

KNR Construction

Estimate change



TP change



Rating change



Motilal Oswal values your support in the Asiamoney Brokers Poll 2020 for India Research, Sales and Trading team. We request your ballot.



Bloomberg	KNRC IN
Equity Shares (m)	141
M.Cap.(INRb)/(USDb)	27.8 / 0.4
52-Week Range (INR)	311 / 172
1, 6, 12 Rel. Per (%)	-1/-1/-16
12M Avg Val (INR M)	46

Financials & Valuations (INR b)

Y/E Mar	2020	2021E	2022E
Sales	22.2	23.5	30.6
EBITDA	4.7	4.4	5.8
PAT	2.0	1.7	2.8
EBITDA (%)	21.1	18.5	19.0
EPS (INR)	14.5	11.8	20.2
EPS Gr. (%)	-18.3	-18.4	70.7
BV/Sh. (INR)	115.5	126.1	145.1

Ratios

Net D/E	0.1	0.1	-0.3
RoE (%)	13.4	9.8	14.9
RoCE (%)	13.9	10.3	15.1
Payout (%)	6.8	10.1	5.9

Valuations

P/E (x)	13.6	16.6	9.7
P/BV (x)	1.7	1.6	1.4
EV/EBITDA (x)	6.3	6.7	3.9
Div Yield (%)	0.5	0.5	0.5
FCF Yield (%)	6.9	10.0	11.6

Shareholding pattern (%)

As On	Mar-20	Dec-19	Mar-19
Promoter	55.2	55.2	55.2
DII	32.6	31.1	29.7
FII	1.9	2.5	3.0
Others	10.4	11.2	12.1

FII Includes depository receipts

CMP: INR197
TP: INR280 (+42%)
Buy

Balance sheet strengthens further

Higher margin irrigation projects offset revenue miss to some extent

- Though 4QFY20 revenues were lower than expectation, KNR Construction (KNR) outperformed on operating margins yet again. Higher interest outflow and depreciation owing to mobilization of HAM projects, coupled with higher tax rate led to lower PAT (4QFY20/FY20: -29%/-18%). Order book (incl. L1) stood strong at INR79b, providing strong revenue visibility with OB/Rev ratio of 3.6x.
- The net cash balance sheet coupled with pending proceeds from monetization of road assets, provides key competitive advantage in bidding for newer projects. KNR has time and again demonstrated its strong execution capability despite the financing challenges in the sector as dependency on bank financing is minimal. However, owing to the impact of COVID-19 related execution challenges in 1HFY21, we have cut our FY21E EPS by 25%, but raised FY22E EPS by 9%. We maintain our **Buy** rating with TP of INR280 (prior: INR270), based on Mar'22E EPS.

Irrigation projects lead to margin surprise; order book remains strong

- 4QFY20 revenue was down 6% YoY (17% below est.) to INR6.8b. EBITDA was flat YoY at INR1.5b (9% below est.); EBITDA margin came in at 21.7%, up 160bp YoY owing to higher contribution from high margin irrigation projects. Higher interest and depreciation cost coupled with lower other income led to 17% YoY decline in PBT to INR859m. Effective tax rate stood at 21.8% (v/s 8.9% YoY). Adj. PAT came in at INR672m, down 29% YoY (14% below est.).
- FY20 revenue stood at INR22.2b, up 5% YoY. EBITDA came in at INR4.7b, up 14% YoY. EBITDA margins expanded by 120bp YoY to 20.5%. PBT stood at INR2.6b, down 4% YoY owing to higher depreciation and interest cost with lower other income. Effective tax rate stood at 22.9% (v/s 9.7% YoY). Adjusted PAT came in at INR2b, down 18% YoY. Cash flow from operations stood at INR3.9b in FY20 v/s INR2.5b in FY19.
- Order book stood at INR52.3b, with OB/Rev ratio of 2.4x. The company has L1 position in a HAM project with EPC value of INR6.4b and in two irrigation projects with a value of INR20.2b. Including the same, order book stood at INR79b, with OB/Rev ratio of 3.6x, one of the highest in the last 10 years.
- Gross debt stood at INR2.3b, while net debt stood at INR1.3b, down from INR2.0b in FY19. Net D/E improved to 0.1x (FY19: 0.2x).

