

October 25, 2021

## Q2FY22 Result Update

☑ Change in Estimates | ☑ Target | ■ Reco

### Change in Estimates

	Current		Previous	
	FY23E	FY24E	FY23E	FY24E
Rating	HOLD		HOLD	
Target Price	2,342		2,319	
Sales (Rs. m)	1,40,939	1,61,389	1,33,948	1,53,455
% Chng.	5.2	5.2		
EBITDA (Rs. m)	17,677	20,908	17,728	20,631
% Chng.	(0.3)	1.3		
EPS (Rs.)	79.2	95.1	80.8	94.1
% Chng.	(2.0)	1.1		

### Key Financials - Consolidated

Y/e Mar (Rs bn)	FY21	FY22E	FY23E	FY24E
Sales (Rs. m)	89,265	1,22,179	1,40,939	1,61,389
EBITDA (Rs. m)	11,670	12,604	17,677	20,908
Margin (%)	13.1	10.3	12.5	13.0
PAT (Rs. m)	7,724	8,199	11,811	14,179
EPS (Rs.)	51.8	55.0	79.2	95.1
Gr. (%)	1.6	6.2	44.0	20.1
DPS (Rs.)	10.0	11.0	16.0	19.0
Yield (%)	0.4	0.5	0.7	0.8
RoE (%)	18.0	16.1	19.9	20.2
RoCE (%)	24.9	21.7	27.0	27.4
EV/Sales (x)	3.8	2.8	2.4	2.0
EV/EBITDA (x)	29.0	27.1	19.0	15.8
PE (x)	45.1	42.5	29.5	24.6
P/BV (x)	7.3	6.4	5.4	4.6

### Key Data

POLC.BO | POLYCAB IN

52-W High / Low	Rs.2,648 / Rs.854
Sensex / Nifty	60,967 / 18,125
Market Cap	Rs.349bn/ \$ 4,644m
Shares Outstanding	149m
3M Avg. Daily Value	Rs.3094.2m

### Shareholding Pattern (%)

Promoter's	68.36
Foreign	6.89
Domestic Institution	8.78
Public & Others	15.97
Promoter Pledge (Rs bn)	-

### Stock Performance (%)

	1M	6M	12M
Absolute	(3.0)	57.4	165.3
Relative	(4.5)	23.6	77.0

Paarth Gala

paarthgala@plindia.com | 91-22-66322242

Amnish Aggarwal

amnishaggarwal@plindia.com | 91-22-66322233

## RM inflation & market share focus to drag margins

### Quick Pointers:

- RM inflation in mid-single digits MoM, low single digit price hike impact margins
- Growth and market share gain focus in FY22; 2HE margins ~10-11%
- Maintains high single digit FMEG margin guidance in 2 years; 10-12% by FY26

**We cut our FY22 earnings by 13.4% given 1) RM volatility led margin pressure and 2) focus on topline growth and market share gains in the near term. However, thereafter, we expect margins to recover gradually and remain structurally positive on longer term prospects given 1) sustained increase in B2C mix with focus on premiumization 2) pick up in infrastructure/ renovation/ construction activities 3) implementation of Project Leap (Targeting Rs200bn revenue; margin improvement; GTM expansion by FY26) 4) gains from consumer shift from unorganized to organized sector. We estimate Sales/ PAT CAGR of 21.8%/ 22.4% over FY21-24E. We value the stock on SOTP basis and arrive at a target price of Rs2,342 (derived PE of 24.6x FY24 EPS; W&C/ FMEG valued at 25x/ 30x). However, given the sharp re-rating in the past 12 months' we expect returns to be back ended. Maintain Hold.**

**Sales grew by 48%, PAT down by 10.3%:** Revenue grew by 48% YoY to Rs31.3bn with W&C/ FMEG sales up by 46.4%/ 40.6% YoY. Gross margins contracted by 690bps YoY to 21.5%. EBITDA declined by 3.1% YoY to Rs3bn while margins contracted by 510bps YoY to 9.7%. Other expenses/employee cost/ ad spends (as a % of sales) were down by 80bps/ 80bps/ 20bps YoY. PAT de-grew by 10.3% YoY to Rs2bn.

