

Kajaria Ceramics (KAJ CER)

CMP: ₹ 1098

Target: ₹ 1310 (19%)

Target Period: 12 months

January 29, 2023

BUY

Muted performance; margins to improve ahead...

About the stock: Kajaria Ceramics is the largest manufacturer of ceramic/vitrified tiles in India with current annual capacity of 84.5 mn sq metre (MSM)

- Apart from completed capex of ₹ 250 crore on tiles, it is adding 1.8 MSM brownfield capex in Sikandrabad and setting up a plant of 8 MSM in Nepal in a JV with investment of ~₹ 125 crore

Q3FY23 Results: Weak performance with muted volumes.

- Topline was up 2.1% YoY at ₹ 1091 crore. Tiles sales volumes were muted (down ~0.7% YoY at 25.5 MSM). Three-year volume CAGR was at 8%. Tiles revenues were up 2.3% YoY at ₹ 984 crore, with pricing growth of ~4% YoY. Kajaria provided some dealer discounts in November/December, after a sharp dip in demand in October amid festive holidays
- EBITDA was at ₹ 133 crore, with resultant margins at 12.2%, down 500 bps YoY but up 20 bps QoQ
- PAT was at ₹ 74.3 crore, down 39% YoY and up 6.4% QoQ

What should investors do? Kajaria's share price has grown at ~12% CAGR over the past five years (from ~₹ 613 in January, 2018 to ~₹ 1098 currently).

- Kajaria with a net cash balance sheet and superior brand, is a solid play on the tiles sector with expanding reach to tier 2/3 cities. With gas price easing & alternate fuel use, margin recovery is on the anvil. Thus, we maintain **BUY**

Target Price and Valuation: We value Kajaria at ₹ 1310/share, at 36x FY25 P/E.

Key triggers for future price performance:

- We expect ~11.5% CAGR in tiles volume and realisations CAGR of 3%, resulting in tiles revenues CAGR of ~15% over FY22-25 to ₹ 5093 crore
- The increased dividend payout (~45% vs. 20-25%, earlier) is likely to improve return ratios (RoCEs likely at 24%+ in FY25E vs. ~21.5% in FY22)
- Any further gas prices respite could surprise margins positively

Alternate Stock Idea: Besides Kajaria, we like Century Ply in buildings materials.

- A play on leadership in woodpanel industry
- BUY with a target price of ₹ 695

Kajaria

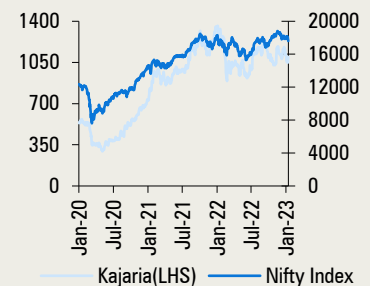
Particulars

Particular	Amount (₹ crore)
Market Capitalization	17,440
Total Debt (FY22)	128
Cash (FY22)	424
EV	17,144
52 week H/L (₹)	1351 / 885
Equity capital	15.9
Face value (₹)	1.0

Shareholding pattern

	Mar-22	Jun-22	Sep-22	Dec-22
Promoters	47.5	47.5	47.5	47.5
DII	19.7	21.8	22.2	24.0
FII	21.3	19.6	19.4	18.6
Other	11.5	11.2	10.9	9.9

