

CMP: ₹ 521

Target: ₹ 790 (52%)

Target Period: 12 months

BUY

August 6, 2022

Uptick in ethanol volume, debt reduction to lift earnings

About the stock: Avadh Sugar has 31800 TCD sugarcane crushing capacity 325 KLD distillery capacity & 74 MW saleable power capacity. The company produces 6.0 lakh tonnes (lt) of sugar, 8 crore litre of ethanol & 15 crore units of saleable power.

- The company has increased its distillery capacity from 240 KLD to 325 KLD with a capex of ₹ 135 crore. This would help it increase its annual ethanol production to 11 crore litre

Q1FY23 Results: Avadh reported sales growth of 11.2% led by strong ethanol sales

- Sales up 11.2% to ₹ 688.1 crore led by 47.3% growth in ethanol revenues
- EBITDA was at ₹ 64.2 crore, down 8.3% YoY, with margins at 9.3%
- Consequent PAT was ₹ 19.7 crore (up 3.9%) impacted by dip in EBITDA

What should investors do? Avadh share price has gone up by 46% in the last five years (from ₹ 355 in August 2017 to ₹ 521 in August 2022).

- We expect 15.7% CAGR in distillery volumes to boost overall earnings with CAGR of 29.8% during FY22-24E
- We continue to maintain our **BUY** rating on the stock

Target Price and Valuation: We value the stock at ₹ 790, valuing the business at 8x FY24 PE

Key triggers for future price performance:

- The company has added 80 KLD distillery capacity with the capex of ₹ 135 crore, which would increase its distillery volumes to 11 crore litres. Avadh would be maximising B-heavy & Sugarcane Juice ethanol production
- Avadh is also undertaking de-bottlenecking operations, which would increase its operational efficiency & improve profitability
- Sugar inventory has fallen from 14.5 million tonnes (MT) in September-2019 to 8.2 MT in September 2021, which would further fall to 5.7 MT by September 2022. This would keep sugar prices benign above ₹ 35/kg
- With the inventory liquidation in next one year and boost in profitability, the company would be able to de-leverage its balance sheet. We expect debt reduction of ₹ 480 crore between FY22 and FY24E

Alternate Stock Idea: We also like Dwarikesh Sugar in our sugar coverage.

- The company is one of the most efficient companies with highest sugar recovery & abundant sugarcane availability. It is increasing its distillery capacity to 2x by FY24E
- We value the stock at ₹ 150/share with BUY recommendation



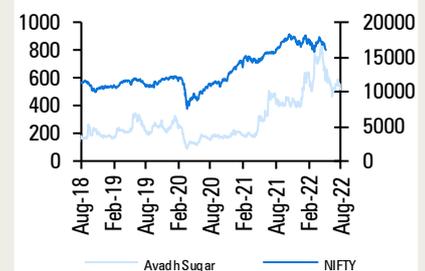
Particulars

Particulars (₹ crore)	Amount
Market Capitalization	1,041.9
Total Debt (FY22)	1,212.8
Cash and Investments (FY22)	3.1
EV	2,251.6
52 week H/L (₹)	885 / 396
Equity capital	20.0
Face value (₹)	10.0

Shareholding pattern

(in %)	Sep-21	Dec-21	Mar-22	Jun-22
Promoter	60.4	60.4	60.4	60.4
FII	1.0	0.7	2.3	2.2
DII	0.3	0.0	0.3	0.3
Others	38.3	38.9	37.0	37.1

Price Chart



Recent event & key risks

- Avadh is utilising expanded capacity to produce ethanol through juice & B-heavy molasses
- Key Risk:** (i) Significant reduction in global sugar prices could derail exports next season (ii) Any weather related disruption on sugarcane yields or sugar recovery

Research Analyst

Sanjay Manyal
sanjay.manyal@icicisecurities.com

Key Financial Summary

Key Financials	FY20	FY21	FY22	CAGR (FY17-22E)	FY23E	FY24E	CAGR (FY22-24E)
Total Operating Income	2559.4	2710.5	2743.7	44.4%	2919.4	2967.8	4.0%
EBITDA	261.4	259.3	302.8	-6.7%	377.3	409.2	16.3%
EBITDA Margin %	10.2	9.6	11.0		12.9	13.8	
Net Profit	88.6	77.6	124.4	-9.4%	180.6	209.6	29.8%
EPS (₹)	44.31	38.79	62.20	-9.4%	90.29	104.80	29.8%
P/E	11.8	13.4	8.4		5.8	5.0	
RoNW %	15.0	11.7	15.4		18.6	18.3	
RoCE (%)	10.6	11.5	12.5		16.0	18.6	

