ANANDRATHI

India I Equities

Cement

Result Update

Change in Estimates ☑ Target ☑ Reco ☐

14 November 2020

Sanghi Industries

Capacity ramp-up will be key to growth; maintaining a Buy

Rating: **Buy**
Target Price: Rs42
Share Price: Rs31

Weak demand in its operating regions (Gujarat/Maharashtra) due to Covid-19 and the monsoon hindered Sanghi' Q2 performance. Cost optimisation, however, brought some respite. With the Kutch expansion to commence in Q3, its ramping up amid an uncertain demand environment would be key to watch. We retain our Buy, with a higher TP of Rs42 (earlier Rs31), 9x FY22e EV/EBITDA.

Signs of demand improving; sustainability, the key. With major of Q2 demand continued to hamper Gujarat/Maharashtra, volumes declined 14% y/y to 0.39m tons despite low base. The demand in October has grown in double digits on low base and higher infra demand from govt funded projects. The sustainability of which remains uncertain. The prices are maintain at Q2 levels, however, higher OPC sales on high Non trade demand may dip realisations.

Cost savings helped. Despite revenue declining 16% y/y to Rs1.7bn, the EBITDA decline was restricted to 2% y/y whereas EBITDA/ton grew 13% y/y to Rs928 on various cost savings. High-cost clinker purchases in Q2 FY20 and enhanced consumption led to raw-material costs falling 38% y/y. Further, cost-cutting and 5% effective savings in power & fuel helped.

Outlook, Valuation. The Kutch expansion is to be completed by Q3, whereas the Surat GU continued to be deferred. With the ramping up of Kutch capacity planned in two years, the company is making efforts to expand the share of revenue from other markets (Maharashtra/Cochin, Rajasthan, etc.) from ~15% to 30%. On the recent tie-up for the Cochin terminal with Zuari, Sanghi has now access to three major west coast terminals (Rajkot and Mumbai) helping it meet third-party clinker requirement at the west and east coast locations. We maintain our Buy rating at a target of Rs42, based on 9x FY22e EV/EBITDA. **Risks:** Demand slowdown; rising costs.

Key financials (YE Mar)	FY18	FY19	FY20	FY21e	FY22e
Sales (Rs m)	10,264	10,610	8,875	8,157	11,677
Net profit (Rs m)	933	526	654	147	552
EPS (Rs)	3.7	2.1	2.6	0.6	2.2
PE (x)	31.5	29.7	7.2	52.8	14.1
EV / EBITDA (x)	15.2	14.3	9.0	12.7	8.0
EV / ton ($)	109.4	73.4	57.9	50.3	48.2
RoE (%)	6.9	3.2	3.9	0.9	3.1
RoCE (%)	7.3	3.6	4.9	3.2	4.6
Dividend yield (%)	-	-	-	-	-
Net debt / equity (x)	0.2	0.4	0.7	0.8	0.8

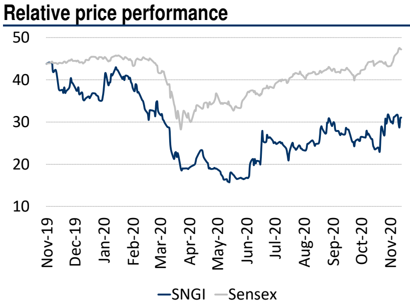
Source: Company, Anand Rathi Research

Key data	SNGI IN / SNGL.BO
52-week high / low	Rs44 / 14
Sensex / Nifty	43315 / 12684
3-m average volume	$0.5m
Market cap	Rs8bn / $104.5m
Shares outstanding	251m

Shareholding pattern (%)	Sep'20	Jun'20	Mar'20
Promoters	70.3	70.3	70.3
- of which, Pledged	*92.2*	*92.2*	*92.2*
Free float	29.7	29.7	29.7
- Foreign institutions	1.5	1.5	4.0
- Domestic institutions	8.2	9.3	12.7
- Public	20.0	18.9	13.0

Estimates revision (%)	FY21e	FY22e
Sales	(6.4)	(5.0)
EBITDA	11.3	10.0
PAT	313.1	(21.4)

Relative price performance



Source: Bloomberg

Manish Valecha
Research Analyst

Vibha Jain
Research Associate

Quick Glance – Financials and Valuations

Fig 1 – Income statement (Rs m)

