

October 23, 2019

## Weakness in major markets leads to flattish volumes

Sagar Cements saw its operating performance improve on the back of softening of production costs combined with higher realisations. However, the results were below our estimates. Revenues witnessed marginal growth of 2.9% YoY to ₹ 265.3 crore (I-direct estimate: ₹ 277.2 crore). Sales volumes dipped marginally by 0.8% YoY to 0.71 MT (I-direct estimate: 0.71 MT) on the back of a weak demand scenario in Andhra Pradesh and Telangana. While realisations increased 3.8% YoY to ₹ 3,734/t, they missed I-direct estimate of ₹ 3,904/t. EBITDA margins expanded 780 bps YoY to 16% (I-direct estimate: 17.6%) while EBITDA jumped 101% during the quarter to ₹ 42.4 crore (I-direct estimate: ₹ 49.4 crore). EBITDA/t for the quarter was at ₹ 596/t, increasing 102% YoY (I-direct estimate: ₹ 700/t). Led by improvement in profitability, the company reported a PAT of ₹ 4.9 crore for Q2FY20 (I-direct estimate: ₹ 15.8 crore).

## Incremental business to come from eastern markets

During FY19, Sagar Cements commissioned additional capacities, out of which 1.2 MT added in Vizag will serve the strong eastern markets. The company has sufficient headroom for growth. In the current scenario in AP & Telangana, demand is expected to remain flattish for the full year (the management mentioned 50% demand decline in September 2019 in the AP & Telangana markets). Hence, we expect additional volumes from the eastern markets to contribute to the company's growth. We slightly lower our volume and revenue growth estimates to 6.2% and 9.5% CAGR, respectively, in FY19-21E factoring in a flattish year for AP & Telangana markets that contribute to approximately half of Sagar Cement's sales.

## Operational efficiencies to drive margin expansion

With the commissioning of the additional capacity at its Vizag plant, the company has been working to optimise its freight costs, which can be seen from its lead distance that has reduced from 350 km in Q2FY19 to ~280 km for Q2FY20. The company has also set up TPP and WHRMS plants to control its power costs. It currently has a power generation capacity of ~61 MW making it self-reliant for 70% of its power requirement. With 100% petcoke usage, we expect the company to also benefit significantly from the recent correction in petcoke costs. Over FY19-21E, we expect EBITDA margins to expand 430 bps to 17% leading to an EBITDA CAGR of 30.4% over FY19-21E to ₹ 254 crore.

## Valuation & Outlook

Sagar Cements' profitability is expected to remain healthy led by cost optimisation measures. The company already has and is further setting up capacities to cater to the eastern region, which should drive growth, going ahead. Despite debt additions, debt/EBITDA is not expected to increase and remain stable around 3x. Thus, we maintain **BUY** rating on Sagar Cements valuing it at 9x FY21E EV/EBITDA to arrive at a target price of ₹ 700/share (implying EV/t of \$70 per tonne).

### Key Financial Summary

Key Financials	FY17	FY18	FY19	FY20E	FY21E	CAGR
Sales	813.8	1038.1	1217.6	1315.4	1460.4	9.5%
EBITDA	110.4	151.3	149.4	223.5	248.4	28.9%
EBITDA (%)	13.6	14.6	12.3	17.0	17.0	
PAT	-3.9	26.3	13.6	64.1	78.4	140.2%
EPS (₹)	-1.9	12.9	6.2	29.1	35.6	
EV/EBITDA	12.4	10.0	10.5	7.7	7.5	
EV/Tonne (\$)	53.1	58.8	49.3	49.6	53.7	
RoNW	-0.5	3.4	1.6	6.5	6.8	
RoCE	5.4	8.1	6.4	9.8	9.8	

Source: Company, ICICI Direct Research



### Stock Data

Particular	Amount
Market Capitalization	₹ 1181.4 Crore
Total Debt (FY19)	₹ 499.3 Crore
Cash and Investments (FY19)	₹ 28.4 Crore
EV	₹ 1652.3 Crore
52 week H/L	₹ 830/529
Equity capital	₹ 22 Crore
Face value	₹ 10

### Key Highlights

- Cost optimization measures to lead to expansion in margins
- East markets to drive growth. AP, Telangana demand to remain flattish YoY
- Markets in the south witnessed significant decline in demand in September
- Maintain BUY with target price of ₹ 700

