

Ashoka Buildcon (ASBL IN)

Rating: BUY | CMP: Rs56 | TP: Rs147

June 16, 2020

Q4FY20 Result Update

☑ Change in Estimates | ■ Target | ■ Reco

Change in Estimates

	Current		Previous	
	FY21E	FY22E	FY21E	FY22E
Rating	BUY		BUY	
Target Price	147		147	
Sales (Rs. m)	44,281	55,485	46,108	57,768
% Chng.	(4.0)	(4.0)		
EBITDA (Rs. m)	12,753	15,980	13,279	16,637
% Chng.	(4.0)	(4.0)		
EPS (Rs.)	(3.0)	2.7	(4.3)	1.7
% Chng.	NM	62.2		

Key Financials - Consolidated

Y/e Mar	FY19	FY20	FY21E	FY22E
Sales (Rs. m)	49,301	50,705	44,281	55,485
EBITDA (Rs. m)	13,942	15,752	12,753	15,980
Margin (%)	28.3	31.1	28.8	28.8
PAT (Rs. m)	198	1,604	(835)	766
EPS (Rs.)	0.7	5.7	(3.0)	2.7
Gr. (%)	(116.7)	709.5	NM	NM
DPS (Rs.)	-	-	1.0	1.0
Yield (%)	-	-	1.8	1.8
RoE (%)	6.6	45.7	NM	23.4
RoCE (%)	19.3	20.3	14.6	17.9
EV/Sales (x)	1.5	1.3	1.7	1.4
EV/EBITDA (x)	5.3	4.2	5.9	5.0
PE (x)	79.8	9.9	NM	20.6
P/BV (x)	5.5	3.8	5.2	4.5

Key Data

ABDL.BO | ASBL IN

52-W High / Low	Rs.151 / Rs.37
Sensex / Nifty	33,605 / 9,914
Market Cap	Rs.16bn / \$ 207m
Shares Outstanding	281m
3M Avg. Daily Value	Rs.87.27m

Shareholding Pattern (%)

Promoter's	54.33
Foreign	5.47
Domestic Institution	31.62
Public & Others	8.58
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	(0.8)	(39.4)	(59.8)
Relative	(8.2)	(26.1)	(52.8)

Viral Shah

viralshah@plindia.com | 91-22-66322250

Shivang Joshi

shivangjoshi@plindia.com | 91-22-66322391

Pickup in execution pace

Quick Pointers:

- Despite nationwide lockdown bringing halt to construction activities, ASBL reported healthy execution during the quarter.
- SBI Macquarie stake sale deal (currently on hold) is expected to restart negotiations within 1-2months with toll collections at ~85% pre-covid levels.
- Post relaxations in lockdown almost all projects have commenced operations and are operating at ~60% efficiency with 50-65% labour availability.

ASBL reported strong performance in 4Q with healthy execution in its key projects leading to meagre ~4% YoY (PLe: -35% YoY) fall in revenues, despite nationwide lockdown. Post relaxations in lockdown almost all projects have commenced operations and are currently operating at ~60% efficiency levels. Further, the company has not witnessed any delays in payments from Central authorities (including NHAI & Railways) in 4QFY20 as well as during April & May 2020. Labour availability (ranging from 50-65% across projects) would be the next key monitorable for pickup in execution pace.

We remain positive on the company given a) its excellent blend of diversified EPC orders and Asset ownership (23 Road assets and 3 City Gas Distribution assets), b) stable EPC margins and c) healthy order book (Rs83.8bn as on 4QFY20) and its foray into new verticals- Railways (11% of order book) and smart cities. At CMP, the stock trades at an EV of 5.8x/4.9x FY21E/FY22E EBITDA. We maintain BUY rating on the stock with a SoTP based TP of Rs147.

