BUY (Maintained)

CMP: **INR 1,846** Target Price: **INR 2,140 (INR 1,685)** ▲ 16%

ICICI Securities

ICICI Securities Limited is the author and distributor of this report

27 July 2024

India | Equity Research | Q1FY25 results review

Mahanagar Gas

Oil & Gas

Second successive quarter of double-digit volume growth; margins should pick up as well

Mahanagar Gas (MGL) has reported Q1FY25 EBITDA/PAT of INR 4.2/2.85bn (+6/+7% QoQ; -20/-23% YoY), well ahead of I-Sec's estimates of INR 3.9bn/2.6bn, with 13.1% YoY jump in volume and 1% QoQ increase in EBITDA/scm. Management commentary on volume growth of >7% is well ahead of last 5 years' growth of 4.1%. Additionally, moderate LNG prices and price hike in Jul'24 may compensate for falling priority gas allocation (down to 68-69% now vs >80% YoY). Going forward, improved run-rate of vehicle conversions, moderate LNG costs, Unison volume ramp-up post completion of acquisition and diversification efforts into LNG retail augur well for long-term prospects. Despite 23% rise in the stock price in past one month, it still trades at a steep discount to peers. Reiterate **BUY**.

Volume growth picks up; margins drop YoY due to high base

Volume of 3.86mmscmd (vs I-Sec 3.7mmscmd) was up 13.1% YoY/+3% QoQ, second highest YoY growth in 8 quarters. CNG volume of 2.77mmscmd (up 12/4% YoY/QoQ), domestic volume of 0.55mmscmd (+10% YoY/+3% QoQ) and I/C volume of 0.54mmscmd (+24/-2% YoY/QoQ) all reflected improved YoY growth momentum in Q1FY25. What has been encouraging in last two quarters is the return of momentum in CNG bus additions by MSRTC and even BEST (90/59 buses added, respectively, in Q1; plan to add (together) 200-300buses in the next 1-2 years). With >20.8k vehicle conversions overall (vs 19-20k earlier), stronger price competitiveness vs alternate fuels, more aggressive CNG infra (45-50 stations p.a. vs 20-25 earlier), we now factor in 7.9% average volume growth for MGL over FY25-27E, sharply higher than our 6.5-7% estimate earlier to account for better operational environment.

Price hike taken to maintain margin

Post the lows seen in Q3FY22 in gross margin of INR 8.4/scm and EBITDA/scm of INR 3.4, MGL has been gradually improving its margins and maintaining its peer-leading status. Q1FY25 has, however, seen gross margin and EBITDA/scm moderate from the record levels seen in FY24 but gross margin of INR 17.8/scm and EBITDA/scm of INR 11.9/scm have remained well above the historical averages. The company has taken price hike of INR 1.5/kg in Jul'24, in line with some rise in overall gas costs, which is a positive. We expect some moderation in margins over the next 2-3 years and estimate EBITDA/scm of INR 12.8/13.3/13.3 over FY25/26/27E (INR 13.8/scm in FY24).

Financial Summary

Y/E March (INR mn)	FY24A	FY25E	FY26E	FY27E
Net Revenue	62,208	67,364	76,012	81,906
EBITDA	18,426	18,399	20,651	22,285
EBITDA %	29.6	27.3	27.2	27.2
Net Profit	12,890	12,553	14,216	15,052
EPS (INR)	130.5	127.1	143.9	152.4
EPS % Chg YoY	63.2	(2.6)	13.3	5.9
P/E (x)	14.1	14.5	12.8	12.1
EV/EBITDA (x)	8.8	8.5	7.3	6.4
RoCE (Pre-tax) (%)	33.8	26.9	25.9	24.1
RoE (%)	27.8	22.6	22.1	20.4

Probal Sen
probal.sen@icicisecurities.com
+91 22 6807 7274
Hardik Solanki
solanki.hardik@icicisecurities.com

Market Data

Market Cap (INR)	182bn
Market Cap (USD)	2,179mn
Bloomberg Code	MAHGL IN
Reuters Code	MGAS BO
52-week Range (INR)	1,859 /971
Free Float (%)	57.0
ADTV-3M (mn) (USD)	14.6

Price Performance (%)	3m	6m	12m
Absolute	26.4	34.3	69.9
Relative to Sensex	16.1	19.3	48.0

Earnings Revisions (%)	FY25E	FY26E	FY27E
Revenue	(0.6)	2.3	3.0
EBITDA	(2.6)	1.2	3.7
EPS	(2.8)	1.3	4.1

Previous Reports

13-06-2024: Company Update

13-05-2024: Q4FY24 results review

Minor revisions in earnings estimates; reiterate BUY

We have adjusted our estimates upwards for volumes, partly set off by some moderation in margins to take cognisance of Q1FY25 performance. Led by the tweaks to volumes and slightly lower margins, we revise EPS marginally downwards by ~2.8% for FY25E and upgrade by 1.3/4,1% for FY26/27E. Combined with clear long-term visibility on volumes, peer-leading margins, RoE/RoCE of >20%, dividend yield of 3%, attractive valuation of ~12.2x FY26E PER and EV/EBITDA of 6.8x, our rating stays unchanged. Our TP of INR 2,140/sh (1,685/sh) sees a sharp upgrade owing to i) sharply higher volume growth assumptions (raised by ~100bps on an average) over the forecast period, ii) marginally better EBITDA/scm assumptions by INR 0.3/scm, iii) rollover to FY26E in the DCF and iv) marginally higher terminal growth assumptions, owing to receding worries on EV and visibility of long-term growth drivers for MGL.

