

**Q4FY22 result review,
rating and earnings
revision**

Technology

Target price: Rs4,986

Earnings revision

| (%) | FY23E | FY24E |
|-------|-------|-------|
| Sales | ↓ 2.6 | ↓ 3.8 |
| EBIT | ↓ 5.3 | ↓ 3.8 |
| EPS | ↓ 5.1 | ↓ 3.8 |

Target price revision

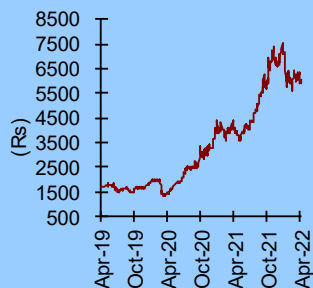
Rs4,986 from Rs5,921

Shareholding pattern

| | Sep '21 | Dec '21 | Mar '22 |
|-------------------------|---------|---------|---------|
| Promoters | 74.1 | 74.1 | 74.1 |
| Institutional investors | 18.0 | 17.9 | 17.6 |
| MFs and others | 4.0 | 4.4 | 5.7 |
| FIs/Bank | 0.0 | 0.0 | 0.0 |
| Insurance Cos. | 0.3 | 0.7 | 1.5 |
| FIIIs | 13.7 | 12.8 | 10.4 |
| Others | 7.9 | 8.0 | 8.3 |

Source: www.nseindia.com

Price chart



Research Analysts:

Aniket Pande

aniket.pande@icicisecurities.com
+91 22 6807 7573

Heenal Gada

heenal.gada@icicisecurities.com
+91 22 6807 7504

INDIA

Larsen & Toubro Infotech

REDUCE

Downgrade from HOLD

Rs5,472

Uninspiring show

Larsen & Toubro Infotech (LTI) disappointed with a weak set of Q4FY22 earnings on various fronts. Revenues were way below our estimate at US\$570mn (+3.6% QoQ CC vs Isec. est. of +5.3% QoQ CC). We would like to highlight that in LTI also (like Infy and TCS), we have seen softening of BFS growth – just 2.8% QoQ vs avg. of 10% in last 3 quarters. For LTI, H1 is seasonally weak and we expect more moderation of BFS growth ahead. Even Top-5 client growth was at a six-quarter low at ~3% QoQ (avg. of 6% in last four quarters). BFS revenue growth always moves in tandem with overall revenue growth of LTI (Chart 1).

US posted soft growth of 2.5% QoQ but Europe continued to grow at 5.8% QoQ. Though management guided for strong demand momentum in Europe and hasn't seen any impact on client conversations, we believe uncertainty, rising cost and wage inflation may delay client budget decisions which may soften growth momentum in Europe ([Link](#)).

Even gross margin for FY22 stands at 31% vs average of 34% from FY16-20 vs MTCL ending FY22 at 40% – a staggering difference. EBIT margins came in at 17.3%, -60bps QoQ, largely in line with our estimates (Isec: 17.4%). LTM attrition further increased to 24% (+150bps QoQ). Onsite volume growth was flat at -0.4% QoQ and management mentioned this will stabilise in H2FY23. Further, LTI has rolled out salary hikes effective from 1st April which is expected to have ~290bps impact in Q1FY23 and most tailwinds (cost savings, pyramid optimisations) will be back-ended, according to us. We believe margin pressure will likely remain elevated on account of higher demand fulfilment costs, rising cost/wage inflation and attrition. We forecast EBIT margin of 16.8%/18% for FY23/24.

LTI has impressed with strong growth and rebound in large deal wins in FY22. Our view on the business is unchanged and the company is well positioned to gain market share with its strong business model but valuations of 38x/31x on FY23/24 EPS look expensive to us in the current macro environment and given likely slowdown in revenue/earnings momentum ahead. We were below consensus estimates by ~6% for FY23/24 earlier. However, now due to a cut in our revenue/margin estimates, our EPS cuts stand at 5%/4% for FY23/24, respectively, and we believe for consensus it could be much higher. We are estimating revenue growth of 19%/16% with EPS of Rs143/178 for FY23/24, respectively. LTI trades at an expensive valuation of 38x/31x for FY23E/24E; we downgrade to REDUCE from Hold. We value LTI at 28x (vs 32x earlier) on FY24E EPS of Rs178 to arrive at a TP of Rs4,986 (prior: Rs5,921).

| | |
|-------------------------|--------------------|
| Market Cap | Rs959bn/US\$12.6bn |
| Reuters/Bloomberg | LRTI.BO / LTI IN |
| Shares Outstanding (mn) | 175.3 |
| 52-week Range (Rs) | 7562/3584 |
| Free Float (%) | 25.9 |
| FII (%) | 10.4 |
| Daily Volume (US\$'000) | 34,321 |
| Absolute Return 3m (%) | (18.3) |
| Absolute Return 12m (%) | 36.1 |
| Sensex Return 3m (%) | (5.9) |
| Sensex Return 12m (%) | 19.0 |

| Year to March | FY21 | FY22E | FY23E | FY24E |
|--------------------|----------|----------|----------|----------|
| Revenue (Rs mn) | 1,23,698 | 1,56,687 | 1,90,176 | 2,23,970 |
| Net Income (Rs mn) | 19,381 | 22,986 | 24,942 | 31,159 |
| EPS (Rs) | 111.0 | 131.4 | 142.5 | 178.1 |
| % Chg YoY | 27.2 | 18.4 | 8.5 | 24.9 |
| P/E (x) | 49.3 | 41.7 | 38.4 | 30.7 |
| CEPS (Rs) | 130.0 | 151.7 | 168.3 | 208.4 |
| EV/E (x) | 33.5 | 30.2 | 25.0 | 19.6 |
| Dividend Yield | 0.7 | 1.0 | 0.8 | 0.8 |
| RoCE (%) | 24.6 | 22.8 | 22.8 | 24.1 |
| RoE (%) | 30.5 | 28.5 | 25.8 | 26.7 |

- ▶ **Revenue below estimates.** Revenue came in below our estimates at US\$570mn; +3.6% QoQ (CC) (Isec: 5.3% QoQ CC). Growth was led by CPG, retail and pharma (+7.7% QoQ CC) followed by E&U (+4.1% QoQ CC) and insurance (+3.8% QoQ CC). Growth in BFS was tepid at 3.3% QoQ CC (vs 9.9% average for the last 3 quarters). Soft growth in BFS dragged down overall company growth given both have moved in tandem historically (Chart 1).

