

Pennar Industries Ltd (PSL IN)

Hit by a fall in steel prices

INDIA | METALS | Quarterly Update

13 August 2015

Pennar Industries' revenue declined 6% yoy to Rs 2.7bn in Q1FY16 (significantly lower than estimated Rs 3.2bn), impacted by a fall in steel prices. Its steel product revenue fell 22% yoy; consolidated numbers signal PEBS revenue fall of ~20%. The company did not share numbers for PEBS and Enviro as it has filed DRHP for listing of PEBS. Strong execution of wagon and solar orders helped the Systems & Projects business to report growth of 201% yoy to Rs 487mn. Pennar is focusing on special-grade steels while reducing low contribution products, resulting in decline steel segment revenue to Rs 795mn from Rs 1.01bn in 1QFY15. Tubes revenue fell 6% yoy to Rs 339mn while revenue in industrial components remained flat at Rs146mn.

Growth in high-margin business along with decline in commodity steel business helped company to improve margins. EBITDA grew 15.5% yoy to Rs 260mn, lower than estimates of Rs 317mn. EBITDA margins improved by 180bps yoy to 9.5% (vs. estimates of 9.7%). Raw material cost as percentage of sales declined by 250bps to 64.3% from 66.8% in 1QFY15 on favorable revenue mix. The company had a scrap sale of Rs 82mn in 1QFY16 and has started accounting it in revenue (vs. adjusting in raw material cost earlier). EBITDA margins in tubes recovered by 90bps yoy to 7.1% with increased contribution from CDW tubes. Margins in industrial component were up 40bps yoy to 15.1% and systems & project were down 331bps yoy to 14.2%.

Depreciation cost declined by 26% yoy to Rs 43mn with change in depreciation policy from fixed rate to useful life of assets. Interest cost increased by 20% yoy to Rs 91mn. The company has total debt of Rs 1.86bn including long term debt of Rs 490mn. PBIT grew by 36% yoy to Rs 130mn in 1QFY16. Profits grew by 19% yoy to Rs 66mn, lower than estimates of Rs 106mn, translating into EPS of Rs 0.91. Profits were also impacted due to higher tax provision of ~40% in 1QFY16 vs. 29% in 1QFY15.

In its conference call, the management highlighted strong outlook for systems and projects, solar and environmental segments. Post pre-qualification, order book in environmental segment increased to Rs 2.75bn in 1QFY16 (from Rs 576mn in 4QFY15) and ~50% of this is expected to be executed in FY16. Railways segment has an order book of Rs 1.2bn while solar has Rs 900mn. Systems business could see strong growth in orders from wagon and coaches and is increasing plant capacity in anticipation. The company is planning to increase capacity for value-added steel to 2,000 tonne per month from 500 and expects revenue contribution from September 2015. It expects revenue potential of ~Rs 2bn over next 15-18 month from special-grade steel with significantly higher margins. Hydraulics business, with a focus on exports to USA, is expected to grow by 30% in FY16. The focus is on cash flow cycle and will try to manage working capital cycle to ~2-2.5 months. Total capital expenditure would be ~Rs 400mn in FY16 excluding PEBS. The company has capacity utilization of ~55% and volume growth is expected to improve margins going ahead.

Valuations: At the CMP, stock is trading at 7x our FY17 earnings and 3.6x FY17 EV/EBITDA. We have cut our earnings estimates for FY16/17 by 3%/7% considering 1QFY16 performance. Its revenue profile has changed significantly towards value-added products and the company is in a strong position to capitalize on economic recovery. We have valued the company at 10x our FY17 EPS of Rs 7 to arrive at a price target of Rs 70 (earlier Rs 75). We maintain our BUY rating.

BUY (Maintain)

CMP Rs 51

TARGET Rs 70 (+37%)

COMPANY DATA

O/S SHARES (MN) :	120
MARKET CAP (RSBN) :	8
MARKET CAP (USDBN) :	0.1
52 - WK HI/LO (RS) :	71/ 35
LIQUIDITY 3M (USDMN) :	0.7
PAR VALUE (RS) :	5

