October 11, 2022

Margins to start to stabilise from Q2FY23E onwards…

For Q2FY23E, all EPC companies under our coverage are expected to witness moderate order inflows with improved execution. Larsen & Toubro (L&T) announced EPC orders in the range of ~₹ 7500-17500 crore (as on date, ex-services segment) across railway, hydrocarbon, power T&D, water treatment, heavy engineering, buildings & factories segments. In the T&D space, KEC has announced decent order inflows of ₹ 4951 crore aided by orders from T&D (domestic, international markets), railways, civil, etc).

Overall, order inflows are expected to remain strong, with some project deferrals across key segments to Q2FY23E. However, the order pipeline remains robust across T&D, green energy corridor, data centres, railways, transportation, water and infrastructure, etc. Key risks remain project delays/deferrals, lower conversion rate.

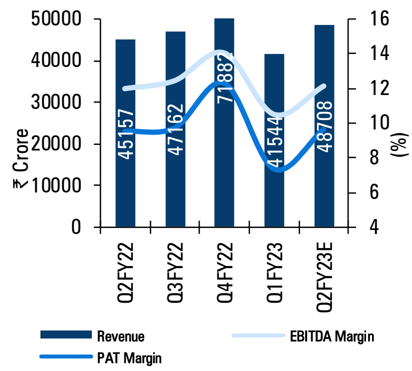
Revenue to grow 18.3%, EBITDA to grow 16.2% YoY, PAT to grow 9.1% on improved execution

Overall, the coverage universe revenue is expected to grow 18.3% YoY owing to a decent pick-up in execution for EPC companies like L&T, KEC and Thermax. For BEL, Q2FY23E revenue is expected at ₹ 3990.3 crore (+9.0% YoY) led by better execution and some revenue spillover (that was not booked during FY22 due to supply chain issues). On the other hand, in our bearings coverage universe, we see a sequential increase in revenues in the range of 4-7% (on high base). This is largely due to better performance in the auto sector, especially 2-W in July-September. However, we expect coverage universe EBITDA to grow 16.2% YoY although commodity costs are on a declining trend. However, they are still at higher levels compared to pre-Covid and earlier levels. Logistical issues are expected to impact margins while companies expect to pass on these pressures with a lag of a quarter. Consequently, overall PAT is expected to grow 9.1% YoY as few heavyweights like L&T are expected to see very limited pressure on margins (higher share of PVC orders in backlog, operating efficiency and decline in finance costs YoY) putting growth rates in the positive territory for the coverage.

Execution pick-up expected among EPC companies…

Overall, EPC companies are expected to post a good performance on the execution front factoring in pandemic impact while margins are expected to see impact owing to high commodity prices. Power T&D companies like KEC are expected to report revenue, EBITDA, PAT growth of 10%, 1.4%, -10.9% factoring in commodity inflation and execution pick-up in key international markets. L&T (standalone (including hydrocarbon, ex-E&A) is likely to report decent performance with revenue growth of 10.2% YoY to ₹ 23205.6 crore, EBITDA expected to grow 11.5% to ₹ 1926.1 crore amid execution pick-up and adjusted PAT (ex-E&A) expected to grow 5.9% at ₹ 1859 crore partly aided by higher other income, lower interest expense. Thermax' revenue is expected to grow 19.3% while EBITDA is expected at ₹ 124.4 crore with margin of 7.1%. On the defence front, BEL is expected to report revenue, EBITDA and PAT growth of 9%, 10% and 7.6%, respectively. For HAL, revenue, EBITDA and PAT growth is expected at 4.9%, 4.6% and 6.9%, respectively. Cochin Shipyard is expected to report revenue growth of 15% while EBITDA is expected at ₹ 120.1 crore with PAT at ₹ 105.6 crore. Mazagaon Dock is expected to report revenue, EBITDA, PAT growth of 20%, 21.7% and 0.9%, respectively.

