

Larsen & Toubro (LT IN)

Weak quarter; all eyes on domestic execution

INDIA | CAPITAL GOODS | Quarterly Update

2 November 2015

Top takeaways from Q2FY16

- ✗ L&T's recurring PAT was below our/consensus estimates on lower than expected EBITDA and higher depreciation and interest charges on asset capitalisations.
- ✗ Order inflows fell 28% to Rs 286bn, leading to the management cutting its FY16 order inflow guidance to 5% from 10-15%.
- ✗ Revenues (11% yoy) increased mainly due to international sales (up 17%); domestic sales remained subdued at +8%. Management now expects FY16 revenues to grow 10-15% against its original guidance of 15%.
- ✗ EBITDA margins missed estimates as L&T's standalone business margins (reflective of its E&C business) contracted by 290bps. Management attributed this to job mix, as large projects won in 2HFY15 are yet to reach margin recognition stage.

Key highlights: L&T reported Rs 1.4bn losses in its heavy engineering segment (6% of sales) due to cost overruns. Management highlighted that its hydrocarbon business (8% of sales), which was loss making last year, still has risk of further cost provisions of ~US\$ 30mn in 2HFY16 on project closures. Interest and depreciation expenses were higher than our and consensus estimates on commissioning of three new road projects in L&T IDPL, which led to negative earnings surprise. Net working capital marginally improved to 24% of sales in 2Q vs. 25% in 1QFY16.

Conference call takeaways

- ✓ Although margins missed estimate, management retained its guidance of 100bps yoy expansion as large projects are expected to reach margin recognition threshold in 2H.
- ✓ Management expects orders worth Rs 3.7tn in varied sectors to be awarded over the next few quarters.
- ✗ L&T maintained a cautious outlook on execution due to slow capex recovery.
- ✗ Management sounded less sanguine of recovery in heavy engineering margins due to execution of projects with cost overrun.
- ✗ L&T acknowledged slowdown in capex in the Middle East due to correction in oil prices and did not rule out possibility of reduction in scope of work in few projects.

Outlook and valuation: We cut our FY16E/17 estimates by 3%/5% respectively thus reflecting weak guidance from management. However, we maintain our Buy rating, as we believe L&T is well placed to capitalise on cyclical recovery despite near-term concerns on execution. We apply a 22x multiple (24x earlier) on our FY17 standalone EPS of Rs 57 (ex dividends) to which we add the value of the subsidiaries of Rs 407 to arrive at a target price of Rs 1,662 (Rs 1,820 earlier). A pick up in domestic execution will be a re-rating trigger more than order inflows.

(Rs bn)	Q2FY16	Q2FY15	yoy growth %	Q1FY16	qoq vs. expectations growth %	Comments
Orderbook	24,40,970	21,44,290	14%	23,89,730	2%	
Orderinflow	2,86,200	3,97,970	-28%	2,63,760	9%	0%
Sales	2,33,932	2,11,593	11%	2,02,522	16%	-2%
Gross Profit	63,969	58,067	10%	57,548	11%	-5%
Gross Profit margin	27.3%	27.4%		28.4%		
EBITDA	25,917	23,341	11%	22,902	13%	-4%
EBITDA margin (%)	111.1%	11.0%		11.3%		Margin below estimate due to losses in heavy engineering and job mix
PBT	12,894	13,096	-2%	12,186	6%	-18%
Recurring PAT	7,959	8,404	-5%	6,728	18%	-21%
Reported PAT	9,959	8,616	16%	6,062	64%	6%
EPS	7.3	9.2	-20%	6.5	13%	-27%

BUY (Maintain)

CMP RS 1410/ TARGET RS 1662 (+18%)

COMPANY DATA

O/S SHARES (MN) :	931
MARKET CAP (RSBN) :	1388
MARKET CAP (USDBN) :	21.4
52 - WK HI/LO (RS) :	1893 / 1413
LIQUIDITY 3M (USDMMN) :	53.5
PAR VALUE (RS) :	2

SHARE HOLDING PATTERN, %

	Jun 15	Mar 15	Dec 14
FII / NRI :	32.3	16.9	18.1
FI / MF :	36.6	36.0	36.1
NON PRO :	14.7	17.1	15.2
PUBLIC & OTHERS :	27.3	27.8	28.4

