16 February 2021

JMC Projects

Rating: Buy
Target Price: Rs101
Share Price: Rs74

Execution recovered, BOT-toll restructuring nearing closure; Buy

With execution efficiency returned, JMC's revenues scaled a new quarterly high in Q3. Covid costs continue to weigh on margins, but management is confident of returning to its secular range sooner than later. The balance sheet is in shape, and the OB construct, too, is comforting (with the gradually rising exposure to infrastructure orders, especially water). In BOT-toll, restructuring efforts are nearing closure. Any success would support CFs, and hold good for monetisation efforts to gather pace. On the strong assurance and high valuations, we retain our Buy with a raised TP of Rs101 (on rolling forward to FY23 and a raised multiple).

Additions continue, sturdy OB. Though moderated from Q1's ~Rs20.7bn and Q2's ~Rs36bn, Q3 additions of ~Rs10.5bn were still good to cover works executed. Hence, the end-Q3 OB at ~Rs142bn was largely flat q/q, providing ample revenue assurance (~4.3x TTM revenues). Including the post-Q4 inflow of ~Rs7.6bn, and L1s of ~Rs7.5bn, the assurance turns even better to ~Rs150bn (providing sturdier assurance of ~4.8x TTM revenues).

Net debt down q/q. Notwithstanding a sharp sequential improvement in operations, net debt was down ~Rs1.5bn q/q to ~Rs6.6bn. This appears to have been made possible from strong client receipts (especially from slow-moving MP irrigation receivables) and an otherwise well-managed working-capital cycle. No new support to BOT-toll SPVs, too, helped.

BOT-toll, restructuring efforts reaching closure. Restructuring efforts for the two large BOT-toll assets have made good progress, with tangible results likely by Q1 FY22.

Valuation. On a mix of raised revenues (on the strong Q3), pruned margins (to account for input costs) and lowered leverage (per end-Q3 actuals), FY21e earnings are 13% higher. For FY22e, earnings are ~3% lower; mostly on pruned margins. On our newly introduced FY23e, the stock (excl. investments) trades at a PE of 7.3x FY23e. **Risk.** Delayed execution.

Key financials (YE Mar)	FY19	FY20	FY21e	FY22e	FY23e
Sales (Rs m)	32,529	37,130	35,918	42,162	47,907
Net profit (Rs m)	1,421	790	667	1,273	1,601
EPS (Rs)	8.5	4.7	4.0	7.6	9.5
Growth (%)	33.9	-44.4	-15.5	90.8	25.7
PE (x)	14.1	7.3	18.6	9.8	7.8
EV / EBITDA (x)	8.0	4.1	6.1	4.8	4.1
PBV (x)	2.2	1.3	1.2	1.1	1.0
RoE (%)	16.6	8.3	6.7	11.8	13.2
RoCE (%)	18.1	14.2	11.6	10.9	11.9
Net debt / equity (x)	0.7	0.8	0.7	0.7	0.6

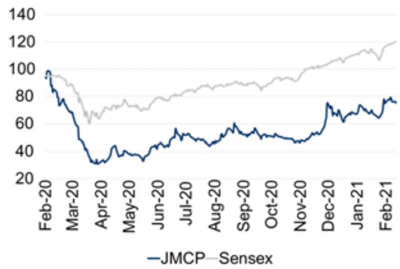
Source: Company, Anand Rathi Research

Key data	JMCP IN / JMCP.BO
52-week high / low	Rs88 / 30
Sensex / Nifty	52104 / 15313
3-m average volume	$0.5m
Market cap	Rs12.4bn / $171m
Shares outstanding	168m

Shareholding pattern (%)	Dec-20	Sep-20	Jun-20
Promoters	67.8	67.8	67.8
- of which, Pledged	-	-	-
Free float	32.3	32.3	32.3
- Foreign institutions	0.3	0.3	0.3
- Domestic institutions	16.6	17.1	17.0
- Public	15.4	14.9	14.9

