

October 24, 2019

## Q2FY20 Result Update

☑ Change in Estimates | ■ Target | ■ Reco

### Change in Estimates

	Current		Previous	
	FY20E	FY21E	FY20E	FY21E
<b>Rating</b>	<b>BUY</b>		<b>BUY</b>	
<b>Target Price</b>	<b>344</b>		<b>344</b>	
Sales (Rs. m)	487,494	530,959	487,494	530,959
% Chng.	-	-	-	-
EBITDA (Rs. m)	188,678	208,883	188,678	208,883
% Chng.	-	-	-	-
EPS (Rs.)	12.9	13.5	12.1	13.5
% Chng.	6.5	(0.2)	-	-

### Key Financials - Standalone

Y/e Mar	FY19	FY20E	FY21E	FY22E
Sales (Rs. bn)	450	487	531	578
EBITDA (Rs. bn)	173	189	209	232
Margin (%)	38.5	38.7	39.3	40.0
PAT (Rs. bn)	125	159	167	185
EPS (Rs.)	10.2	12.9	13.5	14.9
Gr. (%)	10.6	26.8	4.4	10.3
DPS (Rs.)	5.8	7.0	7.7	8.5
Yield (%)	2.3	2.8	3.1	3.4
RoE (%)	22.8	25.7	24.0	24.0
RoCE (%)	29.2	28.0	27.8	27.8
EV/Sales (x)	6.4	5.9	5.4	4.9
EV/EBITDA (x)	16.7	15.3	13.8	12.3
PE (x)	24.5	19.3	18.5	16.8
P/BV (x)	5.3	4.7	4.2	3.8

### Key Data

	ITC.BO   ITC IN
52-W High / Low	Rs.310 / Rs.234
Sensex / Nifty	39,020 / 11,583
Market Cap	Rs.3,060bn/ \$ 43,088m
Shares Outstanding	12,287m
3M Avg. Daily Value	Rs.7500.85m

### Shareholding Pattern (%)

Promoter's	-
Foreign	15.64
Domestic Institution	42.47
Public & Others	41.89
Promoter Pledge (Rs bn)	-

### Stock Performance (%)

	1M	6M	12M
Absolute	(2.7)	(18.7)	(13.4)
Relative	(2.5)	(18.7)	(24.5)

### Amnish Aggarwal

amnishaggarwal@plindia.com | 91-22-66322233

### Nishita Doshi

nishitadoshi@plindia.com | 91-22-66322381

## Steady quarter; Risk reward remains favorable

### Quick Pointers:

- Cigarette volume growth steady at ~3%
- FMCG EBITDA up 39.1% with 6.7% margins, paper margins expand
- Deferred tax benefits of Rs3.4bn likely in 3Q and 4Q

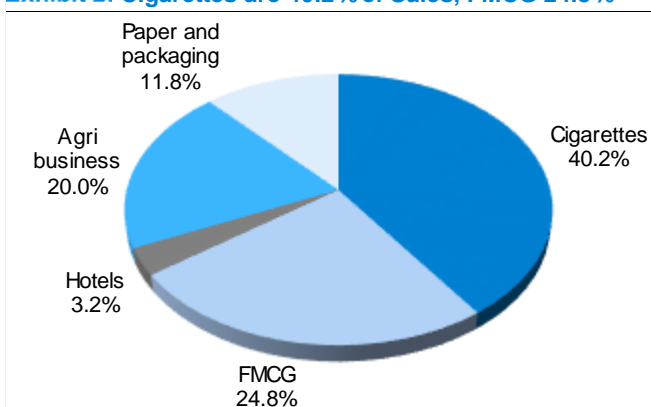
**ITC has posted another steady quarter with 3% cigarette volume growth in a challenging environment. Overall business momentum is sustained with 6.5% comparable FMCG growth, strong margin outlook in paperboards and sustained margin expansion in FMCG business. Uptick in consumer demand holds key to volume recovery in FMCG even as ITC is gradually inching towards double digit EBITDA margins over next 3-5 years. Paperboard business is in fine fettle given gains from steady prices and benign input costs. Hotels ARR and occupancy indicates steady improvement in industry dynamics. ITC will gain from deferred tax liability of Rs10.2bn from 2Q to 4Q20. ITC trades at 18.5x FY21 EPS, ~50% discount to our coverage universe with 3% dividend yield and 10.5% PBT CAGR over FY19-22. Risk reward remains favorable, although uncertainty on cigarette taxation remains a drag. Retain "Buy" with SOTP based target price of Rs344.**