Key Financials

Rs mn	FY15	FY16E	FY17E
Net Sales	9,20,046	10,13,379	11,89,617
EBIDTA	1,13,356	1,22,437	1,58,963
Net Profit	44,171	44,278	68,218
EPS, Rs	47.2	47.3	72.9
PER, x	29.9	29.8	19.3
EV/EBIDTA, x	19.9	18.9	14.7
ROE, %	10.8	10.1	13.9
Debt/Equity (%)	241.7	236.7	219.8
BLM Cons EPS, Rs	54.5	57.3	72.1

CHANGE IN ESTIMATES

Rs bn	Revised Est.		% Revision	
	FY16E	FY17E	FY16E	FY17E
Revenue	10,13,379	11,99,406	-2.3%	-4.7%
EBITDA	1,22,437	1,58,963	-1.2%	-5.5%
Core PAT	44,278	68,218	-3.1%	-5.4%
EPS (Rs)	47.3	72.9	-3.4%	-5.3%

Jonas Bhutta & Hrishikesh Bhagat

Quarterly results

Rs Mn	Q216	Q215	% Change
Net Sales	2,33,932	2,11,593	11%
EBITDA	25,917	23,341	11%
<i>EBITDA margins(%)</i>	11.1%	11.0%	0.0%
Depreciation	(6,936)	(5,486)	26%
EBIT	18,981	17,855	6%
<i>EBIT margins(%)</i>	8.1%	8.4%	
Interest	(8,278)	(6,904)	20%
Other Income	2,191	2,145	2%
PBT	12,894	13,096	-2%
Tax	(4,936)	(4,692)	5%
PAT	7,959	8,404	-5%
Less: Minority Interest	1,086	(205)	-629%
Add: Profits of Associates	(9)	7	-237%
PAT (Recurring)	6,864	8,616	-20%
PAT Margin(%)	3.4%	4.0%	-14%
Reported PAT	9,959	8,616	16%
EPS	7.3	9.2	-20%

Source: Company, PhillipCapital India Research

Segment Results

Y/E Mar, Rs mn	Q216	Q215	% Change
Sales			
Infrastructure	1,06,400	95,900	11%
Power	14,000	11,600	21%
MMH	5,600	7,700	-27%
Heavy Engineering	6,200	8,000	-23%
Hydrocarbon	19,300	18,010	7%
E&C	1,51,500	1,41,210	7%
E&A - TAMCO	11,200	11,500	-3%
IT&TS	22900	18500	24%
Financial Services	18430	15518	19%
Development Projects	13600	9800	39%
Others	16300	14400	13%
Total	2,33,930	2,10,928	11%
EBITDA			
Infrastructure	9,150	9,700	-6%
Power	2,254	1,500	50%
MMH	308	700	-56%
Heavy Engineering	-986	1,000	- NA
Hydrocarbon	560	-20	NA
E&C	11,286	12,880	-12%
E&A - TAMCO	1,445	1,600	-10%
IT&TS	4,832	3,500	38%
Financial Services	1,776	2,200	-19%
Development Projects	3,500	1,600	119%
Others	3,081	2,700	14%
Total	25,920	24,480	6%

Source: Company, PhillipCapital India Research

Balance sheet

Y/E Mar, Rs mn	Q2FY15	Q4FY15	Q2FY16
Share Capital	1,857	1,859	1,861
Reserves and Surplus	3,94,332	4,07,232	4,19,992
Networth	3,96,189	4,09,091	4,21,853
Loan funds (long term+short term)	8,52,563	9,88,755	9,82,650
Deferred tax liabilities (net)	5,612	5,396	5,740
Minority Interest	36,846	49,986	60,480
TOTAL	12,91,209	14,53,228	14,70,723
Fixed assets	4,70,124	5,02,499	6,09,397
Investments (current+noncurrent)	89,207	96,121	1,16,164
Deferred Tax assets	5,849	7,242	7,336
Current assets, loans and advances:	12,06,097	13,35,860	14,10,255
(i) Inventories	61,230	65,182	59,769
(ii) Sundry debtors	2,60,042	3,00,894	3,09,710
(iii) Cash and bank balances	40,249	57,562	50,435
(iv) Other current assets (current+non current)	2,32,400	2,46,883	2,72,724
(v) Loans and advances (short term+long term)	6,12,176	6,65,340	7,17,617
Less: Current liabilities and provisions:	4,80,067	4,88,495	6,72,430
(i) Liabilities (long term+current+trade payables)	4,59,930	4,47,632	6,46,278
(ii) Provisions (short term+long term)	20,137	40,863	26,152
Net current assets	7,26,030	8,47,366	7,37,825
TOTAL	12,91,209	14,53,228	14,70,723