Topline & Profitability (Cap. Goods Universe)



Top Picks

L&T
Thermax
Action Construction
HAL
ABB
Timken India

Research Analysts

Chirag Shah
shah.chirag@icicisecurities.com

Vijay Goel
vijay.goel@icicisecurities.com

Ameya Mahurkar
ameya.mahurkar@icicisecurities.com

Yash Panwar
yash.panwar@icicisecurities.com

Result Preview

ICICI Securities – Retail Equity Research

Focus on working capital, cash flows likely to continue…

Overall, EPC companies like L&T, KEC, BEL and Cochin Shipyard are expected to remain focused on working capital and cash flow management amid better execution and focus on receivables collections. Companies with stronger balance sheets and cash flows like are well placed to gain the most from a gradual economic recovery. Product oriented companies like SKF India, ABB India, Elgi Equipment, AIA Engineering, which have a strong balance sheet, zero debt and healthy cash balances are likely to benefit as demand gradually coming back to normal.

Product companies' performance likely to be aided by exports

For our bearings coverage universe, we see a sequential increase in revenues in the range of 4-7% (on a high base). This is largely due to better performance in the auto sector, especially 2-W in July-September. This is coupled with decent execution in industrial activity. Price hikes across manufacturers in recent quarters has helped manufacturers to curtail the impact of rising commodity prices in previous quarters, to an extent. We believe gross margins should be better amid cool off in raw material price, especially in Q2FY23. We also believe EBITDA margins will expand on a QoQ basis led by positive operating leverage, thus positively impacting PAT margins a bit. Greaves Cotton is expected to report revenue growth of 36.1% on account of EV business to deliver strong sales performance. Elgi Equipment is expected report revenue, EBITDA growth of 21.2%, 21.1%, respectively, owing to strong growth in the international business. Companies like AIA Engineering are expected to report revenue, EBITDA growth of 30%, 56%, respectively, factoring in revival in volumes, commodity price impact. ABB India is expected to report revenue and EBITDA growth of 23.1% and 28.3% YoY basis, respectively.

Exhibit 1: Estimates for Q1FY23E: (Capital Goods) (₹ crore)

Company	Revenue	Change (%)		EBITDA	Change (%)		PAT	Change (%)	
	Q2FY23E	YoY	QoQ	Q2FY23E	YoY	QoQ	Q2FY23E	YoY	QoQ
AIA Engineering	1,150.7	30.0	6.6	252.6	56.0	2.4	210.6	53.1	10.9
Bharat Electronics	3,990.3	9.0	28.2	942.4	10.0	83.5	659.4	7.6	52.8
Greaves Cotton	386.4	36.1	3.4	33.2	643.4	21.2	15.0	2,983.1	-28.6
Elgi Equipments	790.0	21.2	13.9	97.1	21.1	24.3	62.4	20.9	28.1
KEC International	3,946.4	10.0	18.9	256.5	1.4	52.2	89.0	10.9	186.3
**L&T	23,205.6	10.2	14.8	1,926.1	11.5	24.6	1,859.0	5.9	104.0
NRB Bearings	269.2	4.9	14.0	50.3	6.3	17.2	35.6	45.9	17.9
SKF India	1,105.9	14.4	4.9	201.3	26.0	9.6	141.7	20.5	9.7
Thermax Ltd	1,752.4	19.3	5.9	124.4	13.1	29.6	95.1	8.2	61.3
Timken India	727.2	30.3	4.0	181.8	46.8	5.9	123.7	56.2	4.7
Cochin Shipyard	800.6	15.0	81.6	120.1	-27.0	281.2	105.6	-19.5	150.5
ABB India Ltd	2,189.3	23.1	6.7	216.7	28.3	9.0	159.7	33.2	8.6
Hindustan Aeronautics	5,822.3	4.9	60.7	1,296.5	4.6	56.9	905.2	6.9	46.0
Data Patterns (India) Ltc	76.2	28.6	11.4	27.3	29.7	28.4	17.9	39.1	26.0
Mazagon Dock Shipbuild	1,884.1	20.0	-15.5	103.6	21.7	-40.3	136.2	0.9	-39.4
Bharat Dynamics	611.0	21.3	-12.1	91.6	38.6	118.1	70.7	70.2	77.4
Total	**48,707.6**	**7.9**	**17.2**	**5,921.6**	**9.2**	**35.6**	**4,687.0**	**9.1**	**53.3**

