19 February 2022

Ahluwalia Contracts (India)

Comforting execution, balance-sheet strength intact; raising to a Buy

Rating: Buy
Target Price: Rs.508
Share Price: Rs.396

Ahluwalia's Q3 was good generally, with a continuing healthy execution pace, normalising operating profitability and further strengthened net-cash status. Order addition was the only piece missing; nevertheless, assurance still suffices to keep growth going in the foreseeable future. Its discomfort with keen competition stays, but ample opportunities (despite being selective), gradually rising average order sizes (fewer competitors, more disciplined bidding) keep it sanguine of adding in time to keep growth going. On its continuing net cash status, healthy assurance (healthcare skewed, an added advantage) and proven execution abilities, the outlook is bright. Valuations too are comforting; consequently, we raise our rating to a Buy.

Mindful of competition, assurance good. On keener competition and not willing to comprise on returns only for revenue assurance, Q3 was devoid of orders. Thus, the OB contracted. But, at ~Rs73.8bn (incl. L1 of ~Rs7.2bn), it's still good for growth aspirations for the foreseeable future. More orders are targeted. For already placed bids (of ~Rs20bn potential), outcomes spilling over to FY23 is a possibility.

Guidance comforting. With 9M revenue at ~Rs19.6bn already, and the continuing healthy pace of execution, FY22 revenue is aimed at over Rs25bn. Management aims to carry forward the momentum, and looks at ~20% growth in FY23. It expects margins in FY23 to return to 12-13% on past projects mostly delivered, and rising contributions from new orders with better margins.

Net cash status strengthened. A three-day shorter working-capital cycle (at 89 days) led to the ~Rs0.2bn q/q higher net-cash balance (~Rs3.4bn at 31st Dec'21). Higher trade payables (up ~Rs0.4bn q/q) was the key, though partly contained by lower mobilisation advances (down ~Rs0.2bn q/q).

Valuation. On the slightly tweaked revenue estimates (accounting for the 9M performance) and higher margin estimates (lower impact of higher input prices than earlier envisaged), our FY22e earnings rise ~6%. FY23e and FY24e earnings are each ~8% higher. On our revised estimates, the stock (excl. the Kota asset) trades at 10.9x FY24e EPS. **Risk:** Slow order addition.

Key financials (YE Mar)	FY20	FY21	FY22e	FY23e	FY24e
Sales (Rs m)	18,849	19,822	27,153	31,642	34,903
Net profit (Rs m)	644	772	1,594	2,067	2,371
EPS (Rs)	9.6	11.5	23.8	30.9	35.4
Growth (%)	-45.1	19.8	106.4	29.7	14.7
P/E (x)	17.8	26.0	16.6	12.8	11.2
EV / EBITDA (x)	6.2	10.4	8.8	7.1	6.2
P/BV (x)	1.4	2.3	2.6	2.1	1.8
RoE (%)	8.4	9.2	16.6	18.2	17.5
RoCE (%)	15.1	15.1	24.0	26.1	24.9
Net debt / equity (x)	-0.2	-0.5	-0.3	-0.2	-0.2

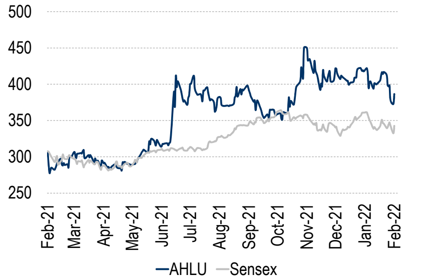
Source: Company, Anand Rathi Research

Key data	AHLU IN / AHLU.BO
52-week high / low	Rs540 / 270
Sensex / Nifty	57833 / 17276
3-m average volume	$0.2m
Market cap	Rs27bn / $355.1m
Shares outstanding	67m

Shareholding pattern (%)	Dec'21	Sep'21	Jun'21
Promoters 55.	3	55.6	58.0
- of which, Pledged	*15.8*	*15.9*	*15.8*
Free float	44.7	44.4	42.0
- Foreign institutions	12.3	12.2	11.9
- Domestic institutions	28.0	28.9	26.8
- Public	4.3	3.3	3.3