**W&C/ FMEG sales up 46.4%/ 40.6%:** Wires & Cables (W&C) Revenues grew by 46.4% YoY to Rs25.5bn; EBIT fell by 10% YoY to Rs2.3bn; margins declined by 560bps YoY to 9%. FMEG Revenues grew by 40.6% to Rs3.4bn; EBIT fell by 12.3% YoY to 172mn; margins declined by 300bps YoY to 5%. Others (EPC) Revenues/EBIT grew by 37.2%/ 57.8% YoY to Rs796mn/ Rs145mn; margins up by 240bps to 18.2%. Copper Revenues grew by 82.8% YoY to Rs1.7bn; EBIT declined by 43.6% YoY to Rs50mn; margins contracted by 640bps YoY to 2.9%.

**Concall Takeaways:** 1) Within W&C, domestic distribution sustained its growth momentum. Institutional business remains subdued. Green shoots seen in Sept21 2) Improving investment in infra and construction will aide demand. 3) Will chase growth and market share in FY22. 2H margins to trend at bottom of 11-13% annual guidance 4) GRMs impacted as 2Q saw RM inflation in mid-single digit MoM with only low single digit price hikes 5) Within FMEG, premiumization will be one of the key strategic levers and will drive profitability. 25-30% fans contribution is from premium segment 6) FMEG margins guidance of 10-12% by FY26 7) Channel financing coverage – W&C 65-70%/ FMEG 35-40%

**Exhibit 1: Q2FY22 Result Overview (Rs mn): Sales grew by 48% YoY; PAT de-grew by 10.3% YoY**

Y/e March	Q2FY22	Q2FY21	YoY gr. (%)	Q1FY22	H1FY22	H1FY21	YoY gr. (%)
<b>Net Sales</b>	<b>31,288</b>	<b>21,137</b>	<b>48.0</b>	<b>18,805</b>	<b>50,093</b>	<b>30,903</b>	<b>62.1</b>
Operating & Manufacturing Expenses	24,554	15,128	62.3	14,399	38,953	22,225	75.3
<i>% of Net Sales</i>	<i>78.5</i>	<i>71.6</i>		<i>76.6</i>	<i>77.8</i>	<i>71.9</i>	
<b>Gross Profit</b>	<b>6,735</b>	<b>6,009</b>	<b>12.1</b>	<b>4,406</b>	<b>11,141</b>	<b>8,677</b>	<b>28.4</b>
<i>% of Net Sales</i>	<i>21.5</i>	<i>28.4</i>		<i>23.4</i>	<i>22.2</i>	<i>28.1</i>	
Personnel Cost	1,071	897	19.4	959	2,030	1,710	18.7
<i>% of Net Sales</i>	<i>3.4</i>	<i>4.2</i>		<i>5.1</i>	<i>4.1</i>	<i>5.5</i>	
Other Expenses	2,635	1,987	32.6	2,054	4,689	3,268	43.5
<i>% of Net Sales</i>	<i>8.4</i>	<i>9.4</i>		<i>10.9</i>	<i>9.4</i>	<i>10.6</i>	
Total Expenditure	28,260	18,012	56.9	17,412	45,672	27,203	67.9
<b>EBITDA</b>	<b>3,028</b>	<b>3,125</b>	<b>-3.1</b>	<b>1,393</b>	<b>4,422</b>	<b>3,700</b>	<b>19.5</b>
<i>Margin (%)</i>	<i>9.7</i>	<i>14.8</i>		<i>7.4</i>	<i>8.8</i>	<i>12.0</i>	
Other income	264	327	-19.4	253	517	664	-22.1
Depreciation	538	456	17.9	521	1,059	899	17.8
<b>EBIT</b>	<b>2,755</b>	<b>2,996</b>	<b>-8.1</b>	<b>1,125</b>	<b>3,880</b>	<b>3,464</b>	<b>12.0</b>
Interest	88	114	-22.4	122	210	277	-24.2
<b>PBT before exceptional item</b>	<b>2,666</b>	<b>2,882</b>	<b>-7.5</b>	<b>1,003</b>	<b>3,670</b>	<b>3,188</b>	<b>15.1</b>
Total Taxes	658	664	-0.9	229	887	719	23.4
<i>ETR (%)</i>	<i>24.7</i>	<i>23.0</i>		<i>22.9</i>	<i>24.2</i>	<i>22.6</i>	
<b>PBT before JV/Associates/Minority share</b>	<b>2,008</b>	<b>2,218</b>	<b>-9.5</b>	<b>774</b>	<b>2,782</b>	<b>2,469</b>	<b>12.7</b>
Share of JV/Associates	-3	-3		-21	-24	-14	
Non-controlling Interest	26	10		13	39	10	
<b>Adj. PAT</b>	<b>1,979</b>	<b>2,205</b>	<b>-10.3</b>	<b>740</b>	<b>2,719</b>	<b>2,445</b>	<b>11.2</b>
Exceptional Item	0	0		0	0	937	
<b>PAT</b>	<b>1,979</b>	<b>2,205</b>	<b>-10.3</b>	<b>740</b>	<b>2,719</b>	<b>3,382</b>	<b>-19.6</b>