*** Adjusted for E&A, L&T Hydrocarbon Engineering Limited, a wholly owned subsidiary has been amalgamated with the company, our estimated numbers for the Q1FY23E are including Hydrocarbon business.*

Source: Company, ICICI Direct Research

Topline & Profitability (Power Universe)

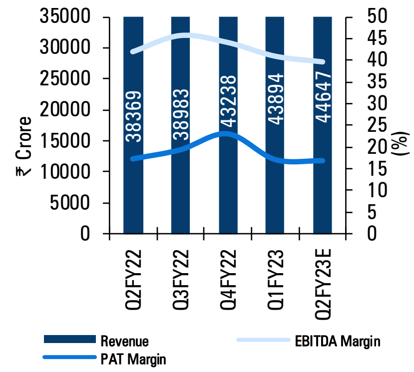


Exhibit 2: Estimates for Q1FY23E: (Power) (₹ crore)

Company	Revenue	Change (%)		EBITDA	Change (%)		PAT	Change (%)	
	Q2FY23E	YoY	QoQ	Q2FY23E	YoY	QoQ	Q2FY23E	YoY	QoQ
NTPC Ltd	33,969.6	19.9	1.9	8,249.1	14.2	-9.2	3,633.3	13.1	-1.2
Power Grid	10,580.3	6.6	1.3	9,342.4	6.3	6.1	3,811.0	14.2	1.2
IEX	97.1	-12.1	-1.2	83.8	-11.8	3.4	71.7	-7.4	3.7
Total	**44,647.0**	**16.4**	**1.7**	**17,675.3**	**9.8**	**-1.6**	**7,516.0**	**13.4**	**0.1**

Source: Company, ICICI Direct Research

Exhibit 3: Company Specific Views (Capital Goods)

Company	Remarks
AIA Engineering	For Q2FY23E, we expect AIA Engineering to report volume numbers at 75849 MT, up 10% YoY as new mining customer acquisition is expected to pick up as the travel situation has started to normalise. We expect realisation at ₹ 150 per kg, up 18.9% on account of a change in the product mix and price pass-through. Consequently, revenue is expected to grow 30% to ₹ 1150.7 crore on a YoY basis. EBITDA is expected to grow 56% to ₹ 252.6 crore with EBITDA margin of 22% while PAT is expected to grow 53.1% to ₹ 210.6 crore YoY factoring in lower margins and other income
Bharat Electronics	Q2FY23E revenue is expected at ₹ 3990.3 crore (+9.0% YoY) led by better execution and some revenue spillover (which was not booked during FY22 due to supply chain issues). EBITDA margin is expected at 23.6% (marginal improvement YoY) led by some operating leverage benefits on higher revenue booking, resulting in absolute EBITDA increasing 10% YoY to ₹ 942.4 crore. PAT is expected at ₹ 659.4 crore (+7.6% YoY). Order backlog was at ₹ 55,333 crore as of June 2022 end (~3.3x TTM revenues). Orders inflow during FY23 are expected at ₹ 18,000-20,000 crore
Greaves Cotton	Greaves Cotton is making inroads in the EV arena. Therefore, e-mobility and new-initiatives business share is expected to drive growth. For Q2FY23E, we expect continued growth momentum in engine volumes as well as in non-auto volumes. Standalone revenues are expected to grow 36.1% YoY to ₹ 391.4 crore. EBITDA is expected at ₹ 33.2 crore with margins of 8.6% factoring in commodity inflation while adjusted PAT is expected at ₹ 15 crore
Elgi Equipments	For Q2FY23E, Elgi Equipment may see good traction in India business while international air compressor market is likely to report strong revenue growth as it is gradually ramping up in key markets. Consolidated revenues are expected to grow 21.2% YoY to ₹ 790 crore while EBITDA margin is expected at 12.3% leading absolute EBITDA to grow 21.1% to ₹ 97.1 crore while PAT is expected at ₹ 62.4 crore, up 21% factoring in operating leverage and tax adjustments
KEC International	KEC announced new orders worth ~ ₹ 4951 crore, as on date for the quarter. For Q2FY23E, KEC is expected to report a decent performance on the revenue front in key segments like T&D, railways, Civil while SAE Tower business is expected to see muted execution amid cost overrun and commodity price impact. We expect revenues to grow 10% to ₹ 3946.2 crore. The company is witnessing a gradual revival in the domestic T&D market, which had been sluggish for the past few quarters. EBITDA is expected to grow marginally by 1.4% to ₹ 256.5 crore with EBITDA margin will be at 6.5% YoY primarily due to change in business mix, higher fixed price order backlog. Adjusted PAT is expected at ₹ 89 crore

