Prabhudas Lilladher

POWERING YOUR FINANCIAL GROWTH

Thermax (TMX IN)

Rating: ACCUMULATE | CMP: Rs2,038 | TP: Rs2,158

February 8, 2022

Q3FY22 Result Update

☑ Change in Estimates | ☑ Target | ■ Reco

Change in Estimates

	Current		Previous	
	FY23E	FY24E	FY23E	FY24E
Rating	ACCUMULATE		ACCUMULATE	
Target Price	2,158		1,633	
Sales (Rs. m)	71,506	83,811	73,293	81,587
% Chng.	*(2.4)*	*2.7*		
EBITDA (Rs. m)	6,007	7,504	6,240	6,946
% Chng.	*(3.7)*	*8.0*		
EPS (Rs.)	39.8	50.2	41.0	46.1
% Chng.	*(2.9)*	*8.9*		

Key Financials - Consolidated

Y/e Mar	FY21	FY22E	FY23E	FY24E
Sales (Rs. m)	47,913	59,840	71,506	83,811
EBITDA (Rs. m)	3,552	4,233	6,007	7,504
Margin (%)	*7.4*	*7.1*	*8.4*	*9.0*
PAT (Rs. m)	2,591	3,075	4,482	5,651
EPS (Rs.)	23.0	27.3	39.8	50.2
Gr. (%)	*22.0*	*18.7*	*45.8*	*26.1*
DPS (Rs.)	5.6	6.6	9.6	12.1
Yield (%)	*0.3*	*0.3*	*0.5*	*0.6*
RoE (%)	*8.3*	*9.1*	*12.3*	*14.0*
RoCE (%)	*7.1*	*8.4*	*11.9*	*14.0*
EV/Sales (x)	4.4	3.6	3.0	2.5
EV/EBITDA (x)	59.7	50.4	35.2	28.0
PE (x)	88.5	74.6	51.2	40.6
P/BV (x)	7.1	6.6	6.0	5.4

Key Data	THMX.BO | TMX IN
52-W High / Low	Rs.2,175 / Rs.1,122
Sensex / Nifty	57,621 / 17,214
Market Cap	Rs.243bn/ $ 3,251m
Shares Outstanding	119m
3M Avg. Daily Value	Rs.429.61m

Shareholding Pattern (%)

Promoter's	67.47
Foreign	12.45
Domestic Institution	14.60
Public & Others	5.48
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	7.1	47.9	72.7
Relative	11.0	39.3	52.1

Amit Anwani
amitanwani@plindia.com |

Nilesh Soni
nileshsoni@plindia.com | 91-22-66322232

Ordering momentum continues

Quick Pointers:

- Order inflow reported a strong growth of 57% YoY to Rs24.6bn, including large FGD order worth Rs8bn.
- Higher commodity price and freight cost impacted profitability during the quarter.

Thermax Ltd. (TMX) reported a healthy revenue growth of 14.5% YoY, led by growth across all segment, while profitability was impacted due to higher commodity price and freight cost. Order inflow grew 57% YoY to Rs24.6bn, including FGD orders worth Rs8bn in Q3FY22. Order book stands strong at Rs73.9bn (1.3x TTM revenue) providing revenue visibility over next few quarters. Demand remains strong from sectors such as refinery, petrochemical, O&G, sugar/distillery, cement, metals, pharma, F&B, solar etc. and will be key growth driver going forward.

We believe Thermax is well placed to capitalize on gradual economic recovery, private capex and thrust on clean energy & de-carbonization in long run given its 1) technical expertise, 2) strong balance sheet and 3) prudent working capital management. With strong order book and tender pipeline, we expect revenue/PAT to grow at CAGR of 21%/30% between FY21-24E. At CMP stock is trading at 74.6/51.2x/40.6x for FY22/23/24E. We roll forward to Mar'24 and maintain 'Accumulate' rating at TP of Rs2,158 (earlier Rs1,633), valuing it at PE of 43x FY24E (earlier 38x Sep'23E).