Source: Company, PL

**Exhibit 2: Segmental Breakup (Rs mn): W&C/FMEG revenues grew by 46.4%/ 40.6% YoY**

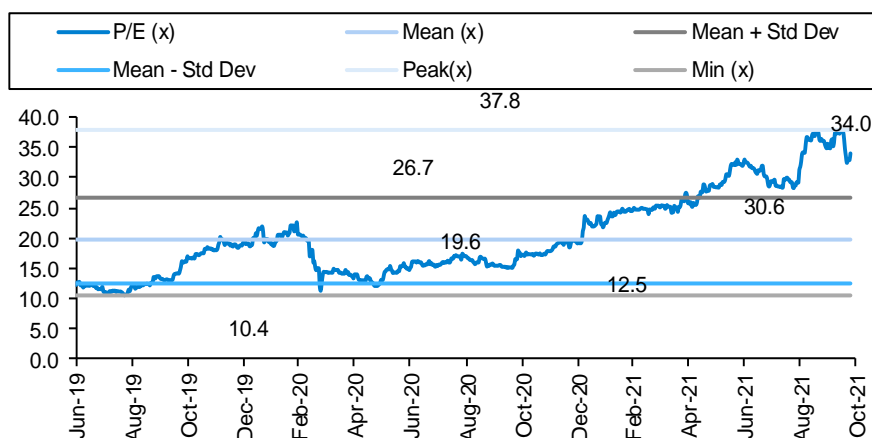
Y/e March	Q2FY22	Q2FY21	YoY gr. (%)	Q1FY22	H1FY22	H1FY21	YoY gr. (%)
<b>Revenues</b>							
Wires & Cables	25,481	17,408	46.4	15,862	41,343	25,343	63.1
FMEG	3,429	2,440	40.6	1,919	5,348	3,818	40.1
Copper	1,739	952	82.8	577	2,316	1,047	121.3
Others	796	580	37.2	575	1,371	1,062	29.2
<b>Total</b>	<b>31,445</b>	<b>21,379</b>	<b>47.1</b>	<b>18,933</b>	<b>50,378</b>	<b>31,268</b>	<b>61.1</b>
<b>EBIT</b>							
Wires & Cables	2,281	2,534	-10.0	1,040	3,321	2,778	19.6
<i>EBIT margin (%)</i>	<i>9.0</i>	<i>14.6</i>		<i>6.6</i>	<i>8.0</i>	<i>11.0</i>	
FMEG	172	196	-12.3	(143)	29	141	-79.6
<i>EBIT margin (%)</i>	<i>5.0</i>	<i>8.0</i>		<i>-7.5</i>	<i>0.5</i>	<i>3.7</i>	
Copper	50	88	-43.6	38	88	87	1.0
<i>EBIT margin (%)</i>	<i>2.9</i>	<i>9.3</i>		<i>6.6</i>	<i>3.8</i>	<i>8.3</i>	
Others	145	92	57.8	65	210	161	30.3
<i>EBIT margin (%)</i>	<i>18.2</i>	<i>15.8</i>		<i>11.3</i>	<i>15.3</i>	<i>15.2</i>	
<b>Total EBIT</b>	<b>2,648</b>	<b>2,911</b>	<b>-9.0</b>	<b>1,000</b>	<b>3,647</b>	<b>3,166</b>	<b>15.2</b>
<i>EBIT margin (%)</i>	<i>8.4</i>	<i>13.6</i>		<i>5.3</i>	<i>7.2</i>	<i>10.1</i>	