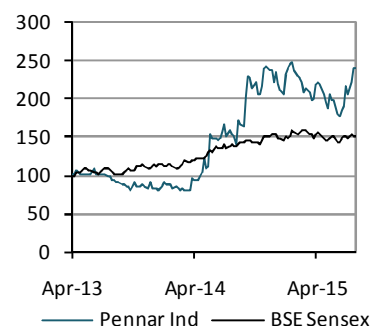
SHARE HOLDING PATTERN, %

PROMOTERS :	36.4
FII / NRI :	10.3
FI / MF :	10.7
NON PROMOTER CORP. HOLDINGS :	17.7
PUBLIC & OTHERS :	24.9

PRICE PERFORMANCE, %

	1MTH	3MTH	1YR
ABS	27.9	41.6	86.5
REL TO BSE	26.3	37.9	75.5

PRICE VS. SENSEX



Source: Phillip Capital India Research

KEY FINANCIALS

Rs mn	FY15	FY16E	FY17E
Net Sales	12,675	15,190	19,120
EBIDTA	1,175	1,492	2,000
Net Profit	359	571	840
EPS, Rs	3.0	4.7	7.0
PER, x	17.2	10.8	7.4
EV/EBIDTA, x	6.7	4.7	3.6
P/BV, x	1.5	1.3	1.1
ROE, %	8.9	12.0	15.5
Debt/Equity (%)	46.2	44.5	41.8

Source: PhillipCapital India Research Est.

Vikram Suryavanshi (+ 9122 6667 9951)
vsuryavanshi@phillipcapital.in

Quarterly financial performance

	4QFY13	1QFY14	2QFY14	3QFY14	4QFY14	1QFY15	2QFY15	3QFY15	4QFY15	1QFY16
Net Sales	3,051	2,536	2,383	2,732	3,210	2,903	2,892	2,950	3,667	2,739
Total Raw Material	1,970	1,582	1,491	1,602	2,377	1,938	1,923	1,941	2,393	1,760
% of Sales	64.5	62.4	62.6	58.6	74.1	66.8	66.5	66	65	64
Employee Cost	199	164	156	176	208	189	177	200	217	193
Other Expenses	589	608	549	739	324	552	550	553	604	525
Total Expenses	2,758	2,354	2,196	2,517	2,909	2,679	2,650	2,694	3,215	2,479
EBITDA	294	182	186	215	301	225	243	256	452	260
EBITDA margins	9.6	7.2	7.8	7.9	9.4	7.7	8.4	8.7	12.3	9.5
Depreciation	49	43	46	53	46	58	31	44	45	43
EBIT	245	138	140	162	255	166	211	212	407	217
Interest	93	63	61	64	76	76	75	76	138	91
EBT	152	75	79	98	178	91	137	136	269	126
Other Income	17	21	16	15	-1	5	7	1	20	4
EBT (OI)	169	96	95	114	177	96	144	137	289	130
Tax	72	26	28	39	82	28	73	51	83	52
Tax rate (%)	43	27	29	34	46	29	51	37	29	40
Current Tax	88	25	26	25	59	20	43	24	61	40
Deferred Tax	-16	2	2	14	22	8	31	27	22	12
PAT	97	70	67	75	96	68	71	87	206	79
Minority Interest	13	8	8	11	21	12	7	10	46	13
Extraordinary	-	-	-	-	-	-	-	-	-	-
Reported PAT	84	62	59	64	74	55	64	77	160	66
EPS	0.7	0.5	0.5	0.5	0.6	0.5	0.5	0.6	1.3	0.5
Cash EPS	1.1	0.9	0.9	1.0	1.0	0.9	0.8	1.0	1.7	0.9

Segmental Revenue (Rs mn)

Steel Products	1,337	1,180	1,020	1,000	1,068	1,014	1,002	989	899	795
Tubes	285	323	303	345	345	362	337	328	358	339
Industrial Component	195	184	119	130	143	147	129	157	178	146
Systems & Projects	487	236	258	363	342	162	487	483	817	487
Pennar Enviro	16	-	19	22	104	72	61	68	Na	Na
Pre-Engineering Building	883	712	700	979	1,223	1,013	910	1,067	Na	Na
EBITDA Margins (%)										
Steel Products	6.0	5.2	6.6	5.9	5.0	6.3	5.4	6.3	7.3	5.8
Tubes	5.3	5.8	4.8	6.0	4.0	6.2	6.8	7.0	7.5	7.1
Industrial Component	6.9	12.1	12.8	12.7	14.6	14.0	14.7	14.0	15.7	15.1
Systems & Projects	13.1	8.2	11.7	10.3	12.1	18.9	12.9	11.4	13.8	14.2
Pennar Enviro	7.8	-	7.1	6.0	1.6	3.1	6.6	5.9	Na	Na
Pre-Engineering Building	14.4	8.8	9.0	8.8	12.9	8.4	8.7	8.5	Na	Na

