

Recovery in Q1 on low base...

About the stock: Hester is one of India's leading animal healthcare companies & the second largest poultry vaccine manufacturer in the country. It has a strategic presence in 30+ countries with key markets being India, Nepal and Tanzania.

- It operates through four broad verticals: poultry vaccines, poultry health products, animal vaccines and animal health products
- Revenue segment wise: poultry healthcare:73%, animal healthcare: 19%, others:8%; by geography: domestic:81%, exports:10%, others:9%

Q1FY22 Results: Hester reported robust Q1FY22 results.

- Sales were up 51% YoY to ₹ 60.2 crore
- EBITDA in Q1FY22 was at ₹ 17.1 crore, up 43% YoY with margins at 28.4%
- Consequent adjusted PAT was at ₹ 12.5 crore (up 118% YoY)

What should investors do? Hester's share price has grown by ~3x over the past five years (from ~₹ 778 in July 2016 to ~₹ 2368 levels in July 2021).

- We change our view from HOLD to BUY on account of positive impact of expected improvement in exports

Target Price and Valuation: We value Hester at ₹ 2925 (base business at ₹ 2809 i.e. 40x P/E on FY23E EPS + NPV of ₹ 114 Covaxin DS opportunity)

Key triggers for future price performance:

- Opportunities in animal vaccines such as classical swine fever, lumpy skin disease (only player) and sheep pox (only player) in the domestic space
- The management intends to move away from preventive healthcare to curative healthcare as a long term strategy
- Increased focus on health products & widening of portfolio with differentiated herbal line of products looks promising for growth prospects

Alternate Stock Idea: Apart from Hester, in our healthcare coverage we like Indoco.

- Indoco manufactures and markets branded formulations and APIs for the domestic and export markets.
- BUY with target price of ₹ 575



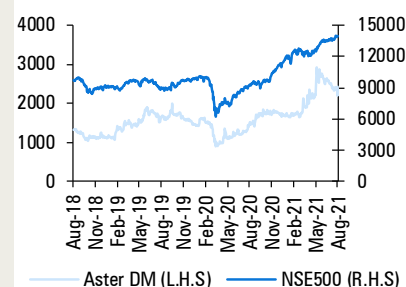
Particulars

Particular	Amount
Market Capitalisation	₹ 2053 crore
Debt (FY21)	₹ 98 crore
Cash (FY21)	₹ 22 crore
EV	₹ 2129 crore
52 week H/L (₹)	3180/1379
Equity capital	₹ 8.5 crore
Face value (₹)	₹ 10

Shareholding pattern

(in %)	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21
Promoter	53.7	53.7	53.7	53.7	53.7
Others	46.3	46.3	46.3	46.3	46.3

Price Chart



Recent Event & Key risks

- Construction of animal vaccine manufacturing plant in Tanzania
- **Key Risk:** (i) Commercialisation of animal vaccines (ii) Faster ramp up of subsidiaries

Research Analyst

Siddhant Khandekar
siddhant.khandekar@icicisecurities.com
Mitesh Shah
mitesh.shah@icicisecurities.com

Key Financial Summary

Key Financials (₹ Crore)	FY19	FY20	FY21	5 year CAGR (FY16-21)	FY22E	FY23E	2 year CAGR (FY21-23E)
Revenues	178.1	183.3	214.3	16.3	273.1	327.1	23.5
EBITDA	68.1	55.4	68.7	15.5	88.0	109.6	26.3
EBITDA margins(%)	38.2	30.2	32.0		32.2	33.5	
Adjusted Net Profit	41.6	29.2	37.8	14.5	47.4	59.7	25.8
EPS (₹)	48.9	34.3	44.4		55.7	70.2	
PE (x)	49.4	70.4	59.6		43.3	34.4	
EV to EBITDA (x)	30.9	38.9	31.0		24.5	19.6	
RoNW (%)	23.4	14.5	16.5		17.9	19.2	
RoCE (%)	22.5	14.0	16.5		15.7	17.6	

