

Lower realisations take toll on EBITDA/tonne...

JSW Steel reported a subdued set of operational numbers in Q2FY20 on the back of lower-than-expected sales realisations. Sales realisations were down 16% YoY, 9.5% QoQ. PAT was aided by deferred tax credit. On a standalone basis, JSW Steel reported sales volume of 3.60 MT (our estimate: 3.65 MT). Subsequently, consolidated operating topline (excluding the government grant income) was at ₹ 17106 crore (our estimate: ₹ 18244.7 crore). In Q2FY20, JSW Steel received income to the tune of ₹ 466 crore with respect to government grant income with respect to VAT/GST incentive relating to earlier years. Standalone adjusted EBITDA/tonne was at ₹ 6472/tonne (our estimate of ₹ 7250/tonne). Consolidated adjusted EBITDA was at ₹ 2265 crore (our estimate of ₹ 2694.6 crore). On a consolidated basis, JSW Steel reported deferred tax write-back of ₹ 1976 crore. This aided consolidated PAT, which came in at ₹ 2536 crore.

Targeting 97% achievement rate of erstwhile FY20 guidance...

JSW Steel had reported a muted H1FY20 on the back of subdued demand from key user industries. While the management expects a pick-up in demand in H2FY20, it has also indicated that the volume lost in the first half are unlikely to be recouped during the second half. As a result, the company is now aiming to achieve ~97% of its erstwhile FY20 crude steel production and saleable steel sales volume guidance. For FY20E, in line with revised management guidance, we now model sales volume of 15.5 MT for current year. For FY21E, we model sales volume of 17.5 MT.

Moderates FY20 capex guidance...

Taking into consideration the current market condition, JSW Steel has recalibrated the capex plan for FY20. The company has identified certain projects - comprising some downstream projects (like continuous annealing line at Vasind works, second tinplate line at Tarapur works, colour coating line at Rajpura, etc), certain special projects and some items of normal capex, and deferred ₹ 4700 crore worth of spends to the next year. This implies a revised capex guidance of ₹ 11000 crore for FY20 (vs. previous guidance of ₹ 15708 crore).

Valuation & Outlook

On the back of muted Q2FY20, we downward revise our FY20E EBITDA/tonne estimate to ₹ 8000/tonne (from ₹ 8500/tonne earlier) and ₹ 8500/tonne for FY21E (from ₹ 8750/tonne earlier). In the current challenging scenario, the declining trend seen in coking coal prices would act as a silver lining. This would aid steel spreads (EBITDA/tonne) to inch higher from Q2FY20 levels. We value the stock on an SoTP basis thereby arriving at a target price of ₹ 235. We maintain our **HOLD** recommendation.



Particulars

Particular	Amount
Market Capitalisation (₹ Crore)	53,662
Debt-Cons. (FY19) (₹ Crore)	52,238
Cash Cons. (FY19) (₹ Crore)	6,269
EV (₹ Crore)	99,631
52 week H/L	₹ 360 / 202
Equity capital	₹ 241.7 crore
Face value	₹ 1

Key Highlights

- For Q2FY20, standalone sales volume was at 3.60 MT, lower than our estimate of 3.65 MT
- On the back of lower-than-expected realisation, adjusted EBITDA/tonne came in at ₹ 6472/tonne, lower than our estimate of ₹ 7250/tonne
- We maintain **HOLD** recommendation on stock

Research Analyst

Dewang Sanghavi
dewang.sanghavi@icicisecurities.com

Key Financial Summary

(₹ Crore)	FY17	FY18	FY19	FY20E	FY21E	CAGR (FY19-21E)
Net Sales	55,605	70,225	84,757	74,819	85,772	1%
EBITDA	12,174	14,794	18,952	12,850	15,229	-10%
EBITDA Margin (%)	21.9	21.1	22.4	17.2	17.8	
Adj PAT	3,467	6,113	7,554	4,993	4,800	-20%
EPS (₹)	14.3	25.3	31.3	20.7	19.9	
EV/EBITDA (x)	3.8	6.1	5.2	8.3	7.3	
RoCE (%)	13.4	17.9	17.6	9.5	10.9	
RoE (%)	15.3	21.8	21.7	15.0	13.1	

Source: Company, ICICI Direct Research

Exhibit 1: Variance Analysis (Consolidated Performance)