Price Chart



Key Risks

Key Risk: (i) Slowdown in demand; (ii) Gas price rise

Research Analyst

Bhupendra Tiwary, CFA
bhupendra.tiwary@icicisecurities.com

Key Financial Summary

(₹ crore)	FY20	FY21	FY22	5 yr CAGR (FY17-22)	FY23E	FY24E	FY25E	3 yr CAGR (FY22-25E)
Net Sales	2,808.0	2,780.9	3,705.2	7.8%	4,354.0	5,006.0	5,691.0	15.4%
EBITDA	415.9	508.8	610.8	4.2%	582.4	801.8	911.8	14.3%
EBITDA Margin (%)	14.8	18.3	16.5		13.4	16.0	16.0	
PAT	255.3	308.1	377.1	8.3%	340.4	498.6	577.3	15.3%
EPS (₹)	16.1	19.4	23.7		21.4	31.4	36.3	
P/E (x)	68.3	56.7	46.3		51.3	35.0	30.2	
P/B (x)	10.2	9.3	8.2		7.5	6.6	5.8	
EV/EBITDA (x)	41.7	33.6	28.1		29.6	21.5	18.6	
RoCE (%)	16.3	19.7	21.5		18.4	23.3	24.1	
RoE	14.9	16.5	17.8		14.6	18.9	19.3	

Source: Company, ICICI Direct Research

Key business highlight and outlook

- Volume driver and current volume traction:** Kajaria's sales volume in the tiles segment was muted YoY (down 0.7%) to 25.5 MSM) mainly impacted by a subdued demand scenario. Three-year volume CAGR was at 8%. Tiles revenues were up 2.3% YoY at ₹ 984 crore, with pricing growth of ~4% YoY and change in product mix (mix in volume terms was ceramics - 45%; vitrified - 26%; GVT - 29% in Q3 vs. ceramics - 46%; vitrified - 26%; GVT - 28% in Q2). **We highlight that QoQ realisations were down 1.2% as the company also provided some dealer discounts in November/December, after a sharp dip in volumes in October amid festive holidays.** Going forward, the management is confident of a gradual demand pickup, continued traction in real estate sector, upped re-construction/renovation, and government's focus on infrastructure spending
- Industry update:** As per the management, the overall size of the tiles industry during FY22 was at ~₹ 52,700 crore (domestic: ₹ 40,000 crore; export: ~₹ 12,700 crore). Exports opportunity for Indian players, however, remained muted in FY22 due to Covid-19 disruptions, significant rise in gas prices, higher freight costs, and unavailability of containers at desired levels. Going forward, **exports from Indian manufacturers are likely to reach ~₹ 15000-16000 crore in FY23 with likely exports of ~₹ 5000 crore in Q4**
- Guidance:** The management **has guided for ~13-15% YoY volume growth in the tiles segment during FY24** likely to be driven by a) expected rise in demand from Tier II and below cities, b) healthy capacity utilisation, c) expected increase in Kajaria's capacity, d) enhanced distribution network and e) strong brand recall. Also, **the company expects minimum 200 bps improvement in margin (to 14%+) during Q4FY23 with relaxation in gas prices and use of alternate fuel**
- Gas price:** Gas prices for the industry have seen some easing in the last few months. **For Kajaria, average gas prices for Q3FY23 in its northern, southern and Morbi plants were at ~₹ 57/SCM, ~₹ 44/SCM and ₹ 48/SCM, respectively, with overall average of ₹ 53/ SCM (vs average gas prices in its northern, southern and Morbi plants during Q2FY23 was at ~₹ 59/SCM, ~₹ 48/SCM and ₹ 53/SCM, respectively, with overall average of ₹ 56/ SCM).** Going forward, the management expects gas prices to soften further
- Use of alternate fuel:** The company has started using alternate fuel i.e., mustard husk with secure supply arrangements and will cost around ₹ 30/SCM (cost likely to be further lower with new crop). Thus, the management **stated that by February, 2023, ~65-70% of its fuel mix will be natural gas while the remaining 30-35% will be alternate fuel (biogas) and some LPG. Thus, the company's average fuel price is likely to come down to ₹ 47-48/SCM in Q4FY23 (vs. ₹ 53/SCM in Q3FY23)**
- Allied business:** Kajaria's subsidiaries and allied businesses reported muted growth during Q3FY23. In the faucet and sanitaryware segment, revenues were down 2.7% YoY at ₹ 79.5 crore. The management expects segmental revenue to improve led by introduction of newer products, strengthened distribution network and larger acceptance by consumers. In the plywood business, revenues were down 25% YoY and were at ₹ 18.8 crore while adhesive business contributed ₹ 9 crore to the overall topline
- Working capital & Capex:** Working capital has increased to 66 days (vs. 62 days at Q2 FY23-end) due to build-up in inventories amid muted demand. Going forward, the management expects working capital days to hover at current levels to 50-60 days. **The company expect capex of ₹ 90 crore in FY23 (₹ 75 crore in M9FY23) and ~300-350 crore in FY24.**
- Expansion:** Kajaria announced an expansion for large sized glazed vitrified tiles capacity of 1.8 MSM/annum at the Sikandrabad plant recently, which will increase the total capacity of the plant from 8.4 MSM/annum to 10.8 MSM/annum at the capex of ₹ 70 crore. The expansion is likely to be completed by September, 2023. Furthermore, it is undertaking modernisation of its ceramic tile manufacturing capacity at Gailpur