Key management commentary highlights

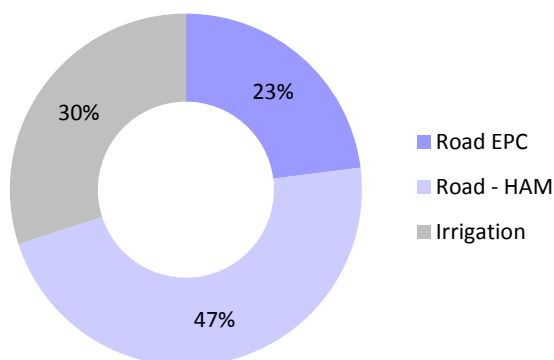
- The company is left with 20-30% of the total labor workforce, with the situation expected to get better from Jul'20. Execution rate in Apr-May'20 stood at 20-30%, with the current rate being 50-60%.
- Proceeds from the Walayar project sale is expected in 1HFY21.
- NHAI ordering is yet to begin, but the company has identified around six projects, which it intends to bid for when the bidding process restarts.
- The company has around INR1.5b as retention money with the NHAI/states, which it expects to come in owing to a directive from the Road Ministry urging agencies to release retention money to ease the liquidity situation.

Valuation and view

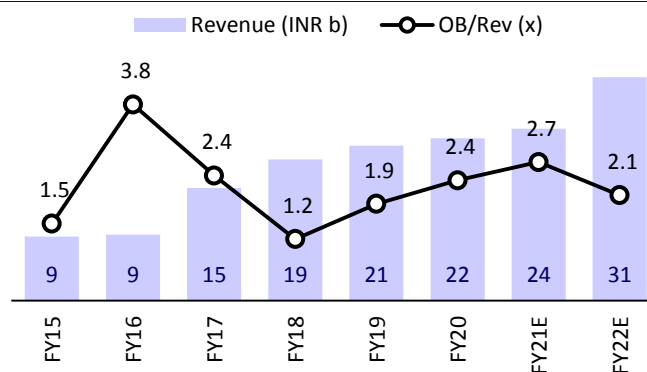
We cut our FY21E EPS by 25% on account of muted performance expectation in 1HFY21 owing to the COVID led shutdown and the upcoming rainy season. However, we raise our FY22E EPS by 9%. We forecast FY20-22E revenue/EBITDA/PAT growth of 17%/11%/18%. Our margin estimates are conservative as we build in 210bp margin decline over FY20-22E. Thanks to the timely monetization of road assets, the company should have net cash balance sheet position, which gives it a key competitive advantage over peers in (a) bidding for newer projects, and (b) strong execution despite the financing challenges in the sector as the dependency on bank financing is minimal. We maintain our **Buy** rating with TP of INR280, based on Mar'22E EPS.

Quarterly performance

Y/E March	(INR M)													
	FY19				FY20				FY19		FY20		MOSL	Var (%)
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	FY19	FY20	4QE			
Net Sales	5,395	4,163	4,489	7,157	4,646	5,232	5,579	6,756	21,204	22,212	8,121	-17		
YoY Change (%)	12.2	5.8	3.6	14.6	-13.9	25.7	24.3	-5.6	9.8	4.8	13.5			
Total Expenditure	4,465	3,331	3,588	5,716	3,746	4,154	4,335	5,287	17,103	17,522	6,510			
EBITDA	930	831	901	1,441	900	1,078	1,244	1,469	4,101	4,691	1,612	-9		
Margins (%)	17.2	20.0	20.1	20.1	19.4	20.6	22.3	21.7	19.3	21.1	19.8			
Depreciation	360	393	450	478	389	475	517	538	1,681	1,918	523			
Interest	72	74	73	75	90	98	142	145	291	474	106			
Other Income	178	88	217	151	168	36	70	73	634	346	104			
Extra-Ord expense	168	0	0	-25	0	280	-67	0	138	213	0			
PBT	676	453	595	1,039	589	541	655	859	2,763	2,644	1,086	-21		
Tax	104	3	74	92	112	120	186	187	268	605	300			
Rate (%)	15.4	0.6	12.5	8.9	19.0	22.1	28.4	21.8	9.7	22.9	27.7			
Reported PAT	740	450	521	922	477	701	402	672	2,633	2,252	786	-14		
Adj PAT	572	450	521	947	477	421	469	672	2,495	2,039	786	-14		
YoY Change (%)	-15.4	-23.8	-20.7	18.7	-16.6	-6.5	-10.0	-29.0	-8.3	-18.3	-17.0			
Margins (%)	10.6	10.8	11.6	13.2	10.3	8.0	8.4	9.9	11.8	9.2	9.7			

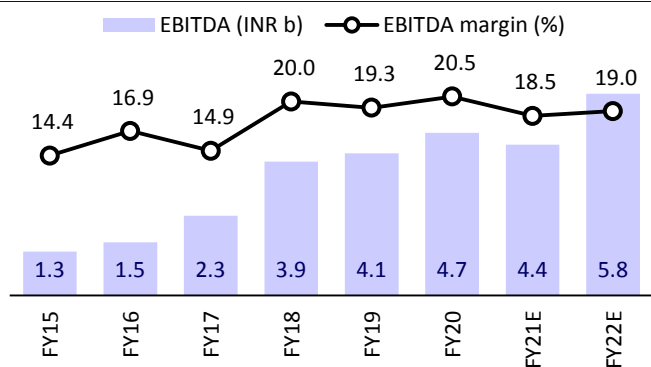
Exhibit 1: Order book break-up (FY20: INR52.3b)

