



MONTHLY OUTLOOK

JANUARY 2021



**From Managing Directors
Desk to Readers**

COVID-19 Vaccine - A Possible Impact On Stock Markets

The world is amidst a COVID-19 pandemic. As WHO and accomplices cooperate on the reaction - following the pandemic, prompting on basic mediations, conveying imperative clinical supplies to those out of luck - they are dashing to create and send protected and compelling immunizations.

Antibodies save a huge number of lives every year. Immunizations work via preparing constantly the body's normal safeguards - the invulnerable framework - to perceive and fend off the infections and microorganisms they target. In the event that the body is presented to those infection causing germs later, the body is quickly prepared to decimate them, forestalling ailment.

There are as of now in excess of 50 COVID-19 immunization competitors in preliminaries. WHO is working as a team with researchers, business, and worldwide wellbeing associations through the ACT Accelerator to accelerate the pandemic reaction. At the point when a protected and compelling immunization is discovered, COVAX (driven by WHO, GAVI and CEPI) will encourage the fair access and dispersion of these antibodies to ensure individuals in all nations. Individuals most in danger will be organized. While we pursue revealing a protected and viable antibody decently, we should proceed with the basic general wellbeing activities to smother transmission and decrease mortality.

Updates on India COVID immunization competitors

A huge number of top antibody competitors in India are set to launch the COVID inoculation drive in the nation. Association Health Minister Harsh Vardhan in November prior said that India intends to immunize 250 to 300 million individuals by July 2021. The Oxford and Pfizer antibodies have as of late applied to get endorsed by DCGI for crisis use in India.

Pfizer Vaccine

Pfizer was the first competitor in Quite a while to apply for DCGI's (Drug Controller General of India) endorsement for crisis utilization of its mRNA COVID-19 immunization applicant, perhaps launching the antibody drive in India by January 2021.



Pfizer is depending on information generally from its promising stage 3 clinical preliminaries from outside the nation to begin multi-stage inoculation in India in relationship with its Indian arm BioNTech. Be that as it may, without nearby information, it might require a further preliminary on the Indian populace.

One more obstacle is the confounded coordinations of the Pfizer immunization. It requires - 80 degrees Celsius for capacity and appropriation under such limitation would be a troublesome obstacle for India, notwithstanding the issue of cost. The antibody is valued at USD 37, around INR 2,700.

Generally, adequacy: 95% 28 days after the primary portion

Oxford-AstraZenecaCovidshield

The Oxford AstraZeneca antibody up-and-comer, additionally passing by the moniker of Covidshield in India, would likely likewise be approved for crisis use in the nation before the year's over. Stage 2/3 preliminaries of the immunization are in progress in a joint exertion by the Serum Institute of India and the Indian Council of Medical Research.

The Oxford antibody has an edge over different up-and-comers as its coordinates are less difficult and can be appropriated absent a lot of problems. The necessary refrigeration for capacity suits well with the current arrangement of cold chain in India.

The Central Drugs Standard Control Organization (CDSCO) is intently evaluating all the information from the immunization's application in its third period of preliminaries.

Generally speaking, adequacy: around 70%

Sputnik V

Russia's Sputnik V has additionally started a consolidated stage two-three preliminary in India. This has been under the activity of Dr. Reddy's Laboratories and Russian Direct Investment Fund (RDIF) which went into an appropriation organization with the firm in September.

The initially enrolled COVID-19 immunization on the planet is presently said to have an effectiveness of 91.4% against the infection according to the second break preliminary information examination. It goes to a limit of 95% around the 42nd day after the utilization of the primary poke. Following the all-around existing information from Russia, RDIF and pharma firm Hetero mean to create an objective of 100 million portions of the Sputnik V immunization yearly.

Notwithstanding these three COVID-19 antibodies, there are a few other possible up-and-comers in various periods of their preliminaries. India's Union wellbeing clergyman Harsh Vardhan had affirmed that upwards of 20 immunizations are in the few phases of improvement in the nation. An award of USD 120 million for COVID-19 antibody research had additionally been declared by the public authority.



Updates on COVID-19 immunizations created by India

COVAXIN

Created by Bharat Biotech and the Indian Council of Medical Research (ICMR), COVAXIN is India's first native COVID-19 immunization contender to go through stage 3 preliminaries. This inactivated Covid antibody has been infused in around 28,500 volunteer applicants in more than 25 focuses across India. Information from the past preliminaries show that it is protected and promisingly productive.

Natural E

To examine the wellbeing and immunogenicity of its antibody applicant, Hyderabad-based Biological E has started with stage 1/2 preliminaries, the consequences of which are set to show up by February of one year from now.

Genova Biopharmaceuticals

HGCO19, a mRNA immunization competitor, is being created by the Pune-based firm Genova as a team with HDT Biotech Corporation, Seattle, US. The immunization has now gotten the green sign from DCGI to direct stage 3 preliminaries subsequent to

passing the appraisal of the Review Committee on Genetic Manipulation (RCGM).

In the event that everything goes as indicated by the expectations, it may hit the market by March 2021. It is likewise supposed to be steady at 2-8 degrees Celcius for as long as 2 months.

Zyklus Cadila's ZyCoV-D

Having finished stage two preliminaries, Ahmedabad-based pharma major Cadila Healthcare (Zyklus Cadila) presently eyes endorsement to lead the following period of preliminary for its antibody competitor ZyCoV-D. It is a DNA plasmid antibody, the first of its sort in Quite a while. The shot can stay stable at room temperature for almost three months, a help to antibody dispersion in India without utilizing cold chains.

Mynvax

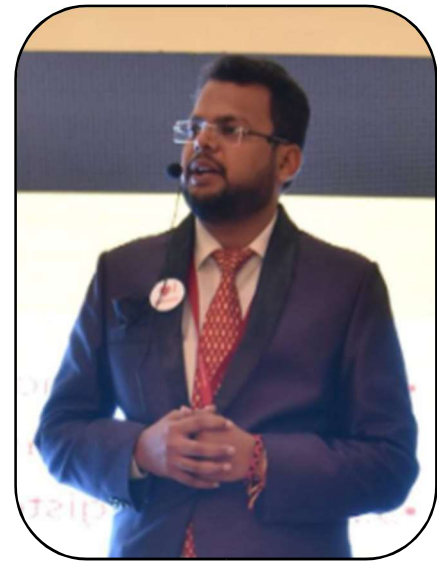
Mynvax's fellow benefactors express that it very well may be put away at 37 degrees Celsius, instead of most others which require a much lower temperature, accordingly convoluting capacity and transport in a nation like India. The most recent update from this IISc Bangalore brooded Mynvax immunization expresses its preparation, in any case the wellbeing tests and human clinical preliminaries.

