

# KNR Construction (KNRC IN)

Along expected lines; maintain BUY

INDIA | INFRASTRUCTURE | Quarterly Update

14 February 2015

**KNR Construction reported 3QFY15 results, broadly inline with expectations.**

The company reported **topline of Rs2.13bn (+2% YoY)** – ahead of consensus estimate of Rs2.05bn. **EBITDA at Rs300mn (-12% YoY)** was lower than consensus expectations of Rs330mn. **Margins declined by 230bps YoY to 14.1%** – significantly below expectations. The management attributed the decline to few of the projects getting completed and expects the margins to revert back to 15%. **PAT of Rs149mn was marginally ahead of consensus expectations of Rs140mn** – driven primarily by margin expansion and lower tax.

The company continues to report lower tax, on the back of availing 80IA tax benefit, for infrastructure projects. However, we note that historically, the benefit has been provided to ‘developers’ for the projects, and not contractors. None of the other EPC companies are availing this benefit currently. While KNR continues to deposit tax as per the normal tax rate, lower provision in the P&L poses a risk of reversal of the same in future years.

**The orderbook for the company stands at Rs12.1bn – 1.4x book-to-sales.** However, the company stands L1 at Rs16bn of orders, including which the orderbook stands at handsome 3.2x book-to-sales. The management expects steady flow of orders from NHAI in coming months, leading to accrual of order inflow of at least Rs10bn in FY16.

**Management Guidance:** The management **guided for topline of Rs10bn for FY15**, driven by its current orderbook and order inflow expectation of Rs10bn in FY16. **Margins are expected to remain close to 15% range.**

KNR’s orderbook currently stands at Rs 12.1bn, 1.4x book-to-sales, inferior to its peers such as NCC (3x) and J Kumar (3.5x). **However, including L1 of Rs16bn, it stands at handsome 3.2x book-to-sales.** 94% of KNR’s orderbook is in the roads segment, which has been hit by lack of awards from NHAI and other state governments over the last six months. However, the management remains optimistic about the order award potential in 2HFY15 and expects to total order inflow of at least Rs 10bn in FY16, which should provide decent revenue visibility for the next two years.

**Outlook and Valuation:** We expect the potent combination of operational efficiency and financial discipline to help KNR grow at the cost of its peers in the EPC space. Few companies in this space can match KNR in terms of balance sheet strength and operating margins. We expect it to benefit from a surge of orders in the roads segment (from NHAI and state governments). Its diversification into irrigation and overhead MRTS projects should also help it grow its orderbook beyond roads.

KNR’s stock has surged 73% in the last six months and is currently trading at 13x FY16 and 10x FY17 earnings, already at a significant premium to its historical average (6x). However, we believe it is set to enter the ‘big league’ of EPC players, leading to a significant rerating potential.

We have made minor revision to our FY15-17 estimates. **We now value the company at 10x FY17 earnings (earlier 9x)** – inline with our multiple for NCC. Our **price target of Rs 424 (earlier Rs363)** represents **13% upside** from current levels. We maintain **BUY**.

**BUY (Maintain)**

CMP RS 375

TARGET RS 424 (+13%)

## COMPANY DATA

O/S SHARES (MN) :	28
MARKET CAP (RSBN) :	11
MARKET CAP (USDBN) :	0.2
52 - WK HI/LO (RS) :	420 / 81
LIQUIDITY 3M (USDMN) :	0.3
PAR VALUE (RS) :	10