Estimates revision (%)	FY21e	FY22e
Sales	8.0	-1.5
EBITDA	0.8	-4.0
EPS	13.3	-2.9

Relative price performance



Source: Bloomberg

Prem Khurana
Research Analyst

Rachit R Kamath
Research Associate

Quick Glance – Financials and Valuations (standalone)

Fig 1 – Income statement (Rs m)

Year-end: Mar	FY19	FY20	FY21e	FY22e	FY23e
Order inflows	56,290	33,640	82,350	52,703	59,884
Order backlog	99,620	95,460	141,892	152,432	164,409
Net revenues	32,529	37,130	35,918	42,162	47,907
Growth (%)	*18.0*	*14.1*	*-3.3*	*17.4*	*13.6*
Direct costs	17,194	20,998	20,079	23,620	26,633
SG&A	11,965	12,814	12,579	14,230	16,328
EBITDA	3,369	3,319	3,261	4,312	4,946
EBITDA margins (%)	*10.4*	*8.9*	*9.1*	*10.2*	*10.3*
Depreciation	781	1,173	1,409	1,482	1,549
Other income	248	274	214	226	240
Interest expenses	951	1,252	1,172	1,354	1,496
PBT	1,885	1,168	893	1,702	2,140
Effective tax rate (%)	*24.6*	*32.4*	*25.3*	*25.2*	*25.2*
+ Associates / (Minorities)	-	-	-	-	-
Net income	1,421	790	667	1,273	1,601
Adjusted income	1,421	790	667	1,273	1,601
WANS	168	168	168	168	168
FDEPS (Rs / sh)	8.5	4.7	4.0	7.6	9.5

Fig 2 – Balance sheet (Rs m)

Year-end: Mar	FY19	FY20	FY21e	FY22e	FY23e
Share capital	336	336	336	336	336
Net worth	9,233	9,699	10,225	11,357	12,817
Debt	7,567	8,389	8,295	9,455	9,373
Minority interest	0	0	0	0	-
DTL / (Assets)	(363)	(475)	(529)	(529)	-529
Capital employed	16,438	17,614	17,992	20,283	21,661
Net tangible assets	4,987	6,002	5,887	6,025	6,141
Net intangible assets	-	-	-	-	-
Goodwill	-	-	-	-	-
CWIP (tang. & intang.)	32	107	100	100	100
Investments (strategic)	4,164	4,164	4,164	4,164	4,164
Investments (financial)	0	0	0	0	-
Current assets (ex cash)	29,116	31,091	34,064	38,399	43,863
Cash	770	538	925	1,152	1,310
Current liabilities	22,632	24,289	27,149	29,557	33,917
Working capital	6,484	6,803	6,916	8,842	9,946
Capital deployed	16,438	17,614	17,992	20,283	21,661
Contingent liabilities	5,351	6,612	-	-	-

Fig 3 – Cash-flow statement (Rs m)

Year-end: Mar	FY19	FY20	FY21e	FY22e	FY23e
PBT + Net interest expense	2,588	2,145	1,852	2,830	3,396
+ Non-cash items	781	1,173	1,409	1,482	1,549
Oper. prof. before WC	3,369	3,319	3,261	4,312	4,946
- Incr. / (decr.) in WC	1,426	318	113	1,926	1,105
Others incl. taxes	469	487	280	429	539
Operating cash-flow	1,475	2,514	2,868	1,957	3,302
- Capex (tang. + intang.)	1,579	2,263	1,287	1,620	1,665
Free cash-flow	-104	251	1,580	337	1,637
Acquisitions	-	-	-	-	-
- Div.(incl. buyback & taxes)	121	142	141	141	141
+ Equity raised	-	-	-	-	-
+ Debt raised	190	710	-148	1,159	-82
- Fin investments	-	-	-	-	-
- Net interest expense + Misc.	655	1,051	905	1,128	1,256
Net cash-flow	-690	-232	387	227	158