We note current multiples of 12.2-14x PER on FY26E (I-Sec vs consensus est) are still well below ~20x FY26E PER for IGL, which we believe should narrow, given the parity in earnings performance that we estimate for FY25-27E. Even at our TP, PER for FY26E rises to ~14.8x, at a substantial discount to peers, which leaves sufficient buffer for negative surprises.

Downside risks: i) Higher-than-expected spike in gas cost. ii) Inability to pass on gas cost increases. iii) Sharper fall in alternate fuel prices for CNG (petrol/diesel).

Upside risks: i) Softer LNG prices. ii) Faster execution of new area development and delta from Unison. iii) Aggressive regulatory support in MMR region.

Q1FY25 result: Takeaways from conference call

Operational performance

- MGL added 35,500+ domestic household connections taking cumulative connection to 2.53mn as of Jun'24 in three GAs (geographical areas).
- It added 85.5km of steel & PE pipeline in Q4 with total network length of 7,054km, added two CNG stations in Q1 with cumulative 348 CNG stations and added 104 industrial /commercial (I/C) customers with cumulative 4,845 customers as of Jun'24.
- In Raigad GA (geographical area), MGL had 47 CNG stations as on Jun'24. It added 8km of steel & PE pipeline in Q1FY25 to reach 424km as on Jun'24.
- Subsidiary Unison (UEPL) added 1 CNG station during the quarter, reaching 57 CNG stations in total. It has 27,330 domestic household and 57 industrial/commercial customers as on June'24. It reported 0.17mmscmd of volumes in Q1.
- Thus, total volume of MGL was 4.03mmscmd including Unison volume.
- Volume growth for last two quarters was driven by CNG, while domestic PNG or industrial/ commercial (I/C) volume decreased marginally QoQ.

Conversion rates

- The company saw accretion of 14,100 -passenger cars, 5,000 -3 wheelers, 1,200-1,400 -small commercial vehicles, 149 buses and heavy vehicles for a total CNG vehicle accretion of 20,800 in Q1 (20,100 in Q1FY24).
- The company added ~20,800 vehicles in Q1 on CNG vs 20,100 Q1FY24. MSRTC added 90 buses during the quarter while 59 buses were added by BEST in Q1.
- The company normally adds ~1,000 small commercial vehicles per quarter with truck addition number also increasing in recent months in its authorisation area.

- ~200 more CNG buses from MSRTC are likely to be added in next two quarters. The company is pursuing with MSRTC to convert more buses. MSRTC has total 17000 buses of which 6,000 fall into MGL's Gas. This offers a material opportunity for volumes in coming years, with EV conversion rates for both BEST and MSRTC falling off in recent months.

Gas sourcing and mix

- In Q1, APM allocation for priority sector was 69% vs 73-74% in Q4FY24. This may reduce going forward. The company has tried to fulfil APM shortfall by HPHT. Overall gas cost for priority sector has remained within the range
- On gas sourcing mix, the company has 0.5mmscmd of HPHT contract. It also has a few term contracts of 0.7-0.8mmscmd which are mostly 5-6 years contracts based on either US HH prices or slope to Brent crude. The company also sources gas from IEX or on spot basis as and when needed over this quantity.
- It has signed term contract and would be able to add in priority mix if index price remains lower.

Guidance and capex

- The management has guided for volume growth of >7% CAGR (in standalone MGL) for the next couple of years which seems conservative to us, given the last couple of quarters' performance. UEPL may see growth rate in mid-teens for next couple of years. I/C shall see double-digit growth while domestic PNG segment should see slow and steady contribution due to high base.
- The company spent capex of INR 2.5bn during Q1 and plans to add 50 stations in FY25 in MGL alone and 25 station in UEPL in FY25. Annual capex should range between INR 8-8.5bn over FY25-27.

Unison

- Unison sales in Q1 was 0.17mmscmd vs 0.15 in Q4FY24, up 14.5%QoQ. CNG volume was 0.16mmscmd, and PNG volume was 0.01mmscmd.
- Unison reported revenue of INR 880mn in Q1 vs INR 820mn in Q4FY24, gross margin /scm was marginally higher than MGL. Unison is already at EBITDA breakeven with INR 100mn of profit.
- Unison will cross 1mmscmd of volume in 5-6 years and is on track to reach earlier guided level of 1.3mmscmd
- Prices in all Gas of Unison are higher than MGL's three Gas because of higher opex and most of them are daughter booster stations.

CNG 2W

- Bajaj has launched 2W CNG bike on Jul 5, '24 and even TVS is planning to launch CNG scooters in H1FY25- this segment is new opportunity for CGDs.
- 2W CNG has 2kg cylinder and normally up to 1.5kg is filled at fuelling station. Bajaj has mentioned around 130 CNG 2W has been delivered in MGL's GA and should add 600-700 every month when production stabilises.

Others

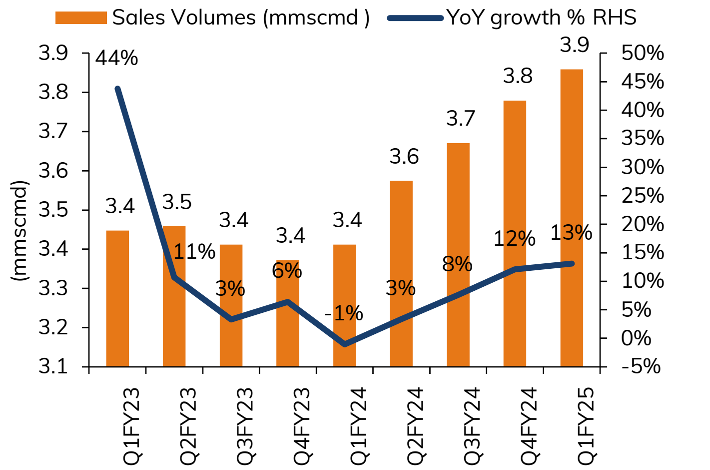
- On infra exclusivity, the company has applied for 10 years of extension and normally the Act has provision for PNGRB to allow for extension
- The company has 1 LNG station at Savroli which is generating volume of ~4000kg per day vs 3000kg last quarter. This station can do maximum 12-13 tonnes per day.

