4 August 2020

KPIT Technologies

Rating: **Buy**
Target Price: ₹90
Share Price: ₹68

Performance converging to peers, large deal ramp-up in H2; Buy

KPIT revenues came at $65m, down 15.2%q/q (14% in CC), 10%y/y. The decline was mainly in AD-ADAS (down 27.7% q/q) and Diagnostics/Auto SAR (down 22% q/q). The EBIT margin was 6.7%, down 178bps q/q. Despite Q1FY21 capex being higher, at ₹332m (new facility and software), net cash was a high ₹3,938m, 21% of MCap. Capex for the rest of the year would come down sharply. With its in-line Q1 performance and growth expected to be back in H2 as large deals ramp up and offshoring increases, margins may see a tailwind. We raise our FY22e profit 5.2%, leading to a higher target of ₹90 (earlier ₹85) at 13x FY22e EPS.

Revenue to stabilise in Q2. KPIT's Q1 FY21 performance was better than LTTS' (down 12.5%q/q, 12%y/y) and Tata Elxsi's (down 11%q/q, up 2%y/y). Besides, it secured another large deal of over $60m through Tier-1 (Europe) after a $50m deal signed in Q4. Realisations dropped 10% q/q largely on account of higher offshoring. Europe (39% of revenue, down 19.3% q/q) was weak but expected to grow as the large deals ramp up from Q3. Two large deals in the last two quarters establish its competitiveness.

Offshoring, lower D&A to act as margin tailwinds. The EBITDA margin was 13.4%, down 37bps q/q, 116bps y/y. LTTS (16%, down 309bps q/q) and TataElxsi (23%, down 160bps q/q) also faced margin headwinds in Q1 FY21. D&A was higher at ₹330m (up 12% q/q) on account of a new facility in Germany but is expected to come down from Q3 as two facilities consolidate. Net profit was ₹240m, lower partly due to forex losses and partly to EBIT. DSO was 72 (up six days q/q) as trade discounts were given to a few clients. Money in operating accounts has reduced to 49% (81% in Q1 FY20), leading to anticipation of higher other income.

Maintaining a Buy, at a higher TP of ₹90 (13x FY22e). The stock trades at 10.2x FY22e EPS and 11% FCF yield, attractive given the anticipated H2 FY21 recovery and better margin delivery. **Risk:** Dependence on one vertical.

Key financials (YE Mar)	FY18	FY19	FY20	FY21e	FY22e
Sales (₹ m)	36,656	36,553	21,562	20,711	23,060
Net profit (₹ m)	2,529	2,536	1,483	1,349	1,811
EPS (₹)	12.7	9.4	5.5	4.9	6.6
PE (x)	7.4	7.4	12.2	13.8	10.3
EV / EBITDA (x)	3.5	2.8	4.7	4.9	4.2
PBV (x)	1.0	1.9	1.8	1.6	1.5
RoE (%)	14.9	18.3	15.2	12.4	15.2
RoCE (%)	11.9	18.5	13.3	9.9	11.4
Dividend yield (%)	3.5	3.6	1.5	2.5	3.9
Net debt / equity (x)	-0.2	-0.1	-0.4	-0.5	-0.5

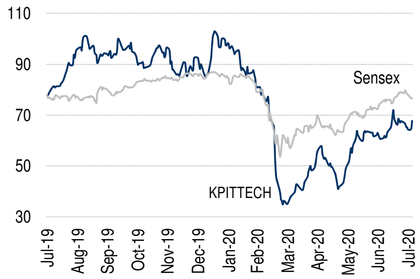
Source: Company, Anand Rathi Research

Key data	KPITTECH IN / KPIE.BO
52-week high / low	₹113 / 34
Sensex / Nifty	37662 / 11086
3-m average volume	$0.5m
Market cap	₹19bn / $247.3m
Shares outstanding	274m

Shareholding pattern (%)	Jun'20	Mar'20	Dec'19
Promoters	41.8	41.7	41.6
- of which, Pledged	*17.0*	*17.1*	*18.7*
Free float	58.2	58.4	58.4
- Foreign institutions	23.1	23.3	23.3
- Domestic institutions	12.5	12.6	11.8
- Public	22.6	22.4	23.3

