ANANDRATHI

India I Equities

Asbestos Cement Sheets

Company Update

Change in Estimates ☑ Target ☑ Reco ☐

3 July 2020

NCL Industries

Improving demand and expansion to help; retaining a Buy

Rating: **Buy**
Target Price: ₹108
Share Price: ₹72

The general slowdown and lockdown in Mar'20 took a toll on NCL's Q4 performance; its revenue/EBITDA/PAT declined 9%/59%/71%. On good demand, however (the Polaveram dam/road projects, etc.), volume recovery is expected to be rapid. The WHRS expansion continues to be delayed, and the Chinese JV may be in trouble in the present circumstances. The proposed (Vishakhapatnam) expansion and (Mattapally) modernisation will keep debt high. We retain our Buy rating, with a higher TP of ₹108 (earlier ₹91).

Weak Q4; improving demand would help. On 12%/14% lower volumes in the Cement/Board divisions, revenue slipped 13%/17% y/y. RMC revenue dipped 8% y/y. Further, on EBITDA falling 59% y/y to ₹225m, (cement) EBITDA/ton dropped 51% y/y to ₹410 (vs. ₹835 a year ago, ₹353 the prior quarter) whereas the PBIT margin of the Boards division dip 459bps to 13.9%. Backed by healthy trade demand and supply to the Polaveram projects (1,000 tons per day), the company is operating at nearly full capacity. The JV with a Chinese company for the steel building division may be impacted in the prevailing context. For the door division, a brand-building exercise is currently on and no meaningful contribution is expected in FY21.

Expansion update. The Board of Directors approved setting up a 2,000tpd cement GU near Vishakhapatnam and modernising the line-1 cement unit at Mattapalli (Telangana) at an estimated ₹2bn, funded through a ₹1.4bn term loan and internal accruals, expected to be completed in 18 months from financial closure. The 8MW WHRS is now expected to be complete by Dec'20; savings of ₹250m-300m are anticipated.

Outlook, Valuation. We expect cement volumes to dip 3% in FY21 and grow 8% in FY22, and EBITDA/ton to come at ₹629/707 in FY21/22. We maintain our Buy rating, at a higher target of ₹108 (5x FY22e EV/EBITDA). **Risks:** Rise in input costs, extension of the lockdown.

Key financials (YE Mar)	FY18	FY19	FY20	FY21e	FY22e
Sales (₹ m)	8,804	9,799	9,379	8,995	9,892
Net profit (₹ m)	491	469	508	371	527
EPS (₹)	10.9	10.4	11.2	8.2	11.7
PE (x)	20.1	14.0	4.8	8.8	6.2
EV / EBITDA (x)	9.3	7.2	4.2	4.8	4.0
EV / ton ($)	55.3	42.5	22.9	26.1	26.4
RoE (%)	14.3	9.8	9.9	6.8	9.0
RoCE (%)	9.1	8.1	7.7	6.0	7.3
Dividend yield (%)	1.1	1.7	4.6	1.7	1.9
Net debt / equity (x)	0.5	0.6	0.6	0.6	0.5

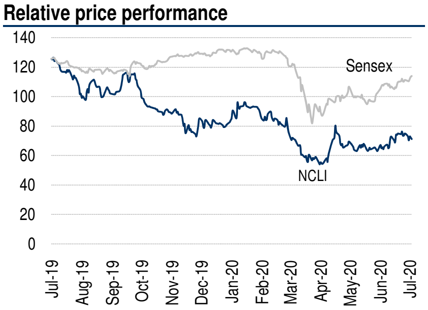
Source: Company, Anand Rathi Research

Key data	NCLI IN / NCLI.BO
52-week high / low	₹135 / 48
Sensex / Nifty	36021 / 10607
3-m average volume	$0.4m
Market cap	₹3bn / $43.1m
Shares outstanding	45m

Shareholding pattern (%)	Mar-20	Dec-19	Sept-19
Promoters	42.3	41.4	40.3
- of which, Pledged	3.1	3.2	2.6
Free float	57.7	58.6	59.7
- Foreign institutions	2.3	2.4	2.4
- Domestic institutions	11.1	11.5	16.5
- Public	44.3	44.8	40.8

Estimates revision (%)	FY21e	FY22e
Sales	4.2	(0.2)
EBITDA	10.8	1.7
EPS	23.0	(7.4)

Relative price performance



Source: Bloomberg

Manish Valecha
Research Analyst

Vibha Jain
Research Associate

Quick Glance – Financials and Valuations

Fig 1 – Income statement (₹ m)