Exhibit 1: Q1FY25 result snapshot

INR mn	Q1FY25	Q1FY24	YoY (%)	Q4FY24	QoQ %
Sales	15,842	15,332	3.3	15,592	1.6
EBITDA	4,185	5,213	(19.7)	3,938	6.3
Adj. PAT	2,845	3,684	(22.8)	2,650	7.4
EPS (INR)	28.8	37.3	(22.8)	26.8	7.4
Depreciation	719	620	15.8	775	(7.3)
Sales (mmscm)	351	310	13.1	344	2.1
Sales (mmscmd)	3.9	3.4	13.1	3.8	2.1
CNG sales (mmscm)	252	226	11.7	243	4.0
PNG sales (mmscm)	99	85	16.7	101	(2.5)
Gross margin (INR/scm)	17.8	22.2	(19.9)	17.7	0.7
EBITDA margin (INR/scm)	11.9	16.8	(29.0)	11.4	4.1
EBITDA Margin (%)	26.4%	34.0%		25.3%	
CNG sales (INR mn)	11,059	11,080	(0.2)	10,852	1.9
CNG realisations (INR/scm)	43.8	49.1	(10.7)	44.7	(2.0)
PNG sales (INR mn)	**4,783**	**4,252**	**12.5**	**4,740**	**0.9**
PNG realisations (INR/scm)	48.4	50.2	(3.6)	46.8	3.5
Gross margin (INR Mn)	6,245	6,891	(9.4)	6,075	2.8
Sales	6.0	5.6	8.5	6.4	(6.5)