Source: ICICI Direct Research, Company

Exhibit 4: Company Specific Views (Capital Goods)

Company	Remarks
Larsen & Toubro (L&T)	During Q2FY23E, EPC order inflows announced by L&T are in the range of ~₹ 7500-17500 crore (as on date, ex-services segment) across railway, hydrocarbon, power T&D, water treatment, heavy engineering, buildings & factories segments indicating decent order inflows for the quarter amid challenging environment. We expect decent execution pick-up YoY. In our view, working capital and cash flow management will be key monitorables. Consequently, we expect adjusted standalone (including hydrocarbon) revenue to grow 10.2% to ₹ 23205.6 crore. EBITDA is expected to grow 11.5% to ₹ 1926.1 crore with margins expected to be at 8.3% owing to better execution and adjusted PAT (ex-E&A) expected to grow 5.9% to ₹ 1859 crore partly aided by lower interest expense and lower tax
NRB Bearings	NRB Bearings is expected to report a good set of numbers in Q2FY23E, on account of decent recovery in auto segment (especially 2-W) and good execution from CV and PV segment. We estimate revenue at ₹ 269.2 crore, up 5.1% YoY, 14% QoQ. We build in gross margins to the tune of 65% for the quarter vs. 64.3% in Q1FY23 and 62.8% in Q2FY22. Steady margins are due to price hikes in the recent quarter by the company and cool off in commodity prices. Consequently, we arrive at EBIDTA margin estimate of 18.8% for the quarter vs. 18.7% in Q1FY23. Absolute EBIDTA is estimated at ₹ 50.3 crore, up 17.2% QoQ and 6.3% YoY. Hence, we expect NRB to register adjusted PAT of ₹ 48.4 crore
SKF India	For SKF, we see domestic and exports business doing decent mainly because of reasonable execution in industrial activities and better performance in auto segment. We build in revenue to the tune of ₹ 1105.9 crore, up 4.85% QoQ and 14.3% YoY. We expect industrial and auto segment to grow 2.2% and 2.65% QoQ, respectively. We estimate gross margins at 40% for the quarter, up ~82 bps sequentially. Consequently, we expect EBIDTA margin of 18.2% during the quarter vs. 17.4% sequentially. Following suit, we expect absolute EBIDTA at ₹ 201.28 crore. We estimate PAT of ₹ 141.7 crore vs. ₹ 129.2 crore in Q1FY23
Thermax	For Q2FY23E, we expect revenues to grow 19.3% to ₹ 1787.4 crore on the back decent order wins in the past few quarters. We expect EBITDA at ₹ 124.4 crore with EBITDA margins at 7.1% factoring in execution of some legacy of low cost orders and commodity price impact. Adjusted PAT is expected at ₹ 95.1 crore, up 8.2% YoY partly aided by other income
Timken India	An overall decent quarter for auto and exports should boost Timken's Q2FY23E performance. We expect revenue increase of 4% and 30.4% QoQ and YoY, respectively, to ₹ 727.1 crore vs. ₹ 699.2 crore in Q1FY23. We build in gross margins to the tune of 46.5% vs. 45.8% in Q1FY23. Consequently, we expect Timken to post an EBIDTA margin of 25% vs. 24.5% sequentially. Absolute EBITDA is expected to be ~₹ 181.7 crore compared to ₹ 171.6 crores in Q1FY23. Our PAT estimate is at ₹ 123.6 crore, post a tax rate assumption of 26.5% and cushioned by other income of ₹ 9.5 crore
Cochin Shipyard	For Q2FY23E, we expect Cochin Shipyard to post decent results as Q1FY23 was subdued. Cochin Shipyard is preparing for the next set of orders to be executed. We build in revenue to the tune of ₹ 800.5 crore, up 15.1% YoY. Our EBIDTA margin estimate is at 15% vs. 23.6% YoY (lower EBITDA margins because in Q2FY22 IAC's last leg of execution was being done, which was high margin execution). Consequently, we expect absolute EBIDTA to be ~₹ 120.08 crore. Post a tax rate of 26.5%, we estimate PAT at ₹ 105.6 crore, down~19.5% compared to the same quarter last year
ABB	For Q3CY2022E (Q2FY23E), ABB India is likely to sustain the growth revival as it is gradually ramping up in key markets with enhanced product and service portfolio. Revenues are expected to grow 23.1% YoY to ₹ 2189.3 crore while EBITDA margin is expected at 9.9%. While PAT is expected at ₹ 159.7 crore, up 33.2% YoY. Chip shortage and higher logistic costs may continue to impact performance