### Research Analyst

Rashesh Shah  
rashesh.shah@icicisecurities.com

Romil Mehta  
romil.mehta@icicisecurities.com

**Exhibit 1: Variance Analysis**

	Q2FY20	Q2FY20E	Q2FY19	YoY (%)	Q1FY20	QoQ (%)	Comments
Total Operating Income	265.3	277.2	257.7	2.9	344.2	-22.9	Revenues marginally higher as volumes decline marginally
Other Income	-0.2	1.0	0.6	-129.7	1.5	-113.1	
Raw Material Expenses	36.8	54.0	37.7	-2.4	60.7	-39.4	Stabilisation of input costs led to sequential reduction of 5.1% on a per tonne basis
Employee Expenses	15.2	13.8	15.3	-0.5	14.7	3.5	
Power & Fuel	83.2	71.2	89.0	-6.5	87.0	-4.3	Stabilisation of Gudipadu plant along with improved thermal efficiency helped control P&F costs
Freight cost	49.5	51.2	59.2	-16.4	60.1	-17.6	Sales reallocation and benefit from axle load norms led to reduction in freight cost per tonne by 16% YoY
Others	38.2	37.6	35.5	7.8	43.1	-11.4	
EBITDA	42.4	49.4	21.1	101.0	78.6	-46.1	
EBITDA Margin (%)	16.0	17.8	8.2	779 bps	22.8	-687 bps	EBITDA growth driven by reduction in production costs and higher realisations
Interest	15.8	16.0	15.3	3.6	15.0	5.8	
Depreciation	19.3	17.6	17.1	12.3	17.8	8.1	
PBT	7.1	16.8	-10.7	-166.7	47.3	-85.0	
Total Tax	2.2	1.0	-2.7	-182.4	17.8	-87.6	
PAT	4.9	15.8	-8.0	-161.4	29.5	-83.3	

**Key Metrics**

Volume (MT)	0.71	0.71	0.72	-0.8	0.82	-13.4	Volume growth in negative territory on account of significant demand decline in September 2019
Net realisation (₹)	3,734	3,904	3,599	3.8	4,198	-11.0	Prices remain higher YoY despite sequential correction
EBITDA per Tonne (₹)	596	695	294	102.6	959	-37.8	Reduction in production costs and higher realisations push EBITDA/t higher

Source: Company, ICICI Direct Research

**Exhibit 2: Change in estimates**

₹ Crore)	FY20E			FY21E			Comments
	Old	New	% Change	Old	New	% Change	
Revenue	1,359.2	1,315.4	-3.2	1,512.9	1,460.4	-3.5	Volumes tweaked lower
EBITDA	222.0	223.5	0.7	255.1	248.4	-2.6	
EBITDA Margin (%)	16.3	17.0	66 bps	16.9	17.0	15 bps	Cost optimisation and stable realisations to drive margin expansion
PAT	63.0	64.1	1.8	83.5	78.4	-6.1	
EPS (₹)	28.7	29.1	1.5	34.3	35.6	3.8	

Source: Company, ICICI Direct Research

**Exhibit 3: Assumptions**

	Current					Earlier		Comments
	FY17	FY18	FY19	FY20E	FY21E	FY20E	FY21E	
Volume (MT)	2.2	2.7	3.3	3.5	3.8	3.6	3.9	Volume forecast lowered marginally
Gross Realisation (₹)	3,697	3,916	3,666	3,813	3,878	3,813	3,927	Realisations to grow at 2.8% CAGR over FY19-21E
EBITDA per Tonne (₹)	501	571	450	648	653	623	652	EBITDA/t to improve led by margin expansion

Source: Company, ICICI Direct Research

## Conference call key highlights

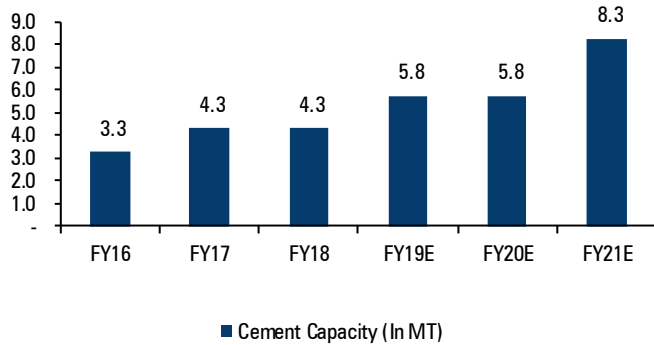
- During the quarter, the demand was sluggish in its major markets especially during the month of September whereby all the markets witnessed decline in demand due to extended monsoon, liquidity issues and state election (in Maharashtra). In AP & Telangana the demand was down ~50% down in September 2019. Due to demand slowdown the prices witnessed significant correction in the south and western regions, while the east witnessed competitive pricing pushing prices lower sequentially.
- Trade volumes were ~45% of the total volumes and the share of blended cements has also increased.
- In terms of fuel consumption, the company is currently using 100% petcoke at its Gudipadu plant. Petcoke prices have witnessed correction in the recent times and the same should be reflective in the P&F costs going ahead. The lead distance has reduced marginally on a sequential basis to 275-280kms.
- The management has guided a capex of ~₹ 250 crore for FY20 and ~₹ 350 crore in FY21 in addition to ~₹ 30-₹40 crore of maintenance capex. The company has already spent ₹65 crore towards the ongoing expansion in the east.

