

KNR Construction

Estimate change 

TP change 

Rating change 

CMP: INR281

TP: INR360 (+28%)

Buy

Another strong quarter; beat on all fronts

Margins to remain elevated

- KNR Construction (KNRC) continued its robust performance with revenue growth of 26% YoY, surpassing our expectations by 8%. The order book (OB) was strong at INR116b (including recently won projects), with the OB/revenue ratio at 3.7x.
- Total pending receivables from Irrigation stood at INR7b, which the management expects to recover by end-FY22. The company is debt-free at the standalone level.
- The credit rating for long-term facilities was recently upgraded from IND AA- to IND AA, with a stable outlook.
- We raise our FY23/FY24 estimate by 9.1%/6.4% on account of better-than-expected operating performance. The TP has been increased to INR360 on **a)** 16x Sep'23E EPS for the EPC business and **b)** P/Inv of 1x on road assets. Maintain **Buy**.

Execution momentum continues

- **2QFY22 snapshot:** The topline grew 26% YoY to ~INR7.6b in 2QFY22 and was 8% ahead of our estimate. The topline on a QoQ basis grew 2% despite the impact of the monsoon season.
- The EBITDA margin was robust at 22.2% in 2QFY22 (+155 bps YoY). EBITDA/PAT grew 35%/62% YoY to INR1.7b/INR0.95b (v/s our estimate of INR1.3b/INR0.7b).
- The current order book (OB) stands at ~INR116b (incl. recently won projects), with the OB/revenue ratio at 3.7x.

Key takeaways from management commentary

- The execution momentum continued in 2QFY22 despite the monsoon. The workforce strength has reached pre-COVID levels. Execution was primarily driven by HAM projects during the quarter.
- The 2QFY22 revenue split stood as follows: 46% for HAM, 30% for Irrigation, and 24% for Other EPC.
- One of the HAM projects (KNR Shankarampet) received a provisional commercial operations date (PCOD) on 5th Oct.
- The incremental equity requirement is INR6.4b over the next three years (INR2.7b/INR2.3b/INR1.35b for FY22/FY23/FY24).
- The revenue guidance stands at INR30b and EBITDA margin would be 18–19% for FY22.

Valuation and view

- Including recently won projects, KNR has won orders of INR56b in 1HFY22. We expect the company to focus on the faster execution of the current order book. Irrigation receivables are a key monitorable due to the payment delays witnessed.
- On the back of such a strong order book, we expect KNR to post a revenue/EPS CAGR of 24%/36% over FY21–24. We maintain a **Buy** rating, with higher TP of INR360 on **a)** 16x Sep'23E EPS for the EPC business and **b)** P/Inv of 1x on road assets.

Bloomberg	KNRC IN
Equity Shares (m)	281
M.Cap.(INRb)/(USDb)	78.9 / 1.1
52-Week Range (INR)	344 / 129
1, 6, 12 Rel. Per (%)	-8/10/80
12M Avg Val (INR M)	254

Financials & Valuations (INR b)

Y/E Mar	2021	2022E	2023E
Sales	27.0	34.2	42.8
EBITDA	5.4	6.8	8.3
PAT	2.5	3.8	5.4
EBITDA (%)	19.8	20.0	19.5
EPS (INR)	9.0	13.5	19.1
EPS Gr. (%)	24.1	49.7	41.6
BV/Sh. (INR)	66.4	79.4	98.0

Ratios

Net D/E	-0.1	-0.1	-0.1
RoE (%)	14.5	18.5	21.5
RoCE (%)	15.1	19.5	22.4
Payout (%)	0.0	3.7	2.6

Valuations

P/E (x)	31.2	20.9	14.7
P/BV (x)	4.2	3.5	2.9
EV/EBITDA (x)	14.5	11.3	9.2
Div Yield (%)	0.0	0.1	0.1
FCF Yield (%)	2.6	1.3	3.7

Shareholding pattern (%)

As On	Sep-21	Jun-21	Sep-20
Promoter	51.5	53.3	55.0
DII	33.9	34.4	34.3
FII	4.3	2.3	1.5
Others	10.4	10.1	9.1

FII Includes depository receipts

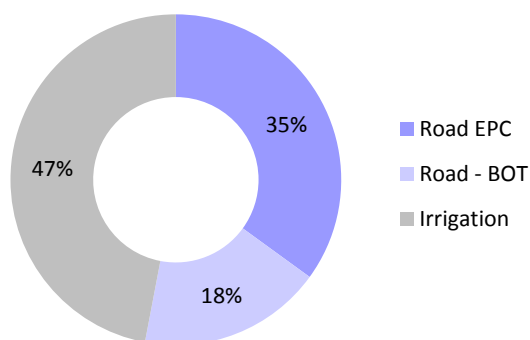
Quarterly performance – Standalone

(INR m)