Even in case of manufacturing, after 2 quarters of strong QoQ growth, growth in Q4FY22 was at a meager 2.3% QoQ CC. Hi-tech remained stable at 2.2% QoQ CC. In terms of geography, growth was led by Europe (+8.2% QoQ CC) followed by India (+6.4% QoQ CC). North America grew 2.6% QoQ CC while RoW remained largely flat (-0.3% QoQ CC).

Within service lines, Enterprise Integration & Mobility (+8.4% QoQ CC) and Cloud Infrastructure & Security (+8% QoQ CC) reported strong growth. Analytics, AI & Cognitive grew 4.7% QoQ CC while ADM & Testing (+1.8% QoQ CC) and Enterprise Solutions (+2% QoQ CC) were tepid.

- ▶ **Strong demand pipeline.** Customer spend on digital initiatives still remained the key driver for growth in FY22. LTI closed 4 large deals with net new TCV of over US\$80m in Q4FY22. Three deals were with the existing clients and 1 with a new logo. Further, two deals were in BFS space, 1 in retail & CPG and 1 with key government body in public healthcare.

Large deal pipeline still stood at US\$2bn, with 50% in the last stage and 40% coming from new logos. Management continues to see broad-based demand which will drive growth in coming quarters.

- ▶ **Broad-based growth across verticals.** BFS continues to see holistic growth and the management is optimistic of sustaining growth momentum. Further, healthy traction is opening new company logos within insurance. Growth in manufacturing was driven by ramp-up in new logos and mining of existing clients while in case of Hi-tech, past deals ramp ups have helped growth. Retail & CPG is seeing good demand and the management is watchful of conversions in energies and utilities due to fuel price increases.

- ▶ **Strong outlook despite macro concerns.** Management is sceptic of the current economic slowdown and stated that macro environment is more volatile than before. However, it has not seen any slowdown in demand as yet though input costs have been rising. Given all revenue pillars are on a strong footing, management guided to be in the leader's quadrant of growth for FY23 and maintained its PAT margin guidance of 14-15%.

Despite strong commentary from the management, we understand rising inflation and macro uncertainties should creep into discussions in coming quarters and lead to slowdown in spending especially on the discretionary side as decision cycles elongate.

- ▶ **In-line margin.** EBIT margin came in at 17.3%, -60 bps QoQ largely in-line with our estimates (Isec: 17.4%). Margin was impacted to the tune of -40bps due to increase in employee cost which was offset by SG&A leverage and -60 bps due to lower working days and business mix.

Offshore effort mix further increased to 84.6%, +60bps QoQ. This was on account of high onsite attrition. We believe as onsite attrition normalises, offshore effort

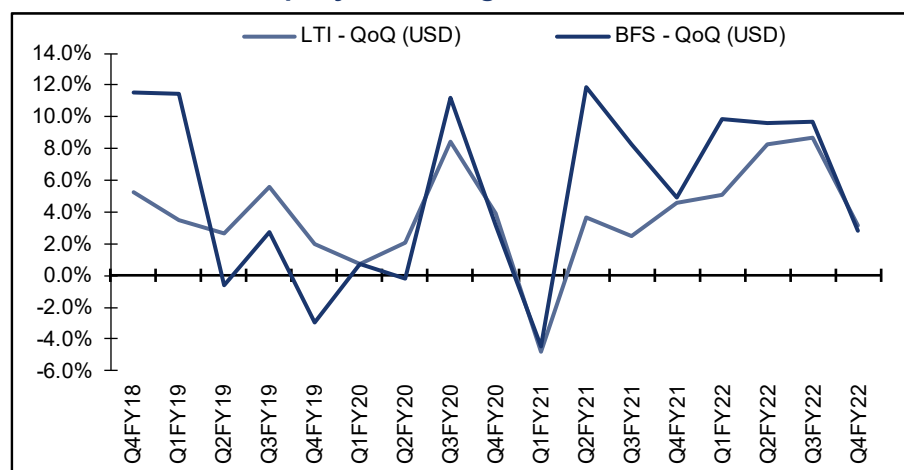
should come down and tailwinds from here should subside. Utilisation (incl. trainees) dropped marginally to 80.1% (vs 80.3% in Q3FY22) while that excl. trainees increased 10bps QoQ to 81.5%.

LTM attrition further increased to 24% (+150bps QoQ). Though quarterly annualised attrition was down 200bps QoQ, we believe this should again increase post a wage hike quarter. Management specifically called out high onsite attrition which impacted volumes in Q4FY22 and will stabilise by H2FY23. To maintain this attrition, LTI has set up a new development centre in Hartford, US to create new talent pool.

Management stated it has seen price increase in few pockets which would be a margin lever. However, given rising inflation, we believe the benefits should be back-ended. Further, LTI has rolled out salary hikes effective 1st April which is expected to have 290bps impact in Q1FY23. It is noteworthy that gross margin for FY22 was 30.7%, lower than pre-covid levels. We expect margins to contract in coming quarters given increasing headwinds and benefits from tailwinds to still take time to kick in.

- ▶ **Strong hiring continues.** The quarter saw net headcount addition of 2,448. For FY22, LTI onboarded ~10.6k employees which is higher than hiring in prior 2 years combined. Further, 5,200 freshers were hired in FY22 and now management intends to hire at least 6,500 in FY23. As a way of investing back into the business, LTI intends to hire at least 100 sales employees in the US by Q1FY23 to capture client mining opportunities.
- ▶ **Other highlights.** OCF/net income conversion for the quarter was 97.8% while that for FY22 was 71.9%. Management expects robust conversion levels going ahead as working capital management improves. Capex for FY22 was higher on account of investments made into building a delivery centre in Mahpe, Navi Mumbai with 7.5k capacity. It is guided to continue into FY23 as well. The company announced final dividend of Rs30 per share.

Chart 1: Overall company and BFS growth move in tandem



Source: Bloomberg, I-Sec research.

