



© 2019 Equirus All rights reserved

| Rating Information | |
|-----------------------------|-------------|
| Price (Rs) | 208 |
| Target Price (Rs) | 340 |
| Target Date | 31st Mar'20 |
| Target Set On | 23rd Apr'19 |
| Implied yrs of growth (DCF) | 15 |
| Fair Value (DCF) | 437 |
| Fair Value (DDM) | NA |
| Ind Benchmark | SPBSMIP |
| Model Portfolio Position | NA |

| Stock Information | |
|-------------------------|-----------|
| Market Cap (Rs Mn) | 83,208 |
| Free Float (%) | 46.17 % |
| 52 Wk H/L (Rs) | 399.9/181 |
| Avg Daily Volume (1yr) | 16,81,089 |
| Avg Daily Value (Rs Mn) | 504 |
| Equity Cap (Rs Mn) | 805 |
| Face Value (Rs) | 2 |
| Bloomberg Code | SOTL IN |

| Ownership | Recent | 3M | 12M |
|-----------|--------|--------|--------|
| Promoters | 53.8 % | 0.0 % | -0.2 % |
| DII | 10.8 % | -1.3 % | -0.4 % |
| FII | 6.0 % | -0.2 % | -2.5 % |
| Public | 29.4 % | 1.5 % | 3.1 % |

| Price % | 1M | 3M | 12M |
|-------------|--------|---------|---------|
| Absolute | -6.8 % | -29.1 % | -40.8 % |
| Vs Industry | -7.4 % | -31.0 % | -30.6 % |
| HFCL | 1.1 % | 0.0 % | -16.4 % |
| Vindhya | -5.3 % | -19.6 % | 15.4 % |
| Telelinks | | | |

| Consolidated Quarterly EPS forecast | | | | |
|-------------------------------------|-----|-----|-----|-----|
| Rs/Share | 1Q | 2Q | 3Q | 4Q |
| EPS (19A) | 3.0 | 3.3 | 3.7 | 4.2 |
| EPS (20E) | 3.1 | 3.7 | 4.2 | 4.6 |

Sterlite Technologies Ltd.

4QFY19 Result: Estimate (↑), TP (↓), Rating (↔)

Regular Coverage

Absolute: LONG

Relative: Overweight

72% ATR in 11 Months

Services business ramping up quickly – maintain LONG

Telecom Services

SOTL's 4QFY19 revenues jumped 112% yoy to ~Rs 17.9bn, 65% ahead of EE, with the beat led by significantly higher services business contribution (~52% vs. 25-30% normally). On the products front, fibre realizations were under pressure, mainly in Chinese and Indian markets. EBITDAM at ~18% plunged ~445bps qoq owing to higher contribution from the lower-margin services segment and softening of product prices. SOTL's order book touched a record-high of ~Rs 105bn (2.1x order book to TTM revenue). We revise our FY20/FY21 PAT estimates by +12%/+7% to factor in (a) higher-than-expected ramp-up in the services business and (b) consequent compression in EBITDAM. Maintain LONG with a Mar'20 TP of Rs 340 (Rs 350 earlier), set at a lower target multiple (22x vs. 25x TTM P/E earlier) to take into account the moderation in earnings growth ahead.

Pressure on optic fibre realizations to continue in near term: As highlighted in our [last update note](#), Chinese demand (>50% of global demand) has been muted lately due to near-completion of 4G capex in China and delays in installation of 5G network backhubs. However, demand should get a boost from 2HCY19 onwards as global telcos plan to commercialize 5G in 2020. Management has guided for normalized EBITDAM of 24-26% for the products business vs. 29-30% in FY19. SOTL's capacity expansion remains on track, with ~20/~15mn fkm OF/OFC capacities likely to come on board by Jun'19/Jun'20. Overall, we estimate the products business to clock a revenue CAGR of ~17% over FY19-FY22E.

Services business ramping up much faster than expected: 4QFY19 witnessed strong execution in the services & software business with its revenue share jumping to ~52% vs. ~37%/26% for FY19/FY18. Management indicated that Navy project execution is running ahead of the schedule. Also, the company would look to sharpen its focus on this segment as it plans to increase its share in overall revenues to ~50% over the next two years; the services & software business accounts for ~Rs 50bn of the present order book of ~Rs 105bn. Overall, we estimate the business to clock a revenue CAGR of ~25% over FY19-FY22E.

Maintain LONG; Mar'20 TP Rs 340: With an all-time high order book of ~Rs 105bn (2.1x TTM revenue) and upcoming capacity expansion offering good revenue visibility, we estimate overall revenue/PAT CAGR of 20%/18% over FY19-FY22E with FY20/FY21 ROEs at ~32%/31%. Maintain LONG with a Mar'20 TP of Rs 340 (Rs 350 earlier) set at 22x TTM P/E (25x earlier). Delay in 5G capex cycle remains a key risk to our estimates.

Estimate Revision

| (Rs. mn) | Forecasts | | % Change | |
|----------|-----------|--------|----------|-------|
| | FY20E | FY21E | FY20E | FY21E |
| Sales | 68,631 | 77,017 | 10% | 6% |
| EBITDA | 13,540 | 15,808 | 6% | 3% |
| PAT | 6,271 | 7,604 | 12% | 7% |
| EPS | 15.6 | 18.9 | 12% | 7% |

Consolidated Financials

| Rs. Mn | YE Mar | FY19A | FY20E | FY21E | FY22E |
|-------------------|--------|--------|--------|--------|--------|
| Sales | | 50,873 | 68,631 | 77,017 | 87,348 |
| EBITDA | | 11,272 | 13,540 | 15,808 | 18,335 |
| Depreciation | | 1,950 | 2,876 | 3,193 | 3,444 |
| Interest Expense | | 1,055 | 1,533 | 1,498 | 1,218 |
| Other Income | | 369 | 353 | 364 | 408 |
| Reported PAT | | 5,628 | 6,271 | 7,604 | 9,320 |
| Recurring PAT | | 5,703 | 6,271 | 7,604 | 9,320 |
| Total Equity | | 17,193 | 21,577 | 26,893 | 33,409 |
| Gross Debt | | 19,175 | 22,175 | 18,175 | 14,175 |
| Cash | | 3,339 | 3,104 | 3,868 | 5,513 |
| Rs Per Share | | FY19A | FY20E | FY21E | FY22E |
| Earnings | | 14.2 | 15.6 | 18.9 | 23.2 |
| Book Value | | 43 | 54 | 67 | 83 |
| Dividends | | 3.5 | 3.9 | 4.7 | 5.8 |
| FCFF | | -19.0 | 3.1 | 23.8 | 26.1 |
| P/E (x) | | 14.6 | 13.3 | 11.0 | 9.0 |
| P/B (x) | | 4.9 | 3.9 | 3.1 | 2.5 |
| EV/EBITDA (x) | | 8.9 | 7.6 | 6.2 | 5.1 |
| ROE (%) | | 39 % | 32 % | 31 % | 31 % |
| Core ROIC (%) | | 21 % | 18 % | 19 % | 22 % |
| EBITDA Margin (%) | | 22 % | 20 % | 21 % | 21 % |
| Net Margin (%) | | 11 % | 9 % | 10 % | 11 % |

