ASIAMONEY Brokers Poll 2020

Best Local Brokerage

Market snapshot

Equities - India	Close	Chg .%	CY20.%
Sensex	48,348	-1.1	17.0
Nifty-50	14,239	-0.9	16.9
Nifty-M 100	21,455	-0.9	25.2
Equities-Global	**Close**	**Chg .%**	**CY20.%**
S&P 500	3,850	-0.1	18.2
Nasdaq	13,626	-0.1	49.9
FTSE 100	6,654	0.2	-12.5
DAX	13,871	1.7	3.6
Hang Seng	11,695	-2.2	3.3
Nikkei 225	28,546	-1.0	20.7
Commodities	**Close**	**Chg .%**	**CY20.%**
Brent (US$/Bbl)	55	1.3	-16.4
Gold ($/OZ)	1,856	0.0	22.3
Cu (US$/MT)	7,966	-0.4	29.2
Almn (US$/MT)	2,020	1.2	13.8
Currency	**Close**	**Chg .%**	**CY20.%**
USD/INR	72.9	0.0	2.4
USD/EUR	1.2	-0.3	8.3
USD/JPY	103.8	0.0	-4.6
YIELD (%)	**Close**	**1MChg**	**CY20 chg**
10 Yrs G-Sec	5.9	0.01	-0.6
10 Yrs AAA Corp	6.7	0.02	-1.0
Flows (USD b)	**25-Jan**	**MTD**	**CY21**
FIIs	-0.10	3.04	3.14
DIIs	-0.05	-2.21	-2.15
Volumes (INRb)	**25-Jan**	**MTD***	**YTD***
Cash	789	773	773
F&O	34,547	33,985	33,985

Note: *Average

Today's top research idea

L&T Technology Services | Initiating Coverage: Play on ER&D's growing Digitization

Unique position aided by a diversified portfolio and marquee clients

- We see L&T Technology Services (LTTS) as a key beneficiary of growing tech adoption in ER&D, which should grow at ~2x of IT service over 2018-23E. Moreover, with Digital at 50% of revenues, LTTS should also benefit from 18% growth in Digital ER&D spends over this period.
- LTTS has highly diversified business mix, with low client concentration and five large verticals. It should deliver a strong growth rebound (19% CAGR over FY21-23E), after a period of weak growth due to client and COVID-19 impact.
- Improving operating leverage should drive 290bp EBIT margin expansion YoY in FY22E and 30% earnings growth over FY21-23E.
- We are initiating coverage with a Buy rating and target price of INR2,830 on 26x FY23E EPS.

Research covered

Cos/Sector	Key Highlights
L&T Technology Services (IC)	Play on ER&D's growing Digitization
Technology	Another standout quarter; another upgrade!
Larsen & Toubro	Robust Balance Sheet makes up for minor miss on core E&C
Grasim Inds.	Announces a bold entry into Paints
Can Fin Homes	Disbursements sluggish; margins intact
Automobile	Government proposes green tax for older vehicles

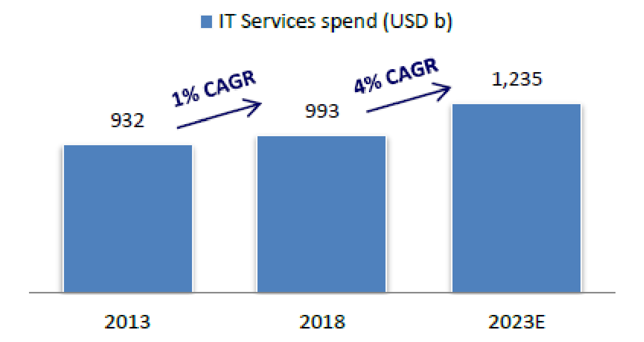
Piping hot news

IMF projects impressive 11.5% growth rate for India in 2021

The IMF on Tuesday projected an impressive 11.5% growth rate for India in 2021, making the country the only major economy of the world to register ...

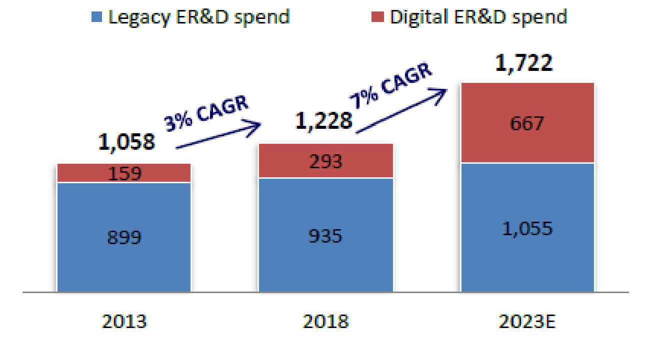
Chart of the Day: L&T Technology Services (Play on ER&D's growing Digitization)

Unlike the IT Services industry...