Source: Company, Anand Rathi Research

Fig 4 – Ratio analysis

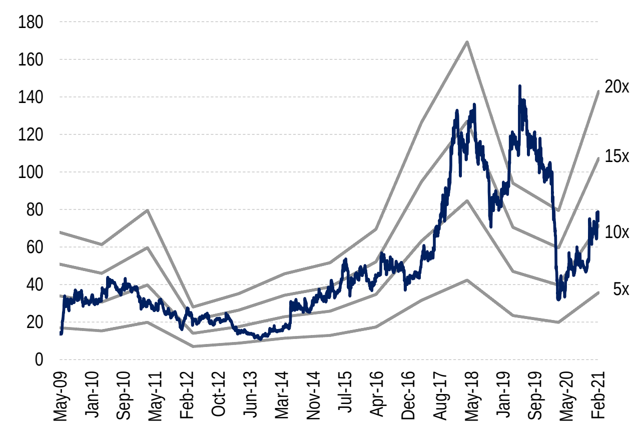
Year-end: Mar	FY19	FY20	FY21e	FY22e	FY23e
P/E (x)	14.1	7.3	18.6	9.8	7.8
EV / EBITDA (x)	8.0	4.1	6.1	4.8	4.1
EV / Sales (x)	0.8	0.4	0.6	0.5	0.4
P/B (x)	2.2	1.3	1.2	1.1	1.0
RoE (%)	16.6	8.3	6.7	11.8	13.2
RoCE (%)	18.1	14.2	11.6	10.9	11.9
RoIC (%)	12.9	9.1	7.8	10.0	10.8
DPS (Rs / sh)	0.6	0.7	0.7	0.7	0.7
Dividend yield (%)	0.5	2.0	0.9	0.9	0.9
Dividend payout (%) - incl. DDT	8.5	17.9	21.1	11.1	8.8
Net debt / equity (x)	0.7	0.8	0.7	0.7	0.6
Receivables (days)	107	98	105	105	105
Inventory (days)	28	24	25	25	25
Payables (days)	132	114	118	118	118
CFO : PAT%	103.7	318.4	429.8	153.7	206.3

Source: Company, Anand Rathi Research

Fig 5 – Price movement

Source: Bloomberg

Fig 6 – PE Band



Source: Company

Operations update

- **Revenue at a new quarterly high.** Swift recovery in execution efficiency coupled with a sturdy OB helped revenues scale a new quarterly high of ~Rs10.7bn in Q3 (up ~15% y/y, ~33% q/q). The improved scale of operations also indicates that some of the recently bagged orders too would have started contributing.
  - While the revenue composition is still skewed in favour of its B&F division, which brought ~56% to Q3 revenues, its share in total revenues is ebbing (down from ~60% a quarter back).
  - As execution gains traction at some of the recently bagged non-B&F orders (largely infrastructure), its share is expected to rise ahead (management envisages an equal split).
  - The company looks to deliver revenues of Rs13bn-14bn in Q4 FY21. This implies the FY21 revenue guidance to be flat y/y; it largely retained its earlier growth guidance.

Fig 7 – Financial highlights

(Rs m)	Q1 FY20	Q2 FY20	Q3 FY20	Q4 FY20	Q1 FY21	Q2 FY21	Q3 FY21	*% Y/Y*	*% Q/Q*
Revenue from Oper.	9,039	9,417	9,288	9,386	4,704	8,038	10,660	*14.8*	*32.6*
EBITDA	1,004	1,015	1,030	270	278	730	955	*-7.3*	*30.9*
EBITDA margin (%)	*11.1*	*10.8*	*11.1*	*2.9*	*5.9*	*9.1*	*9.0*	*-214bps*	*-12bps*
Interest	304	303	306	338	286	305	268	*-12.4*	*-12.0*
Depreciation	264	281	295	333	343	345	356	*20.9*	*3.2*
Other income	49	89	55	83	46	56	57	*4.9*	*2.3*
PBT	484	519	485	-319	-305	136	388	*-19.9*	*186.0*
Tax	128	128	98	25	-87	64	131	*34.4*	*104.7*
PAT	355	391	387	-344	-218	72	257	*-33.6*	*258.8*
EPS (Rs)	2.1	2.3	2.3	-2.0	-1.3	0.4	1.5	*-33.6*	*258.8*

