

# V-Guard Industries Ltd (VGRD IN)

## Summer slam

### INDIA | MIDCAP - ELECTRICALS | Quarterly Update

5 May 2016

#### Top takeaways from Q4FY16

- Higher sales volumes of seasonal products such as stabilisers, fans, and pumps, coupled with a rebound in commodity prices resulted in the revenue jump of 16%.
- Reduction in discounts, better absorption of fixed costs, and some inventory gains boosted EBIDTA and OPM.
- Faster cash conversion and lower bill discounting resulted in interest outgo falling 73%.
- PAT vaulted 1.1x yoy to Rs 420mn due to better margins and lower interest burden.

**Key highlights:** An early start to the summer in southern and eastern parts of India facilitated higher sales of key products, along with retention of benefits of softer raw material prices. VGI also benefited from the liquidation of some inventory that was priced at the lower levels of last quarter. All these factors facilitated gross margin improvement of 510bps yoy. Control over fixed costs and richer gross margins saw OPM jump 440bps yoy 12.4%. Healthy operational cash flows on fall in inventory and receivables enabled it to cut down on bill-discounting significantly, thereby reducing interest outgo by 73% yoy.

#### Management comments/concall/analyst-meet takeaways

- ✓ Sale volumes of wires and cables rose 12% while realisations were 10% lower because it passed through some of the soft copper prices.
- ✓ Despatches of pumps, stabilisers, water heaters, and fans picked up noticeably. This boosted operational profitability.
- ⇔ Kerala (~24% of overall sales) is experiencing a gradual revival due to the uptick in domestic rubber prices and stabilising remittances from the Middle East.
- ✓ The profitability profile in non-south Indian markets has improved significantly over the years. VGI is currently breaking even at the PBT level in these markets.
- ✓ Net debt is marginally negative and V-Guard intends to steadily pay off its term loan over the next 12-18 months.

**Outlook and valuation:** VGI is making most of the existing climatic conditions, leveraging its product portfolio to the hilt. While the scope for gross margin improvement is limited, we believe increased channel sweating and tight working capital management should see better absorption of fixed costs. In the light of its product basket and channel expansion, we believe that normal weather patterns would be most beneficial for VGI and have increased our FY18 earnings by 7%. We have rolled over to our FY18 earnings, while maintaining 24x multiple; our revised target price is Rs 1,270 (vs. Rs 919 previously). However, given the sharp run up, we maintain our Neutral rating.

#### Neutral (Maintain)

CMP RS 1186

TARGET RS 1270

#### COMPANY DATA

O/S SHARES (MN) :	30
MARKET CAP (RSBN) :	28
MARKET CAP (USDBN) :	0.4
52 - WK HI/LO (RS) :	1050 / 787
LIQUIDITY 3M (USDMN) :	0.7
PAR VALUE (RS) :	10

#### SHARE HOLDING PATTERN, %

	Dec 15	Sep 15	Jun 15
PROMOTERS :	65.9	65.9	66.0
FII / NRI :	25.3	25.3	28.0
FI / MF :	7.5	7.5	5.8
NON PRO :	2.5	2.5	2.5
PUBLIC & OTHERS :	7.1	7.1	7.4

#### Key Financials

Rs mn	FY16	FY17E	FY18E
Net Sales	18,623	21,701	25,796
EBIDTA	1,780	1,963	2,525
Net Profit	1,117	1,214	1,584
EPS, Rs	37.1	40.4	52.6
PER, x	32.0	29.4	22.5
EV/EBIDTA, x	19.3	17.5	13.4
P/BV, x	7.6	6.3	5.1
ROE, %	26.3	23.4	25.0
Debt/Equity (%)	0.1	0.1	0.1

#### CHANGE IN ESTIMATES

Rs mn	Revised Est.		% Revision	
	FY17E	FY18E	FY17E	FY18E
Revenue	21,701	25,796	(6.0)	(7.1)
EBITDA	1,963	2,525	2.2	3.8
OPM (%)	9.0	9.8	70bps	100bps
PAT	1,214	1,584	6.4	7.3