Source: MOFSL, Company

Exhibit 2: Current order book provides strong revenue visibility

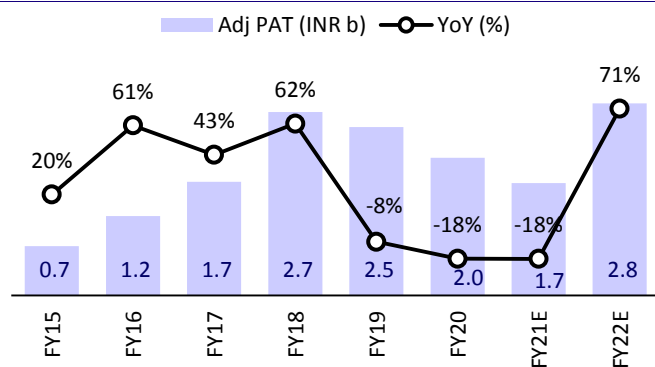
Source: MOFSL, Company

Exhibit 3: EBITDA and EBITDA margin trend



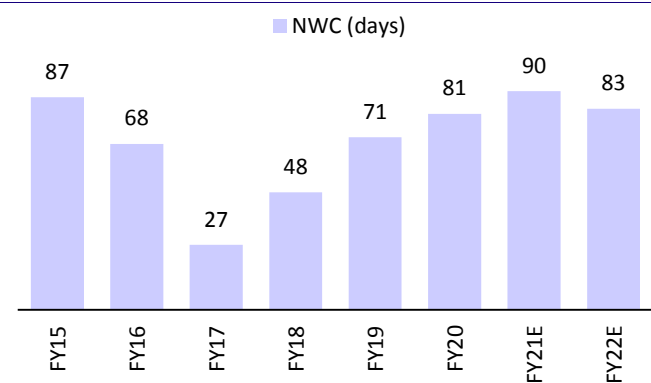
Source: MOFSL, Company

Exhibit 4: PAT trend – Muted growth over FY19-21E is on account of normalization of tax rates



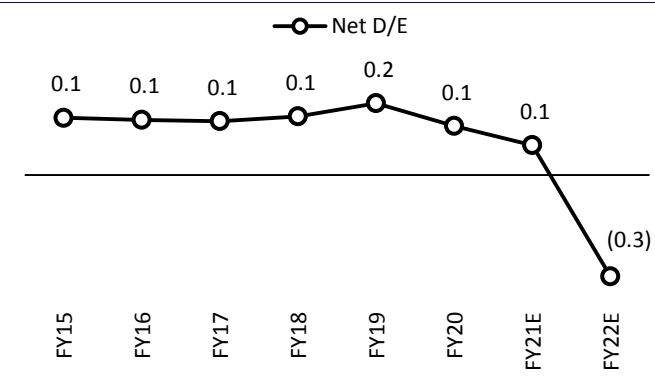
Source: MOFSL, Company

Exhibit 5: We have factored in some worsening of working capital cycle on account of irrigation projects



Source: MOFSL, Company

Exhibit 6: KNR has one of the strongest balance sheets in the road sector with net D/E of 0.1x in FY20 and likely net cash balance sheet by FY22E



Source: MOFSL, Company



Management commentary highlights

NHAI:

- NHAI awarded 3,211kms in FY20 as against 4,000kms in FY19.
- COVID-19 led to delay in ordering toward end-Mar’20.
- FY21 target consists of awarding 4,000-4,500kms of projects.
- Around 5-10 projects were supposed to be out for bidding in the last two months but got delayed.
- Around six projects have been identified by KNR, which it intends to bid for.

COVID-19 impact:

- The company faced logistic and raw material availability issues just after the lockdown ended.
- The company bagged INR20b worth of orders during the shutdown.
- KNR has not opted for moratorium with banks.

Financial Highlights:

- Interest cost was higher during 4QFY20 due to interest mobilization on HAM projects.
- Standalone debt stood at INR2.30b, including promoter loan of INR1.8b.

- The company has equity commitment of INR5.8b and has invested INR2b till date.
- KNR is expected to invest INR1.5b as equity in FY21.

Labor impact:

- The company is left with 20-30% labor and is trying to hold on to them.
- Different states have put certain rules on entry of migrant people (like quarantine for 14 days), which has led to difficulty for laborers returning.
- Management expects relaxation to further ease from Jul'20.
- Current projects are running at 50-60% efficiency.

Irrigation project:

- With delay in payments, margins can return to the 13-15% range.
- Irrigation projects generally have higher margins than road projects.
- KNR does not intend to subcontract the Pump House project in Kerala.
- Order backlog: Mehga project – INR5.18b, Navayuga project – INR8.47b, Others – INR430m.