Key takeaways of recent quarter & conference call highlights

Q1FY22 Results: Robust performance continues

- Revenues grew 51% YoY to ₹ 60.2 crore due to 50.2% growth in poultry segment to ₹ 44.8 crore and animal healthcare segment, which grew 95.7% YoY to ₹ 15.4 crore. EBITDA margins declined 150 bps YoY to 28.4%. Subsequently, EBITDA came in at ₹ 17.1 crore (up 43.4% YoY). PAT for the quarter came in at ₹ 12.5 crore vs ₹ 5.7 crore in Q1FY21
- Despite exports being impacted due to Covid, Hester posted steady result being partly offset by sequential decline in poultry segment. Going ahead, opportunities panning out from animal vaccines such as classical swine fever, lumpy skin disease (only player) and sheep pox (only player) in the domestic space besides increased focus on health products, growth prospects looks promising for Hester. As the company strengthens its hold in the overall animal healthcare space, the next important aspect would be its progress in the human vaccines space (via maiden Covaxin adjuvant foray) in the long run

Q1FY22 Earnings Conference Call highlights

- MoU signed with Bharat Biotech to manufacture drug substance for Covid vaccine is in the development phase. The company will build the BSL-3 facility suitable for manufacturing the drug substance of Covaxin
- The development of classical swine fever vaccine, lumpy skin disease vaccine and sheep pox vaccine is on track and the commercial production is expected by the end of Q3FY22
- OIE (World Organisation for Animal Health) has floated a tender for PPR vaccine. Two suppliers have been shortlisted including Hester, with progress likely from October 2021
- Hester Nepal saw slight increase in sales but the volume of FAO tenders is yet to return to normalcy mainly due to Covid restrictions
- Texas Life Sciences continues to witness growth in topline as health products sales improve
- It embarked on trading activities at Hester Tanzania. Vaccines start from October this year. A big jump is expected as and when supply is shifted from Nepal to the Tanzania plant
- Hester Tanzania is expected to do US\$35-40 million and was built at a total cost of US\$18 million
- The company expects the poultry and animal health business to grow at a faster rate than earlier due to introductions of new products
- Capacity expansion plans for live and inactivated vaccines in poultry and animal healthcare are underway at the Kadi plant. Commercial production is expected in the next financial year
- Gross debt: ₹ 95 crore; gross cash: ₹ 21 crore
- Plans to build ~ 450- 500 people marketing team in India by end of FY22

Exhibit 1: Variance Analysis

	Q1FY22	Q1FY21	Q4FY21	YoY (%)	QoQ (%)	Comments
Revenue	60.2	39.9	64.2	51.0	-6.2	Steep YoY growth amid lower Covid base and recovery across segments, especially in domestic markets
Raw Material Expenses	17.9	5.0	17.7	260.0	1.2	
Gross Margin (%)	70.3	87.6	72.5	-1,722.5	-216.2	Decline amid change in product mix
Employee Expenses	11.3	8.6	11.1	31.8	1.3	
Other Expenditure	14.0	14.4	15.6	-3.1	-10.4	
EBITDA	17.1	11.9	19.8	43.4	-13.7	
EBITDA (%)	28.4	29.9	30.8	-150.2	-245.7	YoY decline amid lower gross margins partially offset by lower other expenditure
Interest	0.9	1.5	1.4	-44.0	-40.1	
Depreciation	3.2	3.2	3.6	1.7	-11.0	
Other Income	2.3	0.7	2.5	238.3	-5.2	
PBT before EO & Forex	15.3	7.9	17.2	94.4	-10.8	
Forex & EO	0.0	0.0	3.3			
PBT	15.3	7.9	13.9	94.4	10.5	
Tax	4.3	2.8	3.8	52.0	14.3	
PAT before MI	11.0	5.1	10.1	118.2	9.1	
MI	-1.5	-0.7	0.4			
Adjusted Net Profit	12.5	5.7	13.0	118.5	-4.0	Delta vis-à-vis EBITDA mainly due to higher tax rate (38% against 13% in Q2FY20)
Key Metrics						
Poultry Healthcare	44.8	29.8	52.7	50.2	-15.0	YoY growth was amid demand pick up post Covid 19
Animal Healthcare	15.4	7.9	11.5	95.7	34.2	YoY growth was amid demand pick up post Covid 19