	Q2FY20	Q2FY20E	Q2FY19	YoY (%)	Q1FY20	QoQ (%)	Comments
Total Operating Income (excluded government grant income)	17,106.0	18,244.7	21,552.0	-20.6	19,812.0	-13.7	Topline came in lower than our estimate on the back of muted sales realisations
Other Income (included government grant income)	622.0	125.0	56.0	1,010.7	141.0	341.1	Other income included income received to the tune of ₹ 466 crore with respect to government grant income with respect to VAT/GST incentive relating to earlier years
Employee Expense	653.0	750.0	586.0	11.4	759.0	-14.0	
Raw Material Expense	9,410.0	10,050.0	10,930.0	-13.9	10,362.0	-9.2	
Power & Fuel Expense	1,549.0	1,700.0	1,896.0	-18.3	1,702.0	-9.0	
Other operating Expenses	3,229.0	3,050.1	3,234.0	-0.2	3,273.0	-1.3	
Total Operating expense	14,841.0	15,550.1	16,646.0	-10.8	16,096.0	-7.8	
EBITDA	2,265.0	2,694.6	4,906.0	-53.8	3,716.0	-39.0	EBITDA came in lower than our estimate
EBITDA Margin (%)	13.2	14.8	22.8	-952 bps	18.8	-552 bps	EBITDA margin came in lower than our estimate
Depreciation	1,057.0	1,033.4	974.0	8.5	1,026.0	3.0	
Interest	1,127.0	1,049.2	963.0	17.0	1,042.0	8.2	Interest expense came in higher than our estimate
Exceptional Item							
PBT	703.0	736.9	3,025.0	-76.8	1,789.0	-60.7	
Tax Outgo	(1,848.0)	243.2	936.0	-297.4	762.0	-342.5	Tax credit aided PAT for the quarter
PAT	2,551.0	493.8	2,089.0	22.1	1,027.0	148.4	
Minority interest, share of associate & extraordinary item	(15.0)	-14.8	-2.0	650.0	(19.0)	-21.1	
PAT for the Group	2,536.0	479.0	2,087.0	21.5	1,008.0	151.6	PAT came in higher than our estimate on the back of tax credit
Key Metrics							
Standalone Steel Sales (MT)	3.6	3.7	4.0	-10.0	3.8	-4.0	Sales volume came in lower than our estimate
Standalone EBITDA/tonne (₹)	6472	7250	12126	-46.6	9936	-34.9	EBITDA/tonne came in lower than our estimate

Source: Company, ICICI Direct Research

Exhibit 2: Change in estimates

(₹ Crore)	FY20E			FY21E			Comments
	Old	New	% Change	Old	New	% Change	
Revenue	82,795	74,819	(9.6)	94,764	85,772	(9.5)	Downward revise operational estimate for FY20E and FY21E
EBITDA	14,638	12,850	(12.2)	16,785	15,229	(9.3)	
EBITDA Margin (%)	17.7	17.2	-50 bps	17.7	17.8	4 bps	
EBITDA (₹/tonne)	8500	8000	(5.9)	8,750	8500	(2.9)	
PAT	4365	4993	14.4	5,470	4800	(12.3)	FY20 PAT revised upward on lower tax rate

