

Shree Cement | HOLD

Better volumes on capacity addition; costs impact profitability

Shree Cement (Shree) reported 9.5% YoY growth in cement revenues in 2QFY18, primarily on capacity additions in FY17 and a 2.5% realisation increase. Cement and power segment revenues were in line with our estimates. While EBITDA/t declined 19% YoY (on increase in power/fuel, freight and raw material costs), it was ahead of estimates primarily on better-than-expected improvement in realisations and lower other expenses. The power segment reported a decline in operating profit margin (in line with the trend in 1Q) as the increase in petcoke/coal costs impacted profitability. Going forward, key monitorables for Shree will be sustainability of realisations and improvement in cement demand. We continue to value the stock at 12x EVE to arrive at a TP of INR 16,000 (Sep'18). We maintain HOLD.

- Cement volumes/realisation drive revenues; partially offset by power sales decline:** 2QFY18 revenue, at INR 21.4bn, was +4.1%/-17% YoY/QoQ, in line with the expectations. Cement revenues for the quarter grew 9.5% YoY on the back of 7%/2.5% volume/realisation growth. Cement volumes grew primarily on account of higher capacity vs. the base quarter (2.1MTPA de-bottlenecking and 1.6MTPA capacity addition). Clinker sales declined during the quarter to 0.01mnT (vs. 0.17mnT in 2QFY17). Cement segment revenues were in line with our estimates. Realisation for the quarter was flat QoQ. Power revenues were in line with expectations at INR 1,025mn, -47% YoY. Power unit sales declined to 295mn units (-45% YoY).
- EBITDA beats estimates on lower other expenses:** EBITDA stood at INR 5.6bn; -20%/-21% YoY/QoQ, beating estimates primarily on lower other expenses. Cement EBITDA/t beat estimates primarily on better-than-expected realisations and lower other expenses, partially offset by higher-than-expected raw material costs. The company reported a 19% decline in EBITDA/t (INR1,133/t); cement realisation growth (INR102/t positive impact) and lower other expenses (INR119/t positive impact) were more than offset by higher power and fuel costs (-INR158/t impact), freight costs (-INR203/t impact) and raw material costs (-INR 131/t impact). Power and fuel costs for the quarter grew on account of higher petcoke/coal costs. Freight cost growth took place on account of an increase in diesel prices (7% YoY). We believe the power segment's margins were impacted on the increase in petcoke/coal prices. The effective tax rate for the quarter increased to 47% in 2QFY18. PAT for the quarter - at INR 2,089mn - declined 28% YoY (INR 2,904mn in 2QFY17). The company has recently secured 75,800 TPA of coal linkage for its captive power plant in Raipur.
- Maintain HOLD:** Shree's expansion plans in North, East and South India are expected to result in 17% volume CAGR over FY17-FY20E. In addition, it is a cost leader with a substantial advantage vs. peers. Despite factoring in these positives (resulting in 26% EBITDA CAGR FY17-FY20E), we find the current valuations (at 15.4x/12.7x FY19/20E EVE) offering limited upside potential. We wait for better valuations to enter the stock. We are valuing the stock at 12x EVE to arrive at a Sep'18 TP of INR 16,000. We maintain HOLD.



Abhishek Anand CFA
abhishek.anand@jmfl.com | Tel: (91 22) 66303067

Roshan Paunikar
roshan.paunikar@jmfl.com | (91 22) 66303563

Recommendation and Price Target

Current Reco.	HOLD
Previous Reco.	HOLD
Current Price Target (12M)	16,000
Upside/(Downside)	-13.5%
Previous Price Target	15,800
Change	1.3%

Key Data – SRCM IN

Current Market Price	INR18,490
Market cap (bn)	INR644.2/USD9.9
Free Float	49%
Shares in issue (mn)	34.8
Diluted share (mn)	34.8
3-mon avg daily val (mn)	INR342.9/USD5.3
52-week range	20,560/12,477
Sensex/Nifty	33,219/10,303
INR/USD	65.0

Price Performance

%	1M	6M	12M
Absolute	-1.5	-4.7	9.7
Relative*	-5.7	-14.2	-8.9

* To the BSE Sensex

JM Financial Research is also available on:
Bloomberg - JMFR <GO>,
Thomson Publisher & Reuters
S&P Capital IQ and FactSet

Please see Appendix I at the end of this report for Important Disclosures and Disclaimers and Research Analyst Certification.

Financial Summary					(INR mn)
Y/E March	FY16A	FY17A	FY18E	FY19E	FY20E
Net Sales	55,136	84,291	98,906	136,463	159,727
Sales Growth (%)	-14.4	52.9	17.3	38.0	17.0
EBITDA	14,069	23,672	27,129	40,202	47,915
EBITDA Margin (%)	25.5	28.1	27.3	29.4	29.9
Adjusted Net Profit	11,431	13,391	15,304	21,060	23,103
Diluted EPS (INR)	328.1	384.4	439.3	604.5	663.1
Diluted EPS Growth (%)	147.5	17.1	14.3	37.6	9.7
ROIC (%)	12.7	21.3	20.4	24.8	23.9
ROE (%)	18.9	18.4	17.7	19.4	17.1
P/E (x)	56.4	48.1	42.1	30.6	27.9
P/B (x)	9.4	8.4	6.7	5.3	4.3
EV/EBITDA (x)	44.4	26.1	23.1	15.1	12.5
Dividend Yield (%)	0.1	0.8	0.1	0.1	0.1

