

Execution seeing green shoots of recovery...

L&T's adjusted standalone revenues (ex- E&A business) for the quarter de-grew 15.8% YoY to ₹ 15791.7 crore vs. our estimate of ₹ 15102.3 crore. On a standalone basis, infrastructure segment posted a muted performance with revenue decline of 20.4% to ₹ 12451.7 crore YoY. Heavy engineering segment revenue remained flat at ₹ 708.1 crore YoY. On the other hand, power segment revenues saw some respite growing 40.1% to ₹ 688.7 crore. Defence engineering segment revenue de-grew 19.7% to ₹ 768.8 crore. Consequently, for Q2FY21, standalone adjusted PAT (excluding impairments, E&A proceeds) came to ₹ 1051.6 crore, which de-grew 40.8% YoY (above our estimate of ₹ 977.7 crore). On a consolidated basis, adjusted revenues from continuing operations on a like-to-like basis fell 12.2% to ₹ 31034.7 crore on a YoY basis.

Decent order inflows led by infrastructure & services segment

For Q2FY21, L&T registered reasonable order inflows at the group level worth ₹ 28039 crore, which de-grew 42% YoY, on account of deferral of award decisions largely caused by pandemic. International orders for Q2FY21 came in at ₹ 10200 crore, contributing 36% to order inflows. Overall infrastructure segment secured orders worth ₹ 14522 crore (~52% of total inflows), which included international orders in water effluent and power T&D segment, domestic orders for rural water supply, etc. L&T's order backlog was at ₹ 298856 crore, down 1% YoY.

Working capital, cash flows at manageable levels for FY21E

For Q2FY21, the cash flow from operations (CFO) came in robust at ₹ 2770 crore for Q2FY21 (Vs. ₹ 1410 crore in Q2FY20). The company also declared special dividend of ₹ 18 per share. Working capital to sale ratio stood at 26.7% for H1FY21 (Vs. 26.8% in Q1FY21) on account of lower revenue booking and company's intent to support vendors amid challenging business environment. L&T received net of tax cash proceeds of ~11000 crore from transfer of its Electrical & Automation (E&A) business which is likely to be utilised towards a) ₹ 2500 crore for dividends, b) ~₹ 5000 crore towards retirement of debt taken as liquidity buffer during pandemic, c) ₹ 2000 crore towards investment in services business (incl. financial services), d) ₹ 2000 crore allocated towards Hyderabad metro restructuring.

Valuation & Outlook

L&T reported reasonable order inflows while execution is seeing green shoots of a revival despite productivity challenges that could improve over next few months. Also, preservation of working capital and cash proceeds from E&A has provided much needed comfort on the balance sheet front. We expect it to deliver standalone revenue CAGR of 1.2%, EBITDA CAGR of 4.6% in FY20-22E. We value L&T on SoTP (base business at 15.5x FY22E EPS) basis with a target price of ₹ 1045. We maintain our **HOLD** rating.



Particulars

Particular	Amount
Market Capitalization	₹131221.0 crore
Total Debt (FY 20)	₹25786.0 crore
Cash & Inv. (FY 20)	₹3263.0 crore
EV	₹153744 crore
52 week H/L	₹491/ ₹661
Equity capital	₹277.5 Crore
Face value	₹2

Key Highlights

- Q2FY21 order inflow at ₹ 28039 crore at group level, down 42% YoY led by infrastructure segment
- Net working capital stood at 26.7% for H1FY21 (vs. 26.8% in Q1FY21) owing to reduced revenue while absolute working capital was maintained and is expected to remain at this levels.
- We value L&T on SoTP (base business at 15.5x FY22E EPS) with a target price of ₹ 1045. Maintain HOLD rating

Research Analyst

Chirag Shah
shah.chirag@icicisecurities.com

Amit Anwani
amit.anwani@icicisecurities.com

Key Financial Summary

Particulars (₹cro)	FY18	FY19*	FY20*	FY21E*	FY22E*	CAGR (FY20-FY22E)*
Net Sales	74,454.4	82,106.4	82,389.2	65,183.4	84,437.7	1.2%
EBITDA	7,407.7	7,708.7	6,856.3	4,237.9	7,506.0	4.6%
EBITDA Margin (%)	9.9	9.4	8.3	6.5	8.9	
Net Profit	5,387.1	6,107.7	6,876.5	8,531.5	5,840.6	-7.8%
EPS (₹)	38.8	44.0	49.6	61.5	42.1	
P/E (x)	24.1	21.2	18.9	15.2	22.2	
RoNW (%)	11.0	12.2	13.2	15.2	9.8	
RoCE (%)	10.6	10.7	7.5	3.8	7.5	

*E&A business has been now reported as discontinued operations at PAT level. Numbers restated for FY19, FY20, FY21E, FY22E.