**Amol Rao** (+ 9122 6667 9952)  
arao@phillipcapital.in

**Deepak Agarwal** (+ 9122 6667 9944)  
dagarwal@phillipcapital.in

(Rs mn)	Q4FY16	Q4FY15	yoy growth %	Q3FY16	qoq growth %	vs Expectations	Comments
Sales	5,133	4,416	16	4,163	23.3	-0.4	Higher sales of stabilizers, pumps & fans
EBITDA	634	353	80	346	83.3	43.5	Inventory gains, better absorption of fixed costs
EBITDA margin	12.4	8.0	438bps	8.3	404.4	3.8	
Interest	12	46	(73)	15	-16.5		Improved working capital obviates w. cap borrowing
Depreciation	38	40	(5)	38	-0.1		
Other income	21	16	30	18	15.0		
PBT	605	282	114	311	94.3		
Tax	185	81	127	97	91.8		
Tax rate	30.6	28.8	175bps	31.0	-39.7		
PAT	420	201	109	215	95.4	46.8	

**Segment wise results**

Rs mn	Q4FY16	Q4FY15	% yoy	FY16	FY15	% yoy
<b>Net Revenues</b>						
Electronic	1,560	1,309	19.2	5,627	5,489	2.5
Electrical/Electro Mechanical	3,388	2,974	13.9	12,388	11,461	8.1
Others	185	133	38.6	607	510	19.1
<b>Total</b>	<b>5,133</b>	<b>4,416</b>	<b>16.2</b>	<b>18,623</b>	<b>17,459</b>	<b>6.7</b>
<b>Segment PBIT</b>						
Electronic	231	126	83.4	766	576	33.1
Electrical/Electro Mechanical	350	197	77.2	860	642	33.9
Others	38	6	540.1	93	3	3,133.5
<b>PBIT</b>	<b>618</b>	<b>329</b>	<b>87.9</b>	<b>1,719</b>	<b>1,221</b>	<b>40.8</b>
(-)Interest	12	46	(73.3)	89	206	(56.7)
(-)Net un-allocable Exp	-	1	(100.0)	(20)	-	-
<b>PBT</b>	<b>606</b>	<b>282</b>	<b>114.7</b>	<b>1,610</b>	<b>1,014</b>	<b>58.7</b>
<b>PBIT Margin (%)</b>						
Electronic	14.8	9.6	-	13.6	10.5	-
Electrical/Electro Mechanical	10.3	6.6	-	6.9	5.6	-
Others	20.5	4.4	-	15.3	0.6	-
<b>Total Comp. PBIT Margin (%)</b>	<b>12.0</b>	<b>7.4</b>	<b>-</b>	<b>9.2</b>	<b>7.0</b>	<b>-</b>