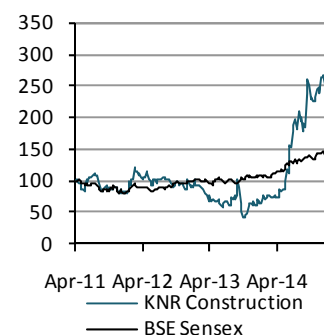
## SHARE HOLDING PATTERN, %

PROMOTERS :	65.5
FII / NRI :	1.0
FI / MF :	20.2
NON PROMOTER CORP. HOLDINGS :	2.8
PUBLIC & OTHERS :	10.5

## PRICE PERFORMANCE, %

	1MTH	3MTH	1YR
ABS	7.0	32.9	335.3
REL TO BSE	0.9	28.8	291.3

## PRICE VS. SENSEX



Source: Phillip Capital India Research

## KEY FINANCIALS

Rs mn	FY15E	FY16E	FY17E
Net Sales	8,765	10,080	11,592
EBIDTA	1,332	1,542	1,797
Net Profit	646	824	1,056
EPS, Rs	23.0	29.3	37.6
PER, x	16.4	12.9	10.0
EV/EBIDTA, x	8.1	6.6	5.3
P/BV, x	1.8	1.6	1.4
ROE, %	11.9	13.4	15.0
Debt/Equity (x)	0.1	0.1	0.0

Source: PhillipCapital India Research Est.

**Vibhor Singhal** (+ 9122 6667 9949)  
vsinghal@phillipcapital.in

**Quarterly performance**

Particulars (Rs mn)	3QFY14	4QFY14	1QFY15	2QFY15	3QFY15
<b>Total income</b>	<b>2,089</b>	<b>2,604</b>	<b>2,365</b>	<b>1,704</b>	<b>2,136</b>
YoY growth	26.6	13.3	13.9	8.0	2.2
QoQ growth	32.3	24.7	-9.2	-27.9	25.3
<b>Expenditure</b>					
Stores materials consumed	637	902	934	582	884
% of sales	30.5	34.6	39.5	34.1	41.4
Sub contracting expenditure	0	0	0	0	0
% of sales	0.0	0.0	0.0	0.0	0.0
Masonry, Labour and other consrt exp	86	89	85	89	96
% of sales	4.1	3.4	3.6	5.2	4.5
Employee cost	177	205	283	200	221
% of sales	8.5	7.9	12.0	11.7	10.3
Other Expenditure	846	1,037	752	531	634
% of sales	40.5	39.8	31.8	31.1	29.7
<b>TOTAL EXPENDITURE</b>	<b>1,745</b>	<b>2,232</b>	<b>2,054</b>	<b>1,401</b>	<b>1,835</b>
% of net sales	83.6	85.7	86.9	82.2	85.9
YoY growth	27.8	14.3	14.8	5.9	5.2
<b>EBITDA</b>	<b>343</b>	<b>372</b>	<b>311</b>	<b>304</b>	<b>300</b>
YoY growth	20.8	7.4	8.3	18.8	-12.6
QoQ growth	34.3	8.4	-16.6	-2.2	-1.1
<b>EBITDA Margin (%)</b>	<b>16.4%</b>	<b>14.3%</b>	<b>13.1%</b>	<b>17.8%</b>	<b>14.1%</b>
Other income	19	106	29	22	20
Interest	31	59	30	32	29
Depreciation	144	141	154	132	129
<b>PBT</b>	<b>187</b>	<b>278</b>	<b>156</b>	<b>161</b>	<b>163</b>
YoY growth	17.6	27.7	25.8	102.9	-13.1
QoQ growth	136.4	48.5	-44.0	3.3	1.2
Tax	53	(2)	(42)	21	14
Tax rate	28%	(1%)	(27%)	13%	9%
<b>PAT</b>	<b>135</b>	<b>280</b>	<b>198</b>	<b>139</b>	<b>149</b>
YoY growth	7.5	58.7	78.4	65.8	10.6
QoQ growth	60.0	108.1	-29.3	-29.5	6.7
EPS	4.79	9.96	7.04	4.96	5.29

Source: PhillipCapital India Research Estimates

**Revision of Estimates**

	New			Old			Change		
	FY15E	FY16E	FY17E	FY15E	FY16E	FY17E	FY15E	FY16E	FY17E
Revenue	8,765	10,080	11,592	8,765	10,080	11,592	0%	0%	0%
EBITDA	1,332	1,542	1,797	1,359	1,562	1,797	-2%	-1%	0%
PAT	646	824	1,056	640	830	1,028	1%	-1%	3%