-- Salil Kumar Shah



Opportunities For I.T. Sector – COVID & Aftermath Market Scenario

India has emerged as the topmost offshoring destination for IT companies across the world. The industry is expected to grow to US\$ 350 billion by 2025. Domestic growth of the IT sector is expected to be driven by increasing adoption of technology and telecom by consumers in rural areas. As digital technologies transform business models around the globe, enterprises will increase their technology spending. Investments in digital, analytics, cloud, internet of things (IoT), cyber security and other emerging technologies is expected to grow exponentially. The rollout of the fifth generation (5G) wireless technology by telecommunications companies is expected to bring at least US\$ 10 billion global business to Indian IT firms by 2025. The Government has extended tax holidays to the IT sector for Software Technology Parks of India (STPI) and Special Economic Zones (SEZs) and has set up a more liberal system for raising capital, seed money and ease of doing business which will support growth of the sector. A Proven Track record of its capabilities in delivering both on-shore and off-shore services to global clients, emerging technologies bring in an entire new gamut of opportunities for top IT firms in India.



The Impact Of COVID-19 On IT Sector

Due to the COVID-19 pandemic, the demand for digital technology is strong. IT Services industry body NASSCOM partnered with GE Healthcare to encourage start-ups to work on digital healthcare solutions in India. Companies invested in sales/delivery and increased their presence in client geographies to improve their delivery agility and reduce their dependence on work visas. New technologies such as digitization, analytics, and Software as a Service (SaaS) offerings provided opportunities to the IT Sector. In the budget for FY20, the Government announced plans to launch a national programme on Artificial Intelligence (AI) and setting up of a National AI portal.

Latest Developments

The Growing Demand & Global Outreach and Footprints have been the major factors in the IT sector these days. Indian IT's core competencies and strengths have attracted significant investment from major countries. The computer software and hardware sector in India attracted large Foreign Direct Investment (FDI) inflows this year. The Leading Indian IT firms like Infosys, Wipro, TCS, HCL Technologies and Tech Mahindra are diversifying their offerings and showcasing leading ideas in Digitisation, artificial intelligence and related areas to clients using innovation hubs and research and development centres to create differentiated offerings.

Anshul Jain
Research Analyst



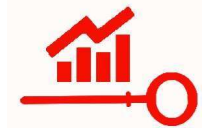
Look What Our Research Analyst Has To Say You...

Trading in a rising channel the index looks overbought as the rally from march lows as given 80% returns. The volatility has risen sharply in the year 2020 and hence the first quarter of 2021 should absorb the up move with a sideways range building. Broadly the rally can extend to 14250 if the index sustains above the psychological mark of 14000-14040 zone. The confluence of channel lines is at 13600 on the downside and we expect it to act as range bottom on the down move. That concludes our view that the lower of the range should be 13600 whereas upside should be in the range of 14000-14250 as and when index tops out in that range. The strategy for trades is to play reversals on range extremes once the range gets confirmed whereas for investors it's time to book gains and sit on cash to take advantage of dips to 13600 levels.



STOCKS TO WATCH





1. VOLTAS Ltd.

Industry	LTP	Recommendation	Base Case Fair Value	Bull Case Fair Value	Time Horizon
Consumer Durables	Rs. 829	Buy on dips to Rs.741-745 band and add more in the Rs.666-670 band	Rs. 841	Rs. 916	2 quarters

VARAHI Scrip Code	VOLTAS
BSE Code	500575
NSE Code	VOLTAS
Bloomberg	VOLT:IN
CMP Dec 18, 2020	829
Equity Capital (cr)	33.09
Face Value (Rs)	1
Eq- Share O/S(cr)	33.09
Market Cap(Rscr)	27440
Book Value (Rs)	129
Avg.52 Wk Volume	2238819
52 Week High	844.95
52 Week Low	428.00

Share holding Pattern % (Dec, 2020)	
Promoters	30.30
Institutions	51.67
Non Institutions	18.03



Our Take...

Voltas, a TATA bunch organization is the main part of private forced air systems (RAC) in India and quick electrical products (FMEG) fragments. It has 6+ years of involvement with the business. Voltas has a solid market position in the undertaking industry in both the home grown and worldwide markets and it is all around situated in the long haul to profit by any development in new request streams in its objective business sectors. The organization has solid home grown request book (FY20-Rs 4798Cr) though request booking in the global business sectors (FY20-Rs 3000 Cr mostly in the UAE and Qatar) are at present lower because of a log jam in financial exercises in these raw petroleum driven economies.

Besides, the ideal section in the thriving white merchandise market through Arcelik JV would de-hazard its RAC business and its solid circulation organization will guarantee quick piece of the overall industry gains. Customer tough fragment is exceptionally underpenetrated in India and we accept that Voltas is very much situated to catch impending open door with in excess of 19,000 purchaser touchpoints and 130+ EBOs.

Despite the fact that, the RAC business had seen feeble purchaser offtake, we expect, Voltas to keep on ruling this classification with current 24% piece of the pie. The organization is the market chief across all business sectors inside the nation, with a 14.2% hole in piece of the overall industry from its closest rival (LG).

We expect, Covid-19 drove lockdown will affect the organization for the present moment however over the drawn out its solid asset report, unrivalled brand review, immense appropriation organization and top tier after-deals administration gives an occasion to pick up additional piece of the pie. In the close to term, we expect, Voltas' development prone to take a respite, mostly on the rear of moderate financial movement, work challenge, liquidity challenges alongside languid interest standpoint. Likewise, impending Capex in different businesses is probably going to be affected which will prompt lower development and edge pressure in designing task fragment.

Valuations & Recommendations...

In our view, a ton of close term positives is figured in the cost. Nonetheless, from a drawn-out perspective, we have a positive view on the stock upheld by its administrative role and predictable piece of the overall industry gains in the UCP (Unitary Cooling Products) business. It would likewise profit by import limitations on completely imported units. Going ahead, we anticipate that its incomes should develop at 8% CAGR in top-line and 16% EPS CAGR over FY20-23E. The EMP and Engineering items portions draw in a high P/E (like those given to UCP business) as of now because of joined valuations.