## Annual Report Highlights

- **Performance:** The company recorded topline growth of 17% YoY led by a strong ~25% volume growth. AP & Telangana continue to take major share of Sagar Cements' region wise sales distribution, exceeding 50% of the total volumes sold. Though realizations improved in the ending months of FY19, the average realizations for the company declined in FY19 over the previous year. Higher input costs during the year combined with lower realisations led the decline in margins.
- **Capital raise:** To diversify its regional exposure, the company issued 31 lakh warrants at ₹ 730 per warrant during FY19. Against 15.5 lakh of these warrants, the Board has approved conversion into equal number of equity shares. The proceeds from the issue would be used to fund the capacity expansion in MP and Odisha. Total equity infusion required by Sagar Cements for these projects is ~₹ 258 crore. The management expects these projects to get on-stream from FY22E
- **Expansion in Central India:** Sagar Cement would be setting up an integrated cement plant in Madhya Pradesh under Satguru Cement Private Limited where the company had acquired 65% stake during FY19. Expansion involves construction of 1 MT integrated cement plant and a waste heat recovery unit at a capital outlay of ~₹ 450 crore. This would be funded partially by raising ₹ 275 crore of debt
- **Expansion in Eastern India:** A new grinding unit would be set up in Odisha via Sagar's newly acquired subsidiary Jaipur Cement Private Limited. This project would involve setting up a 1.5 MT grinding unit (90% PSC) at an estimated capital outlay of ₹ 308 crore (₹ 200 crore debt)
- **Cost rationalization:** The Company is in process of setting up an 18 MW captive power plant near its Gudipadu unit. During the year it also upgraded its WHR plant increasing its capacity to 8.8 MW. Further, the additional capacity at Bayyavaram unit in Vizag added during the year, would enable the company in optimizing its logistics costs by serving the eastern markets from this added capacity which were earlier being served by the Matampally plant.
- **Weak ratios:** During FY19, the company witnessed pressure in terms of higher input costs combined with weak realisations. This resulted in dampening of the company's profits which eventually deteriorated the return ratios. EBITDA margins contracted from 14.6% in FY18 to 12.3% in FY19 and RoCE and RoE deteriorated from 8.1% and 3.4% respectively in FY18 to 6.4% and 1.6% respectively in FY19
- **Future outlook:** Demand in the AP & Telangana regions has been infra driven, however housing demand in these regions is yet to pick up in a meaningful way and is expected to be one of the major demand driver

Financial story in charts

Exhibit 4: Installed capacity



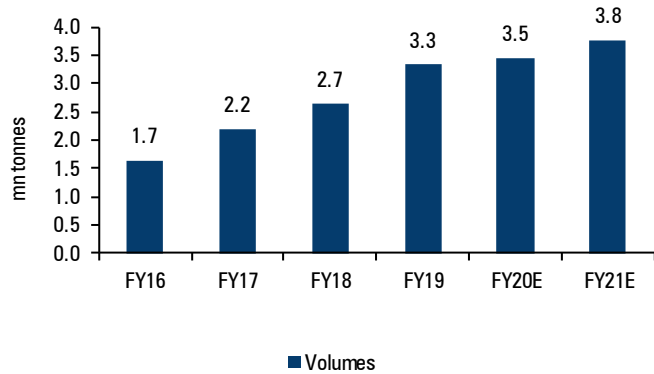
Source: Company, ICICI Direct Research

Exhibit 5: Capacity addition plans

Current capacity	MT
<b>Cement (MT)</b>	<b>5.8</b>
<b>Additions</b>	
MP - Satguru cement (Integrated plant - clinker capacity of 0.7 MT)	1.0
Odisha - Jajpur cement	1.5
<b>FY21E cement capacity</b>	<b>8.3</b>