Quarterly performance, consolidated

| Rs mn | 4QFY19 | 4QFY19E | 3QFY19 | 4QFY18 | % Change | | | Comments |
|---------------------------------------|---------------|--------------|---------------|--------------|------------|------------|-------------|--|
| | | | | | 4QFY19E | 3QFY19 | 4QFY18 | |
| Net Sales | 17,912 | 10,846 | 13,349 | 8,466 | 65% | 34% | 112% | Revenue growth driven by services business |
| Cost of materials consumed | 10,897 | 4,686 | 6,300 | 3,300 | 133% | 73% | 230% | |
| Employee benefits expense | 1,350 | 1,507 | 1,493 | 905 | -10% | -10% | 49% | |
| Other expenses | 2,514 | 2,264 | 2,617 | 2,058 | 11% | -4% | 22% | |
| Total Operating Expenses | 14,761 | 8,457 | 10,410 | 6,263 | 75% | 42% | 136% | |
| EBITDA | 3,151 | 2,389 | 2,939 | 2,203 | 32% | 7% | 43% | |
| Depreciation | 498 | 603 | 512 | 525 | -17% | -3% | -5% | |
| EBIT | 2,653 | 1,786 | 2,427 | 1,679 | 49% | 9% | 58% | |
| Interest | 307 | 404 | 274 | 253 | -24% | 12% | 21% | |
| Other Income | 132 | 88 | 104 | 172 | 49% | 27% | -23% | |
| PBT | 2,478 | 1,470 | 2,257 | 1,597 | 69% | 10% | 55% | |
| Tax | 822 | 444 | 760 | 362 | 85% | 8% | 127% | |
| PAT before MI & Associates | 1,656 | 1,027 | 1,497 | 1,235 | 61% | 11% | 34% | |
| Minority Interest | 20 | -52 | -20 | -67 | -139% | -200% | -130% | |
| Profit from Assoc. | 0 | 0 | 0 | 0 | NA | NA | NA | |
| Recurring PAT | 1,676 | 975 | 1,477 | 1,168 | 72% | 14% | 44% | SOTL achieved highest-ever quarterly PAT |
| Extraordinaries | 25 | 0 | 21 | 44 | NA | 18% | -44% | |
| Reported PAT | 1,652 | 975 | 1,456 | 1,124 | 69% | 13% | 47% | |
| EPS (Rs) | 4.2 | 2.4 | 3.7 | 2.9 | 72% | 14% | 43% | |
| Gross Margin | 39.2% | 56.8% | 52.8% | 61.0% | -1764 bps | -1365 bps | -2186 bps | |
| EBITDA Margin | 17.6% | 22.0% | 22.0% | 26.0% | -444 bps | -443 bps | -844 bps | Contraction was due to (a) higher services contribution and (b) lower product realizations |
| EBIT Margin | 14.8% | 16.5% | 18.2% | 19.8% | -166 bps | -337 bps | -502 bps | |
| PBT Margin | 13.8% | 13.6% | 16.9% | 18.9% | 28 bps | -307 bps | -503 bps | |
| PAT Margin | 9.2% | 9.0% | 10.9% | 13.3% | 23 bps | -169 bps | -406 bps | |
| Tax Rate | 33.2% | 30.2% | 33.7% | 22.7% | 298 bps | -52 bps | 1049 bps | |
| Cost items as % of Sales | | | | | | | | |
| Raw Materials | 60.8% | 43.2% | 47.2% | 39.0% | 1764 bps | 1365 bps | 2186 bps | |
| Employee Cost | 7.5% | 13.9% | 11.2% | 10.7% | -636 bps | -365 bps | -315 bps | |
| Other Expenses | 14.0% | 20.9% | 19.6% | 24.3% | -683 bps | -557 bps | -1027 bps | |

Earnings call takeaways

Products business

- Management believes SOTL's strategy of evolving as a data network solutions provider has opened up an addressable market of US\$ 75bn by FY23.
- The company has been working with global telcos, cloud companies and citizen networks to transform their networks for 5G, small cells, IoT, rural broadband and FTTX.
- Management stated that expansion of both OF capacity (to 50mn fkm by Jun'19) and OFC capacity (to 33mn fkm by Jun'20) is well on track and will come on board in a phased manner.
- SOTL indicated that OF realization is between US\$ 7-8/fkm as of now, with some softening (~US\$ 7/fkm) in China and India; however, pricing in Europe has not been severely affected. Blended OF realizations would fall between US\$ 7-7.5/fkm.
- During 4QFY19, capacity utilization for both OF and OFC stood at ~100% (incl. 3mn fkm Metallurgica Bresciana capacity).
- EBITDAM for the product business was ~26% in 4QFY19 and 29-30% for full-year FY19 (same as in FY18). Management has guided for normalized product margins to be at 24-26% going ahead.

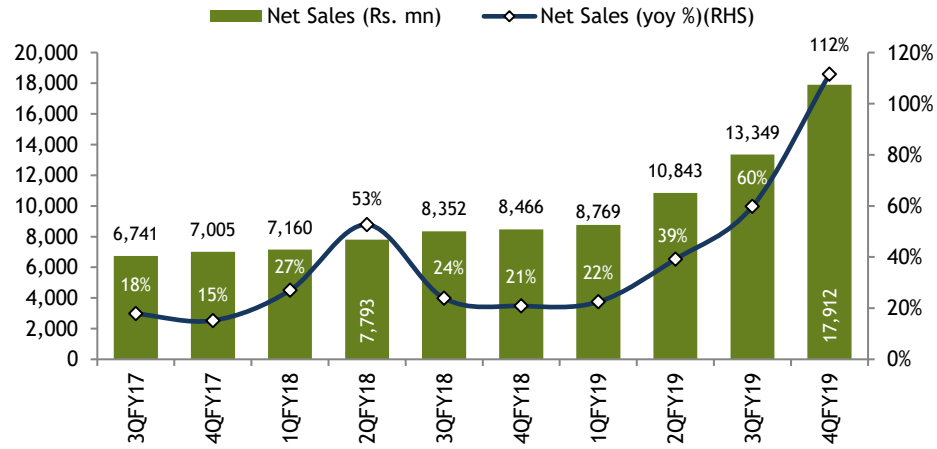
Services business

- Contribution of services & software in 4QFY19 stood at ~52% (3QFY19: ~33%), and at ~37% (FY18: ~26%) for full-year FY19. This proportion is set to reach ~50% of revenues in the next two years.
- Execution of the Naval project has picked up pace and is running ahead of schedule.
- Blended EBITDAM for the services business is ~11%, but has been moving upwards with an increase in scale.

Other highlights

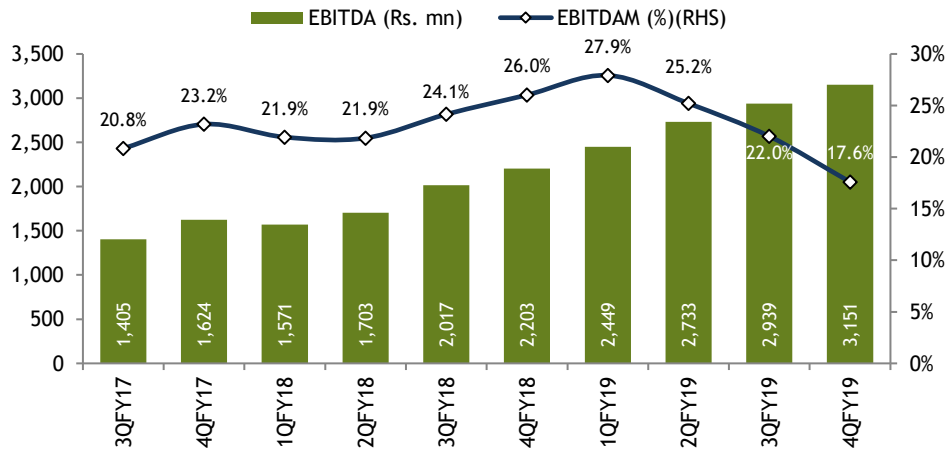
- Of 450bps qoq operating margin contraction, ~300bps is due to revenue mix changes and ~150bps due to softening of product prices.
- Management has guided for EBITDAM to be in the range of 18-20% going ahead.
- Of the outstanding order book of ~Rs 105bn, ~Rs 55bn is towards products and the remaining ~Rs 50bn towards services. About ~70% of the products order book is export-dominated (mainly by Europe).
- Capex for FY20E would be Rs 5bn-5.5bn and for FY21 Rs 2bn-2.5bn.
- Net debt as on FY19-end stood at ~Rs 17.33bn vs. ~Rs 8.84bn as on FY18-end.