FINANCIALS

INCOME STATEMENT

Particulars (Rs cr)	Q2FY21	Q2FY20	YoY-%	Q1FY21	QoQ-%	FY19	FY20	FY21E	FY22E	FY23E
Total Operating Income	1613	1422	13%	1297	24%	7,124.1	7,658.1	6,785.8	8,690.5	9,732.3
EBITDA	98	106	-7%	67	47%	611.7	686.7	510.8	822.8	1,088.5
APAT	80	112	-29%	82	-3%	507.9	517.2	451.5	712.6	814.1
Diluted EPS (Rs)	2.37	3.4	-30%	2.45	-3%	15.4	15.6	13.6	21.5	24.6
RoE-%						12.7	12.3	10.2	14.6	14.9
P/E (x)						54.0	53.0	60.7	38.5	33.7
EV/EBITDA						44.8	39.9	53.7	33.3	25.2

(Rs Cr)	FY18	FY19	FY20	FY21E	FY22E	FY23E
Net Revenue	6404	7124	7658	6786	8690	9732
Growth (%)	6.2	11.2	7.5	-11.4	28.1	12.0
Operating Expenses	5742	6512	6971	6275	7868	8644
EBITDA	663	612	687	511	823	1088
Growth (%)	16.9	-7.7	12.3	-25.6	61.1	32.3
EBITDA Margin (%)	10.3	8.6	9.0	7.5	9.5	11.2
Other Income	174.1	186.3	230.6	216.0	248.0	183.2
Depreciation	24.4	24.0	32.0	36.2	42.6	53.9
EBIT	812	774	885	691	1028	1218
Interest	11.9	33.0	21.1	24.5	28.3	30.5
Shares of Profit in Joint Ventures (net of Tax)	0.0	-51.8	-68.7	-48.8	-43.5	-71.8
Exceptional Items	0.6	-11.8	-51.2	0.0	0.0	0.0
PBT	801	677	744	617	956	1115
Tax	227.0	163.5	223.3	162.6	240.7	296.1
RPAT	574	514	521	455	716	819
Minority Int.	-6	-6	-4	-3	-3	-5
APAT	568.6	507.9	517.2	451.5	712.6	814.1
Growth (%)	9.9	-10.7	1.8	-12.7	57.8	14.2
EPS	17.2	15.4	15.6	13.6	21.5	24.6



BALANCE SHEET

As at March	FY18	FY19	FY20	FY21E	FY22E	FY23E
SOURCE OF FUNDS						
Share Capital	33.1	33.1	33.1	33.1	33.1	33.1
Reserves	3872	4077	4247	4570	5120	5757
Minority Interest	32	35	36	36	36	37
Other Equity & Liabilities	0	0	0	0	0	0
Shareholders' Funds	3937	4145	4317	4638	5189	5827
Long Term Debt	0	0	0	0	0	0
Long Term Provisions & Others	102	92	102	106	116	127
Total Source of Funds	4038	4237	4419	4745	5305	5954
APPLICATION OF FUNDS						
Net Block	257	312	348	398	481	631
Non-Current Investments	2311	1196	1868	1962	2060	2307
Deferred Tax Assets (net)	18	106	73	73	73	73
Long Term Loans & Advances	127	260	275	331	369	412
Other Assets	0	0	0	0	0	0
Total Non-Current Assets	2712	1875	2565	2764	2982	3423
Current Investments	488	1236	520	546	597	652
Inventories	813	1091	1469	1208	1381	1600
Trade Receivables	1570	1803	1827	1729	2190	2453
Cash & Equivalents	284	321	308	368	408	289
Other Current Assets	1109	41	86	86	96	108
Total Current Assets	4598	5647	5583	5543	6375	6941
Short-Term Borrowings	142	315	209	407	306	373
Trade Payables	2176	2374	2689	2252	2802	3055
Other Current Liab & Provisions	757	455	683	697	718	732
Short-Term Provisions	195	142	147	206	226	249
Total Current Liabilities	3271	3285	3728	3562	4052	4409
Net Current Assets	1326	2362	1854	1980	2323	2531
Total Application of Funds	4038	4237	4419	4745	5305	5954



Cash Flow Statement

(Rs Cr)	FY18	FY19	FY20	FY21E	FY22E	FY23E
Reported PBT	801	677	744	617	956	1,115
Non-operating & EO items	-174	-186	-231	-216	-248	-183
Interest Expenses	12	33	21	25	28	31
Depreciation	24	24	32	36	43	54
Working Capital Change	-427	-999	496	-66	-303	-327
Tax Paid	-227	-164	-223	-163	-241	-296
OPERATING CASH FLOW (A)	10	-614	839	233	236	393
Capex	-81	-63	-44	-127	-125	-204
Free Cash Flow	-71	-677	795	106	111	189
Investments	-220	893	-654	-150	-135	-290
Non-operating income	174	186	231	216	248	183
INVESTING CASH FLOW (B)	-127	1,016	-467	-61	-13	-311
Debt Issuance / (Repaid)	-1	-10	10	4	10	11
Interest Expenses	-12	-33	-21	-25	-28	-31
FCFE	-84	-720	784	86	92	170
Share Capital Issuance	3	3	2	-1	1	1
Dividend	-116	-179	-179	-132	-165	-182
FINANCING CASH FLOW (C)	-125	-219	-188	-153	-183	-201
NET CASH FLOW (A+B+C)	-243	183	183	19	40	-119

KEY RATIOS

(Rs Cr)	FY18	FY19	FY20	FY21E	FY22E	FY23E
Profitability (%)						
EBITDA Margin	10.3	8.6	9.0	7.5	9.5	11.2
EBIT Margin	12.7	10.9	11.6	10.2	11.8	12.5
APAT Margin	9.0	7.2	6.8	6.7	8.2	8.4
RoE	15.8	12.7	12.3	10.2	14.6	14.9
RoCE	20.1	18.3	20.0	14.6	19.4	20.5
Solvency Ratio						
D/E	0.0	0.1	0.0	0.1	0.1	0.1
Interest Coverage	68.2	23.5	42.0	28.2	36.3	39.9
PER SHARE DATA						
EPS	17.2	15.4	15.6	13.6	21.5	24.6
CEPS	17.9	16.1	16.6	14.7	22.8	26.2
BV	118	124	129	139	156	175
Dividend	3.5	4.0	4.0	4.0	5.0	5.5
Turnover Ratios (days)						
Debtor days	89	92	87	93	92	92
Inventory days	49	49	61	65	58	60
Creditors days	133	128	133	131	130	129
Working Capital Days	6	14	16	27	20	23
VALUATION						
P/E	48.2	54.0	53.0	60.7	38.5	33.7
P/BV	7.0	6.7	6.4	6.0	5.3	4.7
EV/EBITDA	41.4	44.8	39.9	53.7	33.3	25.2
Dividend Yield	0.4	0.5	0.5	0.5	0.6	0.7
Dividend Payout	7.9	26.1	25.6	29.3	23.2	22.3