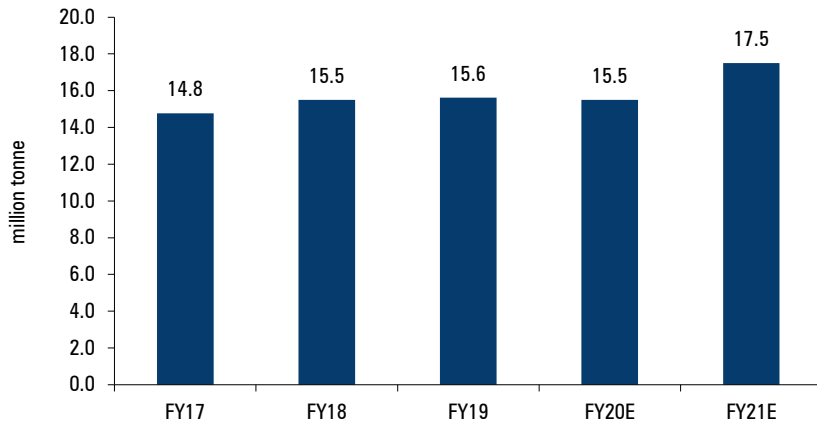
Source: Company, ICICI Direct Research

Conference Call highlights

- Average coking coal procurement price is expected to fall by ~US\$20-25/tonne in Q3FY20
- With weak demand in the domestic market, JSW Steel pushed more quantity in the export market. Exports volumes were at 1.09 MT, up 68% YoY and had accounted for ~31% of overall volumes
- The company's Dolvi works in Maharashtra have received an in-principle approval for eligibility from the Government of Maharashtra for incentives on its investment for expansion from 3.3 MTPA to 5 MTPA. Accordingly, the company has recognised the grant income (investment linked incentive) of ₹ 512 crore during the quarter ended September 30, 2019, which included an amount of ₹ 466 crore in earlier years. The company has indicated that the incentive relating to this 3.3 million tonnes (MT) to 5 MT will continue in future. This incentive could be ~₹ 20-25 crore monthly
- JSW's four wholly-owned subsidiaries i.e. Dolvi Minerals & Metals Private, Dolvi Coke Projects; JSW Steel Processing Centre; JSW Steel Salav have got the approval from NCLT for merger into JSW Steel. As they are wholly-owned companies, the consolidated numbers will have had no impact but the merger of four companies into one will have an impact on the standalone number
- The Dolvi capacity expansion from 5 MT to 10 MT is currently the priority for the company. The management is targeting commissioning by March 2020
- The company's acquisitions, both Bhushan Power & Steel (BPSL) and Vallabh Industries, are in currently in litigation with NCLAT. In the BPSL case, JSW Steel has suggested some modifications. The hearings has been posted for October 25, 2019. As for Vallabh Industries, all arguments are complete and the judgment is pending. Also, JSW's bid for Asian Colour Coated Ispat has been approved & the resolution plan has been submitted to NCLAT
- Net debt of the company as on September 30, 2019 was ₹ 49640 crore. The effective interest rate was 6.82%. Overall, the company has reported debt: EBITDA of 3.23x & debt: equity of 1.36x
- The company's US plate & pipe mill reported an EBITDA loss of US\$11.2 million, which included US\$3.5 million inventory loss. The lower steel prices in US & lower capacity utilisation were major factors for their lower realisation numbers. Furthermore, the Ohio plant also contributed a negative US\$31.6 million (including inventory loss of US\$13.2 million) and JSW Steel Italy (Aferpi) operations negative €6.9 million. Going ahead, for Q3FY20 and Q4FY20, the company plans to focus on bringing in stability and improvement in the overseas operations
- The Odisha government has put 20 mines in the auction out of which five mines are for captive purposes. The company plans to participate in the auction and use the captive sources
- In H1FY20, the captive iron mines volume was at 2 MT (1.25 MT for Q2FY20). In H2FY20, the captive iron ore mines volumes is expected to come in at 2.5-3.0 MT