Estimates revision (%)	FY22e	FY23e	FY24e
Sales -0	.3	1.1	0.8
EBITDA 2.6		3.7	4.2
EPS (Rs)	6.1	7.7	8.1

Relative price performance



Source: Bloomberg

Prem Khurana
Research Analyst

Meet Parikh
Research Associate

Quick Glance – Financials and Valuations (standalone)

Fig 1 – Income statement (Rs m)

Year-end: Mar	FY20	FY21	FY22e	FY23e	FY24e
Order backlog	74,620 75,	701 68,	949 62,	654	71,336
Order inflow	32,927 20,	725 20,	255 25,	181	43,410
Net revenues	18,849	19,822	27,153	31,642	34,903
Growth (%)	*7.4*	*5.2*	*37.0*	*16.5*	*10.3*
Direct costs	16,581 17,	403 23,	813 27,	559	30,310
SG&A	738 876	652	759		838
EBITDA	1,530	1,542	2,689	3,324	3,755
EBITDA margins (%)	*8.1*	*7.8*	*9.9*	*10.5*	*10.8*
Depreciation	319 304	336	363		394
Other income	104 223	232	207		223
Interest expenses	350 426	445	398		405
PBT	966 1,	035 2,	139 2,	770	3,178
Effective tax rates (%)	*33.3*	*25.4*	*25.5*	*25.4*	*25.4*
+ Associates / (Minorities)	-	-	-	-	-
Net income	644	772	1,594	2,067	2,371
Adjusted income	644	772	1,594	2,067	2,371
WANS	67.0 67.	0 67.	0 67.	0	67.0
FDEPS (Rs / sh)	9.6	11.5	23.8	30.9	35.4

Fig 2 – Balance sheet (Rs m)

Year-end: Mar	FY20	FY21	FY22e	FY23e	FY24e
Share capital	134	134	134	134	134
Net worth	8,040	8,800	10,360	12,393	14,731
Debt	474	164	245	283	311
Minority interest	-	-	-	-	-
DTL / (Assets)	-236	-231	-231	-231	-231
Capital employed	8,278	8,733	10,374	12,446	14,811
Net tangible assets	2,165	2,216	2,352	2,493	2,601
Net intangible assets	43	79	15	13	11
Goodwill	-	-	-	-	-
CWIP (tang. & intang.)	2	4	4	4	4
Investments (strategic)	63	63	63	63	63
Investments (financial)	-	-	-	-	-
Current assets (excl. cash)	12,653	13,849	16,945	19,388	21,198
Cash 2,	439	4,175	2,995	3,122	3,688
Current liabilities	9,086	11,653	12,000	12,637	12,753
Working capital	3,567	2,196	4,946	6,751	8,445
Capital deployed	8,278	8,733	10,374	12,446	14,811
Contingent liabilities	12,739	13,701	-	-	-

Fig 3 – Cash-flow statement (Rs m)

Year-end: Mar	FY20	FY21	FY22e	FY23e	FY24e
PBT + Net interest expense	1,211	1,238	2,352	2,961	3,360
+ Non-cash items	319	304	336	363	394
Oper. prof. before WC	1,530	1,542	2,689	3,324	3,755
- Incr. / (decr.) in WC	(124)	(1,372)	2,750	1,805	1,695
Others incl. taxes	274	258	545	703	807
Operating cash-flow	1,380	2,656	(606)	815	1,253
- Capex (tang. + intang.)	662	393	408	502	500
Free cash-flow	718	2,263	(1,014)	313	753
Acquisitions	- -		- -		-
- Div. (incl. buyback & taxes)	24	-	33	33	33
+ Equity raised	-	-	-	-	-
+ Debt raised	(90)	(305)	81	39	28
- Fin investments	-	-	-	-	-
-Net interest expense + Misc.	257	220	214	191	182
Net cash-flow	347	1,737	(1,181)	127	565