Source: Company, PhillipCapital India Research

**Other key takeaways:**

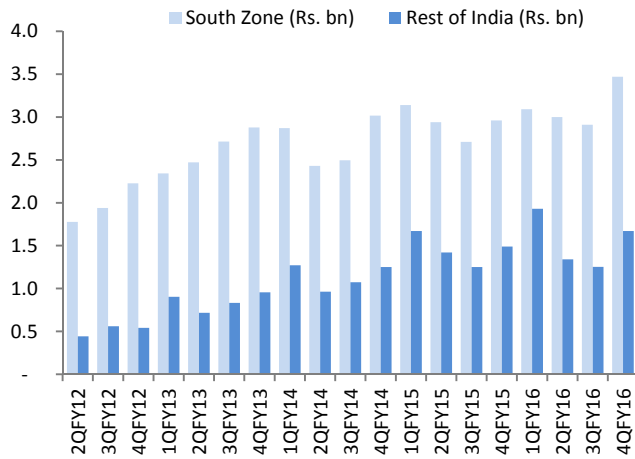
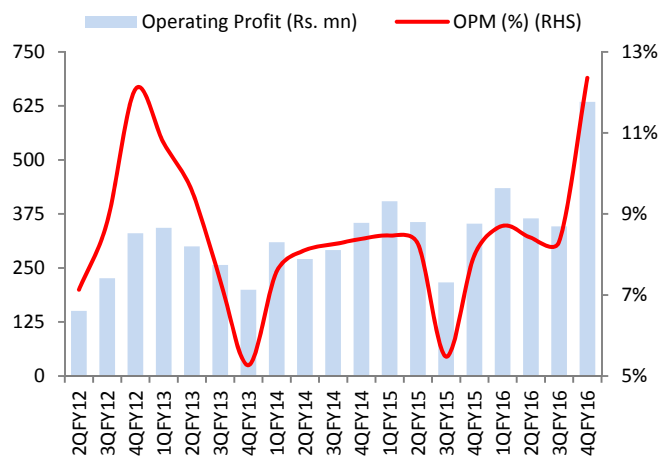
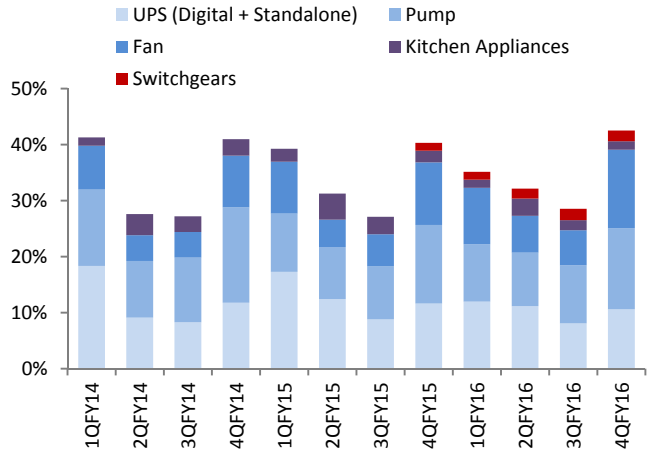
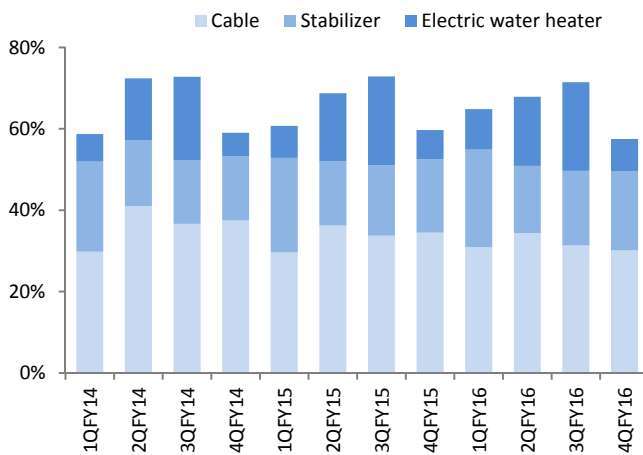
- ✓ The surge in air conditioner sales, especially those with an inbuilt inverter, provided a fillip for despatches of stabilizers recently launched by VGI for this segment. Sales of AC stabilizers accounted for ~60% of stabilizer sales in Q4FY16 as well as FY16.
- ✓ Due to the traditional lag in the onset of summer in north and west India, the company expects momentum in sales of stabilizers and pumps to sustain in Q1FY17.
- ✓ VGI is looking to expand its existing range of pumps by developing higher HP pumps, which will be targeted at high-rise buildings and agriculture.
- ✓ Gas cooktops will be the new addition to the company's range of kitchen appliances, which currently consists of induction cooktops and mixer-grinders.
- ✓ The management guided for 15% growth in FY17 with margins at ~10%. It expects its sales in southern India to grow by 7-8% with revenues from the remaining geographies rising by 25%.

**Our take**

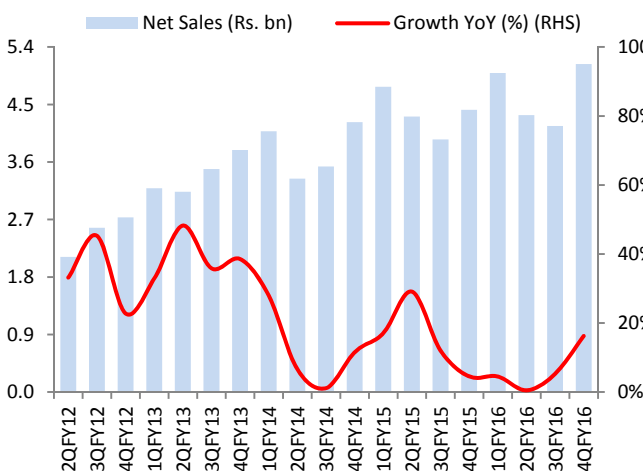
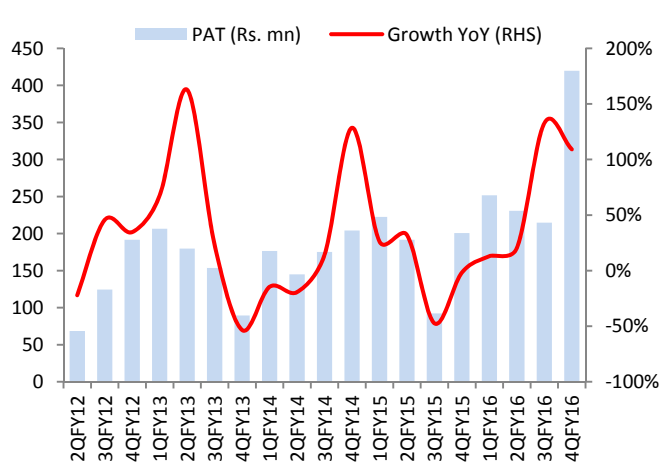
Even after accounting for the one-off inventory gain in Q4FY16, the company pleasantly surprised us with its EBIDTA and PAT performance. Given its low base of FY16, we expect the momentum of sales growth will sustain into 1HFY17. However, there is a risk to our expectations because of the incidence of mild weather.