Y/E March	FY21				FY22E				FY21	FY22E	MOSL 2QE	Var (%)
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE				
Net Sales	4,794	6,012	6,863	9,358	7,400	7,556	8,000	11,210	27,026	34,166	7,000	8
YoY Change (%)	3.2	14.9	23.0	38.5	54.4	25.7	16.6	19.8	21.7	26.4	16.4	
Total Expenditure	3,850	4,772	5,510	7,536	5,967	5,880	6,400	9,086	21,668	27,333	5,705	
EBITDA	943	1,240	1,353	1,822	1,433	1,675	1,600	2,125	5,358	6,833	1,295	29
Margins (%)	19.7	20.6	19.7	19.5	19.4	22.2	20.0	19.0	19.8	20.0	18.5	
Depreciation	331	352	373	388	269	320	330	360	1,444	1,279	300	
Interest	102	158	184	43	79	72	75	83	487	309	40	
Other Income	61	76	266	94	48	105	125	132	496	410	70	
Extra-Ord expense	0	-90	0	0	0	0	0	0	-90	0	0	
PBT	571	807	1,061	1,485	1,133	1,389	1,320	1,813	3,924	5,655	1,025	36
Tax	173	218	285	715	403	437	436	591	1,392	1,866	338	
Rate (%)	30.3	27.1	26.9	48.2	35.5	31.4	33.0	32.6	35.5	33.0	33.0	
Reported PAT	398	498	776	770	730	952	884	1,222	2,442	3,789	687	39
Adj PAT	398	588	776	770	730	952	884	1,222	2,532	3,789	687	39
YoY Change (%)	-16.6	39.7	65.3	14.5	83.5	61.9	14.0	58.8	24.1	49.7	16.7	
Margins (%)	8.3	9.8	11.3	8.2	9.9	12.6	11.1	10.9	9.4	11.1	9.8	

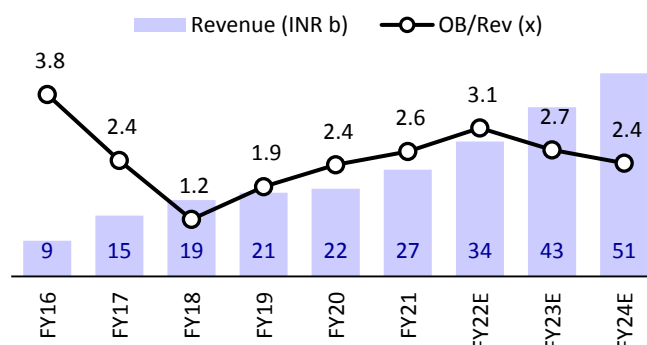
E: MOSL Estimates

Exhibit 1: Order book breakup (2QFY22: INR65b)



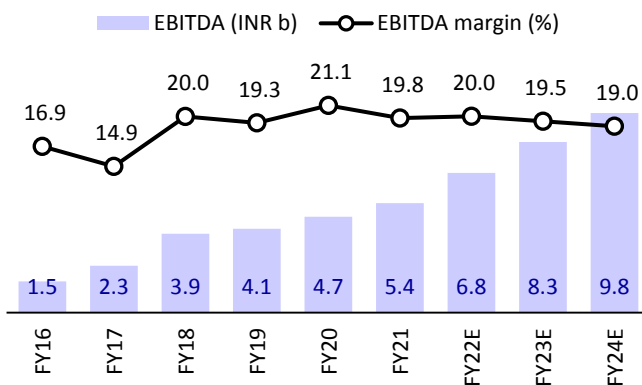
Source: MOFSL, Company

Exhibit 2: Current order book provides strong revenue visibility, with ~24% CAGR expected over FY21–24E