Source: Gartner, MOFSL

...ER&D industry is expected to grow much faster



Source: Zinnov, MOFSL

Research Team (Gautam.Duggad@MotilalOswal.com)

In the news today

Kindly click on textbox for the detailed news link

1

IMF projects impressive 11.5% growth rate for India in 2021

The IMF on Tuesday projected an impressive 11.5% growth rate for India in 2021, making the country the only major economy of the world to register a double-digit growth this year amidst the coronavirus pandemic. The International Monetary Fund's growth projections for India…

2

Gold prices fall to near one-month low after dropping for 3 days in a row

Gold prices in futures market in India slipped on Monday, extending losses to the third day. After a 25% gain last year, gold has remained volatile and directionless trade since start of the year. On MCX, February gold futures fell 0.15% to near one-month low of ₹49,067 per 10 gram while silver edged 0.24% lower to ₹66,479 per kg…

3

Delhi-NCR has maximum stuck housing units at 1.9 lakh worth nearly Rs 1.2 lakh cr

Delhi-NCR property market has maximum stuck housing units at 1.9 lakh, worth nearly Rs 1.2 lakh crore, that were delayed by at least seven years, according to property consultant Anarock. A total of 1,90,120 housing units, worth Rs 1,19,291 crore, were stuck in the Delhi-NCR as of 2020-end…

4

Indian startups attract $10.14 bn in funding in 2020: Report

Indian startups are estimated to have received $10.14 billion in funding across more than 1,200 deals in 2020 despite the COVID crisis, a report by consulting firm HexGn said. Even though the total investment received in 2020 is lower than that of 2019 ($14.5 billion), the number of deals were higher by 20%, the report said. "Weathering negative sentiment..

5

Dixon inks deal with Nokia to make phones in India

Contract manufacturer Dixon Technologies India Ltd Monday said its subsidiary Padget Electronics has signed an agreement to manufacture Nokia smartphones at its plant in Noida, Uttar Pradesh. The company has entered a manufacturing partnership with HMD India, which holds the rights to Nokia's brand name in smartphones, Dixon Technologies said in a regulatory filing…

6

Govt plans to provide incentive for early commencement of production from auctioned mines

The government plans to provide incentive to mineral block allocatees for early commencement of production from the auctioned mines, a move aimed at increasing mineral output of the country and reducing imports…

7

L&T to invest in IT services, divest infra assets to be future ready

Engineering major Larsen & Toubro plans to invest more in technology services business to increase its share in the company's portfolio, while exiting infrastructure assets where it is a developer, Managing Director and Chief Executive Officer…

L&T Technology Services

BSE Sensex	S&P CNX
48,348	14,239

CMP: INR2,348 TP: INR2,830 (+21%) Buy

L&T Technology Services

Stock Info

Bloomberg	LTTS IN
Equity Shares (m)	106
M.Cap.(INRb)/(USDb)	245.9 / 3.5
52-Week Range (INR)	2780 / 995
1, 6, 12 Rel. Per (%)	-3/36/19
12M Avg Val (INR M)	353
Free float (%)	25.7

Financial Snapshot (INR b)

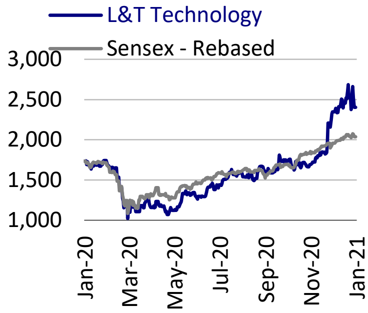
(Y/E March)	FY21E	FY22E	FY23E
Sales	55.1	67.7	79.0
EBIT	8.0	11.5	13.8
PAT	6.8	9.6	11.5
EPS	64.3	91.0	109.0
EPS Growth (%)	-17.0	41.5	19.7
BV/Share (INR)	306.4	365.3	435.7
P/E (x)	36.4	25.7	21.5
P/BV (x)	27.3	20.1	16.8
EV/EBITDA (x)	7.6	6.4	5.4
EV/Sales (x)	4.2	3.3	2.8
RoE (%)	22.7	27.3	27.4
RoCE (%)	17.1	21.2	21.4

Shareholding pattern (%)