Source: Company, PL

**Exhibit 3: SOTP: Implied PE of 24.6x FY24 earnings**

FY24	Basis	Multiple	EPS	Value (Rs)	Value %
Wires & Cables	P/E	25	80.8	2019	86%
FMEG	P/E	30	8.7	260	11%
Copper	P/E	10	3.7	37	2%
Others (EPC)	P/E	10	2.6	26	1%
Target Price				2342	100%
<b>Implied P/E</b>		<b>24.6</b>			

Source: PL

**Exhibit 4: Polycab is trading at 10% discount to its peak 1yr forward multiple**


Source: PL

## Financials

### Income Statement (Rs m)

Y/e Mar	FY21	FY22E	FY23E	FY24E
<b>Net Revenues</b>	<b>89,265</b>	<b>1,22,179</b>	<b>1,40,939</b>	<b>1,61,389</b>
YoY gr. (%)	1.1	36.9	15.4	14.5
Cost of Goods Sold	66,065	94,031	1,04,464	1,18,779
Gross Profit	23,200	28,148	36,475	42,611
Margin (%)	26.0	23.0	25.9	26.4
Employee Cost	3,604	4,521	5,215	5,971
Other Expenses	3,422	4,670	5,761	6,613
<b>EBITDA</b>	<b>11,670</b>	<b>12,604</b>	<b>17,677</b>	<b>20,908</b>
YoY gr. (%)	2.8	8.0	40.2	18.3
Margin (%)	13.1	10.3	12.5	13.0
Depreciation and Amortization	1,866	2,168	2,337	2,553
<b>EBIT</b>	<b>9,804</b>	<b>10,436</b>	<b>15,341</b>	<b>18,355</b>
Margin (%)	11.0	8.5	10.9	11.4
Net Interest	531	411	558	563
Other Income	1,282	1,031	1,154	1,320
<b>Profit Before Tax</b>	<b>10,555</b>	<b>11,057</b>	<b>15,937</b>	<b>19,111</b>
Margin (%)	11.8	9.0	11.3	11.8
Total Tax	2,791	2,753	4,016	4,816
Effective tax rate (%)	26.4	24.9	25.2	25.2
<b>Profit after tax</b>	<b>7,764</b>	<b>8,304</b>	<b>11,921</b>	<b>14,295</b>
Minority interest	38	95	100	105
Share Profit from Associate	(2)	(9)	(10)	(11)
<b>Adjusted PAT</b>	<b>7,724</b>	<b>8,199</b>	<b>11,811</b>	<b>14,179</b>
YoY gr. (%)	1.8	6.2	44.0	20.1
Margin (%)	8.7	6.7	8.4	8.8
Extra Ord. Income / (Exp)	1,097	-	-	-
<b>Reported PAT</b>	<b>8,821</b>	<b>8,199</b>	<b>11,811</b>	<b>14,179</b>
YoY gr. (%)	16.2	(7.0)	44.0	20.1
Margin (%)	9.9	6.7	8.4	8.8
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	8,821	8,199	11,811	14,179
<b>Equity Shares O/s (m)</b>	<b>149</b>	<b>149</b>	<b>149</b>	<b>149</b>
<b>EPS (Rs)</b>	<b>51.8</b>	<b>55.0</b>	<b>79.2</b>	<b>95.1</b>