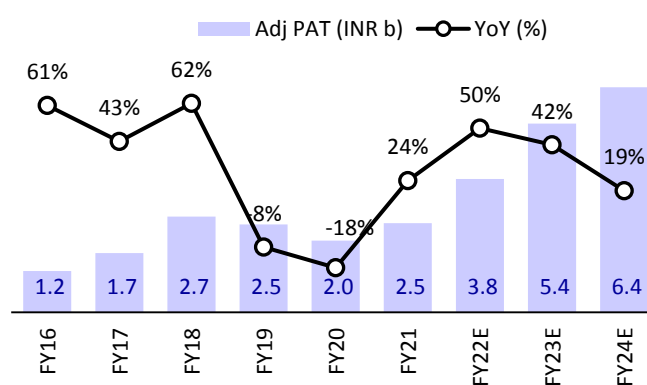
Source: MOFSL, Company

Exhibit 3: EBITDA and EBITDA margin trend

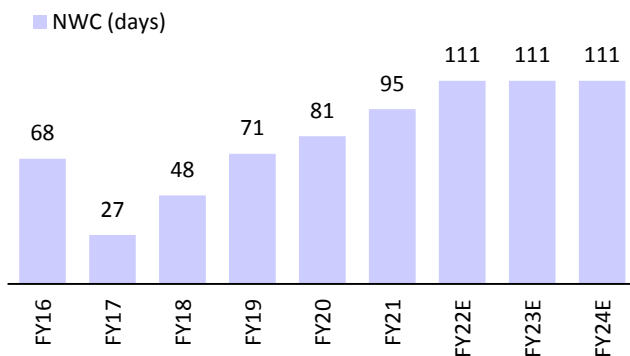


Source: MOFSL, Company

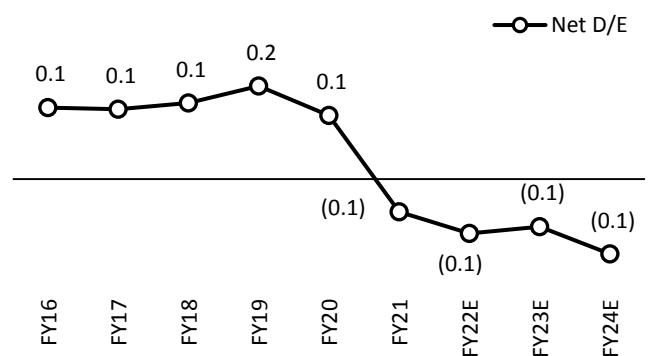
Exhibit 4: Adjusted PAT to grow at 36% CAGR over FY21–24E



Source: MOFSL, Company

Exhibit 5: Working capital cycle to extend due to rise in receivables

Source: MOFSL, Company

Exhibit 6: KNRC – one of the best financials in the Roads sector, with net cash on balance sheet from FY21

Source: MOFSL, Company



Highlights from management commentary

Business update

- Execution momentum continued during 2QFY22 despite monsoon. The workforce strength has reached pre-covid level. The execution was primarily driven by HAM projects during the quarter.
- The 2QFY22 revenue split stood as follows: 46% for HAM, 30% for Irrigation, and 24% for Other EPC.
- One of the HAM projects (KNR Shankarampet) received a PCOD on 5th Oct.
- Total equity invested in KNR Tirumala/KNR Shankarampet/KNR Srirangam stood at INR1.8b/INR1.3b/INR0.9b and the total consideration to be received stands at INR2.2b/INR1.4b/INR1.1b respectively.
- The promoter holding was diluted recently for repaying of a family settlement and currently stands at 51%. There would be no dilution from hereon.
- The credit rating for long-term facilities was recently upgraded from IND AA- to IND AA, with a stable outlook.
- The consolidated debt as on Sep'21 stood at INR13.8b (Mar'21:INR7.3b).

Equity requirement

- Out of the revised equity requirements of INR5.8b for all the 5 HAM projects, the company has already invested INR4.6b as on Sep'21.
- The Incremental equity of INR 6.4b for new projects is to be infused in coming years (INR2.7b/INR2.3b/INR1.35b for FY22/FY23/FY24 respectively).

Order book

- The INR65b OB (excluding new projects) split is as follows: 53% – EPC & HAM and 47% – Irrigation.
- The company is under the process of submitting 10 bids for various road projects with average ticket size of INR10-12b. Order inflow in 2HFY22 is expected to be INR20-25b.

Land acquisition

- During the quarter, the company paid an advance of INR500m for acquisition of land at Hyderabad for the collateral purpose, which was later decided to buy in the promoter's own company and the advance was paid back to KNRC.
- The management has assured that the company has no intentions to enter into the real estate business in future with the land acquisitions.
- As 2 new HAM projects in Kerala require approx. 4mT of quarry materials, the company proposed to acquire quarry land of approx. 90 acres in Kerala for captive consumption.
- The aggregate rates have increased from INR 19/cft to INR 23/cft within 3 months, hence the company plans to buy 2 quarry lands costing INR960-970m to keep the project cost under control.

Guidance

- Capex guidance for FY22 stood at INR2.5b.
- Revenue guidance for the FY22 stood at INR30b and EBITDA margin to be around 18-19% for FY22.
- Depreciation to be at INR350-400m levels for 3Q and 4QFY22.

Receivables / Working capital

- Total pending receivables from irrigation stood at INR7b. The management expects to recover it by the end of FY22.
- The working capital days stood largely stable at 45 days compared to 44 days on a YoY basis.
- The company availed INR1b short term working capital loan due to delay in the realization of receivables from the irrigation project from Govt. of Telangana. The same has been repaid now with the receivable getting cleared post 2Q FY22.