Source: ICICI Direct Research, Company

Exhibit 5: Company Specific Views (Capital Goods) Continued...

HAL	We expect Q2FY23 revenue at ₹ 5822.3 crore, up 4.9% YoY as large part of order book (in manufacturing segment) is yet to start execution. Moreover, base is also considerably higher as execution during Q2FY22 was better with ~14% YoY revenue growth compared to 7.6% growth for full year FY22. EBITDA margin is expected to remain at similar levels at 22.3% on a YoY basis leading to absolute EBITDA growth at 4.6% to₹ 1296.5 crore. PAT is expected at ₹ 905.2 crore; an increase of 6.9% YoY. Order book was at ₹ 84800 crore as of June 2022 end (~3.2x TTM revenues) led by large scale orders in manufacturing aircraft/helicopters (Tejas LCA Mk1A, LCH and ALH)
Data Pattern	We expect revenue to grow 28.6% YoY to ₹ 76.2 crore led by better execution of the key orders during the quarter compared to last year. EBITDA margin is expected at 35.8% (against 35.5% in Q2FY22); resulting in absolute EBITDA growth of 29.7% YoY to ₹ 27.3 crore. PAT is expected at ₹ 17.9 crore (up 39.1% YoY). The order book of the company was at ₹ 664 crore in August 2022. The company expects ₹ 2000-3000 crore worth orders for the next three to four years
Bharat Dynamics	We expect Q2FY23 revenue at ₹ 611.0 crore, up 21.3% YoY led by better execution of orders received for surface to air missiles and anti-tank guided missiles over FY21 & FY22. EBITDA margin is also expected to improve to 15.0% (+190 bps YoY) leading to absolute EBITDA growth at 38.6% YoY to₹ 91.6 crore. PAT is expected at ₹ 70.7 crore; an increase of 70.2% YoY. Order book at ₹ 13000 crore (4.6x FY22 revenues) gives strong revenue visibility. Moreover, ₹ 22000 crore worth of orders are in the pipeline for the next three to four years gives more comfort on future earnings
Mazagon Dock Shipbuilders	Q2FY23 revenue is expected at ₹ 1884.1 crore (+20% YoY) led by better execution of existing projects of P-75 submarines, P-15B destroyers and P-17A frigates. EBITDA margin is expected at 5.5% (similar to Q2FY22) as better operating leverage to be negated by higher sub-contracting charges to DCNS Naval Group, resulting in absolute EBITDA increasing by 21.7% YoY to ₹ 103.6 crore. PAT is expected at ₹ 136.2 crore (+0.9% YoY as the tax outgo was lower in Q2FY22). Order backlog was at ₹ 43,343 crore as of August 2022 (6.4x TTM revenues), of which ₹ 19,795 crore of backlog is in Project-17A (Nilgiri class frigates), ₹ 18,897 crore in Project-15B (Visakhapatnam class Destroyers), ₹ 4,400 crore in Project-75 (Kalvari class submarines)