Receivables:

- INR5b is the total receivable outstanding from the Telangana government for the Irrigation project. INR2b was outstanding as at end-Mar'20 but got delayed owing to the COVID situation. INR3b was billed in Apr-May'20.
- KNR expects payment in another 1-2 month.
- The company held some creditor payment to balance out the delay in receivables.
- KNR has ~INR1.5b of retention money pending with the NHAI and the states.

Capex:

- Around INR0.5b of maintenance capex will be incurred in FY21.
- No capex is required in new irrigation projects.
- In FY22, the company will invest in equipment related to lift irrigation schemes and pump house irrigation.

EBITDA margin:

- 200-300bp decline is expected in 1HFY21. From 3QFY21, KNR should ramp up and get margins back.

Tax rate:

- Pending MAT credit of INR340m will be utilized in FY21.
- FY21 is expected to see tax rate of ~25%.
- The company will migrate to the new tax rate in FY22.

Others:

- The company expects 3-4 projects in FY21 with a target of INR30b.
- Other expenses were up in FY20 owing to consultancy charges in the HAM projects.
- In Tamil Nadu, the company expects a tender award, for which bid has been submitted.
- Percentage of land acquired for KSHIP/Palani projects stand at 72%/50%.
- Proceeds from the Walayar project sale is expected in 1HFY21.
- KNR incurs around INR150m in fixed cost every month.
- INR600m of mobilization advance is pending each in Somwarpet and Palani project.

Valuation and view

- **Strong balance sheet:** KNR has already announced monetization of three HAM projects as well as the Walayar Toll project. We expect the balance sheet to strengthen further with net cash position of INR5b by FY22E. The company has the best balance sheet position amongst mid-cap road EPC companies. This should support premium valuations for KNR, in our view.
- **Strong order book to support revenue growth:** Given the company's strong order book position (OB/Rev: 2.4x) and superior execution capability, we expect revenue CAGR of 17% over FY20-22E. Thanks to the strong balance sheet position, KNR is well positioned to bid for new projects as and when bidding commences in the road sector. We expect NHAI awarding to pick up in 2HFY21 with total awarding of 4,000-4,500kms for FY21.
- **Maintain Buy:** We cut our FY21E EPS by 25% on account of muted performance expectation in 1HFY21 owing to the COVID led shutdown and the upcoming rainy season. However, we raise our FY22E EPS by 9%. We have pushed the realization of asset monetization proceeds to FY22E. We forecast revenue/EBITDA/PAT growth of 17%/11%/18% over FY20-22E. Thanks to the timely monetization of road assets, the company will have net cash balance sheet position, which gives it a key competitive advantage v/s peers in (a) bidding for newer projects, and (b) strong execution despite financing challenges in the sector as dependency on bank financing is minimal. We maintain our **Buy** rating with TP of INR280 (prior: INR270), based on Mar'22E EPS.

Exhibit 7: We cut our FY21 EPS estimate by 25% and raise FY22E EPS by 9%

Earnings Change	Old		New		Change	
	FY21E	FY22E	FY21E	FY22E	FY21E	FY22E
Revenue	26,631	29,973	23,534	30,606	-11.6%	2.1%
EBITDA	4,927	5,545	4,354	5,815	-11.6%	4.9%
EBITDA margin	18.5%	18.5%	18.5%	19.0%	0.0%	0.5%
Adj. PAT	2,232	2,619	1,665	2,843	-25.4%	8.5%

Source: MOFSL, Company

Financials and valuations

Standalone - Income Statement

	(INR m)				
Y/E March	FY18	FY19	FY20	FY21E	FY22E
Total Income from Operations	19,317	21,204	22,212	23,534	30,606
Change (%)	25.3	9.8	4.8	5.9	30.1
EBITDA	3,861	4,101	4,691	4,354	5,815
Margin (%)	20.0	19.3	21.1	18.5	19.0
Depreciation	1,341	1,681	1,918	2,057	2,175
EBIT	2,520	2,420	2,772	2,297	3,640
Int. and Finance Charges	231	291	474	438	317
Other Income	393	634	346	366	477
PBT bef. EO Exp.	2,682	2,763	2,644	2,225	3,799
EO Items	2	138	213	0	0
PBT after EO Exp.	2,683	2,901	2,857	2,225	3,799
Total Tax	-37	268	605	560	956
Tax Rate (%)	-1.4	9.2	21.2	25.2	25.2
Reported PAT	2,721	2,633	2,252	1,665	2,843
Adjusted PAT	2,719	2,495	2,039	1,665	2,843
Change (%)	61.7	-8.2	-18.3	-18.4	70.7
Margin (%)	14.1	11.8	9.2	7.1	9.3