Financial story in charts

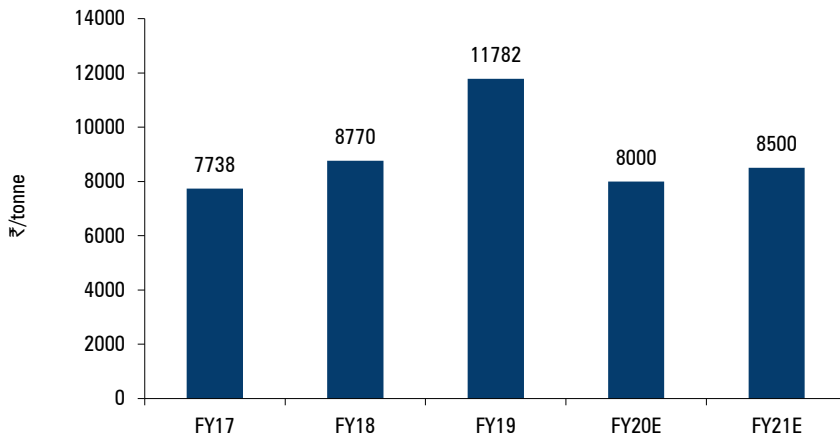
Exhibit 3: Trend in sales volumes



We model sales volume of 15.50 MT for FY20E and 17.50 MT for FY21E

Source: Company, ICICI Direct Research

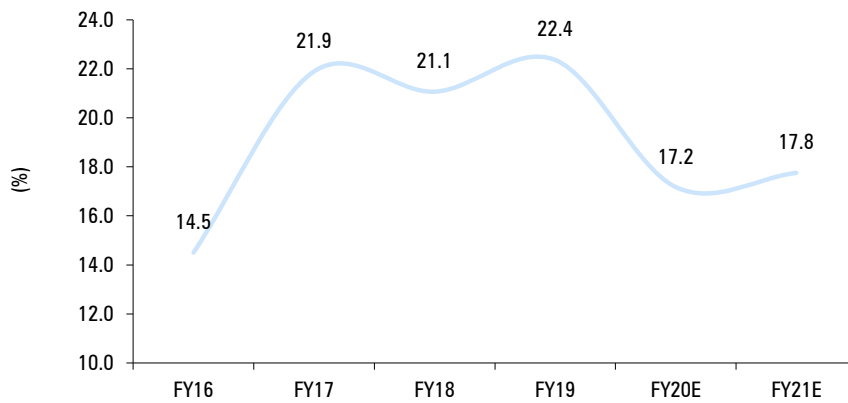
Exhibit 4: Trend in EBITDA/tonne margin level



We model EBITDA/tonne of ₹ 8000/tonne for FY20E and ₹ 8500/tonne for FY21E

Source: Company, ICICI Direct Research

Exhibit 5: Trend in consolidated EBITDA margin (in %)



Over the next couple of years, we expect consolidated EBITDA margin to hover at ~17.2%-17.8% level

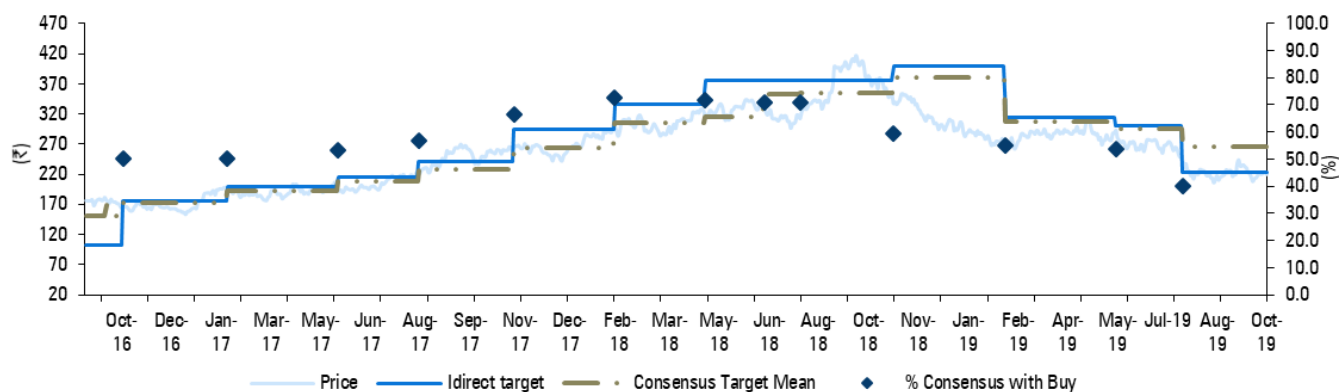
Source: Company, ICICI Direct Research

Exhibit 6: Valuation

	Sales (₹ Crore)	Growth (% YoY)	EPS (₹)	Growth (% YoY)	PE (x)	EV/EBIDTA (x)	P/ BV (x)	RoNW (%)	RoCE (%)
FY17	55,605	32.8	14.3	150.6	15.5	3.8	2.4	15.3	13.4
FY18	70,225	26.3	25.3	76.3	8.8	6.1	1.9	21.8	17.9
FY19	84,757	20.7	31.3	23.6	7.1	5.2	1.5	21.7	17.6
FY20E	74,819	-11.7	20.7	-33.9	10.7	8.3	1.6	15.0	9.5
FY21E	85,772	14.6	19.9	-3.9	11.2	7.3	1.5	13.1	10.9

