

27 February 2018

## KEI Industries

*Bright growth prospects; maintaining a Buy*

Reinforcing our positive view is KEI's strong Q3 performance, driven by its EPC and retail sales. We believe the growth trend would continue due to its focus on execution of its strong order book, expanding dealer network, rising exports and brand promotion to drive retail sales. A better mix favouring EHV cables and retail sales would also aid margin expansion. We retain our Buy recommendation, with a revised target of ₹447 (earlier ₹413).

**EPC's strong performance continues.** Q3 revenue of the EPC division grew 11.2% y/y (in 9M FY18 up 41.5% from a year earlier). With a strong, ₹12.9bn EPC order book and an L1 tender of ₹4.26bn, the focus is more on better execution. Greater spending by state transmission companies and the Railways augur well for KEI.

**More dealers, branding, promotion to drive retail sales.** KEI's 9M FY18 retail sales rose 40% y/y to ₹7.91bn, bringing ~34% to sales. Ahead, following more dealers and branding & promotions it expects this segment to grow fast and bring over 40% to sales.

**EHV cable sales to double in FY19.** From ₹1.16bn of sales in 9M FY18 and ₹2bn of L1 orders, sales of EHV cables are expected to more than double in FY19 to ₹3.5bn, aiding overall revenue growth and margin expansion.

**Exports – a temporary miss in Q3; outlook yet robust.** Some orders being deferred led to exports stepping down 6% y/y in Q3; that would be made up in coming quarters. This segment is expected to grow ~15% in the next few years.

**Valuation.** A sturdy, ₹23.3bn, order book plus an L1 tender of ₹4.26bn provides strong revenue assurance. We expect revenue, EBITDA and PAT to clock respectively 18%, 20% and 30% CAGRs over FY17-20. Hence, we retain our Buy rating. **Risks.** Volatile raw material costs, rising interest rates.

Key financials (YE Mar)	FY16	FY17	FY18e	FY19e	FY20e
Sales (₹ m)	23,256	26,691	32,865	37,621	43,414
Net profit (₹ m)	622	986	1,301	1,606	2,190
EPS (₹)	7.9	12.6	16.6	20.5	28.0
PE (x)	47.2	29.8	22.6	18.3	13.4
EV / EBITDA (x)	14.2	13.2	11.1	9.5	7.6
PBV (x)	8.0	6.2	4.9	4.0	3.1
RoE (%)	18.5	23.5	24.4	24.0	25.9
RoCE (%)	17.3	17.8	15.9	16.6	18.6
Dividend yield (%)	0.1	0.2	0.3	0.3	0.4
Net debt / equity (x)	1.3	1.4	1.1	0.9	0.7

Source: Company, Anand Rathi Research

Rating: **Buy**

Target Price: ₹447

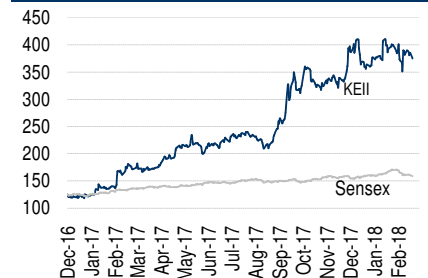
Share Price: ₹375

Key data	KEI IN / KEIN.BO
52-week high / low	₹424 / 167
Sensex / Nifty	34446 / 10583
3-m average volume	\$3.3m
Market cap	₹30bn / \$465m
Shares outstanding	78m

Shareholding pattern (%)	Dec'17	Sep'17	Jun'17
Promoters	46.3	46.3	46.6
- of which, Pledged	-	-	-
Free float	53.7	53.7	53.4
- Foreign institutions	6.4	5.5	4.0
- Domestic institutions	13.0	13.8	18.6
- Public	34.4	34.4	30.8

Estimates revision (%)	FY18e	FY19e	FY20e
Sales	3.7	3.1	3.5
EBITDA	(4.0)	(4.0)	3.1
PAT	5.3	(1.9)	9.8

### Relative price performance



Source: Bloomberg

**Ashish Poddar**

Research Analyst

+9122 66266407

ashishpoddar@rathi.com

**Surbhi Lodha**

surbhilodha@rathi.com

Anand Rathi Share and Stock Brokers Limited (hereinafter "ARSSBL") is a full-service brokerage and equities-research firm and the views expressed therein are solely of ARSSBL and not of the companies which have been covered in the Research Report. This report is intended for the sole use of the Recipient. Disclosures and analyst certifications are present in the Appendix.