Standalone - Balance Sheet

	(INR m)				
Y/E March	FY18	FY19	FY20	FY21E	FY22E
Equity Share Capital	281	281	281	281	281
Total Reserves	11,297	13,862	15,958	17,454	20,128
Net Worth	11,578	14,143	16,239	17,735	20,409
Total Loans	2,118	2,641	2,300	2,300	300
Deferred Tax Liabilities	-1,408	-1,739	-1,610	-1,610	-1,610
Capital Employed	12,289	15,045	16,929	18,425	19,099
Gross Block	8,795	10,752	12,769	13,269	14,269
Less: Accum. Deprn.	4,859	6,412	8,331	10,388	12,563
Net Fixed Assets	3,936	4,340	4,438	2,881	1,706
Capital WIP	0	0	102	102	102
Total Investments	5,356	6,448	7,149	8,649	4,942
Current Assets	8,959	10,176	13,880	15,947	24,253
Inventory	712	951	1,232	1,305	1,697
Account Receivables	2,320	2,344	4,761	5,648	6,733
Cash and Bank Balance	438	130	330	988	5,411
Other current assets	5,489	6,751	7,557	8,006	10,412
Current Liability	5,962	5,919	8,639	9,153	11,904
Current Liabilities	5,777	5,754	8,407	8,907	11,584
Provisions	184	164	232	246	320
Net Current Assets	2,997	4,258	5,241	6,794	12,350
Appl. of Funds	12,290	15,045	16,929	18,425	19,099

Financials and valuations

Ratios					
Y/E March	FY18	FY19	FY20	FY21E	FY22E
Basic (INR)					
EPS	19.3	17.7	14.5	11.8	20.2
Cash EPS	28.9	29.7	28.1	26.5	35.7
BV/Share	82.3	100.6	115.5	126.1	145.1
DPS	0.2	0.4	0.9	1.0	1.0
Payout (%)	1.2	2.6	6.8	10.1	5.9
Valuation (x)					
P/E	10.2	11.1	13.6	16.6	9.7
P/BV	2.4	2.0	1.7	1.6	1.4
EV/EBITDA	7.6	7.4	6.3	6.7	3.9
Dividend Yield (%)	0.1	0.2	0.5	0.5	0.5
FCF per share	-3.4	3.1	13.5	19.7	22.8
Return Ratios (%)					
RoE	26.5	19.4	13.4	9.8	14.9
RoCE	24.7	18.2	13.9	10.3	15.1
RoIC	47.7	29.4	24.5	19.1	31.4
Working Capital Ratios					
Fixed Asset Turnover (x)	2.2	2.0	1.7	1.8	2.1
Asset Turnover (x)	1.6	1.4	1.3	1.3	1.6
Inventory (Days)	13	16	20	20	20
Debtor (Days)	44	40	78	88	80
Leverage Ratio (x)					
Current Ratio	1.5	1.7	1.6	1.7	2.0
Interest Cover Ratio	10.9	8.3	5.8	5.2	11.5
Net Debt/Equity	0.1	0.2	0.1	0.1	-0.3

Standalone - Cash Flow Statement

(INR m)

Y/E March	FY18	FY19	FY20	FY21E	FY22E
OP/(Loss) before Tax	2,682	2,906	2,937	2,225	3,799
Depreciation	1,341	1,681	1,923	2,057	2,175
Interest & Finance Charges	209	291	473	438	317
Direct Taxes Paid	-237	-550	-844	-560	-956
(Inc)/Dec in WC	-2,347	-1,506	-310	-896	-1,133
CF from Operations	1,648	2,822	4,180	3,264	4,203
Others	-120	-347	-239	0	0
CF from Operating incl EO	1,528	2,474	3,941	3,264	4,203
(Inc)/Dec in FA	-2,009	-2,034	-2,036	-500	-1,000
Free Cash Flow	-480	441	1,905	2,764	3,203
(Pur)/Sale of Investments	-23	-1,083	-1,098	-1,500	3,706
Others	184	262	291	0	0
CF from Investments	-1,848	-2,855	-2,843	-2,000	2,706
Inc/(Dec) in Debt	763	268	-511	0	-2,000
Interest Paid	-167	-298	-401	-438	-317
Dividend Paid	-85	-68	-153	-169	-169
Others	0	170	168	0	0
CF from Fin. Activity	512	73	-897	-607	-2,486
Inc/Dec of Cash	192	-308	200	657	4,423
Opening Balance	246	438	130	331	988
Closing Balance	438	130	331	988	5,411

NOTES

Explanation of Investment Rating	
Investment Rating	Expected return (over 12-month)
BUY	>=15%
SELL	< - 10%
NEUTRAL	< - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

*In case the recommendation given by the Research Analyst is inconsistent with the investment rating legend for a continuous period of 30 days, the Research Analyst shall within following 30 days take appropriate measures to make the recommendation consistent with the investment rating legend.