Source: Company, ICICI Direct Research

Exhibit 7: Recommendation History vs. Consensus



Source: Bloomberg, Company, ICICI Direct Research

Exhibit 8: Top 10 Shareholders

Rank	Name	Latest Filing	D % O/S	Position	Change (m)
1	JFE Steel Corporation	30-Sep-2019	0.2	362.6	0.0
2	Jindal Organisation	30-Sep-2019	0.1	296.1	-538.6
3	JSW Techno Projects Management, Ltd.	30-Sep-2019	0.1	247.3	247.3
4	Vividh Finvest Pvt. Ltd.	30-Sep-2019	0.1	143.4	0.0
5	Sahyog Tradecorp Pvt. Ltd.	30-Sep-2019	0.0	111.7	111.7
6	M. M. Warburg Bank (Schweiz) AG	30-Sep-2019	0.0	91.1	-11.2
7	JSW Energy Ltd	30-Sep-2019	0.0	70.0	70.0
8	Danta Enterprises Pvt. Ltd.	30-Sep-2019	0.0	60.4	60.4
9	Virtuous Tradecorp Pvt. Ltd.	30-Sep-2019	0.0	60.4	60.4
10	The Vanguard Group, Inc.	30-Sep-2019	0.0	41.9	-0.2

Source: Reuters, ICICI Direct Research

Exhibit 9: Recent Activity

Buys			Sells		
Investor Name	Value (M)	Shares(M)	Investor Name	Value (M)	Shares (M)
JSW Techno Projects Management, Ltd.	805.1	247.3	Jindal Organisation	-1753.2	-538.6
Sahyog Tradecorp Pvt. Ltd.	363.5	111.7	M. M. Warburg Bank (Schweiz) AG	-36.3	-11.2
JSW Energy Ltd	228.0	70.0	Baron Capital Management, Inc.	-16.9	-4.0
Danta Enterprises Pvt. Ltd.	196.5	60.4	APG Asset Management N.V.	-5.4	-1.3
Virtuous Tradecorp Pvt. Ltd.	196.5	60.4	Aditya Birla Sun Life AMC Limited	-3.7	-1.1

Source: Reuters, ICICI Direct Research

Exhibit 10: Shareholding Pattern

in (%)	Mar-19	Jun-19	Sep-19
Promoters	42.7	42.3	42.4
Others	57.3	57.7	57.6
Total	100.0	100.0	100.0

Source: Company, ICICI Direct Research

Financial summary

Exhibit 11: Profit and loss statement				
	₹ crore			
(Year-end March)	FY18	FY19	FY20E	FY21E
Total operating Income	70,225.0	84,757.0	74,819.5	85,771.7
Growth (%)	26.3	20.7	-11.7	14.6
Total Operating Expenditure	55,431.0	65,805.0	61,969.4	70,542.3
EBITDA	14,794.0	18,952.0	12,850.1	15,229.4
Growth (%)	21.5	28.1	-32.2	18.5
Depreciation	3,387.0	4,041.0	4,133.8	4,376.9
Interest	3,701.0	3,917.0	4,964.1	4,738.5
Other Income	167.0	204.0	280.0	300.0
PBT	7,873.0	11,198.0	4,032.2	6,414.0
Exceptional Item	-264.0	-30.0	0.0	0.0
Total Tax	1,538.0	3,644.0	-961.1	1,614.4
Reported PAT Before MI	6,071.0	7,524.0	4,993.3	4,799.6
Profit/(loss) - JV/MI/Associate	42.0	0.0	0.0	0.0
Reported PAT After MI	6,113.0	7,524.0	4,993.3	4,799.6
Growth (%)	76.3	23.1	-33.6	-3.9
Adj PAT after MI	6,113.0	7,554.0	4,993.3	4,799.6
Adj 'EPS (₹)	25.3	31.3	20.7	19.9

