

Recovery in demand key to profitability...

Bharat Petroleum Corporation (BPCL) reported Q4FY20 results that were below our estimates on the profitability front due to inventory and forex losses while sales volume were above estimates. However, core marketing segment performance was stable. Revenues declined 4.8% QoQ to ₹ 81296.2 crore, above our estimate of ₹ 60855.8 crore, due to higher-than-expected market sales. Reported GRMs at US\$0.8/bbl were above our estimate of -US\$0.3/bbl. Forex losses (included in other expenses) led to EBITDA loss at ₹ 618.8 crore (estimated loss: ₹ 165.7 crore). Subsequently, the company reported a net loss of ₹ 1361 crore (estimated loss: ₹ 556.2 crore), impacted by exceptional loss of ₹ 1080.8 crore.

Stable core marketing margins

A sharp reduction in oil demand owing to Covid-19 outbreak resulted in a significant drop in crude oil prices. As a result, average Brent crude oil prices declined by US\$12/bbl QoQ to US\$50.6/bbl with closing Brent price at US\$21.5/bbl. On account of the same, the company reported marketing inventory loss of ₹ 1937 crore. However, core marketing margins were steady during the quarter. In terms of marketing sales, BPCL reported de-growth of 5.5% YoY (mainly due to diesel sales decline) to 10.7 MMT, above our estimates. Going forward, we expect marketing sales volume to improve at 5.1% CAGR in the next two years. Crude throughput in Q4FY20 was up 2.2% YoY at 8.4 MMT, above our estimates. Going forward, we estimate throughput of 29.9 MMT and 32.3 MMT for FY21E and FY22E, respectively.

Product cracks improvement necessary for GRMs stability

Reported GRMs were at US\$0.8/bbl, higher than our estimate of -US\$0.3/bbl. The company's core GRMs remained strong at US\$7.4/bbl while inventory loss was at US\$6.6/bbl. Benchmark Singapore GRMs are currently negative (Q1FY21-TD) due to a fall in product cracks. Recovery in demand will be important for improvement in product cracks. We estimate GRM at US\$3.7/bbl and US\$3.9/bbl for FY21E and FY22E, respectively.

Valuation & Outlook

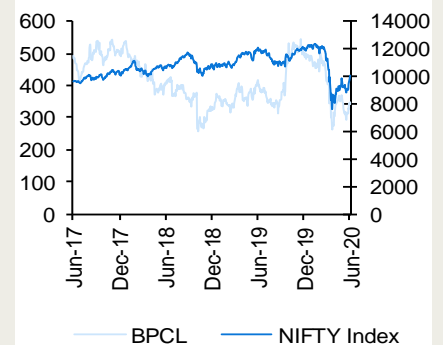
The expression of interest (EoI) submission deadline for BPCL's divestment has been extended to July 31. The management indicated that divestment will not happen before December 2020. Marketing sales recovered sharply in May but are still ~30% lower than pre-Covid level. Although marketing margins of BPCL will remain strong in Q1FY21E, from Q2FY21E onwards, they will remain subdued as the company has not fully passed on increased oil prices post excise duty hike to consumers. We remain neutral on BPCL at the current juncture given the volatility in refining margins and uncertainty over marketing segment. We maintain **HOLD** recommendation on the stock with a target price of ₹ 350 (based on average of P/BV multiple: ₹ 370/share and P/E multiple: ₹ 331/share).

| Particulars | |
|--------------------------------|----------|
| Particular | Amount |
| Market Capitalization (₹Crore) | 70,217.6 |
| Total Debt (FY 19) (₹Crore) | 29,099.3 |
| Cash and Investments (FY | 95.4 |
| EV (₹Crore) | 99,221.5 |
| 52 week H/L | 549/252 |
| Equity capital (₹Crore) | 1,966.9 |
| Face value (₹) | 10.0 |

Key Highlights

- Results below our estimates on profitability front due to inventory and forex losses while sales volume were above estimates
- Marketing margins expected to remain subdued from Q2FY21E onwards
- Maintain HOLD rating on stock with target price of ₹ 350/share