- **Cigarettes volumes up ~3%; EBIT up 8.2%:** 2Q20 Cigarette Volumes increased ~3% despite high base (7% volume growth) even as subdued consumer demand impacted volumes. 64mm share increased to ~40% while kings segment has benefitted by launch of American Club as a flanking brand. Margins expanded 100bps showing the benefits of price increases in 1Q.
- **FMCG EBITDA margin at 6.7%:** Comparable revenue increased 6.5% (reported volumes up 4%) due to slowdown in FMCG industry. EBITDA increased 39.1% to Rs.2.21bn despite higher marketing, gestation and start-up costs of new categories/new facilities.
- **Hotels perform led by recently commissioned hotels:** Sales increased 17.7% led by the recently commissioned hotels (ITC Kohenur in Hyderabad and ITC Grand Goa in Goa) while Segment EBITDA grew 37%. EBIT grew 12% due to additional depreciation on the new properties. ARR has remained flattish while occupancies have improved marginally.
- **Paperboards, Paper & Packaging** revenue increased 9.9% driven by strong growth in Value added Paperboards and better product mix. Packaging business was impacted by slowdown in the FMCG and liquor industry. Near term margin outlook is positive given benefits from in-house raw material.
- **Agri Business** sales increased by 19.3% led by trading opportunities in oilseeds & pulses, scaling up of value added segments (spices, frozen marine products and frozen snacks). Subdued demand for leaf tobacco in international markets, relatively steeper depreciation in currencies of competing origins and adverse business mix resulted in just 5.7% EBIT growth.

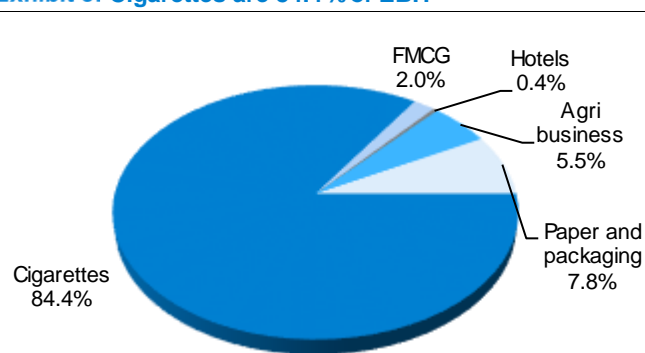
**Exhibit 1: Q2FY20 Result Overview: Net Sales up 7.3%, Adj. PAT up 47.7% on deferred tax benefit**

Y/e March	Q2FY20	Q2FY19	YoY gr. (%)	Q1FY20	1HFY20	1HFY19	YoY gr. (%)
<b>Net Sales</b>	<b>1,18,715</b>	<b>1,10,689</b>	<b>7.3</b>	<b>1,15,028</b>	<b>2,33,743</b>	<b>2,17,759</b>	<b>7.3</b>
<b>EBITDA</b>	<b>45,624</b>	<b>42,060</b>	<b>8.5</b>	<b>45,657</b>	<b>91,281</b>	<b>84,081</b>	<b>8.6</b>
<i>Margins (%)</i>	<i>38.4</i>	<i>38.0</i>		<i>39.7</i>	<i>39.1</i>	<i>38.6</i>	
Depreciation	3,957	3,275	20.8	3,589	7,546	6,262	20.5
Interest	133.3	135.0	(1.3)	152	286	208	37.0
Other Income	6,543	5,041	29.8	6,202	12,745	9,080	40.4
<b>PBT</b>	<b>48,077</b>	<b>43,691</b>	<b>10.0</b>	<b>48,117</b>	<b>96,194</b>	<b>86,691</b>	<b>11.0</b>
Tax	4,446	14,145	(68.6)	16,378	20,824	28,957	(28.1)
<i>Rate (%)</i>	<i>9.2</i>	<i>32.4</i>		<i>34.0</i>	<i>21.6</i>	<i>33.4</i>	
<b>Adjusted PAT</b>	<b>43,631</b>	<b>29,547</b>	<b>47.7</b>	<b>31,739</b>	<b>75,370</b>	<b>57,734</b>	<b>30.5</b>