Healthy execution pace with strong EBITDA margins: Revenues fell 4% YoY to Rs12.5bn (beating our estimate of Rs8.4bn) in 4QFY20 led by strong execution in its key projects & impact of nationwide lockdown being lower than anticipated. EBITDA was up 26% YoY to Rs2.3bn with EBITDA margins coming in at 18.2% (above PLe & street estimates of ~12%) led by added scope in some projects (at higher margins) and reversal of contingency provisions in projects nearing completion. On the bottom line front, adjusted PAT rose 56% YoY to Rs1,642mn (PLe of Rs628mn) boosted by strong execution, high operating margins and lower finance cost (down 43% YoY to Rs209mn).

Diversified Order book, guidance remains strong: As at 4QFY20, ASBL's order book stands at Rs83.8bn (excluding Rs6bn HAM project), translating into order book-to-sales ratio of 2.1x trailing revenues, providing comfortable revenue visibility. Order book mix stands at: 52% Roads-HAM segment, 29% Road-EPC, 11% Railways segment and Power projects at 8%. With ~Rs700bn of NHAI projects in pipeline, the company targets order inflows of Rs50-60bn in FY21E. During 4QFY20, ASBL's gross standalone debt have come down sequentially to ~Rs4bn from Rs5.1bn in 3QFY20, of which equipment loans stand at Rs2.3bn and working capital loans at Rs1.7bn.

Exhibit 1: Quarterly Financials (Standalone): Strong execution with high margins boost profitability

Y/e March (Rs mn)	Q4FY19	Q1FY20	Q2FY20	Q3FY20	Q4FY20	YoY gr. (%)	QoQ gr. (%)	FY20	FY19	YoY gr. (%)
Revenue	13,074	8,768	8,223	9,836	12,548	(4.0)	27.6	39,374	38,206	3.1
Total Revenues	13,074	8,768	8,223	9,836	12,548	(4.0)	27.6	39,374	38,206	3.1
Expenditure	11,259	7,673	6,994	8,592	10,258	(8.9)	19.4	33,518	33,055	1.4
as % of sales	86.1	87.5	85.1	87.4	81.8			85.1	86.5	
Raw Material Expenses	10,524	6,916	6,262	7,734	9,063	(13.9)	17.2	29,975	30,300	(1.1)
as % of sales	80.5	78.9	76.1	78.6	72.2			76.1	79.3	
Employee Cost	412	431	435	529	424	3.1	(19.8)	1,820	1,490	22.1
as % of sales	3.1	4.9	5.3	5.4	3.4			4.6	3.9	
Other expenditure	323	326	297	329	771	138.5	134.6	1,723	1,265	36.3
as % of sales	2.5	3.7	3.6	3.3	6.1			4.4	3.3	
EBITDA	1,815	1,095	1,229	1,243	2,289	26.2	84.1	5,856	5,152	13.7
Depreciation	260	266	271	283	290	11.8	2.4	1,111	763	45.7
EBIT	1,555	829	957	960	1,999	28.6	108.3	4,745	4,389	8.1
Other Income	380	342	392	369	346	(8.9)	(6.3)	1,449	1,157	25.3
Interest	367	214	231	200	209	(42.9)	4.7	855	907	(5.8)
PBT	1,568	957	1,118	1,129	2,136	36.2	89.1	5,340	4,639	15.1
Total Tax	516	310	391	274	493	(4.4)	80.2	1,468	1,307	12.3
Adjusted PAT	1,053	647	727	855	1,642	56.0	92.0	3,871	3,332	16.2
(Profit)/loss from JV's/Ass/MI	0	0	0	0	0	0.0	0.0	0	0	0.0
PAT after MI	1,053	647	727	855	1,642	56.0	92.0	3,871	3,332	16.2
Extra ordinary items	-73	0	0	0	0	0.0	0.0	0	-470	0.0
Reported PAT	980	647	727	855	1,642	67.6	92.0	3,871	2,862	35.3
Adjusted EPS	3.5	2.3	2.6	3.0	5.9	67.6	92.0	20.7	15.3	35.3
						bps	bps			
EBIDTA	13.9	12.5	14.9	12.6	18.2	437	560	14.9	13.5	139
EBIT	11.9	9.4	11.6	9.8	15.9	404	617	12.1	11.5	56
EBT	12.0	10.9	13.6	11.5	17.0	503	554	13.6	12.1	142
PAT	7.5	7.4	8.8	8.7	13.1	559	439	9.8	7.5	234
Effective Tax rate	32.9	32.4	35.0	24.2	23.1	-979	-115	27.5	28.2	-68