## Quick Glance – Financials and Valuations

**Fig 1 – Income statement (₹ m)**

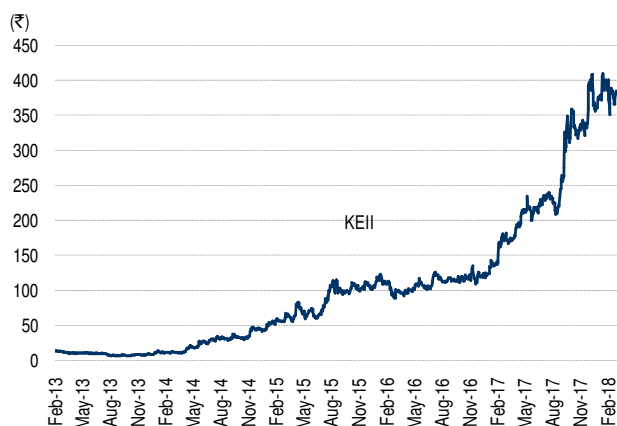
Year-end: Mar	FY16	FY17	FY18e	FY19e	FY20e
Net revenues	23,256	26,691	32,865	37,621	43,414
Growth (%)	14.5	14.8	23.1	14.5	15.4
Direct costs	16,475	18,654	22,959	26,335	30,259
SG&A	4,359	5,293	6,673	7,487	8,466
<b>EBITDA</b>	<b>2,423</b>	<b>2,743</b>	<b>3,232</b>	<b>3,800</b>	<b>4,689</b>
EBITDA margins (%)	10.4	10.3	9.8	10.1	10.8
- Depreciation	253	280	326	370	390
Other income	53	104	119	113	130
Interest expenses	1,270	1,229	1,104	1,109	1,111
PBT	953	1,338	1,922	2,434	3,319
Effective tax rate (%)	34.8	26.3	32.3	34.0	34.0
+ Associates / (minorities)	-	-	-	-	-
Net Income	622	986	1,301	1,606	2,190
Adjusted income	622	986	1,301	1,606	2,190
WANS	78	78	78	78	78
FDEPS (₹ / sh)	7.9	12.6	16.6	20.5	28.0
FDEPS growth (%)	81.6	58.6	31.9	23.4	36.3
Gross margins (%)	29.2	30.1	30.1	30.0	30.3

**Fig 3 – Cash-flow statement (₹ m)**

Year-end: Mar	FY16	FY17	FY18e	FY19e	FY20e
PBT	953	1,338	1,922	2,434	3,319
+ Non-cash items	380	345	326	370	390
Oper. prof. before WC	1,333	1,683	2,248	2,804	3,708
- Incr. / (decr.) in WC	653	2,457	722	1,313	1,462
Others incl. taxes	331	351	621	828	1,128
Operating cash-flow	349	-1,126	905	663	1,118
- Capex (tang. + intang.)	801	793	600	750	400
Free cash-flow	-452	-1,919	305	-87	718
Acquisitions					
- Div. (incl. buyback & taxes)	46	56	94	113	141
+ Equity raised	-	55	1	-	-
+ Debt raised	457	2,149	-100	-100	-200
- Fin investments	-0	-	-	-	-
- Misc. (CFI + CFF)	(52)	(83)	0	-	0
Net cash-flow	11	312	112	-300	377

Source: Company, Anand Rathi Research

**Fig 5 – Price movement**



Source: Bloomberg

**Fig 2 – Balance sheet (₹ m)**

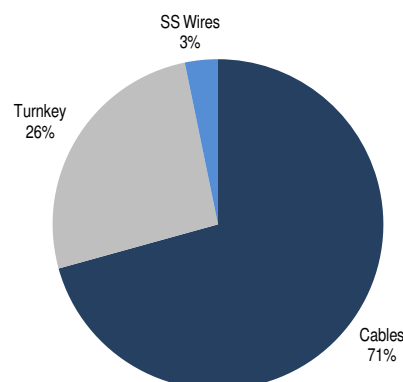
Year-end: Mar	FY16	FY17	FY18e	FY19e	FY20e
Share capital	154	156	157	157	157
Net worth	3,666	4,735	5,943	7,436	9,485
Total debt	4,982	7,131	7,031	6,931	6,731
Minority interest	-	-	-	-	-
DTL / (assets)	362	427	427	427	427
<b>Capital employed</b>	<b>9,010</b>	<b>12,293</b>	<b>13,401</b>	<b>14,794</b>	<b>16,643</b>
Net tangible assets	3,279	4,054	4,360	4,740	4,751
Net intangible assets	-	-	-	-	-
Goodwill	-	-	-	-	-
CWIP (tang. & intang.)	293	32	-	-	-
Investments (strategic)	31	31	31	31	31
Investments (financial)	-	-	-	-	-
Current assets (ex cash)	10,968	13,623	15,628	17,930	20,549
Cash	58	370	481	181	558
Current liabilities	5,619	5,817	7,100	8,089	9,247
Working capital	5,349	7,806	8,528	9,841	11,303
<b>Capital deployed</b>	<b>9,010</b>	<b>12,293</b>	<b>13,401</b>	<b>14,794</b>	<b>16,643</b>
Contingent liabilities	3,334	4,161	-	-	-