Source: Company, ICICI Direct Research

Key takeaways of recent quarter

Q1FY23 Results: Ethanol volume growth, interest reduction to boost profitability

- Consolidated sales grew 11.2% to ₹ 688.1 crore led by 10.1% growth in sugar & 47.3% growth in distillery segment
- Sugar sales volume dipped 6.6% to 1.38 lt on account of lower sugar exports during the quarter. Its domestic sugar sales quota was up 1.2% to 1.17 lt. Exports volume during the quarter were 0.21 lt against 0.32 lt in corresponding quarter last year. Sugar realisation was up 6.4% to ₹ 34.7/kg. The company is holding sugar inventory of 2.4 lt as of June 2022 valued at ₹ 32.5/kg
- Distillery revenue growth of 47.3% was led by 41% increase in distillery volumes & 4.5% increase in distillery realisation. Distillery volumes were 2.7 crore litre, which included 0.5 crore litre ethanol produced from sugarcane juice. Average distillery realisation was up 4.5% to ₹ 60.5 / litre. Power sales increased 10.8% to ₹ 35.3 crore. Power volumes were flat at 2.3 crore units & average realisation was up by 4% to ₹ 3.21 / unit
- Operating profit declined 8.3% to ₹ 64.2 crore given cost of production in 2021-22 sugar season was higher by ₹ 3/kg due to increase in sugarcane prices & lower sugar recovery rate
- Interest cost dipped 23.4% to ₹ 21.4 crore mainly on account of ₹ 277 crore reduction in debt in last one year. Net profit witnessed a growth of 3.9% to ₹ 19.7 crore
- Total debt for the company has declined by ₹ 277 crore to ₹ 1185 crore in the last one year. Further, the company has accelerated farmer payment in 2021-22 sugar season. Sugarcane farmer pending dues for the company were ₹ 41 crore as on June 2022
- Industry wise sugar production is expected at 35.9 million tonnes (MT) in 2021-22 sugar season. Moreover, expected sugar consumption of 27.5 MT & exports of 11 MT (government allowed 1 MT additional exports), sugar inventories are likely to come down to 5.7 MT by September 2022
- The industry estimate sugar production of 35.5 MT in 2022-23 sugar season after 4.5 MT of sacrifice for ethanol diversion. Considering sugar consumption at 28 MT, India is required to exports 7-8 MT in 2022-23
- Brazil sugar production is expected to increase by 1 MT to 33 MT. Thailand sugar production is also likely to increase by 1-2 MT. Given, India export availability is likely to dip by 3 MT, global raw sugar prices are likely to remain firm 18-20 cents /lb. Global refined white sugar prices are prevailing at ₹41/kg (US\$530 /tonnes)
- Ethanol blending in the country has reached 10.17%. OMCs have contracted for 445 crore litre out of the total requirement of 459 crore litre for 2020-21 (December – October). Out of this total, OMCs have lifted 283 crore litre of ethanol till July 17, 2022. The government has also declared incentives for ethanol supply from June-November 2022 to the tune of ₹ 1-2/litre depending on the feedstock (B-heavy, sugarcane juice)