Revenue growth witnessed across all segment: Consol sales grew 14.5% YoY to Rs16.1bn in line with PLe ~Rs16.1bn led by growth across all the segment. Energy/Environment/Chemical grew by 9.1%/33.9%/39.6 YoY. Sudden rise in chemical raw material price impacted margins in chemical business (11.6% in Q3FY22 vs 26.1% in Q3FY21) as company was unable to pass on the cost. EBITDA declined 23.4% YoY to Rs1.1bn, (PLe ~Rs1.4bn) with EBITDA margins contracting by 346bps YoY to 7.0%, mainly due to lower gross margin (43.9% in Q3FY22 vs 46.7% in Q3FY21), higher other expenses (up 21% YoY) and employee cost (up 8.7% YoY). Other expenses were higher during the quarter due to increase in freight cost. PBT declined 23.4% YoY to Rs1bn, led by poor operational performance. Adj.PAT declined 28.5% YoY to Rs795bn (PLe ~Rs1bn).

Order book remains strong at Rs73.4bn: Order inflow came in at Rs24.6bn (up57.3% YoY), led by strong growth in domestic market (up 78% YoY), while exports market reported a growth of 4.9% YoY. Order book stands strong at Rs73.9bn (domestic 82%, exports 18%) up 41.9% YoY. Off the total order book-Energy comprises 67%, Environment 32% and Chemical 2%.

Exhibit 1: Higher commodity price impacts profitability

Y/e March (Rs mn)	Q3FY21	Q4FY21	Q1FY22	Q2FY22	Q3FY22	YoY gr. (%)	QoQ gr. (%)	9MFY22	9MFY21	YoY gr. (%)
Revenue	**14,106**	**15,745**	**10,524**	**14,693**	**16,147**	***14.5***	***9.9***	**41,364**	**32,167**	***28.6***
Total Revenues	**14,106**	**15,745**	**10,524**	**14,693**	**16,147**	***14.5***	***9.9***	**41,364**	**32,167**	***28.6***
Expenditure	12,630	14,349	9,893	13,593	15,016	*18.9*	*10.5*	38,503	30,012	*28.3*
as % of sales	*89.5*	*91.1*	*94.0*	*92.5*	*93.0*			*93.1*	*93.3*	
Consumption of RM	7,519	8,215	5,328	8,080	9,058	*20.5*	*12.1*	22,465	17,171	*30.8*
as % of sales	*53.3*	*52.2*	*50.6*	*55.0*	*56.1*			*54.3*	*53.4*	
Employee Cost	1,901	1,973	1,912	1,956	2,067	*8.7*	*5.7*	5,934	5,615	*5.7*
as % of sales	*13.5*	*12.5*	*18.2*	*13.3*	*12.8*			*14.3*	*17.5*	
Other expenditure	3,210	4,160	2,654	3,558	3,892	*21.2*	*9.4*	10,103	7,226	*39.8*
as % of sales	*22.8*	*26.4*	*25.2*	*24.2*	*24.1*			*24.4*	*22.5*	
EBITDA	**1,476**	**1,397**	**630**	**1,100**	**1,131**	***(23.4)***	***2.8***	**2,862**	**2,155**	***32.8***
Depreciation	291	288	274	274	290	*(0.3)*	*5.7*	838	858	*(2.3)*
EBIT	**1,185**	**1,109**	**357**	**826**	**841**	***(29.0)***	***1.9***	**2,024**	**1,298**	***56.0***
Other Income	282	358	254	368	292	*3.3*	*(20.6)*	913	719	*27.0*
Interest	57	63	48	51	53	*(6.9)*	*4.2*	151	143	*5.2*
PBT	**1,411**	**1,404**	**563**	**1,143**	**1,080**	***(23.4)***	***(5.5)***	**2,786**	**1,873**	***48.7***
Total Tax	300	330	139	264	286	*(4.5)*	*8.4*	688	356	*93.4*
Adjusted PAT	**1,111**	**1,074**	**424**	**879**	**795**	***(28.5)***	***(9.6)***	**2,098**	**1,518**	***38.2***
(Profit)/loss from JV's/Ass/MI	-	-	-	-	-	-	-	-	-	-
PAT after MI	**1,111**	**1,074**	**424**	**879**	**795**	***(28.5)***	***(9.6)***	**2,098**	**1,518**	***38.2***
Extra ordinary items	(279)	-	-	-	-	-	-	-	(525)	-
Reported PAT	**833**	**1,074**	**424**	**879**	**795**	***(4.6)***	***(9.6)***	**2,098**	**992**	***111.4***
Adjusted EPS	**9.9**	**9.5**	**3.8**	**7.8**	**7.1**	***(28.5)***	***(9.6)***	**18.6**	**13.5**	***38.2***
Margins (%)	**Q3FY21**	**Q4FY21**	**Q1FY22**	**Q2FY22**	**Q3FY22**	***bps***	***bps***	**9MFY22**	**9MFY21**	***bps***
EBIDTA	10.5	8.9	6.0	7.5	7.0	*(346)*	*(48)*	6.9	6.7	*22*
EBIT	8.4	7.0	3.4	5.6	5.2	*(319)*	*(41)*	4.9	4.0	*86*
EBT	10.0	8.9	5.3	7.8	6.7	*(331)*	*(109)*	6.7	5.8	*91*
PAT	5.9	6.8	4.0	6.0	4.9	*(98)*	*(106)*	5.1	3.1	*199*
Effective Tax rate	21.2	23.5	24.6	23.1	26.5	*523*	*339*	24.7	19.0	*571*