**Fig 4 – Ratio analysis**

Year-end: Mar	FY16	FY17	FY18e	FY19e	FY20e
P/E (x)	47.2	29.8	22.6	18.3	13.4
EV / EBITDA (x)	14.2	13.2	11.1	9.5	7.6
EV / sales (x)	1.5	1.4	1.1	1.0	0.8
P/B (x)	8.0	6.2	4.9	4.0	3.1
RoE (%)	18.5	23.5	24.4	24.0	25.9
RoCE (%) - after tax	17.3	17.8	15.9	16.6	18.6
ROIC	17.4	18.1	16.5	17.0	19.0
DPS (₹ / sh)	0.5	0.6	1.0	1.2	1.5
Dividend yield (%)	0.1	0.2	0.3	0.3	0.4
Dividend payout (%) - incl. DDT	6.2	4.7	6.0	5.9	5.4
Net debt / equity (x)	1.3	1.4	1.1	0.9	0.7
Receivables (days)	81	88	89	89	89
Inventory (days)	75	69	73	73	74
Payables (days)	95	84	85	85	85
CFO:PAT %	56.1	-114.1	69.5	41.3	51.1

Source: Company, Anand Rathi Research

**Fig 6 – Segment-wise revenue break-up (9M FY18)**



Source: Company

# Strong growth continues

## EPC division – robust performance continues

The robust performance of the EPC division continued. It registered 11.2% y/y revenue growth in Q3 FY18 (up 41.5% in 9M FY18). The company executed turnkey orders of ₹500m for the Railways and expects strong growth in this segment. With a strong ₹12.9bn EPC order book and an L1 tender of ₹4.26bn, the focus now is on better execution. Greater spending by state transmission companies augurs well for the company.

## More retail sales in the mix

Retail sales in 9M FY18 rose 40% y/y to ₹7.91bn and brought ~34% to sales. KEI expects this segment to grow fast and contribute over 40% to sales in the next few years. For this, it is focusing on branding and promotions via different media to increase its presence in the retail category and through engaging dealers and channel partners via different activities (conferences and others). Its active number of working dealers is 1,208, which the company expects to increase by 10-12% in coming years to further penetrate the retail segment. It will also focus on greater revenues from existing dealers.

## After a strong H1, exports fell in Q3; likely to be made up for in Q4

After a strong H1 (sales up 31% y/y), Q3 FY18 exports fell 6% y/y as some orders were deferred. The company believes this will be made up in Q4 and expects this segment to grow at least 10-15% annually in the next few years.

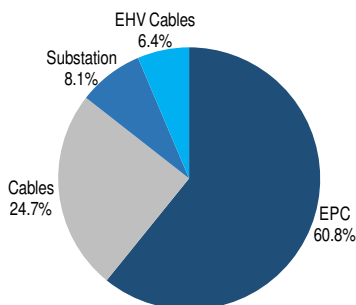
## EHV cables sales to double in FY19

Sales of the EHV cable division are expected to more than double in FY19 to ₹3.5bn. This will help in overall revenue growth and margin expansion. This division had ₹1.16bn of sales in 9M FY18 and is L1 for orders of ₹2bn.

## New LT cable capacity to start production in Apr/May'18

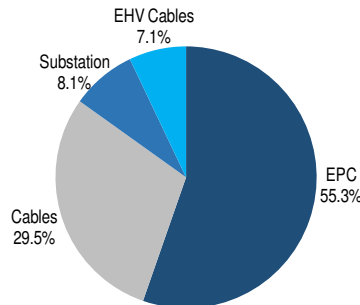
On a ₹500m investment, the LT cable capacity expansion at Pathredi near Chopanki is progressing well and is expected to be commissioned in Apr/May'18. At full utilisation, the new capacity could generate ₹3bn revenue a year. No further capex has been planned by the company at present.

