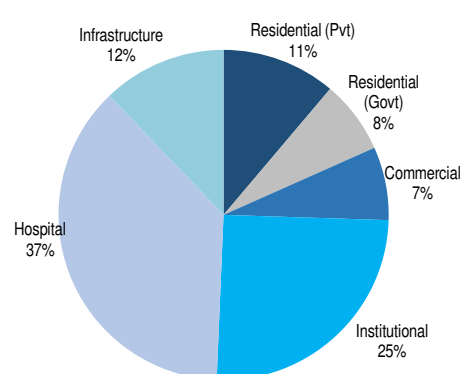
- For FY19 till now, management has secured orders of ~₹31bn, thereby more than meeting its raised (in Q1) full-year guidance of ~₹24bn. On 30<sup>th</sup> Sep'18, the order backlog was ~₹43bn (book-to-bill: 2.6x). The total OB till now is ~₹53bn, implying a book-to-bill of 3.2x TTM sales. Besides, the company has L1 status for one project of ~₹4.3bn (hospital project in Bihar).
- The order backlog has slow-moving orders of ~₹1.5bn; otherwise, the OB is moving swiftly.
- Management has specified that ~₹12bn-15bn of its Q2-end order backlog are fixed-price contracts. Primarily design-and-build contracts, management is sanguine of margins for these projects as it believes proper planning, efficient procurement and design capabilities would help protect against any inflationary pressures.

**Fig 9 – Current OB at ~₹53bn; BTB – 3.2x**



Source: Company

**Fig 10 – Segment-wise order book; hospitals**



Source: Company

- The bid pipeline also is a sturdy ~₹30bn, spread across its core operational areas.
  - Some of the large contracts are: AIIMs (Bilaspur) ~₹10bn, Ayur Vigan Nagar redevelopment project in Delhi ~₹3bn and Bijwasan Railway Redevelopment ~₹3bn. Besides, the pipeline includes DDA residential developments.
- At present, the proportion of private-sector projects in the order backlog is ~22%, which management intends to gradually take to 50%. However, private-sector residential real-estate is still not on its radar,

unless it comes from existing clients with proven credentials. The company is more focused on institutional-size (commercial developments and institutional buildings).

- The company realises the need to shore up manpower to take care of the rising scale of operations. Thus, it is regularly inducting 70-80 engineers (from the civil and electro-mechanical streams) in a total addition of 140-150 every year. It currently has a workforce of 2,500.

### Scope / Outlook

- Management continues to see a host of opportunities in healthcare, education, auditoriums, commercial real estate and re-development of buildings. Besides these, it is also on the lookout for further airport projects (after its success with the Dehradun airport) and urban infrastructure (metro-rail stations).
- At 37%, the hospital segment constitutes the heaviest chunk in Ahluwalia's OB. This was largely driven by the recent orders of ~₹12bn from HSCC. The segment has potential to see an even greater share as the current bid-pipeline includes more of such projects (incl. already a hospital project L1 of ~₹4bn).
- With the likely acquisition of HSCC by NBCC, a point of concern exists as all HSCC contracts have always provided for escalation clauses, while NBCC prefers fixed-price contracts. Management said that it is too early to comment but feels that there shouldn't be any radical change in the way HSCC operates.
- On competitive intensity, it highlights that this is the highest for orders of ₹2bn-4bn, whereas it is the lowest (only 3-4 bidders) for orders of ₹7bn-10bn. Since the company is pre-qualified to bid for orders of ₹8bn-10bn, management has gradually been increasing the size of the projects, which is the key reason for its recent success. It does not bid for orders below ~₹2bn unless they are strategic (either at a nearby existing site or from existing clients).

### Status of projects

- **The Mohammadpur colony-redevelopment project.** The company was faced with certain setbacks (the tree-felling issue) for its CPWD-Delhi project, the Mohammadpur colony re-development project. The matter has largely been resolved and the company has already submitted a changed design to minimize the impact on the environment. It expects work to commence shortly.
- **The Alipore seater-extension.** The extensive 2,400-seater Alipore Auditorium project of ~₹3.2bn is still moving slow (for almost the past five months) as the client wants to increase seat capacity by 200, to 2,600. A new design has already been submitted to The Indian Institute of Technology, Kharagpur, for approval. On this project the company has already executed work worth ~₹0.25bn.

### Balance sheet

- On 30<sup>th</sup> Sep'18, the company had gross debt of ~₹0.52bn (an increase of ~₹0.2bn q/q) and cash & cash equivalents of ~₹1.7bn, thereby retaining its net-cash status.
- Management has guided to lower debt by the year end. It earlier talked of its intent to bring gross debt down to zero in the next two years through a mix of equity from promoters and free-cash-flow generation from business operations.