Source: Company, PL

Exhibit 2: Segmental Performance

Segmental Performance	Q3FY21	Q4FY21	Q1FY22	Q2FY22	Q3FY22	YoY gr. (%)	QoQ gr. (%)	9MFY22	9MFY21	YoY gr. (%)
Revenue										
Energy	10,658	11,753	7,627	10,572	11,632	*9.1*	*10.0*	29,831	24,520	*21.7*
Environment	2,534	3,019	1,804	3,119	3,393	*33.9*	*8.8*	8,316	4,923	*68.9*
Chemicals	1,113	1,194	1,227	1,287	1,554	*39.6*	*20.8*	4,068	3,101	*31.2*
Less:Intersegment	(199)	(221)	(134)	(285)	(431)	*116.5*	*51.3*	850	376	*126.3*
Total	**14,106**	**15,745**	**10,524**	**14,693**	**16,147**	***14.5***	***9.9***	**43,064**	**32,918**	***30.8***
EBIT										
Energy	966	1,088	279	841	728	*(24.7)*	*(13.5)*	1,848	1,090	*69.6*
EBIT margin (%)	*9.1*	*9.3*	*3.7*	*8.0*	*6.3*			*6.2*	*4.4*	
Environment	180	198	28	64	107	*(40.5)*	*68.1*	198	178	*11.4*
EBIT margin (%)	*7.1*	*6.6*	*1.5*	*2.0*	*3.2*			*2.4*	*3.6*	
Chemicals	291	221	216	199	171	*(41.0)*	*(13.9)*	587	813	*(27.9)*
EBIT margin (%)	*26.1*	*18.5*	*17.6*	*15.5*	*11.0*			*14.4*	*26.2*	

Source: Company, PL

Conference Call Highlights:

- Management indicated increase in commodity price and freight cost impacted margins during the quarter specially in Chemical segment, where it was unable to pass on the price.
- Q3FY22 Revenue breakup – Project 50%, Product 30-35% and services 15-20%.
- Capacity utilization is above pre-covid level at ~85-90%. Company has capability to outsource some work like fabrication to third party, given increase in demand.
- Surge in global demand coupled with supply chain disruption led to increase in chemical raw material prices in recent past.
- Margin pressure likely to continue given execution of ongoing 2 FGD projects; additionally, recently won FGD orders will continue to impact margins.
- Traction remains strong from O&G, refinery, petrochemical, steel etc. for big ticket orders.