Source: Company, PL

**Exhibit 2: Cigarettes are 40.2% of Sales, FMCG 24.8%**


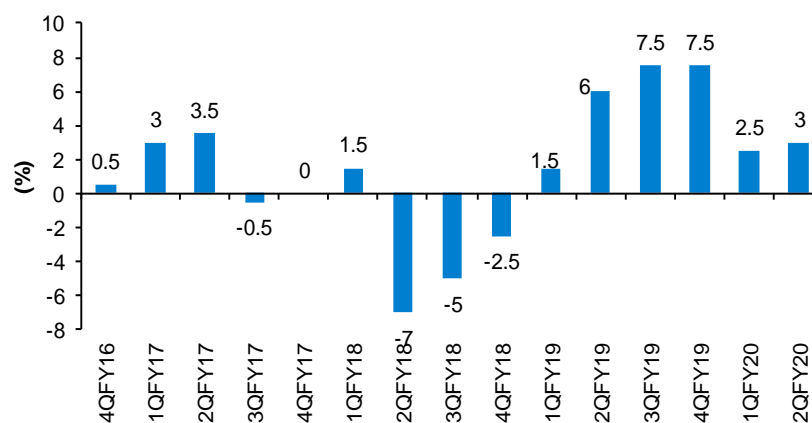
Source: Company, PL

**Exhibit 3: Cigarettes are 84.4% of EBIT**


Source: Company, PL

Cigarette volume increased ~3% due to demand slowdown in rural and wholesale, tight liquidity and disruptions/floods in several markets.

Sales increased 6%, EBIT up 7.4%. Margins expanded 100bps.

**Exhibit 4: Cigarettes: Volumes up ~3% on demand slowdown**


Source: Company, PL

FMCG sales up 4% on sluggish demand conditions. Comparable FMCG sales (excl. lifestyle retailing) increased 6.5% led by Atta, Potato Chips, Premium Cream Biscuits, Noodles, Handwash and Bodywash.

Launched corn based baked snack in masala cheese flavour under 'Bingo! No Rulz' portfolio.

In Biscuits, ITC launched Sunfeast Veda Marie Light

In chocolates, ITC launched 'Fabelle' Dark Gianduja and a range of assorted chocolate for upcoming festival season.

In Deodorants, ITC launch two variants under the 'Engage' brand – Engage Intrigue and Engage Spirit.

In Bodywash, it launched Vivel Glycerin + Honey variant. In skin care, it launched two new variants under 'Dermafique' range – Hydra Tonique Gel Crème and Hydra Tonique Gel Fluid

A dedicated state-of-the-art manufacturing facility for notebooks, was commissioned at Gollapudi, Andhra Pradesh, for high quality and differentiated notebooks and to drive higher operational efficiencies

In Hotel business, ITC progressed in the construction of an ITC Hotel in Ahmedabad and WelcomHotels in Guntur & Bhubaneswar. The WelcomHotel Amritsar project has been completed and the 101-room hotel is expected to commence operations on November 1, 2019.

Subdued demand for leaf tobacco in international markets, relatively steeper depreciation in currencies of competing origins and adverse business mix weighed on Agri business.

Paperboards business grew well driven by strong volume growth in the Value Added Paperboard segment and product mix enrichment. This was partially offset by muted demand for packaging & printing products due to sluggish demand conditions in the FMCG and liquor industry.