Fig 7 – Order-book mix – Sep'17



Source: Company, Anand Rathi Research

Fig 8 – Order-book mix – Dec'17



Source: Company, Anand Rathi Research

Fig 9 – Financials

(₹ m)	Q3 FY17	Q4 FY17	Q1 FY18	Q2 FY18	Q3 FY18	% y/y	% q/q	9M FY18	9M FY17	% y/y
Total Income	7,150	7,398	7,909	7,488	8,887	24	19	24,284	18,892	29
Raw material costs	4,832	5,390	5,500	5,242	6,212	29	19	16,954	12,886	32
Employee costs	287	311	345	345	369	28	7	1,059	799	33
Other expenses	1,262	961	1,296	1,139	1,462	16	28	3,897	3,246	20
<b>EBITDA</b>	<b>768</b>	<b>736</b>	<b>768</b>	<b>763</b>	<b>843</b>	<b>10</b>	<b>11</b>	<b>2,374</b>	<b>1,961</b>	<b>21</b>
Depreciation	71	77	80	81	82	15	2	243	207	17
Finance costs	340	304	299	274	251	(26)	(8)	825	943	(13)
Other income	4	73	16	10	73	1,927	611	99	32	210
<b>PBT</b>	<b>361</b>	<b>428</b>	<b>404</b>	<b>418</b>	<b>583</b>	<b>62</b>	<b>39</b>	<b>1,405</b>	<b>844</b>	<b>67</b>
Tax	102	112	130	133	192	89	44	455	259	76
<b>PAT</b>	<b>259</b>	<b>316</b>	<b>275</b>	<b>285</b>	<b>390</b>	<b>51</b>	<b>37</b>	<b>950</b>	<b>585</b>	<b>62</b>
EPS (₹)	3.33	4.1	3.5	3.6	5.0	50	37	12.1	7.5	61
<b>As % Total Income</b>						<b>YoY (bps)</b>	<b>QoQ (bps)</b>			<b>YoY (bps)</b>
<b>Gross margin</b>	<b>32.4</b>	<b>27.1</b>	<b>30.5</b>	<b>30.0</b>	<b>30.1</b>	<b>(232)</b>	<b>9</b>	<b>30.2</b>	<b>31.8</b>	<b>(161)</b>
Employee costs	4.0	4.2	4.4	4.6	4.2	14	(45)	4.4	4.2	13
Other expenses	17.7	13.0	16.4	15.2	16.5	(120)	124	16.0	17.2	(113)
<b>EBITDA margin</b>	<b>10.7</b>	<b>9.9</b>	<b>9.7</b>	<b>10.2</b>	<b>9.5</b>	<b>(126)</b>	<b>(70)</b>	<b>9.8</b>	<b>10.4</b>	<b>(61)</b>
Depreciation	1.0	1.0	1.0	1.1	0.9	(7)	(15)	1.0	1.1	(9)
Finance costs	4.8	4.1	3.8	3.7	2.8	(192)	(83)	3.4	5.0	(159)
<b>PBT</b>	<b>5.0</b>	<b>5.8</b>	<b>5.1</b>	<b>5.6</b>	<b>6.6</b>	<b>151</b>	<b>97</b>	<b>5.8</b>	<b>4.5</b>	<b>132</b>
Effective tax rate	28.3	26.2	32.0	31.9	33.0	476	115	32.4	30.7	171
<b>PAT</b>	<b>3.6</b>	<b>4.3</b>	<b>3.5</b>	<b>3.8</b>	<b>4.4</b>	<b>77</b>	<b>59</b>	<b>3.9</b>	<b>3.1</b>	<b>82</b>
<b>Segment Revenues</b>										
Cables	5,832	6,611	6,170	5,967	7,004	20.1	17.4	19,141	16,182	18.3
Stainless Steel	289	314	291	302	281	(2.6)	(6.9)	874	821	6.4
Turnkey Projects	2,199	1,759	2,952	1,671	2,445	11.2	46.3	7,068	4,995	41.5
<b>Mix (%)</b>										
Cables	76.3	82.5	74.9	79.2	78.8			77.6	79.4	
Stainless Steel	3.8	3.9	3.5	4.0	3.2			3.5	4.0	
Turnkey Projects	28.8	22.0	35.8	22.2	27.5			28.7	24.5	
<b>EBIT (%)</b>										
Cables	12.5	11.4	11.2	12.9	11.1			11.7	11.7	
Stainless Steel	10.1	4.2	0.5	8.6	7.0			5.4	7.8	
Turnkey Projects	8.0	7.4	10.6	18.3	10.8			12.5	9.9	
<b>Total</b>	<b>11.9</b>	<b>11.2</b>	<b>11.2</b>	<b>12.2</b>	<b>11.9</b>			<b>11.8</b>	<b>12.1</b>	

Source: Company, Anand Rathi Research

## Q3 FY18 Conference call highlights

### Q3/9M FY18 – results and key developments

- Driven by price hikes and 19% y/y growth in cable volumes, Q3 FY18 net sales rose 24% y/y. 9M FY18 net sales were up 29%, aided by 19% y/y growth in cable volumes. Q4 is expected to be on similar lines.
- Some deferred orders pulled down Q3 exports (12% of revenue). These are expected to be filled in Q4. The company expects this segment to grow 10-15% a year.
- It completely passes on any higher RM costs.