Source: PhillipCapital India Research Estimates

**SoTP Valuation**

Business division	FY17 EPS Rs	Book Value Rs mn	Multiple	Valuation Rs mn	Per share Rs
EPC	37.6		10.0x	10,564	375.6
Kerala BOT Project		1,365	1.0x	1,365	48.5
<b>Total Valuation</b>				<b>11,929</b>	<b>424.0</b>

Source: Company, PhillipCapital India Research

## Financials

### Income Statement

Y/E Mar, Rs mn	FY14	FY15e	FY16e	FY17e
<b>Net sales</b>	<b>8,348</b>	<b>8,765</b>	<b>10,080</b>	<b>11,592</b>
Growth, %	21	5	15	15
Total income	8,348	8,765	10,080	11,592
Employee expenses	-349	-367	-422	-485
Other Operating expenses	-3,834	-4,014	-4,607	-5,274
<b>EBITDA (Core)</b>	<b>1,258</b>	<b>1,332</b>	<b>1,542</b>	<b>1,797</b>
Growth, %	8.0	5.9	15.8	16.5
Margin, %	15.1	15.2	15.3	15.5
Depreciation	-572	-567	-599	-630
<b>EBIT</b>	<b>686</b>	<b>765</b>	<b>944</b>	<b>1,167</b>
Growth, %	12.8	11.6	23.3	23.6
Margin, %	8.2	8.7	9.4	10.1
Interest paid	-172	-129	-97	-65
Other Non-Operating Income	155	124	158	187
<b>Pre-tax profit</b>	<b>669</b>	<b>760</b>	<b>1,004</b>	<b>1,288</b>
Tax provided	-59	-114	-181	-232
<b>Profit after tax</b>	<b>610</b>	<b>646</b>	<b>824</b>	<b>1,056</b>
<b>Net Profit</b>	<b>610</b>	<b>646</b>	<b>824</b>	<b>1,056</b>
Growth, %	17.0	5.9	27.5	28.3
<b>Net Profit (adjusted)</b>	<b>610</b>	<b>646</b>	<b>824</b>	<b>1,056</b>
Unadj. shares (m)	28	28	28	28
Wtd avg shares (m)	28	28	28	28

### Balance Sheet

Y/E Mar, Rs mn	FY14	FY15e	FY16e	FY17e
Cash & bank	112	548	914	1,382
Debtors	1,171	1,249	1,381	1,588
Inventory	341	384	414	476
Loans & advances	3,078	3,242	3,728	4,288
Total current assets	6,387	7,109	8,123	9,419
Investments	400	400	400	400
Gross fixed assets	5,252	5,552	5,852	6,152
Less: Depreciation	-2,615	-3,182	-3,781	-4,412
Add: Capital WIP	3	3	3	3
Net fixed assets	2,640	2,373	2,074	1,744
<b>Total assets</b>	<b>9,546</b>	<b>10,001</b>	<b>10,715</b>	<b>11,682</b>
Current liabilities	3,505	3,547	3,671	3,814
Total current liabilities	3,505	3,547	3,671	3,814
Non-current liabilities	908	708	508	308
Total liabilities	4,412	4,254	4,178	4,121
Paid-up capital	281	281	281	281
Reserves & surplus	4,852	5,465	6,256	7,279
Shareholders' equity	5,133	5,746	6,537	7,561
<b>Total equity &amp; liabilities</b>	<b>9,546</b>	<b>10,001</b>	<b>10,715</b>	<b>11,682</b>

Source: Company, PhillipCapital India Research Estimates

### Cash Flow

	FY14	FY15e	FY16e	FY17e
Pre-tax profit	669	760	1,004	1,288
Depreciation	572	567	599	630
Chg in working capital	-1,035	-244	-524	-686
Total tax paid	-141	-114	-181	-232
<b>Cash flow from operating activities</b>	<b>65</b>	<b>969</b>	<b>898</b>	<b>1,001</b>
Capital expenditure	-273	-300	-300	-300
Chg in investments	83	0	0	0
<b>Cash flow from investing activities</b>	<b>-190</b>	<b>-300</b>	<b>-300</b>	<b>-300</b>
Free cash flow	-124	669	598	701
Equity raised/(repaid)	15	0	0	0
Debt raised/(repaid)	197	-200	-200	-200
Dividend (incl. tax)	-33	-33	-33	-33
<b>Cash flow from financing activities</b>	<b>164</b>	<b>-233</b>	<b>-233</b>	<b>-233</b>
Net chg in cash	40	437	365	468