Table 1: Q4FY22 actuals vs estimates (INR mn)

| | Q4FY22 | Q3FY22 | QoQ | Q4FY21 | YoY | Q4FY22E-I-Sec | vs our estimates |
|--------------|--------|--------|---------|--------|----------|---------------|------------------|
| Sales (\$ m) | 570 | 553 | 3.1% | 447 | 27.5% | 581 | -1.8% |
| Sales | 43,016 | 41,376 | 4.0% | 32,694 | 31.6% | 43,719 | -1.6% |
| EBIT Margin | 17.3% | 17.9% | -64 bps | 19.4% | -205 bps | 17.4% | -9 bps |
| PBT | 8,596 | 8,237 | 4.4% | 7,168 | 19.9% | 8,514 | 1.0% |
| Tax | 2,221 | 2,112 | 5.2% | 1,711 | 29.8% | 2,183 | 1.7% |
| Tax Rate | 25.8% | 25.6% | 20 bps | 23.9% | 197 bps | 25.6% | 20 bps |
| Reported PAT | 6,375 | 6,125 | 4.1% | 5,457 | 16.8% | 6,331 | 0.7% |
| EPS | 36.3 | 35.0 | 3.7% | 31.2 | 16.4% | 36.2 | 0.3% |

Source: Company data, I-Sec research

Table 2: Change in estimates

| | Revised | | Old | | Change (%) | |
|--------------------------|----------|----------|----------|----------|------------|---------|
| | FY23E | FY24E | FY23E | FY24E | FY23E | FY24E |
| Rs mn | | | | | | |
| Revenues | 1,90,176 | 2,23,970 | 1,95,317 | 2,32,866 | (2.6) | (3.8) |
| EBIT | 31,931 | 40,315 | 33,714 | 41,916 | (5.3) | (3.8) |
| EBIT margin | 16.8 | 18.0 | 17.3 | 18.0 | -50bps | 0bps |
| EPS (Rs/share) | 142.5 | 178.1 | 150.1 | 185.0 | (5.1) | (3.8) |
| Revenues (US\$ mn) | 2,502 | 2,909 | 2,570 | 3,024 | (2.6) | (3.8) |
| Revenue growth (US\$, %) | 19.0 | 16.2 | 21.6 | 17.7 | -260bps | -140bps |

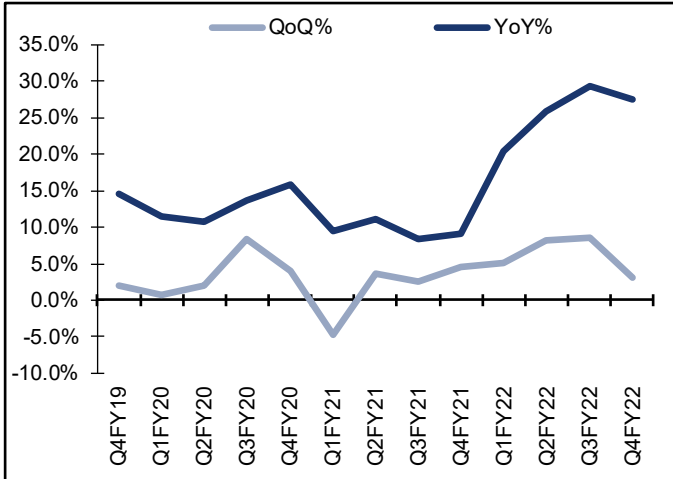
Source: Company data, I-Sec research

Table 3: Segmental growth (Q4FY22)

| | Revenues (US\$ mn) | QoQ (%) | YoY (%) | % of total | YoY CC growth (%) |
|-----------------------------------|--------------------|---------|---------|------------|-------------------|
| Total Revenues | 570 | 3.1 | 27.5 | 100.0 | 29.0 |
| Revenue by geography | | | | | |
| North America | 374 | 2.5 | 26.3 | 65.6 | 26.3 |
| Europe | 92 | 5.8 | 25.3 | 16.2 | 32.6 |
| RoW | 47 | (0.3) | 25.5 | 8.3 | 26.6 |
| India | 56 | 6.0 | 42.1 | 9.9 | 45.0 |
| Revenue by verticals | | | | | |
| BFS | 187 | 2.8 | 35.5 | 32.7 | 37.3 |
| Insurance | 76 | 3.7 | 17.6 | 13.4 | 18.1 |
| Manufacturing | 96 | 1.9 | 26.5 | 16.8 | 28.4 |
| Energy & Utilities | 50 | 3.6 | 23.0 | 8.8 | 24.3 |
| CPG, Retail | 59 | 7.0 | 21.9 | 10.3 | 24.2 |
| Hi-tech & Media | 67 | 2.0 | 27.1 | 11.7 | 27.8 |
| Others | 36 | 2.7 | 30.6 | 6.3 | 32.9 |
| Revenue by service lines | | | | | |
| ADM & Testing | 188 | 1.4 | 26.3 | 26.1 | 27.6 |
| Enterprise Solutions | 176 | 1.3 | 21.6 | 30.8 | 23.3 |
| Cloud Infrastructure & Security | 78 | 7.3 | 15.9 | 13.7 | 17.3 |
| Analytics, AI & Cognitive | 73 | 4.5 | 46.8 | 12.8 | 47.9 |
| Enterprise Integration & Mobility | 55 | 8.0 | 51.8 | 9.7 | 53.5 |
| Client metrics | | | | | |
| Top 5 clients | 161 | 3.1 | 29.5 | 28.2 | |
| Top 10 clients | 230 | 3.0 | 25.6 | 40.4 | |
| Top 20 clients | 318 | 3.7 | 28.0 | 55.8 | |