Year-end: Mar	FY18	FY19	FY20	FY21e	FY22e
Sales volumes (m tons)	2.5	2.7	2.0	1.8	2.6
Net revenues	10,264	10,610	8,875	8,157	11,677
Growth (%)	*3.2*	*3.4*	*-16.3*	*-8.1*	*43.1*
Direct costs	6,889	8,073	5,827	5,342	7,721
SG&A	1,216	997	1,119	1,050	1,271
EBITDA	**2,158**	**1,540**	**1,929**	**1,765**	**2,685**
EBITDA margins (%)	*21.0*	*14.5*	*21.7*	*21.6*	*23.0*
- Depreciation	724	713	621	782	1,230
Other income	220	273	125	82	128
Interest expenses	721	573	780	918	1,031
PBT	933	526	654	147	552
Effective tax rate (%)	-	-	-	-	-
+ Associates / (Minorities)	-	-	-	-	-
Net income	933	526	654	147	552
Adjusted income	933	526	654	147	552
WANS	251	251	251	251	251
FDEPS (Rs / sh)	3.7	2.1	2.6	0.6	2.2
FDEPS growth (%)	*30*	*-44*	*24*	*-77*	*276*

Fig 2 – Balance sheet (Rs m)

Year-end: Mar	FY18	FY19	FY20	FY21e	FY22e
Share capital	2,510	2,510	2,510	2,510	2,510
Net worth	15,979	16,504	17,154	17,301	17,853
Debt	7,672	8,025	13,127	15,127	14,327
Minority interest	-	-	-	-	-
DTL / (Assets)	-871	-860	-860	-860	-860
Capital employed	**22,780**	**23,668**	**29,420**	**31,567**	**31,319**
Net tangible assets	15,087	16,051	17,062	29,322	28,592
Net intangible assets	-	-	-	-	-
Goodwill	-	-	-	-	-
CWIP (tang. & intang.)	2,936	4,368	10,041	500	500
Investments (strategic)	-	-	-	-	-
Investments (financial)	-	-	-	-	-
Current assets (ex cash)	3,369	5,213	5,540	4,582	6,405
Cash	4,281	1,667	539	516	622
Current liabilities	2,892	3,630	3,762	3,352	4,799
Working capital	476	1,583	1,778	1,229	1,606
Capital deployed	**22,780**	**23,668**	**29,420**	**31,567**	**31,319**
Contingent liabilities	1200	1070	1,022	-	-

Fig 3 – Cash-flow statement (₹ m)

Year-end: Mar	FY18	FY19	FY20	FY21e	FY22e
PBT (Adj. OI and Interest)	1,434	827	1,309	984	1,455
+ Non-cash items	724	713	621	782	1,230
Oper. prof. before WC	2,158	1,540	1,929	1,765	2,685
- Incr. / (decr.) in WC	382	1,106	195	-548	377
Others incl. taxes	-	-	-	-	-
Operating cash-flow	1,776	434	1,735	2,314	2,308
- Capex (tang. + intang.)	2,557	3,109	7,305	3,500	500
Free cash-flow	-781	-2,675	-5,571	-1,186	1,808
Acquisitions					
- Div.(incl. buyback & taxes)	-	-	-	-	-
+ Equity raised	4,002	-	-	-	-
+ Debt raised	1,408	353	5,102	2,000	-800
- Fin investments	-	-	-	-	-
- Misc. (CFI + CFF)	511	291	659	837	902
Net cash-flow	4,118	-2,614	-1,127	-23	106