Source: Company Data, PL Research

### Balance Sheet Abstract (Rs m)

Y/e Mar	FY21	FY22E	FY23E	FY24E
<b>Non-Current Assets</b>				
<b>Gross Block</b>	<b>30,944</b>	<b>33,563</b>	<b>36,687</b>	<b>39,819</b>
Tangibles	30,712	33,301	36,394	39,497
Intangibles	233	263	293	323
<b>Acc: Dep / Amortization</b>	<b>12,271</b>	<b>14,268</b>	<b>16,453</b>	<b>18,828</b>
Tangibles	12,109	14,086	16,249	18,600
Intangibles	162	181	204	228
<b>Net fixed assets</b>	<b>18,673</b>	<b>19,296</b>	<b>20,234</b>	<b>20,991</b>
Tangibles	18,602	19,214	20,145	20,897
Intangibles	71	81	89	95
Capital Work In Progress	991	1,500	1,500	1,500
Goodwill	23	23	23	23
Non-Current Investments	2,017	2,101	1,951	1,709
Net Deferred tax assets	(418)	(495)	(655)	(846)
Other Non-Current Assets	717	826	834	842
<b>Current Assets</b>				
Investments	6,231	6,331	10,331	11,331
Inventories	19,879	26,779	30,505	34,931
Trade receivables	14,358	20,084	22,396	25,645
Cash & Bank Balance	5,313	1,971	3,636	8,053
Other Current Assets	1,563	1,833	2,114	2,421
<b>Total Assets</b>	<b>70,147</b>	<b>81,529</b>	<b>94,406</b>	<b>1,08,433</b>
<b>Equity</b>				
Equity Share Capital	1,491	1,491	1,491	1,491
Other Equity	46,048	52,756	62,926	74,719
<b>Total Network</b>	<b>47,539</b>	<b>54,247</b>	<b>64,417</b>	<b>76,210</b>
<b>Non-Current Liabilities</b>				
Long Term borrowings	1,037	617	197	-
Provisions	251	244	254	291
Other non current liabilities	341	341	341	341
<b>Current Liabilities</b>				
ST Debt / Current of LT Debt	890	1,222	1,268	1,291
Trade payables	13,480	18,291	20,320	21,478
Other current liabilities	5,776	5,483	6,217	7,084
<b>Total Equity &amp; Liabilities</b>	<b>70,147</b>	<b>81,529</b>	<b>94,406</b>	<b>1,08,433</b>

Source: Company Data, PL Research

**Cash Flow (Rs m)**

Y/e Mar	FY21	FY22E	FY23E	FY24E
PBT	10,552	11,048	15,927	19,100
Add. Depreciation	1,866	2,168	2,337	2,553
Add. Interest	531	411	558	563
Less Financial Other Income	1,282	1,031	1,154	1,320
Add. Other	(616)	(440)	(669)	(702)
Op. profit before WC changes	12,333	13,187	18,153	21,514
Net Changes-WC	2,458	(8,837)	(3,471)	(5,789)
Direct tax	(2,409)	(2,753)	(4,016)	(4,816)
<b>Net cash from Op. activities</b>	<b>12,382</b>	<b>1,596</b>	<b>10,666</b>	<b>10,909</b>
Capital expenditures	(1,911)	(3,300)	(3,275)	(3,310)
Interest / Dividend Income	181	452	847	941
Others	(8,391)	1,400	(5,000)	(4,000)
<b>Net Cash from Invt. activities</b>	<b>(10,121)</b>	<b>(1,448)</b>	<b>(7,429)</b>	<b>(6,369)</b>
Issue of share cap. / premium	84	-	-	-
Debt changes	(1,227)	(88)	(373)	(174)
Dividend paid	-	(1,491)	(1,640)	(2,386)
Interest paid	(463)	(411)	(558)	(563)
Others	-	-	-	-
<b>Net cash from Fin. activities</b>	<b>(1,606)</b>	<b>(1,990)</b>	<b>(2,572)</b>	<b>(3,123)</b>
<b>Net change in cash</b>	<b>656</b>	<b>(1,842)</b>	<b>665</b>	<b>1,417</b>
Free Cash Flow	10,471	(1,704)	7,391	7,599