Disclosures

The following Disclosures are being made in compliance with the SEBI Research Analyst Regulations 2014 (herein after referred to as the Regulations).

Motilal Oswal Financial Services Ltd. (MOFSL) is a SEBI Registered Research Analyst having registration no. INH000000412. MOFSL, the Research Entity (RE) as defined in the Regulations, is engaged in the business of providing Stock broking services, Investment Advisory Services, Depository participant services & distribution of various financial products. MOFSL is a subsidiary company of Passionate Investment Management Pvt. Ltd.. (PIMPL). MOFSL is a listed public company, the details in respect of which are available on www.motilaloswal.com. MOFSL (erstwhile Motilal Oswal Securities Limited - MOSL) is registered with the Securities & Exchange Board of India (SEBI) and is a registered Trading Member with National Stock Exchange of India Ltd. (NSE) and Bombay Stock Exchange Limited (BSE), Multi Commodity Exchange of India Limited (MCX) and National Commodity & Derivatives Exchange Limited (NCDEX) for its stock broking activities & is Depository participant with Central Depository Services Limited (CDSL) National Securities Depository Limited (NSDL), NERL, COMRIS and CCRL and is member of Association of Mutual Funds of India (AMFI) for distribution of financial products and Insurance Regulatory & Development Authority of India (IRDA) as Corporate Agent for insurance products. Details of associate entities of Motilal Oswal Financial Services Limited are available on the website at <http://onlinereports.motilaloswal.com/Dormant/documents/List%20of%20Associate%20companies.pdf>

MOFSL and its associate company(ies), their directors and Research Analyst and their relatives may; (a) from time to time, have a long or short position in, act as principal in, and buy or sell the securities or derivatives thereof of companies mentioned herein. (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 company(ies) discussed herein or act as an advisor or lender/borrower to such company(ies) or may have any other potential conflict of interests with respect to any recommendation and other related information and opinions.; however the same shall have no bearing whatsoever on the specific recommendations made by the analyst(s), as the recommendations made by the analyst(s) are completely independent of the views of the associates of MOFSL even though there might exist an inherent conflict of interest in some of the stocks mentioned in the research report

MOFSL and / or its affiliates do and seek to do business including investment banking with companies covered in its research reports. As a result, the recipients of this report should be aware that MOFSL may have a potential conflict of interest that may affect the objectivity of this report. Compensation of Research Analysts is not based on any specific merchant banking, investment banking or brokerage service transactions. Details of pending Enquiry Proceedings of Motilal Oswal Financial Services Limited are available on the website at <https://galaxy.motilaloswal.com/ResearchAnalyst/PublishViewLitigation.aspx>

A graph of daily closing prices of securities is available at www.nseindia.com, www.bseindia.com. Research Analyst views on Subject Company may vary based on Fundamental research and Technical Research. Proprietary trading desk of MOFSL or its associates maintains arm's length distance with Research Team as all the activities are segregated from MOFSL research activity and therefore it can have an independent view with regards to Subject Company for which Research Team have expressed their views.

Regional Disclosures (outside India)

This report is not directed or intended for distribution to or use by any person or entity resident in a state, country or any jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject MOFSL & its group companies to registration or licensing requirements within such jurisdictions.

For Hong Kong:

This report is distributed in Hong Kong by Motilal Oswal capital Markets (Hong Kong) Private Limited, a licensed corporation (CE AYY-301) licensed and regulated by the Hong Kong Securities and Futures Commission (SFC) pursuant to the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) "SFO". As per SEBI (Research Analyst Regulations) 2014 Motilal Oswal Securities (SEBI Reg No. INH000000412) has an agreement with Motilal Oswal capital Markets (Hong Kong) Private Limited for distribution of research report in Hong Kong. This report is intended for distribution only to "Professional Investors" as defined in Part I of Schedule 1 to SFO. Any investment or investment activity to which this document relates is only available to professional investor and will be engaged only with professional investors." Nothing here is an offer or solicitation of these securities, products and services in any jurisdiction where their offer or sale is not qualified or exempt from registration. The Indian Analyst(s) who compile this report is/are not located in Hong Kong & are not conducting Research Analysis in Hong Kong.

For U.S.