Price Chart



Research Analyst

Mayur Matani
mayur.matani@icicisecurities.com

Amogh Deshpande
amogh.deshpande@icicisecurities.com

Key Financial Summary

| (Year-end March) | FY18 | FY19 | FY20E | FY21E | FY22E | CAGR (FY19-22E) |
|----------------------|------------|------------|------------|------------|------------|-----------------|
| Revenues (₹ crore) | 2,77,155.8 | 3,37,495.3 | 3,27,580.8 | 2,26,766.8 | 3,28,390.1 | (1.4) |
| EBITDA (₹ crore) | 11,662.4 | 11,837.0 | 6,639.3 | 10,158.4 | 10,844.2 | (4.3) |
| Net Profit (₹ crore) | 7,919.3 | 7,132.0 | 2,683.2 | 5,588.2 | 5,889.0 | (9.1) |
| EPS (₹) | 40.3 | 36.3 | 13.6 | 28.4 | 29.9 | |
| P/E (x) | 8.9 | 9.8 | 26.2 | 12.6 | 11.9 | |
| Price / Book (x) | 2.1 | 1.9 | 2.0 | 1.8 | 1.8 | |
| EV/EBITDA (x) | 8.0 | 8.4 | 15.3 | 10.4 | 9.2 | |
| RoCE (%) | 15.7 | 13.1 | 4.2 | 8.2 | 8.7 | |
| RoE (%) | 23.2 | 19.4 | 7.5 | 14.7 | 14.8 | |
| RoE (%) | 21.4 | 22.8 | 22.7 | 27.5 | 22.0 | |

Sources: Company, ICICI Direct Research

Exhibit 1: Variance Analysis

| | Q4FY20 | Q4FY20E | Q4FY19 | YoY (%) | Q3FY20 | QoQ (%) | Comments |
|---------------------|----------|----------|----------|----------|----------|----------|---|
| Total Revenues | 81,296.2 | 60,855.8 | 83,941.7 | -3.2 | 85,368.3 | -4.8 | Higher than estimated due to higher product sales |
| Raw materials costs | 27,889.0 | 20,694.7 | 28,763.3 | -3.0 | 29,286.5 | -4.8 | |
| Employees Cost | 930.8 | 1,068.0 | 1,036.9 | -10.2 | 893.4 | 4.2 | |
| Other Expenses | 53,095.3 | 39,258.8 | 49,336.5 | 7.6 | 52,485.1 | 1.2 | |
| Total Expenditure | 81,915.1 | 61,021.5 | 79,136.7 | 3.5 | 82,665.0 | -0.9 | |
| EBITDA | -618.8 | -165.7 | 4,805.0 | -112.9 | 2,703.4 | -122.9 | Lower-than-expected on account of high inventory and forex losses |
| EBITDA margins (%) | -0.8 | -0.3 | 5.7 | -649 bps | 3.2 | -393 bps | |
| Depreciation | 947.4 | 908.4 | 914.9 | 3.6 | 973.1 | -2.6 | |
| EBIT | -1,566.3 | -1,074.1 | 3,890.1 | -140.3 | 1,730.3 | -190.5 | |
| Interest | 578.6 | 423.0 | 352.6 | 64.1 | 512.1 | 13.0 | |
| Other Income | 1,156.8 | 753.6 | 1,057.6 | 9.4 | 514.8 | 124.7 | Higher-than-estimated other income |
| Extra Ordinary Item | -1,080.8 | 0.0 | 0.0 | NA | 0.0 | NA | Exceptional loss on account of less realisable value/replacement costs of certain inventory and raw materials |
| PBT | -2,068.9 | -743.5 | 4,595.1 | -145.0 | 1,733.0 | -219.4 | |
| Total Tax | -707.9 | -187.4 | 1,470.2 | -148.1 | 472.4 | -249.9 | |
| PAT | -1,361.0 | -556.2 | 3,124.9 | -143.6 | 1,260.6 | -208.0 | |

Key Metrics

| | | | | | | | |
|----------------------|------|------|------|-------|------|-------|---|
| Exchange rate (₹/\$) | 72.5 | 72.5 | 70.5 | 2.8 | 71.2 | 1.8 | |
| Throughput (mmt) | 8.4 | 7.6 | 8.2 | 2.2 | 8.4 | -0.2 | Higher than expected |
| Sales (mmt) | 10.7 | 9.7 | 11.4 | -5.5 | 11.0 | -2.6 | Above estimates due to less-than-expected impact of lockdown |
| GRM (\$/barrel) | 0.8 | -0.3 | 2.7 | -72.6 | 3.2 | -76.8 | Reported GRMs higher than estimates. Core GRMs at US\$7.4/bbl and inventory loss at US\$6.6/bbl |