Source: Company Data, PL Research

**Key Financial Metrics**

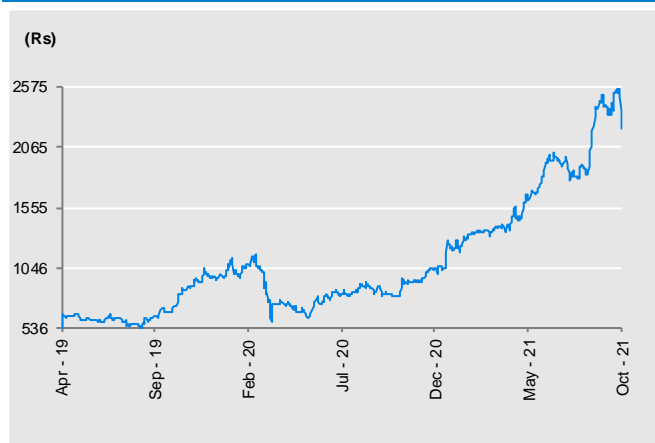
Y/e Mar	FY21	FY22E	FY23E	FY24E
<b>Per Share(Rs)</b>				
EPS	51.8	55.0	79.2	95.1
CEPS	64.3	69.5	94.9	112.2
BVPS	318.8	363.8	432.0	511.1
FCF	70.2	(11.4)	49.6	51.0
DPS	10.0	11.0	16.0	19.0
<b>Return Ratio(%)</b>				
RoCE	24.9	21.7	27.0	27.4
ROIC	21.9	17.6	24.4	26.2
RoE	18.0	16.1	19.9	20.2
<b>Balance Sheet</b>				
Net Debt : Equity (x)	(0.2)	(0.1)	(0.2)	(0.2)
Net Working Capital (Days)	85	85	84	88
<b>Valuation(x)</b>				
PER	45.1	42.5	29.5	24.6
P/B	7.3	6.4	5.4	4.6
P/CEPS	36.4	33.6	24.6	20.8
EV/EBITDA	29.0	27.1	19.0	15.8
EV/Sales	3.8	2.8	2.4	2.0
Dividend Yield (%)	0.4	0.5	0.7	0.8

Source: Company Data, PL Research

**Quarterly Financials (Rs m)**

Y/e Mar	Q3FY21	Q4FY21	Q1FY22	Q2FY22
<b>Net Revenue</b>	<b>27,988</b>	<b>30,374</b>	<b>18,805</b>	<b>31,288</b>
YoY gr. (%)	11.6	42.6	92.6	48.0
Raw Material Expenses	21,196	22,644	14,399	24,554
Gross Profit	6,792	7,731	4,406	6,735
Margin (%)	24.3	25.5	23.4	21.5
<b>EBITDA</b>	<b>3,758</b>	<b>4,213</b>	<b>1,393</b>	<b>3,028</b>
YoY gr. (%)	10.8	40.1	142.4	(3.1)
Margin (%)	13.4	13.9	7.4	9.7
Depreciation / Depletion	478	489	521	538
<b>EBIT</b>	<b>3,280</b>	<b>3,724</b>	<b>872</b>	<b>2,491</b>
Margin (%)	11.7	12.3	4.6	8.0
Net Interest	88	166	122	88
Other Income	345	274	253	264
<b>Profit before Tax</b>	<b>3,536</b>	<b>3,831</b>	<b>1,003</b>	<b>2,666</b>
Margin (%)	12.6	12.6	5.3	8.5
Total Tax	905	1,006	229	658
Effective tax rate (%)	25.6	26.3	22.9	24.7
<b>Profit after Tax</b>	<b>2,631</b>	<b>2,825</b>	<b>774</b>	<b>2,008</b>
Minority interest	11	17	13	26
Share Profit from Associates	5	7	(21)	(3)
<b>Adjusted PAT</b>	<b>2,625</b>	<b>2,814</b>	<b>740</b>	<b>1,979</b>
YoY gr. (%)	20.0	31.6	209.1	(10.3)
Margin (%)	9.4	9.3	3.9	6.3
Extra Ord. Income / (Exp)	-	-	-	-
<b>Reported PAT</b>	<b>2,625</b>	<b>2,814</b>	<b>740</b>	<b>1,979</b>
YoY gr. (%)	20.0	31.6	(37.1)	(10.3)
Margin (%)	9.4	9.3	3.9	6.3
Other Comprehensive Income	-	-	-	-
<b>Total Comprehensive Income</b>	<b>2,625</b>	<b>2,814</b>	<b>740</b>	<b>1,979</b>
Avg. Shares O/s (m)	149	149	149	149
<b>EPS (Rs)</b>	<b>17.6</b>	<b>18.9</b>	<b>5.0</b>	<b>13.3</b>