Exhibit 7: Earnings change summary

Earnings Change INR m	Old			New			Change (%)		
	FY22E	FY23E	FY24E	FY22E	FY23E	FY24E	FY22E	FY23E	FY24E
Revenue	34,166	42,805	51,394	34,166	42,805	51,394	0.0%	0.0%	0.0%
EBITDA	6,321	7,705	9,251	6,833	8,347	9,765	8.1%	8.3%	5.6%
EBITDA margin	18.5%	18.0%	18.0%	20.0%	19.5%	19.0%	1.5%	1.5%	1.0%
Adj. PAT	3,514	4,915	6,010	3,789	5,364	6,394	7.8%	9.1%	6.4%

Source: Company, MOSL

Valuation and view

- **Strong balance sheet:** KNRC has already monetized three of its HAM projects. We expect the balance sheet to strengthen further, with a net cash position of INR2.1b/INR2.3b/INR4.6b by FY22E/FY23E/FY24E (FY21: INR1.2b). The company has the best balance sheet position among the mid-cap road EPC companies. This should support premium valuations for KNRC.
- **Strong order book to support revenue growth:** Given its strong order book position (OB-to-revenue ratio of 3.7x, including recently won projects) and superior execution capability, we expect a ~24% revenue CAGR over FY21–24E. Owing to its strong balance sheet position, KNRC is well-placed to bid for new projects. The total awarding in the Roads sector stood at ~10,500kms (NHAI and MoRTH combined) in FY21 (~8,500kms in FY20) and is expected to gain momentum in FY22.
- **Maintain Buy:** We raise our FY22/FY23/FY24 estimate by 7.8%/9.1%/6.4% on account of better than expected operating performance in 2QFY22. KNR's OB stands at ~INR116b (incl. recently won projects), implying an OB/revenue ratio of 3.7x. On the back of such a strong order book, we expect KNR to post a revenue CAGR of 24% over FY21–24E. We expect an EPS CAGR of 36% over FY21–24E. We maintain a **Buy** rating, with TP of INR360, on **a)** 16x Sep'23E EPS for the EPC business and **b)** the book value of road assets.

Financials and valuations

Standalone Income Statement

(INR m)

Y/E March	FY19	FY20	FY21	FY22E	FY23E	FY24E
Total Income from Operations	21,204	22,212	27,026	34,166	42,805	51,394
Change (%)	9.8	4.8	21.7	26.4	25.3	20.1
EBITDA	4,101	4,691	5,358	6,833	8,347	9,765
Margin (%)	19.3	21.1	19.8	20.0	19.5	19.0
Depreciation	1,681	1,918	1,444	1,279	1,392	1,527
EBIT	2,420	2,772	3,915	5,554	6,955	8,238
Int. and Finance Charges	291	474	487	309	301	310
Other Income	634	346	496	410	514	617
PBT bef. EO Exp.	2,763	2,644	3,924	5,655	7,168	8,545
EO Items	138	213	-90	0	0	0
PBT after EO Exp.	2,901	2,857	3,834	5,655	7,168	8,545
Total Tax	268	605	1,392	1,866	1,804	2,151
Tax Rate (%)	9.2	21.2	36.3	33.0	25.2	25.2
Reported PAT	2,633	2,252	2,442	3,789	5,364	6,394
Adjusted PAT	2,495	2,039	2,532	3,789	5,364	6,394
Change (%)	-8.2	-18.3	24.1	49.7	41.6	19.2
Margin (%)	11.8	9.2	9.4	11.1	12.5	12.4

Standalone Balance Sheet

(INR m)

Y/E March	FY19	FY20	FY21	FY22E	FY23E	FY24E
Equity Share Capital	281	281	562	562	562	562
Total Reserves	13,862	15,958	18,116	21,764	26,987	33,241
Net Worth	14,143	16,239	18,678	22,327	27,550	33,803
Total Loans	2,641	2,300	7	7	7	7
Deferred Tax Liabilities	-1,739	-1,610	-1,486	-1,486	-1,486	-1,486
Capital Employed	15,045	16,929	17,199	20,848	26,071	32,325
Gross Block	10,752	12,671	13,713	14,713	16,213	17,713
Less: Accum. Deprn.	6,412	8,233	9,677	10,956	12,347	13,874
Net Fixed Assets	4,340	4,438	4,036	3,757	3,866	3,839
Capital WIP	0	102	24	24	24	24
Total Investments	6,448	7,149	4,898	4,588	6,888	8,238
Current Assets	10,176	13,880	18,764	25,803	31,987	40,267
Inventory	951	1,232	1,480	2,050	2,568	3,084
Account Receivables	2,344	4,761	8,632	11,958	14,982	17,988
Cash and Bank Balance	130	330	1,173	2,096	2,285	4,605
Other current assets	6,751	7,557	7,478	9,700	12,152	14,591
Current Liability	5,919	8,639	10,522	13,325	16,694	20,043
Payables and other current liability	5,754	8,407	10,178	12,983	16,266	19,530
Provisions	164	232	345	342	428	514
Net Current Assets	4,258	5,241	8,241	12,703	15,517	20,448
Appl. of Funds	15,045	16,929	17,199	20,848	26,071	32,325