Source: Company, ICICI Direct Research

Exhibit 2: Change in estimates

| (₹ Crore) | FY21E | | | FY22E | | | Comment |
|-------------------|----------|-----------|----------|----------|-----------|----------|---|
| | Old | New | % Change | Old | New | % Change | |
| Revenue | 204520.8 | 226,766.8 | 10.9 | 284562.5 | 328,390.1 | 15.4 | |
| EBITDA | 10300.7 | 10,158.4 | -1.4 | 10982.7 | 10,844.2 | -1.3 | Due to marginal reduction in sales volume |
| EBITDA Margin (%) | 5.0 | 4.5 | -56 bps | 3.9 | 3.3 | -56 bps | |
| PAT | 5694.7 | 5,588.2 | -1.9 | 5992.6 | 5,889.0 | -1.7 | |
| EPS (₹) | 29.0 | 28.4 | -1.9 | 30.5 | 29.9 | -1.7 | |

Source: Company, ICICI Direct Research

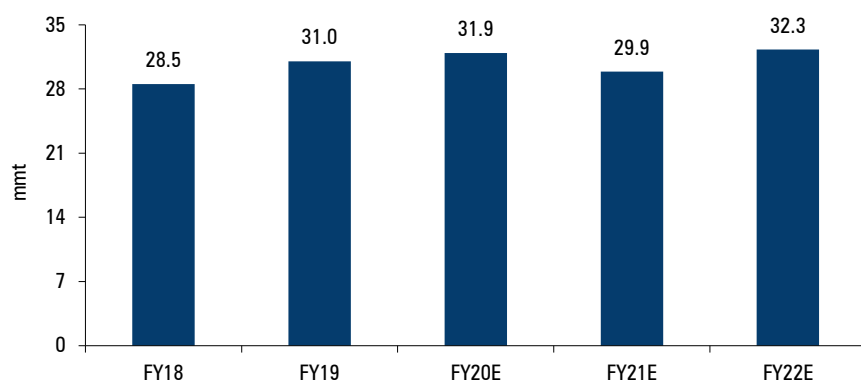
Exhibit 3: Assumptions

| | Current | | | | Earlier | | Comments |
|----------------------|---------|-------|-------|-------|---------|-------|---|
| | FY19 | FY20E | FY21E | FY22E | FY21E | FY22E | |
| Exchange rate (₹/\$) | 69.9 | 70.9 | 75.0 | 75.0 | 74.0 | 74.0 | |
| Throughput (mmt) | 31.0 | 31.9 | 29.9 | 32.3 | 31.2 | 32.3 | Reduced FY21E throughput estimates due to lower capacity utilisation in Q1FY21E |
| Sales (mmt) | 43.1 | 43.1 | 42.3 | 47.6 | 42.7 | 47.6 | Lower FY21E sales estimate marginally taking into account lockdown impact |
| GRM (\$/barrel) | 4.6 | 2.5 | 3.7 | 3.9 | 3.6 | 3.9 | |