**Exhibit 5: FMCG EBITDA up 39.1% with 170bps EBITDA margin expansion**

	1QFY19	2QFY19	3QFY19	4QFY19	1QFY20	2QFY20
<b>Cigarette Volume gr %</b>	<b>1.5</b>	<b>6.0</b>	<b>7.5</b>	<b>7.5</b>	<b>2.5</b>	<b>3.0</b>
<b>Sales (INR m)</b>	<b>1,28,460</b>	<b>1,21,932</b>	<b>1,21,933</b>	<b>1,29,079</b>	<b>1,40,248</b>	<b>1,32,547</b>
Cigarettes	51,276	50,261	50,734	54,859	54,334	53,268
FMCG	28,700	31,604	32,010	32,739	30,601	32,883
Hotels	3,413	3,626	4,519	5,098	3,926	4,266
Agri business	31,513	22,197	19,246	21,009	36,112	26,475
Paper and packaging	13,558	14,245	15,425	15,374	15,275	15,654
<b>Sales growth (YoY)</b>						
Cigarettes	4.0	10.4	9.6	11.1	6.0	6.0
FMCG	10.3	12.7	11.5	7.3	6.6	4.0
Hotels	11.9	20.8	11.7	24.9	15.0	17.7
Agri business	14.2	12.8	25.7	16.2	14.6	19.3
Paper and packaging	(0.3)	8.8	20.5	18.2	12.7	9.9
<b>EBIT (INR m)</b>	<b>41,119</b>	<b>42,001</b>	<b>42,256</b>	<b>45,229</b>	<b>44,703</b>	<b>45,577</b>
Cigarettes	35,584	35,791	35,577	38,560	38,491	38,445
FMCG	501	585	767	1,305	780	905
Hotels	132	156	603	887	104	174
Agri business	1,945	2,361	1,988	1,472	2,030	2,494
Paper and packaging	2,957	3,109	3,321	3,005	3,298	3,559
<b>EBIT growth (YoY)</b>	<b>8.9</b>	<b>9.2</b>	<b>9.1</b>	<b>12.0</b>	<b>8.7</b>	<b>8.5</b>
Cigarettes	8.7	8.7	8.8	10.0	8.2	7.4
FMCG	823.0	185.3	63.1	43.1	55.7	54.8
Hotels	149.0	267.0	10.1	17.5	(21.4)	12.0
Agri business	(17.3)	(7.9)	(14.8)	18.8	4.3	5.7
Paper and packaging	14.9	13.4	23.8	24.0	11.5	14.5
<b>EBIT Margin (%)</b>						
Cigarettes	69.4	71.2	70.1	70.3	70.8	72.2
FMCG	1.7	1.8	2.4	4.0	2.5	2.8
Hotels	3.9	4.3	13.3	17.4	2.6	4.1
Agri business	6.2	10.6	10.3	7.0	5.6	9.4
Paper and packaging	21.8	21.8	21.5	19.5	21.6	22.7