Y/E Mar, Rs mn	Q2FY15	Q4FY15	Q2FY16
Net Working Capital	6,85,781	7,89,804	6,87,390
NWC (% of sales)	77%	86%	72%

L&T SOTP valuation

Particulars	Stake	Basis of valuation	Implied value (INRmn)	INR/share
L&T - Standalone			PE multiple (ex dividend from subs)	1,255
Key Subsidiaries				
L&T Infotech and Technology Services	100%	PE multiple (in line with mid size company) and 20% holdco discount	1,98,175	212
L&T Financial Services(Including General Insurance)	68%	On current market price and 20% holdco discount	62,274	67
L&T Hydrocarbon Engineering	100%	On 15x multiple for lower margins	947	1
Power Subsidiaries				
Power eqt. JV with Mitsubishi	51%	PE for 51% stake	17,691	19
Infrastructure SPV				
L&T IDPL - Road, Metro, Port(Haldia port)	98%	BV as of Mar15	44,076	47
L&T Shipbuilding(Owns Katupalli yard and port)	100%	At 1x Book Value	4,845	5
L&T Realty	100%	At 1x Book Value	5,174	6
Other Subsidiaries		At 1x Book Value	47,906	51
Associates & others				
Associates		2.0x Investments made	137	0
Total			1,545,262	1,662

Source: Company, PhillipCapital India Research Estimates

Financials

Income Statement

Y/E Mar, Rs mn	FY14	FY15	FY16e	FY17e
Net sales	8,51,284	9,20,046	10,13,379	11,89,617
Growth, %	14	8	10	17
Total income	8,51,284	9,20,046	10,13,379	11,89,617
Raw material expenses	-1,18,013	-1,19,590	-1,35,971	-1,44,385
Employee expenses	-80,276	-79,222	-85,428	-1,00,285
Other Operating expenses	-5,45,451	-6,07,877	-6,69,543	-7,85,984
EBITDA (Core)	1,07,543	1,13,356	1,22,437	1,58,963
Growth, %	8.3	5.4	8.0	29.8
Margin, %	12.6	12.3	12.1	13.4
Depreciation	-14,458	-26,225	-27,057	-28,197
EBIT	93,085	87,131	95,379	1,30,767
Growth, %	12.3	(6.4)	9.5	37.1
Margin, %	10.9	9.5	9.4	11.0
Interest paid	-31,414	-28,507	-32,805	-33,351
Other Non-Operating Income	9,819	10,072	10,361	12,310
Pre-tax profit	71,374	68,717	73,236	1,10,025
Tax provided	-26,076	-22,836	-26,257	-38,404
Profit after tax	45,299	45,881	46,979	71,621
Others (Minorities, Associates)	382	-1,710	-2,701	-3,403
Net Profit	45,680	44,171	44,278	68,218
Growth, %	(4.8)	(3.3)	0.2	54.1

Balance Sheet

Y/E Mar, Rs mn	FY14	FY15	FY16e	FY17e
Cash & bank	40,966	57,562	45,591	52,635
Debtors	2,63,846	3,00,894	3,31,418	3,40,166
Inventory	55,275	65,182	71,794	84,280
Loans & advances	5,35,555	6,65,340	7,21,859	7,98,510
Other current assets	2,54,934	2,46,883	2,71,928	3,19,219
Total current assets	11,50,574	13,35,860	14,42,589	15,94,811
Investments	81,090	96,121	96,121	96,121
Gross fixed assets	4,13,740	4,57,105	5,12,105	5,67,105
Less: Depreciation	-88,824	-1,07,449	-1,34,507	-1,62,703
Add: Capital WIP	1,40,844	1,52,843	1,52,843	1,52,843
Net fixed assets	4,65,760	5,02,499	5,30,441	5,57,245
Total assets	16,97,423	19,34,480	20,69,152	22,48,177
Current liabilities	3,40,373	4,47,632	4,99,748	5,86,660
Provisions	32,969	40,863	40,863	40,863
Total current liabilities	3,73,342	4,88,495	5,40,611	6,27,523
Non-current liabilities	9,15,174	9,86,909	10,37,006	10,74,756
Total liabilities	12,88,516	14,75,403	15,77,618	17,02,279
Paid-up capital	1,854	1,859	1,859	1,859
Reserves & surplus	3,75,262	4,07,232	4,36,988	4,87,948
Shareholders' equity	4,08,908	4,59,077	4,91,534	5,45,897
Total equity & liabilities	16,97,423	19,34,480	20,69,152	22,48,176