Source: Company data, JM Financial. Note: Valuations as of 08/Nov/2017

Exhibit 1. Results in brief

	(INR mn)										
	2QFY18	2QFY17	%YoY	1QFY18	%QoQ	1H FY18	1H FY17	%YoY	FY18E	FY17	%YoY
Sales	21,368	20,519	4.1	25,714	-16.9	47,082	42,506	10.8	98,481	84,742	16.2
Other Operating Income	0	0		0		0	264		320	264	
Total Revenues	21,368	20,519	4.1	25,714	-16.9	47,082	42,770	10.1	98,801	85,006	16.2
Total Expenditure	15,764	13,506	16.7	18,582	-15.2	34,345	28,184	21.9	72,097	60,619	18.9
EBITDA	5,605	7,013	-20.1	7,133	-21.4	12,737	14,585	-12.7	26,704	24,386	9.5
EBITDA margin (%)	26.2	34.2		27.7		27.1	34.1		27.0	28.7	
Other income	995	782	27.3	974	2.2	1,969	1,497	31.5	4,500	4,363	3.1
Interest	380	293	29.3	329	15.3	709	569	24.5	1,460	1,294	12.8
Depreciation	2,253	4,322	-47.9	2,312	-2.6	4,564	5,862	-22.1	11,505	12,147	-5.3
PBT	3,968	3,180	24.8	5,466	-27.4	9,434	9,651	-2.2	18,239	15,308	19.1
Total Tax	1,853	265	599.4	1,065	74.0	2,918	1,659	75.9	3,648	1,917	90.3
% tax rate	46.7	8.3		19.5		30.9	17.2		20.0	12.5	
PAT (Adjusted)	2,115	2,915	-27.4	4,401	-51.9	6,516	7,992	-18.5	14,592	13,391	9.0
Extraordinary Inc/Exp	0	0		0		0	0		2,500	0	
PAT (Reported)	2,115	2,915	-27.4	4,401	-51.9	6,516	7,992	-18.5	17,092	13,391	27.6
EPS (INR)	60.4	83.7	-27.8	125.7	-51.9	186.2	229.4	-18.8	387.4	384.4	0.8
Shree Operational Metrics	2QFY18	2QFY17	%YoY	1QFY18	%QoQ	1H FY18	1H FY17	%YoY	FY18E	FY17	%YoY
Cement Sales (mn tonnes)	4.88	4.57	6.9	5.89	-17.1	10.90	9.7	12.0	22.60	20.6	9.8
Realisation (INR/tonne)	4,170	4,068	2.5	4,205	-0.8	4,137	3,955	4.6	4,120	3,840	7.3
EBITDA INR/ tonne	1,133	1,400	-19.1	1,214	-6.7	1,162	1,327	-12.4	1,142	1,096	4.2

Source: Company, JM Financial

Exhibit 2. Expenses breakdown

	(INR mn)										
	2QFY18	2QFY17	%YoY	1QFY18	%QoQ	1H FY18	1H FY17	%YoY	FY18E	FY17	%YoY
Raw material	1,690	1,552	8.9	2,122	-20.4	3,812	3,164	20.5	7,699	6,807	13.1
INR/tonne	346	340	1.9	360	-3.9	350	325	7.6	341	331	3.0
Inc/(dec) in stock	-109	-671	-83.7	137	-179.9	28	-501	-105.5	68	-535	-112.7
INR/tonne	-22	-147	-84.7	23	-196.4	3	-51	-104.9	3	-26	-111.5
Power/fuel	3,171	2,248	41.1	3,602	-12.0	6,773	4,248	59.4	12,991	10,284	26.3
INR/tonne	650	492	32.0	612	6.2	621	436	42.4	575	500	15.0
Freight	5,336	4,066	31.2	6,288	-15.1	11,624	8,468	37.3	22,924	18,740	22.3
INR/tonne	1,094	891	22.8	1,068	2.4	1,066	870	22.6	1,014	911	11.4
Staff cost	1,454	1,377	5.6	1,472	-1.2	2,926	2,708	8.1	5,840	5,372	8.7
INR/tonne	298	302	-1.2	250	19.2	268	278	-3.5	258	261	-1.0
Other expenditure	3,275	3,609	-9.2	3,990	-17.9	7,265	7,494	-3.1	17,773	15,793	12.5
INR/tonne	671	790	-15.1	678	-0.9	666	770	-13.4	786	768	2.5
Cost of power for external sales	947	1,325	-28.6	971	-2.5	1,918	2,603	-26.3	4,802	4,159	15.4
INR/unit	3.2	2.5	30.4	3	-5.9	3.3	2.3	45.7	3.2	2.5	27.6
Total expenditure	15,764	13,506	16.7	18,582	-15.2	34,345	28,184	21.9	72,097	60,619	18.9
Cost per tonne (excluding excise)	3,037	2,668	13.8	2,991	1.5	2,974	2,895	2.7	2,978	2,946	1.1