Source: Company, ICICI Direct Research

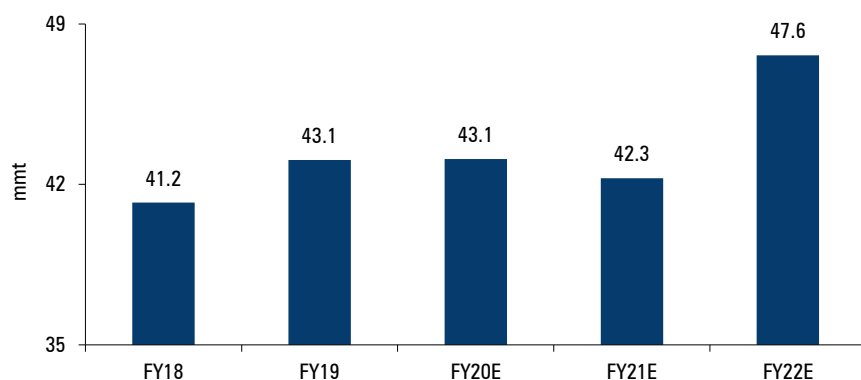
Story in charts

Exhibit 4: Oil throughput trend



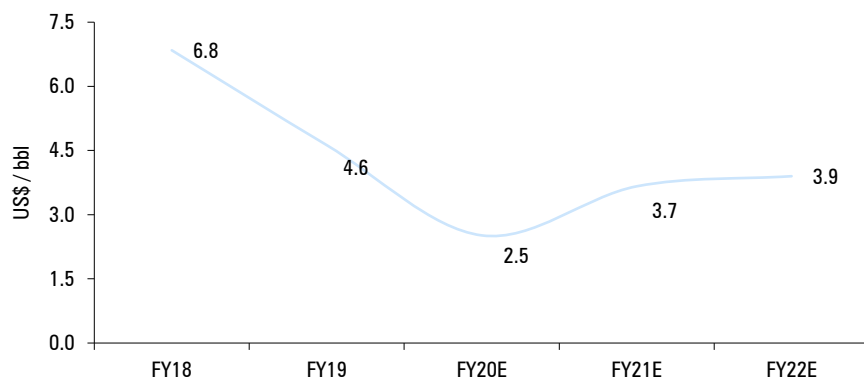
Source: Company, ICICI Direct Research

Exhibit 5: Marketing sales volume trend



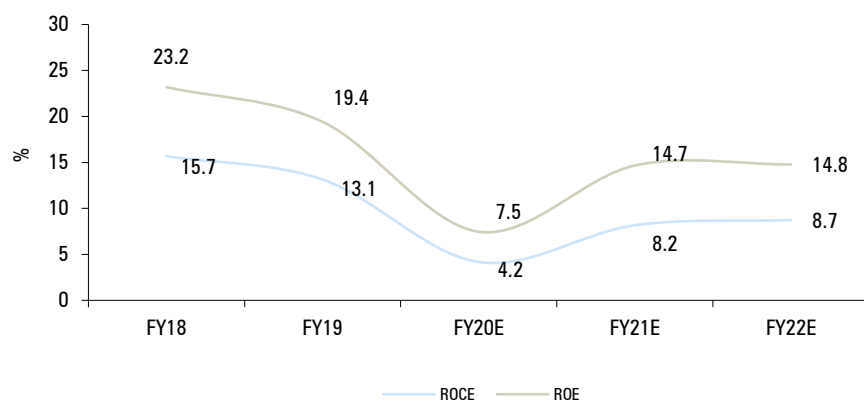
Source: Company, ICICI Direct Research

Exhibit 6: Refining margin trend



Source: Company, ICICI Direct Research

Exhibit 7: Return ratios trend



Source: Company, ICICI Direct Research

Exhibit 8: Shareholding Pattern

| (in %) | Mar-19 | Jun-19 | Sep-19 | Dec-19 | Mar-20 |
|----------|--------|--------|--------|--------|--------|
| Promoter | 53.3 | 53.3 | 53.3 | 53.0 | 53.0 |
| FII | 15.6 | 15.3 | 14.6 | 14.1 | 12.3 |
| DII | 15.3 | 15.6 | 18.0 | 18.5 | 19.6 |
| Others | 15.8 | 15.8 | 14.2 | 14.5 | 15.1 |

Source: Company, ICICI Direct Research

| Exhibit 9: Profit and loss statement | | | | |
|--------------------------------------|-----------------|-----------------|-----------------|-----------------|
| | ₹ crore | | | |
| (Year-end March) | FY19 | FY20E | FY21E | FY22E |
| Revenue | 337495.3 | 327580.8 | 226766.8 | 328390.1 |
| Growth (%) | 21.8 | -2.9 | -30.8 | 44.8 |
| (Inc.)/(Dec.) in stock in tra | -1703.1 | -456.6 | 0.0 | 0.0 |
| Raw material Costs | 119419.2 | 113229.3 | 61005.7 | 86652.8 |
| Purchase of Products | 146974.1 | 143164.3 | 97621.6 | 172397.9 |
| Employee Costs | 3664.2 | 3691.5 | 3802.2 | 3916.3 |
| Other Expenditure | 57303.9 | 61313.1 | 54178.9 | 54578.9 |
| Op. Expenditure | 325658.3 | 320941.5 | 216608.4 | 317545.9 |
| EBITDA | 11837.0 | 6639.3 | 10158.4 | 10844.2 |
| Growth (%) | 1.5 | -43.9 | 53.0 | 6.8 |
| Depreciation | 3189.3 | 3786.9 | 4109.8 | 4531.1 |
| EBIT | 8647.7 | 2852.4 | 6048.6 | 6313.1 |
| Interest | 1319.0 | 2181.9 | 1880.1 | 1880.1 |
| Other Income | 3110.8 | 2000.5 | 3302.4 | 3440.0 |
| PBT | 10439.6 | 2671.0 | 7470.9 | 7873.0 |
| Growth (%) | -6.8 | -74.4 | 179.7 | 5.4 |
| Tax | 3307.6 | -12.2 | 1882.7 | 1984.0 |
| Reported PAT | 7132.0 | 2683.2 | 5588.2 | 5889.0 |
| Growth (%) | -9.9 | -62.4 | 108.3 | 5.4 |
| EPS | 36.3 | 13.6 | 28.4 | 29.9 |