Source: Company, PhillipCapital India Research Estimates

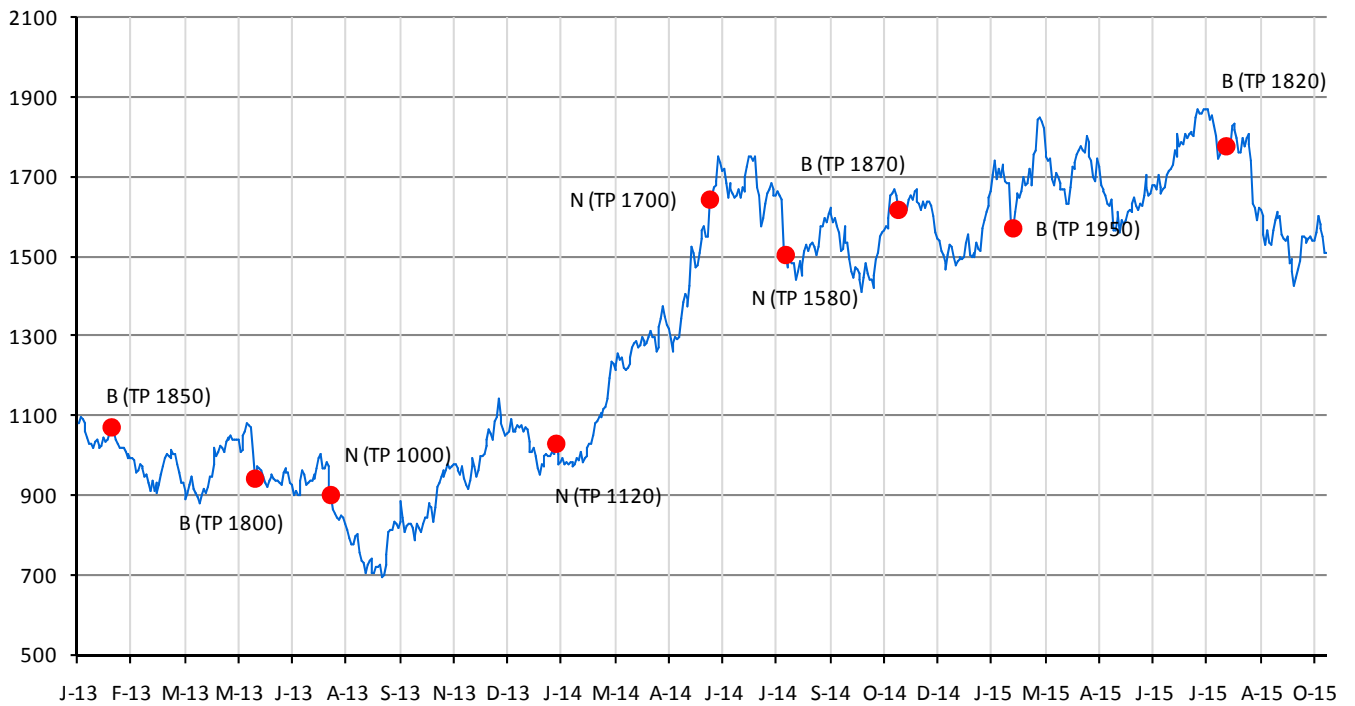
Cash Flow

	FY14	FY15	FY16e	FY17e
Pre-tax profit	71,374	68,717	73,236	1,10,025
Depreciation	14,458	26,225	27,057	28,197
Chg in working capital	-2,16,921	-53,537	-66,583	-58,265
Total tax paid	-24,538	-28,057	-26,257	-38,404
Cash flow from operating activities	-1,55,626	13,348	7,453	41,553
Capital expenditure	-62,998	-62,964	-55,000	-55,000
Chg in investments	6,585	-15,032	0	0
Cash flow from investing activities	-56,320	-77,974	-54,700	-54,700
Free cash flow	-2,11,946	-64,627	-47,247	-13,147
Equity raised/(repaid)	38,519	31,975	29,756	50,960
Debt raised/(repaid)	2,18,806	76,957	50,097	37,750
Dividend (incl. tax)	-15,322	-14,103	-14,521	-17,258
Other financing activities	-30,451	-30,089	-30,056	-51,260
Cash flow from financing activities	2,17,197	81,223	35,276	20,191
Net chg in cash	5,250	16,596	-11,971	7,044