Exhibit 1: Revenue growth has been strong for the past two years



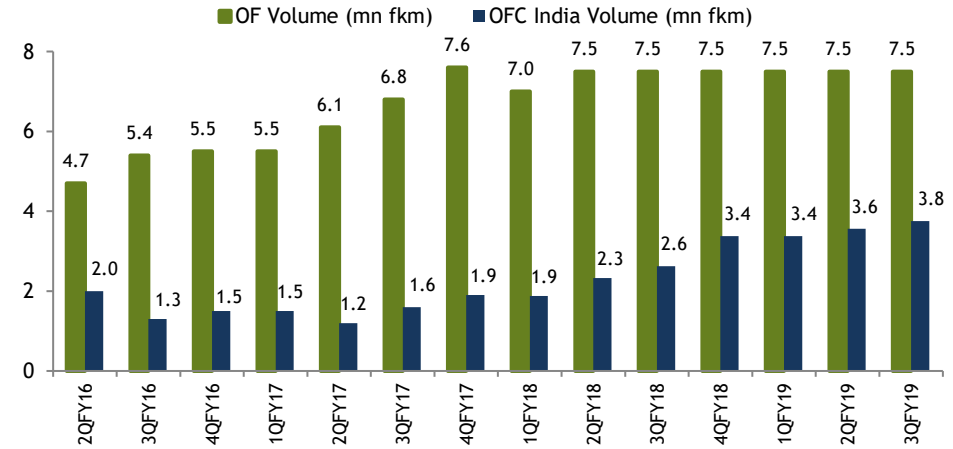
Source: Company, Equirus Securities

Exhibit 2: Operating margins have started moderating lately



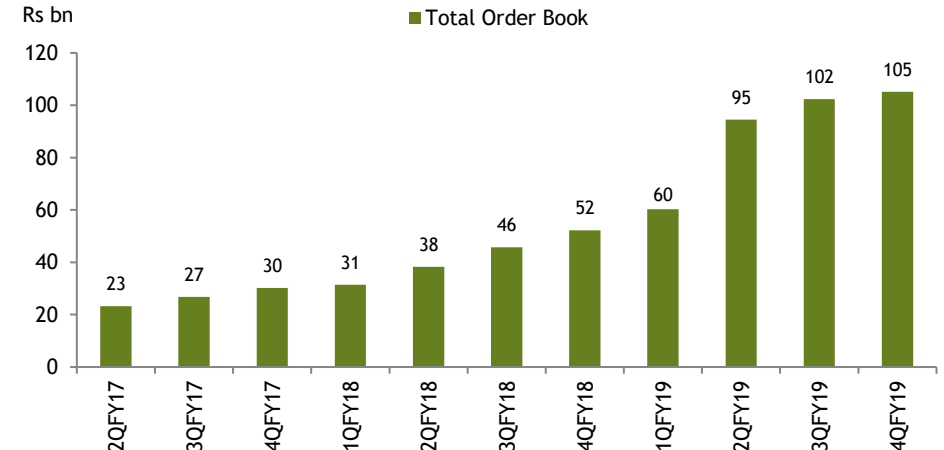
Source: Company, Equirus Securities

Exhibit 3: Both OF and OFC volumes are consistently improving



Source: Company, Equirus Securities

Exhibit 4: Increasing order book reflects a predictable outlook for the company



Source: Company, Equirus Securities

Company Snapshot

How we differ from Consensus

| | | Equirus | Consensus | % Diff | Comment |
|-------|-------|---------|-----------|--------|---|
| EPS | FY20E | 15.6 | 15.7 | -1 % | Consensus numbers may not be updated post results |
| | FY21E | 18.9 | 18.7 | 1 % | |
| Sales | FY20E | 68,631 | 60,191 | 14 % | |
| | FY21E | 77,017 | 70,328 | 10 % | |
| PAT | FY20E | 6,271 | 6,454 | -3 % | |
| | FY21E | 7,604 | 7,690 | -1 % | |

Key Estimates:

| | FY18 | FY19 | FY20E | FY21E | FY22E |
|--------------------------------------|--------|--------|--------|--------|--------|
| Gross Revenue from Products (Rs. mn) | 24,934 | 33,131 | 39,643 | 48,499 | 52,530 |
| - Optic fibre volume (mn fkm) | 19.3 | 13.1 | 22.6 | 23.0 | 24.8 |
| - Optic fibre cable volume (mn fkm) | 10.2 | 15.7 | 18.7 | 26.1 | 28.3 |
| Revenue from Services (Rs mn) | 6,837 | 17,741 | 28,988 | 28,518 | 34,818 |

Risk to Our View:

- Inadequate/delayed investments by telcos
- Delay in public projects like BharatNet and Smart Cities
- Increasing supply of preform and fiber which may put pressure on pricing

Key Triggers:

- Getting new Smart City and other services projects
- Full order booking of the upcoming 20mn fkm OF capacity and increasing utilization for OFC

| Comparable valuation | | Mkt Cap | Price | Target | EPS | | | P/E | | | BPS | P/B | RoE | | Div Yield | | | |
|---------------------------|-------|---------|---------|--------|-------------|-------|-------|-------|-------|-------|-------|---------|-------|-------|-----------|-------|-------|-------|
| Company | Reco. | CMP | Rs. Mn. | Target | Date | FY19A | FY20E | FY21E | FY19A | FY20E | FY21E | FY19A | FY20E | FY19A | FY20E | FY21E | FY19A | FY20E |
| Sterlite Technologies Ltd | LONG | 208 | 83,208 | 340 | 31st Mar'20 | 14.2 | 15.6 | 18.9 | 14.6 | 13.3 | 11.0 | 42.7 | 3.9 | 39 % | 32 % | 31 % | 1.7 % | 1.9 % |
| HFCL | NA | 22 | 27,992 | NA | NA | 1.4 | - | - | 16.6 | - | - | 9.3 | - | 16 % | - | - | 0.3 % | - |
| Vindhya Teletinks | NA | 1,359 | 16,102 | NA | NA | 129.5 | - | - | 10.5 | - | - | 1,768.5 | - | 8 % | - | - | 0.7 % | - |

DCF Valuations & Assumptions

| Rf | Beta | Ke | Term. Growth | Debt/IC in Term. Yr |
|-------|------|--------|--------------|---------------------|
| 7.3 % | 0.8 | 12.3 % | 3.5 % | 30.3 % |

| | FY20E | FY21E | FY22-24E | FY25-29E | FY30-34E |
|--------------|--------|--------|----------|----------|----------|
| Sales Growth | 35 % | 12 % | 12 % | 10 % | 8 % |
| NOPAT Margin | 11 % | 11 % | 12 % | 12 % | 12 % |
| IC Turnover | 1.55 | 1.70 | 1.86 | 1.86 | 1.86 |
| RoIC | 18.1 % | 19.3 % | 22.6 % | 22.9 % | 22.9 % |

| Years of Strong Growth | 1 | 2 | 5 | 10 | 15 |
|---------------------------|-----|-----|-----|-----|-----|
| Valuation as on Date (Rs) | 166 | 208 | 278 | 347 | 392 |
| Valuation as of Mar'20 | 185 | 232 | 310 | 386 | 437 |

Based on DCF, we derive a Mar'20 fair value of Rs 437.