Financials and valuations

Ratios

Y/E March	FY19	FY20	FY21	FY22E	FY23E	FY24E
Basic (INR)						
EPS	8.9	7.3	9.0	13.5	19.1	22.7
Cash EPS	14.8	14.1	14.1	18.0	24.0	28.2
BV/Share	50.3	57.7	66.4	79.4	98.0	120.2
DPS	0.2	0.5	0.0	0.4	0.4	0.4
Payout (%)	2.6	6.8	0.0	3.7	2.6	2.2
Valuation (x)						
P/E	31.7	38.7	31.2	20.9	14.7	12.4
P/BV	5.6	4.9	4.2	3.5	2.9	2.3
EV/EBITDA	19.9	17.3	14.5	11.3	9.2	7.6
Dividend Yield (%)	0.1	0.2	0.0	0.1	0.1	0.1
FCF per share	1.6	6.8	7.3	3.8	10.4	14.7
Return Ratios (%)						
RoE	19.4	13.4	14.5	18.5	21.5	20.8
RoCE	18.2	13.9	15.1	19.5	22.4	21.6
RoIC	29.4	24.5	24.4	29.5	33.6	33.9
Working Capital Ratios						
Fixed Asset Turnover (x)	2.0	1.8	2.0	2.3	2.6	2.9
Asset Turnover (x)	1.4	1.3	1.6	1.6	1.6	1.6
Inventory (Days)	16	20	20	22	22	22
Debtor (Days)	40	78	117	128	128	128
Leverage Ratio (x)						
Current Ratio	1.7	1.6	1.8	1.9	1.9	2.0
Interest Coverage Ratio	8.3	5.8	8.0	18.0	23.1	26.6
Net Debt/Equity	0.2	0.1	-0.1	-0.1	-0.1	-0.1

Standalone Cash Flow Statement

Y/E March	FY19	FY20	FY21	FY22E	FY23E	FY24E
(INR m)						
OP/(Loss) before Tax	2,906	2,937	3,811	5,655	7,168	8,545
Depreciation	1,681	1,923	1,444	1,279	1,392	1,527
Interest and Finance Charges	291	473	427	309	301	310
Direct Taxes Paid	-550	-844	-787	-1,866	-1,804	-2,151
(Inc.)/Dec. in WC	-1,506	-310	-2,004	-3,315	-2,625	-2,610
CF from Operations	2,822	4,180	2,891	2,062	4,431	5,621
Others	-347	-239	89	0	0	0
CF from Operating incl. EO	2,474	3,941	2,980	2,062	4,431	5,621
(Inc.)/Dec. in FA	-2,034	-2,036	-939	-1,000	-1,500	-1,500
Free Cash Flow	441	1,905	2,041	1,062	2,931	4,121
(Pur.)/Sale of Investments	-1,083	-1,098	1,424	310	-2,300	-1,350
Others	262	291	127	0	0	0
CF from Investments	-2,855	-2,843	612	-690	-3,800	-2,850
Inc./Dec. in Debt	268	-511	-2,290	0	0	0
Interest Paid	-298	-401	-459	-309	-301	-310
Dividend Paid	-68	-153	0	-141	-141	-141
Others	170	168	0	0	0	0
CF from Fin. Activity	73	-897	-2,749	-450	-442	-450
Inc./Dec. in Cash	-308	200	843	922	189	2,320
Opening Balance	438	130	331	1,173	2,096	2,285
Closing Balance	130	331	1,173	2,096	2,285	4,605

NOTES

Explanation of Investment Rating	
Investment Rating	Expected return (over 12-month)
BUY	>=15%
SELL	< - 10%
NEUTRAL	< - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

*In case the recommendation given by the Research Analyst is inconsistent with the investment rating legend for a continuous period of 30 days, the Research Analyst shall within following 30 days take appropriate measures to make the recommendation consistent with the investment rating legend.

Disclosures

The following Disclosures are being made in compliance with the SEBI Research Analyst Regulations 2014 (herein after referred to as the Regulations).