### Valuation Ratios

	FY14	FY15e	FY16e	FY17e
<b>Per Share data</b>				
EPS (INR)	21.7	23.0	29.3	37.6
Growth, %	17.0	5.9	27.5	28.3
Book NAV/share (INR)	182.5	204.3	232.4	268.8
FDEPS (INR)	21.7	23.0	29.3	37.6
CEPS (INR)	42.0	43.1	50.6	60.0
CFPS (INR)	(3.2)	30.1	26.3	28.9
<b>Return ratios</b>				
Return on assets (%)	7.5	7.5	8.6	9.8
Return on equity (%)	12.6	11.9	13.4	15.0
Return on capital employed (%)	12.7	11.7	13.1	14.7
<b>Turnover ratios</b>				
Asset turnover (x)	1.7	1.6	1.8	2.0
Sales/Total assets (x)	0.9	0.9	1.0	1.0
Sales/Net FA (x)	3.0	3.5	4.5	6.1
Working capital/Sales (x)	0.3	0.3	0.4	0.4
Receivable days	51.2	52.0	50.0	50.0
Inventory days	14.9	16.0	15.0	15.0
Payable days	158.0	152.7	138.3	125.8
Working capital days	121.1	125.5	128.1	133.0
<b>Liquidity ratios</b>				
Current ratio (x)	1.8	2.0	2.2	2.5
Quick ratio (x)	1.7	1.9	2.1	2.3
Interest cover (x)	4.0	5.9	9.7	17.9
Total debt/Equity (x)	0.2	0.1	0.1	0.0
Net debt/Equity (x)	0.2	0.0	(0.1)	(0.1)
<b>Valuation</b>				
PER (x)	17.4	16.4	12.9	10.0
PEG (x) - y-o-y growth	1.0	2.8	0.5	0.4
Price/Book (x)	2.1	1.8	1.6	1.4
EV/Net sales (x)	1.4	1.2	1.0	0.8
EV/EBITDA (x)	9.1	8.1	6.6	5.3
EV/EBIT (x)	16.6	14.1	10.8	8.2

**Management**

Vineet Bhatnagar (Managing Director)	(91 22) 2300 2999
Kinshuk Bharti Tiwari (Head – Institutional Equity)	(91 22) 6667 9946
Jignesh Shah (Head – Equity Derivatives)	(91 22) 6667 9735

**Research**
**Automobiles**

Dhawal Doshi	(9122) 6667 9769
Priya Ranjan	(9122) 6667 9965

**Banking, NBFCs**

Manish Agarwalla	(9122) 6667 9962
Pradeep Agrawal	(9122) 6667 9953
Paresh Jain	(9122) 6667 9948

**Consumer, Media, Telecom**

Naveen Kulkarni, CFA, FRM	(9122) 6667 9947
Jubil Jain	(9122) 6667 9766
Manoj Behera	(9122) 6667 9973

**Cement**

Vaibhav Agarwal	(9122) 6667 9967
-----------------	------------------

**Economics**

Anjali Verma	(9122) 6667 9969
--------------	------------------

**Engineering, Capital Goods**

Ankur Sharma	(9122) 6667 9759
Hrishikesh Bhagat	(9122) 6667 9986

**Infrastructure & IT Services**

Vibhor Singhal	(9122) 6667 9949
Deepan Kapadia	(9122) 6667 9992

**Midcap**

Vikram Suryavanshi	(9122) 6667 9951
--------------------	------------------

**Metals**

Dhawal Doshi	(9122) 6667 9769
Ankit Gor	(9122) 6667 9987

**Oil&Gas, Agri Inputs**

Gauri Anand	(9122) 6667 9943
Deepak Pareek	(9122) 6667 9950

**Pharma**

Surya Patra	(9122) 6667 9768
Mehul Sheth	(9122) 6667 9996

**Retail, Real Estate**

Abhishek Ranganathan, CFA	(9122) 6667 9952
---------------------------	------------------