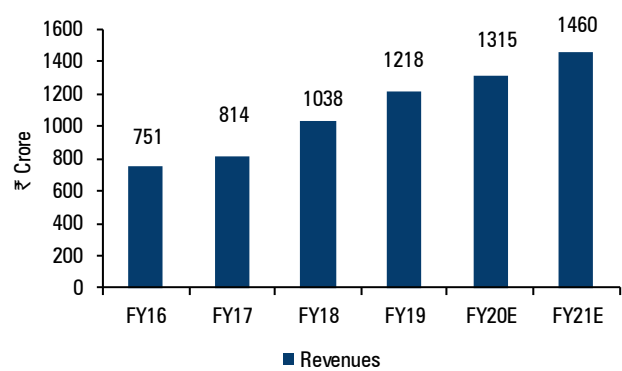
Source: Company, ICICI Direct Research

Exhibit 6: Volumes to grow at 6.2% CAGR over FY19-21E



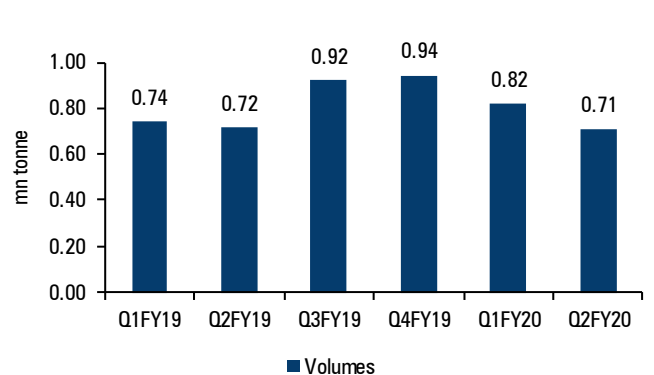
Source: Company, ICICI Direct Research

Exhibit 7: Topline to grow at 9.5% CAGR over FY19-21E



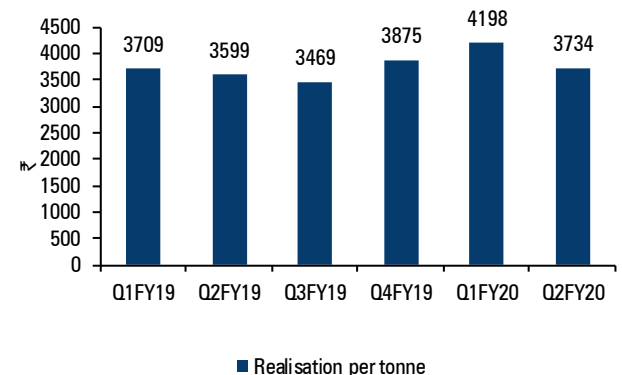
Source: Company, ICICI Direct Research

Exhibit 8: Volumes decline marginally by 0.8% YoY



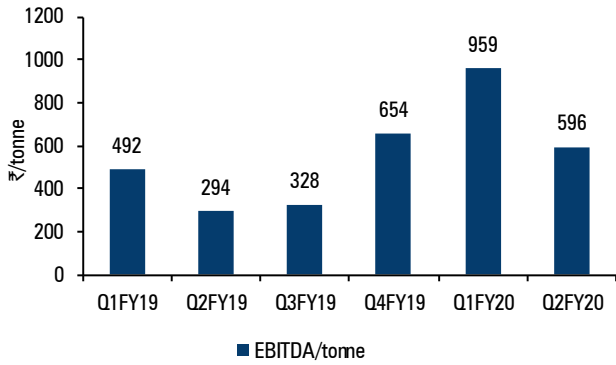
Source: Company, ICICI Direct Research

Exhibit 9: Realisations improve 3.8% YoY



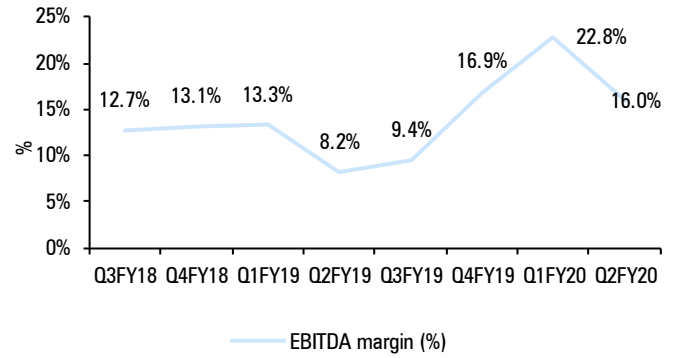
Source: Company, ICICI Direct Research

Exhibit 10: EBITDA/t witness 103% growth YoY



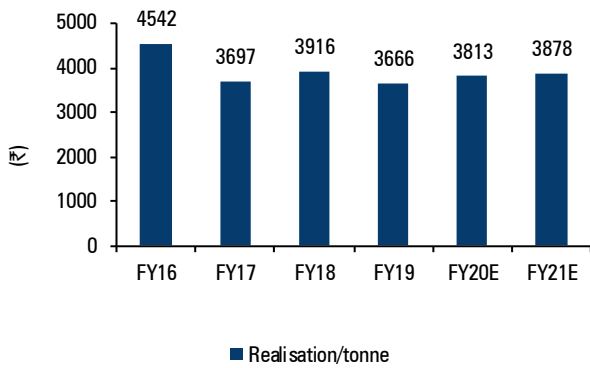
Source: Company, ICICI Direct Research

Exhibit 11: Margins remain improve ~780 bps YoY



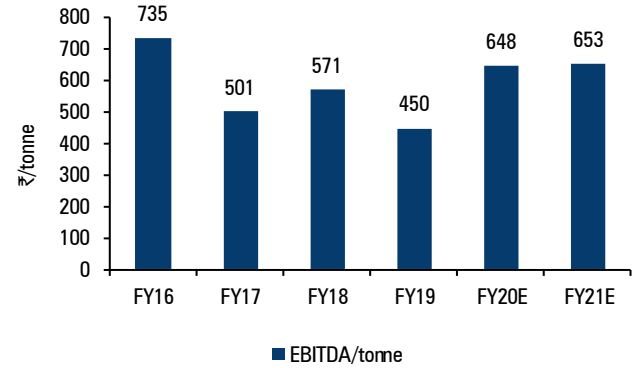
Source: Company, ICICI Direct Research

Exhibit 12: Realisations to rise gradually



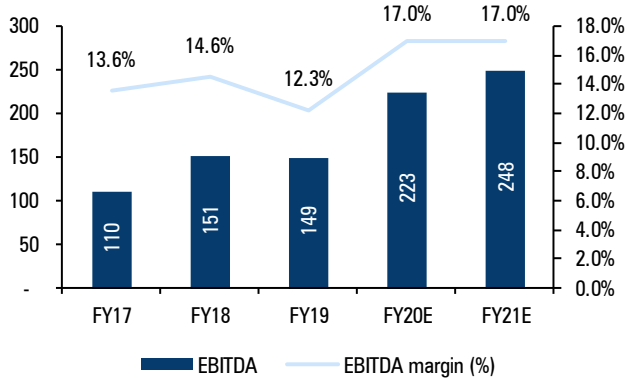
Source: Company, ICICI Direct Research

Exhibit 13: EBITDA/t to grow at 20.4% CAGR over FY19-21E



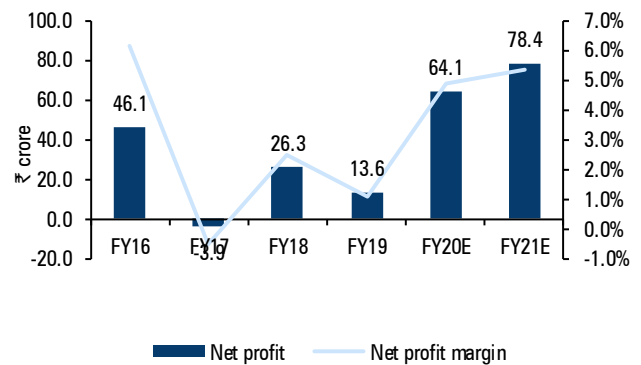
Source: Company, ICICI Direct Research

Exhibit 14: EBITDA to grow at 29% CAGR over FY19-21E



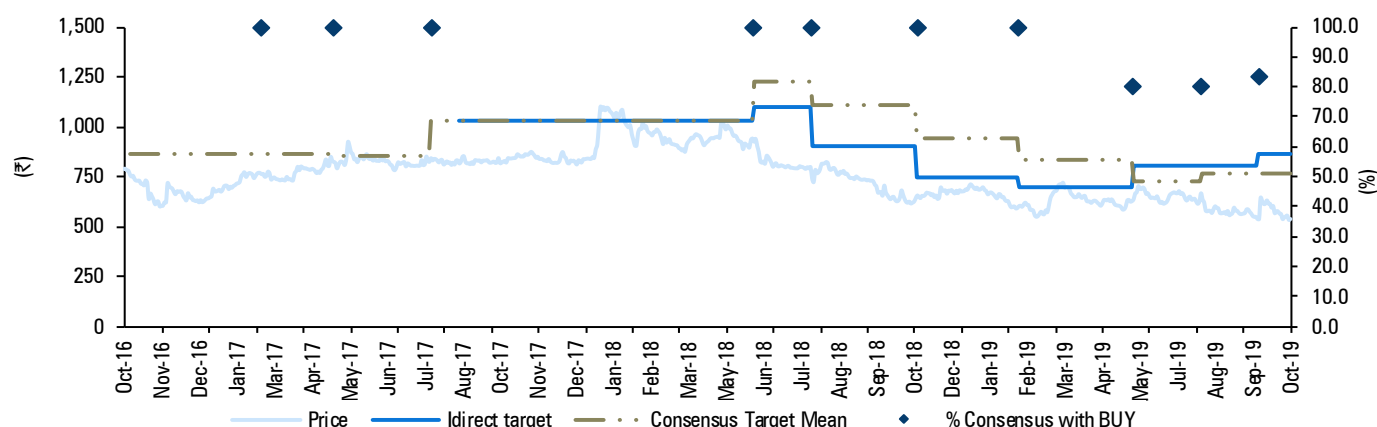