On the margin front, we are positive on the improved performance of operations outside southern India and believe that operating leverage of 50bps p.a. is well within the company's reach over the next two years, due to fixed cost absorption. But it is prudent to be mindful of the limited basket of products sold in these geographies, as operating leverage could be curtailed by the additional deployment of human and material resources deployed to launch new products and increase channel sweating.

Lastly, in light of the company's valuations (24x FY18) we believe that the elbow room to absorb shocks in earnings and cash flows is limited. Hence, we have opted for a conservative estimate of profits and cash flows and will revise it in the eventuality of a change in our opinion or estimates.

**Geographical revenue breakup**

**Operating profit and OPM trend**

**Product wise revenue break-up (% of sales)**


Source: Company, PhillipCapital India Research

**Trend of net sales**

**Trend in net profits**


Source: Company, PhillipCapital India Research

## Financials

### Income Statement

Y/E Mar, Rs mn	FY15	FY16E	FY17E	FY18E
<b>Net sales</b>	<b>17,459</b>	<b>18,623</b>	<b>21,701</b>	<b>25,796</b>
Growth, %	15.0%	6.7%	16.5%	18.9%
Raw Material expenses	12,901	13,123	15,845	18,873
Operating expenses	2,131	2,611	2,463	2,824
Employee expenses	1,097	1,108	1,431	1,574
<b>EBITDA (Core)</b>	<b>1,330</b>	<b>1,780</b>	<b>1,963</b>	<b>2,525</b>
Growth, %	8.5%	33.8%	10.2%	28.7%
Margin, %	8%	10%	9%	10%
Depreciation	154	154	166	158
<b>EBIT</b>	<b>1,176</b>	<b>1,627</b>	<b>1,797</b>	<b>2,367</b>
Growth, %	6.4%	38.3%	10.4%	31.8%
Margin, %	7%	9%	8%	9%
Interest paid	206	89	86	88
Other Non-Operating Income	45	72	50	50
<b>Pre-tax profit</b>	<b>1,014</b>	<b>1,610</b>	<b>1,760</b>	<b>2,329</b>
Tax provided	307	493	546	745
<b>Profit after tax</b>	<b>707</b>	<b>1,117</b>	<b>1,214</b>	<b>1,584</b>
<b>Net Profit</b>	<b>707</b>	<b>1,117</b>	<b>1,214</b>	<b>1,584</b>
Growth, %	0.8%	57.9%	8.7%	30.4%
Margin, %	4.1%	6.0%	5.6%	6.1%
<b>Net Profit (adjusted)</b>	<b>707</b>	<b>1,117</b>	<b>1,214</b>	<b>1,584</b>
No. of Eq. Sh O/S (m nos)	30	30	30	30