Source: Company, PL

## Financials

### Income Statement (Rs m)

Y/e Mar	FY19	FY20E	FY21E	FY22E
<b>Net Revenues</b>	<b>449,957</b>	<b>487,494</b>	<b>530,959</b>	<b>578,184</b>
YoY gr. (%)	10.8	8.3	8.9	8.9
Cost of Goods Sold	173,052	188,772	207,373	223,322
Gross Profit	276,905	298,721	323,586	354,862
Margin (%)	61.5	61.3	60.9	61.4
Employee Cost	27,284	29,707	31,383	33,846
Other Expenses	76,566	39,472	40,636	43,140
<b>EBITDA</b>	<b>173,055</b>	<b>188,678</b>	<b>208,883</b>	<b>231,549</b>
YoY gr. (%)	11.4	9.0	10.7	10.9
Margin (%)	38.5	38.7	39.3	40.0
Depreciation and Amortization	13,117	15,610	15,677	17,007
<b>EBIT</b>	<b>159,938</b>	<b>173,068</b>	<b>193,206</b>	<b>214,542</b>
Margin (%)	35.5	35.5	36.4	37.1
Net Interest	342	575	574	574
Other Income	24,845	26,505	31,665	34,558
<b>Profit Before Tax</b>	<b>184,442</b>	<b>198,998</b>	<b>224,296</b>	<b>248,526</b>
Margin (%)	41.0	40.8	42.2	43.0
Total Tax	59,798	40,138	57,577	63,797
Effective tax rate (%)	32.4	20.2	25.7	25.7
<b>Profit after tax</b>	<b>124,643</b>	<b>158,860</b>	<b>166,719</b>	<b>184,729</b>
Minority interest	-	-	-	-
Share Profit from Associate	-	-	-	-
<b>Adjusted PAT</b>	<b>124,643</b>	<b>158,860</b>	<b>166,719</b>	<b>184,729</b>
YoY gr. (%)	11.1	27.5	4.9	10.8
Margin (%)	27.7	32.6	31.4	31.9
Extra Ord. Income / (Exp)	-	-	-	-
<b>Reported PAT</b>	<b>124,643</b>	<b>158,860</b>	<b>166,719</b>	<b>184,729</b>
YoY gr. (%)	11.1	27.5	4.9	10.8
Margin (%)	27.7	32.6	31.4	31.9
Other Comprehensive Income	3,626	-	-	-
Total Comprehensive Income	128,269	158,860	166,719	184,729
<b>Equity Shares O/s (m)</b>	<b>12,259</b>	<b>12,319</b>	<b>12,379</b>	<b>12,439</b>
<b>EPS (Rs)</b>	<b>10.2</b>	<b>12.9</b>	<b>13.5</b>	<b>14.9</b>

Source: Company Data, PL Research

### Balance Sheet Abstract (Rs m)

Y/e Mar	FY19	FY20E	FY21E	FY22E
<b>Non-Current Assets</b>				
<b>Gross Block</b>	<b>294,726</b>	<b>324,827</b>	<b>355,027</b>	<b>385,227</b>
Tangibles	285,767	315,668	345,668	375,668
Intangibles	8,959	9,159	9,359	9,559
<b>Acc: Dep / Amortization</b>	<b>121,785</b>	<b>137,395</b>	<b>153,072</b>	<b>170,079</b>
Tangibles	117,037	132,189	147,399	163,928
Intangibles	4,747	5,205	5,673	6,151
<b>Net fixed assets</b>	<b>184,963</b>	<b>187,433</b>	<b>201,955</b>	<b>215,148</b>
Tangibles	179,457	183,479	198,269	211,740
Intangibles	5,506	3,954	3,686	3,408
Capital Work In Progress	33,915	44,000	44,000	44,000
Goodwill	-	-	-	-
Non-Current Investments	140,777	159,977	172,546	186,302
Net Deferred tax assets	(20,441)	(20,646)	(19,614)	(18,633)
Other Non-Current Assets	42,635	41,846	45,202	48,319
<b>Current Assets</b>				
Investments	125,066	117,699	135,354	155,657
Inventories	75,872	94,997	106,388	117,466
Trade receivables	36,462	27,707	30,910	35,240
Cash & Bank Balance	37,687	61,657	73,700	91,752
Other Current Assets	6,949	12,187	14,336	15,611
<b>Total Assets</b>	<b>697,979</b>	<b>762,520</b>	<b>840,906</b>	<b>928,480</b>
<b>Equity</b>				
Equity Share Capital	12,259	12,319	12,379	12,439
Other Equity	567,239	644,825	718,156	798,839
<b>Total Networth</b>	<b>579,498</b>	<b>657,144</b>	<b>730,534</b>	<b>811,278</b>
<b>Non-Current Liabilities</b>				
Long Term borrowings	79	-	-	-
Provisions	1,326	1,529	1,634	1,769
Other non current liabilities	-	-	-	-
<b>Current Liabilities</b>				
ST Debt / Current of LT Debt	0	0	0	0
Trade payables	33,683	29,290	31,133	33,578
Other current liabilities	62,532	53,451	57,485	62,665
<b>Total Equity &amp; Liabilities</b>	<b>697,979</b>	<b>762,520</b>	<b>840,906</b>	<b>928,481</b>