Year-end: Mar	FY18	FY19	FY20	FY21e	FY22e
Sales volumes (m tons)	**1.80**	**2.16**	**1.87**	**1.80**	**1.94**
Net revenues	8,804	9,799	9,379	8,995	9,892
Growth (%)	*15.0*	*11.3*	*-4.3*	*-4.1*	*10.0*
Direct costs	6,137	6,611	5,673	5,710	6,273
SG&A	1,336	1,840	2,312	1,933	1,987
EBITDA	**1,331**	**1,348**	**1,394**	**1,352**	**1,632**
EBITDA margins (%)	*15.1*	*13.8*	*14.9*	*15.0*	*16.5*
- Depreciation	347	453	421	481	537
Other income	71	64	26	37	44
Interest expenses	310	348	307	348	340
PBT	744	611	692	561	799
Effective tax rate (%)	*34.0*	*23.2*	*26.5*	*34.0*	*34.0*
+ Associates / (Minorities)					
Net income	491	469	508	371	527
Adjusted income	491	469	508	371	527
WANS	45	45	45	45	45
FDEPS (₹ / sh)	10.9	10.4	11.2	8.2	11.7
FDEPS growth (%)	*-27.1*	*-4.5*	*8.4*	*-27.1*	*42.3*

Fig 2 – Balance sheet (₹ m)

Year-end: Mar	FY18	FY19	FY20	FY21e	FY22e
Share capital	452	452	452	452	452
Net worth	4,612	4,993	5,284	5,599	6,063
Debt	2,619	3,345	3,552	3,399	3,399
Minority interest					
DTL / (Assets)	711	761	727	727	727
Capital employed	**7,943**	**9,099**	**9,563**	**9,725**	**10,189**
Net tangible assets	6,925	6,584	6,953	7,936	8,079
Net Intangible assets	-	-	-	-	-
Goodwill	-	-	-	-	-
CWIP (tang. & intang.)	330	905	899	250	500
Investments (strategic)	-	-	0.1	0.1	0.1
Investments (financial)	-	-	-	-	-
Current assets (ex cash)	2,209	3,236	3,492	3,154	3,469
Cash	161	224	187	199	132
Current liabilities	1,682	1,850	1,968	1,815	1,992
Working capital	527	1,386	1,524	1,339	1,477
Capital deployed	**7,943**	**9,099**	**9,563**	**9,725**	**10,189**
Contingent liabilities	315	325	-	-	-

Fig 3 – Cash-flow statement (₹ m)

Year-end: Mar	FY18	FY19	FY20	FY21e	FY22e
PBT	744	611	692	561	799
+ Non-cash items	347	453	421	481	537
Oper. prof. before WC	1,091	1,064	1,113	1,042	1,336
- Incr. / (decr.) in WC	-289	859	138	-185	138
Others incl. taxes	177	92	218	191	272
Operating cash-flow	1,203	113	757	1,036	927
- Capex (tang. + intang.)	2,226	687	784	815	930
Free cash-flow	-1,024	-574	-27	221	-3
Acquisitions					
- Div.(incl. buyback & taxes)	136	136	136	56	63
+ Equity raised	2,019	-	-	-	-
+ Debt raised	-789	725	208	-154	-
- Fin investments	-	-	0	-	-
- Misc. (CFI + CFF)	28	-48	81	-0	0
Net cash-flow	42	63	-37	12	-67

Source: Company, Anand Rathi Research

Fig 4 – Ratio analysis

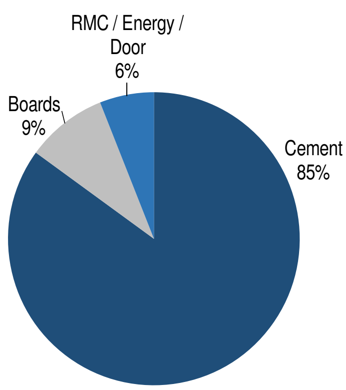
Year-end: Mar	FY18	FY19	FY20	FY21e	FY22e
P/E (x)	20.1	14.0	4.8	8.8	6.2
EV/EBITDA (x)	9.3	7.2	4.2	4.8	4.0
EV / Sales (x)	1.4	1.0	0.6	0.7	0.7
P/B (x)	2.1	1.3	0.5	0.6	0.5
RoE (%)	14.3	9.8	9.9	6.8	9.0
RoCE (%) - after tax	9.1	8.1	7.7	6.0	7.3
DPS (₹ / sh)	2.5	2.5	2.5	1.2	1.4
Dividend payout (%) - incl. DDT	27.7	29.0	26.8	15.0	12.0
Net debt / equity (x)	0.5	0.6	0.6	0.6	0.5
WC days	21.8	51.6	59.3	54.3	54.5
EV / ton ($)	55.3	42.5	22.9	26.1	26.4
NSR / ton (₹)	4,318	3,979	4,118	4,168	4,318
EBITDA / ton (₹)	647	521	667	629	707
Volumes (m tons)	1.8	2.2	1.9	1.8	1.9
CFO : PAT %	245.0	24.0	148.9	279.6	175.7

Source: Company, Anand Rathi Research

Fig 5 – Price movement

Source: Bloomberg

Fig 6– Segment-wise revenue break-up (Q4 FY20)



Source: Company

Company update

Promoted by the late K. Ramachandra Raju, the Hyderabad-based NCL Industries, incorporated in 1979, is into cement, particle boards, ready-mix concrete and hydro power For the past three decades it has been supplying the construction industry with its top quality Nagarjuna Cement brand.