Motilal Oswal Financial Services Ltd. (MOFSL) is a SEBI Registered Research Analyst having registration no. INH000000412. MOFSL, the Research Entity (RE) as defined in the Regulations, is engaged in the business of providing Stock broking services, Investment Advisory Services, Depository participant services & distribution of various financial products. MOFSL is a subsidiary company of Passionate Investment Management Pvt. Ltd.. (PIMPL). MOFSL is a listed public company, the details in respect of which are available on www.motilaloswal.com. MOFSL (erstwhile Motilal Oswal Securities Limited - MOSL) is registered with the Securities & Exchange Board of India (SEBI) and is a registered Trading Member with National Stock Exchange of India Ltd. (NSE) and Bombay Stock Exchange Limited (BSE), Multi Commodity Exchange of India Limited (MCX) and National Commodity & Derivatives Exchange Limited (NCDEX) for its stock broking activities & is Depository participant with Central Depository Services Limited (CDSL) National Securities Depository Limited (NSDL), NERL, COMRIS and CCRL and is member of Association of Mutual Funds of India (AMFI) for distribution of financial products and Insurance Regulatory & Development Authority of India (IRDA) as Corporate Agent for insurance products. Details of associate entities of Motilal Oswal Financial Services Limited are available on the website at <http://onlinereports.motilaloswal.com/Dormant/documents/List%20of%20Associate%20companies.pdf>

MOFSL and its associate company(ies), their directors and Research Analyst and their relatives may; (a) from time to time, have a long or short position in, act as principal in, and buy or sell the securities or derivatives thereof of companies mentioned herein. (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 company(ies) discussed herein or act as an advisor or lender/borrower to such company(ies) or may have any other potential conflict of interests with respect to any recommendation and other related information and opinions.; however the same shall have no bearing whatsoever on the specific recommendations made by the analyst(s), as the recommendations made by the analyst(s) are completely independent of the views of the associates of MOFSL even though there might exist an inherent conflict of interest in some of the stocks mentioned in the research report

MOFSL and / or its affiliates do and seek to do business including investment banking with companies covered in its research reports. As a result, the recipients of this report should be aware that MOFSL may have a potential conflict of interest that may affect the objectivity of this report. Compensation of Research Analysts is not based on any specific merchant banking, investment banking or brokerage service transactions. Details of pending Enquiry Proceedings of Motilal Oswal Financial Services Limited are available on the website at <https://galaxy.motilaloswal.com/ResearchAnalyst/PublishViewLitigation.aspx>

A graph of daily closing prices of securities is available at www.nseindia.com, www.bseindia.com. Research Analyst views on Subject Company may vary based on Fundamental research and Technical Research. Proprietary trading desk of MOFSL or its associates maintains arm's length distance with Research Team as all the activities are segregated from MOFSL research activity and therefore it can have an independent view with regards to Subject Company for which Research Team have expressed their views.

Regional Disclosures (outside India)

This report is not directed or intended for distribution to or use by any person or entity resident in a state, country or any jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject MOFSL & its group companies to registration or licensing requirements within such jurisdictions.

For Hong Kong:

This report is distributed in Hong Kong by Motilal Oswal capital Markets (Hong Kong) Private Limited, a licensed corporation (CE AYY-301) licensed and regulated by the Hong Kong Securities and Futures Commission (SFC) pursuant to the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) "SFO". As per SEBI (Research Analyst Regulations) 2014 Motilal Oswal Securities (SEBI Reg No. INH000000412) has an agreement with Motilal Oswal capital Markets (Hong Kong) Private Limited for distribution of research report in Hong Kong. This report is intended for distribution only to "Professional Investors" as defined in Part I of Schedule 1 to SFO. Any investment or investment activity to which this document relates is only available to professional investor and will be engaged only with professional investors." Nothing here is an offer or solicitation of these securities, products and services in any jurisdiction where their offer or sale is not qualified or exempt from registration. The Indian Analyst(s) who compile this report is/are not located in Hong Kong & are not conducting Research Analysis in Hong Kong.

For U.S.

Motilal Oswal Financial Services Limited (MOFSL) is not a registered broker - dealer under the U.S. Securities Exchange Act of 1934, as amended (the "1934 act") and under applicable state laws in the United States. In addition MOFSL is not a registered investment adviser under the U.S. Investment Advisers Act of 1940, as amended (the "Advisers Act" and together with the 1934 Act, the "Acts"), and under applicable state laws in the United States. Accordingly, in the absence of specific exemption under the Acts, any brokerage and investment services provided by MOFSL, including the products and services described herein are not available to or intended for U.S. persons. This report is intended for distribution only to "Major Institutional Investors" as defined by Rule 15a-6(b)(4) of the Exchange Act and interpretations thereof by SEC (henceforth referred to as "major institutional investors"). This document must not be acted on or relied on by persons who are not major institutional investors. Any investment or investment activity to which this document relates is only available to major institutional investors and will be engaged in only with major institutional investors. In reliance on the exemption from registration provided by Rule 15a-6 of the U.S. Securities Exchange Act of 1934, as amended (the "Exchange Act") and interpretations thereof by the U.S. Securities and Exchange Commission ("SEC") in order to conduct business with Institutional Investors based in the U.S., MOFSL has entered into a chaperoning agreement with a U.S. registered broker-dealer, Motilal Oswal Securities International Private Limited. ("MOSIPL"). Any business interaction pursuant to this report will have to be executed within the provisions of this chaperoning agreement.