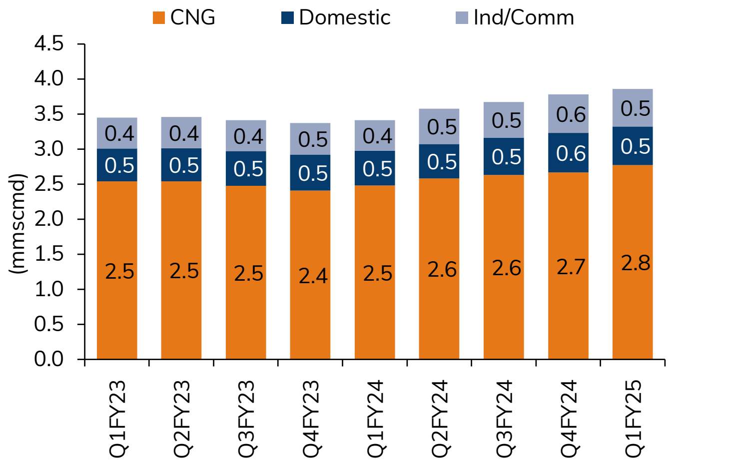
Source: Company data, I-Sec research

Exhibit 2: Strong volume growth YoY



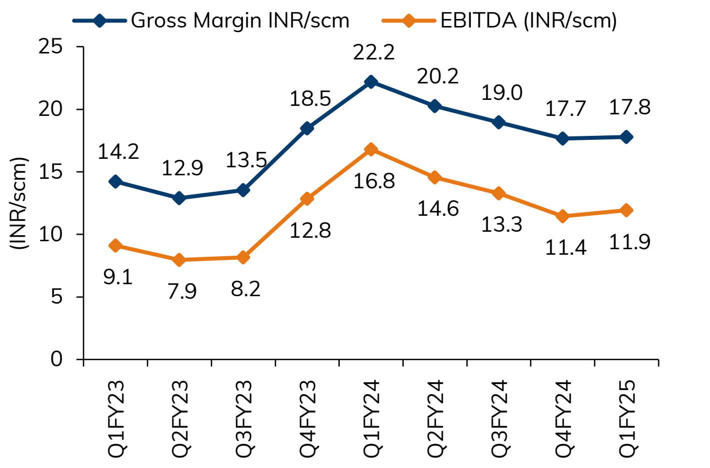
Source: Company data, I-Sec research

Exhibit 3: Segment-wise volume trends



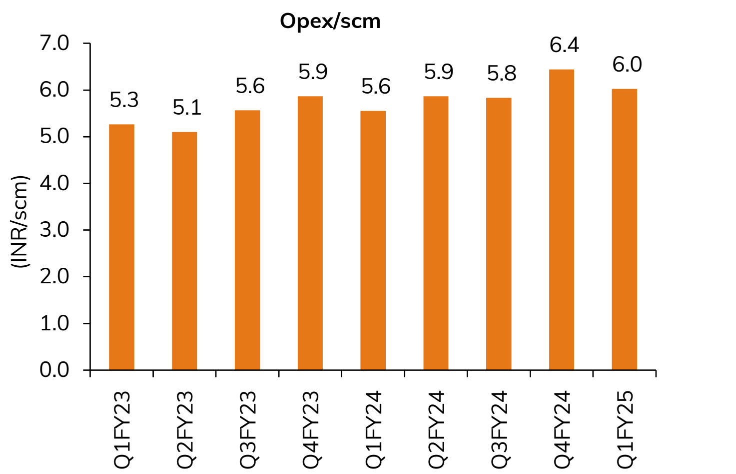
Source: Company data, I-Sec research

Exhibit 4: Margins remain strong in Q1FY25



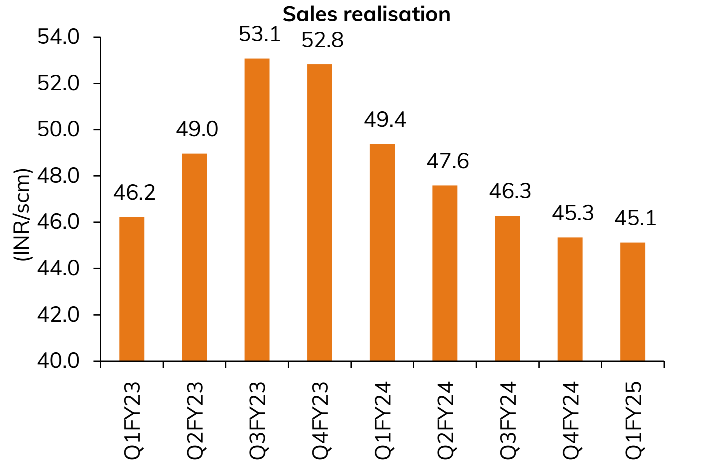
Source: Company data, I-Sec research

Exhibit 5: Opex/scm declined QoQ



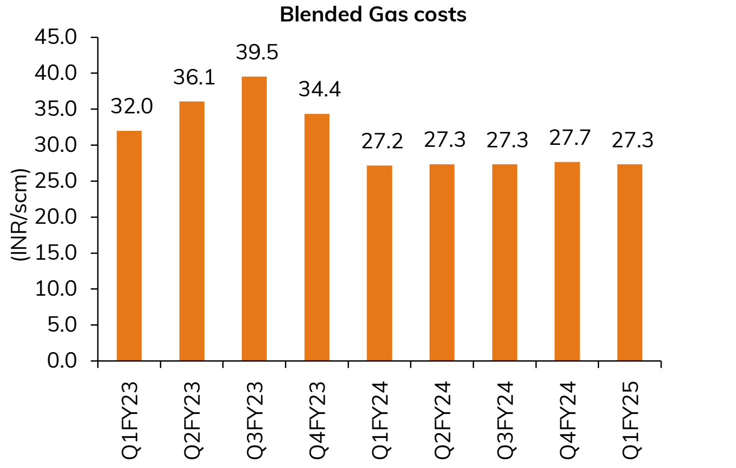
Source: Company data, I-Sec research