It is a strong regional operator and has been a household name in Andhra Pradesh, popularly known as "Monagadu" cement in Telugu. The company forward-integrated into value-added products with cement boards and ready-mix concrete. It has two small hydro-electric plants, of 7.5MW in Andhra Pradesh and 8.25MW in Karnataka.

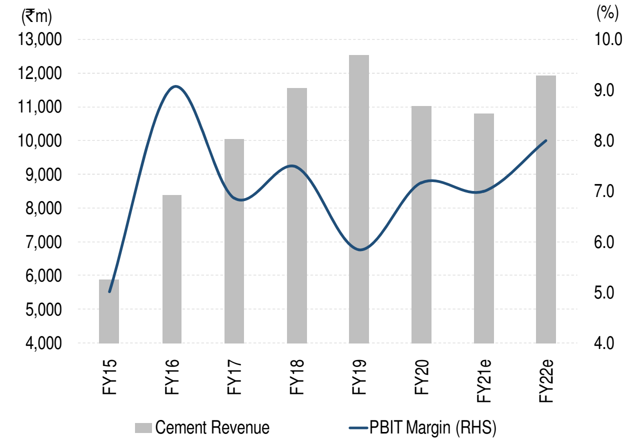
NCL has one of the largest distribution networks across the country, with more than 1,600 cement dealers and 300 distributors for boards. It is the only private company in Andhra Pradesh which manufactures the special 53-S grade cement.

The cement division

With its strategically-located 2.7m-tpa cement capacity, and a well-established brand Nagarjuna Cement, NCL is a robust regional cement manufacturer in south India. It is strong in rural markets through its wide network of over 1,600 cement dealers and more than 100 distribution and consignment agents. In FY18, it expanded its clinker capacity in Nalgonda from 1.58m tons to 2.64m tons. It markets its products largely in the south, primarily in AP/Telangana (90%) and Tamil Nadu and Karnataka.

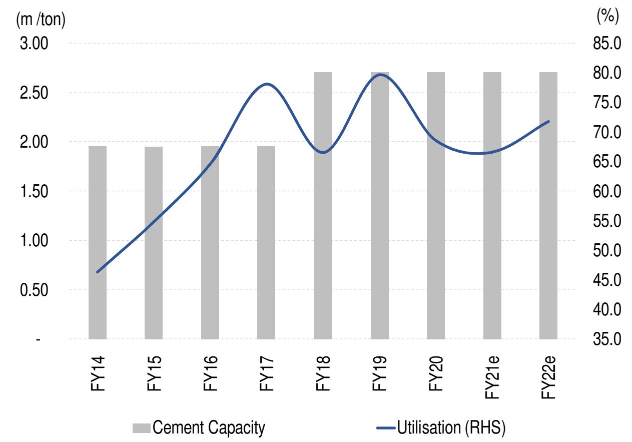
With a high proportion of institutional sales in its product mix, sales volumes are expected to increase on the resumption of government-funded projects. With more construction activity and sand available, cement prices are expected to rise.

Fig 7 – Revenue and PBIT margins (cement)



Source: Company, Anand Rathi Research

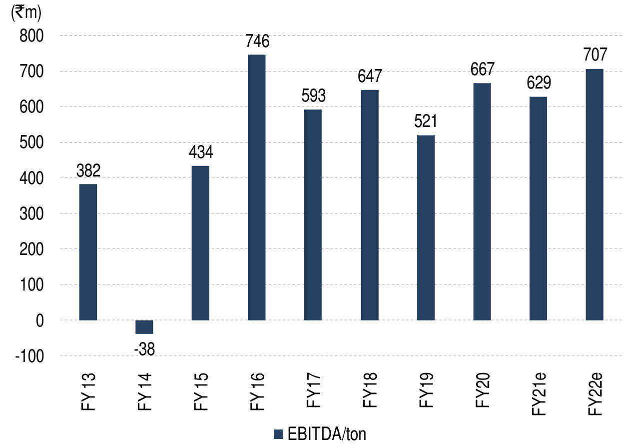
Fig 8 – Capacity and Utilisation (cement)



Source: Company, Anand Rathi Research

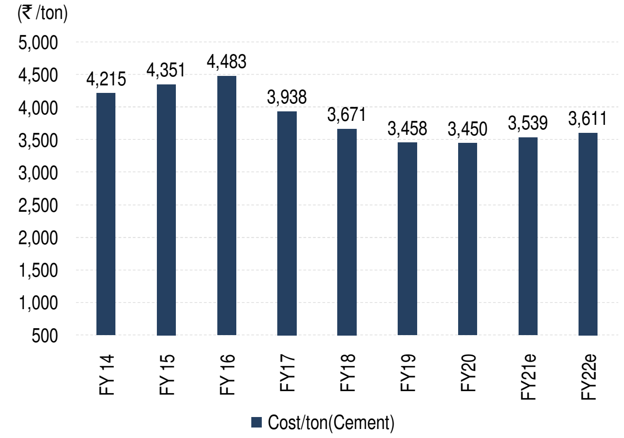
Cement revenue slid 13% y/y to ~₹2.9bn. Cement sales volumes were down 12% y/y to 0.51m tons, though net realisations were up~4% y/y. The PBIT margin declined to 4.3% (11.4% a year ago) on lower volumes and higher costs.