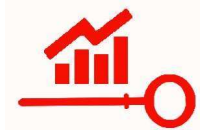


2. Orient Cement Ltd.

Industry	LTP	Recommendation	Base Case Fair Value	Bull Case Fair Value	Time Horizon
Cement	Rs. 76.75	Buy at LTP and add on dips to Rs.68-70 band	Rs. 88	Rs. 97	2 quarters

VARAHI Scrip Code	ORIENTCEM
BSE Code	535754
NSE Code	ORIENTCEM
Bloomberg	ORCMNT:IN
CMP Dec 16, 2020	76.75
Equity Capital (cr)	20
Face Value (Rs)	1
Eq- Share O/S(cr)	20.5
Market Cap (Rscr)	1573
Book Value (Rs)	55
Avg.52 Wk Volume	624909
52 Week High	89.70
52 Week Low	35.25

Share holding Pattern % (Sept, 2020)	
Promoters	37.37
Institutions	29.38
Non Institutions	33.25



Our Take...

Orient Cement Ltd.(OCL) is a CK Birla bunch organization with thirty years old history. It has an expanded market presence across various locales in India. It has an 8 MTPA of concrete limit and a 5.2 MTPA of clinker limit. The organization has been zeroing in on expanding hostage power plants which can improve working effectiveness. Situate concrete has likewise been dealing with paying off past commitments trouble from the monetary record.

We expect that Covid-19 drove lockdown and lull in the economy could prompt repressed development in volumes for Orient Cement for FY21 however kind hearted crude material cost, light concrete costs, and forceful control on factor costs are probably going to drive EBIDTA development. The business has a high reliance on land and infra area which is required to be affected because of an anticipated lull in the economy. Going ahead, we expect, a progressive recuperation in concrete interest, and volumes are probably going to get from H2FY21 onwards. Additionally, on the interesting side, key development drivers are probably going to get in provincial lodging, Pradhan Mantri Awas Yojana (country), Pradhan Mantri Gram Sadak Yojana, and spending on key framework projects.

Valuations & Recommendations...

We expect that the organization will get advantage from the solid territorial presence, improving use and cost efficiencies separated from industry triggers of higher acknowledgment. We like Orient Cement because of its solid and experienced administration, generous continuous cost decrease center. Notwithstanding, in short to medium term, request recuperation in center business sectors AP/Telangana and Maharashtra keeps on being key monitorable.

We expect, 2% CAGR in top-line and 17% EPS CAGR over FY20-22E. At the LTP, the organization is exchanging at FY22E EV/T of \$44.7/T, 6.47x FY22E EV/EBITDA. We feel the base case reasonable estimation of the stock is Rs.88 (FY22E EV/T of \$48.3/T, 6.6x FY22E EV/EBITDA) and the bull case reasonable worth is Rs.97 (FY22E EV/T of \$51.4/T, 7.1x FY22E EV/EBITDA). Financial specialists can purchase the stock at LTP and extra plunges to Rs.68-70 band (FY22E EV/T of \$41.7/T, 5.7x FY22E EV/EBITDA).

Notwithstanding, over the drawn out the organization should extend limit out of these regions of oversupply for valuations at elevated levels to support.



FINANCIALS

INCOME STATEMENT

Particulars (Rs cr)	Q2FY21	Q2FY20	YoY-%	Q1FY21	QoQ-%	FY19	FY20	FY21E	FY22E
Total Operating Income	478	515	-7%	410	16%	2,522.2	2,421.8	2,202.6	2,521.1
EBITDA	113	54	111%	98	15%	312.0	382.9	420.2	406.4
RPAT	35	-8	-552%	26	36%	47.6	86.6	117.8	118.2
Diluted EPS (Rs)	1.7	-0.4	-547%	1.3	36%	2.3	4.2	5.8	5.8
RoE-%						4.6	8.0	10.1	9.3
P/E (x)						33.1	18.2	13.3	13.3
EV/EBITDA						8.4	6.9	6.3	6.5

(Rs Cr)	FY18	FY19	FY20	FY21E	FY22E
Net Revenue	2222	2522	2422	2203	2521
Growth (%)	18.5	13.5	-4.0	-9.1	14.5
Operating Expenses	1917	2210	2039	1782	2115
EBITDA	305	312	383	420	406
Growth (%)	71.4	2.2	22.7	9.7	-3.3
EBITDA Margin (%)	13.7	12.4	15.8	19.1	16.1
Other Income	20.2	14.0	17.7	16.7	25.0
Depreciation	126.2	132.7	140.9	139.9	147.2
EBIT	199	193	260	297	284
Interest	129.2	118.5	122.3	111.4	108.3
Exceptional Items	0.0	0.0	0.0	0.0	0.0
PBT	70	75	137	186	176
Tax	25.8	27.2	50.8	67.7	57.6
RPAT	44	48	87	118	118
Growth (%)	-237.7	7.5	82.1	36.1	0.3
EPS	2.2	2.3	4.2	5.8	5.8