(Rajasthan) for a capex of ~₹ 51 crore. The modernised capacity will produce tiles of larger size (and will have higher realisation)

- **Allied business expansion:** Additionally, the company is expected to invest ₹ 70 crore to set up a 6 lakh pieces per annum sanitaryware manufacturing facility in Gujarat (revenue potential: ~₹ 150 crore at full capacity utilisation). The expansion is expected to be completed by December, 2023. Further, the company is adding new capacity of 6 lakh pieces/annum in its faucet plant at Gailpur, which will take the total the capacity to 16 lakh pieces/annum. Estimated cost for this expansion is ~₹ 5 crore and is expected to be completed by March, 2023
- **Acquisition:** Kajaria has approved acquisition of further ~7.6% stake in Kajaria Vitrified, which will increase its total stake to 95%
- **Investment in Nepal:** The Board has approved an investment up to ₹ 125 crore (i.e., 50% of project cost of ₹ 250 crore) in a company to be incorporated in Nepal, by way of equity and/or loan, for establishing a tile manufacturing facility in Nepal, with annual capacity of 8 MSM/annum, on a JV basis between the company and various individuals affiliated with Ramesh Corp, Nepal. The work on the plant will begin in March, 2023. **The plant is likely to get commissioned by March 2024.** Kajaria expects production of tiles with plant at Nepal to benefit it largely with rise in market share backed by a) significant market size: Indian manufacturers exports tiles worth ₹ 500 crore (25 MSM) at Nepal and b) higher 45% import duty for Indian producers. **Margins would be better compared with Indian plant as it will coal fired**
- **Divestment:** The board has approved disinvestment of Kajaria's 52% stake to other shareholders in phased manner at an aggregate consideration of ₹ 18.25 crore. Vennar Ceramics has current capacity of 2.9 MSM and had limited brownfield expansion possibilities. Hence, Kajaria has announced the divestment. The company **plans to replace the supply from Vennar Ceramics by outsourcing to Morbi**
- **Dealer additions:** Kajaria had a base of 1,825 dealers across India at FY22-end. Moreover, it **added 125 dealers during 9MFY23. Overall, the company is aiming to add 400-500 dealers over the next two to three years**

Kajaria with a net cash balance sheet and superior brand, is a solid play on the tiles sector with expanding reach to tier II/III cities. We believe gas price uncertainty is fully built in and recovery in margin is clearly visible ahead. **We maintain BUY. We value it at multiple at 36x FY25E P/E to ascribe a revised target price of ₹ 1310/share.**