Fig 9 – EBITDA-per-ton trend



Source: Company, Anand Rathi Research

Fig 10 – Cost-per-ton trend



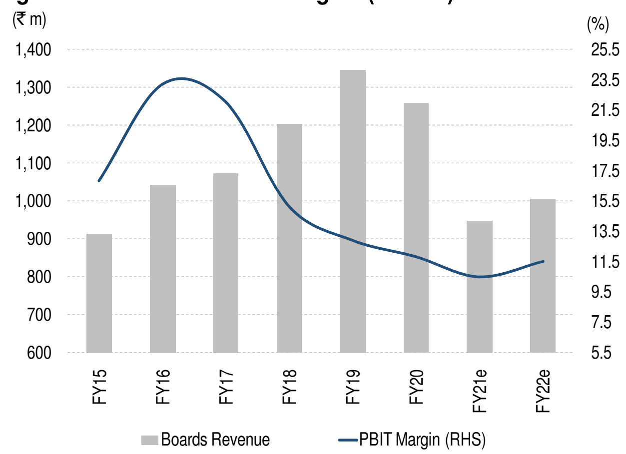
Source: Company, Anand Rathi Research

The Boards division

Cement-bonded particle boards, made of 62% cement, 28% wood, popularly known as Bison Panels, were introduced by NCL in 1990 in collaboration with Bison Werke (Germany), the global leader in particle-board technology. On the one hand, the boards have the strength and durability of cement; on the other, they have the easy workability of wood. They are fire-, water- and termite-resistant and can be used externally and internally. To address mounting demand, NCL expanded its boards capacity by 30,000tpa in Q3 FY18 at ₹400m capex. Post-expansion, Bison boards are manufactured at two plants: Mattapally (Telangana) and Paonta Sahib (HP), combined capacity being 90,000tpa.

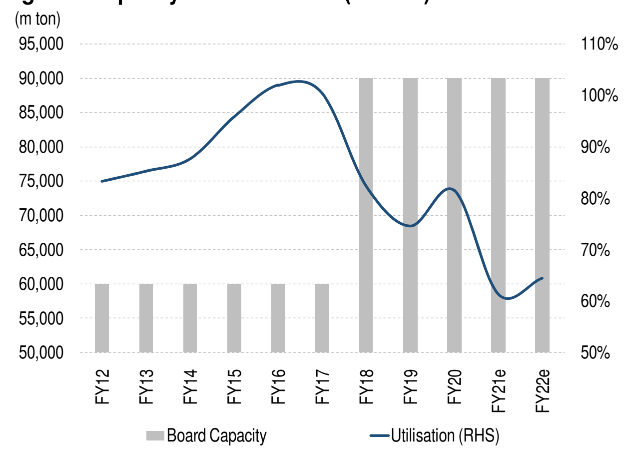
During Q4 FY20, the Boards division revenue declined 16.7% y/y on the 14% y/y drop in sales volumes to 15,567 tons. The PBIT margin was down 459bps to 13.9%. NSR/ton slipped 3% y/y.

Fig 11– Revenue and PBIT margins (boards)



Source: Company, Anand Rathi Research

Fig 12 – Capacity and Utilisation (boards)



Source: Company, Anand Rathi Research

Energy and the RMC divisions

The company is small in hydro-electric energy and ready-mix concrete, which together bring ~5% to its revenue. Its strong brand (Nagarjuna Cement) has led to its ready-mix concrete brand being marketed as Nagarjuna RMC. It has four RMC manufacturing plants, adequately geared to handle demand from the vast number of urban housing development and infrastructure projects.

Equipped with twin-shaft concrete mixers to ensure a homogenous mix, plants have adequate control over the size, shape and grade of the aggregates and of optimal management of the water-cement ratio. The key ingredient of Nagarjuna RMC is its superior OPC-53 Nagarjuna Cement.

Its energy division operates two mini-hydel generating plants: one of 7.5MW on the Srisailam right main canal in AP, the other of 8.25MW on the right bank high-level canal of the Tungabhadra dam in Karnataka.

In Q4 FY20, the energy and RMC divisions combined contributed 8% of overall revenue. The PBIT margin of the energy division was 17.3% (vs a PBIT loss of ₹8m a year back) and that of the RMC division, 5% (vs. 7.5% a year ago).