Source: Company, ICICI Direct Research

Exhibit 15: PAT to rise with improving profitability



Source: Company, ICICI Direct Research

Exhibit 16: Recommendation History vs. Consensus



Source: Bloomberg, Company, ICICI Direct Research

Exhibit 17: Top 10 Shareholders

Rank	Name	Last filing date	% O/S	Position (m)	Change (m)
1	AVH Resources India Pvt. Ltd.	30-Sep-19	20%	4.4	0.8
2	Sammidi (Veera Reddy)	30-Sep-19	7%	1.64	0.0
3	Sammidi (Aruna)	30-Sep-19	6%	1.37	0.0
4	Sammidi (Anand Reddy)	30-Sep-19	6%	1.31	0.0
5	HDFC Asset Management Co., Ltd.	30-Sep-19	6%	1.31	0.0
6	Sammidi (Sreekanth Reddy)	30-Sep-19	6%	1.24	0.0
7	Sammidi (Rachana)	30-Sep-19	5%	1.17	0.0
8	IDFC Asset Management Company Private Limiter	30-Sep-19	5%	1.02	0.0
9	Sammidi (Vanajatha)	30-Sep-19	5%	0.99	0.0
10	Sagar Priya Housing & Industrial Enterprises, Ltd.	30-Sep-19	4%	0.86	0.0

Source: Company, ICICI Direct Research, Thomson Reuters

Exhibit 18: Recent Activity

Buys			Sells		
Investor Name	Value (\$mn)	Shares (mn)	Investor Name	Value (\$mn)	Shares (mn)
AVH Resources India Pvt. Ltd.	6.72	0.78	Kitara India Micro Cap Growth	-0.61	-0.07
Ocean Dial Asset Management Limited	0.30	0.04	ICICI Prudential Asset Management Co. Ltd.	-0.14	-0.01
			BOI AXA Investment Managers Private Limited	-0.02	0.00