Segment wise

- **Energy:** Revenue growth (up 9% YoY) was driven by shorter turnover business like heating boiler and chiller.
- **Environment:** Off the two ongoing FGD projects- TMX has completed 50% for its first FGD order and 30% of 2nd one. Expects revenue of Rs3.5bn in FY22 and Rs4-5b in FY23 from FGD vs Rs1bn in FY21. Solar- Within solar segment, Thermax caters to industrial clients. It is aggressively focusing on this segment and expects strong growth, going forward.
- **Chemical:** Chemical segment revenue growth was driven by price as well as volume growth. Chemical margin to sustain at 16-18% going forward, while FY21 margins (24.1%) were higher due to lower crude price.

Financials

Income Statement (Rs m)

Y/e Mar	FY21	FY22E	FY23E	FY24E
Net Revenues	**47,913**	**59,840**	**71,506**	**83,811**
YoY gr. (%)	*(16.4)*	*24.9*	*19.5*	*17.2*
Cost of Goods Sold	25,386	32,778	37,717	44,207
Gross Profit	22,526	27,062	33,789	39,604
Margin (%)	*47.0*	*45.2*	*47.3*	*47.3*
Employee Cost	7,588	8,378	10,011	11,734
Other Expenses	4,481	6,283	7,904	9,135
EBITDA	**3,552**	**4,233**	**6,007**	**7,504**
YoY gr. (%)	*(12.6)*	*19.2*	*41.9*	*24.9*
Margin (%)	*7.4*	*7.1*	*8.4*	*9.0*
Depreciation and Amortization	1,146	1,140	1,291	1,416
EBIT	**2,406**	**3,093**	**4,715**	**6,089**
Margin (%)	*5.0*	*5.2*	*6.6*	*7.3*
Net Interest	206	208	219	230
Other Income	1,077	1,239	1,480	1,676
Profit Before Tax	**2,752**	**4,123**	**5,977**	**7,535**
Margin (%)	*5.7*	*6.9*	*8.4*	*9.0*
Total Tax	686	1,048	1,494	1,884
Effective tax rate (%)	*24.9*	*25.4*	*25.0*	*25.0*
Profit after tax	**2,066**	**3,075**	**4,482**	**5,651**
Minority interest	-	-	-	-
Share Profit from Associate	-	-	-	-
Adjusted PAT	**2,591**	**3,075**	**4,482**	**5,651**
YoY gr. (%)	*22.0*	*18.7*	*45.8*	*26.1*
Margin (%)	*5.4*	*5.1*	*6.3*	*6.7*
Extra Ord. Income / (Exp)	(525)	-	-	-
Reported PAT	**2,066**	**3,075**	**4,482**	**5,651**
YoY gr. (%)	*(2.8)*	*48.8*	*45.8*	*26.1*
Margin (%)	*4.3*	*5.1*	*6.3*	*6.7*
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	2,066	3,075	4,482	5,651
Equity Shares O/s (m)	**113**	**113**	**113**	**113**
EPS (Rs)	**23.0**	**27.3**	**39.8**	**50.2**