Result highlights

Fig 13 – Quarterly trend

(₹ m)	Q2 FY18	Q3 FY18	Q4 FY18	Q1 FY19	Q2 FY19	Q3 FY19	Q4 FY19	Q1 FY20	Q2 FY20	Q3 FY20	Q4 FY20	% Y/Y	% Q/Q
Sales	1,885	2,227	2,726	2,394	2,288	2,412	2,705	2,864	1,940	2,106	2,469	*(8.7)*	*17.2*
EBITDA	309	284	352	272	265	257	554	651	258	261	225	*(59.4)*	*(14.0)*
EBITDA margins (%)	*16.4*	*12.8*	*12.9*	*11.4*	*11.6*	*10.7*	*20.5*	*22.7*	*13.3*	*12.4*	*9.1*	*-1137bps*	*-330bps*
EBITDA per ton (₹)	695	449	613	489	384	347	835	1,103	495	353	410	*(50.9)*	*16.2*
Interest	84	86	65	86	93	87	81	76	75	81	75	*(8.1)*	*(7.8)*
Depreciation	79	94	99	113	113	114	113	105	109	108	99	*(12.2)*	*(8.4)*
Other income	4	6	47	13	13	15	23	15	2	(14)	23	*0.8*	*(258.8)*
PBT	151	110	236	87	71	71	382	485	76	58	74	*(80.7)*	*27.8*
Tax	53	(27)	142	25	(6)	6	118	194	(12)	3	(3)	*NA*	*NA*
PAT	97	137	94	62	77	65	265	290	87	54	77	*(71.1)*	*41.1*

Source: Company, Anand Rathi Research

Fig 14 – Segment details

(₹)	Q2 FY18	Q3 FY18	Q4 FY18	Q1 FY19	Q2 FY19	Q3 FY19	Q4 FY19	Q1 FY20	Q2 FY20	Q3 FY20	Q4 FY20	% Y/Y	% Q/Q
Net revenue													
Cements	2,535	2,884	3,546	3,241	2,794	3,106	3,377	3,530	2,158	2,406	2,935	*(13.1)*	*22.0*
Boards	295	304	342	286	344	338	378	320	313	311	315	*(16.7)*	*1.1*
Energy	7	31	4	-	29	15	0	-	27	44	9	*6,873.1*	*(79.5)*
RMC	121	122	163	149	188	191	214	190	217	235	197	*(7.8)*	*(16.1)*
Doors										1	14	*NA*	*NA*
Segment PBIT													
Cement	190	130	270	163	89	94	386	517	87	58	127	*(67.1)*	*119.2*
Boards	50	46	33	15	44	45	70	41	31	32	44	*(37.5)*	*34.4*
Energy	(1)	23	(4)	(8)	20	7	(8)	(8)	19	35	2	*(119.6)*	*(95.6)*
RMC	(4)	(3)	1	3	11	12	16	11	14	16	10	*(38.5)*	*(37.5)*
Doors										(0)	(33)	*NA*	*NA*
PBIT margins (%)													
Cement	7.5	4.5	7.6	5.0	3.2	3.0	11.4	14.6	4.0	2.4	4.3	*-710bps*	*192bps*
Boards	16.8	15.2	9.7	5.2	12.8	13.3	18.4	12.9	10.0	10.4	13.9	*-459bps*	*344bps*
Energy	(8.6)	72.4	(115.5)	NA	70.2	45.5	NA	NA	68.3	80.3	17.3	*NA*	*-6304bps*
RMC	(3.3)	(2.4)	0.7	1.8	5.7	6.5	7.5	5.6	6.4	6.7	5.0	*-249bps*	*-171bps*
Doors										(3.5)	(232.8)	*NA*	*NA*

Source: Company, Anand Rathi Research

Concall highlights

- Cement sales volumes declined 12.2% y/y to 0.51m tons due to weak infrastructure demand, sand unavailability and the lockdown in Mar'20 Board volumes were down 14% to 15,567 tons.
- Capacity utilisation in Q4 FY20: cement ~77%, boards ~83%.
- Q4 FY20 EBITDA: cement ₹208m, boards ₹50.9m.
- Cement prices now are ₹350 a bag, vs, ₹300 in Mar'20.
- The 8-MW waste-heat-recovery plant at Mattampalli has been delayed and is now expected to commence by Dec'20. The company has incurred ₹600m till now and ₹350m-400m is left.
- The doors plant commenced in Q3 FY20. A brand-building exercise is now on and meaningful contribution expected only in FY22.
- Collections from certain companies have been stuck owing to the sudden cancellation of projects by the AP government. Management said it would move court, if necessary, to collect this.
- On good trade demand, road projects, Indian railways and the Polaveram dam (1000 tons/day cement dispatched by NCL), current capacity utilisation is nearly 100%. Management said healthy demand would persist.
- The BoD approved a proposal to set up a 2,000tpd cement GU near Vishakapatnam at ₹1.5bn, and to modernise the line-1 cement unit at Mattapalli in Telangana at ₹530m. The capex would come from a ₹1.4bn term loan and internal accruals. Management said this would be completed in 18 months from financial closure.
- The company entered a JV agreement with a Chinese company and incorporated a new JV, NCL-Guangzheng Structures. This may be hurt by the prevailing environment.