Source: Company

- **High single-digit EBITDA margins.** Led by a ~349bp y/y contraction in the gross margin, the EBITDA margin was down ~214bps y/y to ~9% (down ~12bps q/q). Management attributed the y/y lower margin to a mix of higher raw-material prices and the covid-triggered additional costs incurred on transportation/accommodation of workers.
  - In Q3, the company incurred additional costs of ~Rs0.13bn on labour transport and accommodation, and ~Rs0.09bn for rising raw-material prices.
- **Earnings down y/y.** Y/y lower operating profit along with higher depreciation (on capex incurred in the recent past) and the higher effective tax rate (~34%, against ~20% a year ago) pushed net income down ~34% y/y to ~Rs257m.
  - The earnings decline could have been steeper had it not been for a reduction in finance costs (on lower debt).
  - Net income was up from ~Rs72m in Q2 FY21 and compares favourably to the Q1 loss.
- **Consolidated financials.** With the BOT-toll fee income accounting for a small portion of consolidated financials, the performance was largely dictated by standalone operations.

- Largely mirroring the standalone operations, consolidated revenues too were up ~15% y/y to ~Rs11.1bn. The EBITDA margin contracted ~223bps y/y (to ~11.3%).
- Consolidated financials imply BOT-toll income of ~Rs452m for the SPVs eligible for consolidation, and the derived EBITDA margin of ~66.7%.
- ~20% y/y and ~16% q/q higher revenues for the BOT-toll SPVs imply that traffic has recovered fast from the Covid-lows (and benefitted from festivities-led higher traffic).
- The share in the loss of the JV entity (Rohtak-Bawal BOT-toll project) was ~Rs56m, against ~Rs44m a year ago (and ~Rs79m a quarter back).

Fig 8 – Snapshot of consolidated and subsidiaries' financials

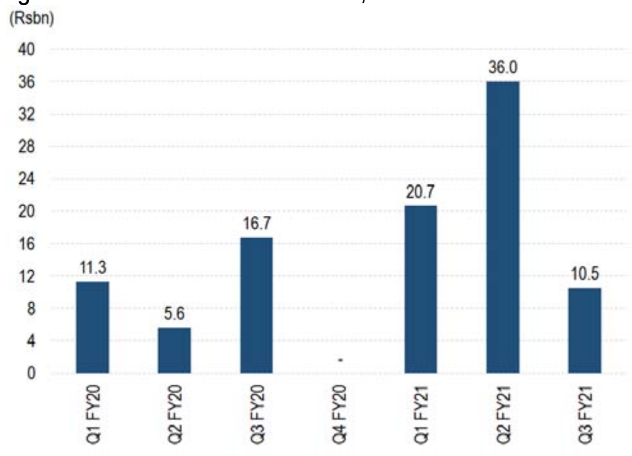
(Rs m)	Consolidated			Subsidiaries		
	Q3 FY21	*% Y/Y*	*% Q/Q*	Q3 FY21	*% Y/Y*	*% Q/Q*
Revenue	11,112	*15.0*	*31.9*	452	*20.0*	*16.4*
EBITDA	1,257	*-3.9*	*27.0*	302	*8.6*	*16.0*
EBITDA margins (%)	*11.3*	*-223bps*	*-44bps*	*66.7*	*-701bps*	*-19bps*
Interest	632	*-3.0*	*-1.5*	364	*5.3*	*7.9*
PBT	210	*-31.3*	-	-178	-	-
PAT	82	*-67.4*	-	-174	-	-
PAT after Share of JV / Associates	27	*-87.1*	-	-253	-	-
Net debt	15,300	*-11.9*	*-8.5*	8,680	*-0.3*	*0.8*