Exhibit 6: Sales realisation decreased QoQ



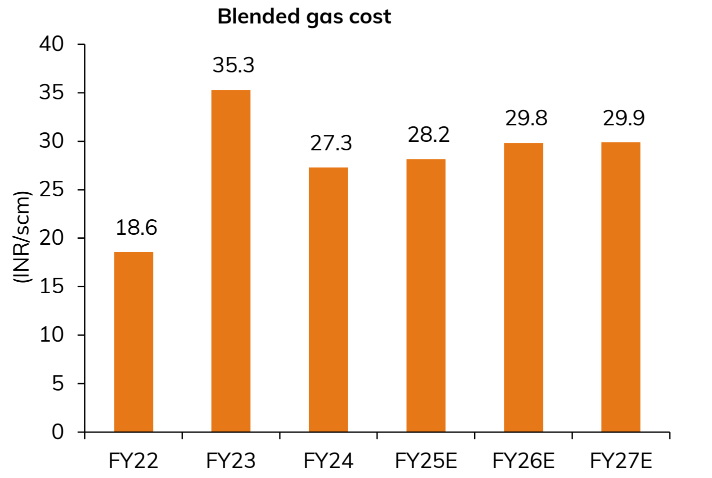
Source: Company data, I-Sec research

Exhibit 7: Gas cost decreased QoQ



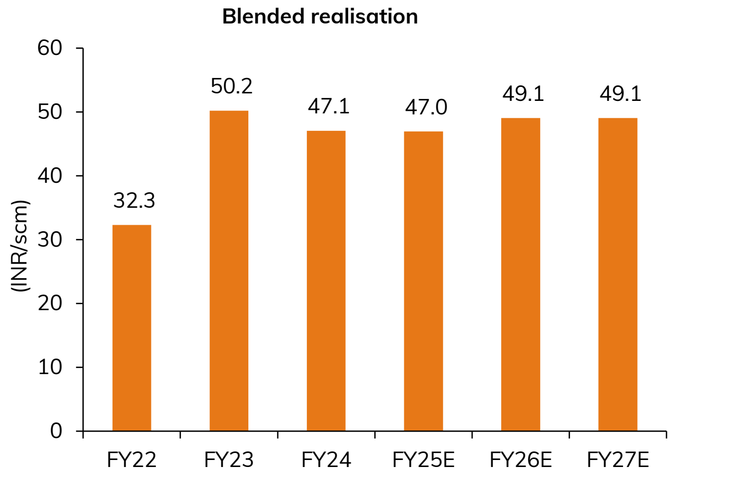
Source: Company data, I-Sec research

Exhibit 8: MGL's gas cost may increase gradually over FY25-27E



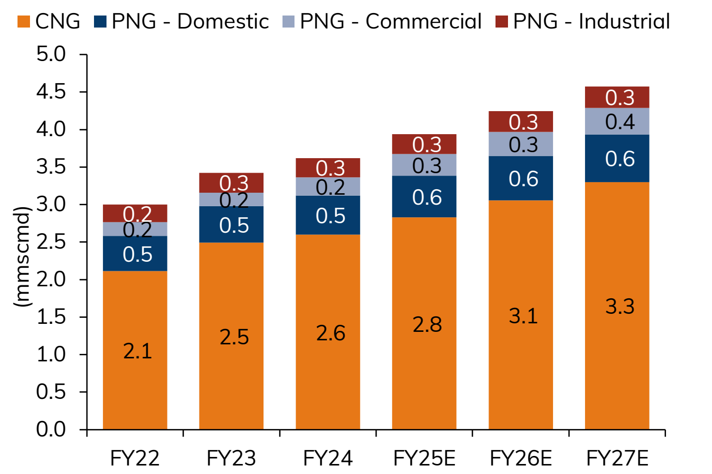
Source: Company data, I-Sec research

Exhibit 9: Blended realisation to keep pace



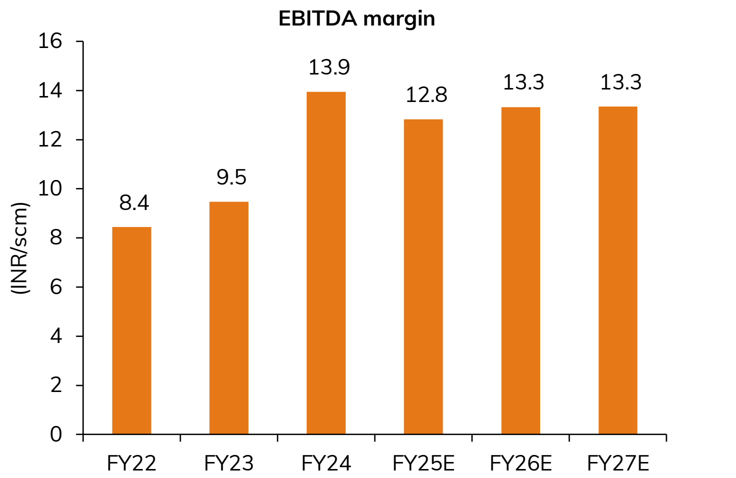
Source: Company data, I-Sec research

Exhibit 10: Volume growth may be subject to pricing balance