Source: Company, PhillipCapital India Research

Change in estimates

Rs mn	FY16E			FY17E		
	Earlier	Revised	Change (%)	Earlier	Revised	Change (%)
Revenue	15,719	15,190	-3.4	19,276	19,120	-0.8
EBITDA	1,552	1,492	-3.9	2,130	2,000	-6.1
Margins	9.9	9.8	-0.5	11.1	10.5	-5.3
PAT	595	571	-4.0	902	840	-6.8
EPS (Rs)	4.9	4.7	-3.1	7.5	7.0	-6.9

Source: Company, PhillipCapital India Research

Key Segmental Highlights

Systems & Projects: It received orders of Rs 260mn for Coach Applications from ICF & other private customers and Rs 110mn from Wagon Builders. It has two new customers — Bhilai Engineering Corporation and E C Blades & Tools Pvt. Ltd. In the Solar vertical, three new customers added in this quarter with major orders from Sterling & Wilson for 1600MT, Larsen & Toubro for 600MT and Waaree Energies for 580MT.

Tubes

It has concerted effort in moving to higher-margin products like CDW and expects this to contribute 60% of segment revenue over next two years from current 30%. The company has completed capital expenditure in 4QFY15 and expects tubes will maintain its revenue share while improving margins. A new export cell has been created for the CDW business and this is expected to begin generating revenue in Q3.

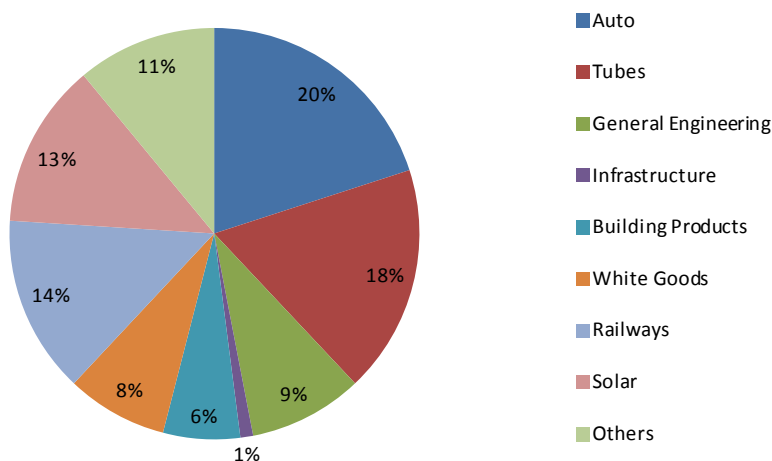
Industrial Components

In the automotive space, the company intends to identify global sourcing and deemed export opportunities. In 1QFY16 it dispatched Bailey hydraulic cylinders’ first shipment to the US. The company is focusing on critical high performance components for brake, suspension and auto electrical applications.

Steel Products

It received repeat orders for collecting electrodes and decking and roofing sheets. The company is focusing on special grade stainless steel with capital expenditure of Rs 100mn.

Standalone Industry-wise Revenue Breakup (1QFY16)



Source: Company, PhillipCapital India Research

Financials

Income Statement

Y/E Mar, Rs mn	FY14	FY15	FY16E	FY17E
Net sales	10,745	12,675	15,190	19,120
Growth, %	-4	18	20	26
Total income	10,745	12,675	15,190	19,120
Raw material expenses	-6,923	-7,908	-9,779	-12,313
Employee expenses	-704	-783	-900	-1,062
Other Operating expenses	-2,220	-2,808	-3,019	-3,744
EBITDA (Core)	898	1,175	1,492	2,000
Growth, %	(20.9)	30.9	26.9	34.1
Margin, %	8.4	9.3	9.8	10.5
Depreciation	-188	-179	-200	-228
EBIT	710	997	1,292	1,772
Growth, %	(25.7)	40.5	29.6	37.2
Margin, %	6.6	7.9	8.5	9.3
Interest paid	-265	-364	-339	-363
Other Non-Operating Income	37	33	30	40
Pre-tax profit	482	666	983	1,449
Tax provided	-174	-235	-344	-507
Profit after tax	307	431	639	942
Others (Minorities, Associates)	-48	-72	-68	-102
Net Profit	259	359	571	840
Growth, %	(38.0)	38.4	59.1	47.1
Net Profit (adjusted)	259	359	571	840
Unadj. shares (m)	120	120	120	120
Wtd avg shares (m)	120	120	120	120