Exhibit 1: Peer Comparison

Sector / Company	CMP			M Cap	EPS growth (%)				EBITDA margins (%)				PE (x)				P/B (x)				RoCE (%)			
	₹	₹	Rating		₹ Cr	FY21	FY22	FY23E	FY24E	FY21	FY22	FY23E	FY24E	FY21	FY22	FY23E	FY24E	FY21	FY22	FY23E	FY24E	FY21	FY22	FY23E
Balrampur Chini (BALCHI)	350	515	Buy	7354	-3.2	-0.3	20.1	51.2	14.8	14.4	16.5	18.6	15.3	15.4	12.8	8.5	2.8	2.7	2.4	2.2	16.4	15.3	16.0	23.1
Dalmia Bharat Sugar (DALSUG)	346	490	Buy	2796	39.9	10.0	15.8	16.5	17.6	14.8	18.0	19.0	10.3	9.4	8.1	7.0	1.4	1.3	1.3	1.1	13.3	12.3	15.5	17.7
Triveni Engineering (TRIENG)	226	350	Buy	5465	-9.9	43.9	17.1	21.8	11.9	14.8	14.9	17.1	18.5	12.9	11.0	9.0	3.7	3.0	2.5	2.1	19.4	15.8	18.3	20.5
Dwarikesh sugar (DWASUG)	108	150	Buy	2024	24.5	69.6	17.1	48.7	10.9	14.7	14.3	18.9	22.1	13.0	11.1	7.5	3.7	3.2	2.5	2.0	14.4	20.6	20.4	30.3
Avadh Sugar (AVASUG)	521	790	Buy	1042	-12.4	60.3	45.2	16.1	9.6	11.0	12.9	13.8	13.4	8.4	5.8	5.0	1.6	1.3	1.1	0.9	11.5	12.5	16.0	18.6

Source: Company, ICICI Direct Research

Sugar industry saw higher cost of production in 2021-22 sugar season owing to increase in sugarcane prices and lower sugar recovery due to adverse weather conditions in UP. Moreover, sugar prices have risen ~6-7% covering the increase in cost of production partially. This has resulted in dip in sugar segment profitability. However, we believe sugarcane availability is likely to increase in UP & sugar recovery is expected to improve in 2022-23 season given introduction of newer sugarcane varieties & expected favourable weather conditions. Further, sugar companies are increasing their ethanol capacities significantly, which would accelerate sugarcane diversion towards ethanol. We expect 34% jump in distillery volumes for Avadh in FY23. Further, with the strong free cash flow generation, the company would be able to significantly repay its debt. We remain positive on the company's ethanol revenue growth as well as debt reduction possibility in medium term. We maintain our **BUY** recommendation on the stock with the revised target price of ₹ 790 / share (earlier: ₹ 890).

Exhibit 2: Variance Analysis

	Q1FY23	Q1FY22	YoY (%)	Q4FY22	QoQ (%)	Comments
Total Operating Income	688.1	618.8	11.2	758.7	-9.3	Revenue increased by 11.2% led by 47.3% growth in distillery business
Other Operating Income	0.0	0.0	NC	0.0	NC	
Raw Material Expenses	550.1	482.6	14.0	570.2	-3.5	Cost of production increased on account of increase in sugarcane prices & lower sugar recovery in 2021-22 season
Employee Expense	23.6	22.8	3.5	28.7	-17.9	
Other operating Expenses	50.2	43.5	15.4	74.9	-33.0	
EBITDA	64.2	70.0	-8.3	84.9	-24.4	Operating profit dipped 8.3%
EBITDA Margin (%)	9.3	11.3	-198 bps	11.2	-187 bps	
Depreciation	12.5	12.8	-2.6	12.6	-0.7	
Interest	21.8	28.5	-23.4	19.7	10.9	Interest cost down 23.4% with ₹ 277 crore reduction in debt in last one year
Other Income	0.3	0.5	-30.3	1.6	-79.7	
PBT	30.2	29.2	3.6	54.4	-44.4	
Tax Outgo	10.5	10.2	NC	3.0	250.1	
PAT	19.7	18.9	3.9	51.3	NC	Net profit grew by 3.9% during the quarter
Key Metrics						
Sugar sales volume (in tonnes)	1.4	1.5	-6.6	1.7	-17.8	Sugar sales was down given export sales was lower compared to base quarter
Domestic Sugar realisation (₹ per kg)	34.7	32.6	6.4	32.9	5.5	Sugar realisation was up by 6.4%
Distillery volumes (in crore litre)	2.7	1.9	41.0	2.2	21.4	Distillery volumes increased by 41% given the company expanded distillery capacity in March 2022
Distillery realisation (₹ per litre)	60.5	57.9	4.5	62.2	-2.7	Distillery realisation was up on account of higher proportion of B-heavy & sugarcane juice volumes