Source: Company, ICICI Direct Research

Exhibit 1: Variance Analysis (Standalone)

	Q2FY21	Q2FY21E	Q2FY20	YoY (Chg %)	Q1FY21	QoQ (Chg %)	Comments
Revenue	15,791.7	15,102.3	18,751.7	-15.8	8,150.0	93.8	Like-to-like revenue declined 15.8% YoY aided by service segment
Other Income	935.2	785.3	1,022.2	-8.5	698.3	33.9	Higher other income as liquidity was parked in treasury investments
Employee Expenses	1,402.6	1,487.6	1,547.7	-9.4	1,359.8	3.1	
Raw Material Expenses	12,563.4	11,953.5	15,076.3	-16.7	5,763.9	-54.8	
Other Operating Expense	594.8	453.1	574.7	3.5	444.7	33.8	
EBITDA	1,230.9	1,208.2	1,553.1	-20.7	581.6	111.6	
EBITDA Margin (%)	7.8	8.0	8.3	-49 bps	7.1	66 bps	Margins slightly below estimates on account of higher operating expenses
Depreciation	249.4	256.1	249.7	-0.1	234.8	6.2	
Interest	656.4	695.7	559.1	17.4	708.5	-7.3	
PBT (befor exp. Item)	1,260.2	1,041.7	1,766.5	-28.7	336.7	274.3	
PBT (after exp. Item)	1,260.2	1,041.7	1,766.5	-	336.7	-	
Total Tax	208.6	194.7	-10.2	-2,147.2	55.0	279.2	
Adj. PAT	1,051.6	977.7	1,776.7	-40.8	306.6	479.5	Adjusted PAT (excluding exceptional item and E&A proceeds) below our estimate partly aided by lower tax rate

Key Metrics

Order inflows	16,975.4	14,142.5	22,806.0	-25.6	12,541.4	35.4	Reasonable order inflows in infrastructure segment despite challenges
Order backlog	296,249.9	294,058.1	257,669.8	15.0	295,066.2	0.4	Backlog provides strong visibility for next two to three years

Adjusted for E&A business Source: Company, ICICI Direct Research

Exhibit 2: Change in estimates

	FY21E*			FY22E*			Comments
	Old	New	% Change	Old	New	% Change	
(₹ Crore)							
Revenue	65,173.7	65,183.4	0.0	84,347.0	84,437.7	0.1	Execution impacted by Covid-19
EBITDA	4,205.5	4,237.9	0.8	7,458.6	7,506.0	0.6	
EBITDA Margin (%)	6.5	6.5	0 bps	8.8	8.9	5 bps	
PAT	3,446.6	8,531.5	147.5	6,124.3	5,840.6	-4.6	
EPS (₹)	24.8	61.5	147.5	44.1	42.1	-4.6	

Source: Company, ICICI Direct Research

Exhibit 3: Assumptions

	Current				Earlier		Comments
	FY19	FY20	FY21E*	FY22E*	FY21E	FY22E	
Order Inflow growth	33.6	-12.7	-10.6	63.1	-20.3	49.3	
Order Backlog growth	6.0	14.7	17.5	30.7	13.2	21.3	
Revenue growth	10.3	0.3	-20.9	29.5	-20.9	29.4	Revised due to likely execution challenges amid pandemic
EBITDA Margins	9.4	8.3	6.5	8.9	6.5	8.8	