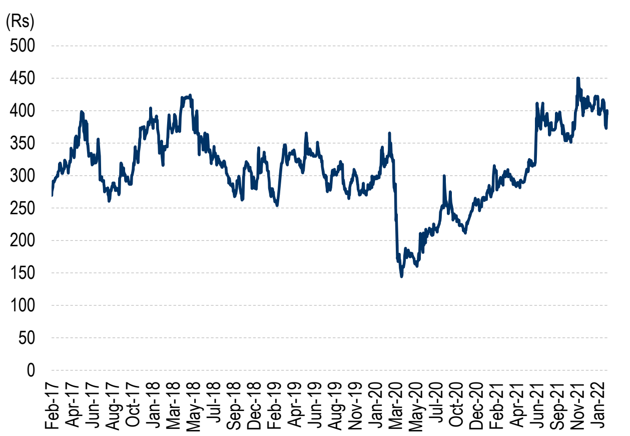
Source: Company, Anand Rathi Research

Fig 4 – Ratio analysis

Year-end: Mar	FY20	FY21	FY22e	FY23e	FY24e
P/E (x)	17.8 26.	0	16.6 12.	8	11.2
EV / EBITDA (x)	6.2	10.4	8.8	7.1	6.2
EV / Sales (x)	0.5	0.8	0.9	0.7	0.7
P/B (x)	1.4 2.	3	2.6 2.	1	1.8
RoE (%)	8.4	9.2	16.6	18.2	17.5
RoCE (%)	15.1 15.	1	24.0 26.	1	24.9
Sales / FA (x)	8.5	8.6	11.5	12.6	13.3
DPS (Rs / sh)	0.3 0.	0	0.5 0.	5	0.5
Dividend yield (%)	0.2	0.0	0.1	0.1	0.1
Dividend payout (%) - incl. DDT	3.8	0.0	2.1	1.6	1.4
Net debt / equity (x)	-0.2	-0.5	-0.3	-0.2	-0.2
Receivables (days)	118	83	70	70.0	70.0
Inventory (days)	43	55	46	43.9	42.1
Payables (days)	101	118	104	98.4	90.1
CFO : PAT %	214.2	344.0	-38.0	39.5	52.8

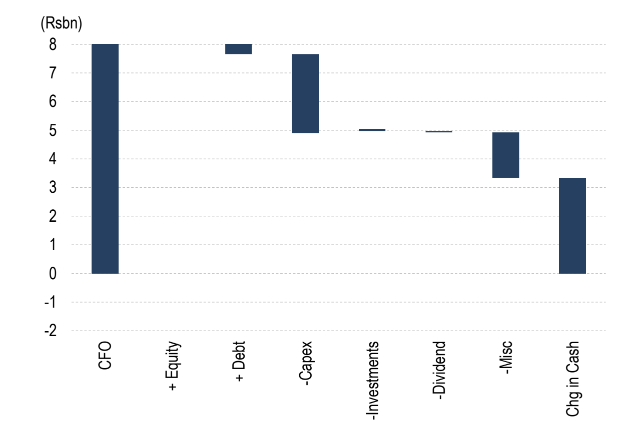
Source: Company, Anand Rathi Research

Fig 5 – Price movement



Source: Bloomberg

Fig 6 – Capital allocation – FY13-21, cumulative



Source: Company

Result / Concall highlights

Income statement

- **Comforting Q3 revenue.** The healthy pace of execution at some of its key projects ensured Ahluwalia's Q3 FY22 ~Rs6.8bn revenue from operations was comforting. But a better performance was possible were it not for the NGT ban in the National Capital Region (true for q/q comparison) and the Covid-third-wave-led disturbances in the supply chain.
  - With ~Rs19.6bn of revenue already attained in 9M FY22, and the continuing healthy pace of execution at the existing OB, management looks to FY22 revenue of over Rs25bn as possible. This is against the earlier guidance of 20-25% y/y growth, which would have implied Rs24bn-25bn FY22 revenue.
  - Management says the guidance takes into account issues with raw material availability (though the supply chain has mostly returned to normal).