Exhibit 1: Variance Analysis

	Q3FY23	Q3FY23E	Q3FY22	YoY (%)	Q2FY23	QoQ (%)	Comments
Net Sales	1,091.1	1,126.6	1,068.2	2.1	1,077.8	1.2	Tiles sales volumes were muted (down ~0.7% YoY at 25.5 MSM. Three-year volume CAGR stood at 8%. Tiles Revenues were up 2.3% YoY at ₹ 984 crore, with pricing growth of ~4% YoY. Company provided some dealer discounts in Nov/December, after a sharp dip in volumes in October amid festive holidays
Other Income	7.5	8.2	7.4	0.8	7.6	-2.0	
Net Purchase of Stock in Trad	180.2	227.1	202.6	-11.1	240.8	-25.2	
Cost of Materials Consumed	264.2	270.0	247.0	7.0	211.1	25.2	
Staff cost	116.6	114.0	106.6	9.4	113.8	2.4	
Other expenditure	118.8	117.0	104.7	13.4	115.4	2.9	
Power & Fuel cost	278.3	241.0	223.4	24.5	267.2	4.2	
EBITDA	133.1	157.5	183.8	-27.6	129.4	2.8	
EBITDA Margin (%)	12.2	14.0	17.2	-501 bps	12.0	19 bps	
Depreciation	32.5	34.0	28.1	15.9	33.7	-3.3	
Interest	8.3	3.6	3.0	176.1	3.2	163.0	
PBT	99.7	128.1	160.2	-37.8	96.6	3.3	
Taxes	26.1	32.0	35.5	-26.5	27.7	-5.9	
PAT	74.3	94.0	122.0	-39.1	69.9	6.4	

Key Metrics

Sales Volume (in MSM)	25.5	25.7	25.6	-0.7	24.9	2.2
-----------------------	------	------	------	------	------	-----

Source: Company, ICICI Direct Research

Exhibit 2: Change in estimates

(₹ Crore)	FY23E		FY23E		FY25E			Comments
	Old	New	% Change	Old	New	% Change		
Revenue	4,354.0	5,264.9	5,006.0	-4.9	5,816.7	5,691.0	-2.2	Realign estimates
EBITDA	582.4	842.3	801.8	-4.8	931.8	911.8	-2.2	
EBITDA Margin (%)	13.4	16.0	16.0	2 bps	16.0	16.0	0 bps	
PAT	340.4	532.6	498.6	-6.4	591.1	577.3	-2.3	
EPS (₹)	21.4	33.5	31.4	-6.4	37.2	36.3	-2.3	

Source: Company, ICICI Direct Research

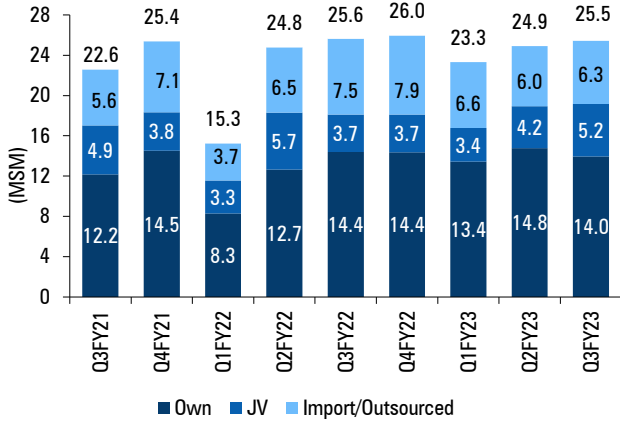
Exhibit 3: Assumptions

Volume in MSM	FY21	FY22	FY23E	FY24E	FY25	Comments
Sales	75.4	91.7	100.8	114.5	127.2	
Realisation (₹/sqm)	336	367	390	393	400	