Source: Company, ICICI Direct Research, Thomson Reuters

Exhibit 19: Shareholding Pattern

(in %)	Sep-18	Dec-18	Mar-19	Jun-19	Sep-19
Promoter	50.05	50.05	50.06	50.06	50.06
FII	3.60	3.60	3.47	3.46	3.06
DII	13.91	13.99	14.04	13.81	12.82
Others	32.44	32.36	32.43	32.67	34.06

Source: Company, ICICI Direct Research, Thomson Reuters

## Financial summary

Exhibit 20: Profit and loss statement				
	₹ crore			
(Year-end March)	FY18	FY19	FY20E	FY21E
<b>Total operating Income</b>	<b>1,038.1</b>	<b>1,217.6</b>	<b>1,315.4</b>	<b>1,460.4</b>
Growth (%)	27.6	17.3	8.0	11.0
Raw material cost	145.1	238.8	248.4	276.8
Power & fuel	331.4	362.8	362.3	406.8
Freight cost	217.9	252.5	246.7	273.1
Others	192.4	214.1	234.6	255.4
Total Operating Exp.	886.8	1,068.1	1,091.9	1,212.0
<b>EBITDA</b>	<b>151.3</b>	<b>149.4</b>	<b>223.5</b>	<b>248.4</b>
Growth (%)	37.1	-1.2	49.6	11.1
Depreciation	53.6	65.7	66.6	67.2
Interest	59.3	63.4	74.2	79.9
Other Income	7.3	2.9	3.0	3.5
PBT	45.7	23.2	85.7	104.8
Total Tax	19.4	9.6	21.6	26.4
<b>PAT</b>	<b>26.3</b>	<b>13.6</b>	<b>64.1</b>	<b>78.4</b>
PAT margin	2.5	1.1	4.9	5.4
<b>Adjusted PAT</b>	<b>26.3</b>	<b>13.6</b>	<b>64.1</b>	<b>78.4</b>
Growth (%)	NA	-48.2	371.7	22.3
<b>Adjusted EPS (₹)</b>	<b>12.9</b>	<b>6.2</b>	<b>29.1</b>	<b>35.6</b>