**Portfolio Strategy**

Anindya Bhowmik	(9122) 6667 9764
-----------------	------------------

**Technicals**

Subodh Gupta, CMT	(9122) 6667 9762
-------------------	------------------

**Production Manager**

Ganesh Deorukhkar	(9122) 6667 9966
-------------------	------------------

**Sr. Manager – Equities Support**

Rosie Ferns	(9122) 6667 9971
-------------	------------------

**Sales & Distribution**

Ashvin Patil	(9122) 6667 9991
Shubhangi Agrawal	(9122) 6667 9964
Kishor Binwal	(9122) 6667 9989
Sidharth Agrawal	(9122) 6667 9934
Bhavin Shah	(9122) 6667 9974

**Sales Trader**

Dilesh Doshi	(9122) 6667 9747
Sunil Pandit	(9122) 6667 9745

**Execution**

Mayur Shah	(9122) 6667 9945
------------	------------------

**Corporate Communications**

Zarine Damania	(9122) 6667 9976
----------------	------------------

**Contact Information (Regional Member Companies)**
**SINGAPORE**
**Phillip Securities Pte Ltd**

250 North Bridge Road, #06-00 Raffles City Tower,  
Singapore 179101  
Tel : (65) 6533 6001 Fax: (65) 6535 3834  
[www.phillip.com.sg](http://www.phillip.com.sg)

**JAPAN**
**Phillip Securities Japan, Ltd**

4-2 Nihonbashi Kabutocho, Chuo-ku  
Tokyo 103-0026  
Tel: (81) 3 3666 2101 Fax: (81) 3 3664 0141  
[www.phillip.co.jp](http://www.phillip.co.jp)

**THAILAND**

**Phillip Securities (Thailand) Public Co. Ltd.**  
15th Floor, Vorawat Building, 849 Silom Road,  
Silom, Bangrak, Bangkok 10500 Thailand  
Tel (66) 2 2268 0999 Fax: (66) 2 2268 0921  
[www.phillip.co.th](http://www.phillip.co.th)

**UNITED STATES**
**Phillip Futures Inc.**

141 W Jackson Blvd Ste 3050  
The Chicago Board of Trade Building  
Chicago, IL 60604 USA  
Tel (1) 312 356 9000 Fax: (1) 312 356 9005

**MALAYSIA**
**Phillip Capital Management Sdn Bhd**

B-3-6 Block B Level 3, Megan Avenue II,  
No. 12, Jalan Yap Kwan Seng, 50450 Kuala Lumpur  
Tel (60) 3 2162 8841 Fax (60) 3 2166 5099  
[www.poems.com.my](http://www.poems.com.my)

**INDONESIA**
**PT Phillip Securities Indonesia**

ANZ Tower Level 23B, Jl Jend Sudirman Kav 33A,  
Jakarta 10220, Indonesia  
Tel (62) 21 5790 0800 Fax: (62) 21 5790 0809  
[www.phillip.co.id](http://www.phillip.co.id)

**FRANCE**
**King & Shaxson Capital Ltd.**

3rd Floor, 35 Rue de la Bienfaisance  
75008 Paris France  
Tel (33) 1 4563 3100 Fax : (33) 1 4563 6017  
[www.kingandshaxson.com](http://www.kingandshaxson.com)

**AUSTRALIA**
**PhillipCapital Australia**

Level 37, 530 Collins Street  
Melbourne, Victoria 3000, Australia  
Tel: (61) 3 9629 8380 Fax: (61) 3 9614 8309  
[www.phillipcapital.com.au](http://www.phillipcapital.com.au)

**INDIA**
**PhillipCapital (India) Private Limited**

No. 1, 18th Floor, Urmi Estate, 95 Ganpatrao Kadam Marg, Lower Parel West, Mumbai 400013  
Tel: (9122) 2300 2999 Fax: (9122) 6667 9955 [www.phillipcapital.in](http://www.phillipcapital.in)