As On	Dec-20	Sep-20	Dec-19
Promoter	74.3	74.4	74.7
DII	6.4	5.8	4.5
FII	8.9	8.0	8.3
Others	10.5	11.8	12.5

FII Includes depository receipts

Stock Performance (1-year)



Play on ER&D's growing Digitization

Unique position aided by a diversified portfolio and marquee clients

- **As one of the largest pure play R&D outsourcing vendors out of India, we see L&T Technology Services (LTTS) as a key beneficiary of growing tech adoption across R&D and new product development. More importantly, with Digital revenue share of ~50%, it would benefit from high double-digit growth in global Digital ER&D spend (18% CAGR over 2018-23E).**
- **LTTS has one of the most diversified business mix within its peer group, with low client concentration (top five client revenue share at 16% in 3Q FY21) and five large verticals with over 10% revenue contribution. This, in our view, offers greater resiliency to its business from industry seasonality, which is the biggest structural issue with companies in the ER&D industry.**
- **While the company will deliver largely flat growth over FY19-21E (1% revenue CAGR) due to COVID-19 and ramp down at key clients (partly due to external issues), we expect a strong growth rebound (19% CAGR over FY21-23E).**
- **We remain confident of LTTS ability to delivery mid-to-high double digit growth over the medium term, aided by robust growth in global ER&D spends (7% CAGR) over 2018-23E (~2x of growth in IT service spends - Exhibit 8 and 9) due to the growing criticality of Digital in new product development.**
- **Improving operating leverage, growing appetite for offshore delivery, and higher employee utilization should drive 290bp EBIT margin expansion YoY from FY21E to 17.4% in FY22E.**
- **We initiate coverage on LTTS with a Buy rating and target price of INR2,830, based on 26x FY23E EPS, c5% premium to our target multiple for L&T Infotech. We believe that the structurally superior industry growth outlook and higher earnings growth (30% over FY21-23E) justifies LTTS' premium multiples.**

Incremental ER&D dollars now driven by Digital spends

- With growing technology integration in R&D, there is a meaningful shift towards embedded engineering. A large portion of this technology spend is now moving towards Digital.
- This increased focus on Digital integration would lead to a greater share of ER&D spend to 40% (USD667b) by 2023 from ~25% (USD293b). This would result in overall ER&D investments growing at 7% CAGR over 2018-23E, more than double the pace seen in the previous five-year period. We see this trend as a key positive for LTTS, which now generates ~50% of revenue from Digital and new technologies.
- We also expect a trained talent shortage in developed economies to continue to drive opportunities in the engineering talent-rich Indian market.

ER&D to grow at a faster pace than IT Services

- While the IT and ER&D services industry have broadly similar sizes, industry data from Gartner and Zinnov indicate a much faster growth (~2x of IT Services) in the ER&D industry over 2018-23E due to high double digit growth in Digital.

- We also see a relatively smaller penetration of ER&D outsourcing as an opportunity for specialists like LTTS to grow faster over a longer period. As per Nasscom estimates, penetration in the ER&D outsourcing industry is currently ~12% of overall business ER&D spends. It should more than double by 2025 to capture 19% share of spends.
- Despite this massive growth, ER&D penetration will still be meaningfully smaller than overall IT Services spend. This implies a much longer runway for the industry to deliver strong growth compared to the IT Services industry.

Unique positioning, strong competitive advantages

- Unlike IT Services, growth in ER&D services is more volatile, given its sensitivity to growth/investment cycles of end-verticals. Accordingly, vertical diversification is a key competitive advantage for ER&D companies to better absorb the sharp cyclical downturns in any vertical.
- LTTS has consistently delivered strong growth in Digital offerings, which now contribute ~50% of its total revenue. The company has developed solutions in all five key verticals, which has helped position itself well in front of clients.

Expect a strong growth rebound

- While the company will deliver largely flat growth over FY19-21E (1% revenue CAGR) due to COVID-19 and ramp down at key clients (partly due to external issues), we expect a strong growth rebound (19% CAGR over FY21-23E).
- After a sharp 200bp dip in margin in FY21E due to COVID-19 led impact, the company should be more than able to recover margin over the next two years due to favorable operating leverage, leading to 30% earnings CAGR of FY21-23E.
- Since the company's listing in Sep'16, the P/E multiple (one-year blended forward) has averaged to c21x. Our TP of INR2,830 implies 26x FY23E EPS, c5% premium to our target multiple for L&T Infotech on better industry & company growth. We also anticipate improved industry spend environment compared to previous five years. We, thus, initiate coverage with a Buy rating.