### Balance Sheet

Y/E Mar, Rs mn	FY15	FY16E	FY17E	FY18E
Cash & bank	22	76	684	1,352
Debtors	2,437	2,792	3,014	3,583
Inventory	2,609	2,047	2,467	2,909
Loans & advances	545	445	445	445
<b>Total current assets</b>	<b>5,613</b>	<b>5,360</b>	<b>6,611</b>	<b>8,288</b>
Gross fixed assets	2,407	2,527	2,978	3,200
Less: Depreciation	783	936	1,102	1,260
Add: Capital WIP	12	20	30	20
<b>Net fixed assets</b>	<b>1,636</b>	<b>1,611</b>	<b>1,906</b>	<b>1,959</b>
<b>Total assets</b>	<b>7,249</b>	<b>7,165</b>	<b>8,710</b>	<b>10,442</b>
Current liabilities	2,239	1,633	2,193	2,586
Provisions	436	397	397	397
<b>Total current liabilities</b>	<b>2,674</b>	<b>2,030</b>	<b>2,590</b>	<b>2,983</b>
Debt	705	353	368	368
Deferred Tax Liability	92	75	75	75
<b>Total liabilities</b>	<b>3,472</b>	<b>2,458</b>	<b>3,033</b>	<b>3,425</b>
Paid-up capital	300	301	301	301
Reserves & surplus	3,478	4,407	5,376	6,715
Shareholders' equity	3,777	4,708	5,677	7,016
<b>Total equity &amp; liabilities</b>	<b>7,249</b>	<b>7,165</b>	<b>8,710</b>	<b>10,441</b>

Source: Company, PhillipCapital India Research Estimates

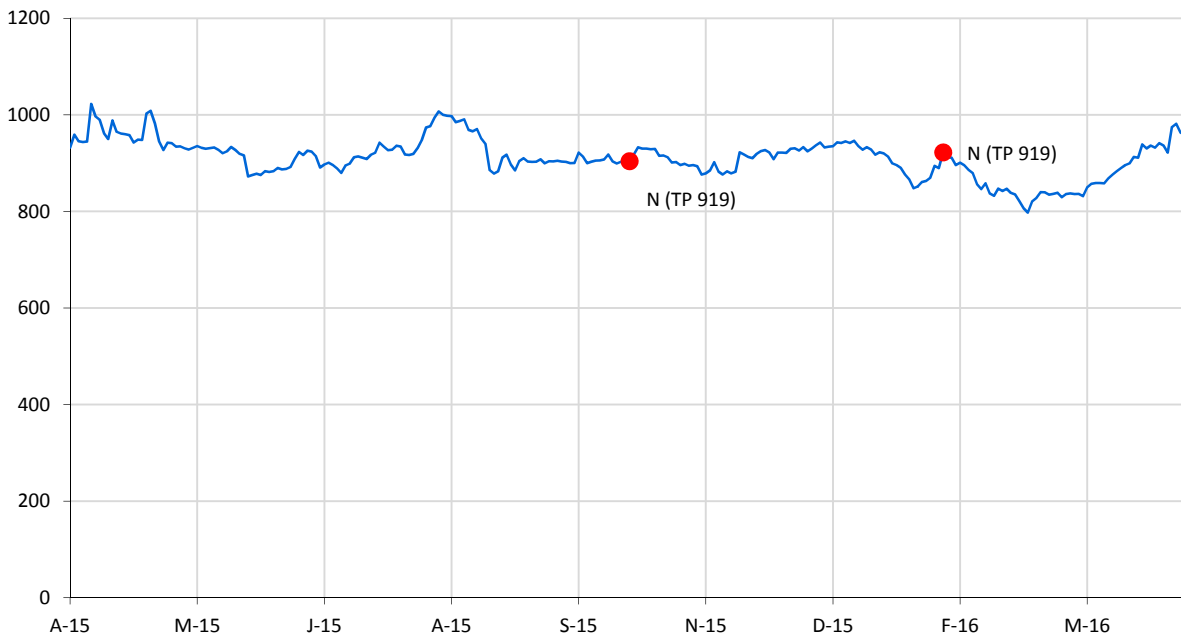
### Cash Flow

	FY15	FY16E	FY17E	FY18E
Pre-tax profit	1,014	1,610	1,760	2,329
Depreciation	154	154	166	158
Chg in working capital	-260	-338	-81	-618
Total tax paid	-305	-493	-546	-745
Other operating activities	230	-137	36	38
<b>Cash flow from operating activities</b>	<b>833</b>	<b>796</b>	<b>1,336</b>	<b>1,162</b>
Capital expenditure	-123	-129	-461	-212
Chg in investments	0	0	0	0
Other investing activities	19	72	50	50
<b>Cash flow from investing activities</b>	<b>-104</b>	<b>-56</b>	<b>-411</b>	<b>-162</b>
Free cash flow	729	740	925	1,000
Equity raised/(repaid)	37	1	0	0
Debt raised/(repaid)	-406	-352	15	0
Dividend (incl. tax)	-157	-245	-245	-245
Other financing activities	-209	-89	-86	-88
<b>Cash flow from financing activities</b>	<b>(735)</b>	<b>(686)</b>	<b>(317)</b>	<b>(333)</b>
<b>Net chg in cash</b>	<b>(6)</b>	<b>54</b>	<b>608</b>	<b>667</b>