- An additional one-time cost (₹50m) in Q3 FY18 for R&D testing of the newly established 400kVA capacity (EHV cables) had a bearing on the margin.
- Other income included a ~₹60m forex gain in Q3 FY18 (on import of raw material), against a ₹10 gain the year earlier.
- Gross debt was ~₹7bn – long term ₹1.97bn, working capital ₹2.48bn, unsecured ₹360m, buyer's credit ₹1.91bn, bill discounting ₹910m.

**Pending orders were ~₹23.3bn:** a ₹12.9bn EPC order, substation ₹1.88bn and cable order ₹8.53bn (including export orders of ₹1.73bn and an EHV cable order of ₹1.65bn), besides an L1 EPC tender of ₹4.26bn.

**Sales of the EHV cable division** are expected to more than double in FY19 to ₹3.5bn. This would help revenue growth and margin expansion. This division had ₹1.16bn of sales in 9M FY18 and is L1 for orders of ₹2bn.

**Railways:** The company executed turnkey orders of ₹500m and expects this segment to grow strongly.

**Capex:** The LT cable expansion at Pathredi near Chopanki is going well on investment of ₹500m and is expected to be commissioned in Apr/May'18. This could generate ₹3bn/year in revenue at full utilisation. No further capex has been planned at present.

**Branding and promotions:** The company is focusing on branding and promotions via different media to increase its presence in the retail category. It is also engaging dealers/channel partners via conferences and others

Of the ₹400bn **cable and wire market in India**, 25% is unregulated. KEI enjoys an ~8% market share in the regulated (or formal) segment.

- Demand in the cable sector is expected to grow 12-15% owing to the focus on improving infrastructure, the Railways, etc.

The company sees no direct competition from unregulated operators, who focus on low-priced cable markets

### Outlook

- The company expects 18-20% volume growth in cables in FY18 and FY19
- Retail sales are expected to grow fast and bring more than 40% to sales in the next few years (from ~34% now).
- The number of active dealers is now 1,208 (up 11% since end-Q3 FY17). The company expects to increase this by 10-12% in coming years to further penetrate the retail segment. Besides, it will focus on increasing revenue from existing dealers.
- The effective tax rate in FY18 would be 29%. The company had earlier been paying the MAT.

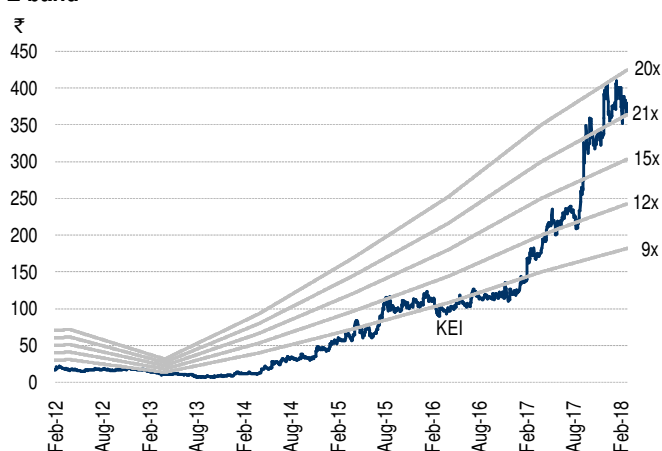
## Valuation

Greater spending in the infrastructure and power T&D sectors provides immense opportunities to KEI's institutional business. Its sharper focus on expanding its dealer network and on brand building would help it gain a foothold in retail. The wider reach and greater acceptability of its products overseas would give it a higher share in exports.

Its robust order book of ₹23.3bn plus the L1 tender of ₹4.26bn provides strong revenue assurance. We expect revenue, EBITDA and PAT to register respectively 18%, 20% and 30% CAGRs over FY17-20.

We maintain our Buy recommendation on the stock, with a revised target price of ₹447 (16x FY20e EPS).