Source: Company, ICICI Direct Research

Exhibit 3: Change in estimates

(₹ Crore)	FY23E			FY24E			Comments
	Old	New	% change	Old	New	% change	
Net sales	2,969.8	2919.4	-1.7	3,043.7	2967.8	-2.5	We cut our sugar volume estimates for FY23E & FY24E
EBITDA	387.6	377.3	-2.6	420.6	409.2	-2.7	
EBITDA Margin (%)	13.1	12.9	-13 bps	13.8	13.8	-3 bps	
PAT	191.4	180.6	-5.7	232.1	209.6	-9.7	We increase our interest cost estimate given strong cash flows are utilised for faster farmer payment & hence debt payment is slower than expected
EPS (₹)	95.7	90.3	-5.7	116.1	104.8	-9.7	

Source: ICICI Direct Research

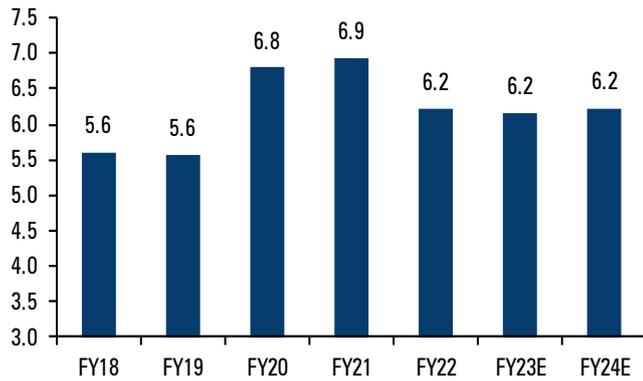
Exhibit 4: Assumptions

	Current						Earlier		
	FY19	FY20	FY21	FY22	FY23E	FY24E	FY23E	FY24E	
Sugar Sold (in tonne)	5,56,500	6,79,600	6,92,800	6,20,900	6,16,332	6,22,495	6,45,736	6,52,193	We cut our sugar volume estimates inline with existing monthly quota for FY23
Sugar Price (₹ per tonne)	30,696	29,962	31,720	34,016	35,000	35,200	35,000	35,500	We cut our sugar price estimates for FY24E
Distillery volume (in cr litre)	5.8	4.8	6.2	8.2	10.9	11.0	10.9	11.0	
Distillery price (₹ per KL)	43.7	49.4	55.4	59.0	60.7	61.9	59.0	60.2	We change our distillery realisation estimate upward due to increasing proportion of Sugarcane juice ethanol
Power Units sold	19.0	17.6	14.8	14.8	14.8	14.9	14.8	14.9	
Price per unit (₹ per units)	5.0	2.9	3.0	3.1	3.1	3.2	3.1	3.2	

Source: ICICI Direct Research

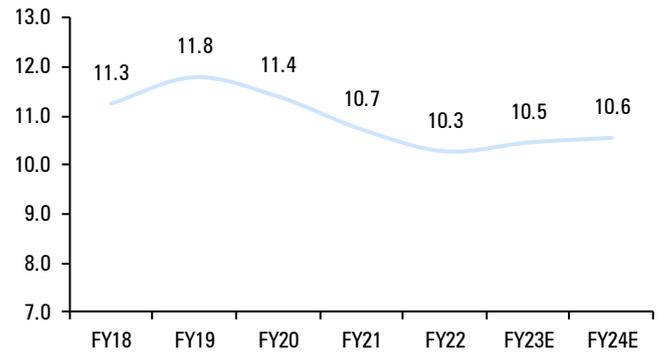
Key Metrics

Exhibit 5: Sugar sales volume (in lakh tonne)



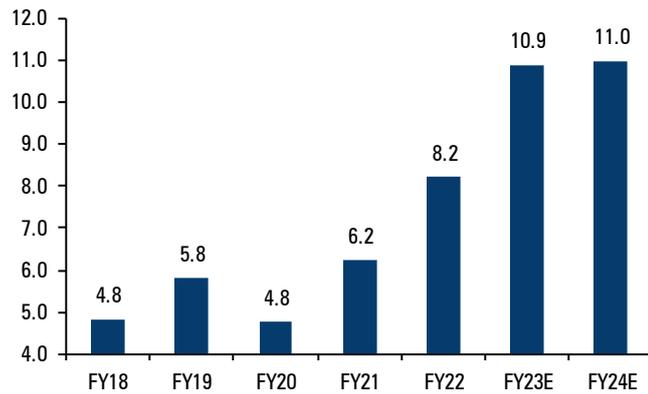
Source: ICICI Direct Research, Company

Exhibit 6: Reduction in sugar recovery rate after higher proportion of sugarcane diversion towards B-heavy ethanol