Source: Company, ICICI Direct Research

Exhibit 21: Cash flow statement				
	₹ crore			
(Year-end March)	FY18	FY19	FY20E	FY21E
Profit after Tax	26.3	13.6	64.1	78.4
Add: Depreciation	53.6	65.7	66.6	67.2
(Inc)/dec in Current Assets	-28.0	-10.0	-36.3	-40.6
Inc/(dec) in CL and Provisions	-28.1	-2.5	37.5	27.7
<b>CF from operating activities</b>	<b>83.1</b>	<b>130.2</b>	<b>206.1</b>	<b>212.6</b>
(Inc)/dec in Investments	0.3	0.0	0.0	0.0
(Inc)/dec in Fixed Assets	-175.7	-241.7	-325.0	-325.0
Others	16.6	74.1	-32.0	-32.0
<b>CF from investing activities</b>	<b>-158.8</b>	<b>-167.6</b>	<b>-357.0</b>	<b>-357.0</b>
Issue/(Buy back) of Equity	0.0	0.0	85.3	85.3
Inc/(dec) in loan funds	32.6	21.4	175.0	125.0
Dividend paid & dividend tax	-10.6	-10.6	-4.0	-4.0
Interest paid	-59.3	-63.4	-74.2	-79.9
Others	-0.2	61.0	0.0	0.0
<b>CF from financing activities</b>	<b>-37.5</b>	<b>8.4</b>	<b>182.1</b>	<b>126.3</b>
Net Cash flow	-113.1	-29.0	31.2	-18.0
Opening Cash	170.5	57.4	28.4	59.5
<b>Closing Cash</b>	<b>57.4</b>	<b>28.4</b>	<b>59.5</b>	<b>41.5</b>

Source: Company, ICICI Direct Research

Exhibit 22: Balance sheet				
	₹ crore			
(Year-end March)	FY18	FY19	FY20E	FY21E
<b>Liabilities</b>				
Share Capital	20.4	20.4	22.0	23.5
Reserve and Surplus	758.0	822.0	965.8	1,124.0
Total Shareholders funds	778.4	842.4	987.8	1,147.5
Total Debt	477.9	499.3	674.3	799.3
Deferred Tax Liability	40.3	8.3	-23.7	-55.7
Minority Interest / Others	56.9	163.0	163.0	163.0
<b>Total Liabilities</b>	<b>1,353.5</b>	<b>1,513.0</b>	<b>1,801.3</b>	<b>2,054.0</b>
<b>Assets</b>				
Gross Block	1,380.8	1,637.9	1,822.9	2,247.9
Less: Acc Depreciation	366.9	432.6	499.2	566.4
Net Block	1,013.8	1,205.2	1,323.6	1,681.4
Capital WIP	125.4	110.0	250.0	150.0
Total Fixed Assets	1,139.2	1,315.2	1,573.6	1,831.4
Investments	38.7	38.7	38.7	38.7
Inventory	94.9	145.0	142.3	148.0
Debtors	92.6	115.6	113.5	120.0
Loans and Advances	19.7	21.9	19.7	21.9
Other Current Assets	127.4	62.1	105.2	131.4
Cash	57.4	28.4	59.5	41.5
Total Current Assets	391.9	372.9	440.4	462.9
Creditors	136.8	203.8	173.3	192.4
Provisions	79.6	10.1	78.0	86.6
Total Current Liabilities	216.4	213.9	251.3	279.1
Net Current Assets	175.6	159.0	189.0	183.9
Others Assets	0.0	0.0	0.0	0.0
<b>Application of Funds</b>	<b>1,353.5</b>	<b>1,513.0</b>	<b>1,801.4</b>	<b>2,054.0</b>