Estimates revision (%)	FY21e	FY22e
Sales($)	(3.6)	(2.6)
EBITDA	8.7	6.0
PAT	(1.0)	5.2

Relative price performance



Source: Bloomberg

Mohit Jain
Research Analyst

Princy Bhansali
Research Associate

Quick Glance – Financials and Valuations

Fig 1 – Income statement (₹m)

Year-end: Mar	FY18	FY19	FY20	FY21e	FY22e
Revenues ($ m)	**567.6**	**523.1**	**303.8**	**272.9**	**303.4**
Growth (%)	*15*	*-8*	*-42*	*-10*	*11*
Net revenues	36,656	36,553	21,562	20,711	23,060
Employee & direct costs	27,665	26,353	16,353	15,647	17,290
Gross profit	8,991	10,200	5,209	5,064	5,770
Gross margins %	*24.5*	*27.9*	*24.2*	*24.5*	*25.0*
SG&A	5,037	5,186	2,238	2,183	2,415
EBITDA	**3,954**	**5,014**	**2,971**	**2,881**	**3,355**
EBITDA margins (%)	***10.8***	***13.7***	***13.8***	***13.9***	***14.6***
- Depreciation	843	1,113	1,080	1,267	1,221
Other income	307	-237	131	234	295
Interest expenses	104	210	198	174	133
PBT	3,314	3,455	1,823	1,675	2,297
Effective tax rate (%)	*21*	*23*	*19*	*19*	*21*
+ Associates / (Minorities)	-87	-132	-2	-8	-8
Net income	**2,529**	**2,536**	**1,483**	**1,349**	**1,811**
WANS	200	270	270	274	274
FDEPS (₹ / sh)	**12.7**	**9.4**	**5.5**	**4.9**	**6.6**

Fig 2 – Balance sheet (₹ m)

Year-end: Mar	FY18	FY19	FY20	FY21e	FY22e
Share capital	379	2,685	2,689	2,689	2,689
Net worth	18,169	9,596	10,470	11,347	12,433
Debt	2,771	1,289	196	-	-
Minority interest	36	39	36	44	52
DTL/(Assets)	-944	1	-387	-387	-387
Capital employed	**20,032**	**10,924**	**10,314**	**11,003**	**12,098**
Net tangible assets	3,096	3,261	4,277	3,669	2,952
Net intangible assets	1,171	-	-	-	-
Goodwill	4,275	942	988	1,431	1,867
CWIP (tang. &intang.)	68	-	52	52	52
Investments (strategic)					
Investments (financial)	1,185	-	93	93	93
Current assets (ex cash)	11,541	10,332	6,744	7,080	7,666
Cash	5,049	2,207	3,810	5,428	6,457
Current liabilities	6,353	5,818	5,650	6,749	6,988
Working capital	5,188	4,515	1,095	331	678
Capital deployed	**20,032**	**10,924**	**10,314**	**11,003**	**12,098**
Contingent liabilities	311	-	-	-	-

Fig 3 – Cash-flow statement (₹m)

Year-end: Mar	FY18	FY19	FY20	FY21e	FY22e
PBT	3,314	3,455	1,823	1,675	2,297
+ Non-cash items	1,474	313	1,590	1,267	1,221
Oper. prof. before WC	4,788	3,768	3,413	2,941	3,518
- Incr./(decr.) in WC	128	-1,332	-1,300	302	578
Others incl. taxes	-586	-510	-825	688	-408
Operating cash-flow	**4,074**	**4,590**	**3,887**	**3,327**	**2,531**
- Capex (tang. + intang.)	**1,159**	**1,622**	**686**	**659**	**503**
Free cash-flow	**2,915**	**2,968**	**3,201**	**2,668**	**2,028**
Acquisitions	-48	-	-233	-443	-436
- Div.(incl. buyback & taxes)	503	761	569	472	724
+ Equity raised	5	-	-0	-	-
+ Debt raised	-796	-1,482	-822	-196	-
- Fin investments	382	-1,185	511	-	-
- Misc. (CFI + CFF)	44	4,753	317	-60	-162
Net cash-flow	1,147	-2,843	750	1,617	1,030