BALANCE SHEET

As at March	FY18	FY19	FY20	FY21E	FY22E
SOURCE OF FUNDS					
Share Capital	20.5	20.5	20.5	20.5	20.5
Reserves	1002	1033	1098	1200	1298
Minority Interest	0	0	0	0	0
Other Equity & Liabilities	0	0	0	0	0
Shareholders' Funds	1022	1054	1118	1221	1319
Long Term Debt	1138	1226	1135	1067	1094
Long Term Provisions & Others	134	139	163	112	186
Total Source of Funds	2295	2419	2417	2400	2598
APPLICATION OF FUNDS					
Net Block	2409	2402	2338	2405	2672
Non-Current Investments	0	0	0	0	0
Deferred Tax Assets (net)	0	0	0	0	0
Long Term Loans & Advances	72	69	77	81	91
Other Assets	0	0	0	0	0
Total Non-Current Assets	2481	2471	2415	2486	2763
Current Investments	0	0	0	0	0
Inventories	164	186	237	157	180
Trade Receivables	153	180	162	157	180
Short term Loans & Advances	103	58	46	47	49
Cash & Equivalents	33	29	36	81	62
Other Current Assets	3	4	4	4	4
Total Current Assets	456	456	485	446	474
Short-Term Borrowings	124	5	0	25	25
Trade Payables	200	187	176	151	185
Other Current Liab & Provisions	288	283	264	306	371
Short-Term Provisions	30	34	42	49	58
Total Current Liabilities	642	508	483	531	639
Net Current Assets	-186	-52	2	-86	-165
Total Application of Funds	2295	2419	2417	2400	2598



Cash Flow Statement

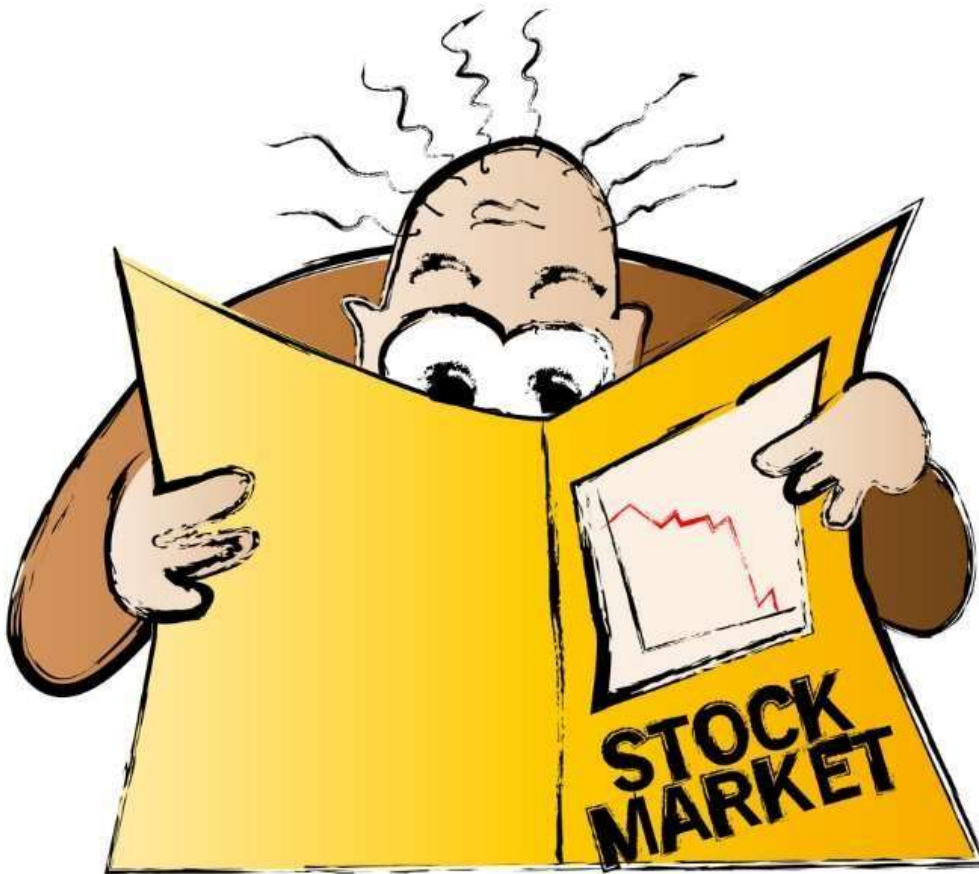
(Rs Cr)	FY18	FY19	FY20	FY21E	FY22E
Reported PBT	70	75	137	186	176
Non-operating & EO items	-20	-14	-18	-17	-25
Interest Expenses	129	119	122	111	108
Depreciation	126	133	141	140	147
Working Capital Change	6	-138	-47	132	61
Tax Paid	-26	-27	-51	-68	-58
OPERATING CASH FLOW (A)	285	146	285	484	410
Capex	-139	-124	-71	-215	-414
Free Cash Flow	146	22	215	270	-4
Investments	-15	3	-8	-4	-10
Non-operating income	20	14	18	17	25
INVESTING CASH FLOW (B)	-134	-108	-61	-202	-399
Debt Issuance / (Repaid)	-41	93	-67	-119	100
Interest Expenses	-129	-119	-122	-111	-108
FCFE	-24	-3	25	39	-12
Share Capital Issuance	0	0	0	0	0
Dividend	-15	-62	-15	-15	-20
FINANCING CASH FLOW (C)	-186	-88	-205	-246	-29
NET CASH FLOW (A+B+C)	-34	-49	20	37	-18

KEY RATIOS

(Rs Cr)	FY18	FY19	FY20	FY21E	FY22E
Profitability (%)					
EBITDA Margin	13.7	12.4	15.8	19.1	16.1
EBIT Margin	9.0	7.7	10.7	13.5	11.3
APAT Margin	2.0	1.9	3.6	5.3	4.7
RoE	4.4	4.6	8.0	10.1	9.3
RoCE	8.7	8.0	10.7	12.4	10.9
Solvency Ratio					
D/E	1.2	1.2	1.0	0.9	0.8
Interest Coverage	1.5	1.6	2.1	2.7	2.6
PER SHARE DATA					
EPS	2.2	2.3	4.2	5.8	5.8
CEPS	8.3	8.8	11.1	12.6	13.0
BV	50	51	55	60	64
Dividend	0.8	0.8	0.8	0.8	1.0
Turnover Ratios (days)					
Debtor days	25	26	24	26	26
Inventory days	26	25	32	26	26
Creditors days	38	32	32	31	32
Working Capital Days	12	19	24	21	20
VALUATION					
P/E	35.6	33.1	18.2	13.3	13.3
P/BV	1.5	1.5	1.4	1.3	1.2
EV/EBITDA	8.6	8.4	6.9	6.3	6.5
Dividend Yield	1.0	1.0	1.0	1.0	1.3
Dividend Payout	1.7	32.3	17.7	13.0	17.3