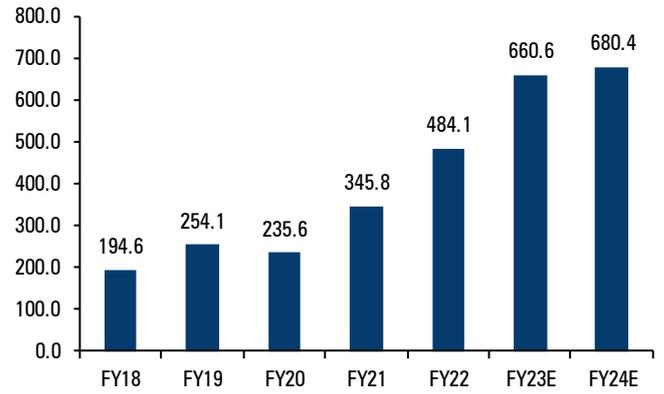
Source: ICICI Direct Research, Company

Exhibit 7: Ethanol volumes (in crore litre)



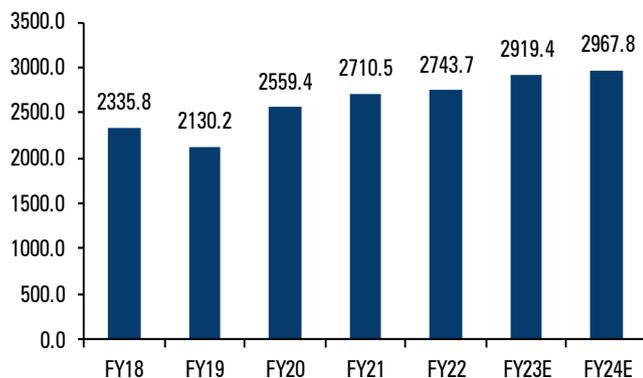
Source: Company, ICICI Direct Research

Exhibit 8: Ethanol sales (₹ crore)



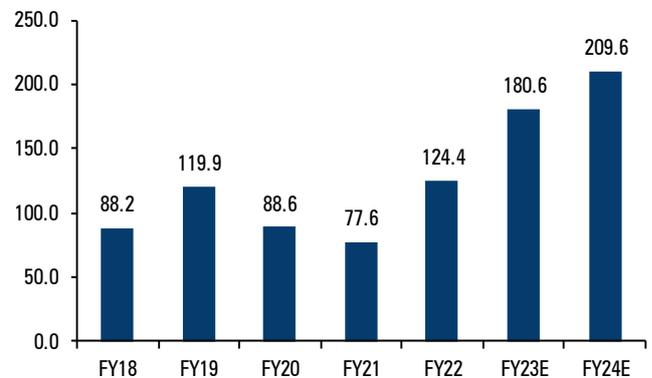
Source: Company, ICICI Direct Research

Exhibit 9: Revenue trend (₹ crore)



Source: Company, ICICI Direct Research

Exhibit 10: Adjusted PAT trend (₹ crore)



Source: Company, ICICI Direct Research

Exhibit 11: Valuation

	Sales (₹ cr)	Growth (%)	EPS (₹)	Growth (%)	PE (x)	EV/EBITDA (x)	RoNW (%)	RoCE (%)
FY21	2710.5	5.9	38.8	-12.4	13.4	8.6	11.7	11.5
FY22	2743.7	1.2	62.2	60.3	8.4	7.4	15.4	12.5
FY23E	2919.4	6.4	90.3	45.2	5.8	5.4	18.6	16.0
FY24E	2967.8	1.7	104.8	16.1	5.0	4.2	18.3	18.6