Source: Company, ICICI Direct Research

Exhibit 2: Change in estimates

(₹ Crore)	FY22E			FY23E			Comments
	Old	New	% Change	Old	New	% Change	
Revenue	271.0	273.1	0.8	331.5	327.1	-1.3	
EBITDA	88.1	88.0	-0.1	111.1	109.6	-1.3	
EBITDA Margin (%)	32.5	32.2	-28 bps	33.5	33.5	0 bps	
PAT	44.7	47.4	6.0	58.6	59.7	1.9	Changed mainly in sync with operational performance
EPS (₹)	52.5	55.7	6.0	68.9	70.2	1.9	

Source: ICICI Direct Research

Exhibit 3: Assumptions

(₹ crore)	Current			Earlier			Comments
	FY20	FY21	FY22E	FY23E	FY22E	FY23E	
Poultry Healthcare	120.3	156.5	196.4	216.0	175.1	192.6	
Animal Healthcare	47.3	46.6	66.7	100.0	83.5	125.3	

Source: ICICI Direct Research

Exhibit 4: Trends in Quarterly Performance

(₹ crore)	Q1FY19	Q2FY19	Q3FY19	Q4FY19	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21	Q2FY21	Q3FY21	Q4FY21	Q1FY22	YoY (%)	QoQ (%)
Total Operating Income	39.8	42.8	45.7	49.8	44.8	44.2	50.7	43.6	39.9	53.4	56.9	64.2	60.2	51.0	-6.2
Raw Material Expenses	5.7	4.5	7.1	11.1	5.6	5.6	5.7	2.9	5.0	15.2	13.7	17.7	17.9	260.0	1.2
% of Revenue	14.3	10.6	15.6	22.3	12.5	12.6	11.2	6.5	12.4	28.5	24.0	27.5	29.7	1722 bps	216 bps
Gross Profit	34.1	38.2	38.6	38.6	39.2	38.6	45.0	40.8	34.9	38.2	43.2	46.5	42.3	21.3	-9.0
Gross Profit Margin (%)	85.7	89.4	84.4	77.7	87.5	87.4	88.8	93.5	87.6	71.5	76.0	72.5	70.3	-1722 bps	-216 bps
Employee Expenses	6.7	6.8	7.3	8.1	8.6	9.4	10.3	12.4	8.6	8.4	10.8	11.1	11.3	31.8	1.3
% of Revenue	16.9	15.8	16.0	16.4	19.3	21.2	20.3	28.5	21.5	15.8	19.0	17.4	18.8	-274 bps	139 bps
Other Expenditure	12.6	16.2	11.1	12.8	13.0	18.2	14.0	21.2	14.4	14.0	11.2	15.6	14.0	-3.1	-10.4
% of Revenue	31.5	37.8	24.3	25.7	29.0	41.2	27.7	48.5	36.2	26.2	19.8	24.3	23.2	-1298 bps	-109 bps
Total Expenditure	25.0	27.5	25.5	32.0	27.2	33.1	30.0	36.4	28.0	37.6	35.7	44.4	43.1	54.3	-2.9
% of Revenue	62.8	64.2	55.8	64.4	60.7	75.0	59.2	83.5	70.1	70.4	62.8	69.2	71.6	150 bps	246 bps
EBITDA	14.8	15.3	20.2	17.7	17.6	11.1	20.7	7.2	11.9	15.8	21.2	19.8	17.1	43.4	-13.7
EBITDA Margin (%)	37.2	35.8	44.2	35.6	39.3	25.0	40.8	16.5	29.9	29.6	37.2	30.8	28.4	-150 bps	-246 bps
Other Income	0.7	0.5	0.3	5.7	0.6	0.7	0.3	4.8	0.7	0.2	1.3	2.5	2.3	238.3	-5.2
Interest	1.3	2.2	1.1	2.1	1.9	1.4	2.6	2.5	1.5	2.1	1.5	1.4	0.9	-44.0	-40.1
Depreciation	2.2	3.2	2.7	3.6	3.2	3.2	3.4	3.2	3.2	3.2	3.3	3.6	3.2	1.7	-11.0
PBT	12.0	10.4	16.7	17.7	13.0	7.1	15.0	6.2	7.9	10.7	17.7	17.2	15.3	94.4	-10.8
Total Tax	3.7	4.5	4.3	3.6	4.9	0.9	3.0	1.5	2.8	4.0	4.8	3.8	4.3	52.0	14.3
Tax rate (%)	31.0	43.5	25.5	20.5	37.9	12.7	20.1	23.7	35.9	37.5	27.1	21.9	28.1	-783 bps	618 bps
PAT	8.6	7.0	12.8	13.2	8.4	6.5	11.5	2.7	5.7	6.7	12.3	9.7	12.5	118.5	28.9
PAT Margin (%)	21.7	16.3	28.0	26.5	18.7	14.8	22.7	6.3	14.3	12.5	21.7	15.1	20.8		
EPS (₹)	10.1	8.2	15.0	15.5	9.9	7.7	13.5	3.2	6.7	7.9	14.5	11.4	14.7		