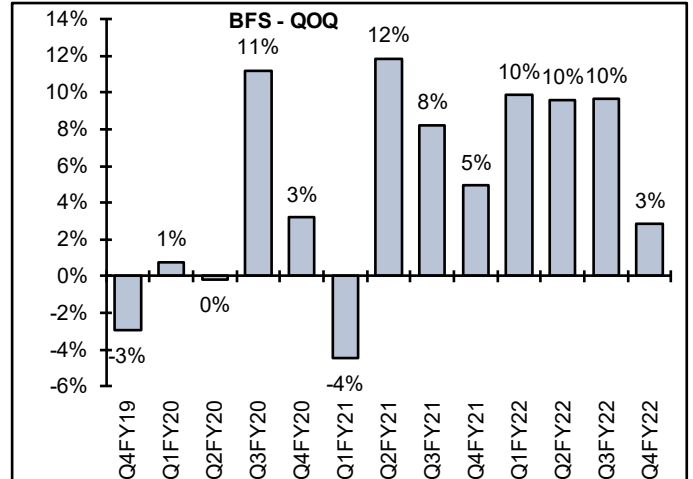
Source: Company data, I-Sec research

Chart 2: LTI reported 3.6% QoQ CC growth



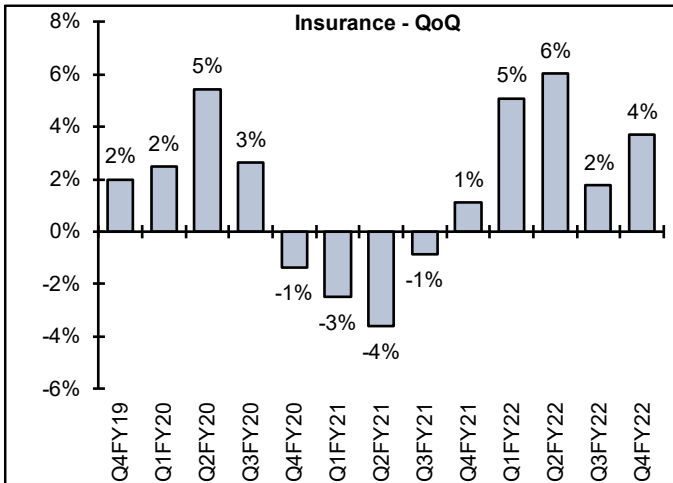
Source: Company, I-Sec research

Chart 3: BFS reported softer growth in Q4FY22



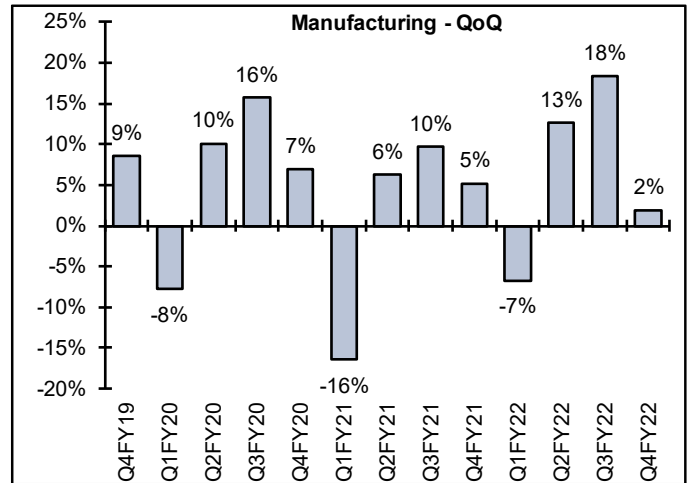
Source: Company, I-Sec research

Chart 4: Robust performance in insurance



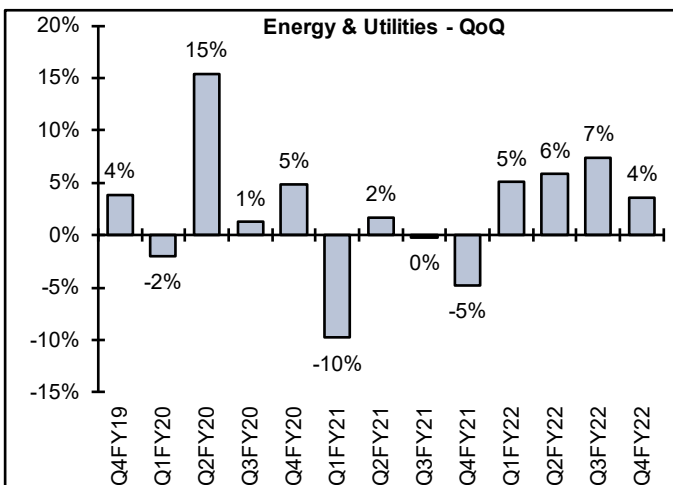
Source: Company, I-Sec research

Chart 5: Manufacturing posted tepid growth



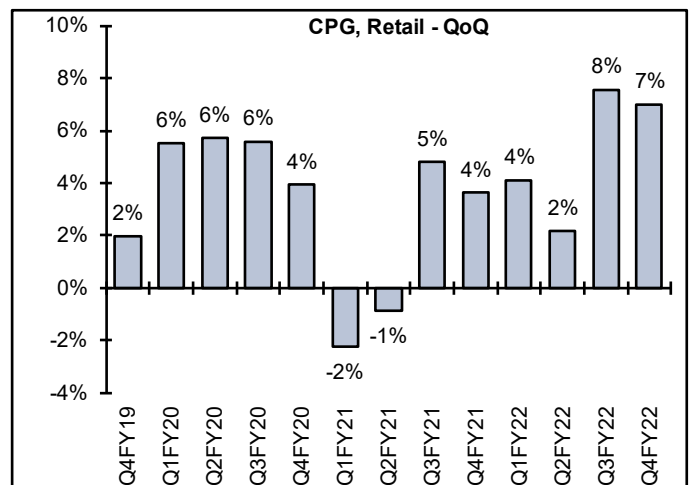
Source: Company, I-Sec research

Chart 6: Healthy growth in E&U segment



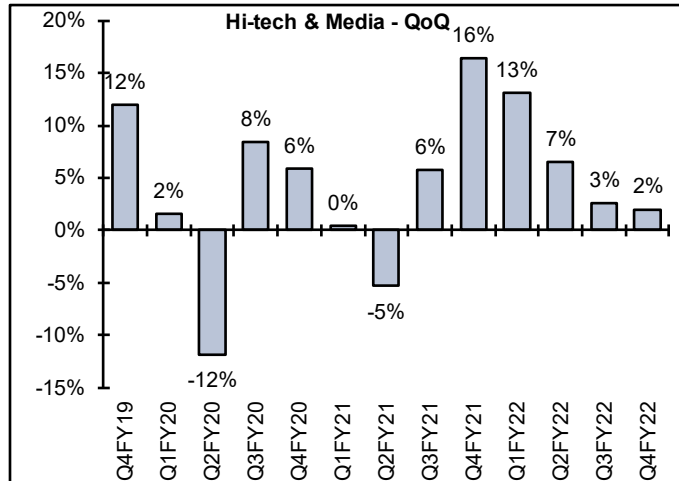
Source: Company, I-Sec research

Chart 7: Retail & CPG led growth



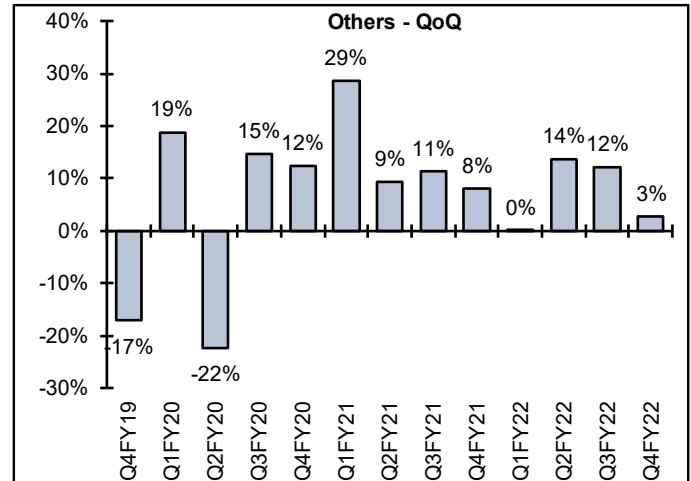
Source: Company, I-Sec research

Chart 8: Stable growth in Hi-tech & media



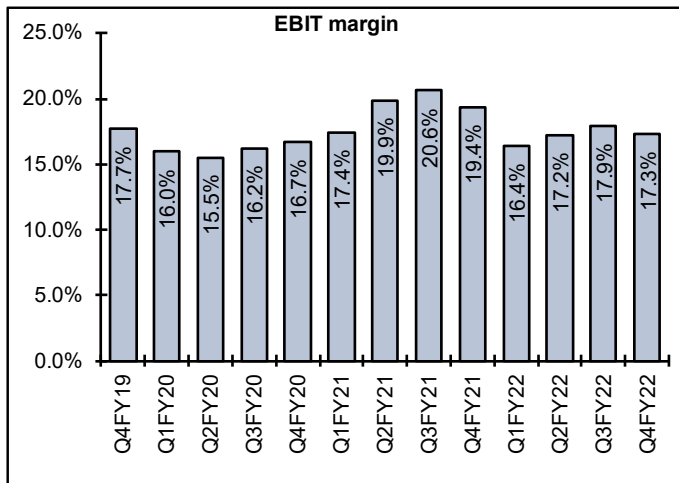
Source: Company, I-Sec research

Chart 9: Growth in others normalised