Source: Company, Anand Rathi Research

Fig 4 – Ratio analysis

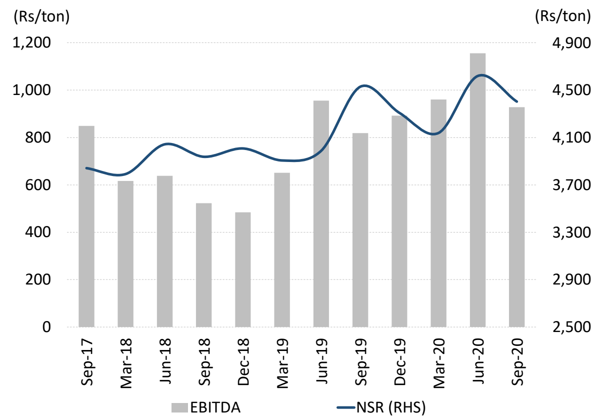
Year-end: Mar	FY18	FY19	FY20	FY21e	FY22e
P/E (x)	31.5	29.7	7.2	52.8	14.1
EV / EBITDA (x)	15.2	14.3	9.0	12.7	8.0
EV / Sales (x)	3.2	2.1	2.0	2.7	1.8
P/B (x)	1.8	0.9	0.3	0.4	0.4
RoE (%)	6.9	3.2	3.9	0.9	3.1
RoCE (%) - after tax	7.3	3.6	4.9	3.2	4.6
DPS (Rs / sh)	-	-	-	-	-
Dividend payout (%) - incl. DDT	-	-	-	-	-
Net debt / equity (x)	0.2	0.4	0.7	0.8	0.8
WC days	17	54	73	55	50
EV / ton ($)	109.4	73.4	57.9	50.3	48.2
NSR / ton (Rs)	4,116	3,973	4,508	4,458	4,558
EBITDA / ton (Rs)	865	577	980	965	1,048
Volumes (m tons)	2.49	2.67	1.97	1.83	2.56
CFO : PAT (%)	190.3	82.5	265.4	1,573.5	418.0

Source: Company, Anand Rathi Research

Fig 5 – Price movement

Source: Bloomberg

Fig 6 – Quarterly per-ton NSR and EBITDA trends



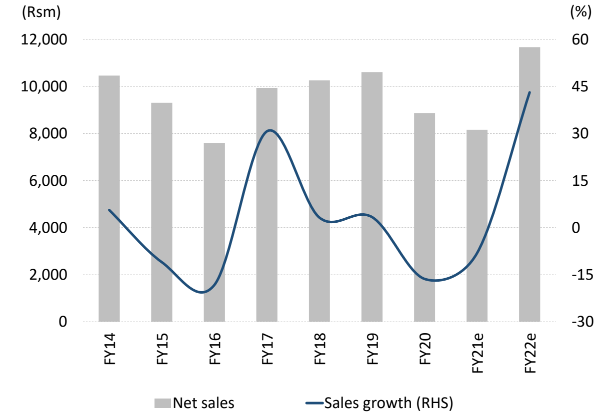
Source: Company, Anand Rathi Research

Key highlights

Revenue growth

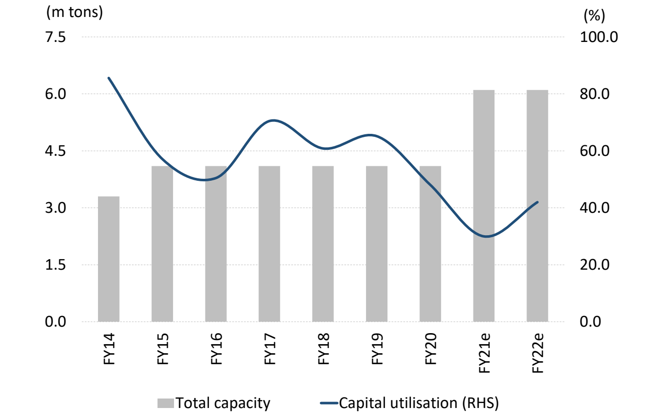
Sanghi Industries' Q2 FY21 volumes declined 14% y/y to 0.39m tons. Demand in Jul was hampered by Covid-19; in Aug, by the monsoon. In Sep, however, demand returned to pre-Covid levels. The geographical sales-mix was Gujarat 86%, outside Gujarat 14%. The seasonal drop in prices led to a 2.8% y/y decline in realisation/ton. The dual impact of lower volumes and prices resulted in revenue sliding 16% y/y to Rs1.7bn