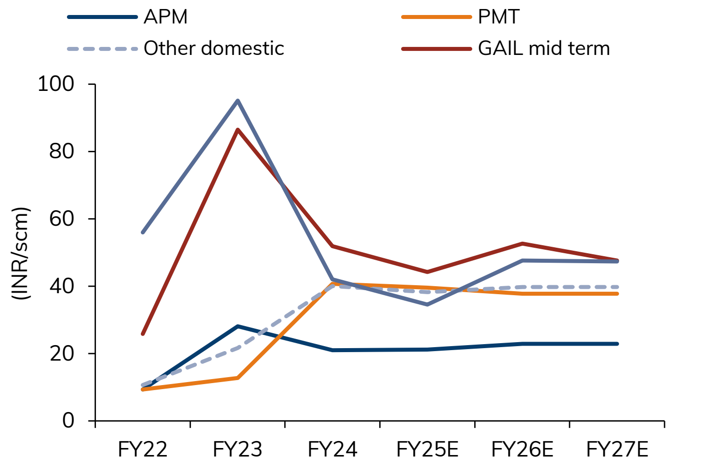
Source: Company data, I-Sec research

Exhibit 11: Margin to moderate over FY25-27E



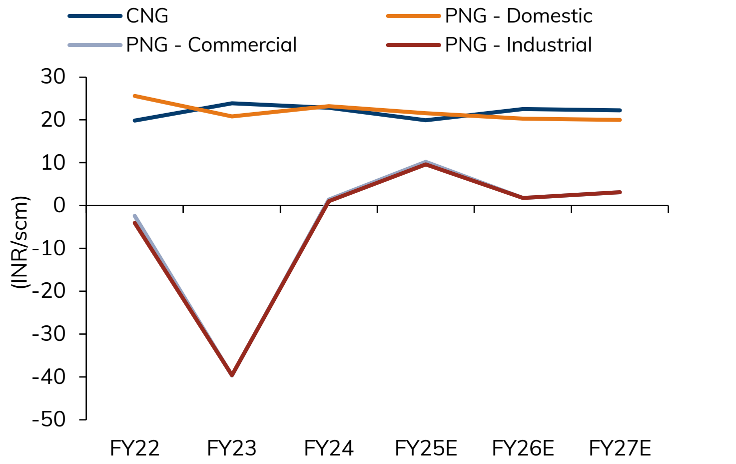
Source: Company data, I-Sec research

Exhibit 12: Sourcing costs may decline in FY25-27E



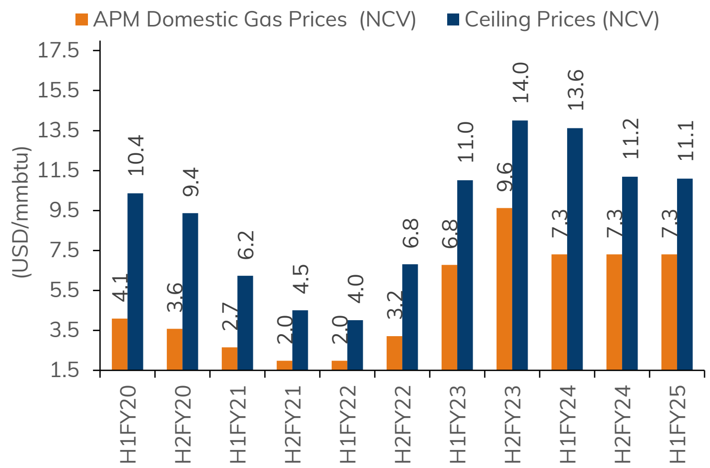
Source: Company data, I-Sec research

Exhibit 13: Segment-wise margins to see divergence



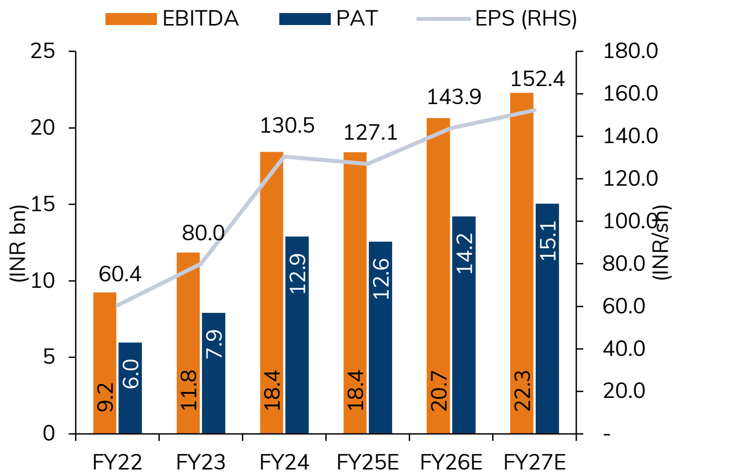
Source: Company data, I-Sec research

Exhibit 14: APM gas prices capped with revised gas pricing policy and HPHT remains muted vs H2FY24