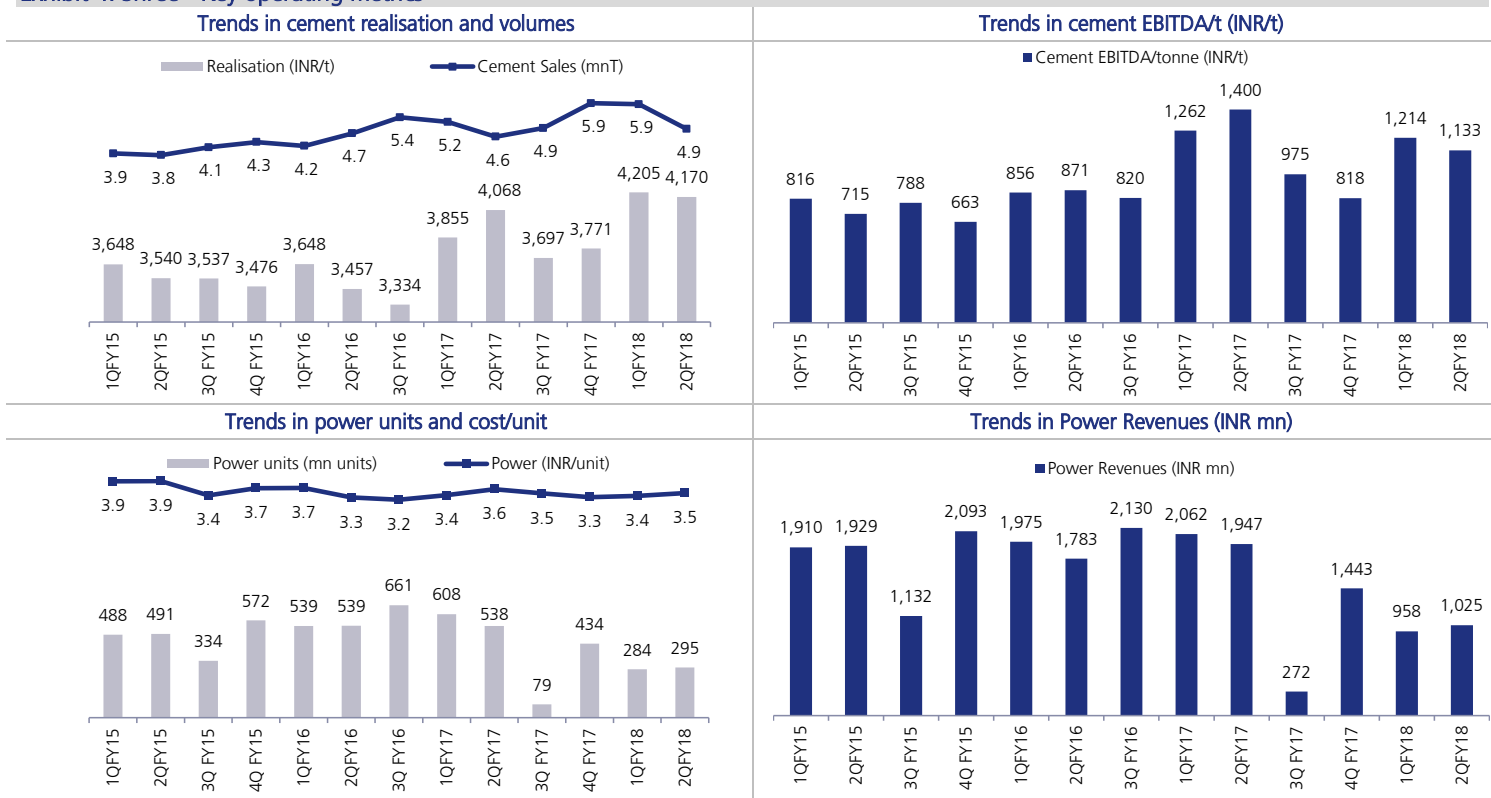
Source: Company, JM Financial

Exhibit 3. Segmental break-up

	(INR mn)										
	2QFY18	2QFY17	%YoY	1QFY18	%QoQ	1H FY18	1H FY17	%YoY	FY18E	FY17	%YoY
Cement Business											
Sales (INR mn)	20,343	18,572	9.5	24,757	-17.8	45,100	38,497	17.2	93,104	79,017	17.8
EBITDA (INR mn)	5,527	6,392	-13.5	7,146	-22.7	12,673	13,180	-3.8	26,128	22,821	14.5
Cement Volumes (mn tonnes)	4.9	4.57	6.9	5.89	-17.1	10.9	9.73	12.0	22.6	20.58	9.8
Realisation (INR per tonne)	4,170	4,068	2.5	4,205	-0.8	4,137	3,955	4.6	4,120	3,840	7.3
Cement EBITDA INR/tonne	1,133	1,400	-19.1	1,214	-6.7	1,162	1,354	-14.1	1,142	1,109	3.0
Power Business											
Sales (INR mn)	1,025	1,947	-47.4	958	7.0	1,982	4,009	-50.6	5,377	5,724	-6.1
EBITDA (INR mn)	78	622	-87.4	-14	-675.0	65	1,406	-95.4	576	1,565	-63.2
Power units (mn)	295	538	-45.2	284	3.6	579	1,145	-49.4	1,500	1,658	-9.5
Realisation (price/unit)	3.48	3.62	-3.9	3.37	3.3	3.42	3.50	-2.2	3.58	3.45	3.9