Company Description

Sterlite Technologies is a pure play telecom products and services & software company, engaged in designing, building and managing smart digital networks. The company shares a common lineage with Vedanta Resources Plc - globally diversified natural resources major. It is the only vertically integrated player in India's optic fibre space, which gives it unique advantage over peers. SOTL's OF and OFC production capacities currently stand at 30mn fkm and 18mn fkm respectively (including 6.5mn fkm OF capacity in China).

Consolidated Quarterly Earnings Forecast and Key Drivers

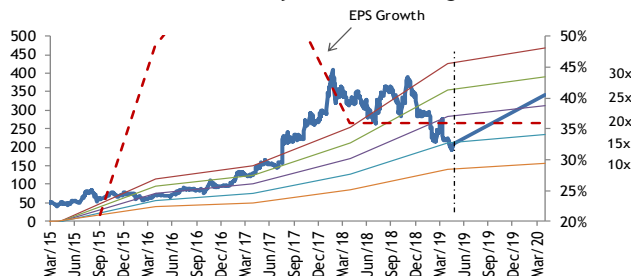
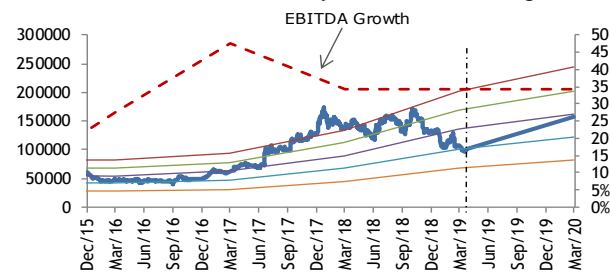
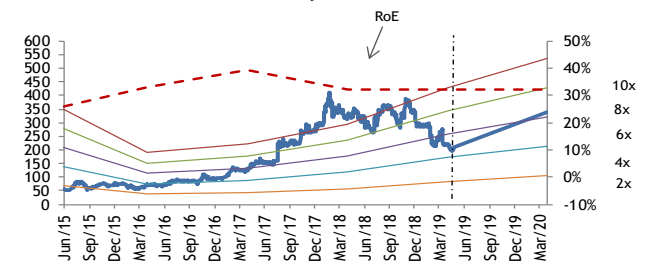
| Rs in Mn | 1Q19A | 2Q19A | 3Q19A | 4Q19A | 1Q20E | 2Q20E | 3Q20E | 4Q20E | 1Q21E | 2Q21E | 3Q21E | 4Q21E | FY19A | FY20E | FY21E | FY22E |
|---|-------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| Revenue | 8,769 | 10,843 | 13,349 | 17,912 | 15,029 | 16,767 | 17,968 | 18,867 | 20,759 | 21,792 | 17,024 | 17,442 | 50,873 | 68,631 | 77,017 | 87,348 |
| Cost of materials consumed | 2,696 | 4,387 | 6,616 | 12,214 | 7,211 | 8,049 | 8,644 | 9,089 | 9,874 | 10,380 | 8,017 | 8,227 | 25,913 | 32,993 | 36,498 | 41,376 |
| Purchases of stock-in-trade | 55 | 33 | 167 | 51 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 306 | 0 | 0 | 0 |
| Change in inventories of finished goods, stock-in-trade and WIP | 588 | -84 | -484 | -1,367 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | -1,347 | 0 | 0 | 0 |
| Other expenses | 2,056 | 2,430 | 2,617 | 2,514 | 3,444 | 3,844 | 4,125 | 4,337 | 4,756 | 4,998 | 3,872 | 3,971 | 9,617 | 15,750 | 17,597 | 20,020 |
| Employee benefits expense | 925 | 1,343 | 1,493 | 1,350 | 1,525 | 1,578 | 1,608 | 1,637 | 1,732 | 1,764 | 1,795 | 1,823 | 5,112 | 6,348 | 7,114 | 7,617 |
| EBITDA | 2,449 | 2,733 | 2,939 | 3,151 | 2,848 | 3,297 | 3,590 | 3,805 | 4,397 | 4,649 | 3,340 | 3,421 | 11,272 | 13,540 | 15,808 | 18,335 |
| Depreciation | 448 | 492 | 512 | 498 | 659 | 739 | 739 | 739 | 768 | 808 | 808 | 808 | 1,950 | 2,876 | 3,193 | 3,444 |
| EBIT | 2,001 | 2,241 | 2,427 | 2,653 | 2,189 | 2,558 | 2,851 | 3,066 | 3,629 | 3,841 | 2,532 | 2,613 | 9,322 | 10,664 | 12,615 | 14,892 |
| Interest | 231 | 244 | 274 | 307 | 383 | 383 | 383 | 383 | 375 | 375 | 375 | 375 | 1,055 | 1,533 | 1,498 | 1,218 |
| Other Income | 73 | 60 | 104 | 132 | 88 | 88 | 88 | 88 | 91 | 91 | 91 | 91 | 369 | 353 | 364 | 408 |
| PBT | 1,843 | 2,057 | 2,257 | 2,478 | 1,894 | 2,263 | 2,556 | 2,771 | 3,345 | 3,558 | 2,249 | 2,329 | 8,635 | 9,484 | 11,481 | 14,081 |
| Tax | 548 | 652 | 760 | 822 | 599 | 717 | 815 | 887 | 1,064 | 1,135 | 689 | 717 | 2,782 | 3,018 | 3,606 | 4,467 |
| PAT bef. MI & Assoc. | 1,295 | 1,406 | 1,497 | 1,656 | 1,295 | 1,546 | 1,741 | 1,884 | 2,281 | 2,422 | 1,559 | 1,612 | 5,854 | 6,466 | 7,875 | 9,614 |
| Minority Interest | 78 | 73 | 20 | -20 | 42 | 50 | 51 | 52 | 67 | 68 | 69 | 68 | 150 | 194 | 271 | 294 |
| Profit from Assoc. | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Recurring PAT | 1,217 | 1,333 | 1,477 | 1,676 | 1,253 | 1,497 | 1,690 | 1,832 | 2,214 | 2,355 | 1,491 | 1,544 | 5,703 | 6,271 | 7,604 | 9,320 |
| Extraordinaries | 10 | 20 | 21 | 25 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 76 | 0 | 0 | 0 |
| Reported PAT | 1,207 | 1,313 | 1,456 | 1,652 | 1,253 | 1,497 | 1,690 | 1,832 | 2,214 | 2,355 | 1,491 | 1,544 | 5,628 | 6,271 | 7,604 | 9,320 |
| EPS (Rs) | 3.02 | 3.31 | 3.67 | 4.17 | 3.11 | 3.72 | 4.20 | 4.55 | 5.50 | 5.85 | 3.70 | 3.84 | 14.17 | 15.58 | 18.90 | 23.16 |
| Key Drivers | | | | | | | | | | | | | | | | |
| Revenue from Products (Rs. mn) | - | - | - | - | - | - | - | - | - | - | - | - | 33,131 | 39,643 | 48,499 | 52,530 |
| - Optic Fibre Volume (mn fkm) | - | - | - | - | - | - | - | - | - | - | - | - | 13 | 23 | 23 | 25 |
| - Optic Fibre Cable Volume (mn fkm) | - | - | - | - | - | - | - | - | - | - | - | - | 16 | 19 | 26 | 28 |
| Revenue from Services (Rs. mn) | - | - | - | - | - | - | - | - | - | - | - | - | 17,741 | 28,988 | 28,518 | 34,818 |
| - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Sequential Growth (%) | | | | | | | | | | | | | | | | |
| Revenue | 4 % | 24 % | 23 % | 34 % | -16 % | 12 % | 7 % | 5 % | 10 % | 5 % | -22 % | 2 % | - | - | - | - |
| Cost of materials consumed | -28 % | 63 % | 51 % | 85 % | -41 % | 12 % | 7 % | 5 % | 9 % | 5 % | -23 % | 3 % | - | - | - | - |
| EBITDA | 11 % | 12 % | 8 % | 7 % | -10 % | 16 % | 9 % | 6 % | 16 % | 6 % | -28 % | 2 % | - | - | - | - |
| EBIT | 19 % | 12 % | 8 % | 9 % | -17 % | 17 % | 11 % | 8 % | 18 % | 6 % | -34 % | 3 % | - | - | - | - |
| Recurring PAT | 4 % | 10 % | 11 % | 14 % | -25 % | 19 % | 13 % | 8 % | 21 % | 6 % | -37 % | 4 % | - | - | - | - |
| EPS | 4 % | 10 % | 11 % | 14 % | -25 % | 19 % | 13 % | 8 % | 21 % | 6 % | -37 % | 4 % | - | - | - | - |
| Yearly Growth (%) | | | | | | | | | | | | | | | | |
| Revenue | 22 % | 39 % | 60 % | 112 % | 71 % | 55 % | 35 % | 5 % | 38 % | 30 % | -5 % | -8 % | 60 % | 35 % | 12 % | 13 % |
| EBITDA | 56 % | 61 % | 46 % | 43 % | 16 % | 21 % | 22 % | 21 % | 54 % | 41 % | -7 % | -10 % | 50 % | 20 % | 17 % | 16 % |
| EBIT | 73 % | 77 % | 55 % | 58 % | 9 % | 14 % | 17 % | 16 % | 66 % | 50 % | -11 % | -15 % | 64 % | 14 % | 18 % | 18 % |
| Recurring PAT | 101 % | 87 % | 64 % | 44 % | 3 % | 12 % | 14 % | 9 % | 77 % | 57 % | -12 % | -16 % | 68 % | 10 % | 21 % | 23 % |
| EPS | 100 % | 86 % | 63 % | 43 % | 3 % | 12 % | 14 % | 9 % | 77 % | 57 % | -12 % | -16 % | 68 % | 10 % | 21 % | 23 % |
| Margin (%) | | | | | | | | | | | | | | | | |
| EBITDA | 28 % | 25 % | 22 % | 18 % | 19 % | 20 % | 20 % | 20 % | 21 % | 21 % | 20 % | 20 % | 22 % | 20 % | 21 % | 21 % |
| EBIT | 23 % | 21 % | 18 % | 15 % | 15 % | 15 % | 16 % | 16 % | 17 % | 18 % | 15 % | 15 % | 18 % | 16 % | 16 % | 17 % |
| PBT | 21 % | 19 % | 17 % | 14 % | 13 % | 13 % | 14 % | 15 % | 16 % | 16 % | 13 % | 13 % | 17 % | 14 % | 15 % | 16 % |
| PAT | 14 % | 12 % | 11 % | 9 % | 8 % | 9 % | 9 % | 10 % | 11 % | 11 % | 9 % | 9 % | 11 % | 9 % | 10 % | 11 % |