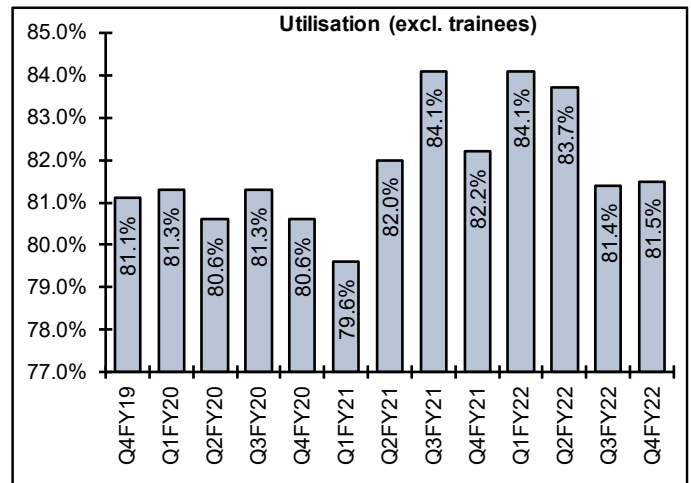
Source: Company, I-Sec research

Chart 10: Margins declined sequentially



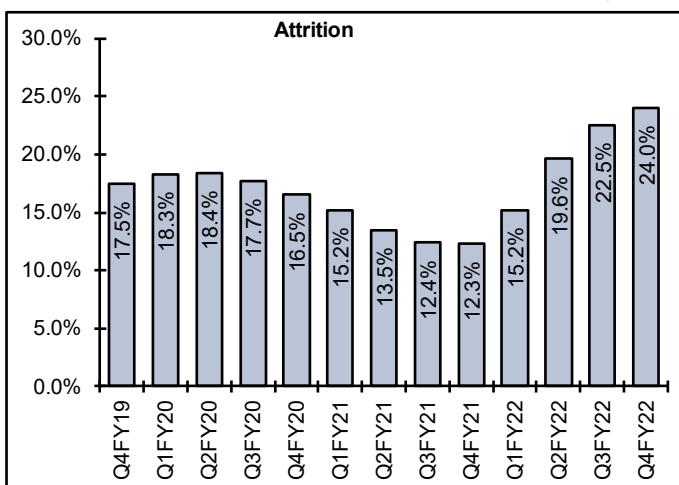
Source: Company, I-Sec research

Chart 11: Utilisations marginally increased



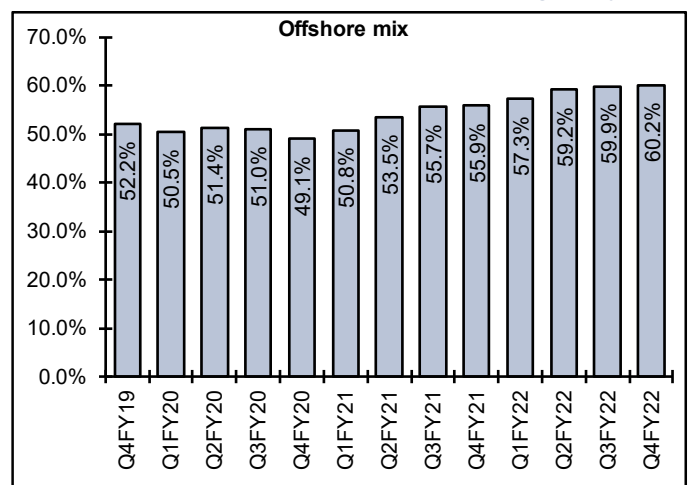
Source: Company, I-Sec research

Chart 12: Attrition peaked in-line with industry



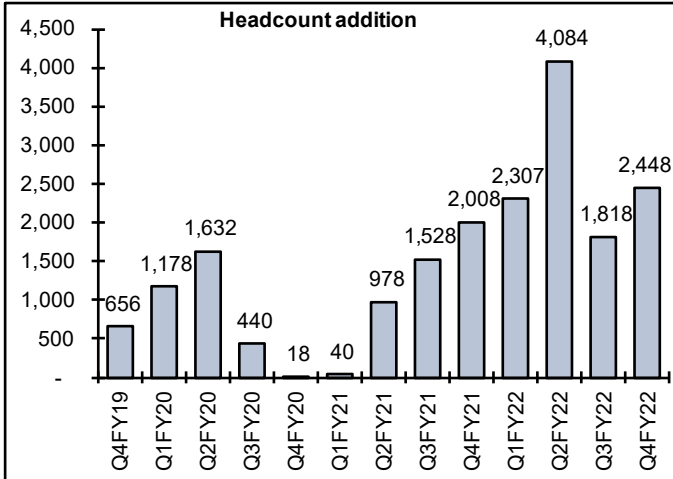
Source: Company, I-Sec research

Chart 13: Offshore effort increased marginally



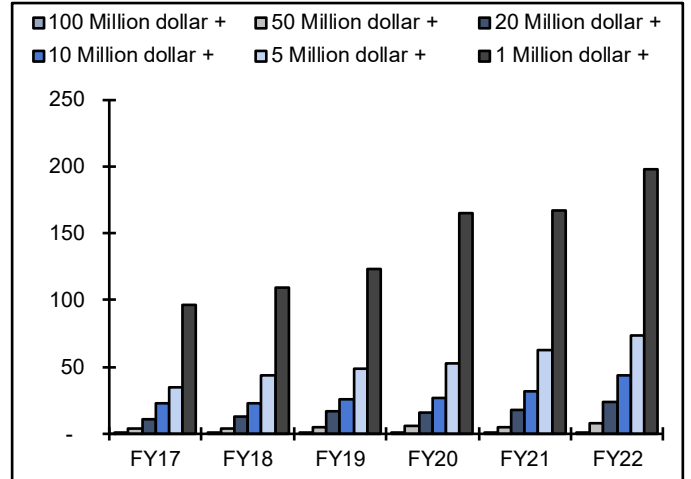
Source: Company, I-Sec research

Chart 14: Strong headcount addition



Source: Company, I-Sec research

Chart 15: Robust client additions



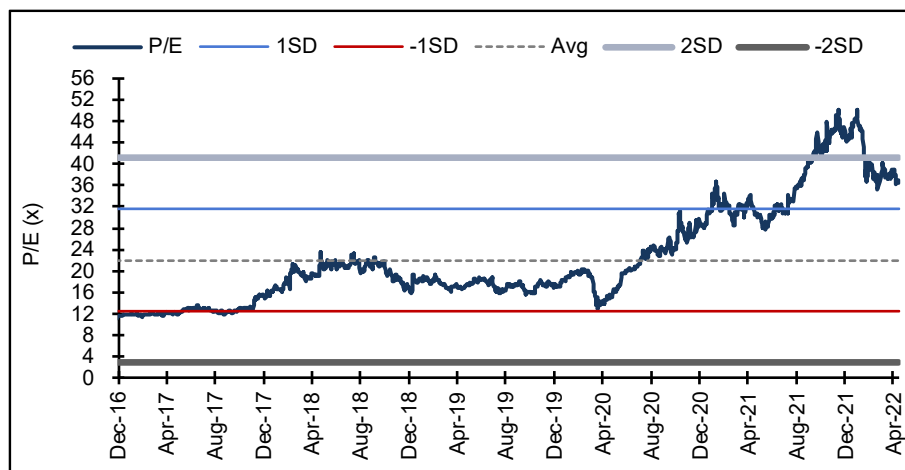
Source: Company, I-Sec research

Table 4: LTI summary

| Rs bn | FY18 | FY19 | FY20 | FY21 | FY22 | FY23E | FY24E |
|--------------|--------|--------|----------|----------|----------|----------|----------|