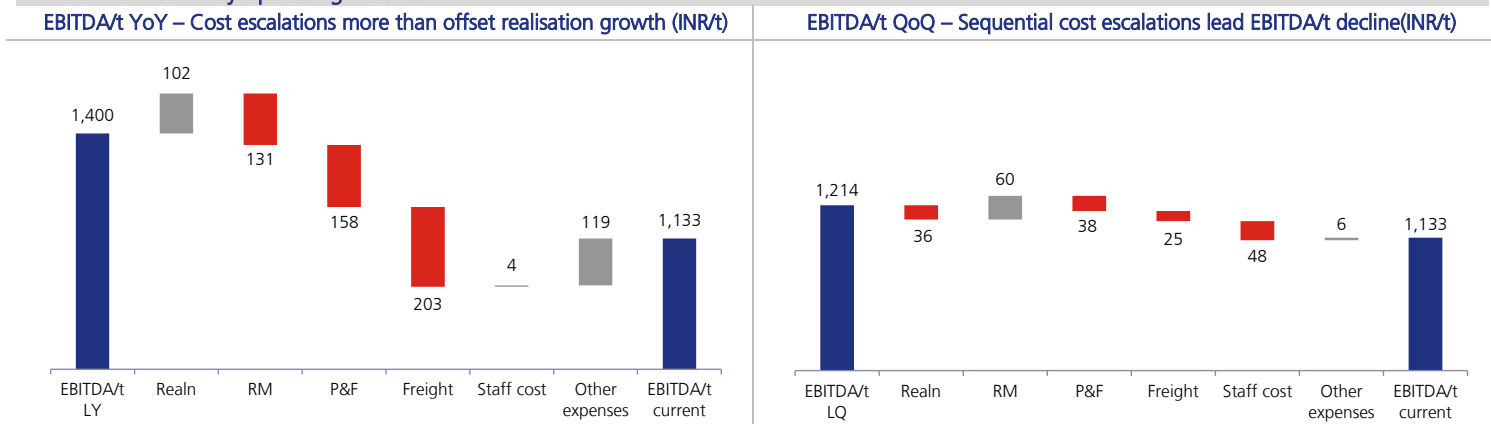
Source: Company, JM Financial

Exhibit 4. Shree - Key operating metrics



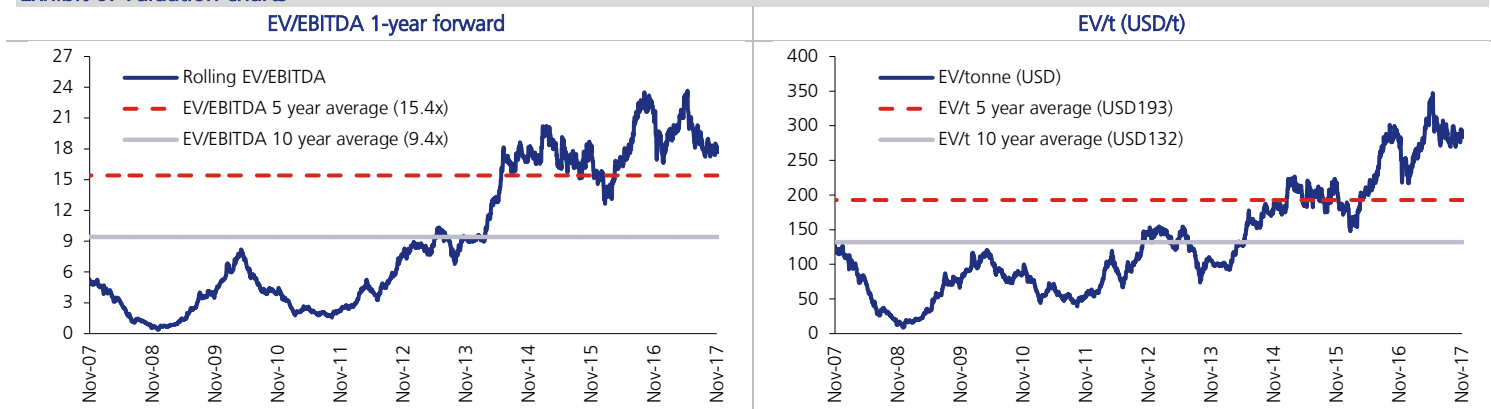
Source: Company, JM Financial

Exhibit 5. Shree - Key operating metrics



Source: Company, JM Financial

Exhibit 6. Valuation charts



Source: Company, JM Financial

Company background

- Shree Cement, the market leader in North India has single largest plant with an installed capacity of 13.5MT. It is strategically located in central Rajasthan from where it can cater to the entire Rajasthan market and Delhi and Haryana, with economic logistics cost. The company entered the lesser penetrated eastern markets through integrated unit at Chattisgarh and a grinding unit at Bihar. Shree is in process to enter highly profitable southern market through a green-field expansion at Gulbarga, Karnataka. The company has a sizable capacity of 13MTPA under expansion which is expected to be completed by FY19. It has established its reputation as one of the world's most efficient cement manufacturers.