Source: ICICI Direct Research

Exhibit 5: ICICI Direct Coverage Universe (Healthcare)

Company	I-Direct Code	CMP (₹)	TP Rating	M Cap (₹ cr)	EPS (₹)				PE(x)				RoCE (%)				RoE (%)				
					FY20	FY21	FY22E	FY23E	FY20	FY21	FY22E	FY23E	FY20	FY21	FY22E	FY23E	FY20	FY21	FY22E	FY23E	
Ajanta Pharma	AJAPHA	2239	2,695	Buy	19378	53.4	74.0	80.8	89.8	42.0	30.3	27.7	24.9	24.7	29.0	24.9	24.0	18.1	21.8	20.2	19.2
Alembic Pharma	ALEMPHA	758	885	Hold	14894	44.4	59.9	35.2	44.3	17.1	12.6	21.6	17.1	21.0	24.2	12.7	14.8	27.1	23.0	12.3	13.8
Apollo Hospitals	APOHOS	4133	3,870	Buy	59428	22.6	7.9	55.2	81.4	183.0	525.8	74.8	50.8	10.2	6.3	13.7	18.0	9.7	2.5	15.1	18.8
Aurobindo Pharma	AURPHA	826	1,165	Buy	48410	48.8	55.0	61.4	69.3	16.9	15.0	13.5	11.9	17.2	16.8	16.3	16.5	17.0	14.7	14.2	13.9
Biocon	BIOCON	374	400	Hold	44928	5.8	6.1	6.1	12.5	64.3	61.5	61.1	29.8	10.2	7.6	8.7	12.5	10.4	9.6	8.9	15.6
Cadila Healthcare	CADHEA	544	583	Hold	55692	14.0	21.5	20.8	22.0	38.9	25.3	26.1	24.8	10.7	12.6	13.1	12.9	13.8	16.9	12.6	12.1
Cipla	CIPLA	905	1,205	Buy	73009	19.2	29.9	35.5	41.6	47.1	30.3	25.5	21.7	12.0	16.3	17.9	18.4	9.8	13.1	14.0	14.5
Divi's Lab	DIVLAB	4915	5,815	Buy	130475	51.9	74.7	94.7	116.3	94.8	65.8	51.9	42.3	23.9	27.6	28.8	29.2	18.8	21.3	22.5	23.0
Dr Reddy's Labs	DRREDD	4708	5,250	Hold	78322	121.8	117.3	126.8	197.3	38.7	40.1	37.1	23.9	9.6	13.1	12.9	16.5	13.0	11.1	10.8	14.7
Glenmark Pharma	GLEPHA	571	750	Buy	16101	26.4	32.9	42.1	50.1	21.6	17.4	13.6	11.4	12.7	13.7	15.5	16.5	12.2	13.1	14.5	14.8
Hikal	HIKCHE	701	590	Hold	8647	8.1	10.8	16.5	19.6	86.6	64.9	42.5	35.7	12.8	15.1	17.2	18.4	12.2	14.3	18.1	17.9
Ipca Laboratories	IPCLAB	2387	2,560	Buy	30282	47.6	89.9	88.2	102.4	50.2	26.6	27.1	23.3	17.6	27.1	22.2	21.5	16.6	24.2	19.3	18.4
Jubilant Pharmova	JUBLIF	657	850	Buy	10465	44.6	37.4	59.9	84.9	14.7	17.6	11.0	7.7	11.7	13.7	18.2	22.4	12.7	12.6	16.9	19.5
Lupin	LUPIN	976	1,025	Hold	44299	-12.7	26.9	40.0	44.6	NA	36.3	24.4	21.9	9.7	9.0	12.6	13.2	-4.6	8.8	11.8	11.9
Narayana Hrudalaya	NARHRU	504	620	Buy	10294	6.4	-0.7	12.3	15.6	79.3	NA	40.9	32.4	11.0	1.2	14.5	16.8	11.4	-1.3	18.6	19.3