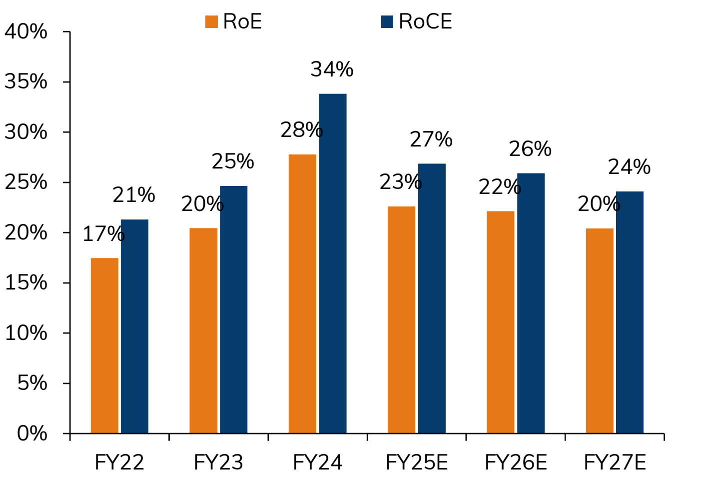
Source: Company data, I-Sec research

Exhibit 15: EBITDA and EPS CAGRs at 10.1/9.5% over FY25-27E



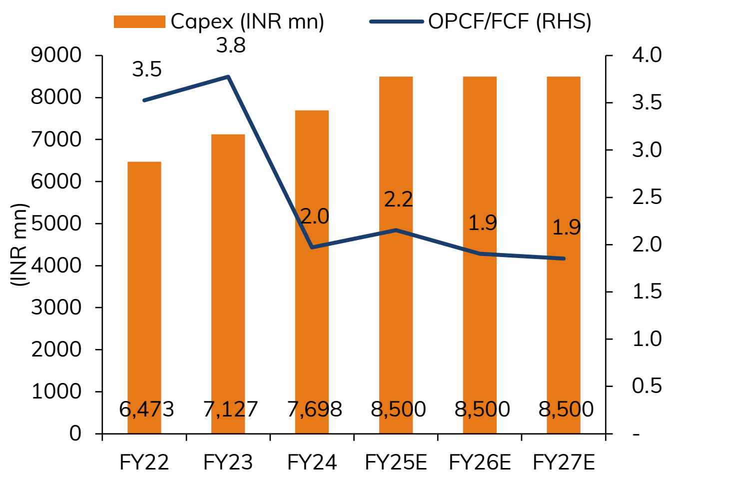
Source: Company data, I-Sec research

Exhibit 16: Return ratios to moderate over FY25-27E



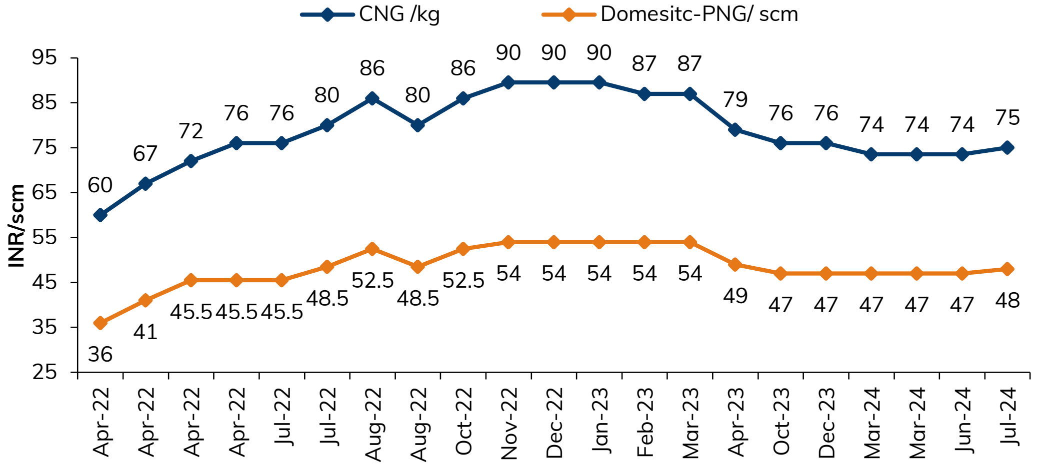
Source: Company data, I-Sec research

Exhibit 17: Capex of INR 25.5bn estimated over FY25-27E



Source: Company data, I-Sec research

Exhibit 18: MGL's price trends for CNG and domestic PNG



Source: Company data, I-Sec research

Valuation: Target price of INR 2,140 implies ~16% upside

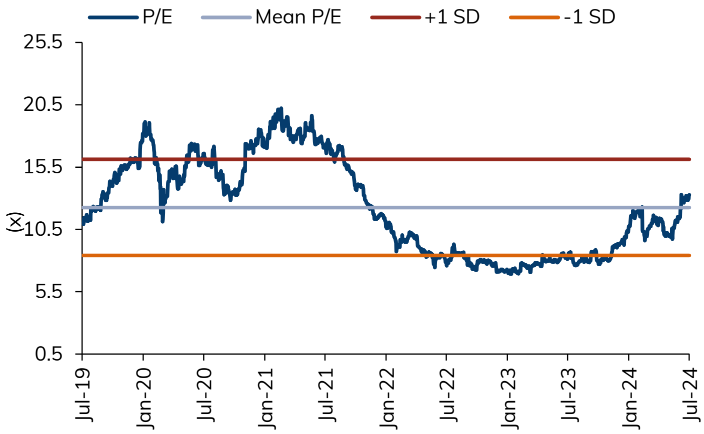
We value MGL on DCF methodology, using a WACC of 10.9%, DER of 35%, long-term EBITDA assumption of INR 12.9/scm and terminal growth rate of 3.6%. In the long term, we build in muted volume growth beyond FY30E as well as flattish margins, given our caution around longer-term growth expectations. Our DCF value delivers a target price of INR 2,140, ~16% upside from CMP. The stock trades at a steep discount to peers despite materially improved prospects over the next 2-3 years, underpinning our positive stance. Maintain **BUY.**

Exhibit 19: Valuation summary

	Assumption
Cost of Equity	13.0%
Cost of Debt	7.3%
Post tax cost of debt	4.8%
Average D/E ratio	35.0%
WACC	10.9%
Terminal Growth rate	4.0%
Total NPV potential (INR mn)	1,98,942
TP MGLStandalone (INR.sh)	2,014
UEPL (INR.sh)	127
TP (INR.sh)	2,140
CMP (INR.sh)	1,846
Upside/(downside)	16%

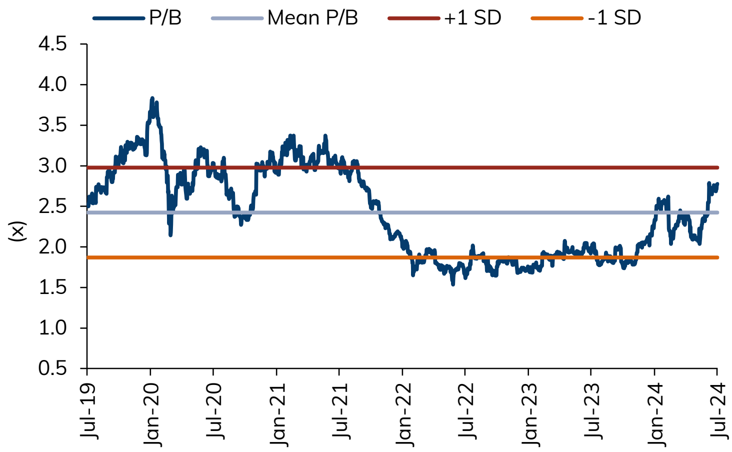
Source: Company data, I-Sec research

Exhibit 20: MGL's P/E trading near 5-year band



Source: Company data, I-Sec research

Exhibit 21: MGL's P/B trading above 5-year band



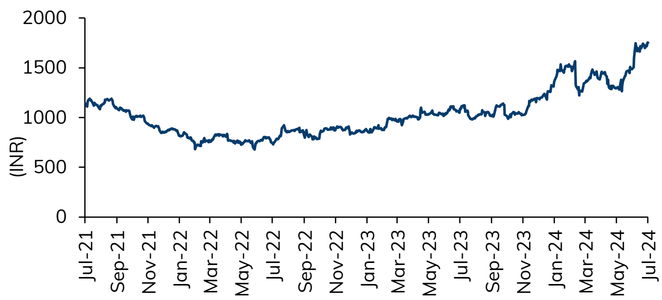
Source: Company data, I-Sec research

Exhibit 22: Shareholding pattern

%	Dec'23	Mar'24	Jun'24
Promoters	32.5	32.5	32.5
Institutional investors	48.1	47.9	48.4
MFs and other	4.0	5.2	5.2
FIs/ Banks	-	-	-
Insurance Cos.	12.7	11.7	11.7
FIIs	31.4	31.0	31.5
Others	19.4	19.6	19.3

Source: Bloomberg, I-Sec research

Exhibit 23: Price chart



Source: Bloomberg, I-Sec research

Financial Summary

Exhibit 24: Profit & Loss

(INR mn, year ending March)

	FY24A	FY25E	FY26E	FY27E
Net Sales	**62,208**	**67,364**	**76,012**	**81,906**
EBITDA	**18,426**	**18,399**	**20,651**	**22,285**
EBITDA Margin (%)	29.6	27.3	27.2	27.2
Depreciation & Amortization	2,736	3,495	4,005	4,515
EBIT	15,690	14,905	16,646	17,770
Interest expenditure	115	50	50	50
Other Non-operating Income	1,753	2,019	2,513	2,513
PBT	**17,327**	**16,873**	**19,109**	**20,233**
Profit / (Loss) from Associates	-	-	-	-
Less: Taxes	4,437	4,321	4,893	5,181
PAT	12,890	12,553	14,216	15,052
Less: Minority Interest	-	-	-	-
Net Income (Reported)	**12,890**	**12,553**	**14,216**	**15,052**
Extraordinaries (Net)	-	-	-	-
Recurring Net Income	**12,890**	**12,553**	**14,216**	**15,052**