Source: Company, ICICI Direct Research

| Exhibit 11: Balance sheet | | | | |
|-----------------------------|----------------|----------------|----------------|----------------|
| | ₹ crore | | | |
| (Year-end March) | FY19 | FY20E | FY21E | FY22E |
| Source of Funds | | | | |
| Equity Capital | 1,966.9 | 1,966.9 | 1,966.9 | 1,966.9 |
| Preference capital | 0.0 | 0.0 | 0.0 | 0.0 |
| Reserves & Surplus | 34,770.8 | 34,002.1 | 36,138.5 | 37,885.2 |
| Shareholder's Fund | 36,737.6 | 35,969.0 | 38,105.3 | 39,852.1 |
| Loan Funds | 29,099.3 | 32,433.3 | 35,933.3 | 32,433.3 |
| Deferred Tax Liability | 6,169.0 | 6,219.0 | 6,269.0 | 6,319.0 |
| Minority Interest | 0.0 | 0.0 | 0.0 | 0.0 |
| Source of Funds | 72005.9 | 74621.3 | 80307.6 | 78604.4 |
| Application of Funds | | | | |
| Gross Block | 56,155.5 | 67,989.5 | 74,989.5 | 81,989.5 |
| Less: Acc. Depreciation | 9,304.3 | 13,037.8 | 17,123.4 | 21,741.4 |
| Net Block | 46,851.2 | 54,951.7 | 57,866.1 | 60,248.1 |
| Capital WIP | 6,702.6 | 8,202.6 | 9,202.6 | 10,202.6 |
| Total Fixed Assets | 53,553.9 | 63,154.3 | 67,068.7 | 70,450.7 |
| Investments | 15,991.6 | 14,797.8 | 14,297.8 | 13,797.8 |
| Inventories | 21,544.7 | 20,642.1 | 14,289.4 | 20,693.1 |
| Debtor | 6,670.7 | 6,282.4 | 4,349.0 | 6,297.9 |
| Cash | 95.4 | 1,353.5 | 468.3 | 3,156.5 |
| Loan & Advance, Other C | 16814.1 | 15329.1 | 14099.1 | 12869.1 |
| Total Current assets | 45124.9 | 43607.0 | 33205.8 | 43016.6 |
| Current Liabilities | 39152.1 | 44874.1 | 31063.9 | 44984.9 |
| Provisions | 3512.3 | 2063.8 | 3200.7 | 3675.8 |
| Total CL and Provisions | 42664.4 | 46937.9 | 34264.7 | 48660.7 |
| Net Working Capital | 2460.5 | -3330.8 | -1058.9 | -5644.1 |
| Miscellaneous expense | 0.0 | 0.0 | 0.0 | 0.0 |
| Application of Funds | 72005.9 | 74621.3 | 80307.6 | 78604.4 |