Source: Company, PL

Exhibit 2: Key Assumptions

Rs mn	FY17	FY18	FY19	FY20E*	FY21E	FY22E
Order inflow	58,669	24,450	74,754	52,332	64,981	61,025
Revenues	18,718	24,006	35,825	35,255	37,580	45,428
Order book	70,047	58,487	83,940	92,334	1,10,801	1,16,341
Execution cycle (%)	34%	37%	50%	40%	37%	40%
OB to sales (x)	3.7	2.4	2.3	2.6	2.9	2.6

Source: Company, PL; Note (*): FY20 is an estimated figure as we await release of detailed numbers

Exhibit 3: SoTP Valuation

Particulars	Segment	Driver	Multiple	ABL's value (Rs mn)	ABL's value (Rs/ share)	Proportionate (%) of value per share	Basis
Ashoka's construction business	Construction	2,671	10	26,712	95	64.6	P/E multiple of 10x FY22 earnings
Total				26,712	95	64.6	
Ashoka Concession Road BOT projects							
Nagar Aurangabad	Toll	51	100	51	0.2	0.1	NPV at CoE of 14%
Wainganga	Toll	449	50	225	1	0.5	NPV at CoE of 14%
Katni Bye Pass	Toll	158	100	158	1	0.4	NPV at CoE of 14%
Karnataka State highway	Annuity	715	100	715	3	1.7	NPV at CoE of 14%
Total				1,148	4	2.8	
ACL Road BOT Projects							
Bhandara	Toll	2,847	51	1,452	5	3.5	NPV at CoE of 14%
Belgaum Dharwad	Toll	4,359	100	4,359	16	10.5	NPV at CoE of 14%
Sambalpur Baragarh	Toll	602	100	602	2	1.5	NPV at CoE of 14%
Durg	Toll	3,255	51	1,660	6	4.0	NPV at CoE of 14%
Jaora-Nayagaon	Toll	14,207	38	5,356	19	12.9	NPV at CoE of 14%
Dhankuni-Kharagpur	Toll	6,904	100	6,904	25	16.7	NPV at CoE of 14%
Chennai outer ring road	Annuity	3,621	50	1,810	6	4.4	NPV at CoE of 14%
Total		35,794		22,143	79	53.5	
ABL's share @ 61%				13,507	48	32.7	
Grand Total				41,368	147	100.0	

Source: Company, PL

Concall Highlights

- ASBL's 4QFY20 revenues came at Rs12.5bn (down 4% YoY) led by strong execution in its key projects. EBITDA margins improved to 18.2% (up 437bps YoY) due to added scope in some projects (at higher margins) and reversal of contingency provisions in projects nearing completion.
- As on 4QFY20, ASBL's total order book stands at Rs83.8bn (Excluding Rs6bn HAM project), translating into order book-to-sales ratio of 2.1x TTM revenues, providing comfortable revenue visibility.
 - ~52% of the order book caters to the road-HAM segment, road-EPC contributes 25%, while the railways and power segments account for ~11% and ~8% share, respectively.
 - During 4Q, ASBL's had signed concession agreement with NHAI for Tumkur-Shivamogga (Pkg III) HAM project worth Rs10.4bn.
 - The company expects to achieve Financial Closure of its 3 new HAM projects by Sept 2020 and intends to start the projects by 3QFY20. Land acquisition status stands at 93% in Kandi Ramsanpalle and at 89% / 64% in Tumkur Shivmogga Pkg III / IV respectively.
- With ~Rs700bn of NHAI projects in pipeline, the company targets order inflows of Rs50-60bn in FY21. The company expects ordering to be muted in Railways & Power T&D segments.
- Considering the uncertainty due to Covid-19, proposed stake sale by SBI Macquarie in seven BOT projects is currently on hold. However, with toll collections in the said BOT projects are already at ~85% pre-covid levels, company expects negotiations to restart in 1-2 months i.e once traffic normalizes.
- Almost all projects have commenced construction activities (in a phased manner) post relaxation in lockdown towards end of April '20 and are currently operating at ~60% efficiency level. Labour availability continues to be a drag on execution with projects currently operating at 50-65% of required workforce levels.
- During the quarter, company's gross standalone debt came down sequentially to ~Rs4bn from Rs5.1bn in 3QFY20, of which equipment loans stands at Rs2.3bn and working capital loans at Rs1.7bn.
- Upto 4QFY20, the company have already invested ~Rs6.5bn in its under-development BOT/HAM projects. Further it would be infusing Rs3bn/Rs1.3bn as equity in FY21E/FY22E respectively.