Source Company data, I-Sec research

Exhibit 25: Balance sheet

(INR mn, year ending March)

	FY24A	FY25E	FY26E	FY27E
Total Current Assets	8,422	10,942	16,371	21,766
of which cash & bank	3,985	7,306	12,419	17,602
Total Current Liabilities & Provisions	16,700	17,701	20,185	21,761
Net Current Assets	**(8,277)**	**(6,759)**	**(3,814)**	**5**
Other Non Current Assets	4,306	4,306	4,306	4,306
Net Fixed Assets	35,430	40,435	44,930	48,916
Other Fixed Assets	-	-	-	-
Capital Work in Progress	7,743	7,743	7,743	7,743
Non Investment	-	-	-	-
Current Investment	16,360	17,996	19,795	21,775
Deferred Tax Assets	-	-	-	-
Total Assets	**55,560**	**63,720**	**72,960**	**82,744**
Liabilities				
Borrowings	-	-	-	-
Deferred Tax Liability	**2,441**	**2,441**	**2,441**	**2,441**
Lease Liability	-	-	-	-
Other Liabilities	1,691	1,691	1,691	1,691
Equity Share Capital	988	988	988	988
Reserves & Surplus*	50,441	58,600	67,841	77,625
Total Net Worth	**51,429**	**59,588**	**68,828**	**78,612**
Minority Interest	-	-	-	-
Total Liabilities	**55,560**	**63,720**	**72,960**	**82,744**

Source Company data, I-Sec research

Exhibit 26: Quarterly trend

(INR mn, year ending March)

	Sep-23	Dec-23	Mar-24	Jun-24
Net Sales	15,651	15,632	15,592	15,842
% growth (YOY)	2.1%	-0.1%	-0.3%	1.6%
EBITDA	4,789	4,487	3,938	4,185
Margin %	30.6%	28.7%	25.3%	26.4%
Other Income	437	481	446	402
Extraordinaries				
Adjusted Net Profit	3,385	3,172	2,650	2,845

Source Company data, I-Sec research

Exhibit 27: Cashflow statement

(INR mn, year ending March)

	FY24A	FY25E	FY26E	FY27E
Cash Flow from operation before working Capital	**18,964**	**18,399**	**20,651**	**22,285**
Working Capital Changes	907	1,803	2,168	1,364
Tax	(4,240)	(4,321)	(4,893)	(5,181)
Operating Cashflow	**15,631**	**15,881**	**17,926**	**18,468**
Capital Commitments	(7,698)	(8,500)	(8,500)	(8,500)
Free Cashflow	**7,933**	**7,381**	**9,426**	**9,968**
Others CFI	(3,111)	383	713	533
Cashflow from Investing Activities	**(10,809)**	**(8,117)**	**(7,787)**	**(7,967)**
Inc (Dec) in Borrowings	-	-	-	-
Interest Cost	-	(50)	(50)	(50)
Others	(3,116)	(4,393)	(4,976)	(5,268)
Cash flow from Financing Activities	**(3,116)**	**(4,443)**	**(5,026)**	**(5,318)**
Chg. in Cash & Bank balance	**1,706**	**3,321**	**5,114**	**5,183**
Closing cash & balance	3,985	7,306	12,419	17,602

Source Company data, I-Sec research

Exhibit 28: Key ratios

(Year ending March)

	FY24A	FY25E	FY26E	FY27E
Per Share Data (INR)				
Recurring EPS	130.5	127.1	143.9	152.4
Diluted EPS	130.5	127.1	143.9	152.4
Recurring Cash EPS	158.2	162.5	184.5	198.1
Dividend per share (DPS)	42.4	44.5	50.4	53.3
Book Value per share (BV)	520.6	603.2	696.8	795.8
Dividend Payout (%)	32.5	35.0	35.0	35.0
Growth (%)				
Net Sales	(0.9)	8.3	12.8	7.8
EBITDA	55.6	(0.1)	12.2	7.9
EPS	63.2	(2.6)	13.3	5.9
Valuation Ratios (x)				
P/E	14.1	14.5	12.8	12.1
P/CEPS	11.7	11.4	10.0	9.3
P/BV	3.5	3.1	2.6	2.3
EV / EBITDA	8.8	8.5	7.3	6.4
EV / Operating Income	9.3	9.3	7.8	7.0
Dividend Yield (%)	2.3	2.4	2.7	2.9
Operating Ratios				
EBITDA Margins (%)	29.6	27.3	27.2	27.2
Effective Tax Rate (%)	25.6	25.6	25.6	25.6
Net Profit Margins (%)	20.7	18.6	18.7	18.4
NWC / Total Assets (%)	(14.9)	(10.6)	(5.2)	0.0
Fixed Asset Turnover (x)	1.4	1.3	1.2	1.2
Working Capital Days	(5.3)	(11.4)	(12.0)	(22.4)
Net Debt / Equity %	(39.6)	(42.5)	(46.8)	(50.1)
Profitability Ratios				
RoCE (%)	25.2	20.0	19.3	17.9
RoCE (Pre-tax) (%)	33.8	26.9	25.9	24.1
RoE (%)	27.8	22.6	22.1	20.4

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, Probal Sen, CA, MBA; Hardik Solanki, 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. Registered Office Address: ICICI Venture House, Appasaheb Marathe Marg, Prabhadevi, Mumbai - 400 025. CIN: L67120MH1995PLC086241, Tel: (91 22) 6807 7100. ICICI Securities is Sebi registered stock broker, merchant banker, investment adviser, portfolio manager, Research Analyst and Alternative Investment Fund. 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 AIF Trust's SEBI Registration number is IN/AIF3/23-24/1292 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 may 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 a 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.