Source: Company, ICICI Direct Research

Key result highlights

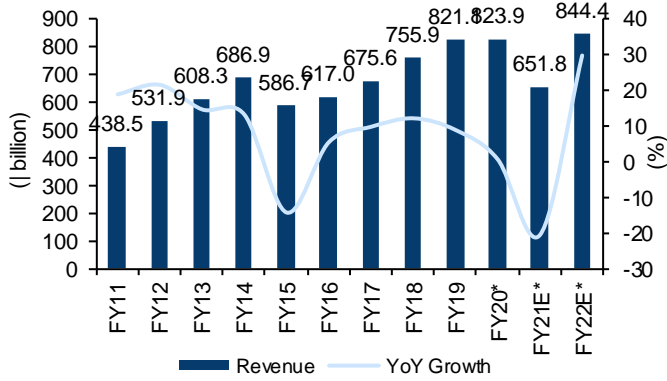
- L&T's adjusted standalone revenues (ex- E&A business) for the quarter de-grew 15.8% YoY to ₹ 15791.7 crore vs. our estimate of ₹ 15102.3 crore. On a standalone basis, infrastructure segment posted a muted performance with revenue decline of 20.4% to ₹ 12451.7 crore YoY. Heavy engineering segment revenue remained flat at ₹ 708.1 crore YoY. On the other hand, power segment revenues saw some respite growing 40.1% to ₹ 688.7 crore. Defence engineering segment revenue de-grew 19.7% to ₹ 768.8 crore
- On a consolidated basis, adjusted revenues from continuing operations on a like-to-like basis (excluding E&A business and including Mindtree) declined 12.2% to ₹ 31034.7 crore YoY. On a consolidated basis, infrastructure segment net revenue de-grew 20.2% YoY to ₹ 13095.7 crore. While hydrocarbon segment registered a revenue decline of 5.9% to ₹ 4049.7 crore, IT & technology segment (including Mindtree) grew 5.0% to ₹ 6199.8 crore, on a like to like basis. Financial services segment de-grew 3.0% to ₹ 3341.9 crore for the quarter while IDPL segment declined 21.5% to ₹ 1139.6 crore
- For Q2FY21, L&T registered reasonable order inflows at group level worth ₹ 28039 crore, which de-grew 42% YoY, on account of deferral of award decisions largely caused by pandemic. International orders for Q2FY21 came in at ₹ 10200 crore, contributing 36% to order inflows. Overall infrastructure segment secured orders worth ₹ 14522 crore (~52% of total inflows), which included international orders in water effluent and power T&D segment, domestic orders for rural water supply, etc. L&T's order backlog was at ₹ 298856 crore, down 1% YoY with international orders constituting 24% of order backlog
- During the quarter, standalone EBITDA margins declined marginally by 50 bps to 7.8% (vs. our estimate of 8.0%) YoY affected by headwinds in execution due to pandemic. On a consolidated basis, EBITDA margins came in at 10.7% (vs. 13.1% in Q2FY20)
- Consequently, for Q2FY21, standalone adjusted PAT (excluding impairments and E&A proceeds) came at ₹ 1051.6 crore, which de-grew 40.8% YoY (above our estimate of ₹ 977.7 crore). Consolidated PAT for Q2FY21 came in at ₹ 1410.3 crore (vs. ₹ 2551.7 crore in Q2FY20) impacted by lower revenue, disruption in metro services, higher credit provision in financial service business
- During the quarter, L&T concluded the transfer of its electrical & automation (E&A) business by transferring the business to Schneider Electric (SE) on August 31, 2020. Accordingly, PAT from discontinued operations includes gain on transfer ₹ 8416.8 crore (net of tax). Also, the company reported exceptional items worth ₹ 2818.7 crore towards a) impairment of funded exposure in heavy forging facility joint venture (₹ 1403.7 crore) and b) impairment of investment in power development business (₹ 1415 crore)
- For Q2FY21, cash generation from operations was robust, which was strongly supplemented by cash proceeds from E&A business. CFO was at ₹ 2770 crore for Q2FY21 (vs. ₹ 1410 crore in Q2FY20). CFO for H1FY21 came in at ₹ 3650 crore. The company also declared special dividend of ₹ 18/share
- Working capital to sale ratio was at 26.7% for H1FY21 (vs. 26.8% in Q1FY21) on account of lower revenue booking and the company's intent to support vendors in a befitting manner amid tight liquidity situation and challenging business environment. As on Q2FY21, debt has increased by ₹ 8900 to ₹ 55700 crore compared to Q4FY20 level