Source: Company, ICICI Direct Research

Exhibit 23: Key ratios				
(Year-end March)	FY18	FY19	FY20E	FY21E
<b>Per share data (₹)</b>				
Adjusted EPS	12.9	6.2	29.1	35.6
Cash EPS	39.2	36.0	59.4	66.2
BV	381.6	382.9	449.0	521.6
DPS	4.3	4.0	1.5	1.5
Cash Per Share	28.1	12.9	27.1	18.9
<b>Operating Ratios (%)</b>				
EBITDA Margin	14.6	12.3	17.0	17.0
Adjusted PAT Margin	2.5	1.1	4.9	5.4
Inventory days	33.4	43.5	39.5	37.0
Debtor days	32.6	34.7	31.5	30.0
Creditor days	48.1	61.1	48.1	48.1
<b>Return Ratios (%)</b>				
RoE	3.4	1.6	6.5	6.8
RoCE	8.1	6.4	9.8	9.8
RoIC	8.8	6.9	11.8	10.7
<b>Valuation Ratios (x)</b>				
P/E (adjusted)	41.7	86.9	18.4	15.1
EV / EBITDA	10.0	10.5	7.7	7.5
EV / Net Sales	1.5	1.3	1.3	1.3
Market Cap / Sales	1.1	0.9	0.8	0.8
Price to Book Value	1.4	1.4	1.2	1.0
<b>Solvency Ratios</b>				
Debt/EBITDA	3.2	3.3	3.0	3.2
Debt / Equity	0.6	0.6	0.7	0.7
Current Ratio	1.4	1.0	1.0	1.0
Quick Ratio	1.0	0.6	0.7	0.7

Source: Company, ICICI Direct Research



Exhibit 24: ICICI Direct coverage universe (Cement)

Company	CMP		M Cap	EPS (₹)			EV/EBITDA (x)			EV/Tonne (\$)			RoCE (%)			RoE (%)			
	(₹)	TP(₹)		Rating	(₹ Cr)	FY19	FY20E	FY21E	FY19	FY20E	FY21E	FY19	FY20E	FY21E	FY19	FY20E	FY21E	FY19	FY20E
ACC*	1,520	1,900	BUY	28,567	54	78	91	14.5	11.5	10.3	115	111	102	14.7	18.6	19.3	10.0	13.5	14.6
Ambuja Cem*	197	190	HOLD	39,117	8.1	7.2	7.9	19.1	17.7	16.4	130	128	124	11.6	14.4	15.8	8.5	10.2	11.1
UltraTech Cem	4,249	5,350	BUY	116,593	88	144	163	18.4	13.3	11.8	200	198	192	9.0	12.5	13.6	7.6	11.2	11.4
Heidelberg Cem	190	220	HOLD	4,306	9.7	13.2	13.7	10.4	8.7	7.8	136	126	110	21.8	24.1	24.6	20.5	23.3	20.9
India Cement	80	100	HOLD	2,442	2.2	8.7	9.3	9.4	6.6	6.2	60	65	67	4.5	7.2	7.5	1.3	4.9	5.1
JK Cement	1,130	1,260	BUY	7,902	42.0	63.5	68.7	11.6	9.7	8.3	119	115	113	12.5	13.4	14.1	11.2	14.9	14.3
JK Lakshmi Cem	283	425	BUY	3,331	6.8	24.5	33.1	11.0	6.2	5.2	57	54	50	5.2	16.3	18.2	5.2	16.3	18.2
Mangalam Cem	298	300	BUY	795	-3.7	36.3	38.3	24.5	5.7	5.0	54	51	45	3.2	16.5	15.9	-2.0	16.2	14.6
Star Cement	95	105	HOLD	3,961	7.2	6.8	8.3	8.4	8.8	7.3	136	137	92	18.9	16.6	18.2	17.3	15.3	16.1
Ramco Cement	755	1,020	BUY	17,975	21.5	29.8	34.5	18.6	14.1	11.6	192	169	156	8.1	10.1	11.3	11.7	14.6	15.0
Sagar Cement	537	700	BUY	1,095	6.2	29.1	35.6	10.5	7.7	7.5	49	50	54	6.4	9.8	9.8	1.6	6.5	6.8

Source: Company, ICICI Direct Research

## RATING RATIONALE

ICICI Direct endeavours 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, Akruvi Trade Centre,  
Road No 7, MIDC,  
Andheri (East)  
Mumbai – 400 093  
research@icicidirect.com**

## ANALYST CERTIFICATION

I/We, Rashesh Shah, CA, Romil Mehta, CA, 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 – INH00000990. 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](http://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](http://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 would 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.