The Research Analysts contributing to the report may not be registered /qualified as research analyst with FINRA. Such research analyst may not be associated persons of the U.S. registered broker-dealer, MOSIPL, and therefore, may not be subject to NASD rule 2711 and NYSE Rule 472 restrictions on communication with a subject company, public appearances and trading securities held by a research analyst account.

For Singapore

In Singapore, this report is being distributed by Motilal Oswal Capital Markets Singapore Pte Ltd ("MOCMSPL") (Co.Reg. NO. 201129401Z) which is a holder of a capital markets services license and an exempt financial adviser in Singapore. As per the approved agreement under Paragraph 9 of Third Schedule of Securities and Futures Act (CAP 289) and Paragraph 11 of First Schedule of Financial Advisors Act (CAP 110) provided to MOCMSPL by Monetary Authority of Singapore. Persons in Singapore should contact MOCMSPL in respect of any matter arising from, or in connection with this report/publication/communication. This report is distributed solely to persons who qualify as "Institutional Investors", of which some of whom may consist of "accredited" institutional investors as defined in section 4A(1) of the Securities and Futures Act, Chapter 289 of Singapore ("the SFA"). Accordingly, if a Singapore person is not or ceases to be such an institutional investor, such Singapore Person must immediately discontinue any use of this Report and inform MOCMSPL.

Specific Disclosures

- 1 MOFSL, Research Analyst and/or his relatives does not have financial interest in the subject company, as they do not have equity holdings in the subject company.
- 2 MOFSL, Research Analyst and/or his relatives do not have actual/beneficial ownership of 1% or more securities in the subject company
- 3 MOFSL, Research Analyst and/or his relatives have not received compensation/other benefits from the subject company in the past 12 months
- 4 MOFSL, Research Analyst and/or his relatives do not have material conflict of interest in the subject company at the time of publication of research report
- 5 Research Analyst has not served as director/officer/employee in the subject company
- 6 MOFSL has not acted as a manager or co-manager of public offering of securities of the subject company in past 12 months
- 7 MOFSL has not received compensation for investment banking/ merchant banking/brokerage services from the subject company in the past 12 months
- 8 MOFSL has not received compensation for other than investment banking/merchant banking/brokerage services from the subject company in the past 12 months
- 9 MOFSL has not received any compensation or other benefits from third party in connection with the research report
- 10 MOFSL has not engaged in market making activity for the subject company

The associates of MOFSL may have:

- financial interest in the subject company
- actual/beneficial ownership of 1% or more securities in the subject company
- received compensation/other benefits from the subject company in the past 12 months
- other potential conflict of interests with respect to any recommendation and other related information and opinions.; however the same shall have no bearing whatsoever on the specific recommendations made by the analyst(s), as the recommendations made by the analyst(s) are completely independent of the views of the associates of MOFSL even though there might exist an inherent conflict of interest in some of the stocks mentioned in the research report.
- acted as a manager or co-manager of public offering of securities of the subject company in past 12 months
- 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 company(ies) discussed herein or act as an advisor or lender/borrower to such company(ies)
- received compensation from the subject company in the past 12 months for investment banking / merchant banking / brokerage services or from other than said services.

The associates of MOFSL has not received any compensation or other benefits from third party in connection with the research report

Above disclosures include beneficial holdings lying in demat account of MOFSL which are opened for proprietary investments only. While calculating beneficial holdings, It does not consider demat accounts which are opened in name of MOFSL for other purposes (i.e holding client securities, collaterals, error trades etc.). MOFSL also earns DP income from clients which are not considered in above disclosures.

Analyst Certification

The views expressed in this research report accurately reflect the personal views of the analyst(s) about the subject securities or issues, and no part of the compensation of the research analyst(s) was, is, or will be directly or indirectly related to the specific recommendations and views expressed by research analyst(s) in this report.

Terms & Conditions:

This report has been prepared by MOFSL and is meant for sole use by the recipient and not for circulation. The report and information contained herein is strictly confidential and may not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent of MOFSL. The report is based on the facts, figures and information that are considered true, correct, reliable and accurate. The intent of this report is not recommendatory in nature. The information is obtained from publicly available media or other sources believed to be reliable. Such information has not been independently verified and no guaranty, representation of warranty, express or implied, is made as to its accuracy, completeness or correctness. All such information and opinions are subject to change without notice. The report is prepared solely for informational purpose and does not constitute an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments for the clients. Though disseminated to all the customers simultaneously, not all customers may receive this report at the same time. MOFSL will not treat recipients as customers by virtue of their receiving this report.