| USD Rev (mn) | 1,132 | 1,349 | 1,525 | 1,670 | 2,103 | 2,502 | 2,909 |
| YoY | 16.6% | 19.1% | 13.0% | 9.5% | 25.9% | 19.0% | 16.2% |
| Revenues | 73,064 | 94,458 | 1,08,786 | 1,23,698 | 1,56,687 | 1,90,176 | 2,23,970 |
| YoY | 12.4% | 29.3% | 15.2% | 13.7% | 26.7% | 21.4% | 17.8% |
| EBIT | 10,929 | 17,364 | 17,561 | 23,926 | 27,036 | 31,931 | 40,315 |
| Margin | 15.0% | 18.4% | 16.1% | 19.3% | 17.3% | 16.8% | 18.0% |
| PAT | 11,610 | 15,157 | 15,199 | 19,381 | 22,986 | 24,942 | 31,159 |
| EPS (Rs) | 68 | 87 | 87 | 111 | 131 | 143 | 178 |
| Payout | 38% | 38% | 38% | 36% | 42% | 32% | 25% |
| OCF | 8,438 | 13,951 | 16,435 | 23,996 | 16,520 | 23,241 | 29,018 |
| FCF | 7,419 | 12,385 | 13,970 | 21,259 | 7,578 | 18,732 | 23,708 |
| RoE | 33% | 35% | 30% | 31% | 29% | 26% | 27% |
| P/E | 81.1 | 62.6 | 62.7 | 49.3 | 41.7 | 38.4 | 30.7 |

Source: Company data, I-Sec research

Chart 16: 1-year forward P/E



Source: Bloomberg, I-Sec research.