Source: Company, ICICI Direct Research

| Exhibit 10: Cash flow statement | | | | |
|----------------------------------|----------------|-----------------|----------------|-----------------|
| | ₹ crore | | | |
| (Year-end March) | FY19 | FY20E | FY21E | FY22E |
| Profit after Tax | 7,132.0 | 2,683.2 | 5,588.2 | 5,889.0 |
| Add: Depreciation | 3,189.3 | 3,786.9 | 4,109.8 | 4,531.1 |
| Add: Others | 1,215.7 | 50.0 | 50.0 | 50.0 |
| Cash Profit | 6,984.4 | 3,068.2 | 6,296.1 | 6,327.8 |
| Increase/(Decrease) in CL | 4,914.3 | 4,273.5 | -12,673.2 | 14,396.0 |
| (Increase)/Decrease in CA | -8,118.0 | 2,775.9 | 9,516.1 | -7,122.8 |
| CF from Operating Activ | 8333.4 | 13569.5 | 6590.9 | 17743.5 |
| Purchase of Fixed Assets | 9,357.7 | 13,387.4 | 8,024.2 | 7,913.1 |
| (Inc)/Dec in Investments | -171.0 | 1,193.8 | 500.0 | 500.0 |
| Others | 0.0 | 0.0 | 0.0 | 0.0 |
| CF from Investing Activi | -9528.7 | -12193.5 | -7524.2 | -7413.1 |
| Inc/(Dec) in Loan Funds | 5,748.6 | 3,334.0 | 3,500.0 | -3,500.0 |
| Less: Dividend Paid | 4,552.6 | 3,451.9 | 3,451.9 | 4,142.2 |
| Inc/(Dec) in Sh. Cap. & Res | 6.7 | 0.0 | 0.0 | 0.0 |
| Others | 0.0 | 0.0 | 0.0 | 0.0 |
| CF from financing activit | 1,202.7 | -117.9 | 48.1 | -7,642.2 |
| Change in cash Eq. | 7.4 | 1,258.1 | -885.2 | 2,688.2 |
| Op. Cash and cash Eq. | 88.0 | 95.4 | 1,353.5 | 468.3 |
| Cl. Cash and cash Eq. | 95.4 | 1,353.5 | 468.3 | 3,156.5 |

Source: Company, ICICI Direct Research

| Exhibit 12: Key ratios | | | | |
|---|------------|------------|------------|------------|
| | ₹ crore | | | |
| (Year-end March) | FY19 | FY20E | FY21E | FY22E |
| Per share data (₹) | | | | |
| Book Value | 186.8 | 182.9 | 193.7 | 202.8 |
| Cash per share | 0.5 | 6.9 | 2.4 | 16.0 |
| EPS | 36.3 | 13.6 | 28.4 | 29.9 |
| Cash EPS | 52.5 | 32.9 | 49.3 | 53.0 |
| DPS | 19.0 | 15.0 | 15.0 | 18.0 |
| Profitability & Operating Ratios | | | | |
| EBITDA Margin (%) | 3.5 | 2.0 | 4.5 | 3.3 |
| PAT Margin (%) | 2.1 | 0.8 | 2.5 | 1.8 |
| Fixed Asset Turnover (x) | 6.3 | 5.2 | 3.4 | 4.7 |
| Inventory Turnover (Days) | 23.3 | 23.0 | 23.0 | 23.0 |
| Debtor (Days) | 7.2 | 7.0 | 7.0 | 7.0 |
| Current Liabilities (Days) | 42.3 | 50.0 | 50.0 | 50.0 |
| Return Ratios (%) | | | | |
| RoE | 19.4 | 7.5 | 14.7 | 14.8 |
| RoCE | 13.1 | 4.2 | 8.2 | 8.7 |
| RoIC | 13.9 | 4.5 | 8.5 | 9.4 |
| Valuation Ratios (x) | | | | |
| PE | 9.8 | 26.2 | 12.6 | 11.9 |
| Price to Book Value | 1.9 | 2.0 | 1.8 | 1.8 |
| EV/EBITDA | 8.4 | 15.3 | 10.4 | 9.2 |
| EV/Sales | 0.3 | 0.3 | 0.5 | 0.3 |
| Leverage & Solvency Ratios | | | | |
| Debt to equity (x) | 0.8 | 0.9 | 0.9 | 0.8 |
| Interest Coverage (x) | 6.6 | 1.3 | 3.2 | 3.4 |
| Debt to EBITDA (x) | 2.5 | 4.9 | 3.5 | 3.0 |
| Current Ratio | 1.1 | 0.9 | 1.0 | 0.9 |
| Quick ratio | 0.6 | 0.5 | 0.6 | 0.5 |

Source: Company, ICICI Direct Research

Exhibit 13: ICICI Direct Coverage Universe (Oil & Gas)