Disclaimer:

The report and information contained herein is strictly confidential and meant solely for the selected recipient and may not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent. This report and information herein is solely for informational purpose and may not be used or considered as an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments. Nothing in this report constitutes investment, legal, accounting and tax advice or a representation that any investment or strategy is suitable or appropriate to your specific circumstances. The securities discussed and opinions expressed in this report may not be suitable for all investors, who must make their own investment decisions, based on their own investment objectives, financial positions and needs of specific recipient. This may not be taken in substitution for the exercise of independent judgment by any recipient. Each recipient of this document should make such investigations as it deems necessary to arrive at an independent evaluation of an investment in the securities of companies referred to in this document (including the merits and risks involved), and should consult its own advisors to determine the merits and risks of such an investment. The investment discussed or views expressed may not be suitable for all investors. Certain transactions -including those involving futures, options, another derivative products as well as non-investment grade securities - involve substantial risk and are not suitable for all investors. No representation or warranty, express or implied, is made as to the accuracy, completeness or fairness of the information and opinions contained in this document. The Disclosures of Interest Statement incorporated in this document is provided solely to enhance the transparency and should not be treated as endorsement of the views expressed in the report. This information is subject to change without any prior notice. The Company reserves the right to make modifications and alternations to this statement as may be required from time to time without any prior approval. MOFSL, its associates, their directors and the employees may from time to time, effect or have effected an own account transaction in, or deal as principal or agent in or for the securities mentioned in this document. They may perform or seek to perform investment banking or other services for, or solicit investment banking or other business from, any company referred to in this report. Each of these entities functions as a separate, distinct and independent of each other. The recipient should take this into account before interpreting the document. This report has been prepared on the basis of information that is already available in publicly accessible media or developed through analysis of MOFSL. The views expressed are those of the analyst, and the Company may or may not subscribe to all the views expressed therein. This document is being supplied to you solely for your information and may not be reproduced, redistributed or passed on, directly or indirectly, to any other person or published, copied, in whole or in part, for any purpose. This report is not directed or intended for distribution to, or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject MOFSL to any registration or licensing requirement within such jurisdiction. The securities described herein may or may not be eligible for sale in all jurisdictions or to certain category of investors. Persons in whose possession this document may come are required to inform themselves of and to observe such restriction. Neither the Firm, not its directors, employees, agents or representatives shall be liable for any damages whether direct or indirect, incidental, special or consequential including lost revenue or lost profits that may arise from or in connection with the use of the information. The person accessing this information specifically agrees to exempt MOFSL or any of its affiliates or employees from, any and all responsibility/liability arising from such misuse and agrees not to hold MOFSL or any of its affiliates or employees responsible for any such misuse and further agrees to hold MOFSL or any of its affiliates or employees free and harmless from all losses, costs, damages, expenses that may be suffered by the person accessing this information due to any errors and delays.

Registered Office Address: Motilal Oswal Tower, Rahimtullah Sayani Road, Opposite Parel ST Depot, Prabhadevi, Mumbai-400025; Tel No.: 022 71934200/ 022-71934263; Website www.motilaloswal.com CIN no.: L67190MH2005PLC153397. Correspondence Office Address: Palm Spring Centre, 2nd Floor, Palm Court Complex, New Link Road, Malad(West), Mumbai- 400 064. Tel No: 022 7188 1000.

Registration Nos.: Motilal Oswal Financial Services Limited (MOFSL)*: INZ000158836(BSE/NSE/MCX/NCDEX); CDSL and NSDL: IN-DP-16-2015; Research Analyst: INH000000412. AMFI: ARN - 146822; Investment Adviser: INA000007100; Insurance Corporate Agent: CA0579;PMS:INP000006712. Motilal Oswal Asset Management Company Ltd. (MOAMC): PMS (Registration No.: INP00000670); PMS and Mutual Funds are offered through MOAMC which is group company of MOFSL. Motilal Oswal Wealth Management Ltd. (MOWML): PMS (Registration No.: INP000004409) is offered through MOWML, which is a group company of MOFSL. Motilal Oswal Financial Services Limited is a distributor of Mutual Funds, PMS, Fixed Deposit, Bond, NCDs, Insurance Products and IPOs. Real Estate is offered through Motilal Oswal Real Estate Investment Advisors II Pvt. Ltd. which is a group company of MOFSL. Private Equity is offered through Motilal Oswal Private Equity Investment Advisors Pvt. Ltd which is a group company of MOFSL. Research & Advisory services is backed by proper research. Please read the Risk Disclosure Document prescribed by the Stock Exchanges carefully before investing. There is no assurance or guarantee of the returns. Investment in securities market is subject to market risk, read all the related documents carefully before investing. Details of Compliance Officer: Name: Neeraj Agarwal, Email ID: na@motilaloswal.com, Contact No.:022-71881085.

* MOSL has been amalgamated with Motilal Oswal Financial Services Limited (MOFSL) w.e.f August 21, 2018 pursuant to order dated July 30, 2018 issued by Hon'ble National Company Law Tribunal, Mumbai Bench.