Natco Pharma	NATPHA	1049	1,010	Hold	19124	25.3	24.2	19.5	23.3	41.5	43.4	53.7	45.0	14.0	13.1	10.1	11.2	12.2	10.7	8.1	9.1
Sun Pharma	SUNPHA	777	800	Hold	186344	16.8	30.0	25.1	28.6	46.3	25.8	30.9	27.2	10.0	14.4	15.1	15.3	8.9	15.5	12.0	12.2
Syngene Int.	SYNINT	621	780	Buy	24820	10.3	10.1	11.0	15.6	60.2	61.3	56.3	39.8	14.5	11.5	13.1	16.6	16.8	13.5	13.6	16.1
Torrent Pharma	TORPHA	2900	3,250	Buy	49077	60.6	74.0	78.5	101.5	47.9	39.2	36.9	28.6	15.4	17.7	20.8	22.2	21.2	21.4	19.4	21.1
Shalby	SHALIM	197	210	Hold	2229	2.6	3.9	4.8	5.3	77.1	50.2	40.8	36.9	7.2	6.5	8.3	8.2	3.5	5.1	6.0	6.3
Aster DM	ASTDM	158	200	Buy	8217	5.7	3.0	10.8	15.0	27.7	53.4	14.6	10.5	7.2	5.4	9.2	11.1	8.7	4.4	13.8	16.1
Indoco Remedies	INDREM	520	575	Buy	3945	2.6	10.1	16.7	23.9	198.6	51.5	31.0	21.7	4.6	11.8	19.4	21.8	3.5	12.1	17.1	20.2
Caplin Point	CAPPOI	853	1,135	Buy	6756	28.4	32.0	40.8	47.4	30.0	26.6	20.9	18.0	26.5	25.4	26.1	25.6	22.7	20.4	21.1	20.0
Granules India	GRANUL	373	430	Buy	9741	12.4	22.2	23.6	28.7	30.0	16.8	15.8	13.0	15.2	24.0	23.4	24.2	16.7	25.3	21.5	21.0
Laurus Labs	LAULAB	708	785	Buy	34493	4.8	18.3	22.6	28.0	148.8	38.6	31.3	25.2	13.0	31.7	30.6	30.6	14.4	37.9	32.9	29.8

Source: ICICI Direct Research

Financial Summary

Exhibit 6: Profit and loss statement		₹ crore			
(Year-end March)	FY20	FY21	FY22E	FY23E	
Revenues	183.3	214.3	273.1	327.1	
Growth (%)	2.9	17.0	27.4	19.8	
Raw Material Expenses	19.7	51.5	73.2	78.5	
Employee Expenses	40.7	38.9	48.5	55.6	
Other Expenditure	67.5	55.3	63.4	83.4	
Total Operating Expenditure	127.9	145.7	185.1	217.5	
EBITDA	55.4	68.7	88.0	109.6	
Growth (%)	-18.6	23.9	28.1	24.5	
Interest	7.4	6.6	7.5	8.9	
Depreciation	13.1	13.3	19.9	24.0	
Other Income	6.4	4.7	3.0	2.9	
PBT before Exceptional Items	41.3	53.4	63.6	79.6	
Less: Forex & Exceptional Items	0.0	3.3	0.0	0.0	
PBT	41.3	50.1	63.6	79.6	
Total Tax	10.3	15.4	16.7	20.4	
PAT	29.2	34.4	47.4	59.7	
Adjusted PAT	29.2	37.8	47.4	59.7	
Growth (%)	-29.8	29.4	25.5	26.1	
EPS	34.3	40.5	55.7	70.2	
EPS (Adjusted)	34.3	44.4	55.7	70.2	