Financial summary

Table 5: Profit and loss statement

(Rs mn, year ending March 31)

| | FY21 | FY22E | FY23E | FY24E |
|-----------------------------|-----------------|-----------------|-----------------|-----------------|
| Revenue (US\$mn) | 1,670 | 2,103 | 2,502 | 2,909 |
| Total Income (Sales) | 1,23,698 | 1,56,687 | 1,90,176 | 2,23,970 |
| Operating Expenses | 96,447 | 1,26,102 | 1,53,740 | 1,78,350 |
| EBITDA | 27,251 | 30,585 | 36,436 | 45,620 |
| % margin | 22.0 | 19.5 | 19.2 | 20.4 |
| Depreciation & Amortisation | 3,325 | 3,549 | 4,505 | 5,306 |
| EBIT | 23,926 | 27,036 | 31,931 | 40,315 |
| % margin | 19.3 | 17.3 | 16.8 | 18.0 |
| Other Income (net) | 1,955 | 3,939 | 1,700 | 1,700 |
| Recurring PBT | 25,881 | 30,975 | 33,631 | 42,015 |
| Tax expense | 6,500 | 7,989 | 8,689 | 10,856 |
| Reported net income | 19,381 | 22,986 | 24,942 | 31,159 |
| Extraordinary items | - | - | - | - |
| Restatement adjustments | - | - | - | - |
| Reported net income | 19,381 | 22,986 | 24,942 | 31,159 |

Source: Company data, I-Sec research

Table 6: Balance sheet

(Rs mn, year ending March 31)

| | FY21 | FY22E | FY23E | FY24E |
|---------------------------|---------------|---------------|-----------------|-----------------|
| Liabilities | | | | |
| Net Worth | 73,034 | 88,146 | 1,05,194 | 1,28,458 |
| Non-current Liabilities | 7,734 | 7,364 | 7,364 | 7,364 |
| Total Liabilities | 80,768 | 95,510 | 1,12,558 | 1,35,822 |
| Assets | | | | |
| Fixed Assets | 19,722 | 25,790 | 25,794 | 25,798 |
| Other Non-current assets | 6,056 | 10,247 | 10,247 | 10,247 |
| Current assets | 81,313 | 88,656 | 1,08,698 | 1,35,609 |
| less: current liabilities | 26,323 | 29,183 | 32,182 | 35,831 |
| Net current assets | 54,990 | 59,473 | 76,517 | 99,777 |
| Total Assets | 80,768 | 95,510 | 1,12,558 | 1,35,822 |

Source: Company data, I-Sec Research

Table 7: Cashflow statement

(Rs mn, year ending March 31)

| | FY21 | FY22E | FY23E | FY24E |
|------------------------------------|---------------|----------------|---------------|---------------|
| Op. CF before W Cap changes | 27,344 | 33,610 | 37,636 | 46,820 |
| Working Capital change | 3,052 | (8,977) | (5,706) | (6,947) |
| Taxes | (6,400) | (8,113) | (8,689) | (10,856) |
| Capex | (2,737) | (8,942) | (4,509) | (5,310) |
| Free Cashflow | 21,259 | 7,578 | 18,732 | 23,708 |
| CF from other Invst Act (Ex Capex) | (13,823) | (652) | 500 | 500 |
| Dividend paid | (5,319) | (8,749) | (7,894) | (7,894) |
| Others | 231 | (1,709) | - | - |
| Increase/(Decrease) in Cash | 2,348 | (3,532) | 11,337 | 16,314 |

Source: Company data, I-Sec research

Table 8: Key ratios

(Year ending March 31)

| | FY21 | FY22E | FY23E | FY24E |
|--|-------|-------|-------|-------|
| Per Share Data (Rs) | | | | |
| Reported EPS | 111.0 | 131.4 | 142.5 | 178.1 |
| Book Value per share (BV) | 418.3 | 503.8 | 601.2 | 734.2 |
| Cash EPS | 130.0 | 151.7 | 168.3 | 208.4 |
| Dividend per share | 40.0 | 55.0 | 45.0 | 45.0 |
| Growth Ratios (%) | | | | |
| Total Income (Sales) - US\$ | 9.5 | 25.9 | 19.0 | 16.2 |
| Total Income (Sales) | 13.7 | 26.7 | 21.4 | 17.8 |
| EBITDA | 34.3 | 12.2 | 19.1 | 25.2 |
| Net Income | 27.5 | 18.6 | 8.5 | 24.9 |
| Reported EPS | 27.2 | 18.4 | 8.5 | 24.9 |
| Valuation Ratios (x) | | | | |
| P/E | 49.3 | 41.7 | 38.4 | 30.7 |
| P/BV | 13.1 | 10.9 | 9.1 | 7.5 |
| EV / EBITDA | 33.5 | 30.2 | 25.0 | 19.6 |
| EV / Sales | 7.4 | 5.9 | 4.8 | 4.0 |
| Operating Ratios | | | | |
| Other Income / PBT (%) | 7.6 | 12.7 | 5.1 | 4.0 |
| Effective Tax Rate (%) | 25.1 | 25.8 | 25.8 | 25.8 |
| Fixed Asset Turnover (x) | 6.3 | 6.1 | 7.4 | 8.7 |
| Receivables (days) | 79 | 87 | 84 | 84 |
| Return/Profitability Ratios (%) | | | | |
| Net Income Margins | 15.7 | 14.7 | 13.1 | 13.9 |
| EBITDA Margins | 22.0 | 19.5 | 19.2 | 20.4 |
| RoCE (Based on Avg) | 24.6 | 22.8 | 22.8 | 24.1 |
| RoNW (Based on Avg) | 30.5 | 28.5 | 25.8 | 26.7 |
| Dividend Yield | 0.7 | 1.0 | 0.8 | 0.8 |

Source: Company data, I-Sec research

This report may be distributed in Singapore by ICICI Securities, Inc. (Singapore branch). Any recipients of this report in Singapore should contact ICICI Securities, Inc. (Singapore branch) in respect of any matters arising from, or in connection with, this report. The contact details of ICICI Securities, Inc. (Singapore branch) are as follows: Address: 10 Collyer Quay, #40-92 Ocean Financial Tower, Singapore - 049315, Tel: +65 6232 2451 and email: navneet_babbar@icicisecuritiesinc.com, Rishi_agrawal@icicisecuritiesinc.com.

"In case of eligible investors based in Japan, charges for brokerage services on execution of transactions do not in substance constitute charge for research reports and no charges are levied for providing research reports to such investors."