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY21	FY22E	FY23E	FY24E
Non-Current Assets				
Gross Block	**19,878**	**21,678**	**23,478**	**25,278**
Tangibles	19,878	21,678	23,478	25,278
Intangibles	-	-	-	-
Acc: Dep / Amortization	**7,777**	**8,918**	**10,209**	**11,625**
Tangibles	7,777	8,918	10,209	11,625
Intangibles	-	-	-	-
Net fixed assets	**12,101**	**12,761**	**13,269**	**13,654**
Tangibles	12,101	12,761	13,269	13,654
Intangibles	-	-	-	-
Capital Work In Progress	530	530	530	530
Goodwill	-	-	-	-
Non-Current Investments	2,598	3,276	4,139	5,050
Net Deferred tax assets	1,540	1,540	1,540	1,540
Other Non-Current Assets	2,556	3,172	3,575	4,191
Current Assets				
Investments	1,153	1,153	1,153	1,153
Inventories	4,047	4,918	5,877	6,889
Trade receivables	13,380	13,116	15,673	18,370
Cash & Bank Balance	19,392	17,970	19,813	21,480
Other Current Assets	3,830	4,787	5,005	5,867
Total Assets	**63,458**	**66,649**	**74,255**	**83,300**
Equity				
Equity Share Capital	225	225	225	225
Other Equity	32,289	34,619	38,017	42,301
Total Networth	**32,514**	**34,844**	**38,242**	**42,526**
Non-Current Liabilities				
Long Term borrowings	222	233	244	257
Provisions	-	-	-	-
Other non current liabilities	-	-	-	-
Current Liabilities				
ST Debt / Current of LT Debt	2,829	2,818	2,806	2,794
Trade payables	11,710	11,476	13,714	16,073
Other current liabilities	17,725	18,818	20,789	23,190
Total Equity & Liabilities	**63,458**	**66,649**	**74,255**	**83,300**

Source: Company Data, PL Research

Cash Flow (Rs m)

Y/e Mar	FY21	FY22E	FY23E	FY24E
PBT	2,752	4,123	5,977	7,535
Add. Depreciation	1,017	1,140	1,291	1,416
Add. Interest	118	208	219	230
Less Financial Other Income	1,077	1,239	1,480	1,676
Add. Other	12	(1,239)	(1,480)	(1,676)
Op. profit before WC changes	3,899	4,233	6,007	7,504
Net Changes-WC	4,734	(2,476)	(463)	(1,618)
Direct tax	938	1,048	1,494	1,884
Net cash from Op. activities	**7,695**	**708**	**4,050**	**4,003**
Capital expenditures	(13,130)	(1,800)	(1,800)	(1,800)
Interest / Dividend Income	266	1,239	1,480	1,676
Others	6,507	(616)	(583)	(615)
Net Cash from Invt. activities	**(6,357)**	**(1,178)**	**(903)**	**(739)**
Issue of share cap. / premium	-	-	-	-
Debt changes	947	-	-	-
Dividend paid	-	(744)	(1,085)	(1,368)
Interest paid	(118)	(208)	(219)	(230)
Others	(56)	-	-	-
Net cash from Fin. activities	**772**	**(953)**	**(1,304)**	**(1,597)**
Net change in cash	**2,110**	**(1,422)**	**1,843**	**1,667**
Free Cash Flow	6,861	(1,092)	2,250	2,203

Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q4FY21	Q1FY22	Q2FY22	Q3FY22
Net Revenue	**15,745**	**10,524**	**14,693**	**16,147**
YoY gr. (%)	*19.0*	*58.3*	*28.8*	*14.5*
Raw Material Expenses	8,215	5,328	8,080	9,058
Gross Profit	7,530	5,196	6,613	7,089
Margin (%)	*47.8*	*49.4*	*45.0*	*43.9*
EBITDA	**1,397**	**630**	**1,100**	**1,131**
YoY gr. (%)	*119.7*	*(653.5)*	*38.7*	*(23.4)*
Margin (%)	*8.9*	*6.0*	*7.5*	*7.0*
Depreciation / Depletion	288	274	274	290
EBIT	**1,109**	**357**	**826**	**841**
Margin (%)	*7.0*	*3.4*	*5.6*	*5.2*
Net Interest	63	48	51	53
Other Income	358	254	368	292
Profit before Tax	**1,404**	**563**	**1,143**	**1,080**
Margin (%)	*8.9*	*5.3*	*7.8*	*6.7*
Total Tax	330	139	264	286
Effective tax rate (%)	*23.5*	*24.6*	*23.1*	*26.5*
Profit after Tax	**1,074**	**424**	**879**	**795**
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
Adjusted PAT	**1,074**	**424**	**879**	**795**
YoY gr. (%)	*175.0*	*(377.7)*	*57.3*	*(28.5)*
Margin (%)	*6.8*	*4.0*	*6.0*	*4.9*
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	**1,074**	**424**	**879**	**795**
YoY gr. (%)	*175.0*	*(377.7)*	*181.4*	*(4.6)*
Margin (%)	*6.8*	*4.0*	*6.0*	*4.9*
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	**1,074**	**424**	**879**	**795**
Avg. Shares O/s (m)	113	113	113	113
EPS (Rs)	**9.5**	**3.8**	**7.8**	**7.1**