Source: Company, ICICI Direct Research

Exhibit 6: Company Specific Views (Power)

Company	Remarks
NTPC	We expect NTPC to report a reasonably good Q2FY23E given it is a seasonally weak quarter. Gross generation is expected to be up 8.5% YoY at 81.1 billion units (BUs) while energy sold is likely to be up 8.97% at 75.5 billion units, on back of strong capacity addition and improvement in PLFs. Revenue is expected to be up 19.9% YoY at ₹ 33969.6 crore while EBITDA is likely to grow 14.2% YoY. On back of high capacity addition, depreciation and interest costs are likely to rise 10.2% and 19.4% YoY, respectively. PAT is expected at ₹ 3633.3 crore, up 13.1% YoY
Power Grid	We expect Power Grid to capitalise assets to the tune of ₹ 1500 crore in Q2FY23E. Revenues are expected to grow 6.6% to ₹ 10580.3 crore. In terms of segmental performance, transmission revenues are expected to grow 5% to ₹ 10182.4 crore. EBITDA is expected to grow 6.3% to ₹ 9342.4 crore YoY. Consequently, PAT is expected at ₹ 3811 crore and is not comparable YoY on one offs in the base quarter
IEX	CERC imposing a capping of ₹ 12 on all the segments of power exchanges has impacted the volumes of IEX. Total volume of IEX was at 23117 MUs vs. 25856 MUs in the same quarter last year and 23439 MUs in Q1FY23, de-growth of 10.5% YoY and 1.3% QoQ. We expect IEX to report revenue of ₹ 97.1 crore, down 12.03% YoY and 1.2% QoQ. Our other income estimate is at ₹ 16 crore for the quarter. For the quarter, we expect IEX to report an EBIDTA of ₹ 83.7 crore with a margin of 86.3% vs. 86.1% YoY. We estimate PAT at ₹ 71.6 crore, up 3.7% QoQ and down 7.3% YoY

Source: Company, ICICI Direct Research

Exhibit 7: ICICI Direct coverage universe (Capital Goods)