Source: Company

Order backlog / Revenue assurance

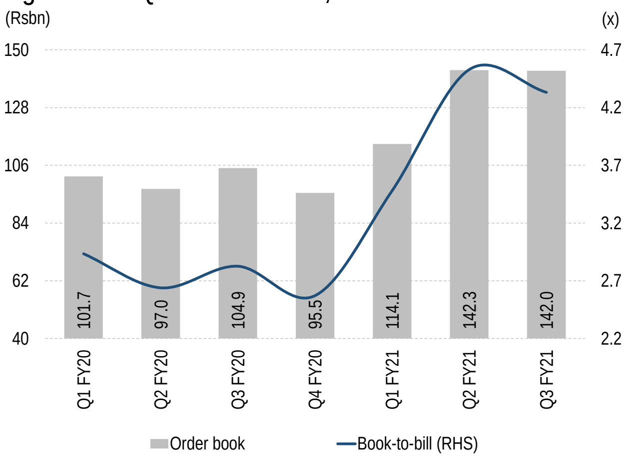
- Notwithstanding the Covid-disrupted context, the company has had strong order additions throughout FY21. During Q3, it bagged orders of ~Rs10.5bn and the inflow momentum continued post-Q3, with another ~Rs7.5bn. The ytd-FY21 firm order additions, at ~Rs74.9bn, are already considerably ahead of its previous best single year of order accretion (FY19: ~Rs56bn) and over 2x FY20 inflows.
  - Of the ytd additions, ~58% of orders (~Rs43bn) were from the buildings & factories segment, and infrastructure orders comprised ~39% of the inflows (~Rs29bn; largely pertaining to water-supply projects and an international order). The balance pertains to industrial works (of ~Rs2.7bn).
  - Besides these, the company also holds L1 status on orders of ~Rs7.5bn. Incl. the L1 status, the company delivered more than its (already twice-raised) FY21 inflow guidance of Rs70bn-80bn.
- With Q3 inflows only slightly lagging the works executed during the quarter, the end-Q3OB was down a slight~Rs240m q/q to ~Rs142bn. The OB provides ample revenue assurance of ~4.3x TTM revenues.
  - Accounting for the post-Q3 orders and L1 positions, the revenue potential jumps to ~Rs150bn, providing an even sturdier revenue assurance of ~4.8x.
  - This quells any and all concerns regarding sustainable growth in the medium term and beyond.

Fig 9 – Ytd firm inflows: ~Rs74.8bn, Incl. L1: ~Rs82.3bn



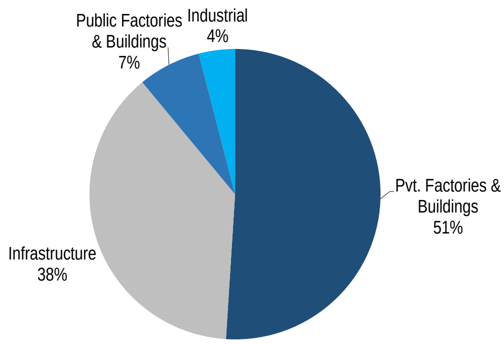
Source: Company

Fig 10 – End-Q3 OB: ~Rs142bn; BtB: ~4.3x TTM revenues



Source: Company

Fig 11 – B&F, still the lion's share (~51%), Infra (~38%) gaining ground



Source: Company *Note - For end-Q3 OB*

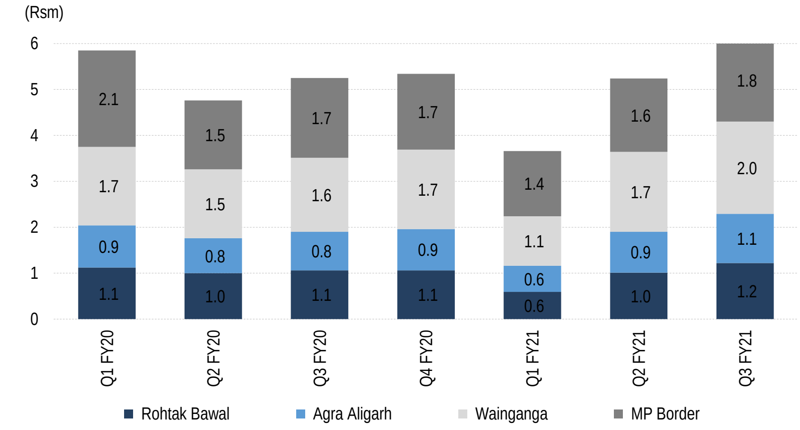
- With ytd order additions (incl. L1 positions), the company has already delivered more than its FY21 inflow guidance of Rs70bn-80bn. As such, it looks to firm up its existing L1 positions than to add more.
- On its overall inflow strategy, management looks to diversify the OB further by adding more international orders and sees a healthy bid-pipeline across infrastructure verticals (water-supply, roads and mass-housing).
    - It had earlier said that international orders, were being eyed in Africa and the SAARC nations and generally targets such projects that are financed by multi-lateral agencies (The World Bank, ADB, and so on).