### Valuation Ratios

	FY15	FY16E	FY17E	FY18E
<b>Per Share data</b>				
Dil. EPS (INR)	23.5	37.1	40.4	52.6
Growth, %	0.8	57.9	8.7	30.4
Book NAV/ FD share (INR)	125.6	156.5	188.7	233.2
CEPS (INR)	28.7	42.2	45.9	57.9
CFPS (INR)	27.7	26.5	44.4	38.9
DPS (INR)	4.5	7.0	7.0	7.0
<b>Return ratios</b>				
Return on assets (%)	9.8	15.6	13.9	15.2
Return on equity (%)	20.3	26.3	23.4	25.0
Return on capital employed (%)	27.6	35.0	32.8	35.6
<b>Turnover ratios</b>				
Sales/Total assets (x)	3.8	3.9	3.9	3.8
Sales/Net FA (x)	10.8	11.2	12.5	15.0
Working capital/Sales (x)	0.2	0.2	0.2	0.2
Fixed capital/Sales (x)	0.1	0.1	0.1	0.1
Receivable days	50.3	48.0	46.0	46.0
Inventory days	58.2	57.0	56.0	56.0
Loans, Adv (days)	11.2	10.1	8.5	7.1
Payable days	50.0	50.0	50.0	50.0
Working capital days	69.8	65.1	60.5	59.1
<b>Liquidity ratios</b>				
Current ratio (x)	2.1	2.6	2.6	2.8
Quick ratio (x)	1.1	1.6	1.6	1.8
Interest cover (x)	5.2	15.2	17.0	20.7
Dividend cover (x)	5.2	5.3	5.8	7.5
Total debt/Equity (%)	0.2	0.1	0.1	0.1
Net debt/Equity (%)	0.2	0.1	(0.1)	(0.1)
<b>Valuation</b>				
PER (x)	50.5	32.0	29.4	22.5
PEG (x) - y-o-y growth	60.3	0.6	3.4	74.2
Price/Book (x)	9.5	7.6	6.3	5.1
Yield (%)	0.4	0.6	0.6	0.6
EV/Net sales (x)	2.1	1.9	1.6	1.3
EV/EBITDA (x)	26.4	19.3	17.5	13.4
EV/EBIT (x)	29.7	21.1	19.1	14.3

### 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) 2483 1919
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 & Retail**

Naveen Kulkarni, CFA, FRM	(9122) 6667 9947
Jubil Jain	(9122) 6667 9766
Preeyam Tolia	(9122) 6667 9950

**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

**Sales & Distribution**

Ashvin Patil	(9122) 6667 9991
Shubhangi Agrawal	(9122) 6667 9964
Kishor Binwal	(9122) 6667 9989
Bhavin Shah	(9122) 6667 9974
Ashka Mehta Gulati	(9122) 6667 9934
Archan Vyas	(9122) 6667 9785

**IT Services**

Vibhor Singhal	(9122) 6667 9949
Shyamal Dhruve	(9122) 6667 9992

**Infrastructure**

Vibhor Singhal	(9122) 6667 9949
Deepak Agarwal	(9122) 6667 9944

**Logistics, Transportation & Midcap**

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

**Media**

Manoj Behera	(9122) 6667 9973
--------------	------------------

**Metals**

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

**Midcap**

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

**Mid-Caps & Database Manager**

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

**Oil & Gas**

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

**Sales Trader**

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

**Execution**

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

**Pharma & Speciality Chem**

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

**Strategy**

Naveen Kulkarni, CFA, FRM	(9122) 6667 9947
Anindya Bhowmik	(9122) 6667 9764

**Telecom**

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

**Technicals**

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

**Production Manager**

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

**Editor**

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

**Sr. Manager – Equities Support**

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

**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](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, VorawatBuilding, 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 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.poems.com.my](http://www.poems.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](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, OceanTower 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, 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, Decker & Co, LLC. Transactions in securities discussed in this research report should be effected through Decker & Co, LLC 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