Source: Company Data, PL Research

**Cash Flow (Rs m)**

Y/e Mar	FY19	FY20E	FY21E	FY22E
PBT	184,442	198,998	224,296	248,526
Add. Depreciation	13,117	15,610	15,677	17,007
Add. Interest	342	575	574	574
Less Financial Other Income	24,845	26,505	31,665	34,558
Add. Other	(11,157)	1,236	(4,239)	(3,914)
Op. profit before WC changes	186,744	216,419	236,309	262,194
Net Changes-WC	(43,741)	(12,763)	(32,594)	(36,079)
Direct tax	(59,798)	(40,138)	(57,577)	(63,797)
<b>Net cash from Op. activities</b>	<b>83,204</b>	<b>163,518</b>	<b>146,138</b>	<b>162,318</b>
Capital expenditures	(26,079)	(28,165)	(30,200)	(30,200)
Interest / Dividend Income	-	-	-	-
Others	1,477	(19,199)	(12,566)	(13,754)
<b>Net Cash from Inv. activities</b>	<b>(24,602)</b>	<b>(47,364)</b>	<b>(42,766)</b>	<b>(43,954)</b>
Issue of share cap. / premium	16,591	3,722	10,579	10,869
Debt changes	(32)	(79)	-	-
Dividend paid	(75,737)	(84,937)	(103,907)	(114,855)
Interest paid	(342)	(575)	(574)	(574)
Others	-	-	-	-
<b>Net cash from Fin. activities</b>	<b>(59,520)</b>	<b>(81,868)</b>	<b>(93,903)</b>	<b>(104,560)</b>
<b>Net change in cash</b>	<b>(917)</b>	<b>34,286</b>	<b>9,468</b>	<b>13,803</b>
Free Cash Flow	57,125	135,353	115,938	132,118

Source: Company Data, PL Research

**Key Financial Metrics**

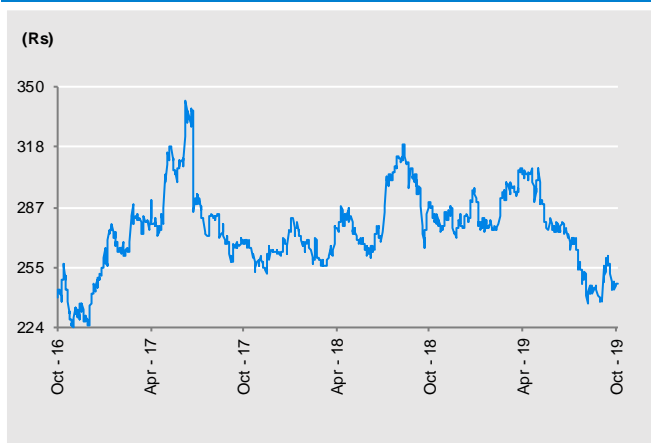
Y/e Mar	FY19	FY20E	FY21E	FY22E
<b>Per Share(Rs)</b>				
EPS	10.2	12.9	13.5	14.9
CEPS	11.2	14.2	14.7	16.2
BVPS	47.3	53.3	59.0	65.2
FCF	4.7	11.0	9.4	10.6
DPS	5.8	7.0	7.7	8.5
<b>Return Ratio(%)</b>				
RoCE	29.2	28.0	27.8	27.8
ROIC	29.9	29.7	30.6	31.5
RoE	22.8	25.7	24.0	24.0
<b>Balance Sheet</b>				
Net Debt : Equity (x)	(0.3)	(0.3)	(0.3)	(0.3)
Net Working Capital (Days)	64	70	73	75
<b>Valuation(x)</b>				
PER	24.5	19.3	18.5	16.8
P/B	5.3	4.7	4.2	3.8
P/CEPS	11.2	14.2	14.7	16.2
EV/EBITDA	16.7	15.3	13.8	12.3
EV/Sales	6.4	5.9	5.4	4.9
Dividend Yield (%)	2.3	2.8	3.1	3.4