Key investment arguments:

- Market share of c.21% in the relatively stable northern market and expected to increase further to c.22.0% over the next few years.
- Aggressively pursuing capacity expansion – has nearly doubled its capacity from 13.5 MTPA in FY13 to 29.3 MTPA in FY17. Plans to add another 13MTPA of incremental capacity, strengthening its position in Northern, Eastern and Southern markets
- Company has healthy operating cash flow which is expected to support its capacity expansion programs. It is expected to generate cumulative operating cash flows of c.INR8.6bn over FY17-20E
- The company is a cost leader based on the JM Cost index. The operating efficiency gives the company a significant advantage vs peers in the environment of subdued demand, lower utilisations and rising costs.

Valuation:

- SRCM is trading at 15.4x/12.7x EV/EBITDA based on FY19/20E. On an EV/t basis, SRCM is trading at USD231/USD205 on FY19/20E.

Key risks to our call:

- (1) Any adverse movement in the petcoke/imported coal prices may impact profitability; (2) Planned expansion in the newer markets (East and Central) to present its own challenges; (3) Regulatory risk- Sector has been under the radar of Competition Commission of India with few judgements against cement companies

Exhibit 7. Volumes, realisations and cost outlook

	FY16	FY17	FY18E	FY19E	FY20E
Cement Sales (mn tonnes)	14.2	20.6	22.6	29.1	33.0
YoY Growth (%)	17.5	8.4	9.8	28.7	13.4
Cement Realisations (INR/tonne)	3,463	3,819	4,120	4,376	4,555
YoY change (%)	-2.4	10.3	7.9	6.2	4.1
Power & Fuel (INR/tonne)	522	500	575	598	622
Freight (INR/tonne)	568	637	732	761	792
Raw Material (INR/tonne)	315	331	341	351	361
Cement EBITDA (INR/tonne)	848	1,074	1,142	1,292	1,362
Power Units (mn)	1,739	1,658	1,500	2,200	2,200
Merchant Tariff (INR/unit)	3.3	3.4	3.6	3.9	4.0
Power Revenue (INR mn)	5,810	5,714	5,333	8,604	8,862
Power EBITDA (INR mn)	1,996	1,565	576	1,651	1,906
Cement EV/tonne (INR)	373	348	286	232	205

Source: Company, JM Financial

Financial Tables (Standalone)

Income Statement		(INR mn)				
Y/E March	FY16A	FY17A	FY18E	FY19E	FY20E	
Net Sales	55,136	84,291	98,906	136,463	159,727	
Sales Growth	-14.4%	52.9%	17.3%	38.0%	17.0%	
Other Operating Income	0	1	321	444	519	
Total Revenue	55,136	84,292	99,228	136,907	160,246	
Cost of Goods Sold/Op. Exp	4,526	6,272	7,767	10,293	12,020	
Personnel Cost	3,699	5,372	5,840	7,739	9,037	
Other Expenses	32,843	48,976	58,491	78,672	91,274	
EBITDA	14,069	23,672	27,129	40,202	49,915	
EBITDA Margin	25.5%	28.1%	27.3%	29.4%	29.9%	
EBITDA Growth	4.7%	68.3%	14.6%	48.2%	19.2%	
Depn. & Amort.	8,276	12,147	11,505	16,943	22,365	
EBIT	5,793	11,525	15,624	23,259	25,550	
Other Income	6,727	5,077	4,500	3,046	3,139	
Finance Cost	758	1,294	1,461	1,529	1,509	
PBT before Excep. & Forex	11,763	15,308	18,663	24,776	27,180	
Excep. & Forex Inc./Loss(-)	0	0	0	0	0	
PBT	11,763	15,308	18,663	24,776	27,180	
Taxes	331	1,917	3,359	3,716	4,077	
Extraordinary Inc./Loss(-)	0	0	2,500	2,500	2,500	
Assoc. Profit/Min. Int.(-)	0	0	0	0	0	
Reported Net Profit	11,431	13,391	17,804	23,560	25,603	
Adjusted Net Profit	11,431	13,391	15,304	21,060	23,103	
Net Margin	20.7%	15.9%	15.4%	15.4%	14.4%	
Diluted Share Cap. (mn)	34.8	34.8	34.8	34.8	34.8	
Diluted EPS (INR)	328.1	384.4	439.3	604.5	663.1	
Diluted EPS Growth	147.5%	17.1%	14.3%	37.6%	9.7%	
Total Dividend + Tax	1,006	5,871	1,007	1,007	1,007	
Dividend Per Share (INR)	24.0	140.0	24.0	24.0	24.0	