Source: Company, ICICI Direct Research

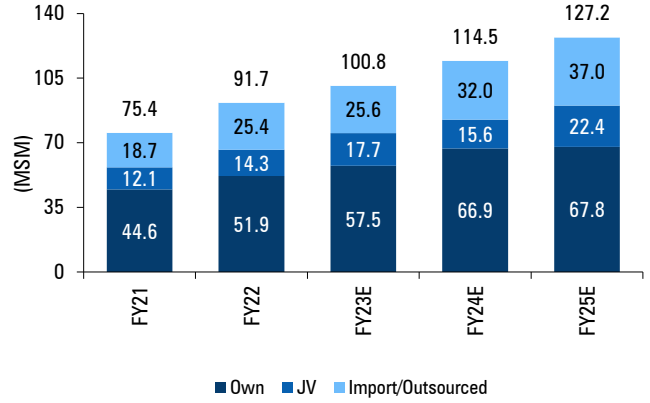
Company Analysis

Exhibit 4: Quarterly sales volume trend



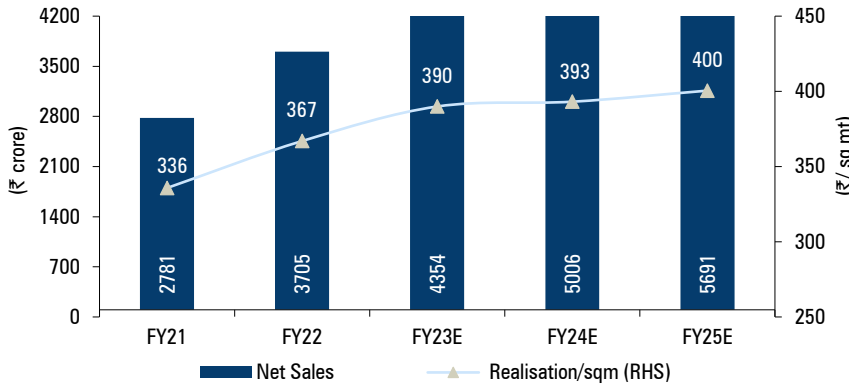
Source: Company, ICICI Direct Research

Exhibit 5: Annual sales volume trend



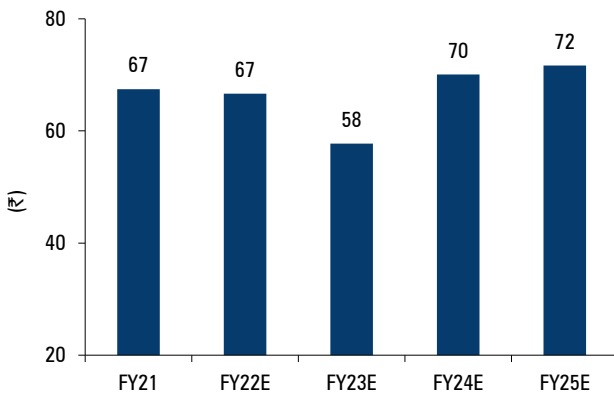
Source: Company, ICICI Direct Research

Exhibit 6: Revenue, realisation trend



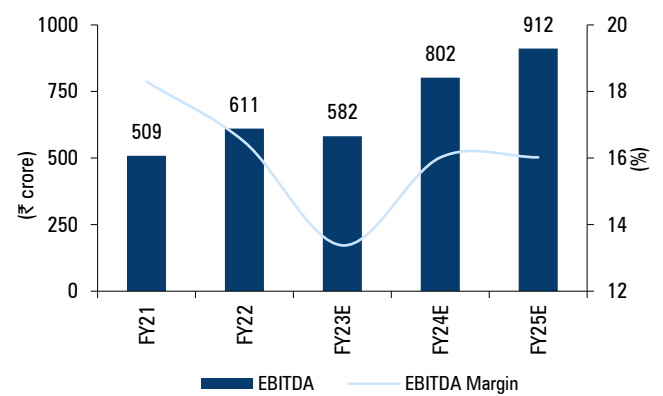
Source: Company, ICICI Direct Research

Exhibit 7: EBITDA/sq metre trend



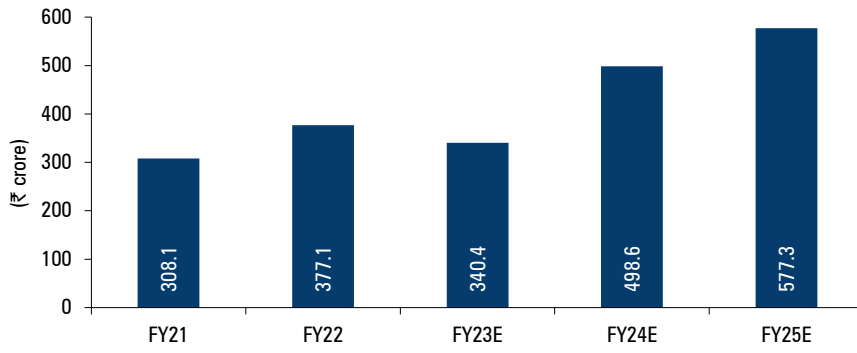
Source: Company, ICICI Direct Research

Exhibit 8: EBITDA and EBITDA margin trend



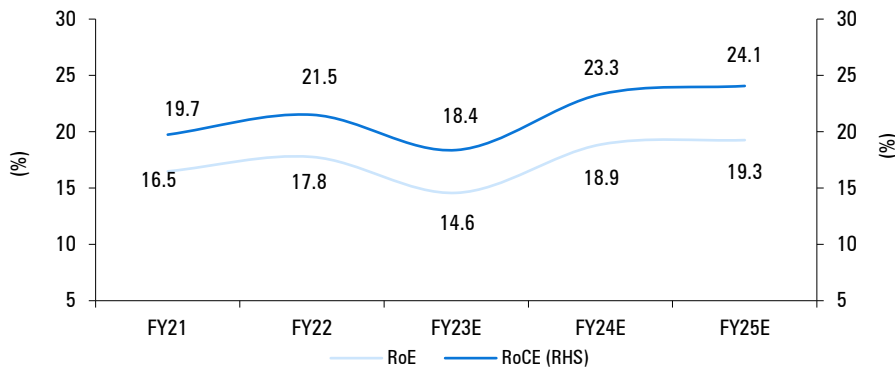
Source: Company, ICICI Direct Research

Exhibit 9: PAT growth trend



Source: Company, ICICI Direct Research

Exhibit 10: Return ratios trend



Source: Company, ICICI Direct Research

Financial summary

Exhibit 11: Profit and loss statement ₹ crore

(₹ Crore)	FY22	FY23E	FY24E	FY25E
Net Sales	3,705.2	4,354.0	5,006.0	5,691.0
Other Operating Income	-	-	-	-
Total operating income	3,705.2	4,354.0	5,006.0	5,691.0
Raw Material Expenses	730.3	783.7	901.1	1,024.4
Cost of Materials Consumed	824.8	1,023.2	1,241.5	1,382.9
Employee benefit expenses	407.7	448.5	499.6	569.1
Other Expenses	1,131.7	1,516.2	1,562.0	1,802.8
Total operating expenses	3,094.4	3,771.5	4,204.1	4,779.2