Exhibit 1: Relative valuation v/s IT services peers

	M. cap	EV	Revenue growth (USD %)			PAT growth (%)			P/E (x)			EV/EBITDA (x)		
Company	(INR b)	(INR b)	FY21E	FY22E	FY23E	FY21E	FY22E	RoCE	FY21E	FY22E	FY23E	FY21E	FY22E	FY23E
LTTS	**265**	**262**	**-6%**	**22%**	**17%**	**-17%**	**41%**	**17%**	**36.4**	**25.7**	**21.5**	**22.4**	**15.9**	**13.0**
LTI	695	665	9%	19%	15%	24%	20%	25%	27.0	31.0	26.3	24.5	20.9	17.7
MPHL	299	290	6%	13%	12%	2%	23%	20%	24.2	20.5	17.4	16.2	13.5	11.6
MTCL	290	271	-2%	14%	12%	72%	14%	24%	26.8	23.4	21.0	16.4	13.9	12.4
PSYS	122	110	11%	13%	13%	20%	21%	14%	20.0	24.9	21.1	16.8	14.2	12.1
ZENT	54	49	-10%	-10%	9%	30%	20%	5%	15.8	13.1	12.0	7.1	6.1	5.6
COFORGE	155	151	6%	18%	13%	0%	24%	17%	33.1	26.8	23.7	19.0	15.5	13.8
Median			**6%**	**14%**	**13%**	**20%**	**21%**	**17%**	**30.0**	**24.9**	**21.1**	**16.8**	**14.2**	**12.4**

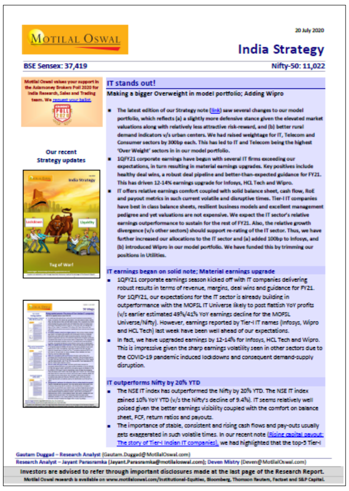
Source: Bloomberg, MOFSL

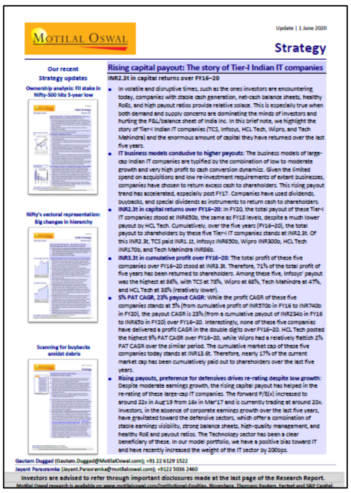
Exhibit 2: Relative valuation v/s R&D outsourcing peers

	M.Cap	EV	Revenue growth (USD %)			PAT growth (%)			P/E (x)			EV/EBITDA (x)		
Company	(USD m)	(USD m)	FY20	FY21E	FY22E	FY21E	FY22E	RoCE	FY20	FY21E	FY22E	FY20	FY21E	FY22E
LTTS	**3,632**	**3,593**	**9%**	**-6%**	**22%**	**-17%**	**41%**	**17%**	**36.4**	**25.7**	**21.5**	**22.4**	**15.9**	**13.0**
CYL	765	671	-5%	-11%	15%	-2%	31%	10%	15.0	15.3	11.6	8.4	7.4	5.1
Tata Elxsi	2,200	2,106	-1%	7%	14%	26%	17%	26%	15.3	48.2	42.1	9.7	31.4	28.1
Alten	4,025	3,255	10%	-3%	3%	-41%	42%	30%	23.0	37.0	25.7	13.0	17.5	13.7
Median			**4%**	**-4%**	**14%**	**-9%**	**36%**	**21%**	**19.1**	**37.1**	**26.0**	**11.4**	**21.5**	**16.1**

Source: Bloomberg, MOFSL

Our recent Strategy notes on IT





Another standout quarter; another upgrade!