New I-Sec investment ratings (all ratings based on absolute return; All ratings and target price refers to 12-month performance horizon, unless mentioned otherwise)
BUY: >15% return; ADD: 5% to 15% return; HOLD: Negative 5% to Positive 5% return; REDUCE: Negative 5% to Negative 15% return; SELL: < negative 15% return

ANALYST CERTIFICATION

I/We, Aniket Pande, MBA' Heenal Gada, CA; authors and the names subscribed to this report, hereby certify that all of the views expressed in this research report accurately reflect our views about the subject issuer(s) or securities. We also certify that no part of our compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view(s) in this report. Analysts are not registered as research analysts by FINRA and are not associated persons of the ICICI Securities Inc. It is also confirmed that above mentioned Analysts of this report have not received any compensation from the companies mentioned in the report in the preceding twelve months and do not serve as an officer, director or employee of the companies mentioned in the report.

Terms & conditions and other disclosures:

ICICI Securities Limited (ICICI Securities) is a full-service, integrated investment banking and is, inter alia, engaged in the business of stock brokering and distribution of financial products.

ICICI Securities is Sebi registered stock broker, merchant banker, investment adviser, portfolio manager and Research Analyst. ICICI Securities is registered with Insurance Regulatory Development Authority of India Limited (IRDAI) as a composite corporate agent and with PFRDA as a Point of Presence. ICICI Securities Limited Research Analyst SEBI Registration Number – INH00000990. ICICI Securities Limited SEBI Registration is INZ000183631 for stock broker. ICICI Securities is a subsidiary of ICICI Bank which is India's largest private sector bank and has its various subsidiaries engaged in businesses of housing finance, asset management, life insurance, general insurance, venture capital fund management, etc. ("associates"), the details in respect of which are available on www.icicibank.com.

ICICI Securities is one of the leading merchant bankers/ underwriters of securities and participate in virtually all securities trading markets in India. We and our associates might have investment banking and other business relationship with a significant percentage of companies covered by our Investment Research Department. ICICI Securities and its analysts, persons reporting to analysts and their relatives are generally prohibited from maintaining a financial interest in the securities or derivatives of any companies that the analysts cover.

Recommendation in reports based on technical and derivative analysis centre on studying charts of a stock's price movement, outstanding positions, trading volume etc as opposed to focusing on a company's fundamentals and, as such, may not match with the recommendation in fundamental reports. Investors may visit icicidirect.com to view the Fundamental and Technical Research Reports.

Our proprietary trading and investment businesses may make investment decisions that are inconsistent with the recommendations expressed herein.

ICICI Securities Limited has two independent equity research groups: Institutional Research and Retail Research. This report has been prepared by the Institutional Research. The views and opinions expressed in this document may or may not match or be contrary with the views, estimates, rating, and target price of the Retail Research.

The information and opinions in this report have been prepared by ICICI Securities and are subject to change without any notice. 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 of ICICI Securities. While we would endeavour to update the information herein on a reasonable basis, ICICI Securities is under no obligation to update or keep the information current. Also, there may be regulatory, compliance or other reasons that may prevent ICICI Securities from doing so. Non-rated securities indicate that rating on a particular security has been suspended temporarily and such suspension is in compliance with applicable regulations and/or ICICI Securities policies, in circumstances where ICICI Securities might be acting in an advisory capacity to this company, or in certain other circumstances.

This report is based on information obtained from public sources and sources believed to be reliable, but no independent verification has been made nor is its accuracy or completeness guaranteed. This report and information herein is solely for informational purpose and shall 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. Though disseminated to all the customers simultaneously, not all customers may receive this report at the same time. ICICI Securities will not treat recipients as customers by virtue of their receiving this report. 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. The recipient should independently evaluate the investment risks. The value and return on investment may vary because of changes in interest rates, foreign exchange rates or any other reason. ICICI Securities accepts no liabilities whatsoever for any loss or damage of any kind arising out of the use of this report. Past performance is not necessarily a guide to future performance. Investors are advised to see Risk Disclosure Document to understand the risks associated before investing in the securities markets. Actual results may differ materially from those set forth in projections. Forward-looking statements are not predictions and may be subject to change without notice.

ICICI Securities or its associates might have managed or co-managed public offering of securities for the subject company or might have been mandated by the subject company for any other assignment in the past twelve months.

ICICI Securities or its associates might have received any compensation from the companies mentioned in the report during the period preceding twelve months from the date of this report for services in respect of managing or co-managing public offerings, corporate finance, investment banking or merchant banking, brokerage services or other advisory service in a merger or specific transaction.

ICICI Securities or its associates might have received any compensation for products or services other than investment banking or merchant banking or brokerage services from the companies mentioned in the report in the past twelve months.

ICICI Securities encourages independence in research report preparation and strives to minimize conflict in preparation of research report. ICICI Securities or its associates or its analysts did not receive any compensation or other benefits from the companies mentioned in the report or third party in connection with preparation of the research report. Accordingly, neither ICICI Securities nor Research Analysts and their relatives have any material conflict of interest at the time of publication of this report.

Compensation of our Research Analysts is not based on any specific merchant banking, investment banking or brokerage service transactions.

ICICI Securities or its subsidiaries collectively or Research Analysts or their relatives do not own 1% or more of the equity securities of the Company mentioned in the report as of the last day of the month preceding the publication of the research report.

Since associates of ICICI Securities and ICICI Securities as an entity are engaged in various financial service businesses, they might have financial interests or actual/beneficial ownership of one percent or more or other material conflict of interest in various companies including the subject company/companies mentioned in this report.

ICICI Securities may have issued other reports that are inconsistent with and reach different conclusion from the information presented in this report.

Neither the Research Analysts nor ICICI Securities have been engaged in market making activity for the companies mentioned in the report.

We submit that no material disciplinary action has been taken on ICICI Securities by any Regulatory Authority impacting Equity Research Analysis activities.

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 ICICI Securities and affiliates 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.

This report has not been prepared by ICICI Securities, Inc. However, ICICI Securities, Inc. has reviewed the report and, in so far as it includes current or historical information, it is believed to be reliable, although its accuracy and completeness cannot be guaranteed.