Source: Company, ICICI Direct Research

Financial Summary

Exhibit 12: Profit and loss statement				
	₹ crore			
(Year-end March)	FY21	FY22	FY23E	FY24E
Total Operating Income	2,710.5	2,743.7	2,919.4	2,967.8
Growth (%)	5.9	1.2	6.4	1.7
Raw Material Expenses	2,127.7	2,114.5	2,177.1	2,183.2
Employee Expenses	97.3	100.1	110.9	118.7
Administrative Expenses	0.0	0.0	0.0	0.0
Excise Duty	0.0	0.0	0.0	0.0
Other expenses	226.2	226.3	254.0	256.7
Total Operating Expenditure	2,451.2	2,440.8	2,542.1	2,558.6
EBITDA	259.3	302.8	377.3	409.2
Growth (%)	-0.8	16.8	24.6	8.5
Depreciation	48.3	51.3	58.1	60.1
Interest	116.0	88.4	82.1	73.2
Other Income	6.4	4.1	4.3	4.4
PBT	95.0	163.1	237.1	275.8
Exceptional items	0.0	0.0	0.0	0.0
Total Tax	23.8	42.8	60.8	70.6
PAT	77.6	124.4	180.6	209.6
Growth (%)	-12.4	60.3	45.2	16.1
EPS (₹)	38.8	62.2	90.3	104.8

Source: Company, ICICI Direct Research

Exhibit 13: Cash flow statement				
	₹ crore			
(Year-end March)	FY21	FY22	FY23E	FY24E
Profit/Loss after Tax	101.4	167.2	180.6	209.6
Add: Depreciation	48.4	51.3	58.1	60.1
Add: Interest	116.0	88.4	0.0	0.0
(Inc)/dec in Current Assets	268.3	247.8	35.8	70.5
Inc/(dec) in Current Liabilities	-49.3	-206.5	53.7	53.1
CF from operating activities	465.5	313.7	328.1	393.3
(Inc)/dec in Investments	0.0	0.0	0.0	0.0
(Inc)/dec in Fixed Assets	-110.9	-55.5	-100.0	-50.0
Others	2.9	1.9	2.3	0.0
CF from investing activities	-108.0	-53.6	-97.7	-50.0
Issue/(Buy back) of Equity	0.0	0.0	0.0	0.0
Inc/(dec) in loan funds	-53.0	55.3	-190.0	-290.0
Dividend paid & dividend tax	-8.0	-8.0	-20.0	-36.0
Inc/(dec) in Sec. premium	-119.1	0.0	0.0	0.0
Others	-177.6	0.0	0.0	0.0
CF from financing activities	-358.0	-264.3	-210.0	-326.0
Net Cash flow	-0.5	-4.1	20.4	17.3
Opening Cash	5.4	4.9	0.8	21.2
Cash with bank	0.0	0.0	0.0	0.0
Closing Cash	4.9	0.8	21.2	38.5

Source: Company, ICICI Direct Research

Exhibit 14: Balance Sheet				
	₹ crore			
	FY21	FY22	FY23E	FY24E
Liabilities				
Equity Capital	20.0	20.0	20.0	20.0
Reserve and Surplus	645.7	790.4	950.9	1,124.5
Total Shareholders funds	665.8	810.4	971.0	1,144.5
Total Debt	1,215.1	1,212.8	1,022.8	732.8
Long Term Provisions	4.0	1.7	1.7	1.7
Other Non-current Liabilities	12.4	26.1	26.1	26.1
Total Liabilities	1,897.3	2,051.1	2,021.6	1,905.2
Assets				
Gross Block	1,309.6	1,353.4	1,453.4	1,503.4
Less: Acc Depreciation	225.2	276.5	334.7	394.8
Net Block	1,084.4	1,076.9	1,118.7	1,108.6
Capital WIP	14.0	8.6	8.6	8.6
Intangible assets	0.5	0.5	0.5	0.5
Non Current Investments	15.2	46.8	46.8	46.8
Other non-current assets	7.7	23.3	23.3	23.3
Current Assets				
Inventory	1,350.6	1,169.7	1,135.3	1,071.7
Debtors	55.1	85.7	84.4	77.5
Cash	6.9	3.1	21.2	38.5
Loans & Advances	0.5	0.5	0.5	0.5
Other Current Assets	113.9	15.4	15.4	15.4
Current Liabilities				
Creditors	539.5	310.5	314.1	317.3
Provisions	6.1	7.3	7.3	7.3
Other CL	206.0	61.6	111.6	161.6
Net Current Assets	775.5	895.0	823.6	717.4
Total Assets	1,897.3	2,051.1	2,021.6	1,905.2