Consolidated Financials

| P&L (Rs Mn) | FY19A | FY20E | FY21E | FY22E |
|----------------------|--------|--------|--------|--------|
| Revenue | 50,873 | 68,631 | 77,017 | 87,348 |
| Op. Expenditure | 39,601 | 55,091 | 61,209 | 69,013 |
| EBITDA | 11,272 | 13,540 | 15,808 | 18,335 |
| Depreciation | 1,950 | 2,876 | 3,193 | 3,444 |
| EBIT | 9,322 | 10,664 | 12,615 | 14,892 |
| Interest Expense | 1,055 | 1,533 | 1,498 | 1,218 |
| Other Income | 369 | 353 | 364 | 408 |
| PBT | 8,635 | 9,484 | 11,481 | 14,081 |
| Tax | 2,782 | 3,018 | 3,606 | 4,467 |
| PAT bef. MI & Assoc. | 5,854 | 6,466 | 7,875 | 9,614 |
| Minority Interest | 150 | 194 | 271 | 294 |
| Profit from Assoc. | 0 | 0 | 0 | 0 |
| Recurring PAT | 5,703 | 6,271 | 7,604 | 9,320 |
| Extraordinaires | 76 | 0 | 0 | 0 |
| Reported PAT | 5,628 | 6,271 | 7,604 | 9,320 |
| FDEPS (Rs) | 14.2 | 15.6 | 18.9 | 23.2 |
| DPS (Rs) | 3.5 | 3.9 | 4.7 | 5.8 |
| CEPS (Rs) | 19.1 | 22.7 | 26.8 | 31.7 |
| FCFPS (Rs) | -19.0 | 3.1 | 23.8 | 26.1 |
| BVPS (Rs) | 42.7 | 53.6 | 66.8 | 83.0 |
| EBITDAM (%) | 22 % | 20 % | 21 % | 21 % |
| PATM (%) | 11 % | 9 % | 10 % | 11 % |
| Tax Rate (%) | 32 % | 32 % | 31 % | 32 % |
| Sales Growth (%) | 60 % | 35 % | 12 % | 13 % |
| FDEPS Growth (%) | 68 % | 10 % | 21 % | 23 % |

| Balance Sheet (Rs Mn) | FY19A | FY20E | FY21E | FY22E |
|---------------------------------------|---------------|---------------|---------------|---------------|
| Equity Capital | 805 | 805 | 805 | 805 |
| Reserve | 16,388 | 20,773 | 26,088 | 32,604 |
| Networth | 17,193 | 21,577 | 26,893 | 33,409 |
| Long Term Debt | 19,175 | 22,175 | 18,175 | 14,175 |
| Def Tax Liability | 1,226 | 1,226 | 1,226 | 1,226 |
| Minority Interest | 954 | 1,148 | 1,420 | 1,714 |
| Account Payables | 19,128 | 17,328 | 19,446 | 22,054 |
| Other Curr Liabi | 12,447 | 12,447 | 12,447 | 12,447 |
| Total Liabilities & Equity | 70,123 | 75,903 | 79,607 | 85,025 |
| Net Fixed Assets | 24,679 | 28,080 | 29,241 | 29,590 |
| Capital WIP | 4,194 | 3,500 | 2,500 | 2,500 |
| Others | 1,469 | 1,469 | 1,469 | 1,469 |
| Inventory | 5,897 | 6,769 | 7,596 | 8,615 |
| Account Receivables | 13,549 | 15,983 | 17,935 | 20,341 |
| Other Current Assets | 16,997 | 16,997 | 16,997 | 16,997 |
| Cash | 3,339 | 3,104 | 3,868 | 5,513 |
| Total Assets | 70,123 | 75,903 | 79,607 | 85,025 |
| Non-cash Working Capital | 4,868 | 9,974 | 10,636 | 11,453 |
| Cash Conv Cycle | 34.9 | 53.0 | 50.4 | 47.9 |
| WC Turnover | 10.5 | 6.9 | 7.2 | 7.6 |
| FA Turnover | 1.8 | 2.2 | 2.4 | 2.7 |
| Net D/E | 0.9 | 0.9 | 0.5 | 0.3 |
| Revenue/Capital Employed | 1.6 | 1.6 | 1.6 | 1.8 |
| Capital Employed/Equity | 2.2 | 2.2 | 1.9 | 1.6 |