Financials

Income Statement (Rs m)

Y/e Mar	FY19	FY20	FY21E	FY22E
Net Revenues	49,301	50,705	44,281	55,485
YoY gr. (%)	36.9	2.8	(12.7)	25.3
Cost of Goods Sold	15,083	11,594	13,284	16,645
Gross Profit	34,218	39,111	30,997	38,839
Margin (%)	69.4	77.1	70.0	70.0
Employee Cost	1,884	2,933	2,081	2,330
Other Expenses	5,142	-	4,649	5,826
EBITDA	13,942	15,752	12,753	15,980
YoY gr. (%)	22.4	13.0	(19.0)	25.3
Margin (%)	28.3	31.1	28.8	28.8
Depreciation and Amortization	2,582	2,998	3,354	3,594
EBIT	11,360	12,754	9,399	12,386
Margin (%)	23.0	25.2	21.2	22.3
Net Interest	10,213	10,426	11,390	12,290
Other Income	771	817	797	999
Profit Before Tax	1,316	3,146	(1,193)	1,095
Margin (%)	2.7	6.2	(2.7)	2.0
Total Tax	1,709	1,659	(358)	328
Effective tax rate (%)	129.8	52.7	30.0	30.0
Profit after tax	(393)	1,487	(835)	766
Minority interest	-	-	-	-
Share Profit from Associate	(10)	117	-	-
Adjusted PAT	198	1,604	(835)	766
YoY gr. (%)	(116.7)	709.5	(152.1)	(191.8)
Margin (%)	0.4	3.2	(1.9)	1.4
Extra Ord. Income / (Exp)	(601)	-	-	-
Reported PAT	(403)	1,604	(835)	766
YoY gr. (%)	(66.0)	(497.7)	(152.1)	(191.8)
Margin (%)	(0.8)	3.2	(1.9)	1.4
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	(403)	1,604	(835)	766
Equity Shares O/s (m)	281	281	281	281
EPS (Rs)	0.7	5.7	(3.0)	2.7

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY19	FY20	FY21E	FY22E
Non-Current Assets				
Gross Block	96,210	97,304	1,04,804	1,12,304
Tangibles	96,210	97,304	1,04,804	1,12,304
Intangibles	-	-	-	-
Acc: Dep / Amortization	17,309	20,307	23,661	27,255
Tangibles	17,309	20,307	23,661	27,255
Intangibles	-	-	-	-
Net fixed assets	78,900	76,997	81,143	85,049
Tangibles	78,900	76,997	81,143	85,049
Intangibles	-	-	-	-
Capital Work In Progress	419	702	702	702
Goodwill	-	-	-	-
Non-Current Investments	12,465	19,191	20,159	22,037
Net Deferred tax assets	555	828	828	828
Other Non-Current Assets	2,989	2,021	2,162	2,272
Current Assets				
Investments	-	-	-	-
Inventories	4,265	4,348	4,319	5,412
Trade receivables	13,164	10,830	13,345	15,961
Cash & Bank Balance	2,342	7,544	4,264	4,151
Other Current Assets	1,850	3,688	3,783	3,975
Total Assets	1,30,452	1,35,512	1,41,984	1,52,053
Equity				
Equity Share Capital	1,404	1,404	1,404	1,404
Other Equity	1,465	2,739	1,623	2,109
Total Network	2,869	4,143	3,027	3,513
Non-Current Liabilities				
Long Term borrowings	57,183	56,559	56,559	56,559
Provisions	-	-	-	-
Other non current liabilities	-	-	-	-
Current Liabilities				
ST Debt / Current of LT Debt	3,259	1,716	6,716	11,716
Trade payables	10,250	8,185	10,797	13,529
Other current liabilities	15,857	23,117	23,093	24,944
Total Equity & Liabilities	1,30,452	1,35,512	1,41,984	1,52,053