Source: Company, JM Financial

Balance Sheet		(INR mn)				
Y/E March	FY16A	FY17A	FY18E	FY19E	FY20E	
Shareholders' Fund	68,455	76,981	96,278	121,330	148,426	
Share Capital	348	348	348	348	348	
Reserves & Surplus	68,107	76,633	95,929	120,982	148,078	
Preference Share Capital	0	0	0	0	0	
Minority Interest	0	0	0	0	0	
Total Loans	8,805	12,925	12,925	11,925	10,925	
Def. Tax Liab. / Assets (-)	-3,718	-5,077	-5,077	-5,077	-5,077	
Total - Equity & Liab.	73,543	84,829	104,126	128,178	154,274	
Net Fixed Assets	33,147	33,096	60,591	67,648	85,283	
Gross Fixed Assets	38,720	46,354	51,354	101,354	151,354	
Intangible Assets	0	0	0	0	0	
Less: Depn. & Amort.	8,218	20,363	31,868	48,811	71,175	
Capital WIP	2,645	7,104	41,104	15,104	5,104	
Investments	30,305	40,426	30,426	30,426	30,426	
Current Assets	27,464	33,063	34,869	60,096	73,655	
Inventories	8,152	13,145	12,194	16,824	19,692	
Sundry Debtors	3,286	3,351	5,437	7,502	8,781	
Cash & Bank Balances	830	1,110	1,781	20,313	29,726	
Loans & Advances	449	516	516	516	516	
Other Current Assets	14,746	14,940	14,940	14,940	14,940	
Current Liab. & Prov.	17,372	21,754	21,759	29,991	35,090	
Current Liabilities	6,159	5,874	5,874	5,874	5,874	
Provisions & Others	11,213	15,881	15,886	24,117	29,216	
Net Current Assets	10,091	11,308	13,109	30,104	38,565	
Total - Assets	73,543	84,830	104,126	128,178	154,274	

Source: Company, JM Financial

Cash Flow Statement		(INR mn)				
Y/E March	FY16A	FY17A	FY18E	FY19E	FY20E	
Profit before Tax	11,763	15,308	18,663	24,776	27,180	
Depn. & Amort.	8,276	12,147	11,505	16,943	22,365	
Net Interest Exp. / Inc. (-)	758	1,294	1,461	1,529	1,509	
Inc (-) / Dec in WCap.	-1,748	-509	-1,130	1,537	952	
Others	-1,956	-3,333	-2,000	-546	-639	
Taxes Paid	-1,431	-2,891	-3,359	-3,716	-4,077	
Operating Cash Flow	15,662	22,017	25,140	40,522	47,290	
Capex	-7,371	-12,947	-39,000	-24,000	-40,000	
Free Cash Flow	8,291	9,070	-13,860	16,522	7,290	
Inc (-) / Dec in Investments	-7,048	-11,867	10,000	0	0	
Others	1,773	4,334	4,500	3,046	3,139	
Investing Cash Flow	-12,646	-20,479	-24,500	-20,954	-36,861	
Inc / Dec (-) in Capital	0	0	0	0	0	
Dividend + Tax thereon	-1,592	-4,846	-1,007	-1,007	-1,007	
Inc / Dec (-) in Loans	-224	4,455	0	-1,000	-1,000	
Others	-892	-1,278	1,917	971	991	
Financing Cash Flow	-2,708	-1,669	909	-1,036	-1,016	
Inc / Dec (-) in Cash	308	-132	1,549	18,532	9,412	
Opening Cash Balance	3,075	830	1,110	1,781	20,313	
Closing Cash Balance	3,383	699	2,659	20,313	29,726	

Source: Company, JM Financial

Dupont Analysis						
Y/E March	FY16A	FY17A	FY18E	FY19E	FY20E	
Net Margin	20.7%	15.9%	15.4%	15.4%	14.4%	
Asset Turnover (x)	0.7	1.0	1.0	1.1	1.1	
Leverage Factor (x)	1.2	1.2	1.2	1.1	1.1	
RoE	18.9%	18.4%	17.7%	19.4%	17.1%	

Key Ratios

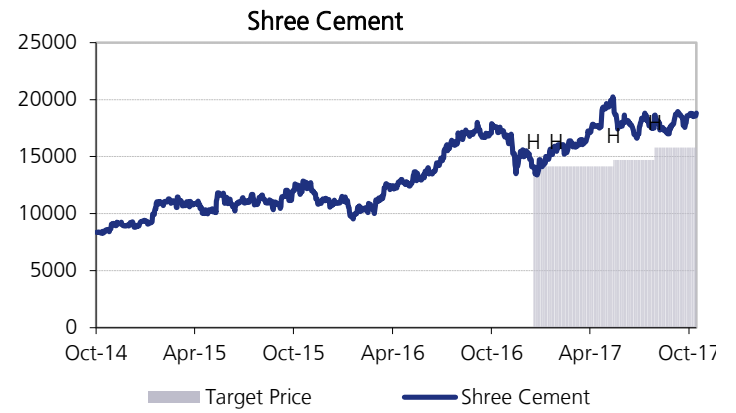
Y/E March	FY16A	FY17A	FY18E	FY19E	FY20E
BV/Share (INR)	1,964.8	2,209.6	2,763.4	3,482.5	4,260.2
ROIC	12.7%	21.3%	20.4%	24.8%	23.9%
ROE	18.9%	18.4%	17.7%	19.4%	17.1%
Net Debt/Equity (x)	-0.3	-0.4	-0.2	-0.3	-0.3
P/E (x)	56.4	48.1	42.1	30.6	27.9
P/B (x)	9.4	8.4	6.7	5.3	4.3
EV/EBITDA (x)	44.4	26.1	23.1	15.1	12.5
EV/Sales (x)	11.3	7.3	6.3	4.4	3.7
Debtor days	22	15	20	20	20
Inventory days	54	57	45	45	45
Creditor days	0	0	0	0	0