Motilal Oswal Financial Services Limited (MOFSL) is not a registered broker - dealer under the U.S. Securities Exchange Act of 1934, as amended (the "1934 act") and under applicable state laws in the United States. In addition MOFSL is not a registered investment adviser under the U.S. Investment Advisers Act of 1940, as amended (the "Advisers Act" and together with the 1934 Act, the "Acts"), and under applicable state laws in the United States. Accordingly, in the absence of specific exemption under the Acts, any brokerage and investment services provided by MOFSL, including the products and services described herein are not available to or intended for U.S. persons. This report is intended for distribution only to "Major Institutional Investors" as defined by Rule 15a-6(b)(4) of the Exchange Act and interpretations thereof by SEC (henceforth referred to as "major institutional investors"). This document must not be acted on or relied on by persons who are not major institutional investors. Any investment or investment activity to which this document relates is only available to major institutional investors and will be engaged in only with major institutional investors. In reliance on the exemption from registration provided by Rule 15a-6 of the U.S. Securities Exchange Act of 1934, as amended (the "Exchange Act") and interpretations thereof by the U.S. Securities and Exchange Commission ("SEC") in order to conduct business with Institutional Investors based in the U.S., MOFSL has entered into a chaperoning agreement with a U.S. registered broker-dealer, Motilal Oswal Securities International Private Limited. ("MOSIPL"). Any business interaction pursuant to this report will have to be executed within the provisions of this chaperoning agreement.

The Research Analysts contributing to the report may not be registered /qualified as research analyst with FINRA. Such research analyst may not be associated persons of the U.S. registered broker-dealer, MOSIPL, and therefore, may not be subject to NASD rule 2711 and NYSE Rule 472 restrictions on communication with a subject company, public appearances and trading securities held by a research analyst account.

For Singapore

In Singapore, this report is being distributed by Motilal Oswal Capital Markets Singapore Pte Ltd ("MOCMSPL") (Co.Reg. NO. 201129401Z) which is a holder of a capital markets services license and an exempt financial adviser in Singapore. As per the approved agreement under Paragraph 9 of Third Schedule of Securities and Futures Act (CAP 289) and Paragraph 11 of First Schedule of Financial Advisors Act (CAP 110) provided to MOCMSPL by Monetary Authority of Singapore. Persons in Singapore should contact MOCMSPL in respect of any matter arising from, or in connection with this report/publication/communication. This report is distributed solely to persons who qualify as "Institutional Investors", of which some of whom may consist of "accredited" institutional investors as defined in section 4A(1) of the Securities and Futures Act, Chapter 289 of Singapore ("the SFA"). Accordingly, if a Singapore person is not or ceases to be such an institutional investor, such Singapore Person must immediately discontinue any use of this Report and inform MOCMSPL.

Specific Disclosures

- 1 MOFSL, Research Analyst and/or his relatives does not have financial interest in the subject company, as they do not have equity holdings in the subject company.
- 2 MOFSL, Research Analyst and/or his relatives do not have actual/beneficial ownership of 1% or more securities in the subject company
- 3 MOFSL, Research Analyst and/or his relatives have not received compensation/other benefits from the subject company in the past 12 months
- 4 MOFSL, Research Analyst and/or his relatives do not have material conflict of interest in the subject company at the time of publication of research report
- 5 Research Analyst has not served as director/officer/employee in the subject company
- 6 MOFSL has not acted as a manager or co-manager of public offering of securities of the subject company in past 12 months
- 7 MOFSL has not received compensation for investment banking/ merchant banking/brokerage services from the subject company in the past 12 months
- 8 MOFSL has not received compensation for other than investment banking/merchant banking/brokerage services from the subject company in the past 12 months
- 9 MOFSL has not received any compensation or other benefits from third party in connection with the research report
- 10 MOFSL has not engaged in market making activity for the subject company

The associates of MOFSL may have:

- financial interest in the subject company
- actual/beneficial ownership of 1% or more securities in the subject company
- received compensation/other benefits from the subject company in the past 12 months
- other potential conflict of interests with respect to any recommendation and other related information and opinions.; however the same shall have no bearing whatsoever on the specific recommendations made by the analyst(s), as the recommendations made by the analyst(s) are completely independent of the views of the associates of MOFSL even though there might exist an inherent conflict of interest in some of the stocks mentioned in the research report.
- acted as a manager or co-manager of public offering of securities of the subject company in past 12 months
- 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 company(ies) discussed herein or act as an advisor or lender/borrower to such company(ies)
- received compensation from the subject company in the past 12 months for investment banking / merchant banking / brokerage services or from other than said services.

The associates of MOFSL has not received any compensation or other benefits from third party in connection with the research report

Above disclosures include beneficial holdings lying in demat account of MOFSL which are opened for proprietary investments only. While calculating beneficial holdings, It does not consider demat accounts which are opened in name of MOFSL for other purposes (i.e holding client securities, collaterals, error trades etc.). MOFSL also earns DP income from clients which are not considered in above disclosures.

Analyst Certification

The views expressed in this research report accurately reflect the personal views of the analyst(s) about the subject securities or issues, and no part of the compensation of the research analyst(s) was, is, or will be directly or indirectly related to the specific recommendations and views expressed by research analyst(s) in this report.