| Cash Flow (Rs Mn) | FY19A | FY20E | FY21E | FY22E |
|--------------------|---------|--------|--------|--------|
| PBT | 8,635 | 9,484 | 11,481 | 14,081 |
| Depreciation | 1,950 | 2,876 | 3,193 | 3,444 |
| Others | 686 | 1,180 | 1,134 | 811 |
| Taxes Paid | 2,782 | 3,018 | 3,606 | 4,467 |
| Change in WC | -2,611 | -5,106 | -663 | -816 |
| Operating C/F | 5,879 | 5,416 | 11,540 | 13,052 |
| Capex | -14,579 | -5,584 | -3,354 | -3,792 |
| Change in Invest | 0 | 0 | 0 | 0 |
| Others | 369 | 353 | 364 | 408 |
| Investing C/F | -14,211 | -5,231 | -2,990 | -3,385 |
| Change in Debt | 7,400 | 3,000 | -4,000 | -4,000 |
| Change in Equity | 0 | 0 | 0 | 0 |
| Others | -2,750 | -3,420 | -3,786 | -4,023 |
| Financing C/F | 4,650 | -420 | -7,786 | -8,023 |
| Net change in cash | -3,682 | -234 | 763 | 1,645 |
| RoE (%) | 39 % | 32 % | 31 % | 31 % |
| RoIC (%) | 20 % | 17 % | 18 % | 21 % |
| Core RoIC (%) | 21 % | 18 % | 19 % | 22 % |
| Div Payout (%) | 30 % | 30 % | 30 % | 30 % |
| P/E | 14.6 | 13.3 | 11.0 | 9.0 |
| P/B | 4.9 | 3.9 | 3.1 | 2.5 |
| P/FCFF | -10.9 | 67.8 | 8.7 | 8.0 |
| EV/EBITDA | 8.9 | 7.6 | 6.2 | 5.1 |
| EV/Sales | 2.0 | 1.5 | 1.3 | 1.1 |
| Dividend Yield (%) | 1.7 % | 1.9 % | 2.3 % | 2.8 % |

TTM P/E vs. 2 yr forward EPS growth

TTM EV/EBITDA vs. 2 yr forward EBITDA growth

TTM P/B vs. 2 yr forward RoE


Historical Consolidated Financials

| P&L (Rs Mn) | FY16A | FY17A | FY18A | FY19A | Balance Sheet (Rs Mn) | FY16A | FY17A | FY18A | FY19A | Cash Flow (Rs Mn) | FY16A | FY17A | FY18A | FY19A |
|----------------------|----------|--------|--------|--------|----------------------------|--------|--------|--------|--------|--------------------|--------|--------|--------|---------|
| Revenue | 21,440 | 24,489 | 31,771 | 50,873 | Equity Capital | 790 | 797 | 802 | 805 | PBT | 2,305 | 2,602 | 5,026 | 8,635 |
| Op. Expenditure | 16,848 | 19,299 | 24,278 | 39,601 | Reserve | 6,756 | 8,004 | 10,951 | 16,388 | Depreciation | 1,256 | 1,592 | 1,822 | 1,950 |
| EBITDA | 4,592 | 5,189 | 7,494 | 11,272 | Networth | 7,546 | 8,801 | 11,753 | 17,193 | Others | 1,240 | 1,027 | 1,371 | 686 |
| Depreciation | 1,256 | 1,592 | 1,822 | 1,950 | Long Term Debt | 10,852 | 10,925 | 11,775 | 19,175 | Taxes Paid | 487 | 763 | 1,107 | 2,782 |
| EBIT | 3,336 | 3,597 | 5,671 | 9,322 | Def Tax Liability | 1,680 | 1,495 | 1,200 | 1,226 | Change in WC | -2,167 | 427 | 204 | -2,611 |
| Interest Expense | 1,192 | 1,229 | 1,038 | 1,055 | Minority Interest | 312 | 452 | 820 | 954 | Operating C/F | 2,147 | 4,885 | 7,316 | 5,879 |
| Other Income | 162 | 235 | 393 | 369 | Account Payables | 3,722 | 4,486 | 6,562 | 19,128 | Capex | -2,303 | -2,138 | -4,559 | -14,579 |
| PBT | 2,305 | 2,602 | 5,026 | 8,635 | Other Curr Liabi | 2,133 | 2,951 | 5,008 | 12,447 | Change in Invest | 652 | -306 | -1,358 | 0 |
| Tax | 652 | 397 | 1,332 | 2,782 | Total Liabilities & Equity | 26,245 | 29,110 | 37,117 | 70,123 | Others | 96 | 121 | 68 | 369 |
| PAT bef. MI & Assoc. | 1,654 | 2,205 | 3,694 | 5,854 | Net Fixed Assets | 11,370 | 13,037 | 12,252 | 24,679 | Investing C/F | -1,555 | -2,323 | -5,848 | -14,211 |
| Minority Interest | 61 | 163 | 298 | 150 | Capital WIP | 1,723 | 659 | 3,570 | 4,194 | Change in Debt | 834 | 38 | -184 | 7,400 |
| Profit from Assoc. | -56 | -28 | -9 | 0 | Others | 796 | 686 | 1,733 | 1,469 | Change in Equity | 2 | 6 | 5 | 0 |
| Recurring PAT | 1,537 | 2,014 | 3,387 | 5,703 | Inventory | 2,053 | 3,335 | 3,379 | 5,897 | Others | -1,645 | -1,913 | -1,337 | -2,750 |
| Extraordinaires | 0 | 0 | 44 | 76 | Account Receivables | 7,084 | 6,867 | 8,672 | 13,549 | Financing C/F | -809 | -1,869 | -1,515 | 4,650 |
| Reported PAT | 1,537 | 2,014 | 3,343 | 5,628 | Other Current Assets | 2,443 | 2,802 | 4,577 | 16,997 | Net change in cash | -217 | 693 | -47 | -3,682 |
| EPS (Rs) | 3.8 | 5.0 | 8.4 | 14.2 | Cash | 777 | 1,724 | 2,935 | 3,339 | RoE (%) | 22 % | 25 % | 33 % | 39 % |
| DPS (Rs) | 1.0 | 1.3 | 2.0 | 3.5 | Total Assets | 26,245 | 29,110 | 37,117 | 70,123 | RoIC (%) | 13 % | 15 % | 18 % | 20 % |
| CEPS (Rs) | 7.1 | 9.1 | 13.0 | 19.1 | Non-cash Working Capital | 5,725 | 5,567 | 5,058 | 4,868 | Core RoIC (%) | 6 % | 15 % | 19 % | 21 % |
| FCFPS (Rs) | 3.7 | 9.1 | 5.6 | -19.0 | Cash Conv Cycle | 97.5 | 83.0 | 58.1 | 34.9 | Div Payout (%) | 31 % | 30 % | 29 % | 30 % |
| BVPS (Rs) | 19.1 | 22.1 | 29.3 | 42.7 | WC Turnover | 3.7 | 4.4 | 6.3 | 10.5 | P/E | 54.1 | 41.3 | 24.6 | 14.6 |
| EBITDAM (%) | 21 % | 21 % | 24 % | 22 % | FA Turnover | 1.6 | 1.8 | 2.0 | 1.8 | P/B | 10.9 | 9.4 | 7.1 | 4.9 |
| PATM (%) | 7 % | 8 % | 11 % | 11 % | Net D/E | 1.3 | 1.0 | 0.8 | 0.9 | P/FCCF | 56.6 | 22.8 | 37.3 | -10.9 |
| Tax Rate (%) | 28 % | 15 % | 26 % | 32 % | Revenue/Capital Employed | 0.5 | 1.2 | 1.3 | 1.6 | EV/EBITDA | 20.7 | 18.1 | 12.4 | 8.9 |
| Sales growth (%) | -31 % | 14 % | 30 % | 60 % | Capital Employed/Equity | 4.0 | 2.6 | 2.3 | 2.2 | EV/Sales | 4.4 | 3.8 | 2.9 | 2.0 |
| FDEPS growth (%) | -5,900 % | 31 % | 68 % | 68 % | | | | | | Dividend Yield (%) | 0.5 % | 0.6 % | 1.0 % | 1.7 % |