| Sector / Company | CMP (₹) | TP (₹) | Rating | M Cap (₹ Cr) | EPS (₹) | | | P/E (x) | | | EV/EBITDA (x) | | | RoCE (%) | | | RoE (%) | | |
|---------------------------|------------|-----------|--------|-----------------|---------|-------|-------|---------|-------|-------|---------------|-------|-------|----------|-------|-------|---------|-------|-------|
| | | | | | FY20E | FY21E | FY22E | FY20E | FY21E | FY22E | FY20E | FY21E | FY22E | FY20E | FY21E | FY22E | FY20E | FY21E | FY22E |
| BPCL (BHAPET) | 357 | 350 | HOLD | 67,267 | 28.4 | 29.9 | 0.0 | 12.6 | 11.9 | 0.0 | 10.4 | 9.2 | 0.0 | 8.2 | 8.7 | 0.0 | 14.7 | 14.8 | 0.0 |
| GAIL (India) (GAIL) | 85 | 80 | Hold | 38,336 | 11.0 | 9.1 | 9.1 | 7.8 | 9.4 | 9.8 | 5.4 | 7.5 | 7.7 | 12.3 | 7.8 | 7.5 | 10.9 | 8.7 | 8.5 |
| Gujarat Gas (GUJGA) | 245 | 290 | Buy | 16,866 | 17.5 | 11.7 | 15.9 | 14.0 | 20.9 | 15.4 | 10.7 | 11.6 | 9.0 | 28.2 | 23.6 | 29.6 | 38.3 | 21.5 | 23.8 |
| HPCL (HINPET) | 189 | 200 | Hold | 28,833 | 13.0 | 23.7 | 26.2 | 14.5 | 8.0 | 7.2 | 10.8 | 8.1 | 6.6 | 3.9 | 6.6 | 7.6 | 7.1 | 12.3 | 13.2 |
| Indian Oil Corp (INDOIL) | 82 | 85 | Hold | 75,285 | 4.5 | 10.8 | 11.6 | 18.3 | 7.6 | 7.0 | 4.2 | 3.0 | 2.6 | 4.9 | 8.2 | 8.6 | 3.9 | 9.0 | 9.7 |
| Indraprastha Gas (INDGAS) | 435 | 425 | Buy | 30,450 | 16.1 | 16.5 | 18.7 | 26.9 | 26.4 | 25.8 | 20.1 | 18.0 | 17.3 | 24.6 | 22.8 | 22.3 | 22.4 | 19.5 | 19.1 |
| Mahanagar Gas (MAHGAS) | 890 | 1115 | Buy | 8,791 | 80.5 | 75.3 | 85.8 | 11.0 | 11.8 | 10.3 | 7.6 | 7.2 | 6.0 | 30.5 | 26.6 | 26.1 | 27.1 | 21.8 | 21.4 |
| ONGC (ONGC) | 76 | 65 | Reduce | 97,533 | 16.2 | 3.0 | 11.3 | 4.7 | 25.3 | 6.7 | 2.3 | 5.3 | 3.4 | 10.8 | 0.3 | 5.8 | 9.4 | 1.7 | 6.4 |
| Petronet LNG (PETLNG) | 232 | 245 | Buy | 34,800 | 19.4 | 16.7 | 19.7 | 11.9 | 13.9 | 11.8 | 8.2 | 8.1 | 7.0 | 24.2 | 24.1 | 29.0 | 27.7 | 23.7 | 26.9 |

Source: Company, ICICI Direct Research

RATING RATIONALE

ICICI Direct endeavors to provide objective opinions and recommendations. ICICI Direct assigns ratings to its stocks according to their notional target price vs. current market price and then categorizes them as Buy, Hold, Reduce and Sell. The performance horizon is two years unless specified and the notional target price is defined as the analysts' valuation for a stock

Buy: >15%

Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%



Pankaj Pandey

Head – Research

pankaj.pandey@icicisecurities.com

**ICICI Direct Research Desk,
ICICI Securities Limited,
1st Floor, Akruti Trade Centre,
Road No 7, MIDC,
Andheri (East)
Mumbai – 400 093
research@icicidirect.com**

ANALYST CERTIFICATION

I/We, Mayur Matani, MBA, Amogh Deshpande, PGDM, Research Analysts, authors and the names subscribed to this report, hereby certify that all of the views expressed in this research report accurately reflect our views about the subject issuer(s) or securities. We also certify that no part of our compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view(s) in this report. It is also confirmed that above mentioned Analysts of this report have not received any compensation from the companies mentioned in the report in the preceding twelve months and do not serve as an officer, director or employee of the companies mentioned in the report.