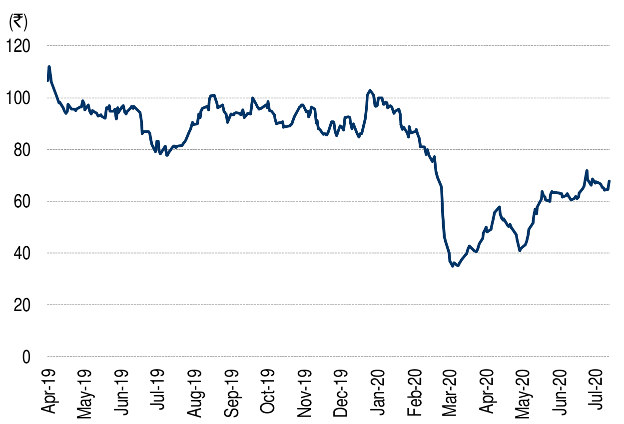
Source: Company, AnandRathi Research

Fig 4 – Ratio analysis

Year-end: Mar	FY18	FY19	FY20	FY21e	FY22e
P/E (x)	**7.4**	**7.4**	**12.2**	**13.8**	**10.3**
EV / EBITDA (x)	**3.5**	**2.8**	**4.7**	**4.9**	**4.2**
EV / Sales (x)	0.4	0.5	0.7	0.6	0.5
P/B (x)	1.0	1.9	1.8	1.6	1.5
RoE (%)	**14.9**	**18.3**	**15.2**	**12.4**	**15.2**
RoCE (%) - after tax	11.9	18.5	13.3	9.9	11.4
RoIC (%) - after tax	**16.2**	**24.9**	**18.0**	**15.4**	**19.3**
DPS (₹ / sh)	2.4	2.4	1.0	1.7	2.6
Dividend yield (%)	3.5	3.6	1.5	2.5	3.9
Dividend payout (%) - incl. DDT	22.1	30.0	21.2	40.8	46.6
Net debt / equity (x)	-0.2	-0.1	-0.4	-0.5	-0.5
Receivables (days)	**92**	**128**	**86**	**89**	**88**
Inventory (days)	-	-	-	-	-
Payables (days)	18	25	17	17	15
CFO : PAT %	**155.7**	**172.1**	**261.8**	**245.1**	**139.1**

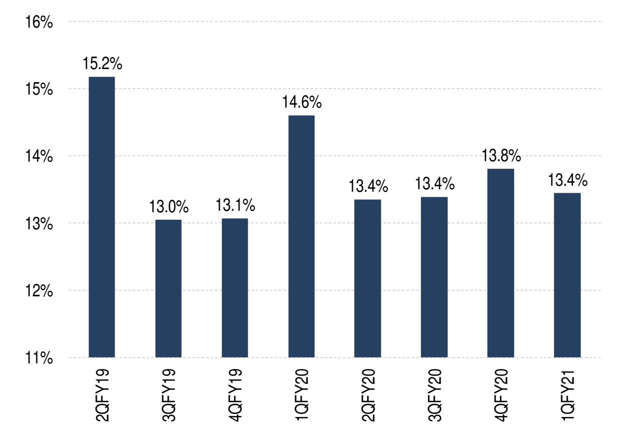
Source: Company, AnandRathi Research

Fig 5 – Price movement



Source: Bloomberg

Fig 6 – EBITDA margins



Source: Company

Note - Q1, Q2, Q3FY19 figures are KPIT Engineering financials(before the split); Q4FY19's are KPIT Tech's financials after the hiving off from Birlasoft IT