Valuation

The general slowdown and lockdown in Mar'20 took a toll on NCL's Q4 performance. Its revenue/EBITDA/PAT declined 9%/59%/71%. On good demand, however (the Polaveram dam/road projects, etc.), rapid volume recovery is expected. The WHRS expansion continues to be delayed whereas in the present environment the Chinese JV may be in trouble. The proposed expansion (at Vishakhapatnam) and modernisation (at Mattapally) will keep debt high.

At the CMP, the stock trades at an EV/EBTIDA of 4x and an EV/ton of $26.4 on FY22e. We retain our Buy rating, at a higher target price of ₹108, based on 5x FY22e EV/EBITDA.

Change in estimates

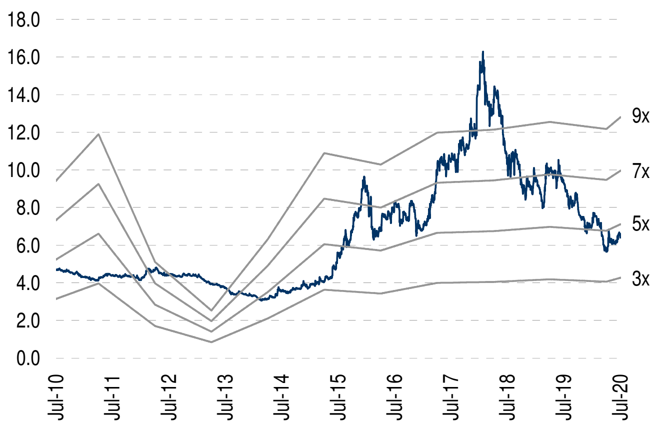
We increase our FY21e revenue, EBITDA and PAT respectively 4.2%, 10.8% and 23%. Further, we reduce our FY22e PAT by 7.4%.

Fig 15 – Change in estimates

	Old		New		Change (%)	
(₹m)	FY21e	FY22e	FY21e	FY22e	FY21e	FY22e
Sales	8,635	9,909	8,995	9,892	*4.2*	*(0.2)*
EBITDA	1,221	1,605	1,352	1,632	*10.8*	*1.7*
PAT	301	569	371	527	*23.0*	*(7.4)*

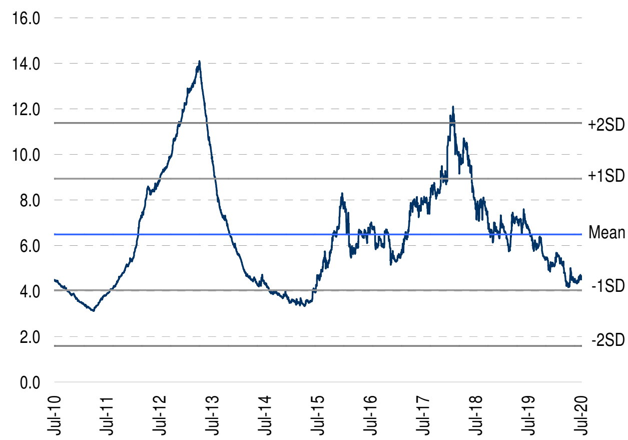
Source: Anand Rathi Research

Fig 16 – EV/EBITDA band, one-year-forward



Source: Company, Anand Rathi Research

Fig 17 – EV/EBITDA: Standard deviation, one-year-forward



Source: Company, Anand Rathi Research

Risks

- Mounting competition
- Rising diesel prices
- Extension of lockdown.

Fig 18 – Peer comparison - Valuations

	CMP	P / E (x)		EV / EBITDA (x)		EV / ton ($)	
	(₹)	FY21e	FY22e	FY21e	FY22e	FY21e	FY22e
NCL Indus	72	8.8	6.2	4.8	4.0	26	26
Birla Corp.	581	18.3	13.1	8.0	6.6	59	50
Dalmia Bharat	697	NA	NA	9.3	7.6	93	78
Deccan Cement	253	11.9	7.7	5.3	3.4	19	17
Heidelberg Cement	179	22.5	15.3	10.4	7.9	81	75
India Cement	128	NA	44.2	14.2	10.6	61	61
JK Cement	1,381	28.8	18.3	13.9	10.1	109	103
JK Lakshmi	259	43.5	12.8	10.0	5.7	46	40
Mangalam Cement	193	14.0	7.9	6.8	4.8	36	34
Orient Cement	71	92.5	20.9	9.2	6.8	41	39
Prism Johnson	47	NA	28.5	10.8	7.8	51	48
Ramco Cement	650	36.5	24.0	20.4	14.2	118	114
Sanghi Industries	25	NA	14.1	11.9	7.7	42	40