Source: Company, ICICI Direct Research

Exhibit 12: Cash flow statement				
	₹ crore			
(Year-end March)	FY18	FY19	FY20E	FY21E
Profit after Tax	6,113.0	7,524.0	4,993.3	4,799.6
Add: Depreciation	3,387.0	4,041.0	4,133.8	4,376.9
(Inc)/dec in Current Asset	-3,629.1	-6,543.0	1,933.8	-2,339.1
Inc/(dec) in CL&Provisions	3,775.1	-3,242.0	-843.4	3,875.5
Others	-433.2	1,221.0	0.0	0.0
CF from operating activities	9,212.8	3,001.0	10,217.5	10,712.9
(Inc)/dec in Investments	-101.9	-425.0	0.0	0.0
(Inc)/dec in Fixed Assets	-4,963.5	-14,776.0	-11,000.0	-13,500.0
Others	336.4	3,832.0	50.0	50.0
CF from investing activities	-4,729.0	-11,369.0	-10,950.0	-13,450.0
Issue/(Buy back) of Equity	-58.6	-1.0	0.0	0.0
Inc/(dec) in loan funds	-5,015.0	14,219.0	6,000.0	4,400.0
Dividend paid & dividend tax	-451.9	-1,471.8	-1,436.6	-1,436.6
Inc/(dec) in Sec. premium	-252.1	745.8	-4,966.8	0.0
Others	871.7	0.0	0.0	0.0
CF from financing activities	-4,905.9	13,492.0	-403.4	2,963.4
Net Cash flow	-422.1	5,124.0	-1,135.9	226.3
Opening Cash	1,485.1	1,063.0	6,187.0	5,051.1
Closing Cash	1,063.0	6,187.0	5,051.1	5,277.4

Source: Company, ICICI Direct Research

Exhibit 13: Balance sheet				
	₹ crore			
(Year-end March)	FY18	FY19	FY20E	FY21E
Liabilities				
Share Capital	242.7	241.7	241.7	241.7
Reserve and Surplus	27,755.3	34,553.3	33,143.2	36,506.2
Total Shareholders funds	27,998.0	34,795.0	33,384.9	36,747.9
Total Debt	38,019.0	52,238.0	58,238.0	62,638.0
Deferred Tax Liability	2,604.0	3,894.0	3,894.0	3,894.0
Minority Interest / Others	729.0	4,561.0	4,611.0	4,661.0
Total Liabilities	69,350.0	95,488.0	100,127.9	107,940.9
Assets				
Gross Block	92,832.8	101,697.8	106,997.8	116,297.8
Less: Acc Depreciation	34,663.8	38,704.8	42,838.6	47,215.5
Net Block	58,169.0	62,993.0	64,159.2	69,082.3
Capital WIP	5,629.0	11,540.0	17,240.0	21,440.0
Total Fixed Assets	63,798.0	74,533.0	81,399.2	90,522.3
Investments	1,469.0	1,894.0	1,894.0	1,894.0
Inventory	12,594.0	14,548.0	12,864.7	14,213.6
Debtors	4,704.0	7,160.0	6,559.5	7,049.7
Loans and Advances	3,823.0	4,897.0	5,197.0	5,497.0
Other Current Assets	4,519.0	5,578.0	5,628.0	5,828.0
Cash	1,063.0	6,187.0	5,051.1	5,277.4
Total Current Assets	26,703.0	38,370.0	35,300.3	37,865.8
Current Liabilities	22,484.0	19,292.0	18,448.6	22,324.1
Provisions	184.0	134.0	134.0	134.0
Total Current Liabilities	22,668.0	19,426.0	18,582.6	22,458.1
Net Current Assets	4,035.0	18,944.0	16,717.7	15,407.6
Deferred tax Assets (net)	48.0	117.0	117.0	117.0
Application of Funds	69,350.0	95,488.0	100,127.9	107,940.9

Source: Company, ICICI Direct Research

Exhibit 14: Key ratios				
	₹ crore			
(Year-end March)	FY18	FY19	FY20E	FY21E
Per share data (₹)				
Adj EPS	25.3	31.3	20.7	19.9
Cash EPS	39.3	47.8	37.8	38.0
BV	115.8	143.9	138.1	152.0
DPS	1.2	4.1	4.0	4.0
Cash Per Share	4.4	25.6	20.9	21.8
Operating Ratios (%)				
EBITDA Margin	21.1	22.4	17.2	17.8
PBT / Total Operating income	11.2	13.2	5.4	7.5
Adj PAT Margin	8.7	8.9	6.7	5.6
Inventory days	118	123	100	100
Debtor days	24	31	32	30
Creditor days	117	83	90	95
Return Ratios (%)				
Adj RoE	21.8	21.7	15.0	13.1
Adj RoCE	17.9	17.6	9.5	10.9
RoIC	17.6	18.4	10.1	11.5
Valuation Ratios (x)				
P/E	8.8	7.1	10.8	11.2
EV / EBITDA	6.1	5.2	8.3	7.3
EV / Net Sales	1.3	1.2	1.4	1.3
Market Cap / Sales	0.8	0.6	0.7	0.6
Price to Book Value	1.9	1.5	1.6	1.5
Solvency Ratios				
Debt/EBITDA	2.6	2.8	4.5	4.1
Debt / Equity	1.4	1.5	1.7	1.7
Current Ratio	1.2	2.0	1.9	1.7
Quick Ratio	0.6	1.2	1.2	1.1
Net debt/EBITDA	2.5	2.4	4.1	3.8
Net Debt/Equity	1.3	1.3	1.6	1.6