BOT operations

- Pre-festival commercial traffic and an upswing in personal mobility on the eased Covid restrictions (more cars, to avoid public transport in the wake of the pandemic) seem to have aided in improving traffic at its projects from the lows seen in Q1. Consequently, average daily collections at its projects were up ~16% y/y to ~Rs6.09m (the best average daily collection in recent quarters).
    - Average daily collections rose y/y for all its projects, the most at Agra-Aligarh/Nagpur-Wainganga, ~27%/~25%.

- At Rohtak-Bawal, the average daily collection was up ~15% y/y and grew for the second straight quarter.
- The weakest y/y growth in average daily collection was seen at the MP border project (~3%).
- Management added that the strong average daily collection in Q3 helped it attain cash level break-even (envisaged at ~Rs5.9m per day) across its projects.
- A part of the current traffic flow is attributed to pent-up demand on Covid-restrictions being eased. Management expects traffic to gradually stabilise ahead.

Fig 12 – Average daily collection, project-wise



Source: Company

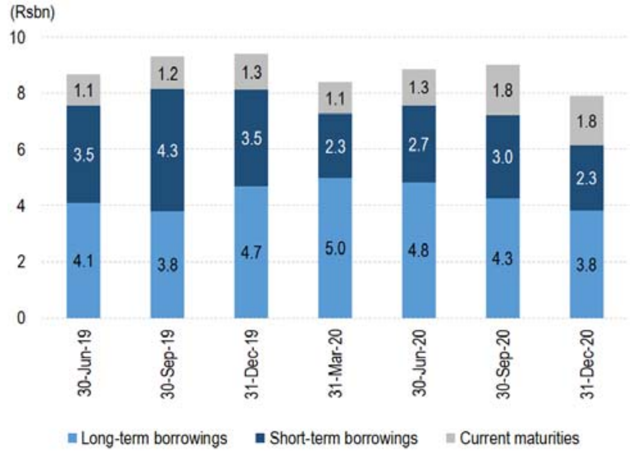
- Having availed of the benefits of the moratorium scheme announced by the RBI for all its BOT-toll SPVs earlier in the year (to better manage cash-flows), and with sturdy collections at the project-SPVs (which have attained cash-level break-even during Q3), it was not required to extend any further support to these project-SPVs (for the third straight quarter).
  - Thus, cumulative investments in its BOT-toll SPV portfolio at end-Q3 was ~Rs8.2bn (unchanged q/q and from end-FY20). Management said that, had the moratorium scheme not been availed of, it would have been required to provide support of Rs0.5bn-0.6bn.
  - Two of its BOT-toll SPVs have made significant progress to re-structure debt and closure is expected by Q1 FY22.
  - Post restructuring of these two assets, management envisages minimal (Rs0.15bn-0.2bn) to no additional support for its BOT-toll SPVs (on a yearly basis).
- **BOT-toll debt-restructuring/monetisation.** The company is now pursuing debt-restructuring for two of its assets: Rohtak-Bawal and Nagpur-Wainganga.
  - Debt-restructuring discussions have made significant progress and management is fairly confident of completing the process by Q1 FY22.
  - Debt-restructuring would help ease the cash-flow strain on these project SPVs.
  - Besides restructuring these two, monetisation talks are yet

progressing on the other two road assets. Management expects to make some progress on this front in FY22.