Conference call highlights

- As of now, the company has refrained from providing any guidance on revenue, margins and order inflows for FY21E
- On the labour front, the company had 250000 labourer at various sites leading to near normalisation of pre-Covid levels. However, social distancing and pandemic related issues creating productivity challenges at site, which is expected to gradually normalise in the medium term
- Total 78% of the domestic backlog comes from the central government/state governments (~52%) and PSU (~30%) where the risk of cancellation or deferral are very minimal. Of this, ~50% of the above backlog is funded by multilateral agencies like JICA /ADB World Bank. Government related agencies have been quite accommodative in terms of modification of payment terms/ relaxing milestone payment criteria, etc
- On the ordering pipeline front, L&T expects order prospects to the tune of ₹ 6.1 lakh core for 9MFY21E. Out of this, ₹ 3.5 lakh crore is in infrastructure segment, ₹ 1.2 lakh core is in power, ₹ 1.2 lakh crore is in hydrocarbon and ₹ 0.1 lakh core each in the heavy engineering & material handling segments. Geography wise, ~₹ 4.8 lakh crore order prospects in domestic markets across urban infra, transportation, water, power T&D and ~₹ 1.3 lakh crore in International market across hydrocarbon, power T&D in Middle East, Africa, Asean, Indonesia, Philippines, etc
- L&T completed the E&A deal and received cash proceeds ~₹ 11000 crore after netting off ₹ 250 crore legal expense, ₹ 350 crore debt and working capital obligations, ₹ 400 crore retention for pending obligation and ₹ 2000 crore towards actual tax outflow.
- L&T is likely to utilise E&A proceeds towards a) ₹ 2500 crore towards dividend, b) ~₹ 5000 crore towards retirement of debt taken as liquidity buffer during pandemic, c) ₹ 2000 crore towards investment in services business (including financial services), d) ₹ 2000 crore allocated towards Hyderabad metro restructuring.
- During the quarter, it recognised impairment of ~₹ 3700 crore at group level towards special steel and heavy forgings JV and power development business. (~₹ 1600 crore for Nabha Power, ~₹ 1100 crore towards Singoli Bhatwari Hydro power and ~ ₹ 1000 crore towards heavy forging JV) due to revaluation of carry value of these assets
- The company has identified infrastructure asset to monetise and de-risk its balance sheet including Nabha Power, Hyderabad Metro in medium to long term
- The company is likely to restructure the capital allocation in Hyderabad Metro project for which it is working with SBI to work out a re-financing package, seeking assistance from Telengana government and has allocated ~₹ 2000 crore capital during the quarter. Hyderabad Metro reported net loss of ₹ 450 crore for Q2FY21 owing to impact of pandemic

Financial Story in Charts

Exhibit 4: Trend in revenue growth



*E&A business has been restated as discontinued Ops.

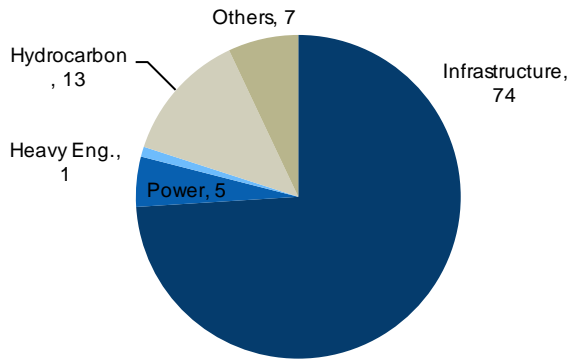
Source: ICICI Direct Research, Company

Exhibit 5: How L&T has fared across business cycles

	Inflow Growth (%)		Revenue Growth (%)	
	Guidance	Achievement	Guidance	Achievement
FY 08	30	40	30-35	45
FY 09	30	28	30	47
FY 10	25-35	41	15-20	14
FY 11	25	14	20	19
FY 12	5	-12	25.00	21
FY 13	15-20	25	15-20	15
FY 14	15-20	15	15	10
FY 15E	20	22	15	3
FY 16	0	-13	15	12
FY 17	15	10.9	15	10
FY 18	0	7	10	9.5
FY 19	10% -12%	16	12% -15%	18
FY 20P	10% -12%	9	12% -15%	8
FY 21E	Not Provided		Not Provided	

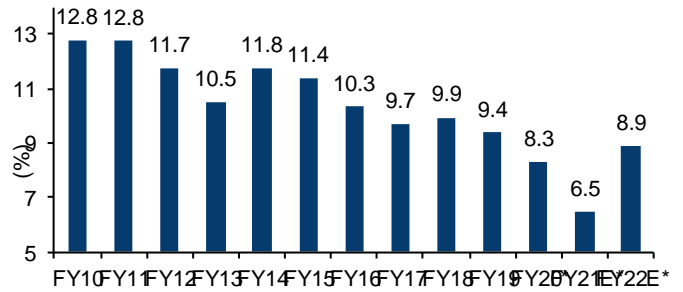
Source: ICICI Direct Research, Company

Exhibit 6: Break-up of consolidated backlog...