Company	CMP			M Cap	EPS (₹)			P/E (x)			RoCE (%)			RoE (%)		
	(₹)	TP(₹)	Rating	(₹ Cr)	FY22	FY23E	FY24E	FY22	FY23E	FY24E	FY22	FY23E	FY24E	FY22	FY23E	FY24E
L&T (LARTOU)	1,913	2,175	Buy	268432	56.8	65.0	76.7	33.7	29.4	24.9	8.9	10.2	11.6	12.1	12.7	13.6
Siemens Ltd	2,784	3,660	Buy	99133	29.5	36.7	50.5	94.4	75.8	55.1	13.9	15.7	19.2	10.1	11.6	14.2
AIA Engineering (AIAENG)	2,532	3,011	Buy	23882	64.6	79.8	86.0	39.2	31.7	29.4	16.5	17.9	17.1	13.2	14.3	13.6
Thermax (THERMA)	2,169	2,405	Buy	25845	26.2	38.7	53.4	82.8	56.1	40.6	11.3	15.4	18.7	8.9	12.0	14.6
KEC International (KECIN)	420	542	Buy	10803	12.9	16.0	31.9	32.5	26.3	13.2	11.9	13.9	20.3	10.6	11.1	18.6
Greaves Cotton (GREAVE)	155	209	Buy	3591	0.7	3.5	3.6	219.4	44.1	43.5	2.5	9.4	10.7	1.3	6.7	7.7
Elgi Equipment (ELGEQU)	411	474	Hold	13025	5.7	6.6	9.1	72.0	62.3	45.1	18.9	17.8	21.0	18.7	18.5	21.1
Bharat Electronics (BHAELE)	105	135	Buy	77082	3.2	3.8	4.5	33.0	27.8	23.4	26.2	28.5	28.6	19.6	21.3	21.4
Cochin Shipyard (COCSHI)	558	445	Buy	7340	42.9	38.6	42.3	13.0	14.5	13.2	10.9	12.5	12.7	12.7	10.8	11.1
SKF (SKFIND)	4,651	4,920	Buy	22994	77.0	104.8	122.9	60.4	44.4	37.8	26.0	29.8	30.1	20.6	22.7	22.4
Timken India (TIMIND)	3,192	3,561	Buy	24010	43.5	61.3	71.2	73.4	52.1	44.8	25.3	36.2	42.0	19.7	27.9	32.2
NRB Bearing (NRBBEA)	173	220	Buy	1677	7.8	9.2	12.1	22.2	18.8	14.3	15.0	15.3	19.2	12.6	12.6	14.8
Action Construction (ACTCON)	302	365	Buy	3601	8.8	13.9	18.2	34.4	21.8	16.6	23.0	24.0	25.8	13.9	17.1	18.3
Data Patterns (DATPAT)	1187	1,280	Buy	6159	18.1	22.2	30.4	65.5	53.5	39.0	23.8	24.9	28.1	16.4	18.4	20.9
HAL (HINAER)	2,433	2,860	Buy	81357	151.9	130.9	143.1	16.0	18.6	17.0	27.4	30.6	30.8	26.3	23.2	23.4
ABB (ABB)	3,223	3,275	Buy	68298	25.5	38.9	43.7	126.5	82.9	73.8	45.0	49.2	64.9	11.2	13.0	17.6
Ador Welding (ADOWEL)	893	890	Buy	1214	33.2	37.5	49.3	26.9	23.8	18.1	19.9	23.8	26.8	13.6	17.1	19.3
Bharat Dynamics (BHADYN)	912	1,068	Buy	16715	27.3	33.0	42.7	32.7	27.1	20.9	24.6	24.7	27.9	17.3	17.7	20.0
Mazagon Dock (MAZDOC)	621	562	Buy	12525	30.3	31.2	40.1	29.5	28.7	22.3	20.0	18.1	20.9	16.1	14.6	16.6

Source: Company, ICICI Direct Research

RATING RATIONALE

ICICI Direct endeavours 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, Chirag Shah PGDBM; Vijay Goel PGDBM, Ameya Mahurkar, MFM, Yash Panwar PGDM (Finance, IT) 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 is Sebi registered stock broker, merchant banker, investment adviser, portfolio manager and Research Analyst. ICICI Securities is registered with Insurance Regulatory Development Authority of India Limited (IRDAI) as a composite corporate agent and with PFRDA as a Point of Presence. ICICI Securities Limited Research Analyst 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 and its analysts, persons reporting to analysts and their relatives are generally prohibited 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, and 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 or its associates might have received any compensation for products or services other than investment banking or merchant banking or brokerage services from the companies mentioned in the report in the past twelve months.

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 and ICICI Securities as a entity are engaged in various financial service businesses, they might have financial interests or actual/ beneficial ownership of one percent or more or other material conflict of interest 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.