THIS MIGHT IMPACT INVESTMENTS





1. Telecom

IDEA ! a revival story in the Market

US-based Golden Tree Asset Management and Pacific Investment Management Co (PIMCO) have likely joined a consortium led by investment firm Oak Hill Advisors, which is in discussions to provide a \$2 billion (Rs 14,720 crore) credit line to Vodafone Idea. The move to expand the global lender consortium is aimed to return a portion of the debt into shares of the company, bankers and Industry executives with knowledge of the matter. The loss making telecom joint venture, co-owned by UK's Vodafone Group and India's AV Birla Group, needs funds urgently to ramp up its 4G operations, arrest a steady loss of subscribers to rivals Reliance Jio and Bharti Airtel, and clear its substantial backlog of statutory dues to the government. The telco had in September announced a Rs25,000 crore fundraising plan via a mix of debt and equity. The \$2 billion credit line it is negotiating with t quickly fills up Vi's sizable funding requirement and also distributes the risk exposure across a larger pool of financiers. The proposed funding model is likely to be a blend of convertible instruments, comprising bonds and warrants with a linked equity option that will allow the consortium members to the consortium is part of that plan.

The expanded consortium, it is learnt, is at an advanced stage of wrapping up due-diligence and assessing the tax implications for the overseas lenders, and is on track to formalising the final funding terms that could lead to a binding term-sheet by mid-January. A binding contract, typically, gets drawn up once all parties involved reach an agreement on details laid out in the term sheet. Vi's recent rebranding move has concretised its business continuity plans, but industry insiders close to the lenders said this needed to be backed with a much stronger on-ground 4G network and products and services comparable with its rivals. Vi's leadership recently said the telco's stated plans to raise up to Rs 25,000 crore had elicited a strong response from a host of global funds, and was likely to be concluded soon. The telco still has more than Rs 50,000 crore of adjusted gross revenue dues payable to the government over 10 annual instalments through March 31, 2031..

The funds were likely to be disbursed in tranches linked to the company meeting stiff, periodic business targets on operating income, subscriber growth, average revenue per user and revenue market share fronts. Vi recently raised prices of two post paid family plans by about Rs 50 in some circles, with experts saying the telco was testing the waters ahead of a broader price hike, which it desperately needed to shore up finances and underline the industry's improving fundamentals to potential investors. Brokerage ICICI Securities expects the next round of tariff hikes to happen latest by March 2021.



2. 2021: A Survival Recovery Hospitality & Tourism Sector

As the uninvited guest coronavirus pandemic checked in, India's hospitality and tourism sector suffered three quarters of economic wipeout estimated to be up to Rs. 15 lakh crore, and the industry is desperately looking forward to government support to survive and recover in 2021. With business coming almost to a standstill, the travel and tourism industry players want the government to provide targeted support to the sector till vaccine-based confidence comes, to help them meet their operating costs and retain jobs.

Although the black swan event shook the very foundation of this vibrant and bustling sector, the players are putting up a brave front, optimistic to regain the "lost vibrancy in the latter half of 2021" and are banking on 'revenge travel' once the health crisis is controlled to help the sector recover. "This was the worst three quarters ever for the tourism industry over a century and this is expected to play out till another two quarters till a vaccine is deployed across all source and destination markets. The apex sectoral body had in the beginning of the pandemic forecasted almost three quarters of economic wipe out impact on tourism at between Rs 10 lakh crore to Rs 15 lakh crore.

3. 5% Growth Amid De-Globalization To Be Significant Achievement For India

If the Indian economy grows at 5 percent in the era of de-globalization, then it will be a significant achievement. Addressing the FICCI Annual Convention, Sharma further said India hastily passed agriculture and labour reforms during the COVID-19 pandemic.

Our expectations have to be realistic...if we can grow at more than 5 percent in a year, that is a significant achievement, also noted that it is no longer feasible in the world of de-globalization to grow at 7 percent as exports cannot grow at 20 percent or 30 percent in a year, which was good in an era of globalization.

So, for an economy like India's, a growth rate of 5 percent will be pretty credible even in this era where I think emerging economies in general will make some sort of a comeback, there were about 100 economies that were growing at 7 percent or more in 2007.

According to the RBI, Indian economy is likely to contract by 7.5 percent, in 2020-21. He also pointed out that intra-regional trade is the lowest in South Asia compared to any sub region of the world.

India has seen a slight increase in exports since 2010. The last decade was a lost decade for emerging economies. The only economy to have gained in the global share in the last decade was China.



4. India Plans Tough Annual Targets For State Firms To Boost Valuations

India plans tough annual targets for state-run firms to try to improve their valuations ahead of a push by Prime Minister Narendra Modi to privatize some companies, according to a draft government document and sources.

The government, which is trying to rein in its fiscal deficit, wants state-run firms to focus on improving market capitalisation and dividend pay outs from the 2021/22 fiscal year, starting April, as well as ramping up the sale of non-core assets, State-run companies have traditionally largely targeted raising output and increasing revenues, rather than improving efficiency and valuations, contributing to years of share price underperformance versus the broader market.

The companies need to raise their valuation and profitability in a changing business environment. Then only we will be able to get a better price (from stake sales). Shareholders and investors should be rewarded. After regaining power in 2019, Modi's government prepared a plan to raise as much as 3.25 trillion rupees (\$44 billion) over 5 years by selling down its stakes in companies including Oil and Natural gas. It announced moves to privatize companies in non-strategic parts of the economy and reduce the number of firms in key sectors. The government has already initiated steps to privatize Bharat Petroleum, Container Corp and Shipping Corp.

However, weak investor sentiment and limited demand have led to delays. So far this fiscal year to End-March 2021, the government has raised only a tenth of its targeted 1.20 trillion rupees stake sales. The planned changes in annual targets could be announced in next year's federal budget, due in February. The state run companies will need to deploy funds raised through asset monetization for issues like debt repayment. They should have returned. The planned changes in annual targets could be announced in next year's federal budget, due in February.

The state run companies will need to deploy funds raised through asset monetization for issues like debt repayment. They should have return on capital employed and return on equity quite high on the margin. For the first time, India will include annual targets for state-run companies on metrics such as earnings before interest, tax, depreciation and amortisation (EBITDA), according to the sources and a document on the draft guidelines, which is currently before a government committee.

Changes in the annual target policy had been suggested by the Department of Investment and Public Asset Management (DIPAM), which spearheaded the federal government's stake sale drive.