Valuation Ratios

	FY14	FY15	FY16e	FY17e
Per Share data				
EPS (INR)	49.3	47.2	47.3	72.9
Growth, %	(4.8)	(4.2)	0.2	54.1
Book NAV/share (INR)	406.9	437.3	469.1	523.6
FDEPS (INR)	49.3	47.2	47.3	72.9
CEPS (INR)	64.9	75.2	76.3	103.1
CFPS (INR)	(178.4)	3.5	(3.4)	30.9
DPS (INR)	14.2	13.0	13.4	15.9
Return ratios				
Return on assets (%)	4.2	3.5	3.4	4.3
Return on equity (%)	12.1	10.8	10.1	13.9
Return on capital employed (%)	5.3	4.5	4.4	5.7
Turnover ratios				
Asset turnover (x)	0.8	0.7	0.7	0.8
Sales/Total assets (x)	0.5	0.5	0.5	0.6
Sales/Net FA (x)	1.9	1.9	2.0	2.2
Working capital/Sales (x)	0.9	0.9	0.9	0.8
Working capital days	330	330	323	293
Liquidity ratios				
Current ratio (x)	3.4	3.0	2.9	2.7
Quick ratio (x)	3.2	2.8	2.7	2.6
Interest cover (x)	3.0	3.1	2.9	3.9
Dividend cover (x)	3.5	3.6	3.5	3.5
Total debt/Equity (%)	242	242	237	220
Net debt/Equity (%)	231	228	226	209
Valuation				
PER (x)	28.6	29.9	29.8	19.3
Price/Book (x)	3.5	3.2	3.0	2.7
Yield (%)	1.0	0.9	0.9	0.9
EV/Net sales (x)	2.6	2.4	2.3	2.0
EV/EBITDA (x)	20.3	19.9	18.9	14.7
EV/EBIT (x)	23.4	25.8	24.3	17.9

Stock Price, Price Target and Rating History



Rating Methodology

We rate stock on absolute return basis. Our target price for the stocks has an investment horizon of one year.

Rating	Criteria	Definition
BUY	$\geq +15\%$	Target price is equal to or more than 15% of current market price
NEUTRAL	$-15\% > \text{to} < +15\%$	Target price is less than +15% but more than -15%
SELL	$\leq -15\%$	Target price is less than or equal to -15%.

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
Nitesh Sharma, CFA	(9122) 6667 9965

Agri Inputs

Gauri Anand	(9122) 6667 9943
-------------	------------------

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

Jonas Bhutta	(9122) 6667 9759
Hrishikesh Bhagat	(9122) 6667 9986

Infrastructure & IT Services

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

Logistics, Transportation & Midcap

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

Metals

Dhawal Doshi	(9122) 6667 9769
Yash Doshi	(9122) 6667 9987

Oil & Gas

Sabri Hazarika	(9122) 6667 9756
----------------	------------------

Pharma

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

Midcap

Amol Rao	(9122) 6667 9952
----------	------------------

Portfolio Strategy

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

Technicals

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

Production Manager

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

Database Manager

Deepak Agarwal	(9122) 6667 9944
----------------	------------------

Editor

Roshan Sony	98199 72726
-------------	-------------

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
Suniil 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 RafflesCityTower,
Singapore 179101
Tel : (65) 6533 6001 Fax: (65) 6535 3834
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

THAILAND

Phillip Securities (Thailand) Public Co. Ltd.
15th Floor, VorawatBuilding, 849 Silom Road,
Silom, Bangrak, Bangkok 10500 Thailand
Tel (66) 2 2268 0999 Fax: (66) 2 2268 0921
www.phillip.co.th

UNITED STATES
Phillip Futures Inc.

141 W Jackson Blvd Ste 3050
The Chicago Board of TradeBuilding
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.pooms.com.my

INDONESIA
PT Phillip Securities Indonesia

ANZTower Level 23B, Jl Jend Sudirman Kav 33A,
Jakarta 10220, Indonesia
Tel (62) 21 5790 0800 Fax: (62) 21 5790 0809
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

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

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

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

CHINA
Phillip Financial Advisory (Shanghai) Co. Ltd.