Source: Company, JM Financial

History of Earnings Estimate and Target Price

Date	FY18E EPS (INR)	% Chg.	FY19E EPS (INR)	% Chg.	Target Price	% Chg.
19-Dec-16	401.5		552.6		14,150	
30-Jan-17	396.0	-1.4	565.4	2.3	14,150	0.0
16-May-17	413.1	4.3	589.1	4.2	14,700	3.9
31-Jul-17	429.3	3.9	591.0	0.3	15,800	7.5

Recommendation History



APPENDIX I

JM Financial Institutional Securities Limited

Corporate Identity Number: U65192MH1995PLC092522

Member of BSE Ltd. and National Stock Exchange of India Ltd. and Metropolitan Stock Exchange of India Ltd.

SEBI Registration Nos.: BSE - INZ010012532, NSE - INZ230012536 and MSEI - INZ260012539, Research Analyst – INH000000610

Registered Office: 7th Floor, Cnergy, Appasaheb Marathe Marg, Prabhadevi, Mumbai 400 025, India.

Board: +9122 6630 3030 | Fax: +91 22 6630 3488 | Email: jmfinancial.research@jmfl.com | www.jmfl.com

Compliance Officer: Mr. Sunny Shah | Tel: +91 22 6630 3383 | Email: sunny.shah@jmfl.com

Definition of ratings	
Rating	Meaning
Buy	Total expected returns of more than 15%. Total expected return includes dividend yields.
Hold	Price expected to move in the range of 10% downside to 15% upside from the current market price.
Sell	Price expected to move downwards by more than 10%

Research Analyst(s) Certification

The Research Analyst(s), with respect to each issuer and its securities covered by them in this research report, certify that:

All of the views expressed in this research report accurately reflect his or her or their personal views about all of the issuers and their securities; and

No part of his or her or their compensation was, is, or will be directly or indirectly related to the specific recommendations or views expressed in this research report.

Important Disclosures

This research report has been prepared by JM Financial Institutional Securities Limited (JM Financial Institutional Securities) to provide information about the company(ies) and sector(s), if any, covered in the report and may be distributed by it and/or its associates solely for the purpose of information of the select recipient of this report. This report and/or any part thereof, may not be duplicated in any form and/or reproduced or redistributed without the prior written consent of JM Financial Institutional Securities. This report has been prepared independent of the companies covered herein.

JM Financial Institutional Securities is registered with the Securities and Exchange Board of India (SEBI) as a Research Analyst, Merchant Banker and a Stock Broker having trading memberships of the BSE Ltd. (BSE), National Stock Exchange of India Ltd. (NSE) and Metropolitan Stock Exchange of India Ltd. (MSEI). No material disciplinary action has been taken by SEBI against JM Financial Institutional Securities in the past two financial years which may impact the investment decision making of the investor.

JM Financial Institutional Securities provides a wide range of investment banking services to a diversified client base of corporates in the domestic and international markets. It also renders stock broking services primarily to institutional investors and provides the research services to its institutional clients/investors. JM Financial Institutional Securities and its associates are part of a multi-service, integrated investment banking, investment management, brokerage and financing group. JM Financial Institutional Securities and/or its associates might have provided or may provide services in respect of managing offerings of securities, corporate finance, investment banking, mergers & acquisitions, broking, financing or any other advisory services to the company(ies) covered herein. JM Financial Institutional Securities and/or its associates might have received during the past twelve months or may receive compensation from the company(ies) mentioned in this report for rendering any of the above services.

JM Financial Institutional Securities and/or its associates, their directors and employees may; (a) from time to time, have a long or short position in, and buy or sell the securities of the company(ies) mentioned herein or (b) be engaged in any other transaction involving such securities and earn brokerage or other compensation or act as a market maker in the financial instruments of the company(ies) covered under this report or (c) act as an advisor or lender/borrower to, or may have any financial interest in, such company(ies) or (d) considering the nature of business/activities that JM Financial Institutional Securities is engaged in, it may have potential conflict of interest at the time of publication of this report on the subject company(ies).

Neither JM Financial Institutional Securities nor its associates or the Research Analyst(s) named in this report or his/her relatives individually own one per cent or more securities of the company(ies) covered under this report, at the relevant date as specified in the SEBI (Research Analysts) Regulations, 2014.

The Research Analyst(s) principally responsible for the preparation of this research report and members of their household are prohibited from buying or selling debt or equity securities, including but not limited to any option, right, warrant, future, long or short position issued by company(ies) covered under this report. The Research Analyst(s) principally responsible for the preparation of this research report or their relatives (as defined under SEBI (Research Analysts) Regulations, 2014); (a) do not have any financial interest in the company(ies) covered under this report or (b) did not receive any compensation from the company(ies) covered under this report, or from any third party, in connection with this report or (c) do not have any other material conflict of interest at the time of publication of this report. Research Analyst(s) are not serving as an officer, director or employee of the company(ies) covered under this report.