The World Bank said in its 'Global Economic Prospects' report of June 2020 that the world economy was facing its worst recession since World War II and that the growth was expected to shrink (negative) by 5.2% in 2021. It also pointed out that "the largest fraction of economies experiencing declines in per capita output since 1870". It projected the US economy to shrink by 6.1% in 2020 and that of India by 3.2% in FY21. (Most developed economies, including the US, count their fiscal years from January 1 to December 31; India counts its fiscal year from April to March and hence the difference in marking the current year). Yet the grim reality has escaped stock markets, except for an initial blip in March.



5. Consumer Goods & FMCG In Recovery

The year 2020 brought defensive plays in the market to the forefront as Covid-19 pandemic saw investors flock to safe-havens. That apart, markets discounted the financial performance of fast moving consumer goods (FMCG) companies for the ensuing quarters as the supply of 'essential services' remained relatively unaffected during the lockdown. The success of Burger king at the bourses has off-late reinforced belief in the sector, especially quick service restaurants (QSRs), provided the stocks are attractively valued. However, the stock performance has not been uniform across the FMCG sectors At the bourses, Nifty FMCG index has underperformed as against the benchmark Nifty50 index between March 24 (when the market hit their 2020 low) and December 15, ACE Equity data show. While the former has advanced 42 per cent, the latter has gained 74 per cent during the period.

Among the lot, Emami Ltd has outperformed both the indices by jumping 175 per cent during the period. This is followed by gains in Tata Consumer (up 129 %), Jubilant FoodWorks (99 %), Marico (64 per cent), and Godrej Consumers and Varun Beverages (63 % EACH). Hindustan Unilever (HUL), Nestle India, ITC, Dabur, and Britannia Industries, meanwhile, have gained between 14 % and 59 %, data show. Initially, FMCG hugely outperformed the market due to a stable outlook. But as the economy opened and new liquidity rushed into the market, growth oriented sectors started to perform better. FMCG is expected to trade positive at premium valuation while underperformance is likely to stay in the coming year. Even as the economies 'unlock' and investors begin to rotate funds towards cyclical and beaten down stocks, FMCG Stocks re holding ground. This strength, analysts say, is likely to continue in the medium-to-long term on the back of improved income in the rural economy, supplier of essential commodities, and comfortable balance sheets.

Strong balance sheets with healthy cash generation, return on equity (ROEs) / return on capital employed (ROCEs), robust distribution networks, and more importantly relatively better visibility on earnings is giving comfort to the investors, For volume growth, players in the FMCG space are now turning to tier III/IV towns and villages. The strategy, according to AK Prabhakar, head of research at IDBI Capital would prove beneficial over the next few years. Agricultural growth and the rural sector would drive the economy over the next one year; placing FMCGs as the biggest beneficiaries. According to global consumer research firm Kantar Worldpanel, the FMCG market expanded 4.9 per cent by volume in the September quarter (Q2FY21), clocking its highest gain in three years as consumers made hygiene and out-of-home snack purchases.

FMCG Stocks have rewarded shareholders over the longer term of more than 7-10 years and have been consistent compounders. An analysis by Axis Securities shows that the average five-year price-to-earnings (PE) valuation has been around 47x, which was around 33-35x PE in the 10-year period with a CAGR of 12-15 per cent return for the index. However, if we look at stock specific returns over a 10-year period, Britannia has delivered 34 per cent CAGR, HUL generated 23 per cent CAGR, Nestle, Dabur delivered an 18 per cent CAGR each. Not only on the sectoral front, market analysts believe the traction in FMCG space could also be considered as a defensive hedge against sharp rally in the broader Market.



"Historically, any meteoric rise in broader markets is followed by collapse. This fear is now seeping in traditional investors as the rally in the broader markets is largely fuelled by new retail investors. Therefore, the former group is trying to protect its wealth by picking quality defensive plays like FMCG stocks. A large part of FMCG is overvalued. In the last two quarters, a lot of the operational costs have not been high thanks to cuts in advertising and travel costs. So volume growth and cost reduction have helped margins. But do not think that will be the case going forward. When things start coming back to normal, the advertising cost will go up quite substantially because their competition will also be advertising and demand will normalise. We have had people spending on certain things because they cannot spend on other things and when those other things like travel, hotels, restaurants, malls come back into play, the spending on FMCG will come down.

So, in the short-term, it would be a trading call based on charts on a stock by stock basis, but if you are looking one or two years down the line, you might want to be a little careful with the amount you are paying for some of these companies. My feeling is it is not a great investment from a one or two-year perspective.

6. Indian Equities In the Bull Market

The Indian equity market has entered a bull market and if it continues to prevail, Nifty50 may go to 14,900 levels in the calendar year 2021. Indian equities have entered a bull market environment as evidenced by the one year rolled forward P/E at 22 times rising beyond the peak of FY08 at about 20 times on an 'ex-ante basis' and significant broadening of the market rally by market-cap size and various investment styles such as dividend yield, PSUs, high beta, small-caps, etc.

Bull market environment prevailing in CY21 could take Nifty50 to 14,900 levels. However, if market bullishness reverts to average sentiment, the base case fundamental value is near 13,500, which indicates flat returns for CY21. If a risk-off environment materializes, as expected Nifty to touch 11,600 on the downside. Policy reforms by the government towards making India attractive as a global manufacturing hub are improving the long-term demand outlook which is reflecting in the expansion of the 'market-implied long term growth value' of the Nifty to about 57 percent despite a fall in the discount rate as explained above.



7. Stock Buybacks Increase As Reported Earnings Jump

S&P Dow Jones Indices' recent report on buybacks for the third quarter shows buyback activity increasing to \$101.79 billion from \$88.66 billion in the second quarter. With the economy mostly reopening, at least through Q3 2020, companies reported an improvement in 'as reported earnings,' increasing to \$273.2 billion versus \$98.5 billion for the first quarter. As the red line in the below chart shows, though, buybacks remain far below the fourth quarter 2018 peak of \$222.98 billion.

US bank stocks rallied on Monday after the Federal Reserve announced it would allow firms to restart multibillion-dollar stock repurchase programs in 2021. The central bank said Friday afternoon that banks can resume stock buybacks at limited capacities. The new rules stipulate the sum of a bank's dividend payments and buybacks in the first quarter can't exceed the average quarterly earnings from the four most recent quarters.

Still, the updated policy allows the country's top six banks to repurchase roughly \$11 billion in shares over the next three months.