- Working-capital days stretched to ~95, from 75-80, largely due to the strong growth and as the company is consciously not using its mobilization-advances limits available with the projects (instead preferring to use its own capital, as beneficial).
- During the quarter, the company provided ~₹60m towards impairment in the value of real-estate inventory taken over from clients (in lieu of payments). Subsequent to this mark down, the value of its real-estate inventory on its balance sheet is pegged at ~₹440m.

## Guidance

- The company has guided to 15-20% revenue growth for FY19, with a ~13-14% EBITDA margin.
- It has maintained its capex guidance at ~₹0.3bn for FY19; ~₹0.14bn has already been incurred in H1.
- Given that management has already achieved even its raised full-year targeted inflows, it has further raised guidance to ~₹39bn-40bn from ~₹24bn earlier. It has already secured orders of ~₹31bn and holds L1 in a ~₹4bn project. From the bid pipeline of ~₹30bn, it is eyeing orders of another ~₹4bn-5bn.

## Litigation / disputes

- With regards to the Talkatora stadium, the matter is on the cusp of closure. Management expects a decision in 3-4 months or at most by Q1 FY20.
- On the Commonwealth Games Village matter, litigation is slow as the judge presiding over the hearing has been unwell.

## Earnings revision and Valuation

To factor in the longer-than-expected time to get the Alipore and Mohammadpur projects going, we lower our estimates a shade. Besides, FY19e earnings have also been adjusted for the ~₹60m provisioning in the value of the real-estate inventory taken over from clients. Thus, FY19e earnings are down ~6% (and ~1% for FY20).

**Fig 11 – Estimates revision**

| (₹ m)   | Original Estimates |        | Revised Estimates |        | Change (%) |       |
|---------|--------------------|--------|-------------------|--------|------------|-------|
|         | FY19e              | FY20e  | FY19e             | FY20e  | FY19e      | FY20e |
| Revenue | 19,740             | 23,066 | 19,082            | 22,732 | -3.3       | -1.4  |
| EBITDA  | 2,646              | 3,110  | 2,542             | 3,080  | -3.9       | -1.0  |
| EPS (₹) | 22.7               | 27.3   | 21.4              | 27.0   | -5.7       | -1.1  |

Source: Anand Rathi Research

Our sum-of-parts-based target price of ₹417 a share is derived using PE of 15x FY20 for the construction business (₹404) and the Kota asset at book value (₹13).

On our estimates, the stock now trades (excl. the Kota asset) at PEs of 14x FY19e and 11x FY20e. On an EV/EBITDA basis, it quotes at 7.4x FY19e and 6x FY20e, excl. the valuation of the Kota asset.

**Fig 12 – EV / EBITDA (one-year-forward)**



Source: Bloomberg, Anand Rathi Research

### Risks

- Any slower-than-expected pace of project execution.
- Any major liability arising out of litigation.

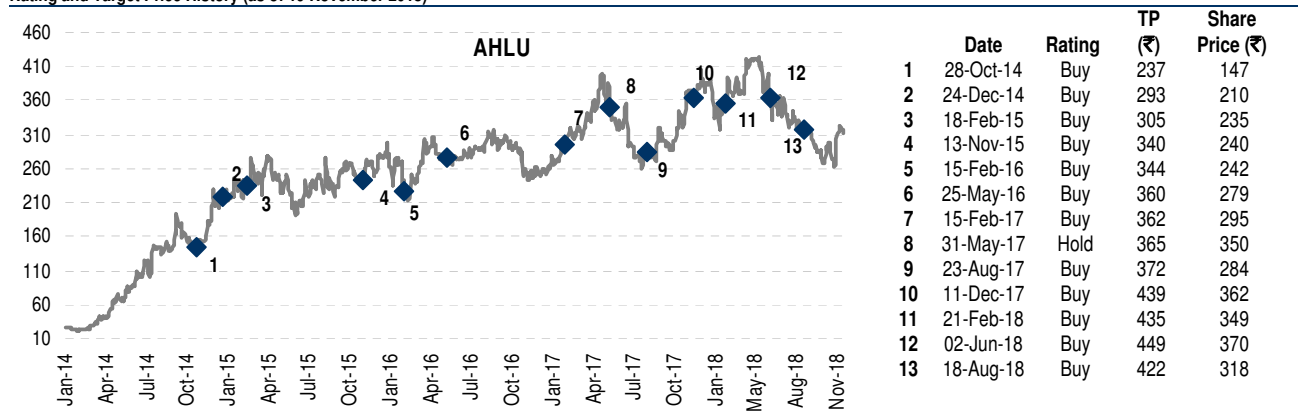
## Appendix

### Analyst Certification

The views expressed in this Research Report accurately reflect the personal views of the analyst(s) about the subject securities or issuers and no part of the compensation of the research analyst(s) was, is, or will be directly or indirectly related to the specific recommendations or views expressed by the research analyst(s) in this report. The research analysts are bound by stringent internal regulations and also legal and statutory requirements of the Securities and Exchange Board of India (hereinafter "SEBI") and the analysts' compensation are completely delinked from all the other companies and/or entities of Anand Rathi, and have no bearing whatsoever on any recommendation that they have given in the Research Report.