While reasonable care has been taken in the preparation of this report, it does not purport to be a complete description of the securities, markets or developments referred to herein, and JM Financial Institutional Securities does not warrant its accuracy or completeness. JM Financial Institutional Securities may not be in any way responsible for any loss or damage that may arise to any person from any inadvertent error in the information contained in this report. This report is provided for information only and is not an investment advice and must not alone be taken as the basis for an investment decision. The investment discussed or views expressed or recommendations/opinions given herein may not be suitable for all investors. The user assumes the entire risk of any use made of this information. The information contained herein may be changed without notice and JM Financial Institutional Securities reserves the right to make modifications and alterations to this statement as they may deem fit from time to time.

This report is neither an offer nor solicitation of an offer to buy and/or sell any securities mentioned herein and/or not an official confirmation of any transaction.

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 JM Financial Institutional Securities and/or its affiliated company(ies) 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 a certain category of investors. Persons in whose possession this report may come, are required to inform themselves of and to observe such restrictions.

Persons who receive this report from JM Financial Singapore Pte Ltd may contact Mr. Ruchir Jhunjhunwala (ruchir.jhunjhunwala@jmfl.com) on +65 6422 1888 in respect of any matters arising from, or in connection with, this report.

Additional disclosure only for U.S. persons: JM Financial Institutional Securities has entered into an agreement with JM Financial Securities, Inc. ("JM Financial Securities"), a U.S. registered broker-dealer and member of the Financial Industry Regulatory Authority ("FINRA") in order to conduct certain business in the United States in reliance on the exemption from U.S. broker-dealer registration provided by Rule 15a-6, promulgated under the U.S. Securities Exchange Act of 1934 (the "Exchange Act"), as amended, and as interpreted by the staff of the U.S. Securities and Exchange Commission ("SEC") (together "Rule 15a-6").

This research report is distributed in the United States by JM Financial Securities in compliance with Rule 15a-6, and as a "third party research report" for purposes of FINRA Rule 2241. In compliance with Rule 15a-6(a)(3) this research report is distributed only to "major U.S. institutional investors" as defined in Rule 15a-6 and is not intended for use by any person or entity that is not a major U.S. institutional investor. If you have received a copy of this research report and are not a major U.S. institutional investor, you are instructed not to read, rely on, or reproduce the contents hereof, and to destroy this research or return it to JM Financial Institutional Securities or to JM Financial Securities.

This research report is a product of JM Financial Institutional Securities, which is the employer of the research analyst(s) solely responsible for its content. The research analyst(s) preparing this research report is/are resident outside the United States and are not associated persons or employees of any U.S. registered broker-dealer. Therefore, the analyst(s) are not subject to supervision by a U.S. broker-dealer, or otherwise required to satisfy the regulatory licensing requirements of FINRA and may not be subject to the Rule 2241 restrictions on communications with a subject company, public appearances and trading securities held by a research analyst account.

JM Financial Institutional Securities only accepts orders from major U.S. institutional investors. Pursuant to its agreement with JM Financial Institutional Securities, JM Financial Securities effects the transactions for major U.S. institutional investors. Major U.S. institutional investors may place orders with JM Financial Institutional Securities directly, or through JM Financial Securities, in the securities discussed in this research report.

Additional disclosure only for U.K. persons: Neither JM Financial Institutional Securities nor any of its affiliates is authorised in the United Kingdom (U.K.) by the Financial Conduct Authority. As a result, this report is for distribution only to persons who (i) have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended, the "Financial Promotion Order"), (ii) are persons falling within Article 49(2)(a) to (d) ("high net worth companies, unincorporated associations etc.") of the Financial Promotion Order, (iii) are outside the United Kingdom, or (iv) are persons to whom an invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000) in connection with the matters to which this report relates may otherwise lawfully be communicated or caused to be communicated (all such persons together being referred to as "relevant persons"). This report is directed only at relevant persons and must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this report relates is available only to relevant persons and will be engaged in only with relevant persons.

Additional disclosure only for Canadian persons: This report is not, and under no circumstances is to be construed as, an advertisement or a public offering of the securities described herein in Canada or any province or territory thereof. Under no circumstances is this report to be construed as an offer to sell securities or as a solicitation of an offer to buy securities in any jurisdiction of Canada. Any offer or sale of the securities described herein in Canada will be made only under an exemption from the requirements to file a prospectus with the relevant Canadian securities regulators and only by a dealer properly registered under applicable securities laws or, alternatively, pursuant to an exemption from the registration requirement in the relevant province or territory of Canada in which such offer or sale is made. This report is not, and under no circumstances is it to be construed as, a prospectus or an offering memorandum. No securities commission or similar regulatory authority in Canada has reviewed or in any way passed upon these materials, the information contained herein or the merits of the securities described herein and any representation to the contrary is an offence. If you are located in Canada, this report has been made available to you based on your representation that you are an "accredited investor" as such term is defined in National Instrument 45-106 Prospectus Exemptions and a "permitted client" as such term is defined in National Instrument 31-103 Registration Requirements, Exemptions and Ongoing Registrant Obligations. Under no circumstances is the information contained herein to be construed as investment advice in any province or territory of Canada nor should it be construed as being tailored to the needs of the recipient. Canadian recipients are advised that JM Financial Securities, Inc., JM Financial Institutional Securities Limited, their affiliates and authorized agents are not responsible for, nor do they accept, any liability whatsoever for any direct or consequential loss arising from any use of this research report or the information contained herein.