Balance Sheet

Y/E Mar, Rs mn	FY14	FY15	FY16E	FY17E
Cash & bank	191	168	1,239	1,218
Debtors	2,498	3,376	3,329	4,191
Inventory	1,888	2,047	2,663	3,353
Loans & advances	444	327	376	432
Other current assets	241	288	345	414
Total current assets	5,262	6,205	7,953	9,607
Investments	255	261	268	276
Gross fixed assets	4,489	5,016	5,260	5,710
Less: Depreciation	-2,023	-2,202	-2,402	-2,630
Add: Capital WIP	128	32	120	120
Net fixed assets	2,594	2,846	2,978	3,200
Total assets	8,111	9,311	11,199	13,083
Current liabilities	3,474	3,990	4,840	5,773
Provisions	80	76	84	92
Total current liabilities	3,554	4,066	4,924	5,865
Non-current liabilities	640	764	1,013	1,185
Total liabilities	4,194	4,830	5,937	7,050
Paid-up capital	658	630	630	630
Reserves & surplus	2,895	3,416	4,129	4,797
Shareholders' equity	3,918	4,481	5,262	6,032
Total equity & liabilities	8,112	9,311	11,199	13,083

Source: Company, PhillipCapital India Research Estimates

Cash Flow

Y/E Mar, Rs mn	FY14	FY15	FY16E	FY17E
Pre-tax profit	482	666	983	1,449
Depreciation	188	179	200	228
Chg in working capital	-263	-453	182	-735
Total tax paid	-135	-148	-295	-435
Cash flow from operating activities	272	243	1,070	508
Capital expenditure	-265	-431	-332	-450
Chg in investments	-222	-5	-8	-8
Cash flow from investing activities	-487	-436	-340	-458
Free cash flow	-215	-193	730	50
Equity raised/(repaid)	-15	302	310	25
Debt raised/(repaid)	109	37	200	100
Dividend (incl. tax)	-145	-143	-143	-172
Cash flow from financing activities	21	194	367	-47
Net chg in cash	-195	1	1,097	3

Valuation Ratios

	FY14	FY15	FY16E	FY17E
Per Share data				
EPS (INR)	2.2	3.0	4.7	7.0
Growth, %	(37.2)	38.5	59.1	47.1
Book NAV/share (INR)	29.5	33.6	39.5	45.1
FDEPS (INR)	2.2	3.0	4.7	7.0
CEPS (INR)	3.7	4.5	6.4	8.9
CFPS (INR)	3.3	(0.8)	8.2	3.5
DPS (INR)	1.0	1.0	1.0	1.2
Return ratios				
Return on assets (%)	6.1	7.6	8.3	9.6
Return on equity (%)	7.3	8.9	12.0	15.5
Return on capital employed (%)	10.5	13.3	14.7	17.1
Turnover ratios				
Asset turnover (x)	2.0	2.2	2.4	2.8
Sales/Total assets (x)	1.4	1.5	1.5	1.6
Sales/Net FA (x)	4.2	4.7	5.2	6.2
Working capital/Sales (x)	0.1	0.2	0.1	0.1
Fixed capital/Sales (x)	0.0	0.0	-	-
Liquidity ratios				
Current ratio (x)	1.5	1.6	1.6	1.7
Quick ratio (x)	1.0	1.0	1.1	1.1
Interest cover (x)	2.7	2.7	3.8	4.9
Dividend cover (x)	2.1	3.0	4.7	5.8
Total debt/Equity (%)	42.8	46.2	44.5	41.8
Net debt/Equity (%)	37.4	42.0	18.5	19.3
Valuation				
PER (x)	23.9	17.2	10.8	7.4
PEG (x) - y-o-y growth	(0.6)	0.4	0.2	0.2
Price/Book (x)	1.7	1.5	1.3	1.1
Yield (%)	2.0	1.9	1.9	2.3
EV/Net sales (x)	0.7	0.6	0.5	0.4
EV/EBITDA (x)	8.4	6.7	4.7	3.6
EV/EBIT (x)	10.6	7.9	5.5	4.1

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

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
-----------------	------------------

Engineering, Capital Goods

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

Economics

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

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, Agri Inputs

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

Pharma

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

Midap

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 Raffles City Tower,
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, Vorawat Building, 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 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

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

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, Ocean Tower 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 "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 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 Ganpatrao Kadam Marg, Lower Parel West, Mumbai 400013