No 550 Yan An East Road, OceanTower Unit 2318
Shanghai 200 001
Tel (86) 21 5169 9200 Fax: (86) 21 6351 2940
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

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

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, may not match, or may be contrary at times with the views, estimates, rating, and 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 the SEBI. PhillipCapital (India) Pvt. Ltd. is a subsidiary of Phillip (Mauritius) Pvt. Ltd. References to "PC IPL" in this report shall mean PhillipCapital (India) Pvt. Ltd. unless otherwise stated. This report is prepared and distributed by PC IPL 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 PC IPL to be valid when published. The report also contains information provided to PC IPL by third parties. The source of such information will usually be disclosed in the report. Whilst PC IPL has taken all reasonable steps to ensure that this information is correct, PC IPL 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 PC IPL 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 of future performance.

This report does not regard 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 conclusions 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 realised. Under no circumstances can it be used or considered as an offer to sell or as a solicitation of any offer to buy or sell the securities mentioned within it. The information contained in the research reports may have been taken from trade and statistical services and other sources, which PCIL believe is 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(s) 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.

Additional Disclosures of Interest:

Unless specifically mentioned in Point No. 9 below:

1. The Research Analyst(s), PCIL, or its associates or relatives of the Research Analyst does not have any financial interest in the company(ies) covered in this report.
2. The Research Analyst, PCIL or its associates or relatives of the Research Analyst affiliates collectively do not hold more than 1% of the securities of the company (ies) covered in this report as of the end of the month immediately preceding the distribution of the research report.
3. The Research Analyst, his/her associate, his/her relative, and PCIL, do not have any other material conflict of interest at the time of publication of this research report.
4. The Research Analyst, PCIL, and its associates have not received compensation for investment banking or merchant banking or brokerage services or for any other products or services from the company(ies) covered in this report, in the past twelve months.
5. The Research Analyst, PCIL or its associates have not managed or co-managed in the previous twelve months, a private or public offering of securities for the company (ies) covered in this report.
6. PCIL or its associates have not received compensation or other benefits from the company(ies) covered in this report or from any third party, in connection with the research report.
7. The Research Analyst has not served as an Officer, Director, or employee of the company (ies) covered in the Research report.
8. The Research Analyst and PCIL has not been engaged in market making activity for the company(ies) covered in the Research report.
9. Details of PCIL, Research Analyst and its associates pertaining to the companies covered in the Research report:

Sr. no.	Particulars	Yes/No
1	Whether compensation has been received from the company(ies) covered in the Research report in the past 12 months for investment banking transaction by PCIL	No
2	Whether Research Analyst, PCIL or its associates or relatives of the Research Analyst affiliates collectively hold more than 1% of the company(ies) covered in the Research report	No
3	Whether compensation has been received by PCIL or its associates from the company(ies) covered in the Research report	No
4	PCIL or its affiliates have managed or co-managed in the previous twelve months a private or public offering of securities for the company(ies) covered in the Research report	No
5	Research Analyst, his associate, PCIL or its associates have received compensation for investment banking or merchant banking or brokerage services or for any other products or services from the company(ies) covered in the Research report, in the last twelve months	No

Independence: 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 affiliates/employees, may have positions in, purchase or sell, or be materially interested in any of the securities covered in the 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. Without limiting any of the foregoing, in no event shall PCIPL, any of its affiliates/employees or any third party involved in, or related to computing or compiling the information have any liability for any damages of any kind including but not limited to any direct or consequential loss or damage, however arising, from the use of this document.

Copyright: The copyright in this research report belongs exclusively to PCIPL. All rights are reserved. Any unauthorised 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/investment can be substantial and even more than the amount / margin given by you. The recipient should carefully consider whether trading/investment is appropriate for the recipient in light of the recipient's experience, objectives, financial resources and other relevant circumstances. PCIPL and any of its employees, directors, associates, group entities, or affiliates shall not be liable for losses, if any, incurred by the recipient. The recipient is further cautioned that trading/investments in financial markets are subject to market risks and are advised to seek trading/investment advice before investing. There is no guarantee/assurance as to returns or profits or capital protection or appreciation. PCIPL and any of its employees, directors, associates, group entities, affiliates are not inducing the recipient for trading/investing in the financial market(s). Trading/Investment decision is the sole responsibility of the recipient.

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 the 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 a 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 GanpatraoKadamMarg, Lower Parel West, Mumbai 400013