Fig 7 – Financial highlights

(Rs m)	Q1 FY21	Q2 FY21	Q3 FY21	Q4 FY21	Q1 FY22	Q2 FY22	Q3 FY22	% Y/Y	% Q/Q
Revenue from operations	2,498	4,345	5,361	7,617	5,801	6,980	6,835	*27.5*	*-2.1*
EBITDA 185		342	317	698	604	631	694	*119.1*	*10.0*
EBITDA margins (%)	*7.4*	*7.9*	*5.9*	*9.2*	*10.4*	*9.0*	*10.2*	*425bps*	*111bps*
Finance costs	83	98	90	156	115	117	106	*18.0*	*-9.4*
Depreciation	72	73	76	83	83	84	85	*12.2*	*0.8*
Other income	71	70	48	35	59	69	50	*4.6*	*-27.9*
PBT 101		241	199	495	465	499	553	*178.1*	*10.8*
Tax 26		61	52	124	117	142	130	*151.6*	*-8.1*
PAT	75	180	147	371	348	358	423	*187.4*	*18.3*

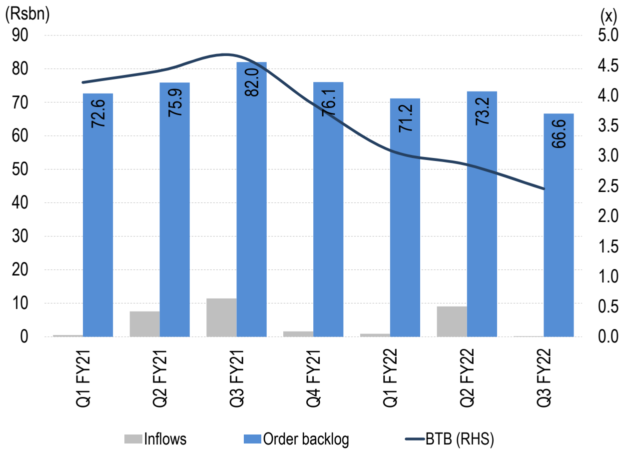
Source: Company

- **Margin, back to double digits.** The reversal of the excess CSR provision, the rising scale of operations and greater contribution from newer orders meant the Q3 FY22 margin returned to double digits, at ~10.2%. It was, nevertheless, affected by the unprecedented surge in prices of some key raw materials.
  - Q3 included ~Rs35m of reversal of the excess CSR provision made in Q2 FY22. Adjusting for this, the margin would have been ~9.6%.
  - The margin is not comparable y/y, as Q3 FY21 included provisions/ write-offs of ~Rs85m.
  - Citing the rising contribution from the newer orders with better margins, management retained its 11-12% margin guidance for Q4. In FY23, it expects to return to the past 12-13%.
- **Earnings, track operations.** Greater scale (true y/y), expanded margin (true y/y and q/q), and the lower effective tax rate (true y/y and q/q) led to Q3 FY22 earnings rising ~187% y/y, ~18% q/q, to ~Rs423m.
  - Contained finance and depreciation costs, too, were responsible for such an inspiring growth in earnings.

Order backlog

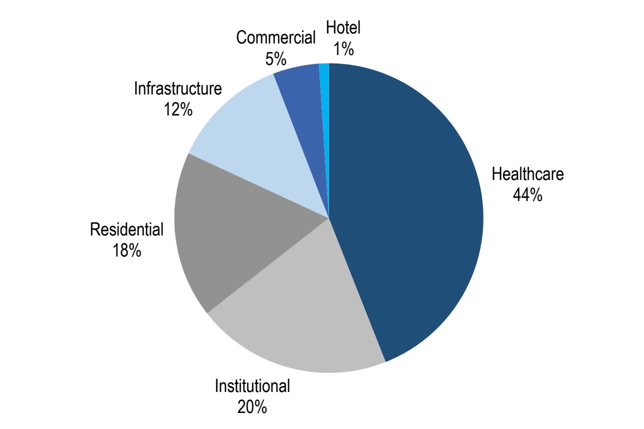
- Though still wary of the keen competition, and unwilling to compromise merely for revenue assurance, it had not secured orders in the quarter. Consequently, 9M gross orders added were unchanged at ~Rs12.7bn.
  - Besides the 9M firm additions, it continues to hold L1 status in a healthcare order of ~Rs7.2bn in Mumbai. The BARC has recommended the Central ministry to approve the project.
- With no new orders to cover the Q3 FY22 execution, the firm OB contracted ~Rs6.6bn q/q to close the quarter at ~Rs66.6bn. On the q/q lower OB and higher TTM revenue, the book-to-bill contracted to ~2.5x (from ~2.9x the quarter prior).
  - Though the assurance is good to deliver growth in the foreseeable future, greater assurance would have been more welcome.
  - Including the potential from the L1 order, the OB rises to ~Rs73.8bn, and the assurance, at ~2.7x, turns better.
  - Healthcare continues to be the favoured sector; its dominance in the OB continues (~44% of the end-Q3 OB).