Terms & Conditions:

This report has been prepared by MOFSL and is meant for sole use by the recipient and not for circulation. The report and information contained herein is strictly confidential 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 MOFSL. The report is based on the facts, figures and information that are considered true, correct, reliable and accurate. The intent of this report is not recommendatory in nature. The information is obtained from publicly available media or other sources believed to be reliable. Such information has not been independently verified and no guaranty, representation of warranty, express or implied, is made as to its accuracy, completeness or correctness. All such information and opinions are subject to change without notice. The report is prepared solely for informational purpose and does not constitute an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments for the clients. Though disseminated to all the customers simultaneously, not all customers may receive this report at the same time. MOFSL will not treat recipients as customers by virtue of their receiving this report.

Disclaimer:

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. This report and information herein is solely for informational purpose and may 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. 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. Each recipient of this document should make such investigations as it deems necessary to arrive at an independent evaluation of an investment in the securities of companies referred to in this document (including the merits and risks involved), and should consult its own advisors to determine the merits and risks of such an investment. The investment discussed or views expressed may not be suitable for all investors. Certain transactions -including those involving futures, options, another derivative products as well as non-investment grade securities - involve substantial risk and are not suitable for all investors. No representation or warranty, express or implied, is made as to the accuracy, completeness or fairness of the information and opinions contained in this document. The Disclosures of Interest Statement incorporated in this document is provided solely to enhance the transparency and should not be treated as endorsement of the views expressed in the report. This information is subject to change without any prior notice. The Company reserves the right to make modifications and alternations to this statement as may be required from time to time without any prior approval. MOFSL, its associates, their directors and the employees may from time to time, effect or have effected an own account transaction in, or deal as principal or agent in or for the securities mentioned in this document. They may perform or seek to perform investment banking or other services for, or solicit investment banking or other business from, any company referred to in this report. Each of these entities functions as a separate, distinct and independent of each other. The recipient should take this into account before interpreting the document. This report has been prepared on the basis of information that is already available in publicly accessible media or developed through analysis of MOFSL. The views expressed are those of the analyst, and the Company may or may not subscribe to all the views expressed therein. This document is being supplied to you solely for your information and may not be reproduced, redistributed or passed on, directly or indirectly, to any other person or published, copied, in whole or in part, for any purpose. 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 MOFSL 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. Neither the Firm, not its directors, employees, agents or representatives shall be liable for any damages whether direct or indirect, incidental, special or consequential including lost revenue or lost profits that may arise from or in connection with the use of the information. The person accessing this information specifically agrees to exempt MOFSL or any of its affiliates or employees from, any and all responsibility/liability arising from such misuse and agrees not to hold MOFSL or any of its affiliates or employees responsible for any such misuse and further agrees to hold MOFSL or any of its affiliates or employees free and harmless from all losses, costs, damages, expenses that may be suffered by the person accessing this information due to any errors and delays.

Registered Office Address: Motilal Oswal Tower, Rahimtullah Sayani Road, Opposite Parel ST Depot, Prabhadevi, Mumbai-400025; Tel No.: 022 71934200/ 022-71934263; Website www.motilaloswal.com CIN no.: L67190MH2005PLC153397. Correspondence Office Address: Palm Spring Centre, 2nd Floor, Palm Court Complex, New Link Road, Malad(West), Mumbai- 400 064. Tel No: 022 7188 1000.

Registration Nos.: Motilal Oswal Financial Services Limited (MOFSL)*: INZ000158836(BSE/NSE/MCX/NCDEX); CDSL and NSDL: IN-DP-16-2015; Research Analyst: INH000000412. AMFI: ARN - 146822; Investment Adviser: INA000007100; Insurance Corporate Agent: CA0579;PMS:INP000006712. Motilal Oswal Asset Management Company Ltd. (MOAMC): PMS (Registration No.: INP00000670); PMS and Mutual Funds are offered through MOAMC which is group company of MOFSL. Motilal Oswal Wealth Management Ltd. (MOWML): PMS (Registration No.: INP000004409) is offered through MOWML, which is a group company of MOFSL. Motilal Oswal Financial Services Limited is a distributor of Mutual Funds, PMS, Fixed Deposit, Bond, NCDs, Insurance Products and IPOs. Real Estate is offered through Motilal Oswal Real Estate Investment Advisors II Pvt. Ltd. which is a group company of MOFSL. Private Equity is offered through Motilal Oswal Private Equity Investment Advisors Pvt. Ltd which is a group company of MOFSL. Research & Advisory services is backed by proper research. Please read the Risk Disclosure Document prescribed by the Stock Exchanges carefully before investing. There is no assurance or guarantee of the returns. Investment in securities market is subject to market risk, read all the related documents carefully before investing. Details of Compliance Officer: Name: Neeraj Agarwal, Email ID: na@motilaloswal.com, Contact No.:022-71881085.

* MOSL has been amalgamated with Motilal Oswal Financial Services Limited (MOFSL) w.e.f August 21, 2018 pursuant to order dated July 30, 2018 issued by Hon'ble National Company Law Tribunal, Mumbai Bench.