Source: Company Data, PL Research

Cash Flow (Rs m)

Y/e Mar	FY19	FY20	FY21E	FY22E
PBT	1,306	3,262	(1,193)	1,095
Add. Depreciation	2,582	2,998	3,354	3,594
Add. Interest	10,213	10,424	11,390	12,290
Less Financial Other Income	771	817	797	999
Add. Other	391	(73)	-	-
Op. profit before WC changes	14,493	16,611	13,550	16,978
Net Changes-WC	(14,282)	(3,876)	(2,017)	(692)
Direct tax	(1,822)	(2,044)	358	(328)
Net cash from Op. activities	(1,611)	10,691	11,890	15,957
Capital expenditures	(2,095)	(1,035)	(7,500)	(7,500)
Interest / Dividend Income	225	199	-	-
Others	134	(330)	(1,000)	(1,000)
Net Cash from Invst. activities	(1,735)	(1,166)	(8,500)	(8,500)
Issue of share cap. / premium	350	141	-	-
Debt changes	8,866	454	5,000	5,000
Dividend paid	(150)	-	(281)	(281)
Interest paid	(5,961)	(6,307)	(11,390)	(12,290)
Others	-	-	-	-
Net cash from Fin. activities	3,105	(5,711)	(6,670)	(7,570)
Net change in cash	(241)	3,814	(3,280)	(113)
Free Cash Flow	(3,720)	9,592	4,390	8,457

Source: Company Data, PL Research

Quarterly Financials (Rs m)

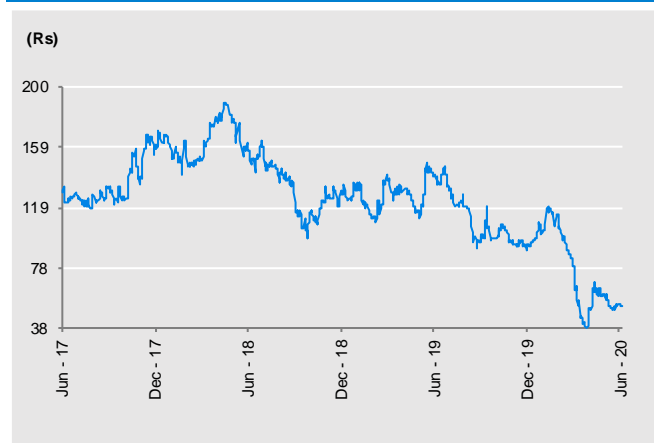
Y/e Mar	Q1FY20	Q2FY20	Q3FY20	Q4FY20
Net Revenue	8,768	8,223	9,836	12,548
YoY gr. (%)	28.2	7.6	(7.7)	(4.0)
Raw Material Expenses	-	-	-	-
Gross Profit	8,768	8,223	9,836	12,548
Margin (%)	100.0	100.0	100.0	100.0
EBITDA	1,095	1,229	1,243	2,289
YoY gr. (%)	34.7	18.5	(16.4)	26.2
Margin (%)	12.5	14.9	12.6	18.2
Depreciation / Depletion	266	271	283	290
EBIT	829	957	960	1,999
Margin (%)	9.4	11.6	9.8	15.9
Net Interest	214	231	200	209
Other Income	342	392	369	346
Profit before Tax	957	1,118	1,129	2,136
Margin (%)	10.9	13.6	11.5	17.0
Total Tax	310	391	274	493
Effective tax rate (%)	32.4	35.0	24.2	23.1
Profit after Tax	647	727	855	1,642
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
Adjusted PAT	647	727	855	1,642
YoY gr. (%)	1.2	17.1	(16.1)	56.0
Margin (%)	7.4	8.8	8.7	13.1
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	647	727	855	1,642
YoY gr. (%)	1.2	17.1	37.6	67.6
Margin (%)	7.4	8.8	8.7	13.1
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	647	727	855	1,642
Avg. Shares O/s (m)	281	281	281	281
EPS (Rs)	2.3	2.6	3.0	5.9