**Fig 10 – PE band**



Source: Bloomberg, Anand Rathi Research

**Fig 11 – Peer Valuation**

	M-cap	Revenue	PAT	EBITDA margin		RoE %		P/E (x)	
	₹ bn	CAGR (FY17-20e) %	FY19e	FY19e	FY20e	FY19e	FY20e	FY19e	FY20e
KEI Inds. (AR est.)	29.9	17.6	30.5	10.1	10.8	24.0	25.9	18.3	13.4
KEI Inds.	29.9	19.1	30.8	10.3	11.2	26.7	25.3	16.4	13.6
Havells	319.5	22.5	26.9	12.7	13.1	21.3	23.0	38.2	31.4
Finolex Cables	107.8	13.7	169.9	14.8	14.8	19.0	18.0	21.0	18.3
V-Guard	99.2	14.6	22.3	10.7	11.3	25.6	26.3	45.3	36.1

Source: Company

### Risks

- **Volatile raw-material prices.** Raw material (copper, aluminium) make up most of KEI's expenses. While its policy is to pass on any cost increases, its inability in the present tough business context could eat into its margins and earnings.
- **Higher interest rate.** KEI pays ~40% of its EBITDA as interest cost. Any material change in the borrowing rate may cut its earnings.

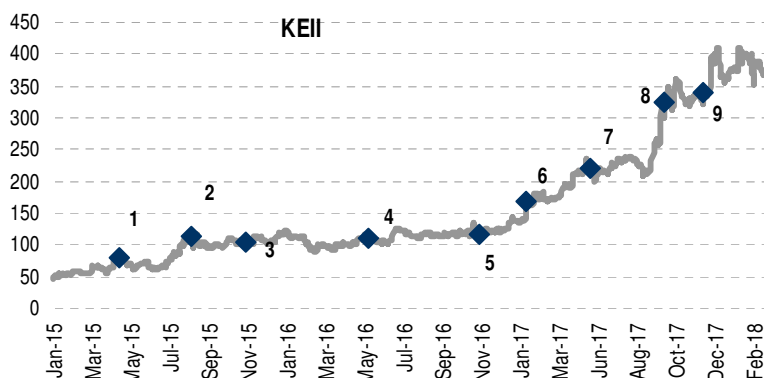
## Appendix

### Analyst Certification

The views expressed in this Research Report accurately reflect the personal views of the analyst(s) about the subject securities or issuers and no part of the compensation of the research analyst(s) was, is, or will be directly or indirectly related to the specific recommendations or views expressed by the research analyst(s) in this report. The research analysts are bound by stringent internal regulations and also legal and statutory requirements of the Securities and Exchange Board of India (hereinafter "SEBI") and the analysts' compensation are completely delinked from all the other companies and/or entities of Anand Rathi, and have no bearing whatsoever on any recommendation that they have given in the Research Report.

### Important Disclosures on subject companies

#### Rating and Target Price History (as of 27 February 2018)



	Date	Rating	TP (₹)	Share Price (₹)
1	17-Apr-15	Buy	128	83
2	10-Aug-15	Buy	150	128
3	07-Nov-15	Buy	156	103
4	24-May-16	Buy	151	112
5	17-Nov-16	Buy	160	117
6	03-Feb-17	Buy	202	168
7	15-May-17	Buy	276	220
8	15-Sep-17	Buy	379	312
9	16-Nov-17	Buy	413	322

### Anand Rathi Ratings Definitions

Analysts' ratings and the corresponding expected returns take into account our definitions of Large Caps (>US\$1bn) and Mid/Small Caps (<US\$1bn) as described in the Ratings Table below:

#### Ratings Guide (12 months)

	Buy	Hold	Sell
Large Caps (>US\$1bn)	>15%	5-15%	<5%
Mid/Small Caps (<US\$1bn)	>25%	5-25%	<5%

### Research Disclaimer and Disclosure inter-alia as required under Securities and Exchange Board of India (Research Analysts) Regulations, 2014

Anand Rathi Share and Stock Brokers Ltd. (hereinafter refer as ARSSBL) (Research Entity) is a subsidiary of Anand Rathi Financial Services Ltd. ARSSBL is a corporate trading and clearing member of Bombay Stock Exchange Ltd, National Stock Exchange of India Ltd. (NSEIL), Multi Stock Exchange of India Ltd (MCX-SX), United Stock Exchange and also depository participant with National Securities Depository Ltd (NSDL) and Central Depository Services Ltd. ARSSBL is engaged in the business of Stock Broking, Depository Participant and Mutual Fund distributor.

The research analysts, strategists, or research associates principally responsible for the preparation of Anand Rathi research have received compensation based upon various factors, including quality of research, investor client feedback, stock picking, competitive factors and firm revenues.