Balance sheet

- **Net debt down q/q and y/y.** Notwithstanding the sharp sequential improvement in scale of operations, net debt declined ~Rs1.5bn q/q to ~Rs6.6bn (at 31st Dec'20, down ~Rs2bn y/y). The sequential decline seems attributable to strong collections from its clients and, consequently, the better working-capital cycle.
  - Strong collections, especially from the slow-moving MP irrigation projects, was the key to overall net debt improving.
  - Besides this, the steeper y/y decline we believe is on account of lack of support extended to its BOT-toll project-SPVs; consequently, it utilised the free cash generated for de-levering.

Fig 13 – Standalone gross debt down ~Rs1.1bn q/q to ~Rs7.9bn; net debt down ~Rs1.5bn q/q



Source: Company

Fig 14 – Consol. gross debt down ~Rs1.2bn q/q, Consol. net debt led by lower standalone net debt, down ~Rs1.4bn q/q

Source: Company

  - The net debt implies a net-debt-to-equity of ~0.7x at end-Q3 FY21, down from ~0.9x a quarter ago and ~0.8x a year ago.
  - Having already delivered better-than-earlier-envisaged end-FY21 net debt (of ~Rs8bn), management expects net debt to largely hold steady at current levels.
- At end-Q3 FY21 consolidated net debt was down ~Rs1.4bn q/q to ~Rs15.3bn; largely reflecting the decline in the standalone entity. This implies that SPVs eligible for consolidation (combined) saw net debt rise by ~Rs71m q/q to ~Rs8.7bn.

Guidance

- A pickup in the pace of execution and an augmented order backlog made the management largely retain its earlier FY21 guidance of flattish y/y revenues.
  - In Q4, the company looks to deliver Rs13bn-14bn revenues, split equally between the B&F and non-B&F categories.
  - In FY22, it looks to deliver 15-20% revenue growth.
  - Ahead, from Q4 the B&F and non-B&F segments are expected to contribute revenues in a largely equal split. This would compare to a historically B&F skewed revenue profile for the company.

- With ytd FY21 order inflows of ~Rs82.4bn (incl. L1 of ~Rs7.5bn), the company has already delivered more than its (twice-raised) FY21 order-inflow guidance of Rs70bn-80bn. Ahead, it intends to firm up its L1 order position by end-FY21.
  - For FY22, it targets to add similar inflows of Rs70bn-80bn.
- Having already incurred additional costs owing to the Covid-19 pandemic, management expects to gradually return to its secular EBITDA margin range of ~10-11%.
- Having already delivered ahead of its earlier guidance to close FY21 with net debt of ~Rs8bn, management now expects to end-FY21 net debt at current levels.
  - For FY22, it aims to close the year with net debt of ~Rs7.5bn.

Valuation

We raise our FY21e revenue on the swifter-than-anticipated recovery in the pace of execution. But the EBITDA margin has been pruned to account for the sharp surge in key raw material prices. The estimate revisions also take into account pruned debt levels. On a mix of all these, FY21e earnings are ~13% higher. Mostly on pruned margins, though, FY22e earnings are down ~3%.

We introduce FY23e and roll forward our valuation. Our FY23e assume revenues of ~Rs47.9bn (~14% y/y higher), EBITDA of ~Rs4.9bn (margin at ~10.3%) and net income of ~Rs1.6bn (up ~26% y/y).

On our newly introduced FY23e, our sum-of-parts based target price is derived using 10x FY23e construction EPS; the road-asset portfolio is valued using the discounted-cash-flow approach. Consequently, the construction business is valued at Rs95 a share, and BOT-toll at Rs6 (a 20% discount to the DCF value). The two give us a target of Rs101 a share (earlier Rs68). Besides the rolling forward, the higher target price is also the result of the higher construction PE multiple, from 8x to 10x. This has been raised on the sturdy additions (hence, strong revenue assurance) and a general contraction in the cost of capital).