EBITDA	610.8	582.4	801.8	911.8
Interest	12.7	18.0	13.4	13.4
Depreciation	115.4	127.7	147.0	155.2
Other income	27.6	31.4	35.0	42.0
PBT	510.2	464.5	676.4	785.1
Taxes	127.4	123.1	173.8	201.8
PAT before MI	382.8	341.4	502.6	583.3
Minority Interest	5.8	1.0	4.0	6.0
PAT	377.1	340.4	498.6	577.3
Growth (%)	22.4	(9.7)	46.5	15.8
EPS (₹)	23.7	21.4	31.4	36.3

Source: Company, ICICI Direct Research

Exhibit 12: Cash flow statement ₹ crore

(₹ Crore)	FY22	FY23E	FY24E	FY25E
Profit after Tax	377.1	340.4	498.6	577.3
Depreciation	115.4	127.7	147.0	155.2
Interest	12.7	18.0	13.4	13.4
Others	99.9	91.7	138.8	159.8
Cash Flow before wc changes	605.0	577.8	797.8	905.8
Net Increase in Current Assets	(277.7)	(214.0)	(199.4)	(209.5)
Net Increase in Current Liabilities	174.6	97.2	97.7	102.6
Net CF from operating activities	377.1	337.8	522.3	597.1
(Purchase)/Sale of Fixed Assets	(321.0)	(332.2)	(350.0)	(150.0)
Net CF from Investing activities	(288.4)	(300.8)	(315.0)	(108.0)
Inc / (Dec) in Equity Capital	3.8	-	-	-
Dividend	(127.3)	(127.2)	(190.8)	(222.6)
Interest paid	(12.7)	(18.0)	(13.4)	(13.4)
Inc / (Dec) in Secured Loans	30.9	-	-	-
Inc / (Dec) in Unsecured Loans	(1.8)	-	-	-
Net CF from Financing activities	(107.0)	(144.2)	(200.2)	(230.0)
Net Cash flow	(18.4)	(107.2)	7.0	259.1
Opening Cash	442.7	424.4	317.2	324.2
Closing Cash/ Cash Equivalent	424.4	317.2	324.2	583.3