**HONG KONG**
**Phillip Securities (HK) Ltd**

11/F United Centre 95 Queensway Hong Kong  
Tel (852) 2277 6600 Fax: (852) 2868 5307  
[www.phillip.com.hk](http://www.phillip.com.hk)

**CHINA**
**Phillip Financial Advisory (Shanghai) Co. Ltd.**

No 550 Yan An East Road, Ocean Tower Unit 2318  
Shanghai 200 001  
Tel (86) 21 5169 9200 Fax: (86) 21 6351 2940  
[www.phillip.com.cn](http://www.phillip.com.cn)

**UNITED KINGDOM**
**King & Shaxson Ltd.**

6th Floor, Candlewick House, 120 Cannon Street  
London, EC4N 6AS  
Tel (44) 20 7929 5300 Fax: (44) 20 7283 6835  
[www.kingandshaxson.com](http://www.kingandshaxson.com)

**SRI LANKA**
**Asha Phillip Securities Limited**

Level 4, Millennium House, 46/58 Navam Mawatha,  
Colombo 2, Sri Lanka  
Tel: (94) 11 2429 100 Fax: (94) 11 2429 199  
[www.ashaphillip.net/home.htm](http://www.ashaphillip.net/home.htm)

## Disclosures and Disclaimers

PhillipCapital (India) Pvt. Ltd. has three independent equity research groups: Institutional Equities, Institutional Equity Derivatives and Private Client Group. This report has been prepared by Institutional Equities Group. The views and opinions expressed in this document may or may not match or may be contrary at times with the views, estimates, rating, target price of the other equity research groups of PhillipCapital (India) Pvt. Ltd.

This report is issued by PhillipCapital (India) Pvt. Ltd. which is regulated by SEBI. PhillipCapital (India) Pvt. Ltd. is a subsidiary of Phillip (Mauritius) Pvt. Ltd. References to "PCIPL" in this report shall mean PhillipCapital (India) Pvt. Ltd. unless otherwise stated. This report is prepared and distributed by PCIPL for information purposes only and neither the information contained herein nor any opinion expressed should be construed or deemed to be construed as solicitation or as offering advice for the purposes of the purchase or sale of any security, investment or derivatives. The information and opinions contained in the Report were considered by PCIPL to be valid when published. The report also contains information provided to PCIPL by third parties. The source of such information will usually be disclosed in the report. Whilst PCIPL has taken all reasonable steps to ensure that this information is correct, PCIPL does not offer any warranty as to the accuracy or completeness of such information. Any person placing reliance on the report to undertake trading does so entirely at his or her own risk and PCIPL does not accept any liability as a result. Securities and Derivatives markets may be subject to rapid and unexpected price movements and past performance is not necessarily an indication to future performance.

This report does not have regard to the specific investment objectives, financial situation and the particular needs of any specific person who may receive this report. Investors must undertake independent analysis with their own legal, tax and financial advisors and reach their own regarding the appropriateness of investing in any securities or investment strategies discussed or recommended in this report and should understand that statements regarding future prospects may not be realized. In no circumstances it be used or considered as an offer to sell or a solicitation of any offer to buy or sell the Securities mentioned in it. The information contained in the research reports may have been taken from trade and statistical services and other sources, which we believe are reliable. PhillipCapital (India) Pvt. Ltd. or any of its group/associate/affiliate companies do not guarantee that such information is accurate or complete and it should not be relied upon as such. Any opinions expressed reflect judgments at this date and are subject to change without notice

Important: These disclosures and disclaimers must be read in conjunction with the research report of which it forms part. Receipt and use of the research report is subject to all aspects of these disclosures and disclaimers. Additional information about the issuers and securities discussed in this research report is available on request.

Certifications: The research analyst(s) who prepared this research report hereby certifies that the views expressed in this research report accurately reflect the research analyst's personal views about all of the subject issuers and/or securities, that the analyst have no known conflict of interest and no part of the research analyst's compensation was, is or will be, directly or indirectly, related to the specific views or recommendations contained in this research report. The Research Analyst certifies that he /she or his / her family members does not own the stock(s) covered in this research report.