Fig 7 – Revenue and Revenue growth



Source: Company, Anand Rathi Research

Fig 8 – Capacity and Utilisation



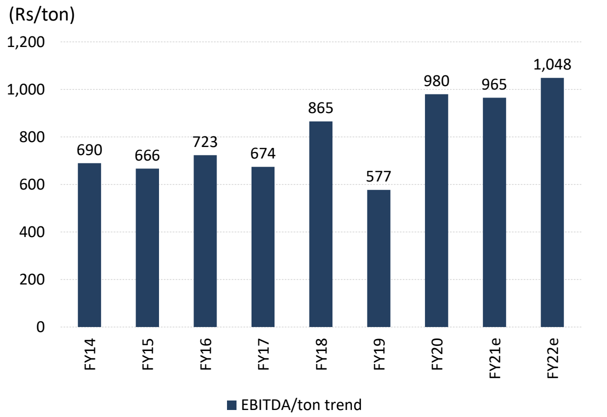
Source: Company, Anand Rathi Research

Operating performance

In Q2 FY21, Sanghi Industries' EBITDA declined 2% y/y to Rs362m whereas EBITDA/ton grew 13% y/y to Rs928. Savings in raw material costs were Rs90/ton y/y as the company did not have to purchase clinker from outside as it did the previous year. Further, it reduced consumption cost by 20%, leading to raw material cost/ton to fall 38% y/y. Power & fuel cost/ton dropped 5% y/y despite a 2% y/y increase in coal prices on a kCal basis. Freight cost/ton shrank 4% y/y. Cost-control measures in advertising and other expenditure saved Rs40m. Staff costs declined 14% y/y on an absolute basis.

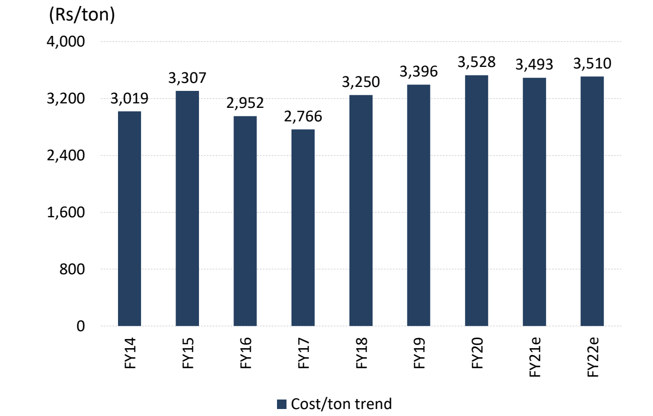
Adj. PAT plunged 33.5% y/y to Rs41m. Interest and depreciation costs declined 1.3% y/y each, whereas other income plummeted 50% y/y as funds were deployed on the expansion. The nil tax expense continued on brought-forward losses and unabsorbed depreciation expenses.

Fig 9 – EBITDA-per-ton trend



Source: Company, Anand Rathi Research

Fig 10 – Cost-per-ton trend



Source: Company, Anand Rathi Research

Result Highlights

Fig 11 – Quarterly trend

(Rs m)	Q4 FY18	Q1 FY19	Q2 FY19	Q3 FY19	Q4 FY19	Q1 FY20	Q2 FY20	Q3 FY20	Q4 FY20	Q1 FY21	Q2 FY21	% Y/Y	% Q/Q
Sales	2,741	2,748	2,441	2,661	2,760	2,741	2,047	1,872	2,216	1,487	1,718	*(16.0)*	*15.5*
EBITDA	657	434	324	321	460	657	370	388	514	372	362	*(2.1)*	*(2.7)*
EBITDA margins (%)	*24.0*	*15.8*	*13.3*	*12.1*	*16.7*	*24.0*	*18.1*	*20.7*	*23.2*	*25.0*	*21.1*	*299bps*	*-395bps*
Interest	170.7	122.9	167.5	146.7	135.7	170.7	185.0	208.0	216.0	171.0	182.6	*(1.3)*	*6.8*
Depreciation	145	195	198	187	134	145	157	155	164	155	155	*(1.3)*	*0.1*
Other income	42.2	82.7	61.2	55.0	73.8	42.2	34.4	24.3	23.7	14.2	17.1	*(50.4)*	*20.5*
PBT	384	199	20	43	264	384	62	49	158	60	41	*(33.5)*	*(31.4)*
Tax	-	-	-	-	-	-	-	-	-	-	-	*NA*	*NA*
Adj. PAT	384	199	20	43	264	384	62	49	158	60	41	*(33.5)*	*(31.4)*