Terms & conditions and other disclosures:

ICICI Securities Limited (ICICI Securities) is a full-service, integrated investment banking and is, inter alia, engaged in the business of stock brokering and distribution of financial products. ICICI Securities Limited is a SEBI registered Research Analyst with SEBI Registration Number – INH000000990. ICICI Securities Limited SEBI Registration is INZ000183631 for stock broker. ICICI Securities is a subsidiary of ICICI Bank which is India's largest private sector bank and has its various subsidiaries engaged in businesses of housing finance, asset management, life insurance, general insurance, venture capital fund management, etc. ("associates"), the details in respect of which are available on www.icicibank.com

ICICI Securities is one of the leading merchant bankers/ underwriters of securities and participate in virtually all securities trading markets in India. We and our associates might have investment banking and other business relationship with a significant percentage of companies covered by our Investment Research Department. ICICI Securities generally prohibits its analysts, persons reporting to analysts and their relatives from maintaining a financial interest in the securities or derivatives of any companies that the analysts cover.

Recommendation in reports based on technical and derivative analysis centre on studying charts of a stock's price movement, outstanding positions, trading volume etc as opposed to focusing on a company's fundamentals and, as such, may not match with the recommendation in fundamental reports. Investors may visit icicidirect.com to view the Fundamental and Technical Research Reports.

Our proprietary trading and investment businesses may make investment decisions that are inconsistent with the recommendations expressed herein.

ICICI Securities Limited has two independent equity research groups: Institutional Research and Retail Research. This report has been prepared by the Retail Research. The views and opinions expressed in this document may or may not match or may be contrary with the views, estimates, rating, target price of the Institutional Research.

The information and opinions in this report have been prepared by ICICI Securities and are subject to change without any notice. The report and information contained herein is strictly confidential and meant solely for the selected recipient and may not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent of ICICI Securities. While we would endeavour to update the information herein on a reasonable basis, ICICI Securities is under no obligation to update or keep the information current. Also, there may be regulatory, compliance or other reasons that may prevent ICICI Securities from doing so. Non-rated securities indicate that rating on a particular security has been suspended temporarily and such suspension is in compliance with applicable regulations and/or ICICI Securities policies, in circumstances where ICICI Securities might be acting in an advisory capacity to this company, or in certain other circumstances.

This report is based on information obtained from public sources and sources believed to be reliable, but no independent verification has been made nor is its accuracy or completeness guaranteed. This report and information herein is solely for informational purpose and shall not be used or considered as an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments. Though disseminated to all the customers simultaneously, not all customers may receive this report at the same time. ICICI Securities will not treat recipients as customers by virtue of their receiving this report. Nothing in this report constitutes investment, legal, accounting and tax advice or a representation that any investment or strategy is suitable or appropriate to your specific circumstances. The securities discussed and opinions expressed in this report may not be suitable for all investors, who must make their own investment decisions, based on their own investment objectives, financial positions and needs of specific recipient. This may not be taken in substitution for the exercise of independent judgment by any recipient. The recipient should independently evaluate the investment risks. The value and return on investment may vary because of changes in interest rates, foreign exchange rates or any other reason. ICICI Securities accepts no liabilities whatsoever for any loss or damage of any kind arising out of the use of this report. Past performance is not necessarily a guide to future performance. Investors are advised to see Risk Disclosure Document to understand the risks associated before investing in the securities markets. Actual results may differ materially from those set forth in projections. Forward-looking statements are not predictions and may be subject to change without notice.

ICICI Securities or its associates might have managed or co-managed public offering of securities for the subject company or might have been mandated by the subject company for any other assignment in the past twelve months.

ICICI Securities or its associates might have received any compensation from the companies mentioned in the report during the period preceding twelve months from the date of this report for services in respect of managing or co-managing public offerings, corporate finance, investment banking or merchant banking, brokerage services or other advisory service in a merger or specific transaction.

ICICI Securities encourages independence in research report preparation and strives to minimize conflict in preparation of research report. ICICI Securities or its associates or its analysts 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 ICICI Securities nor Research Analysts and their relatives 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.

ICICI Securities or its subsidiaries collectively or Research Analysts or their relatives do not own 1% or more of the equity securities of the Company mentioned in the report as of the last day of the month preceding the publication of the research report.

Since associates of ICICI Securities are engaged in various financial service businesses, they might have financial interests or beneficial ownership in various companies including the subject company/companies mentioned in this report.

ICICI Securities may have issued other reports that are inconsistent with and reach different conclusion from the information presented in this report.

Neither the Research Analysts nor ICICI Securities have been engaged in market making activity for the companies mentioned in the report.

We submit that no material disciplinary action has been taken on ICICI Securities by any Regulatory Authority impacting Equity Research Analysis activities.

This report 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 ICICI Securities 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 certain category of investors. Persons in whose possession this document may come are required to inform themselves of and to observe such restriction.