### Important Disclosures on subject companies

#### Rating and Target Price History (as of 19 November 2018)



### Anand Rathi Ratings Definitions

Analysts' ratings and the corresponding expected returns take into account our definitions of Large Caps (>US\$1bn) and Mid/Small Caps (<US\$1bn) as described in the Ratings Table below:

#### Ratings Guide (12 months)

|                           | Buy  | Hold  | Sell |
|---------------------------|------|-------|------|
| Large Caps (>US\$1bn)     | >15% | 5-15% | <5%  |
| Mid/Small Caps (<US\$1bn) | >25% | 5-25% | <5%  |

### Research Disclaimer and Disclosure inter-alia as required under Securities and Exchange Board of India (Research Analysts) Regulations, 2014

Anand Rathi Share and Stock Brokers Ltd. (hereinafter refer as ARSSBL) (Research Entity) is a subsidiary of Anand Rathi Financial Services Ltd. ARSSBL is a corporate trading and clearing member of Bombay Stock Exchange Ltd, National Stock Exchange of India Ltd. (NSEIL), Multi Stock Exchange of India Ltd (MCX-SX) and also depository participant with National Securities Depository Ltd (NSDL) and Central Depository Services Ltd. ARSSBL is engaged in the business of Stock Broking, Depository Participant and Mutual Fund distributor.

The research analysts, strategists, or research associates principally responsible for the preparation of Anand Rathi research have received compensation based upon various factors, including quality of research, investor client feedback, stock picking, competitive factors and firm revenues.

**General Disclaimer:** This Research Report (hereinafter called "Report") is meant solely for use by the recipient and is not for circulation. This Report does not constitute a personal recommendation or take into account the particular investment objectives, financial situations, or needs of individual clients. The recommendations, if any, made herein are expression of views and/or opinions and should not be deemed or construed to be neither advice for the purpose of purchase or sale of any security, derivatives or any other security through ARSSBL nor any solicitation or offering of any investment/trading opportunity on behalf of the issuer(s) of the respective security (ies) referred to herein. These information / opinions / views are not meant to serve as a professional investment guide for the readers. No action is solicited based upon the information provided herein. Recipients of this Report should rely on information/data arising out of their own investigations. Readers are advised to seek independent professional advice and arrive at an informed trading/investment decision before executing any trades or making any investments. This Report has been prepared on the basis of publicly available information, internally developed data and other sources believed by ARSSBL to be reliable. ARSSBL or its directors, employees, affiliates or representatives do not assume any responsibility for, or warrant the accuracy, completeness, adequacy and reliability of such information / opinions / views. While due care has been taken to ensure that the disclosures and opinions given are fair and reasonable, none of the directors, employees, affiliates or representatives of ARSSBL shall be liable for any direct, indirect, special, incidental, consequential, punitive or exemplary damages, including lost profits arising in any way whatsoever from the information / opinions / views contained in this Report. The price and value of the investments referred to in this Report and the income from them may go down as well as up, and investors may realize losses on any investments. Past performance is not a guide for future performance. ARSSBL does not provide tax advice to its clients, and all investors are strongly advised to consult with their tax advisers regarding taxation aspects of any potential investment.

Opinions expressed are our current opinions as of the date appearing on this Research only. We do not undertake to advise you as to any change of our views expressed in this Report. Research Report may differ between ARSSBL's RAs and/ or ARSSBL's associate companies on account of differences in research methodology, personal judgment and difference in time horizons for which recommendations are made. User should keep this risk in mind and not hold ARSSBL, its employees and associates responsible for any losses, damages of any type whatsoever.



ARSSBL and its associates or employees may; (a) from time to time, have long or short positions in, and buy or sell the investments in/ security of company (ies) mentioned herein or (b) be engaged in any other transaction involving such investments/ securities of company (ies) discussed herein or act as advisor or lender / borrower to such company (ies) these and other activities of ARSSBL and its associates or employees may not be construed as potential conflict of interest with respect to any recommendation and related information and opinions. Without limiting any of the foregoing, in no event shall ARSSBL and its associates or employees or any third party involved in, or related to computing or compiling the information have any liability for any damages of any kind.