Source: Company Data, PL Research

**Price Chart**
**Recommendation History**


No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	06-Oct-21	Hold	2,319	2,449
2	22-Jul-21	Hold	1,977	1,912
3	06-Jul-21	BUY	1,927	1,980
4	07-Jun-21	BUY	1,927	1,743
5	06-Apr-21	BUY	1,480	1,376
6	25-Jan-21	BUY	1,359	1,211
7	08-Jan-21	BUY	1,247	1,278
8	04-Jan-21	BUY	1,247	1,034

**Analyst Coverage Universe**

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	InterGlobe Aviation	Hold	1,850	1,926
2	KEI Industries	UR	-	1,032
3	Polycab India	Hold	2,319	2,449
4	SpiceJet	Hold	70	71

**PL's Recommendation Nomenclature (Absolute Performance)**

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

## **ANALYST CERTIFICATION**

### **(Indian Clients)**

We/I, Mr. Paarth Gala- B.Com, Mr. Amnish Aggarwal- MBA, 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.

### **(US Clients)**

The research analysts, with respect to each issuer and its securities covered by them in this research report, certify that: All of the views expressed in this research report accurately reflect his or her or their personal views about all of the issuers and their securities; and No part of his or her or their compensation was, is or will be directly related to the specific recommendation or views expressed in this research report.

## **DISCLAIMER**

### **Indian Clients**

Prabhudas Lilladher Pvt. Ltd, Mumbai, India (hereinafter referred to as "PL") is engaged in the business of Stock Broking, Portfolio Manager, Depository Participant and distribution for third party financial products. PL is a subsidiary of Prabhudas Lilladher Advisory Services Pvt Ltd. which has its various subsidiaries engaged in business of commodity broking, investment banking, financial services (margin funding) and distribution of third party financial/other products, details in respect of which are available at [www.plindia.com](http://www.plindia.com).

This document has been prepared by the Research Division of PL and is meant for use by the recipient only as information and is not for circulation. This document is not to be reported or copied or made available to others without prior permission of PL. It should not be considered or taken as an offer to sell or a solicitation to buy or sell any security.

The information contained in this report has been obtained from sources that are considered to be reliable. However, PL has not independently verified the accuracy or completeness of the same. Neither PL nor any of its affiliates, its directors or its employees accepts any responsibility of whatsoever nature for the information, statements and opinion given, made available or expressed herein or for any omission therein.

Recipients of this report should be aware that past performance is not necessarily a guide to future performance and value of investments can go down as well. The suitability or otherwise of any investments will depend upon the recipient's particular circumstances and, in case of doubt, advice should be sought from an independent expert/advisor.

Either PL or its affiliates or its directors or its employees or its representatives or its clients or their relatives may have position(s), make market, act as principal or engage in transactions of securities of companies referred to in this report and they may have used the research material prior to publication.

PL may from time to time solicit or perform investment banking or other services for any company mentioned in this document.

PL is in the process of applying for certificate of registration as Research Analyst under Securities and Exchange Board of India (Research Analysts) Regulations, 2014

PL submits that no material disciplinary action has been taken on us by any Regulatory Authority impacting Equity Research Analysis activities.

PL or its research analysts or its associates or his relatives do not have any financial interest in the subject company.