Source: Company, ICICI Direct Research

Exhibit 15: Key ratios				
	FY21	FY22	FY23E	FY24E
Per share data (₹)				
EPS	38.8	62.2	90.3	104.8
Cash EPS	62.9	87.8	119.4	134.9
BV	332.9	405.2	485.5	572.3
DPS	4.0	4.0	10.0	18.0
Cash Per Share	112.6	138.3	167.3	197.4
Operating Ratios (%)				
EBITDA Margin	9.6	11.0	12.9	13.8
PBT / Net Sales	3.7	6.1	8.3	9.4
PAT Margin	2.9	4.5	6.2	7.1
Inventory days	181.9	155.6	141.9	131.8
Debtor days	7.4	11.4	10.5	9.5
Creditor days	72.6	41.3	39.3	39.0
Return Ratios (%)				
RoE	11.7	15.4	18.6	18.3
RoCE	11.5	12.5	16.0	18.6
Valuation Ratios (x)				
P/E	13.4	8.4	5.8	5.0
EV / EBITDA	8.6	7.4	5.4	4.2
EV / Net Sales	0.8	0.8	0.7	0.6
Market Cap / Sales	0.4	0.4	0.4	0.4
Price to Book Value	1.6	1.3	1.1	0.9
Solvency Ratios				
Debt/EBITDA	4.7	4.0	2.7	1.8
Debt / Equity	1.8	1.5	1.1	0.6
Current Ratio	2.6	3.4	2.9	2.4
Quick Ratio	0.3	0.3	0.2	0.2

Source: Company, ICICI Direct Research

Exhibit 16: ICICI Direct coverage universe (Sugar)

Sector / Company	CMP	TP	Rating	M Cap	EPS (₹)				P/E (x)				EV/EBITDA (x)				P/B				RoCE (%)			
	(₹)	(₹)		(₹ Cr)	FY21	FY22	FY23E	FY24E	FY21	FY22	FY23E	FY24E	FY21	FY22	FY23E	FY24E	FY21	FY22	FY23E	FY24E	FY21	FY22	FY23E	FY24E
Balrampur Chini (BALCHI)	350	515	Buy	7,354	22.8	22.8	27.4	41.3	15.3	15.4	12.8	8.5	11.9	12.1	10.3	7.2	2.8	2.7	2.4	2.2	16.4	15.3	16.0	23.1
Dalmia Bharat Sugar (DALSUG)	346	490	Buy	2,796	33.4	36.7	42.5	49.6	10.3	9.4	8.1	7.0	8.2	8.3	6.3	5.1	1.4	1.3	1.3	1.1	13.3	12.3	15.5	17.7
Triveni Engineering (TRIENG)	226	350	Buy	5,465	12.2	17.5	20.5	25.0	18.5	12.9	11.0	9.0	11.7	11.3	9.1	7.4	3.7	3.0	2.5	2.1	19.4	15.8	18.3	20.5
Dwarikesh sugar (DWASUG)	108	150	Buy	2,024	4.9	8.2	9.6	14.4	22.1	13.0	11.1	7.5	13.5	9.0	8.2	5.3	3.7	3.2	2.5	2.0	14.4	20.6	20.4	30.3
Avadh Sugar (AVASUG)	521	790	Buy	1,042	38.8	62.2	90.3	104.8	13.4	8.4	5.8	5.0	8.6	7.4	5.4	4.2	1.6	1.3	1.1	0.9	11.5	12.5	16.0	18.6

Source: Bloomberg, ICICI Direct Research

RATING RATIONALE

ICICI Direct endeavors to provide objective opinions and recommendations. ICICI Direct assigns ratings to its stocks according to their notional target price vs. current market price and then categorizes them as Buy, Hold, Reduce and Sell. The performance horizon is two years unless specified and the notional target price is defined as the analysts' valuation for a stock

Buy: >15%

Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%



Pankaj Pandey

Head – Research

pankaj.pandey@icicisecurities.com

ICICI Direct Research Desk,
ICICI Securities Limited,
1st Floor, Akruiti Trade Centre,
Road No 7, MIDC,
Andheri (East)
Mumbai – 400 093
research@icicidirect.com

ANALYST CERTIFICATION

I/We, Sanjay Manyal (MBA Finance) Research Analysts, 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. 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 – INH000000990. 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 Retail Research. The views and opinions expressed in this document may or may not match or may be contrary with the views, estimates, rating, and target price of the Institutional 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 endeavor 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 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 beneficial ownership 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.