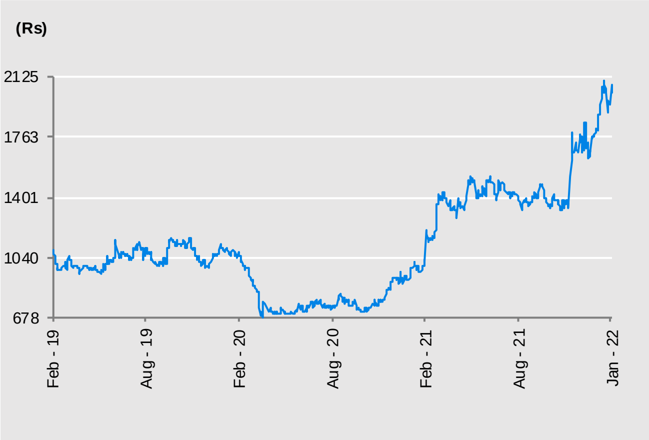
Source: Company Data, PL Research

Key Financial Metrics

Y/e Mar	FY21	FY22E	FY23E	FY24E
Per Share(Rs)				
EPS	23.0	27.3	39.8	50.2
CEPS	33.2	37.4	51.3	62.8
BVPS	288.8	309.5	339.6	377.7
FCF	60.9	(9.7)	20.0	19.6
DPS	5.6	6.6	9.6	12.1
Return Ratio(%)				
RoCE	7.1	8.4	11.9	14.0
ROIC	13.4	13.1	19.0	22.0
RoE	8.3	9.1	12.3	14.0
Balance Sheet				
Net Debt : Equity (x)	(0.5)	(0.5)	(0.5)	(0.5)
Net Working Capital (Days)	44	40	40	40
Valuation(x)				
PER	88.5	74.6	51.2	40.6
P/B	7.1	6.6	6.0	5.4
P/CEPS	61.4	54.4	39.7	32.5
EV/EBITDA	59.7	50.4	35.2	28.0
EV/Sales	4.4	3.6	3.0	2.5
Dividend Yield (%)	0.3	0.3	0.5	0.6

Source: Company Data, PL Research

Price Chart



Recommendation History

No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	11-Jan-22	Accumulate	1,633	1,922
2	13-Nov-21	Accumulate	1,633	1,530
3	5-Oct-21	Accumulate	1,559	1,349
4	9-Aug-21	Accumulate	1,559	1,360
5	6-Jul-21	Accumulate	1,559	1,484
6	26-May-21	Accumulate	1,559	1,455
7	7-Apr-21	Accumulate	1,008	1,275

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	ABB India	UR	-	2,288
2	Apar Industries	BUY	790	780
3	Bharat Electronics	BUY	265	210
4	BHEL	Sell	34	63
5	Cummins India	Accumulate	1,051	952
6	Engineers India	BUY	129	71
7	GE T&D India	Hold	139	132
8	Kalpataru Power Transmission	BUY	508	381
9	KEC International	Accumulate	572	517
10	Larsen & Toubro	BUY	2,382	1,898
11	Siemens	Accumulate	2,310	2,321
12	Thermax	Accumulate	1,633	1,922
13	Triveni Turbine	BUY	243	206
14	Voltamp Transformers	Accumulate	1,825	2,021

PL's Recommendation Nomenclature (Absolute Performance)

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

ANALYST CERTIFICATION

(Indian Clients)

We/I, Mr. Amit Anwani- MBA (Finance), Mr. Nilesh Soni- BCom, MBA (Finance) 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.

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. Amit Anwani- MBA (Finance), Mr. Nilesh Soni- BCom, MBA (Finance) 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