Source: Company, ICICI Direct Research

Exhibit 7: Cash flow statement		₹ crore			
(Year-end March)	FY20	FY21	FY22E	FY23E	
Profit/(Loss) after taxation	30.4	36.2	47.4	59.7	
Add: Depreciation & Amortization	13.2	13.3	19.9	24.0	
Add: Interest	7.7	4.0	7.5	8.9	
Net Increase in Current Assets	-36.1	14.2	-24.7	-41.6	
Net Increase in Current Liabilities	22.5	-15.0	8.6	8.0	
CF from operating activities	37.6	52.7	58.7	59.1	
(Inc)/dec in Fixed Assets	-72.5	-40.7	-70.0	-30.0	
(Inc)/dec in Investments	0.0	0.0	0.0	0.0	
Other Investing Activities	-2.9	-1.0	1.5	1.6	
CF from investing activities	-75.5	-41.7	-68.5	-28.4	
Proceeds from issues of Equity Sha	0.0	0.0	0.0	0.0	
Proceeds/(Repayment) Loan	28.2	-22.9	50.0	0.0	
(Payment) of Dividend and Dividend	-7.2	-5.6	-10.7	-13.5	
Other Financing Activities	-2.4	10.3	-7.5	-8.9	
CF from financing activities	18.6	-18.2	31.8	-22.3	
Net Cash flow	-19.2	-7.2	22.1	8.4	
Opening Cash	42.1	23.5	21.7	43.8	
Closing Cash	22.9	16.4	43.8	52.1	
FCF	-34.9	12.0	-11.3	29.1	

Source: Company, ICICI Direct Research

Exhibit 8: Balance Sheet		₹ crore			
(Year-end March)	FY20	FY21	FY22E	FY23E	
Equity Capital	8.5	8.5	8.5	8.5	
Reserve and Surplus	192.6	219.8	256.5	302.8	
Total Shareholders funds	201.1	228.3	265.0	311.3	
Total Debt	126.2	97.8	147.8	147.8	
Deferred Tax Liability	8.8	7.3	7.6	8.0	
Minority Interest	5.4	7.7	8.0	8.4	
Other Non Current Liabilities	7.0	23.6	24.8	26.0	
Source of Funds	348.5	364.6	453.2	501.6	
Gross Block - Fixed Assets	226.3	229.9	369.9	399.9	
Accumulated Depreciation	83.8	97.1	117.0	141.0	
Net Block	142.5	132.8	252.9	258.9	
Capital WIP	74.2	109.0	39.0	39.0	
Net Fixed Assets	216.7	241.8	291.9	297.9	
Total Intangible Assets	0.0	0.0	0.0	0.0	
Investments	0.0	0.0	0.0	0.0	
Inventory	64.0	62.2	82.3	103.0	
Cash	23.5	21.7	43.8	52.1	
Debtors	58.4	49.2	52.4	71.7	
Loans & Advances & Other CA	12.6	28.4	29.8	31.3	
Total Current Assets	158.5	161.5	208.2	258.1	
Creditors	18.6	28.1	35.8	42.9	
Provisions & Other CL	18.2	18.3	19.3	20.2	
Total Current Liabilities	36.8	46.4	55.0	63.1	
Net Current Assets	121.7	115.1	153.2	195.1	
LT L&A, Other Assets	10.2	7.8	8.2	8.6	
Deferred Tax Assets	0.0	0.0	0.0	0.0	
Application of Funds	348.5	364.6	453.2	501.5	