Details of Associates of ARSSBL and Brief History of Disciplinary action by regulatory authorities & its associates are available on our website i.e. [www.rathionline.com](http://www.rathionline.com)

**Disclaimers in respect of jurisdiction:** This report is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation or which would subject ARSSBL to any registration or licensing requirement within such jurisdiction(s). No action has been or will be taken by ARSSBL in any jurisdiction (other than India), where any action for such purpose(s) is required. Accordingly, this Report shall not be possessed, circulated and/or distributed in any such country or jurisdiction unless such action is in compliance with all applicable laws and regulations of such country or jurisdiction. ARSSBL requires such recipient to inform himself about and to observe any restrictions at his own expense, without any liability to ARSSBL. Any dispute arising out of this Report shall be subject to the exclusive jurisdiction of the Courts in India.

#### Statements on ownership and material conflicts of interest, compensation - ARSSBL and Associates

##### Answers to the Best of the knowledge and belief of ARSSBL/ its Associates/ Research Analyst who is preparing this report

|                                                                                                                                                                                                                                                 |    |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----|
| ARSSBL/its Associates/ Research Analyst/ his Relative 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? | No |
| ARSSBL/its Associates/ Research Analyst/ his Relative have actual/beneficial ownership of one per cent or more securities of the subject company                                                                                                | No |
| ARSSBL/its Associates/ Research Analyst/ his Relative have any other material conflict of interest at the time of publication of the research report?                                                                                           | No |
| ARSSBL/its Associates/ Research Analyst/ his Relative have received any compensation from the subject company in the past twelve months                                                                                                         | No |
| ARSSBL/its Associates/ Research Analyst/ his Relative have managed or co-managed public offering of securities for the subject company in the past twelve months                                                                                | No |
| ARSSBL/its Associates/ Research Analyst/ his Relative have received any compensation for investment banking or merchant banking or brokerage services from the subject company in the past twelve months                                        | No |
| ARSSBL/its Associates/ Research Analyst/ his Relative 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        | No |
| ARSSBL/its Associates/ Research Analyst/ his Relative have received any compensation or other benefits from the subject company or third party in connection with the research report                                                           | No |
| ARSSBL/its Associates/ Research Analyst/ his Relative have served as an officer, director or employee of the subject company.                                                                                                                   | No |

#### Other Disclosures pertaining to distribution of research in the United States of America

This research report is a product of ARSSBL, 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 ARSSBL 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, ARSSBL has entered into an agreement with a U.S. registered broker-dealer, Cabrera Capital Markets. ("Cabrera"). Transactions in securities discussed in this research report should be effected through Cabrera or another U.S. registered broker dealer.

1. ARSSBL or its Affiliates may or may not have been beneficial owners of the securities mentioned in this report.
2. ARSSBL or its affiliates may have or not managed or co-managed a public offering of the securities mentioned in the report in the past 12 months.
3. ARSSBL or its affiliates may have or not received compensation for investment banking services from the issuer of these securities in the past 12 months and do not expect to receive compensation for investment banking services from the issuer of these securities within the next three months.
4. However, one or more of ARSSBL or its Affiliates may, from time to time, have a long or short position in any of the securities mentioned herein and may buy or sell those securities or options thereon, either on their own account or on behalf of their clients.
5. As of the publication of this report, ARSSBL does not make a market in the subject securities.
6. ARSSBL or its Affiliates may or may not, to the extent permitted by law, act upon or use the above material or the conclusions stated above, or the research or analysis on which they are based before the material is published to recipients and from time to time, provide investment banking, investment management or other services for or solicit to seek to obtain investment banking, or other securities business from, any entity referred to in this report.

© 2018. This report is strictly confidential and is being furnished to you solely for your information. All material presented in this report, unless specifically indicated otherwise, is under copyright to ARSSBL. None of the material, its content, or any copy of such material or content, may be altered in any way, transmitted, copied or reproduced (in whole or in part) or redistributed in any form to any other party, without the prior express written permission of ARSSBL. All trademarks, service marks and logos used in this report are trademarks or service marks or registered trademarks or service marks of ARSSBL or its affiliates, unless specifically mentioned otherwise.

Additional information on recommended securities/instruments is available on request.

ARSSBL registered address: 4th Floor, Silver Metropolis, Jaicoach Compound, Opposite Bimbisar Nagar, Goregaon (East), Mumbai - 400 063.  
Tel No: +91 22 4001 3700 | Fax No: +91 22 4001 3770 | CIN: U67120MH1991PLC064106.