Source: Anand Rathi Research

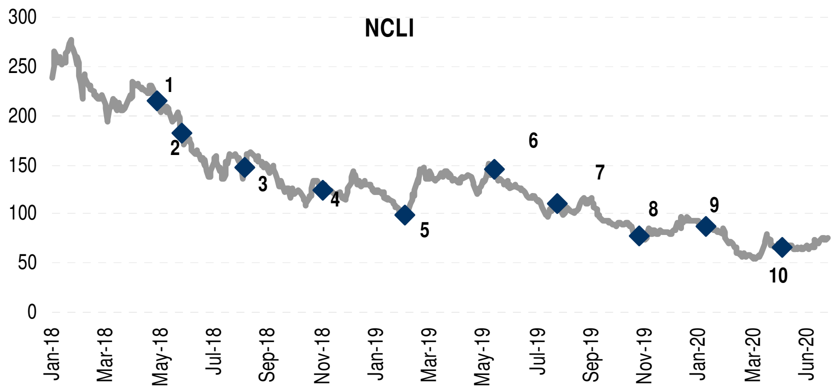
Appendix

Analyst Certification

The views expressed in this Research Report accurately reflect the personal views of the analyst(s) about the subject securities or issuers and no part of the compensation of the research analyst(s) was, is, or will be directly or indirectly related to the specific recommendations or views expressed by the research analyst(s) in this report. The research analysts are bound by stringent internal regulations and also legal and statutory requirements of the Securities and Exchange Board of India (hereinafter "SEBI") and the analysts' compensation are completely delinked from all the other companies and/or entities of Anand Rathi, and have no bearing whatsoever on any recommendation that they have given in the Research Report.

Important Disclosures on subject companies

Rating and Target Price History (as of 3 July 2020)



	Date	Rating	TP (₹)	Share Price (₹)
1	03-May-18	Buy	357	240
2	02-Jun-18	Buy	320	198
3	14-Aug-18	Buy	258	155
4	14-Nov-18	Buy	185	130
5	18-Feb-19	Buy	173	103
6	03-Jun-19	Buy	218	151
7	14-Aug-19	Buy	200	119
8	19-Nov-19	Buy	137	83
9	04-Feb-20	Buy	131	88
10	04-May-20	Buy	91	69

Anand Rathi Ratings Definitions

Analysts' ratings and the corresponding expected returns take into account our definitions of Large Caps (>US$1bn) and Mid/Small Caps (<US$1bn) as described in the Ratings Table below:

Ratings Guide (12 months)

	Buy	Hold	Sell
Large Caps (>US$1bn)	>15%	5-15%	<5%
Mid/Small Caps (<US$1bn)	>25%	5-25%	<5%

Research Disclaimer and Disclosure inter-alia as required under Securities and Exchange Board of India (Research Analysts) Regulations, 2014

Anand Rathi Share and Stock Brokers Ltd. (hereinafter refer as ARSSBL) (Research Entity) is a subsidiary of Anand Rathi Financial Services Ltd. ARSSBL is a corporate trading and clearing member of Bombay Stock Exchange Ltd, National Stock Exchange of India Ltd. (NSEIL), Multi Stock Exchange of India Ltd (MCX-SX) and also depository participant with National Securities Depository Ltd (NSDL) and Central Depository Services Ltd. ARSSBL is engaged in the business of Stock Broking, Depository Participant and Mutual Fund distributor.

The research analysts, strategists, or research associates principally responsible for the preparation of Anand Rathi research have received compensation based upon various factors, including quality of research, investor client feedback, stock picking, competitive factors and firm revenues.

General Disclaimer: This Research Report (hereinafter called "Report") is meant solely for use by the recipient and is not for circulation. This Report does not constitute a personal recommendation or take into account the particular investment objectives, financial situations, or needs of individual clients. The recommendations, if any, made herein are expression of views and/or opinions and should not be deemed or construed to be neither advice for the purpose of purchase or sale of any security, derivatives or any other security through ARSSBL nor any solicitation or offering of any investment /trading opportunity on behalf of the issuer(s) of the respective security (ies) referred to herein. These information / opinions / views are not meant to serve as a professional investment guide for the readers. No action is solicited based upon the information provided herein. Recipients of this Report should rely on information/data arising out of their own investigations. Readers are advised to seek independent professional advice and arrive at an informed trading/investment decision before executing any trades or making any investments. This Report has been prepared on the basis of publicly available information, internally developed data and other sources believed by ARSSBL to be reliable. ARSSBL or its directors, employees, affiliates or representatives do not assume any responsibility for, or warrant the accuracy, completeness, adequacy and reliability of such information / opinions / views. While due care has been taken to ensure that the disclosures and opinions given are fair and reasonable, none of the directors, employees, affiliates or representatives of ARSSBL shall be liable for any direct, indirect, special, incidental, consequential, punitive or exemplary damages, including lost profits arising in any way whatsoever from the information / opinions / views contained in this Report. The price and value of the investments referred to in this Report and the income from them may go down as well as up, and investors may realize losses on any investments. Past performance is not a guide for future performance. ARSSBL does not provide tax advice to its clients, and all investors are strongly advised to consult with their tax advisers regarding taxation aspects of any potential investment.