Source: Company, ICICI Direct Research

Exhibit 9: Key ratios					
(Year-end March)	FY20	FY21	FY22E	FY23E	
Per share data (₹)					
EPS	34.3	44.4	55.7	70.2	
Cash EPS	26.6	34.4	43.1	54.4	
BV	236.4	268.4	311.5	365.9	
DPS	7.7	10.0	12.5	15.8	
Cash Per Share	98.5	114.1	137.5	165.7	
Operating Ratios (%)					
Gross Profit Margins	89.2	76.0	73.2	76.0	
EBITDA margins	30.2	32.0	32.2	33.5	
Net Profit margins	15.9	17.6	17.3	18.3	
Inventory days	127.4	106.0	110.0	115.0	
Debtor days	116.4	83.8	70.0	80.0	
Creditor days	37.1	47.8	47.8	47.8	
Asset Turnover	0.8	0.9	0.7	0.8	
EBITDA conversion rate	67.9	76.8	66.7	53.9	
Return Ratios (%)					
RoE	14.5	16.5	17.9	19.2	
RoCE	14.0	16.5	15.7	17.6	
RoIC	16.9	23.7	18.4	20.8	
Valuation Ratios (x)					
P/E	70.4	59.6	43.3	34.4	
EV / EBITDA	38.9	31.0	24.5	19.6	
EV / Revenues	11.8	9.9	7.9	6.6	
Market Cap / Revenues	11.2	9.6	7.5	6.3	
Price to Book Value	10.2	9.0	7.7	6.6	
Solvency Ratios					
Debt / Equity	0.6	0.4	0.6	0.5	
Debt/EBITDA	2.3	1.4	1.7	1.3	
Current Ratio	3.7	3.0	3.0	3.3	

Source: Company, ICICI Direct Research

RATING RATIONALE

ICICI Direct endeavors to provide objective opinions and recommendations. ICICI Direct assigns ratings to its stocks according to their notional target price vs. current market price and then categorizes them as Buy, Hold, Reduce and Sell. The performance horizon is two years unless specified and the notional target price is defined as the analysts' valuation for a stock

Buy: > 15%

Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: < -15%



Pankaj Pandey

Head – Research

pankaj.pandey@icicisecurities.com

ICICI Direct Research Desk,
ICICI Securities Limited,
1st Floor, Akruiti Trade Centre,
Road No 7, MIDC,
Andheri (East)
Mumbai – 400 093
research@icicidirect.com

ANALYST CERTIFICATION

I/We, Siddhant Khandekar, Inter CA, Mitesh Shah, (cleared all 3 levels of CFA), Research Analysts, authors and the names subscribed to this report, hereby certify that all of the views expressed in this research report accurately reflect our views about the subject issuer(s) or securities. We also certify that no part of our compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view(s) in this report. It is also confirmed that above mentioned Analysts of this report have not received any compensation from the companies mentioned in the report in the preceding twelve months and do not serve as an officer, director or employee of the companies mentioned in the report.

Terms & conditions and other disclosures:

ICICI Securities Limited (ICICI Securities) is a full-service, integrated investment banking and is, inter alia, engaged in the business of stock brokering and distribution of financial products.

ICICI Securities is Sebi registered stock broker, merchant banker, investment adviser, portfolio manager and Research Analyst. ICICI Securities is registered with Insurance Regulatory Development Authority of India Limited (IRDAI) as a composite corporate agent and with PFRDA as a Point of Presence. ICICI Securities Limited Research Analyst SEBI Registration Number – INH000000990. ICICI Securities Limited SEBI Registration is INZ000183631 for stock broker. ICICI Securities is a subsidiary of ICICI Bank which is India's largest private sector bank and has its various subsidiaries engaged in businesses of housing finance, asset management, life insurance, general insurance, venture capital fund management, etc. ("associates"), the details in respect of which are available on www.icicibank.com.

ICICI Securities is one of the leading merchant bankers/ underwriters of securities and participate in virtually all securities trading markets in India. We and our associates might have investment banking and other business relationship with a significant percentage of companies covered by our Investment Research Department. ICICI Securities and its analysts, persons reporting to analysts and their relatives are generally prohibited from maintaining a financial interest in the securities or derivatives of any companies that the analysts cover.

Recommendation in reports based on technical and derivative analysis centre on studying charts of a stock's price movement, outstanding positions, trading volume etc. as opposed to focusing on a company's fundamentals and, as such, may not match with the recommendation in fundamental reports. Investors may visit icidirect.com to view the Fundamental and Technical Research Reports.