Equirus Securities

| Research Analysts | Sector/Industry | Email | | Equity Sales | E-mail | |
|---------------------|------------------------------|--|----------------|---------------------------------|--|----------------|
| Abhishek Shindadkar | IT Services | abhishek.shindadkar@equirus.com | 91-22-43320643 | Vishad Turakhia | vishad.turakhia@equirus.com | 91-22-43320633 |
| Ashutosh Tiwari | Auto, Metals & Mining | ashutosh@equirus.com | 91-79-61909517 | Subham Sinha | subham.sinha@equirus.com | 91-22-43320631 |
| Bharat Celly | Healthcare | bharat.celly@equirus.com | 91-79-61909524 | Viral Desai | viral.desai@equirus.com | 91-22-43320635 |
| Depesh Kashyap | Mid-Caps | depesh.kashyap@equirus.com | 91-22-43320671 | Ruchi Bhadra | ruchi.bhadra@equirus.com | 91-22-43320601 |
| Dhaval Dama | FMCG, Mid-Caps | dhaval.dama@equirus.com | 91-79-61909518 | Cash Dealing Room | | E-mail |
| Harshit Patel | Capital Goods | harshit.patel@equirus.com | 91-79-61909522 | Manoj Kejriwal | manoj.kejriwal@equirus.com | 91-22-43320663 |
| Manoj Gori | Consumer Durables | manoj.gori@equirus.com | 91-79-61909523 | Dharmesh Mehta | dharmesh.mehta@equirus.com | 91-22-43320661 |
| Maulik Patel | Oil and Gas | maulik@equirus.com | 91-79-61909519 | Sarit Sanyal | sarit.sanyal@equirus.com | 91-22-43320666 |
| Pranav Mehta | Building Materials, Infra | pranav.mehta@equirus.com | 91-79-61909514 | Vikram Patil | vikram.patil@equirus.com | 91-22-43320677 |
| Rohan Mandora | Banking & Financial Services | rohan.mandora@equirus.com | 91-79-61909529 | Gaurav Mehta | gaurav.mehta@equirus.com | 91-22-43320680 |
| Associates | | | E-mail | Compliance Officer | | E-mail |
| Dhairya Dhruv | | dhairya.dhruv@equirus.com | 91-79-61909528 | Jay Soni | jay.soni@equirus.com | 91-79-61909561 |
| Lalit Deo | | lalit.deo@equirus.com | 91-79-61909533 | Corporate Communications | | E-mail |
| Narendra Mhalsekar | | narendra.mhalsekar@equirus.com | 91-79-61909513 | Mahdokht Bharda | mahdokht.bharda@equirus.com | 91-22-43320647 |
| Nishant Bagrecha | | nishant.bagrecha@equirus.com | 91-79-61909526 | Quant Analyst | | E-mail |
| Prateeksha Malpani | | prateeksha.malpani@equirus.com | 91-79-61909532 | Kruti Shah | kruti.shah@equirus.com | 91-22-43320632 |
| Ronak Soni | | Ronak.soni@equirus.com | 91-79-61909525 | F&O Dealing Room | | E-mail |
| Rushabh Shah | | rushabh.shah@equirus.com | 91-79-61909520 | Kunal Dand | kunal.dand@equirus.com | 91-22-43320678 |
| Shreepal Doshi | | shreepal.doshi@equirus.com | 91-79-61909541 | Dhananjay Tiwari | dhananjay.tiwari@equirus.com | 91-22-43320668 |
| Varun Baxi | | varun.baxi@equirus.com | 91-79-61909527 | Mukesh Jain | Mukesh.jain@equirus.com | 91-22-43320667 |
| Vikas Jain | | vikas.jain@equirus.com | 91-79-61909531 | | | |

Rating & Coverage Definitions:
Absolute Rating

- LONG : Over the investment horizon, ATR >= Ke for companies with Free Float market cap >Rs 5 billion and ATR >= 20% for rest of the companies
- ADD: ATR >= 5% but less than Ke over investment horizon
- REDUCE: ATR >= negative 10% but <5% over investment horizon
- SHORT: ATR < negative 10% over investment horizon

Relative Rating

- OVERWEIGHT: Likely to outperform the benchmark by at least 5% over investment horizon
- BENCHMARK: likely to perform in line with the benchmark
- UNDERWEIGHT: likely to under-perform the benchmark by at least 5% over investment horizon

Investment Horizon

Investment Horizon is set at a minimum 3 months to maximum 18 months with target date falling on last day of a calendar quarter.

Lite vs. Regular Coverage vs. Spot Coverage

We aim to keep our rating and estimates updated at least once a quarter for Regular Coverage stocks. Generally, we would have access to the company and we would maintain detailed financial model for Regular coverage companies. We intend to publish updates on Lite coverage stocks only an opportunistic basis and subject to our ability to contact the management. Our rating and estimates for Lite coverage stocks may not be current. Spot coverage is meant for one-off coverage of a specific company and in such cases, earnings forecast and target price are optional. Spot coverage is meant to stimulate discussion rather than provide a research opinion.

Registered Office:

Equirus Securities Private Limited
Unit No. 1201, 12th Floor, C Wing, Marathon Futurex,
N M Joshi Marg, Lower Parel,
Mumbai-400013.
Tel. No: +91 - (0)22 - 4332 0600
Fax No: +91- (0)22 - 4332 0601

Corporate Office:

3rd floor, House No. 9,
Magnet Corporate Park, Near Zydus Hospital, B/H Intas Sola Bridge,
S.G. Highway Ahmedabad-380054
Gujarat
Tel. No: +91 (0)79 - 6190 9550
Fax No: +91 (0)79 - 6190 9560

© 2019 Equirus Securities Private Limited. All rights reserved. For Private Circulation only. This report or any portion hereof may not be reprinted, sold or redistributed without the written consent of Equirus Securities Private Limited

Analyst Certification

I, Harshit Patel, author to this report, hereby certify that all of the views expressed in this report accurately reflect my personal views about the subject company or companies and its or their securities. I also certify that no part of my compensation was, is or will be, directly or indirectly, related to the specific recommendations or views expressed in this report.