Source: Company, ICICI Direct Research

Exhibit 13: Balance sheet ₹ crore

(₹ Crore)	FY22	FY23E	FY24E	FY25E
Liabilities				
Equity Capital	15.9	15.9	15.9	15.9
Reserve and Surplus	2,106.5	2,319.6	2,627.4	2,982.2
Total Shareholders funds	2,122.4	2,335.6	2,643.4	2,998.1
Minority Interest	64.8	65.8	69.8	75.8
Total Debt	127.9	127.9	127.9	127.9
Other Liabilities	98.5	98.5	98.5	98.5
Total Liabilities	2,431.5	2,645.7	2,957.5	3,318.3
Assets				
Gross Block	1,990.0	2,322.2	2,672.2	2,822.2
Less Acc. Dep	851.2	978.9	1,125.9	1,281.1
Net Block	1,138.8	1,343.2	1,546.3	1,541.1
Net Intangibles Assets	10.8	10.8	10.8	10.8
Capital WIP	263.4	263.4	263.4	263.4
Total Fixed Assets	1,413.0	1,617.4	1,820.5	1,815.3
Investments	-	-	-	-
Inventory	465.9	548.7	630.9	717.2
Sundry Debtors	513.3	620.3	713.2	810.8
Loans & Advances	138.3	162.5	186.8	212.4
Cash & Bank Balances	424.4	317.2	324.2	583.3
Other Current Assets	31.8	31.8	31.8	31.8
Total Current Assets	1,573.6	1,680.4	1,886.9	2,355.4
Trade Payable	298.1	350.3	402.8	457.9
Other Current Liabilities	248.9	292.5	336.3	382.3
Provisions	8.0	9.4	10.8	12.2
Net Current Assets	1,018.6	1,028.3	1,137.0	1,503.0
Total Assets	2,431.5	2,645.7	2,957.5	3,318.3

Source: Company, ICICI Direct Research

Exhibit 14: Key ratios

	FY22	FY23E	FY24E	FY25E
Per Share Data (₹)				
EPS - Diluted	23.7	21.4	31.4	36.3
Cash EPS	31.0	29.4	40.6	46.1
Book Value	133.5	146.9	166.2	188.6
Dividend per share	11.0	8.0	12.0	14.0
Operating Ratios (%)				
EBITDA / Net Sales	16.5	13.4	16.0	16.0
PAT / Net Sales	10.2	7.8	10.0	10.1
Inventory Days	46	46	46	46
Debtor Days	51	52	52	52
Creditor Days	29	29	29	29
Return Ratios (%)				
RoNW	17.8	14.6	18.9	19.3
RoCE	21.5	18.4	23.3	24.1
RoC	28.6	22.1	27.8	30.7
Valuation Ratios (x)				
EV / EBITDA	28.1	29.6	21.5	18.6
P/E (Diluted)	46.3	51.3	35.0	30.2
EV / Net Sales	4.6	4.0	3.4	3.0
Market Cap / Sales	4.7	4.0	3.5	3.1
Price to Book Value	8.2	7.5	6.6	5.8
Dividend Yield (%)	1.0	0.7	1.1	1.3
Solvency Ratios (x)				
Net Debt / Equity	(0.1)	(0.1)	(0.1)	(0.1)
Debt/EBITDA	0.2	0.2	0.2	0.1
Current Ratio	2.1	2.1	2.1	2.1
Quick Ratio	1.2	1.2	1.2	1.2

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, Akruiti Trade Centre,
Road No 7, MIDC,
Andheri (East)
Mumbai – 400 093
research@icicidirect.com

ANALYST CERTIFICATION

I/We, Bhupendra Tiwary, CFA, MBA, 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.