Source: Company, ICICI Direct Research

Exhibit 15: ICICI Direct coverage universe (Metals and Mining)

	CMP		TP	Rating	M Cap (₹ Cr)	EPS (₹)			P/E (x)			EV/EBITDA (x)			ROCE(%)			ROE(%)		
	(₹)	(₹)				FY19	FY20E	FY21E	FY19	FY20E	FY21E	FY19	FY20E	FY21E	FY19	FY20E	FY21E	FY19	FY20E	FY21E
Coal India	206	225	Hold	127872	28.3	28.9	29.9	7.3	7.1	6.9	4.3	5.2	5.0	86.4	67.7	61.4	66.2	54.6	48.3	
Hindalco	185	185	Hold	41200	24.7	18.4	21.3	7.5	10.1	8.7	4.8	5.6	5.1	10.3	8.3	8.8	9.6	6.6	7.1	
Hind Zinc	212	250	Hold	89570	18.8	19.0	21.6	11.3	11.2	9.8	7.4	6.6	5.2	29.2	27.0	26.6	23.7	20.5	20.2	
JSW Steel	223	235	Hold	53904	31.3	20.7	19.9	7.1	10.8	11.2	5.2	8.3	7.3	17.6	9.5	10.9	21.7	15.0	13.1	
NMDC	106	95	Hold	32456	15.2	13.8	11.7	7.0	7.7	9.1	4.1	4.5	5.0	25.3	20.8	16.2	17.9	14.5	11.4	
Vedanta	147	150	Hold	54493	18.1	21.4	26.0	8.1	6.9	5.6	4.0	3.6	3.0	11.9	13.1	15.0	10.8	11.8	13.1	
Tata Steel	357	450	Buy	42994	78.6	42.7	59.0	5.7	10.5	7.6	4.8	6.4	5.4	13.4	8.5	10.0	13.0	7.5	9.5	

Source: Company, ICICI Direct Research

RATING RATIONALE

ICICI Direct endeavors to provide objective opinions and recommendations. ICICI Direct assigns ratings to its stocks according to their notional target price vs. current market price and then categorizes them as Buy, Hold, Reduce and Sell. The performance horizon is two years unless specified and the notional target price is defined as the analysts' valuation for a stock

Buy: >15%

Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%



Pankaj Pandey

Head – Research

pankaj.pandey@icicisecurities.com

**ICICI Direct Research Desk,
ICICI Securities Limited,
1st Floor, Akruiti Trade Centre,
Road No 7, MIDC,
Andheri (East)
Mumbai – 400 093
research@icicidirect.com**

ANALYST CERTIFICATION

I/We, Dewang Sanghavi MBA (Finance) 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. It is also confirmed that above mentioned Analysts of this report have not received any compensation from the companies mentioned in the report in the preceding twelve months and do not serve as an officer, director or employee of the companies mentioned in the report.

Terms & conditions and other disclosures:

ICICI Securities Limited (ICICI Securities) is a full-service, integrated investment banking and is, inter alia, engaged in the business of stock brokering and distribution of financial products. ICICI Securities Limited is a SEBI registered Research Analyst with SEBI Registration Number – INH000000990. ICICI Securities Limited SEBI Registration is INZ000183631 for stock broker. ICICI Securities is a subsidiary of ICICI Bank which is India's largest private sector bank and has its various subsidiaries engaged in businesses of housing finance, asset management, life insurance, general insurance, venture capital fund management, etc. ("associates"), the details in respect of which are available on www.icicibank.com

ICICI Securities is one of the leading merchant bankers/ underwriters of securities and participate in virtually all securities trading markets in India. We and our associates might have investment banking and other business relationship with a significant percentage of companies covered by our Investment Research Department. ICICI Securities generally prohibits its analysts, persons reporting to analysts and their relatives from maintaining a financial interest in the securities or derivatives of any companies that the analysts cover.