Fig 8 – End-Q3 FY22 firm OB: ~Rs66.6bn; L1: ~Rs7.2bn



Source: Company *Note: Inflows include change in scope of works*

Fig 9 – OB, dominated by Healthcare



Source: Company

- To add more, the company is bidding for three orders, of an aggregate ~Rs20bn, one each in residential, commercial and healthcare. Two of these are in the National Capital Region (NCR), the third in Jaipur. However, management was non-committal on bid-opening timelines.
  - The residential project is the Sarojini Nagar redevelopment project from the NBCC. Management says that the NBCC, based on suggestions made, has modified bid conditions to render the opportunity conducive. In between, management refrained from NBCC orders owing to onerous bid conditions.
  - The commercial project is in Greater Noida is a semi-government project. This is an extension at an existing facility already implemented by Ahluwalia.
  - The healthcare project is at Jaipur (Sawai Man Singh) from the PWD.
- For orders ahead, management has its eyes set on ~Rs20bn of healthcare orders as well as prospects of ~Rs10bn in other segments. Besides, it is

already pre-qualified for Executive Enclave (a part of the Central Vista) project in Delhi.

- Though it seeks to add more orders, it cites keener competition. It does not wish to compromise on margins/return profiles for greater revenue assurance and, consequently, talks of being selective. However, it looks to add more at least to the extent of replenishments for works executed.
- Geographically, its exposure is almost negligible in southern markets. Management is open to look at public sector opportunities in this region, but is still wary of private-sector residential real-estate projects. It intends to wait for more progress on sustainability in the real-estate cycle, and the cash-flow generation capacity of developers.
  - For this, it had recently bid for a healthcare order (AIIMs, Bibinagar) in Hyderabad, but wasn't successful. However, the bid was cancelled, and management intends to bid again.
- It believes that the gradually rising number of larger projects would act as a deterrent to small and medium firms, and that it would stand in good stead to add in time to keep growth going.
  - Of the large orders on its radar are two of an average Rs10bn-15bn, and five averaging Rs5bn-8bn.
- Healthcare remains its mainstay owing to its expertise and the now favourable prospects for such projects (the focus now of governments, states and the Centre, triggered by the calamitous pandemic).

Balance sheet

- A three-day shorter working-capital cycle led to the ~Rs0.2bn q/q higher net-cash balance (~Rs3.4bn on 31st Dec'21). Q3 saw gross debt decline ~Rs61m q/q to ~Rs0.2bn, and cash & equivalents were up Rs0.13bn q/q to ~Rs3.6bn (incl. bank balances of ~Rs1.9bn).
  - The working-capital cycle in the quarter contracted by three days to 89; the contraction from end-FY21 was eight days.
- The key constituents to movement in the working capital include the ~Rs0.4bn q/q higher trade payables (of ~Rs6.3bn), unbilled revenue rising ~Rs80m q/q to ~Rs3.3bn and retention receivables rising ~Rs90m q/q to ~Rs1.96bn. Trade receivables rose q/q. Mobilisation advances were ~Rs2.7bn at end-Q3, down from ~Rs2.86bn a quarter ago.
  - With spending to deal with Covid-related issues off from peak levels, the states/Authorities are now taking a balanced approach. Hence, payments, management says, have been improving in general.
  - However, it continues to stress that it would constantly assess the situation, and the pace of order execution would take into account comfort with cash flows.
- It incurred ~Rs46m capex in the quarter, taking the 9M figure to ~Rs197m. Management expects ~Rs20m capex in Q4, and does not see FY22 capex to be any materially different from the FY21 figure.