Source: Company, Anand Rathi Research

Fig 12 – Per-ton analysis

(Rs m)	Q4 FY18	Q1 FY19	Q2 FY19	Q3 FY19	Q4 FY19	Q1 FY20	Q2 FY20	Q3 FY20	Q4 FY20	Q1 FY21	Q2 FY21	% Y/Y	% Q/Q
Realisation per ton	3,988	4,042	3,937	4,007	3,906	3,988	4,528	4,307	4,138	4,619	4,403	*(2.8)*	*(4.7)*
EBITDA per ton	956	638	523	484	651	956	819	892	960	1,156	928	*13.3*	*(19.7)*
Sales volumes (m tons)	0.7	0.7	0.6	0.7	0.7	0.7	0.5	0.4	0.5	0.3	0.4	*(13.6)*	*21.2*
Costs													
Raw material	283	297	355	327	342	283	397	705	512	583	245	*(38.2)*	*(57.9)*
Power & Fuel	913	1,210	1,251	1,034	955	913	1,146	1,110	988	1,880	1,093	*(4.6)*	*(41.9)*
Freight	1,448	1,508	1,573	1,493	1,363	1,448	1,365	1,272	1,164	1,266	1,310	*(4.0)*	*3.5*
Staff	178	178	173	128	141	178	275	283	207	337	275	*0.0*	*(18.4)*
Stores & consumable	157	172	186	162	145	157	196	171	164	200	168	*(14.2)*	*(15.9)*
Other expense	262	249	221	125	261	262	301	317	338	289	253	*(15.8)*	*(12.5)*

Source: Company, Anand Rathi Research

Con-call highlights

Operational highlights

- Q2 FY21 cement sales fell 14% to 0.39m tons mainly on a drop in cement export and RMC volumes. Domestic sales volumes declined 9% to 0.38m tons. Demand was weak in Jul and Aug due to Covid-19 and the monsoon. However, in Sep, demand improved to pre-Covid levels.
- The geographical sales mix was Gujarat 86%; outside Gujarat 14%.
- The PPC-OPC mix was 38:62 (vs. 45:55 the previous quarter). The trade-nontrade mix was 39:61.
- Cement realisation declined 4-5% on the seasonal drop in cement prices (Q2).
- Raw material cost reduced by Rs90/ton, as in the year-ago quarter, the company had to purchase clinker from outside. Further, it reduced its own consumption cost by 20%.
- It saved Rs40m through cost-control measures on advertising and other expenditure and effectively saved 5% in power & fuel costs. It used 100% coal as lignite was unavailable (mines closed, logistical issues).

Fig 13 – State-wise mix

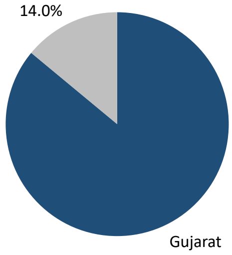


Fig 14 – Trade-nontrade mix

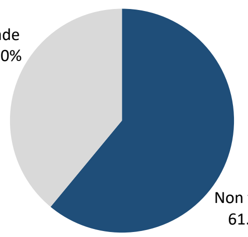
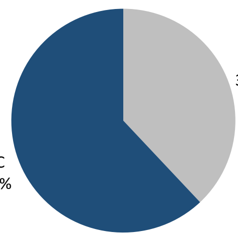


Fig 15 – PPC-OPC mix



Source: Company, Anand Rathi Research

Capex and Financial highlights

- Peak debt would be ~Rs12.5bn. In the previous quarter the company had applied for a moratorium. Repayment of the term loan will start in the next 12 months whereas project debt repayment will commence by Oct'22, ie, two years from the date the project commences. The interest on working-capital loans will be due in H2 FY21.
- The Kutch GU (2m tons) and clinker plant (3.3m tons) are expected to be ready by Q3 FY21. The ramping up of capacity will take two years. Capex in H2 FY21 would be Rs1bn-1.25bn.
- The Surat GU continues to be deferred.

Outlook

- On the Kutch GU commencing, depreciation expense is expected to double (in FY22).
- Cement prices have been flat from Q2 to Q3; however, more OPC sales on infrastructure activity commencing pull down realisation.