**General Disclaimer:** This Research Report (hereinafter called "Report") is meant solely for use by the recipient and is not for circulation. This Report does not constitute a personal recommendation or take into account the particular investment objectives, financial situations, or needs of individual clients. The recommendations, if any, made herein are expression of views and/or opinions and should not be deemed or construed to be neither advice for the purpose of purchase or sale of any security, derivatives or any other security through ARSSBL nor any solicitation or offering of any investment/trading opportunity on behalf of the issuer(s) of the respective security (ies) referred to herein. These information / opinions / views are not meant to serve as a professional investment guide for the readers. No action is solicited based upon the information provided herein. Recipients of this Report should rely on information/data arising out of their own investigations. Readers are advised to seek independent professional advice and arrive at an informed trading/investment decision before executing any trades or making any investments. This Report has been prepared on the basis of publicly available information, internally developed data and other sources believed by ARSSBL to be reliable. ARSSBL or its directors, employees, affiliates or representatives do not assume any responsibility for, or warrant the accuracy, completeness, adequacy and reliability of such information / opinions / views. While due care has been taken to ensure that the disclosures and opinions given are fair and reasonable, none of the directors, employees, affiliates or representatives of ARSSBL shall be liable for any direct, indirect, special, incidental, consequential, punitive or exemplary damages, including lost profits arising in any way whatsoever from the information / opinions / views contained in this Report. The price and value of the investments referred to in this Report and the income from them may go down as well as up, and investors may realize losses on any investments. Past performance is not a guide for future performance. ARSSBL does not provide tax advice to its clients, and all investors are strongly advised to consult with their tax advisers regarding taxation aspects of any potential investment.

Opinions expressed are our current opinions as of the date appearing on this Research only. We do not undertake to advise you as to any change of our views expressed in this Report. Research Report may differ between ARSSBL's RAs and/ or ARSSBL's associate companies on account of differences in research methodology, personal judgment and difference in time horizons for which recommendations are made. User should keep this risk in mind and not hold ARSSBL, its employees and associates responsible for any losses, damages of any type whatsoever.

ARSSBL and its associates or employees may; (a) from time to time, have long or short positions in, and buy or sell the investments in/ security of company (ies) mentioned herein or (b) be engaged in any other transaction involving such investments/ securities of company (ies) discussed herein or act as advisor or lender / borrower to such company (ies) these and other activities of ARSSBL and its associates or employees may not be construed as potential conflict of interest with respect to any recommendation and related information and opinions. Without limiting any of the foregoing, in no event shall ARSSBL and its associates or employees or any third party involved in, or related to computing or compiling the information have any liability for any damages of any kind.

Details of Associates of ARSSBL and Brief History of Disciplinary action by regulatory authorities & its associates are available on our website i.e. [www.rathionline.com](http://www.rathionline.com)

**Disclaimers in respect of jurisdiction:** This report is not directed to, 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 or regulation or which would subject ARSSBL to any registration or licensing requirement within such jurisdiction(s). No action has been or will be taken by ARSSBL in any jurisdiction (other than India), where any action for such purpose(s) is required. Accordingly, this Report shall not be possessed, circulated and/or distributed in any such country or jurisdiction unless such action is in compliance with all applicable laws and regulations of such country or jurisdiction. ARSSBL requires such recipient to inform himself about and to observe any restrictions at his own expense, without any liability to ARSSBL. Any dispute arising out of this Report shall be subject to the exclusive jurisdiction of the Courts in India.

#### Statements on ownership and material conflicts of interest, compensation - ARSSBL and Associates

##### Answers to the Best of the knowledge and belief of ARSSBL/ its Associates/ Research Analyst who is preparing this report

ARSSBL/its Associates/ Research Analyst/ his Relative have actual/beneficial ownership of one per cent or more securities of the subject company, at the end of the month immediately preceding the date of publication of the research report?	No
ARSSBL/its Associates/ Research Analyst/ his Relative have actual/beneficial ownership of one per cent or more securities of the subject company	No
ARSSBL/its Associates/ Research Analyst/ his Relative have any other material conflict of interest at the time of publication of the research report?	No
ARSSBL/its Associates/ Research Analyst/ his Relative have received any compensation from the subject company in the past twelve months	No
ARSSBL/its Associates/ Research Analyst/ his Relative have managed or co-managed public offering of securities for the subject company in the past twelve months	No
ARSSBL/its Associates/ Research Analyst/ his Relative have received any compensation for investment banking or merchant banking or brokerage services from the subject company in the past twelve months	No
ARSSBL/its Associates/ Research Analyst/ his Relative have received any compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company in the past twelve months	No
ARSSBL/its Associates/ Research Analyst/ his Relative have received any compensation or other benefits from the subject company or third party in connection with the research report	No
ARSSBL/its Associates/ Research Analyst/ his Relative have served as an officer, director or employee of the subject company.	No