Source: Company, ICICI Direct Research

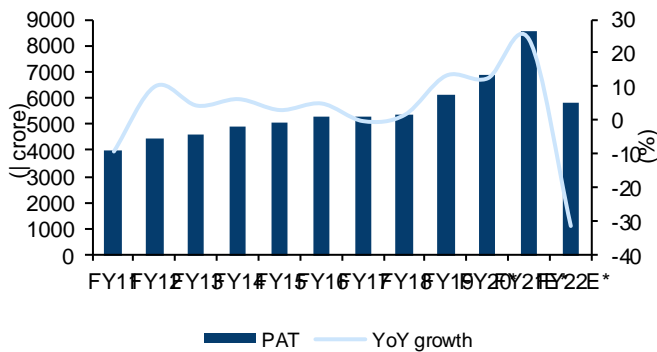
Exhibit 7: Trend in EBITDA margins...



*E&A business has been restated as discontinued ops.

Source: Company, ICICI Direct Research

Exhibit 8: Trend in profitability...



*E&A business has been restated as discontinued ops.

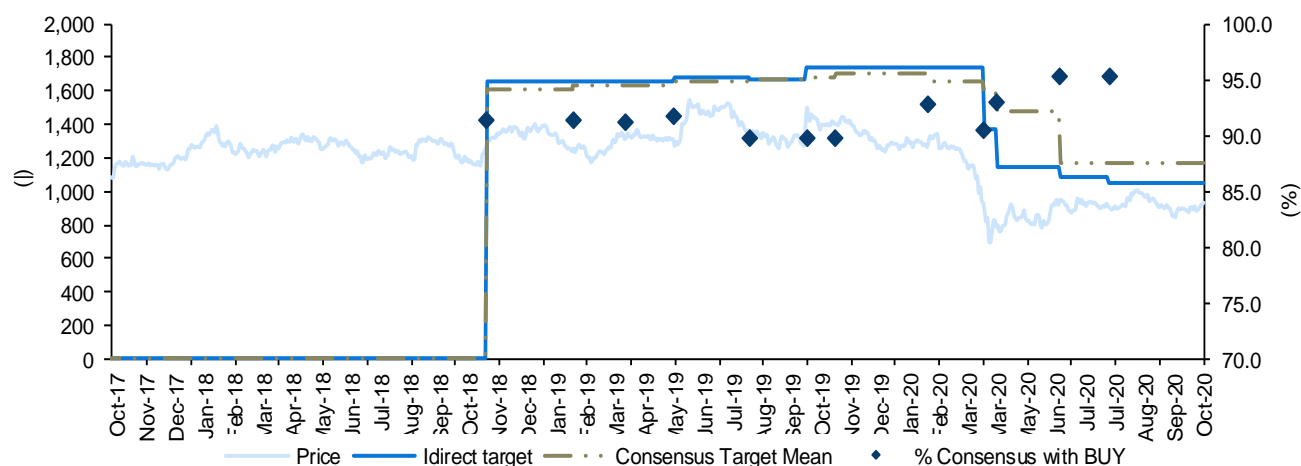
Source: Company, ICICI Direct Research

Exhibit 9: SoTP valuation of L&T

Company (Per share)	Bull case	% of total	Base Case	% of total	Bear Case	% of total
Base Business	823	56.9	652.6	62.5	581.0	71.7
L&T Finance Holdings	39	2.7	38	3.6	23	2.8
L&T IT Subsidiaries	294	20.3	220	21.1	128.5	15.9
L&T Power Developn	18	1.2	6.9	0.7	7.7	0.9
L&T MHI JV	13	0.9	5.0	0.5	5.7	0.7
L&T IDPL	131	9.1	42.2	4.0	30.9	3.8
Other E&C, MIP & E&I	29	2.0	12.2	1.2	12.3	1.5
Hydrocarbon	30	2.1	10	0.9	1	0.1
Others (Mindtree)	70.4	4.9	56.6	5.4	20.4	2.5
Total	1447	100.0	1044	100.0	810	100.0