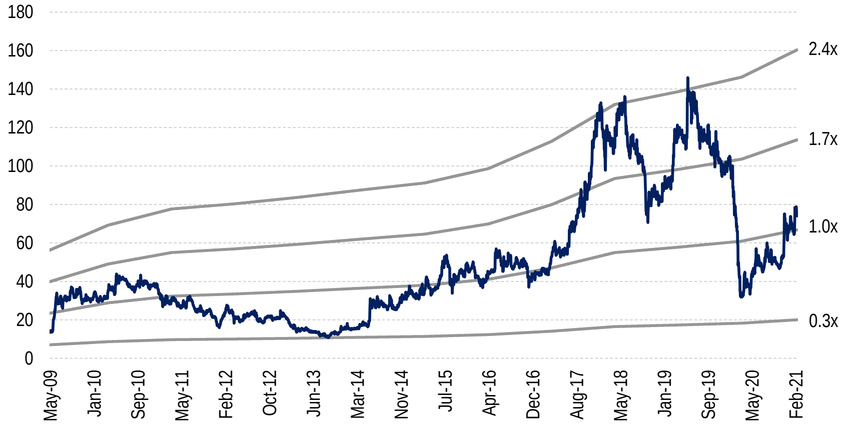
Fig 15 – Change in estimates

Rsm	Old		Revised		% change	
	FY21e	FY22e	FY21e	FY22e	FY21e	FY22e
Revenue	33,257	42,822	35,918	42,162	8.0	-1.5
EBITDA	3,234	4,490	3,261	4,312	0.8	-4.0
EPS (Rs)	3.5	7.8	4.0	7.6	13.3	-2.9

Source: Anand Rathi Research

On our estimates, the stock is now available at PERs of 9.2x FY22e and 7.3x FY23e (excl. BOT-toll). On P/BV, it quotes at 1.1x FY22e and 1x FY23e, against the TP-implied exit multiple of 1.3x FY23e.

Fig 16 – PBV band



Source: Company, Anand Rathi Research

Risks

- Slower-than-expected pace of execution.
- More-than-anticipated cash-flow mismatch in SPVs.

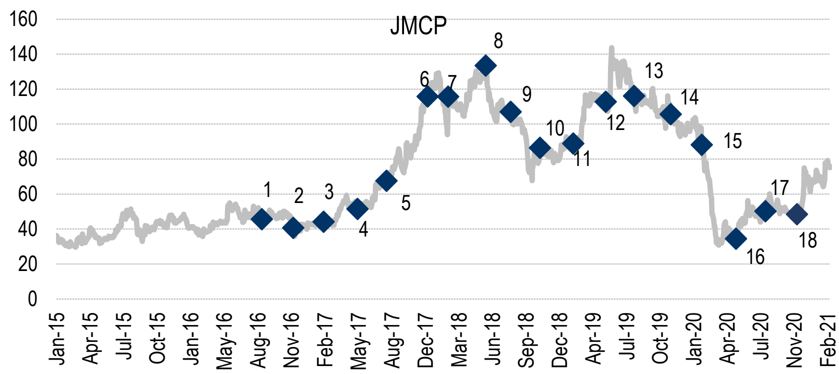
Appendix

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 16 February 2021)



	Date	Rating	TP (Rs)	Share Price (Rs)
1	18-Aug-16	Buy	68	48
2	17-Nov-16	Buy	64	42
3	15-Feb-17	Buy	62	47
4	20-May-17	Buy	72	54
5	14-Aug-17	Buy	82	67
6	11-Dec-17	Buy	136	114
7	08-Feb-18	Buy	142	105
8	28-May-18	Buy	146	132
9	08-Aug-18	Buy	147	109
10	01-Nov-18	Buy	143	86
11	04-Feb-19	Buy	150	93
12	10-May-19	Buy	162	115
13	31-Jul-19	Buy	164	118
14	07-Nov-19	Buy	165	112
15	12-Feb-20	Buy	145	99
16	21-May-20	Buy	71	33
17	14-Aug-20	Buy	70	52
18	05-Nov-20	Buy	68	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.