##### Other Disclosures pertaining to distribution of research in the United States of America

This report was prepared, approved, published and distributed by the Anand Rathi Share and Stock Brokers Limited (ARSSBL) located outside of the United States (a "non-US Group Company"). This report is distributed in the U.S. by Enclave Capital LLC, a U.S. registered broker dealer, on behalf of ARSSBL only to major U.S. institutional investors (as defined in Rule 15a-6 under the U.S. Securities Exchange Act of 1934 (the "Exchange Act")) pursuant to the exemption in Rule 15a-6 and any transaction effected by a U.S. customer in the securities described in this report must be effected through Enclave Capital. ARSSBL accepts responsibility for its contents. Any US customer wishing to effect transactions in any securities referred to herein or options thereon should do so only by contacting a representative of Enclave Capital LLC at 646-454-8600

Neither the report nor any analyst who prepared or approved the report is subject to U.S. legal requirements or the Financial Industry Regulatory Authority, Inc. ("FINRA") or other regulatory requirements pertaining to research reports or research analysts. No non-US Group Company is registered as a broker-dealer under the Exchange Act or is a member of the Financial Industry Regulatory Authority, Inc. or any other U.S. self-regulatory organization.

This material was produced by ARSSBL, solely for information purposes and for the use of the recipient. It is not to be reproduced under any circumstances and is not to be copied or made available to any person other than the recipient. It is distributed in the United States of America by Enclave Capital LLC (19 West 44th Street, Suite 1700, New York, NY 10036) and elsewhere in the world by ARSSBL or an authorized affiliate of ARSSBL (such entities and any other entity, directly or indirectly, controlled by ARSSBL, the "Affiliates"). This document does not constitute an offer of, or an invitation by or on behalf of ARSSBL or its Affiliates or any other company to any person, to buy or sell any security. The information contained herein has been obtained from published information and other sources, which ARSSBL or its Affiliates consider to be reliable. None of ARSSBL or its Affiliates accepts any liability or responsibility whatsoever for the accuracy or completeness of any such information. All estimates, expressions of opinion and other subjective judgments contained herein are made as of the date of this document. Emerging securities markets may be subject to risks significantly higher than more established markets. In particular, the political and economic environment, company practices and market prices and volumes may be subject to significant variations. The ability to assess such risks may also be limited due to significantly lower information quantity and quality. By accepting this document, you agree to be bound by all the foregoing provisions.

1. ARSSBL or its Affiliates may or may not have been beneficial owners of the securities mentioned in this report.
2. ARSSBL or its affiliates may have or not managed or co-managed a public offering of the securities mentioned in the report in the past 12 months.
3. ARSSBL or its affiliates may have or not received compensation for investment banking services from the issuer of these securities in the past 12 months and do not expect to receive compensation for investment banking services from the issuer of these securities within the next three months.
4. However, one or more of ARSSBL or its Affiliates may, from time to time, have a long or short position in any of the securities mentioned herein and may buy or sell those securities or options thereon, either on their own account or on behalf of their clients.
5. As of the publication of this report, ARSSBL does not make a market in the subject securities.
6. ARSSBL or its Affiliates may or may not, to the extent permitted by law, act upon or use the above material or the conclusions stated above, or the research or analysis on which they are based before the material is published to recipients and from time to time, provide investment banking, investment management or other services for or solicit to seek to obtain investment banking, or other securities business from, any entity referred to in this report.

Enclave Capital LLC is distributing this document in the United States of America. ARSSBL accepts responsibility for its contents. Any US customer wishing to effect transactions in any securities referred to herein or options thereon should do so only by contacting a representative of Enclave Capital LLC.

© 2016. This report is strictly confidential and is being furnished to you solely for your information. All material presented in this report, unless specifically indicated otherwise, is under copyright to ARSSBL. None of the material, its content, or any copy of such material or content, may be altered in any way, transmitted, copied or reproduced (in whole or in part) or redistributed in any form to any other party, without the prior express written permission of ARSSBL. All trademarks, service marks and logos used in this report are trademarks or service marks or registered trademarks or service marks of ARSSBL or its affiliates, unless specifically mentioned otherwise.

Additional information on recommended securities/instruments is available on request.

ARSSBL registered address: 4th Floor, Silver Metropolis, Jaicoach Compound, Opposite Bimbisar Nagar, Goregaon (East), Mumbai - 400 063.  
Tel No: +91 22 4001 3700 | Fax No: +91 22 4001 3770 | CIN: U67120MH1991PLC064106.