Source: Company, ICICI Direct Research

Exhibit 10: Recommendation History vs. Consensus



Source: Bloomberg, Company, ICICI Direct Research

Exhibit 11: Top 10 Shareholders

Rank	Investor Name	Filing Date	% O/S	Position (%)	Change
1	Life Insurance Corp	30-Jun-20	14.9	209.18m	0.00m
2	L&T Employees Trust	30-Jun-20	13.4	187.72m	0.00m
3	Hdfc Trustee Co Ltd/	30-Jun-20	4.4	62.06m	62.06m
4	Hdfc Asset Managemen	30-Jun-20	4.4	62.06m	(0.92)m
5	Sbi Funds Management	30-Sep-20	3.7	51.93m	(0.59)m
6	Republic Of Singapor	30-Jun-20	2.3	31.59m	0.00m
7	Icici Prudential Lif	30-Jun-20	1.8	25.56m	0.00m
8	General Insurance Co	30-Jun-20	1.8	25.26m	0.00m
9	Icici Prudential Ass	30-Jun-20	1.8	24.75m	24.75m
10	Icici Prudential Ass	30-Sep-20	1.8	24.56m	1.09m

Source: Reuters, ICICI Direct Research

Exhibit 12: Shareholding Pattern

(in %)	Sep-19	Dec-19	Mar-20	Jun-20	Sep-20
Promoter	0.0	0.0	0.0	0.0	0.0
FII	19.5	18.8	16.9	18.8	17.9
DII	37.8	37.7	38.4	36.5	36.1
Others	42.7	43.5	44.7	44.7	46.0

Source: Company, ICICI Direct Research

Financial summary

Exhibit 13: Profit and loss statement				
	₹ crore			
(Year-end March)	FY19*	FY20*	FY21E*	FY22E*
Total operating Inco	82,106.4	82,389.2	65,183.4	84,437.7
Growth (%)	10.3	0.3	-20.9	29.5
Raw Material Expenses	6,705.4	7,031.9	6,720.8	9,004.5
Employee Expenses	6,042.9	5,926.9	5,537.6	6,102.8
Other Operating Expen:	51,211.4	51,938.7	38,651.1	50,557.5
Sales, admin & Other E:	2,531.0	2,696.8	2,502.9	3,092.2
Other Mfg. Expenses	7,907.0	7,938.5	7,533.1	8,174.8
Total Operating Expend	74,397.7	75,532.8	60,945.5	76,931.8
EBITDA	7,708.7	6,856.3	4,237.9	7,506.0
Growth (%)	4.1	-11.1	-38.2	77.1
Depreciation	1,051.4	985.2	1,102.7	1,167.9
Interest	1,678.0	2,194.2	2,700.5	2,113.3
Other Income	2,924.7	2,918.9	3,203.9	2,928.9
PBT	7,904.1	6,595.8	3,638.6	7,153.7
Others	0.0	0.0	0.0	0.0
Total Tax	2,271.3	1,000.3	797.0	1,313.1
PAT (inc. Exc. Item s)	6,107.7	6,876.5	8,531.5	5,840.6
Growth (%)	13.4	12.6	24.1	-31.5
EPS (₹)	44.0	49.6	61.5	42.1

*E&A business has been restated as discontinued ops.

Source: Company, ICICI Direct Research

Exhibit 15: Balance sheet				
	₹ crore			
(Year-end March)	FY19	FY20	FY21E	FY22E
Liabilities				
Equity Capital	280.6	280.8	280.8	280.8
Reserve and Surplus	49,660.9	51,794.7	55,783.4	59,270.2
Total Shareholders funi	49,941.5	52,075.4	56,064.2	59,551.0
Total Debt	11,989.7	25,785.3	25,935.3	24,935.3
Deferred Tax Liability	0.0	0.0	0.0	0.0
Minority Interest / Other	0.0	0.0	0.0	0.0
Total Liabilities	62,618.0	78,775.9	83,014.6	85,516.4
Assets				
Gross Block	12,170.5	11,872.8	12,672.8	14,172.8
Less: Acc Depreciation	3,807.2	4,529.0	5,559.0	6,649.4
Net Block	8,363.3	7,343.8	7,113.8	7,523.4
Capital WIP	567.3	796.6	400.0	900.0
Total Fixed Assets	8,930.6	8,140.3	7,513.8	8,423.4
Investments	27,790.7	34,710.0	35,010.0	34,510.0
Inventory	3,349.2	2,769.9	3,052.0	3,055.3
Debtors	28,212.6	27,913.0	28,573.5	30,073.7
Loans and Advances	1,305.9	515.1	1,049.3	1,315.0
Other Current Assets	45,864.6	54,439.6	56,111.5	57,035.1
Cash	2,733.6	3,263.0	2,949.3	5,488.3
Total Current Assets	81,465.9	88,900.6	91,735.5	96,967.4
Creditors	36,225.0	36,629.4	34,824.0	37,013.8
Provisions	1,483.6	1,555.4	1,584.5	1,702.6
Total Current Liabilities	62,041.7	62,780.7	61,091.2	63,007.6
Net Current Assets	19,424.2	26,119.9	30,644.3	33,959.9
Others Assets	0.0	0.0	0.0	0.0
Application of Funds	62,618.0	78,775.9	83,014.6	85,516.4