Recommendation in reports based on technical and derivative analysis centre on studying charts of a stock's price movement, outstanding positions, trading volume etc as opposed to focusing on a company's fundamentals and, as such, may not match with the recommendation in fundamental reports. Investors may visit icicidirect.com to view the Fundamental and Technical Research Reports.

Our proprietary trading and investment businesses may make investment decisions that are inconsistent with the recommendations expressed herein.

ICICI Securities Limited has two independent equity research groups: Institutional Research and Retail Research. This report has been prepared by the Retail Research. The views and opinions expressed in this document may or may not match or may be contrary with the views, estimates, rating, target price of the Institutional Research.

The information and opinions in this report have been prepared by ICICI Securities and are subject to change without any notice. The report and information contained herein is strictly confidential and meant solely for the selected recipient and may not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent of ICICI Securities. While we endeavour to update the information herein on a reasonable basis, ICICI Securities is under no obligation to update or keep the information current. Also, there may be regulatory, compliance or other reasons that may prevent ICICI Securities from doing so. Non-rated securities indicate that rating on a particular security has been suspended temporarily and such suspension is in compliance with applicable regulations and/or ICICI Securities policies, in circumstances where ICICI Securities might be acting in an advisory capacity to this company, or in certain other circumstances.

This report is based on information obtained from public sources and sources believed to be reliable, but no independent verification has been made nor is its accuracy or completeness guaranteed. This report and information herein is solely for informational purpose and shall not be used or considered as an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments. Though disseminated to all the customers simultaneously, not all customers may receive this report at the same time. ICICI Securities will not treat recipients as customers by virtue of their receiving this report. Nothing in this report constitutes investment, legal, accounting and tax advice or a representation that any investment or strategy is suitable or appropriate to your specific circumstances. The securities discussed and opinions expressed in this report may not be suitable for all investors, who must make their own investment decisions, based on their own investment objectives, financial positions and needs of specific recipient. This may not be taken in substitution for the exercise of independent judgment by any recipient. The recipient should independently evaluate the investment risks. The value and return on investment may vary because of changes in interest rates, foreign exchange rates or any other reason. ICICI Securities accepts no liabilities whatsoever for any loss or damage of any kind arising out of the use of this report. Past performance is not necessarily a guide to future performance. Investors are advised to see Risk Disclosure Document to understand the risks associated before investing in the securities markets. Actual results may differ materially from those set forth in projections. Forward-looking statements are not predictions and may be subject to change without notice.

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

ICICI Securities or its associates might have received any compensation from the companies mentioned in the report during the period preceding twelve months from the date of this report for services in respect of managing or co-managing public offerings, corporate finance, investment banking or merchant banking, brokerage services or other advisory service in a merger or specific transaction.

ICICI Securities encourages independence in research report preparation and strives to minimize conflict in preparation of research report. ICICI Securities or its associates or its analysts did not receive any compensation or other benefits from the companies mentioned in the report or third party in connection with preparation of the research report. Accordingly, neither ICICI Securities nor Research Analysts and their relatives have any material conflict of interest at the time of publication of this report.

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

ICICI Securities or its subsidiaries collectively or Research Analysts or their relatives do not own 1% or more of the equity securities of the Company mentioned in the report as of the last day of the month preceding the publication of the research report.

Since associates of ICICI Securities are engaged in various financial service businesses, they might have financial interests or beneficial ownership in various companies including the subject company/companies mentioned in this report.

ICICI Securities may have issued other reports that are inconsistent with and reach different conclusion from the information presented in this report.

Neither the Research Analysts nor ICICI Securities have been engaged in market making activity for the companies mentioned in the report.

We submit that no material disciplinary action has been taken on ICICI Securities by any Regulatory Authority impacting Equity Research Analysis activities.

This report is not directed 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, regulation or which would subject ICICI Securities and affiliates to any registration or licensing requirement within such jurisdiction. The securities described herein may or may not be eligible for sale in all jurisdictions or to certain category of investors. Persons in whose possession this document may come are required to inform themselves of and to observe such restriction.