Result Highlights

Q1FY21 Results at a Glance

Fig 7 – Quarterly performance

	Q1 FY20	Q2 FY20	Q3 FY20	Q4 FY20	Q1 FY21	Q/Q growth, %	Y/Y growth, %
Revenues ($ m)	73	77	77	77	65	*-15.2%*	*-10.3%*
Growth Y/Y %	*16%*	*15%*	*9%*	*8%*	*-10%*		
Revenues (₹m)	5,058	5,441	5,501	5,562	4,927	*-11.4%*	*-2.6%*
Eff. exchange rate	69.5	70.5	71.6	72.3	75.5	*4.5%*	*8.6%*
Employees (EoP)	6,891	7,295	7,303	7,125	6,806		
Revenue productivity ($ '000 / employee)	11.0	11.2	10.5	10.5	9.2	*-13.1%*	*-16.7%*
Gross utilisation (IT services)	*72.9%*	*73.0%*	*73.0%*	*73.0%*	*70.0%*	*-300 bps*	*-294 bps*
CoR (excl. D&A)	(3,805)	(4,140)	(4,180)	(4,228)	(3,726)	*-11.9%*	*-2.1%*
As % of revenues	*-75%*	*-76%*	*-76%*	*-76%*	*-76%*	*38 bps*	*-39 bps*
SG&A	(514)	(574)	(584)	(566)	(539)	*-4.9%*	*4.8%*
As % of revenues	*-10%*	*-11%*	*-11%*	*-10%*	*-11%*	*-75 bps*	*-77 bps*
EBITDA	739	727	737	768	662	*-13.8%*	*-10.3%*
EBITDA margins %	*14.6%*	*13.4%*	*13.4%*	*13.8%*	*13.4%*	*-37 bps*	*-116 bps*
EBIT	500	462	454	474	332	*-29.9%*	*-33.6%*
EBIT margins %	*9.9%*	*8.5%*	*8.2%*	*8.5%*	*6.7%*	*-178 bps*	*-315 bps*
Other income	(57)	51	76	60	10	*-83.5%*	*-117.5%*
Forex gain / loss	(69)	29	58	2	(15)	*-961.6%*	*-78.0%*
Interest expense	(46)	(59)	(48)	(45)	(49)	*9.7%*	*7.6%*
PBT	398	454	482	489	293	*-40.1%*	*-26.4%*
PBT margins %	*7.9%*	*8.3%*	*8.8%*	*8.8%*	*5.9%*	*-32.4%*	*-24.4%*
Taxes	(88)	(86)	(72)	(92)	(51)	*-44.6%*	*-42.4%*
ETR %	*-22%*	*-19%*	*-15%*	*-19%*	*-17%*	*140 bps*	*481 bps*
Net income	376	330	429	388	240	*-38.1%*	*-36.1%*
NP margins %	*7.4%*	*6.1%*	*7.8%*	*7.0%*	*4.9%*	*-211 bps*	*-256 bps*

Note: CoR includes G&A employee costs as well
Source: Company, Anand Rathi Research

Fig 8 – Quarterly results(₹ m)

Year-end: Mar	Q1FY21	% Q/Q	% Y/Y	FY20	FY21	% Y/Y
Sales ($ m)	65	*(15.2)*	*(10.3)*	304	273	*(10.2)*
Sales	4,927	*(11.4)*	*(2.6)*	21,562	20,711	*(3.9)*
EBITDA	662	*(13.8)*	*(10.3)*	2,971	2,881	*(3.0)*
EBITDA margins (%)	*13.4*	*-37 bps*	*-116 bps*	*13.8*	*13.9*	*13 bps*
EBIT	332	*(29.9)*	*(33.6)*	1,890	1,614	*(14.6)*
EBIT margins (%)	*6.7*	*-178 bps*	*-315 bps*	*8.8*	*7.8*	*-97 bps*
PBT	293	*(40.1)*	*(26.4)*	1,823	1,675	*(8.1)*
Tax	(51)	*(44.6)*	*(42.4)*	(338)	(317)	*(6.3)*
Tax rate (%)	*(17.3)*	*140 bps*	*481 bps*	*(18.6)*	*(18.9)*	*-38 bps*
PAT (₹m)	240	*(38.1)*	*(36.1)*	1,523	1,349	*(11.4)*