Status of projects

- **West Bengal.** Execution has picked up at the auditorium and the Milan Mela projects. Management intends to complete the latter by Apr'22 and the former by Sep'22.

- **Kolkata Affordable Housing.** The company received communication a fortnight ago to proceed with this ~Rs2.5bn project. Work has already begun.
- **The Jammu AIIMS Hospital**. Execution at this ~Rs12.5bn project, was initially slow, but has started to pick up momentum. Management expects the pace to further pick up by Mar'22. The balance OB at the quarter's end was ~Rs10.2bn. The current monthly billing run-rate is ~Rs300m, which management expects to rise to Rs450m-500m shortly.
- **Infosys.** Work has commenced at this project. The project size is likely to rise from ~Rs590m to ~Rs650m.
- **Z Estate.** Pending approvals at this ~Rs3bn project have been received recently. Consequently, execution has started.
- **Bihar healthcare orders.** Progress has been good at two healthcare projects (the ~Rs4.3bn Chapra and the Rs3.83bn Nalanda). Management expects to complete both by Dec'22. These projects' balance OB at end-Q3 were respectively ~Rs2.3bn and ~Rs1.7bn.
- **The Bihar Animal Science University, Patna.** Bagged in Q2 FY22, this ~Rs8.9bn project yet awaits environment clearance. Requisite approvals are expected by Apr'22, and management expects execution to start in Q1 FY23.
- **Sion Hospital, Mumbai.** At this ~Rs5.3bn project, execution commenced in Q3. The balance OB at the quarter's end was ~Rs5.2bn.

Guidance

- With order inflows of ~Rs12.7bn already in 9M FY22, and L1 status for a ~Rs7.2bn order, the company is already on track for its FY22 inflow guidance of ~Rs20bn. It has already placed bids for three projects of an aggregate ~Rs20bn, but does not rule out outcomes spilling over to FY23. For FY23, management said that it already has a healthy bid pipeline and is targeting order inflows of Rs20-25bn.
  - Management expects the intense competition to persist for some time on account of the relaxed PQs.
- With most of its OB already under execution, the balance sheet is robust enough to effect an even better scale. Management is confident of recording revenues of over ~Rs25bn in FY22 (~Rs19.6bn already recognised in 9M FY22). With it hoping to add orders of Rs20bn-25bn in FY23, and with the continuing healthy pace of execution, management expects ~20% revenue growth in FY23.
- The Q3 FY22 EBITDA margin of ~10.2% lagged the guided-to 11-12%, but management, with past projects delivered and execution gaining pace looks at returning to the normal range at the earliest. For FY23, the company expects to return to its past 12-13%.
  - Given the recent commodity-price rises, the company expects some pressure on ~15% of its OB (those projects without a price-escalation clause).
- In Q3 FY22, it incurred ~Rs46m capex (9M ~Rs197m), and expects another ~Rs20m in Q4. For FY23, capex is estimated at ~Rs200m-210m.

Earnings revision, Valuation

Considering the 9M FY22 performance, we tweak our revenue estimates slightly. Though, our FY22e revenue is largely unchanged, FY23e and FY24e are each ~1% higher. Management continues to talk of input prices pressures, but the impact has been less than we expected, and the rising proportion of new orders in the revenue construct compel us to raise our margin estimates. On the slightly tweaked revenue estimates and higher margins, our FY22e earnings are 6% higher. For FY23 and FY24, they are each ~8% higher.

On our revised estimates, our sum-of-parts-based target price of Rs508 is derived using a 14x PE multiple for FY24e construction earnings (Rs496 a share), while the Kota asset is assumed at its book value of Rs13 a share.