Opinions expressed are our current opinions as of the date appearing on this Research only. We do not undertake to advise you as to any change of our views expressed in this Report. Research Report may differ between ARSSBL's RAs and/ or ARSSBL's associate companies on account of differences in research methodology, personal judgment and difference in time horizons for which recommendations are made. User should keep this risk in mind and not hold ARSSBL, its employees and associates responsible for any losses, damages of any type whatsoever.

ARSSBL and its associates or employees may; (a) from time to time, have long or short positions in, and buy or sell the investments in/ security of company (ies) mentioned herein or (b) be engaged in any other transaction involving such investments/ securities of company (ies) discussed herein or act as advisor or lender / borrower to such company (ies) these and other activities of ARSSBL and its associates or employees may not be construed as potential conflict of interest with respect to any recommendation and related information and opinions. Without limiting any of the foregoing, in no event shall ARSSBL and its associates or employees or any third party involved in, or related to computing or compiling the information have any liability for any damages of any kind.

Details of Associates of ARSSBL and Brief History of Disciplinary action by regulatory authorities & its associates are available on our website i.e. www.rathionline.com

Disclaimers in respect of jurisdiction: This report is not directed to, 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 or regulation or which would subject ARSSBL to any registration or licensing requirement within such jurisdiction(s). No action has been or will be taken by ARSSBL in any jurisdiction (other than India), where any action for such purpose(s) is required. Accordingly, this Report shall not be possessed, circulated and/or distributed in any such country or jurisdiction unless such action is in compliance with all applicable laws and regulations of such country or jurisdiction. ARSSBL requires such recipient to inform himself about and to observe any restrictions at his own expense, without any liability to ARSSBL. Any dispute arising out of this Report shall be subject to the exclusive jurisdiction of the Courts in India.

Statements on ownership and material conflicts of interest, compensation - ARSSBL and Associates

Answers to the Best of the knowledge and belief of ARSSBL/ its Associates/ Research Analyst who is preparing this report

Research analyst or research entity or his associate or his relative has any financial interest in the subject company and the nature of such financial interest.	No
ARSSBL/its Associates/ Research Analyst/ his Relative 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?	No
ARSSBL/its Associates/ Research Analyst/ his Relative have actual/beneficial ownership of one per cent or more securities of the subject company	No
ARSSBL/its Associates/ Research Analyst/ his Relative have any other material conflict of interest at the time of publication of the research report?	No
ARSSBL/its Associates/ Research Analyst/ his Relative have received any compensation from the subject company in the past twelve months	No
ARSSBL/its Associates/ Research Analyst/ his Relative have managed or co-managed public offering of securities for the subject company in the past twelve months	No
ARSSBL/its Associates/ Research Analyst/ his Relative have received any compensation for investment banking or merchant banking or brokerage services from the subject company in the past twelve months	No
ARSSBL/its Associates/ Research Analyst/ his Relative 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	No
ARSSBL/its Associates/ Research Analyst/ his Relative have received any compensation or other benefits from the subject company or third party in connection with the research report	No
ARSSBL/its Associates/ Research Analyst/ his Relative have served as an officer, director or employee of the subject company.	No

Other Disclosures pertaining to distribution of research in the United States of America

This research report is a product of ARSSBL, 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 ARSSBL 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, ARSSBL has entered into an agreement with a U.S. registered broker-dealer, Cabrera Capital Markets. ("Cabrera"). Transactions in securities discussed in this research report should be effected through Cabrera or another U.S. registered broker dealer.

1. ARSSBL or its Affiliates may or may not have been beneficial owners of the securities mentioned in this report.

2. ARSSBL or its affiliates may have or not managed or co-managed a public offering of the securities mentioned in the report in the past 12 months.

3. ARSSBL or its affiliates may have or not received compensation for investment banking services from the issuer of these securities in the past 12 months and do not expect to receive compensation for investment banking services from the issuer of these securities within the next three months.

4. However, one or more of ARSSBL or its Affiliates may, from time to time, have a long or short position in any of the securities mentioned herein and may buy or sell those securities or options thereon, either on their own account or on behalf of their clients.

5. As of the publication of this report, ARSSBL does not make a market in the subject securities.

6. ARSSBL or its Affiliates may or may not, to the extent permitted by law, act upon or use the above material or the conclusions stated above, or the research or analysis on which they are based before the material is published to recipients and from time to time, provide investment banking, investment management or other services for or solicit to seek to obtain investment banking, or other securities business from, any entity referred to in this report.

Additional information on recommended securities/instruments is available on request.

ARSSBL registered address: Express Zone, A Wing, 9th Floor, Western Express Highway, Diagonally Opposite Oberoi Mall, Malad (E), Mumbai – 400097.
Tel No: +91 22 6281 7000 | Fax No: +91 22 4001 3770 | CIN: U67120MH1991PLC064106.