Source: Company

Conference-call takeaways

- The demand environment has turned better in Q1 FY21 than in Q4 FY20 as there is more certainty now.
- Clients have cut their spending with KPIT the least of its peers; thus KPIT has gained market share.
- Apart from the large deal announced in Q1, KPIT won three deals with OEMs and a few more with tier-1 companies.There are few other large deals in the pipeline. KPIT is winning from vendor consolidation based on its capability.
- KPIT has won three deals in China in the past one month.
- Depreciation in Q1 includes ₹125m on account of a lease. In Q2, depreciation would increase and start reducing from Q3.
- Increase in DSO days was on account of extended payment terms to two clients which will normalise in Q4.
- There are 700 employees in Germany,after consolidation of all facilities. Many deals will be executed from the German centre.
- E-power train, ADAS and connected, will be growth drivers ahead.
- Payment of ₹170m was made during Q1 for earn-out payment for MicroFuzzy (now KPIT owns 95% in it). For acquisition of the rest 5% in Microfuzzy, another ~₹265m to be paid.
- 1,200 people work outside India.
- Attrition for the quarter was 11%

Outlook

- Q2 revenue to be flat sequentially, with flat margins.
- In Q3, higher utilisation and offshoring will help margins, offset by restoration in salaries. Q3 will see revenue growth and margin expansion.In Q4, lower D&A, higher offshoring and operating efficiency will shore up revenues and margins; EBITDA and PAT will be higher.
- Capex to be ₹480m for FY21.
- ETR to be 18% for FY21.
- Payout to remain close to 25%.

Notes from the Q4 FY20 concall

- The company wishes to expand beyond its T-25 strategic customers,incl. new-generation companies (Microsoft and Amazon) as it expects some shocks from a few of these strategic customers given the stress in the auto value-chain.
- The large dealof fiveyears, of $50m, that was in the pipeline has been signed. The benefit will start flowing in in H2FY21.This requires minimal additional capex and will be serviced through a dedicated software centre in Munich and Pune.
- To contain costs, the company decided to expand the percentage of variable pay by 10-15%, and has consolidated three facilities in India and two in Germany. The variable pay will be payable at the year-end depending on the company's performance.
- It is not feeling pressure on pricing but has extended credit periods for

some clients.

- Consequent on volumes declining, Q1revenue will decline10-15% q/q, but H2 will be better than H1.

Notes from the Q3 FY20 concall

- The demand environment is positive, with opportunities across regions and verticals.
- The company added four strategic customers in the target T-25 customer base.
- It has large deals (five-year, of double-digit million dollars) in the pipeline, giving it confidence of growth ahead, driven by passenger cars.
- The margins were lower on account of higher increments given this year to retain talent.
- Germany has 800 people, of which 25% are based at the client site.
- The tax rate was lower because of the cumulative impact of consolidation of income of the Germany entities. The tax rate will continue to be low (below 20%).
- The company maintains its FY20 revenue growth guidance of 16-18% and expects margins to trend up by another 200-300bps in coming years based on levers such as offshoring and utilisation.

Notes from the Q2 FY20 concall

- Promoter pledges are at peak levels and expected to come down gradually to zero in the next two years. The proceeds of the pledges have been used entirely to increase the promoters' stake in the company.
- Due to OEMs' focus on electric vehicles, traditional power-train is also growing as OEMs offload past works to vendors. On connected vehicles, one large programme was completed last year; hence, figures appear negative.
- Due to the high wage hikes, attrition has come down by ~10 percentage points, y/y.
- Management expects utilisation to pick up gradually. At present, net hiring is on the fresher side as KPIT attempts to reduce its dependence on lateral hires. This trend may continue for two quarters; the results will then show up in margins.
- Capex to hold at 2% of revenues.
- The company maintains its FY20 revenue growth guidance of 16-18% and EBITDA margin guidance and demand for its servicesat 14-15%.

Notes from the Q1 FY20 concall

- KPIT had the highest deal wins in the quarter as demand for its services is strong.
- Attrition was higher in the past, at 18%, but is now shrinking every quarter. This is also on account of the sharper focus and growth.
- Dividend payout will increase gradually but not in a huge way as the company needs cash and has retained earnings to support growth.
- Management talked of 16-18% CC revenue growth for FY20.
- The EBITDA margin would be 14-15%, according to the old accounting, and 15-16% per reported figures.