Independence/Conflict: PhillipCapital (India) Pvt. Ltd. has not had an investment banking relationship with, and has not received any compensation for investment banking services from, the subject issuers in the past twelve (12) months, and PhillipCapital (India) Pvt. Ltd. does not anticipate receiving or intend to seek compensation for investment banking services from the subject issuers in the next three (3) months. PhillipCapital (India) Pvt. Ltd. is not a market maker in the securities mentioned in this research report, although it or its employees, directors, or affiliates may hold either long or short positions in such securities. PhillipCapital (India) Pvt. Ltd. may not hold more than 1% of the shares of the company(ies) covered in this report.

Suitability and Risks: This research report is for informational purposes only and is not tailored to the specific investment objectives, financial situation or particular requirements of any individual recipient hereof. Certain securities may give rise to substantial risks and may not be suitable for certain investors. Each investor must make its own determination as to the appropriateness of any securities referred to in this research report based upon the legal, tax and accounting considerations applicable to such investor and its own investment objectives or strategy, its financial situation and its investing experience. The value of any security may be positively or adversely affected by changes in foreign exchange or interest rates, as well as by other financial, economic or political factors. Past performance is not necessarily indicative of future performance or results.

Sources, Completeness and Accuracy: The material herein is based upon information obtained from sources that PCIPL and the research analyst believe to be reliable, but neither PCIPL nor the research analyst represents or guarantees that the information contained herein is accurate or complete and it should not be relied upon as such. Opinions expressed herein are current opinions as of the date appearing on this material and are subject to change without notice. Furthermore, PCIPL is under no obligation to update or keep the information current.

Copyright: The copyright in this research report belongs exclusively to PCIPL. All rights are reserved. Any unauthorized use or disclosure is prohibited. No reprinting or reproduction, in whole or in part, is permitted without the PCIPL's prior consent, except that a recipient may reprint it for internal circulation only and only if it is reprinted in its entirety.

Caution: Risk of loss in trading in can be substantial. You should carefully consider whether trading is appropriate for you in light of your experience, objectives, financial resources and other relevant circumstances.

**For U.S. persons only:** This research report is a product of PhillipCapital (India) Pvt Ltd. which is the employer of the research analyst(s) who has prepared the research report. The research analyst(s) preparing the research report is/are resident outside the United States (U.S.) and are not associated persons of any U.S. regulated broker-dealer and therefore the analyst(s) is/are not subject to supervision by a U.S. broker-dealer, and is/are not required to satisfy the regulatory licensing requirements of FINRA or required to otherwise comply with U.S. rules or regulations regarding, among other things, communications with a subject company, public appearances and trading securities held by a research analyst account.

This report is intended for distribution by PhillipCapital (India) Pvt Ltd. only to "Major Institutional Investors" as defined by Rule 15a-6(b)(4) of the U.S. Securities and Exchange Act, 1934 (the Exchange Act) and interpretations thereof by U.S. Securities and Exchange Commission (SEC) in reliance on Rule 15a 6(a)(2). If the recipient of this report is not a Major Institutional Investor as specified above, then it should not act upon this report and return the same to the sender. Further, this report may not be copied, duplicated and/or transmitted onward to any U.S. person, which is not the Major Institutional Investor.

In reliance on the exemption from registration provided by Rule 15a-6 of the Exchange Act and interpretations thereof by the SEC in order to conduct certain business with Major Institutional Investors, PhillipCapital (India) Pvt Ltd. has entered into an agreement with a U.S. registered broker-dealer, Marco Polo Securities Inc. ("Marco Polo"). Transactions in securities discussed in this research report should be effected through Marco Polo or another U.S. registered broker dealer.

### PhillipCapital (India) Pvt. Ltd.

Registered office: No. 1, 18th Floor, Urmi Estate, 95 Ganpatrao Kadam Marg, Lower Parel West, Mumbai 400013