PL or its research analysts or its associates or his relatives do not have actual/beneficial ownership of one per cent or more securities of the subject company at the end of the month immediately preceding the date of publication of the research report.

PL or its research analysts or its associates or his relatives do not have any material conflict of interest at the time of publication of the research report.

PL or its associates might have received compensation from the subject company in the past twelve months.

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

PL or its associates might have received any compensation for investment banking or merchant banking or brokerage services from the subject company in the past twelve months.

PL or its associates might have received any compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company in the past twelve months

PL or its associates might have received any compensation or other benefits from the subject company or third party in connection with the research report.

PL encourages independence in research report preparation and strives to minimize conflict in preparation of research report. PL or its analysts did not receive any compensation or other benefits from the subject Company or third party in connection with the preparation of the research report. PL or its Research Analysts do not have any material conflict of interest at the time of publication of this report.

It is confirmed that Mr. Paarth Gala- B.Com, Mr. Amnish Aggarwal- MBA, CFA Research Analysts of this report have not received any compensation from the companies mentioned in the report in the preceding twelve months

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

The Research analysts for this report certifies that all of the views expressed in this report accurately reflect his or her personal views about the subject company or companies and its or their securities, and no part of his or her compensation was, is or will be, directly or indirectly related to specific recommendations or views expressed in this report.

The research analysts for this report has not served as an officer, director or employee of the subject company PL or its research analysts have not engaged in market making activity for the subject company

Our sales people, traders, and other professionals or affiliates may provide oral or written market commentary or trading strategies to our clients that reflect opinions that are contrary to the opinions expressed herein, and our proprietary trading and investing businesses may make investment decisions that are inconsistent with the recommendations expressed herein. In reviewing these materials, you should be aware that any or all of the foregoing, among other things, may give rise to real or potential conflicts of interest.

PL and its associates, their directors and employees may (a) from time to time, have a long or short position in, and buy or sell the securities of the subject company or (b) be engaged in any other transaction involving such securities and earn brokerage or other compensation or act as a market maker in the financial instruments of the subject company or act as an advisor or lender/borrower to the subject company or may have any other potential conflict of interests with respect to any recommendation and other related information and opinions.

### **US Clients**

This research report is a product of Prabhudas Lilladher Pvt. Ltd., which is the employer of the research analyst(s) who has prepared the research report. The research analyst(s) preparing the research report is/are resident outside the United States (U.S.) and are not associated persons of any U.S. regulated broker-dealer and therefore the analyst(s) is/are not subject to supervision by a U.S. broker-dealer, and is/are not required to satisfy the regulatory licensing requirements of FINRA or required to otherwise comply with U.S. rules or regulations regarding, among other things, communications with a subject company, public appearances and trading securities held by a research analyst account.

This report is intended for distribution by Prabhudas Lilladher Pvt. Ltd. only to "Major Institutional Investors" as defined by Rule 15a-6(b)(4) of the U.S. Securities and Exchange Act, 1934 (the Exchange Act) and interpretations thereof by U.S. Securities and Exchange Commission (SEC) in reliance on Rule 15a 6(a)(2). If the recipient of this report is not a Major Institutional Investor as specified above, then it should not act upon this report and return the same to the sender. Further, this report may not be copied, duplicated and/or transmitted onward to any U.S. person, which is not the Major Institutional Investor.

In reliance on the exemption from registration provided by Rule 15a-6 of the Exchange Act and interpretations thereof by the SEC in order to conduct certain business with Major Institutional Investors, Prabhudas Lilladher Pvt. Ltd. has entered into an agreement with a U.S. registered broker-dealer, Marco Polo Securities Inc. ("Marco Polo").

Transactions in securities discussed in this research report should be effected through Marco Polo or another U.S. registered broker dealer.

---

**Prabhudas Lilladher Pvt. Ltd.**

**3rd Floor, Sadhana House, 570, P. B. Marg, Worli, Mumbai-400 018, India | Tel: (91 22) 6632 2222 Fax: (91 22) 6632 2209**

**[www.plindia.com](http://www.plindia.com)**