Notes from the Q4 FY19 concall

- The major chunk of the company's work lies in power-train (conventional and electrical), connectivity, autonomous (vision and control systems) and diagnostics. Diagnostics was soft in the quarter, especially in Europe. The company saw great traction in this space and, hence, is confident of growth returning.
- Growth in Europe was hit by the delayed execution of large deals. These revenues are expected to come in Q1 FY20. This region currently has 700 employees.
- The company is looking at $500m revenue in the next 4-5 years. Management guided to 16-18% CC revenue growth for FY20.
- FY20 margin of 14-15%, backed by operational efficiencies.
- ETR likely at ~22-23%

Factsheet

Fig 9 – Revenue-split, by industry

(%)	Q1 FY20	Q2 FY20	Q3 FY20	Q4 FY20	Q1 FY21
Passenger cars	73	76	76	76	78
Commercial vehicles	24	22	23	22	21
New mobility	1	1	1	1	1
Others	2	1	1	1	1

Source: Company

Fig 10 – Revenue-split, by services

(%)	Q1 FY20	Q2 FY20	Q3 FY20	Q4 FY20	Q1 FY21
Power-train	35	37	33	33	37
AD-ADAS	21	20	25	26	22
Connected vehicles	15	13	13	10	13
Others	29	30	30	31	29

Source: Company

Fig 11 – Revenue-split, by region

(%)	Q1 FY20	Q2 FY20	Q3 FY20	Q4 FY20	Q1 FY21
North America	42	44	40	40	42
Europe	37	36	41	41	39
APAC / RoW	21	20	19	19	18

Source: Company

Fig 12 – Client profiles (LTM)

%	Q1 FY20	Q2 FY20	Q3 FY20	Q4 FY20	Q1 FY21
Top-25	81.2	84.4	84.0	82.6	85.7
Growth, Q/Q	*8.8%*	*10.3%*	*-1.0%*	*-1.5%*	*NA*
Growth, Y/Y	*24%*	*13%*	*15%*	*17%*	*NA*
Active clients	60	55	55	58	55
Revenue per active client ($m / quarter)	1.2	1.4	1.4	1.3	1.2

Source: Company

Fig 13 – Employee movement

(%)	Q1 FY20	Q2 FY20	Q3 FY20	Q4 FY20	Q1 FY21
Employee movement					
Employees (EoP)	6,891	7,295	7,303	7,125	6,806
Net Addition	277	404	8	-178	-319
Utilization % (blended, est)	73	73	73	73	70

Source: Company

Fig 14 – Revenue-split, by delivery type and billing

(%)	Q1 FY20	Q2 FY20	Q3 FY20	Q4 FY20	Q1 FY21
Billing type					
T&M	49	54	46	49	48
FP	51	46	54	51	52

Source: Company

Fig 15 – Key verticals and horizontals growth y/y

(%)	Q1 FY20	Q2 FY20	Q3 FY20	Q4 FY20	Q1 FY21
Verticals growth					
Passenger cars	15	13	9	11	-4
Commercial vehicles	22	33	26	3	(23)
New mobility	(33)	90	44	(11)	15
Others	17	(60)	(79)	(15)	(80)
Horizontals growth					
Power-train	23	58	40	12	(5)
AD-ADAS	91	8	19	45	(8)
Connected vehicles	(23)	(26)	(28)	(24)	(24)
Others	7	9	2	(2)	(12)

Source: Company

Valuations

The stock quotes at 10.2x FY22e EPS of ₹6.6, which we find attractive given that the company is likely to grow faster than the industry in the medium term (14.3%overall revenue growth in FY20) and decline less than peers in FY21. It is also expected to clock 11.2% growth in FY22 once the auto industry recovers.

Its focus on its top-25 strategic clients (of its 55 active ones) and the expansion of its business to newer new-gen companies and regions such as China make us optimistic about its performance as China (the largest auto market in the world and an important one for European auto) is resuming economic activity Also, the company is confident of enjoying greater profitability (15%) in the next few years by higher offshoring although this target was delayed by a year due to FY21 being damaged by Covid-19. On the higher utilisation (target 75%), we expect the margin to recover to 14.6% by FY22 after flat performance in FY21 despite weak sales.