- Demand in October grew in double digits y/y in Gujarat as well as for the company.
- The company has tied up with Zuari Cement to access the latter's Cochin terminal (for a user fee, or toll). This will help it address the Cochin market. With this, it has access to three major west coast terminals (Rajkot, Mumbai). This will also help it meet third-party clinker requirement at west and east coast locations
- Its target is to sell 70% in Gujarat, the rest outside Gujarat (Kerala/ Maharashtra/Rajasthan).
- Gujarat is a 23m-ton market. JK Cements's 0.7m-ton GU commencing will not have much of an impact on demand and prices.

Valuations

At the CMP, the stock trades at an EV/EBITDA of 8x and an EV/ton of $48. We arrive at a target of Rs42, based on 9x FY22e EV/EBITDA. The implied valuation of the cement business is EV/ton of $54. We maintain our Buy recommendation.

Change in estimates

Fig 16 – Change in estimates

	Old		New		Variance	
(Rs m)	FY21e	FY22e	FY21e	FY22e	% Chg	% Chg
Sales	8,713	12,296	8,157	11,677	*(6.4)*	*(5.0)*
EBITDA	1,586	2,440	1,765	2,685	*11.3*	*10.0*
PAT	36	703	147	552	*313.1*	*(21.4)*

Source: Anand Rathi Research

Fig 17 – EV/EBITDA band, one-year-forward

Source: Company, Anand Rathi Research

Fig 18 – EV/EBITDA: Standard deviation, one-year-forward

Source: Company, Anand Rathi Research

Fig 19 – Peer comparison – Valuations

	CMP	P/E (x)		EV / EBITDA (x)		EV / ton ($)	
	(Rs)	FY21e	FY22e	FY21e	FY22e	FY21e	FY22e
Sanghi Industries	31	NA	14.1	12.7	8.0	50	48
Birla Corp.	751	13.5	13.0	7.5	7.2	69	57
Ramco Cement	850	35.8	23.2	20.9	15.1	160	150
Dalmia Bharat	911	26.3	26.4	7.7	7.1	125	103
Deccan Cement	340	5.2	5.4	2.8	2.2	24	19
Heidelberg Cement	189	17.7	13.8	8.9	7.1	90	83
India Cement	124	23.0	17.6	8.7	7.9	61	61
JK Cement	1,857	31.1	25.3	15.2	12.8	145	140
JK Lakshmi	310	12.7	10.9	6.3	5.2	52	45
Mangalam Cement	204	7.6	6.2	5.0	4.0	38	34
NCL Industries	141	14.4	12.6	6.8	6.2	44	45
Orient Cement	67	10.6	8.6	5.4	4.6	40	36
Prism Johnson	78	NA	27.3	14.0	9.5	73	69
Star Cement	85	16.4	12.7	9.3	7.2	77	78

Source: Anand Rathi Research

Risks

- Demand slowdown
- Higher operational costs and lignite non-availability.

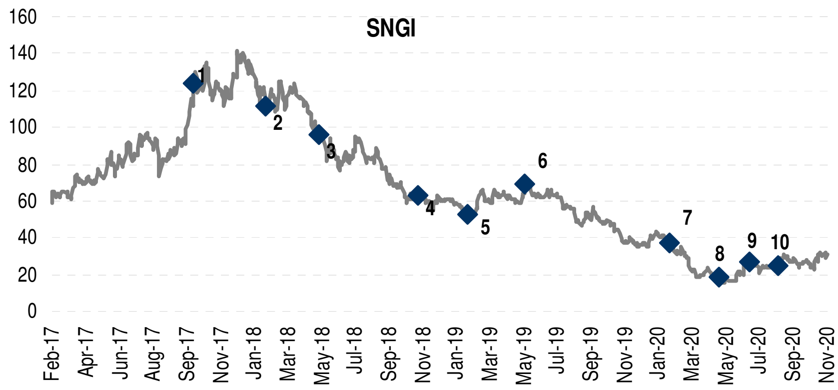
Appendix

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 14 November 2020)



	Date	Rating	TP (₹)	Share Price (₹)
1	12-Oct-17	Buy	147	115
2	16-Feb-18	Buy	145	120
3	23-May-18	Buy	121	97
4	16-Nov-18	Buy	75	63
5	12-Feb-19	Buy	70	53
6	24-May-19	Buy	80	65
7	07-Feb-20	Buy	47	37
8	04-May-20	Buy	30	19
9	27-Jun-20	Buy	37	26
10	17-Aug-20	Buy	31	25

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.