Source: Company, ICICI Direct Research

Exhibit 14: Cash flow statement				
	₹ crore			
(Year-end March)	FY19	FY20	FY21E	FY22E
Profit after Tax	6,107.7	6,876.5	8,531.5	5,840.6
Add: Depreciation	1,051.4	985.2	1,102.7	1,167.9
(Inc)/dec in Current Assets	-7,992.8	-6,905.3	-3,148.6	-2,692.9
Inc/(dec) in CL and Provisic	6,890.8	739.0	-1,689.5	1,916.3
Others	-	-	-	-
CF from operating activi	6,057.0	1,695.4	4,796.1	6,232.0
(Inc)/dec in Investments	545.1	-6,919.3	-300.0	500.0
(Inc)/dec in Fixed Assets	-3,263.8	-291.8	-403.5	-2,000.0
Others	0.0	0.0	0.0	0.0
CF from investing activi	-2,702.3	-10,212.1	-717.1	-339.2
Issue/(Buy back) of Equity	0.3	0.2	0.0	0.0
Inc/(dec) in loan funds	0.0	0.0	0.0	0.0
Dividend paid & dividend ta	-2,596.8	-4,159.2	-4,714.8	-2,525.8
Inc/(dec) in Sec. premium	109.0	127.6	50.0	50.0
Others	0.0	7.6	0.0	0.0
CF from financing activi	-3,804.9	9,046.1	-4,392.8	-3,353.8
Net Cash flow	-450.1	529.4	-313.7	2,539.0
Opening Cash	3,183.8	2,733.6	3,263.0	2,949.3
Closing Cash	2,733.6	3,263.0	2,949.3	5,488.3

Source: Company, ICICI Direct Research

Exhibit 16: Key ratios				
	₹ crore			
(Year-end March)	FY19*	FY20*	FY21E*	FY22E*
Per share data (₹)				
EPS	44.0	49.6	61.5	42.1
Cash EPS	51.6	56.7	69.4	50.5
BV	360.7	376.1	404.8	430.0
DPS	16.0	28.0	28.0	15.0
Cash Per Share	19.7	23.5	21.3	39.6
Operating Ratios (%)				
EBITDA Margin	9.4	8.3	6.5	8.9
PBT / Total Operating incon	10.2	9.6	14.3	8.5
PAT Margin	7.4	8.3	13.1	6.9
Inventory days	13.0	13.6	16.3	13.2
Debtor days	125.4	123.7	160.0	130.0
Creditor days	161.0	162.3	195.0	160.0
Return Ratios (%)				
RoE	12.2	13.2	15.2	9.8
RoCE	10.7	7.5	3.8	7.5
RoIC	11.2	7.9	3.9	8.7
Valuation Ratios (x)				
P/E	21.2	18.9	15.2	22.2
EV / EBITDA	18.0	22.2	36.0	19.9
EV / Net Sales	1.7	1.8	2.3	1.8
Market Cap / Sales	1.6	1.6	2.0	1.5
Price to Book Value	2.6	2.5	2.3	2.2
Solvency Ratios				
Debt/EBITDA	1.6	3.8	6.1	3.3
Debt / Equity	0.2	0.5	0.5	0.4
Current Ratio	1.3	1.4	1.5	1.5
Quick Ratio	1.3	1.4	1.5	1.5

*Adjusted for E&A business

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 and Amit Anwani, MBA (Finance), 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 icidirect.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 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.