Our proprietary trading and investment businesses may make investment decisions that are inconsistent with the recommendations expressed herein.

ICICI Securities Limited has two independent equity research groups: Institutional Research and Retail Research. This report has been prepared by the Retail Research. The views and opinions expressed in this document may or may not match or may be contrary with the views, estimates, rating, and target price of the Institutional Research.

The information and opinions in this report have been prepared by ICICI Securities and are subject to change without any notice. The report and information contained herein is strictly confidential and meant solely for the selected recipient and may not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent of ICICI Securities. While we would endeavour to update the information herein on a reasonable basis, ICICI Securities is under no obligation to update or keep the information current. Also, there may be regulatory, compliance or other reasons that may prevent ICICI Securities from doing so. Non-rated securities indicate that rating on a particular security has been suspended temporarily and such suspension is in compliance with applicable regulations and/or ICICI Securities policies, in circumstances where ICICI Securities might be acting in an advisory capacity to this company, or in certain other circumstances.

This report is based on information obtained from public sources and sources believed to be reliable, but no independent verification has been made nor is its accuracy or completeness guaranteed. This report and information herein is solely for informational purpose and shall not be used or considered as an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments. Though disseminated to all the customers simultaneously, not all customers may receive this report at the same time. ICICI Securities will not treat recipients as customers by virtue of their receiving this report. Nothing in this report constitutes investment, legal, accounting and tax advice or a representation that any investment or strategy is suitable or appropriate to your specific circumstances. The securities discussed and opinions expressed in this report may not be suitable for all investors, who must make their own investment decisions, based on their own investment objectives, financial positions and needs of specific recipient. This may not be taken in substitution for the exercise of independent judgment by any recipient. The recipient should independently evaluate the investment risks. The value and return on investment may vary because of changes in interest rates, foreign exchange rates or any other reason. ICICI Securities accepts no liabilities whatsoever for any loss or damage of any kind arising out of the use of this report. Past performance is not necessarily a guide to future performance. Investors are advised to see Risk Disclosure Document to understand the risks associated before investing in the securities markets. Actual results may differ materially from those set forth in projections. Forward-looking statements are not predictions and may be subject to change without notice.

ICICI Securities or its associates might have managed or co-managed public offering of securities for the subject company or might have been mandated by the subject company for any other assignment in the past twelve months.

ICICI Securities or its associates might have received any compensation from the companies mentioned in the report during the period preceding twelve months from the date of this report for services in respect of managing or co-managing public offerings, corporate finance, investment banking or merchant banking, brokerage services or other advisory service in a merger or specific transaction.

ICICI Securities encourages independence in research report preparation and strives to minimize conflict in preparation of research report. ICICI Securities or its associates or its analysts did not receive any compensation or other benefits from the companies mentioned in the report or third party in connection with preparation of the research report. Accordingly, neither ICICI Securities nor Research Analysts and their relatives have any material conflict of interest at the time of publication of this report.

Compensation of our Research Analysts is not based on any specific merchant banking, investment banking or brokerage service transactions.

ICICI Securities or its subsidiaries collectively or Research Analysts or their relatives do not own 1% or more of the equity securities of the Company mentioned in the report as of the last day of the month preceding the publication of the research report.

Since associates of ICICI Securities and ICICI Securities as a entity are engaged in various financial service businesses, they might have financial interests or beneficial ownership in various companies including the subject company/companies mentioned in this report.

ICICI Securities may have issued other reports that are inconsistent with and reach different conclusion from the information presented in this report.

Neither the Research Analysts nor ICICI Securities have been engaged in market making activity for the companies mentioned in the report.

We submit that no material disciplinary action has been taken on ICICI Securities by any Regulatory Authority impacting Equity Research Analysis activities.

This report is not directed or intended for distribution to, or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject ICICI Securities and affiliates to any registration or licensing requirement within such jurisdiction. The securities described herein may or may not be eligible for sale in all jurisdictions or to certain category of investors. Persons in whose possession this document may come are required to inform themselves of and to observe such restriction.