Source: Company Data, PL Research

Key Financial Metrics

Y/e Mar	FY19	FY20	FY21E	FY22E
Per Share(Rs)				
EPS	0.7	5.7	(3.0)	2.7
CEPS	9.9	16.4	9.0	15.5
BVPS	10.2	14.8	10.8	12.5
FCF	(13.3)	34.2	15.6	30.1
DPS	-	-	1.0	1.0
Return Ratio(%)				
RoCE	19.3	20.3	14.6	17.9
ROIC	(6.0)	10.9	10.9	13.4
RoE	6.6	45.7	NM	23.4
Balance Sheet				
Net Debt : Equity (x)	20.3	12.2	19.5	18.3
Net Working Capital (Days)	84	16	30	29
Valuation(x)				
PER	79.8	9.9	NM	20.6
P/B	5.5	3.8	5.2	4.5
P/CEPS	5.7	3.4	6.3	3.6
EV/EBITDA	5.3	4.2	5.9	5.0
EV/Sales	1.5	1.3	1.7	1.4
Dividend Yield (%)	-	-	1.8	1.8

Source: Company Data, PL Research

Price Chart
Recommendation History


No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	07-Apr-20	BUY	147	39
2	11-Feb-20	BUY	167	105
3	03-Jan-20	BUY	167	107
4	23-Dec-19	BUY	167	95

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	ABB	Hold	874	836
2	Ahluwalia Contracts (India)	Accumulate	264	142
3	Apar Industries	BUY	587	368
4	Ashoka Buildcon	BUY	147	39
5	Bharat Electronics	Hold	89	70
6	BHEL	Hold	34	31
7	Capacite's Infraprojects	BUY	168	75
8	Container Corporation of India	Accumulate	595	572
9	Cummins India	BUY	493	385
10	Engineers India	BUY	83	67
11	GE T&D India	Hold	91	86
12	H.G. Infra Engineering	BUY	259	164
13	IRB Infrastructure Developers	BUY	127	53
14	ITD Cementation India	BUY	67	33
15	J.Kumar Infraprojects	BUY	340	185
16	Kalpataru Power Transmission	BUY	261	193
17	KEC International	BUY	295	197
18	KNR Constructions	BUY	305	197
19	Larsen & Toubro	BUY	1,192	955
20	NCC	BUY	83	23
21	PNC Infratech	BUY	205	94
22	Power Grid Corporation of India	BUY	205	160
23	Sadbhav Engineering	BUY	128	25
24	Siemens	BUY	1,402	1,049
25	Thermax	Accumulate	855	705
26	Triveni Turbine	BUY	83	68
27	Voltamp Transformers	BUY	1,244	1,020

PL's Recommendation Nomenclature (Absolute Performance)

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

ANALYST CERTIFICATION

(Indian Clients)

We/I, Mr. Viral Shah- BE Chemical Engineering, MBA Finance, Mr. Shivang Joshi- CA, MCom 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.

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. Viral Shah- BE Chemical Engineering, MBA Finance, Mr. Shivang Joshi- CA, MCom 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