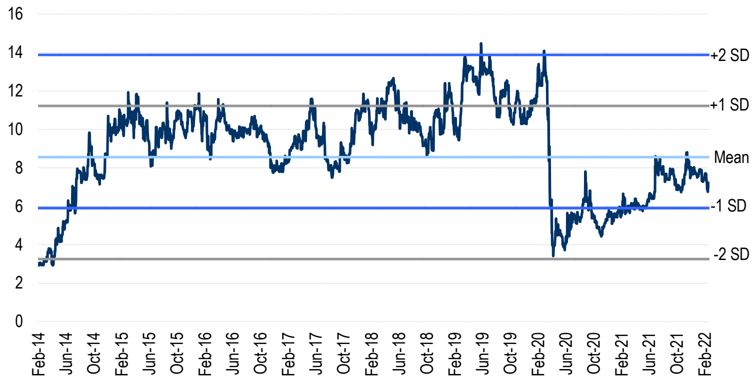
On our estimates, the stock (excl. the Kota asset) trades at a PER of 16.2x FY22e, 12.5x FY23e and 10.9x FY24e. On EV/EBITDA, the stock (excl. the Kota asset) is available at 8.6x FY22e, 6.9x FY23e and 6.0x FY24e, against our TP-implied multiple of 7.9x FY24e.

Fig 10 – Estimates revision

(Rs m)	Old			Revised			Change (%)		
	FY22e	FY23e	FY24e	FY22e	FY23e	FY24e	FY22e	FY23e	FY24e
Revenue 27,	236	31,301	34,614	27,153	31,642	34,903	*-0.3*	*1.1*	*0.8*
EBITDA 2,	620	3,205	3,603	2,689	3,324	3,755	*2.6*	*3.7*	*4.2*
EPS (Rs)	22.4	28.6	32.8	23.8	30.9	35.4	*6.1*	*7.7*	*8.1*

Source: Anand Rathi Research

Fig 11 – EV / EBIDTA (one-year-forward)



Source: Bloomberg, Anand Rathi Research

Risks

- Slower-than-expected pace of project execution.
- Slower-than-anticipated order additions.

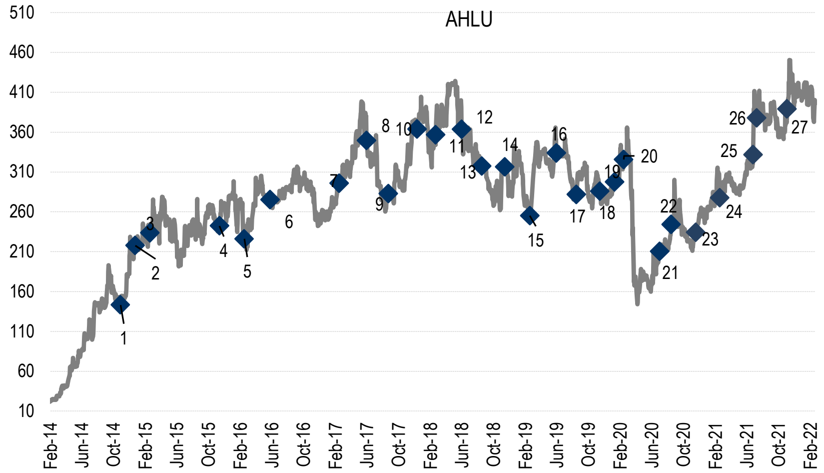
Appendix

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 19 February 2022)



	Date	Rating	TP (Rs)	Share Price (Rs)
12	2-Jun-18	Buy	449	370
13	18-Aug-18	Buy	422	318
14	19-Nov-18	Buy	417	313
15	18-Feb-19	Buy	379	277
16	31-May-19	Buy	392	334
17	16-Aug-19	Buy	375	278
18	14-Nov-19	Buy	337	286
19	10-Jan-20	Buy	361	299
20	15-Feb-20	Hold	366	326
21	1-Jul-20	Hold	231	210
22	16-Aug-20	Hold	256	244
23	18-Nov-20	Hold	256	237
24	16-Feb-21	Hold	340	307
25	29-Jun-21	Hold	415	389
26	15-Aug-21	Hold	441	381
27	20-Nov-21	Hold	504	435

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.