Disclosures

Equirus Securities Private Limited (ESPL) having Corporate Identification Number U65993MH2007PTC176044 is registered in India with Securities and Exchange Board of India (SEBI) as a trading member on the Capital Market (Reg. No. INB231301731), Futures & Options Segment (Reg. No. INF231301731) of the National Stock Exchange of India Ltd. (NSE) and on Cash Segment (Reg. No. INB011301737) of Bombay Stock Exchange Limited (BSE). ESPL is also registered with SEBI as Research Analyst under SEBI (Research Analyst) Regulations, 2014 (Reg. No. INH000001154), as a Portfolio Manager under SEBI (Portfolio Managers Regulations, 1993 (Reg. No. INP000005216) and as a Depository Participant of the Central Depository Services (India) Limited (Reg. No. IN-DP-324-2017). There are no disciplinary actions taken by any regulatory authority against ESPL. ESPL is a subsidiary of Equirus Capital Pvt. Ltd. (ECPL) which is registered with SEBI as Category I Merchant Banker and provides investment banking services including but not limited to merchant banking services, private equity, mergers & acquisitions and structured finance.

As ESPL and its associates are engaged in various financial services business, it might have: - (a) received compensation (except in connection with the preparation of this report) from the subject company for investment banking or merchant banking or brokerage services in the past twelve months; (b) managed or co-managed public offering of securities for the subject company in the past twelve months; or (c) have received a mandate from the subject company; or (d) might have other financial, business or other interests in entities including the subject company (ies) mentioned in this Report. ESPL & its associates, their directors and employees may from time to time have positions or options in the company and buy or sell the securities of the company (ies) mentioned herein. ESPL and its associates collectively do not own (in their proprietary position) 1% or more of the equity securities of the subject company mentioned in the report as the last day of the month preceding the publication of the research report. ESPL or its Analyst or Associates did not receive any compensation or other benefits from the companies mentioned in the report or third party in connection with preparation of the research report. Accordingly, neither ESPL nor Research Analysts have any material conflict of interest at the time of publication of this report. Compensation of our Research Analysts is not based on any specific merchant banking, investment banking or brokerage service transactions. ESPL has not been engaged in market making activity for the subject company.

The Research Analyst engaged in preparation of this Report:-

(a) has not received any compensation from the subject company in the past twelve months; (b) has not managed or co-managed public offering of securities for the subject company in the past twelve months; (c) has not received any compensation for investment banking or merchant banking or brokerage services from the subject company in the past twelve months; (d) has not received any compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company in the past twelve months; (e) has not received any compensation or other benefits from the subject company or third party in connection with the research report; (f) might have served as an officer, director or employee of the subject company; (g) is not engaged in market making activity for the subject company.

This document is not directed or intended for distribution to, or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject ESPL and affiliates to any registration or licensing requirement within such jurisdiction. The securities described herein may or may not be eligible for sale in all jurisdictions or to a certain category of investors. Persons in whose possession of this document are required to inform themselves of, and to observe, such applicable restrictions. Please delete this document if you are not authorized to view the same. By reading this document you represent and warrant that you have full authority and all rights necessary to view and read this document without subjecting ESPL and affiliates to any registration or licensing requirement within such jurisdiction.

This document has been prepared solely for information purpose and does not constitute a solicitation to any person to buy, sell or subscribe any security. ESPL or its affiliates are not soliciting any action based on this report. The information and opinions contained herein is from publicly available data or based on information obtained in good faith from sources believed to be reliable but ESPL provides no guarantee as to its accuracy or completeness. The information contained herein is as on date of this report, and is subject to change or modification and any such changes could impact our interpretation of relevant information contained herein. While we would endeavour to update the information herein on reasonable basis, ESPL and its affiliates, their directors and employees are under no obligation to update or keep the information current. Also there may be regulatory, compliance, or other reasons that may prevent ESPL and its group companies from doing so. This document is prepared for assistance only and is not intended to be and must not alone be taken as the basis for an investment decision. Each recipient of this document should make such investigations as it deems necessary to arrive at an independent evaluation of an investment in the securities of companies referred to in this document including the merits and risks involved. This document is intended for general circulation and does not take into account the specific investment objectives, financial situation or particular needs of any particular person. ESPL and its group companies, employees, directors and agents accept no liability, and disclaim all responsibility, for the consequences of you or anyone else acting, or refraining to act, in reliance on the information contained in this publication or for any decision based on it. ESPL/its affiliates do and seek to do business with companies covered in its research report. Thus, investors should be aware that the firm may have conflict of interest.



A graph of daily closing prices of securities is available at <http://www.nseindia.com/ChartApp/install/charts/mainpage.jsp> and www.bseindia.com (Choose a company from the list on the browser and select the “three years” period in the price chart).

| Disclosure of Interest statement for the subject Company | Yes/No | If Yes, nature of such interest |
|---|--------|---------------------------------|
| Research Analyst’ or Relatives’ financial interest | No | |
| Research Analyst’ or Relatives’ actual/beneficial ownership of 1% or more | No | |
| Research Analyst’ or Relatives’ material conflict of interest | No | |

Disclaimer for U.S. Persons

Equirus Securities Private Limited (ESPL) is not a registered broker - dealer under the U.S. Securities Exchange Act of 1934, as amended (the "1934 act") and under applicable state laws in the United States. In addition ESPL is not a registered investment adviser under the U.S. Investment Advisers Act of 1940, as amended (the "Advisers Act" and together with the 1934 Act, the "Acts), and under applicable state laws in the United States. Accordingly, in the absence of specific exemption under the Acts, any brokerage and investment services provided by ESPL, including the products and services described herein are not available to or intended for U.S. persons. This report is intended for distribution only to "Major Institutional Investors" as defined by Rule 15a-6(b)(4) of the Exchange Act and interpretations thereof by SEC (henceforth referred to as "major institutional investors"). This document must not be acted on or relied on by persons who are not major institutional investors. Any investment or investment activity to which this document relates is only available to major institutional investors and will be engaged in only with major institutional investors. In reliance on the exemption from registration provided by Rule 15a-6 of the U.S. Securities Exchange Act of 1934, as amended (the "Exchange Act") and interpretations thereof by the U.S. Securities and Exchange Commission ("SEC") in order to conduct business with Institutional Investors based in the U.S., ESPL has entered into a chaperoning agreement with a U.S. registered broker-dealer name called Xtellus Capital Partners, Inc, ("XTELLUS"). Any business interaction pursuant to this report will have to be executed within the provisions of this chaperoning agreement.

"U.S. Persons" are generally defined as a natural person, residing in the United States or any entity organized or incorporated under the laws of the United States. US Citizens living abroad may also be deemed "US Persons" under certain rules.

The Research Analysts contributing to the report may not be registered /qualified as research analyst with FINRA. Such research analyst may not be associated persons of the U.S. registered broker-dealer, XTELLUS, and therefore, may not be subject to NASD rule 2711 and NYSE Rule 472 restrictions on communication with a subject company, public appearances and trading securities held by a research analyst account.