The net cash balance was ₹3,938m, a significant stepping up from the ~₹1,810m it reported a year earlier. Higher cash generation should take the total to ~₹5.5bn by end-FY21. The FCF yield is now 11.4%.

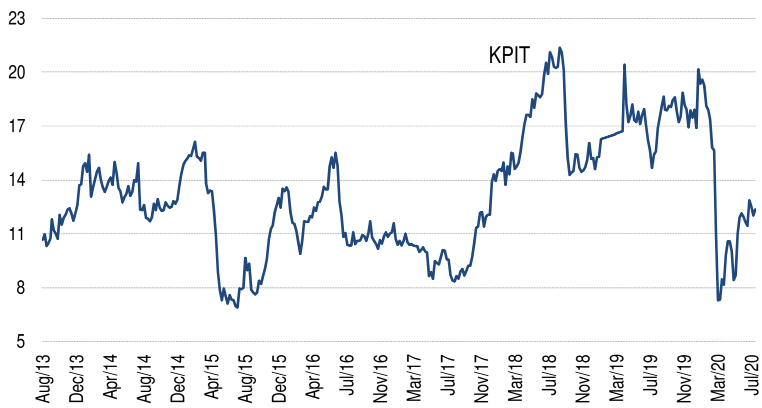
Considering these positives, we have assigned a target multiple of 13xFY22e EPS, with a target price of ₹90. We recommend a Buy.

Fig 16 –Change in estimates(₹m)

	FY21e			FY22e		
	New	Old	Chg.%	New	Old	Chg.%
Revenues ($m)	273	283	*(3.6)*	303	312	*(2.6)*
Revenues	20,711	20,774	*(0.3)*	23,060	22,861	*0.9*
EBITDA	2,881	2,650	*8.7*	3,355	3,165	*6.0*
EBITDA margins %	*13.9%*	*12.8%*	*115 bps*	*14.6%*	*13.8%*	*70 bps*
EBIT	1,614	1,475	*9.5*	2,135	1,990	*7.3*
EBIT margins %	*7.8%*	*7.1%*	*70 bps*	*9.3%*	*8.7%*	*55 bps*
PBT	1,675	1,701	*(1.5)*	2,297	2,178	*5.5*
Net profit	1,349	1,364	*(1.0)*	1,811	1,722	*5.2*

Source: Anand Rathi Research

Fig 17 – PE band



Source: Bloomberg, Anand Rathi Research

Risk

- Dependence on one vertical.

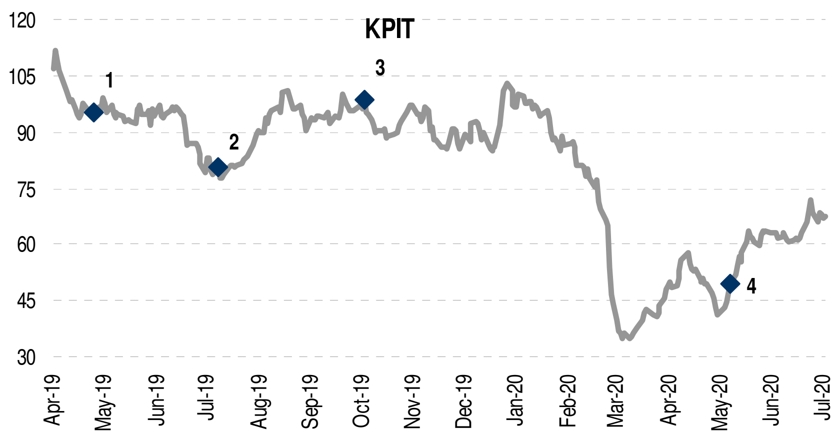
Appendix

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 4 August 2020)



	Date	Rating	TP (₹)	Share Price (₹)
1	16-May-19	Buy	140	97
2	29-Jul-19	Buy	135	80
3	24-Oct-19	Buy	130	80
4	29-May-20	Buy	85	47

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.