Source: Company Data, PL Research

**Quarterly Financials (Rs m)**

Y/e Mar	Q3FY19	Q4FY19	Q1FY20	Q2FY20
<b>Net Revenue</b>	<b>112,277</b>	<b>119,921</b>	<b>115,028</b>	<b>118,715</b>
YoY gr. (%)	14.9	13.3	7.4	7.3
Raw Material Expenses	43,005	46,156	41,399	44,817
Gross Profit	69,272	73,765	73,630	73,898
Margin (%)	61.7	61.5	64.0	62.2
<b>EBITDA</b>	<b>43,258</b>	<b>45,717</b>	<b>45,657</b>	<b>45,624</b>
YoY gr. (%)	10.8	10.3	8.7	8.5
Margin (%)	38.5	38.1	39.7	38.4
Depreciation / Depletion	3,354	3,502	3,589	3,957
<b>EBIT</b>	<b>39,904</b>	<b>42,215</b>	<b>42,068</b>	<b>41,667</b>
Margin (%)	35.5	35.2	36.6	35.1
Net Interest	56	77	152	133
Other Income	8,364	7,402	6,202	6,543
<b>Profit before Tax</b>	<b>48,212</b>	<b>49,539</b>	<b>48,117</b>	<b>48,077</b>
Margin (%)	42.9	41.3	41.8	40.5
Total Tax	16,121	14,720	16,378	4,446
Effective tax rate (%)	33.4	29.7	34.0	9.2
<b>Profit after Tax</b>	<b>32,091</b>	<b>34,819</b>	<b>31,739</b>	<b>43,631</b>
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
<b>Adjusted PAT</b>	<b>32,091</b>	<b>34,819</b>	<b>31,739</b>	<b>43,631</b>
YoY gr. (%)	13.8	18.7	12.6	47.7
Margin (%)	28.6	29.0	27.6	36.8
Extra Ord. Income / (Exp)	-	-	-	-
<b>Reported PAT</b>	<b>32,091</b>	<b>34,819</b>	<b>31,739</b>	<b>43,631</b>
YoY gr. (%)	3.8	18.7	12.6	47.7
Margin (%)	28.6	29.0	27.6	36.8
Other Comprehensive Income	4,279	563	(2,130)	-
<b>Total Comprehensive Income</b>	<b>36,370</b>	<b>35,382</b>	<b>29,609</b>	<b>43,631</b>
Avg. Shares O/s (m)	12,247	12,259	12,242	12,242
<b>EPS (Rs)</b>	<b>2.6</b>	<b>2.8</b>	<b>2.6</b>	<b>3.6</b>

Source: Company Data, PL Research

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


No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	3-Oct-19	BUY	344	262
2	2-Aug-19	BUY	367	265
3	4-Jul-19	BUY	369	278
4	13-May-19	BUY	369	289
5	5-Apr-19	BUY	362	295
6	23-Jan-19	BUY	364	277
7	7-Jan-19	BUY	364	282
8	26-Oct-18	BUY	364	281

**Analyst Coverage Universe**

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Asian Paints	Accumulate	1,855	1,767
2	Avenue Supermarts	Reduce	1,647	1,843
3	Britannia Industries	Accumulate	3,307	2,903
4	Colgate Palmolive	Reduce	1,240	1,490
5	Crompton Greaves Consumer Electricals	BUY	300	244
6	Dabur India	Hold	464	434
7	Emami	Accumulate	373	317
8	Future Retail	BUY	477	381
9	GlaxoSmithKline Consumer Healthcare	Hold	8,631	8,456
10	Havells India	Reduce	640	702
11	Hindustan Unilever	Accumulate	2,083	2,009
12	ITC	BUY	344	262
13	Jubilant FoodWorks	BUY	1,753	1,435
14	Kansai Nerolac Paints	Accumulate	507	496
15	Marico	Hold	339	384
16	Nestle India	Hold	12,149	13,710
17	Pidilite Industries	Accumulate	1,429	1,393
18	Titan Company	BUY	1,282	1,296
19	Voltas	Hold	626	674

**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. Amnish Aggarwal- MBA, CFA, Ms. Nishita Doshi- CA, B.Com 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. Amnish Aggarwal- MBA, CFA, Ms. Nishita Doshi- CA, B.Com 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>**