8. QSR Industry

Burger King India Limited (BKIL) is one of the fastest growing international Quick Service Restaurants (QSR) chains in India with 261 stores as on September 20 (first store was opened in November 2014). Its master franchisee arrangement aids Burger Kings' globally recognized brand name to grow its business in India while leveraging the technical, marketing, and operational expertise associated with the global brand. BKIL has 5% market share in India's Rs 348 bn QSR market. The Burger King India's revenue grew by 2.2x over FY2018-FY2020 to Rs 841 cr with store addition by 2.95x to 260 stores in FY2020 (same-store-sales growth stood at 12.2% and 29.2% in FY2018 and FY2019, respectively). The company's average ticket value stands at Rs 500-550 and OPM at 12%-14% is in-line with close peers. Covid-19 had a significant impact on the first half of FY2021 performance of BKIL with same store sales growth down by 59%, as a large number of stores was non-operational during the period (revenue down by 68% and the company registered an operating loss of Rs 3.9 cr).

However, according to RHP, the second half of FY2021 is expected to be better than H1 as most cities have removed restrictions. Exclusive national franchise rights in India, strong customer proposition, vertically managed and scalable supply chain coupled with well-defined restaurant roll out, and experience and passionate team are some of the key strengths of Burger King India, which will help post good operational performance in the coming years. Its franchisee agreement facilitates flexibility to tailor its menu according to Indian taste and preferences along with promotions and pricing, while its customer proposition such as variety, wide range of vegetarian offerings, taste advantage, and flame grilling experience attract customers to drive footfall in the stores. Burger King India aims to have 370 stores by the end of December 2022 (700 stores by December 2026). Fund raising through the IPO will largely be utilised for expanding its store base in India and reducing debt on its books.



9. Commodity

Rising commodity prices suggest that a strong economic revival is underway.

Copper prices have been rebounding since the easing of restrictions imposed to contain the spread of coronavirus. Goldman Sachs International is anticipating a rise in copper prices to \$10,000 a tonne by 2022. Copper, the traditional, age-old remedy for good health has also remained a significantly important economic health indicator. Rising Copper prices, helped by strong order flows, indicate that the global economy is recovering fast.

Copper prices have been rebounding since the easing of restrictions imposed to contain the spread of coronavirus. With vaccine related developments picking up pace, copper prices have now scaled multi-year highs. Copper prices on the London Metal Exchange not only have gained more than 18% from Early-October lows, but are up almost 65% from the troughs in March. The rise in copper prices is not an aberration but is being led by firm demand, especially from China, the world's largest consumer of commodities. China's onshore market has tightened faster than our earlier expectations, driven by exceptional end-demand trends in the second half. The ex-China refined copper market also has destocked just as western demand recovery emerges.

As demand recovery is supporting copper prices, analysts expect the momentum to continue. Goldman Sachs International is anticipating a further rise in copper prices to \$10,000 a ton by 2022, from the current levels of slightly above \$7,600. Even crude oil is starting to gain some momentum after being range-bound for months and there could be scope for more gains said analysts. Rising prices of steel, iron-ore, and coal, as well as that of other industrial commodities, suggest that there is recovery in the global manufacturing sector.

Among other economic indicators referred to often is the gold-to-silver ratio. Gold, favoured as a safe haven amid uncertainties related to the covid-19 pandemic, has now started seeing corrections, with vaccine related news flow. Silver will be a preferred commodity and this also may mean that an industrial turnaround is being anticipated. Nevertheless, it may be a bit premature to jump to conclusions on the strength of the recovery, especially since high liquidity is driving asset prices up across the board. A weaker dollar and strong Chinese currency are favourable for metal price inflation and Chinese stocking ahead of festivities (Chinese New Year) could also be driving commodity prices.

The yellow metal has given double digit returns of around 22% in the international markets and 26% in the domestic market. Continuous flush of liquidity by global central banks, recession across the global economy, and rising Covid-19 infections fuelled the rise of gold prices for most of the year. However, the year 2020 is coming to an end for a new beginning in 2021 with the hopes of the vaccine and its supply bringing in optimism across the global economy. This optimism will continue in 2021 and that is what will define the landscape for the yellow metal in the months ahead. Central banks continue to infuse liquidity.



The balance sheet of the US Fed stands at \$7.177 trillion and that of European Central Bank stands at Euros 6.883 trillion. Two of the biggest central banks' balance sheets continue to balloon because of an infusion of liquidity and the policy of easy liquidity will continue in 2021 also To add spice further, the number of coronavirus cases globally stands at around 65 million and the United States is currently battling a third wave of coronavirus infections as the virus continues to infect the population at a much larger scale. Over 1.5 million people have lost their lives due to Covid-19, with one death reported every nine seconds on a weekly average. Vaccinations are set to begin in December in a handful of developed nations.

Whatever the situation, there is more room for gold prices to move higher in the coming month and we see spot gold prices in the international markets shoot up towards \$1,965/oz while MCX NSE 0.40 % gold futures might move higher towards Rs 50,500/10 gms in a month's time frame.

10. Coronavirus & New Strain Impact Over Economy As It Has Seen 5% Correction In SENSEX & NIFTY In Short Term

The new strain of coronavirus discovered in the UK triggered a decline in the market. A correction was on the cards anyway and it was just a matter of time as indices had rallied for seven consecutive weeks. Experts see the momentum slowing down further as we approach the holiday season, and the Indian market could possibly see a 5 percent downtick in the near term. It was Manic Monday 21st December on D-Street after reports of a new Coronavirus strain was found in Britain. The reports further suggest that the new strain of the virus is estimated to be 70% more infectious which triggered a sharp sell-off in markets across the globe.

Indian market witnessed its worst single-day fall in seven months which wiped out around Rs 7 lakh cr in terms of market capitalization on the BSE. The market fall today can be attributed to the surge in cases in the UK and the new strain of coronavirus which transmits even faster. Also, technical factors like put writers covering their positions by shorting in the futures market, lead to the fast decline in the market. Foreign institutional investors (FIIs) which have poured in more than Rs 38,000 crore in the Indian equity markets pulled out Rs 300 crore on Monday. Experts see the momentum to slow down as we head towards the holiday season. Indian market will remain shut on Friday on account of Christmas on 25 December, Friday. Fresh concerns over the spread of coronavirus in the UK and Europe dragged the Indian market that lost over 3 percent on Monday. The new strain of coronavirus in the UK has led to correction across European markets.



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