Maintain OW stance

- **The IT sector's performance over the past year has been outstanding; the sector has deservedly been re-rated – companies have paid out more than 85% of FCF to shareholders, had net-cash balance sheets, and commands RoEs of 25–40%. We have run a material OW position on IT in our Model Portfolio since 2020 and continue with a ~210bps OW position with Infosys and HCL Tech as top ideas in Tier-I IT & Mphasis and Persistent in Tier-II. We have also initiated coverage on LTTS with a BUY rating.**
- **The 3QFY21 results season has thus far beaten expectations, with the IT companies delivering stellar results. IT service companies delivered sequential growth of 3–5% in QoQ CC terms (TCS/INFO/HCL/WPRO) in 3QFY21, aided by broad-based growth across geographies and verticals. This was meaningfully ahead of our estimates, indicating an uptick in technology spends by corporates.**
- **Deal wins remain robust for the Top-4 firms, while management commentaries indicate acceleration in further spending on technology. a) Vendor consolidation (similar to the market share shift in favor of big players – we are seeing this in multiple other sectors in India), b) digital transformation, c) cloud migration, d) workplace transformation, and e) spending on cloud/security/digital have assumed a disproportionate importance in the new normal.**
- **In this note, we highlight the strong 3QFY21 performance, consequent earnings upgrade and management commentaries from the key IT companies.**

IT begins earnings season with a bang; multi-year tech cycle in place

- The 3QFY21 corporate earnings season has thus far beaten expectations, with the IT sector and particularly the Top-4 Tier-I IT companies reporting robust results. IT service companies delivered sequential growth of 3–5% in QoQ CC terms (TCS/INFO/HCL/WPRO) in 3QFY21, aided by broad-based growth across geographies and verticals. This was meaningfully ahead of our expectation, indicating an uptick in technology spends by corporates.
- Deal pipelines have improved further v/s 2QFY21, now at pre-COVID levels/stronger, indicating a demand uptick. Strong deal TCV, coupled with mega-deal wins in TCS/Infosys/Wipro, suggests resilience to macroeconomic concerns. Companies showed sequential expansion in the EBIT margin in 3QFY21 (10–300bp QoQ), better than estimated, in most cases. Sharp improvement in operational efficiency parameters, such as an increase in utilization/offshoring/automation, was the key lever for margin growth in 3QFY21. Utilization has improved across companies, led by demand recovery. This has further aided margin improvement.
- Results were further garnished with upbeat commentary and a healthy outlook. Consequently, all four companies saw upward estimate revisions for FY21/FY22 earnings for the third quarter in a row. What has appealed to us the most this earnings season is that in a matter of nine months, COVID-19 has turned from a headwind to tailwind for Indian IT companies.
- Vendor consolidation (similar to the market share shift in favor of big players – we are seeing this in multiple other sectors in India), digital transformation,

cloud migration, workplace transformation, and spending on cloud/security/digital have assumed a disproportionate importance in the new normal. Conversations around the IT sector have changed during this interim period, with the bulk of the discussion focused on new areas of spending. Digital had already begun to gain importance before the COVID outbreak. The pandemic and ensuing lockdown provided the push and accelerated this shift, in our view. The deal pipeline, deal sizes, and conversion have been quite healthy.

- The IT sector's performance over the past year has been outstanding; the sector has deservedly been re-rated – companies have paid out more than 85% of FCF to shareholders, had net-cash balance sheets, and commands RoEs of 25–40%.
- **What can we look forward to?** We believe the underlying business models of IT companies have changed incrementally. Over the last 20 years, at every critical moment of change, India's top-tier IT companies have repeatedly demonstrated resilience and the ability to adapt and partake in a changed reality (Y2K, 9/11, GFC, Brexit, and now COVID-19). Indian IT businesses have demonstrated, over the past two decades, their ability to innovate and thrive despite evolutionary and disruptive changes in the sector. We do not believe things would be any different this time around. As businesses world over prioritize the digital journey and spend on clouds/security etc., India's Tier-I IT businesses should be well-placed to capitalize on this shift. Quarterly margins may not have much room for further expansion (certain cost elements would return once total normalcy resumes). However, as topline growth improves, healthy profit growth and RoE accretion may continue to support these valuations.

Reiterate Overweight allocation to IT

- The NSE IT index has outperformed Nifty by 42pp over 1Y.
- We reiterate our Overweight stance for the reasons discussed earlier in the note. We have run a material OW position on IT in our Model Portfolio since 2020, and we continue this with a 210bps OW position. IT remains one of the few sectors wherein FY22 earnings estimates are now comfortably above the pre-COVID FY22E estimates. **Infosys and HCL Tech are top ideas in Tier-I IT and Mphasis and Persistent in Tier-II.**

Exhibit 1: Valuation table for MOFSL Coverage Universe

Company	Reco	Mkt Cap (USD B)	EPS (INR)			EPS Growth YoY (%)			P/E (x)			ROE (%)		
			FY21E	FY22E	FY23E	FY21E	FY22E	FY23E	FY21E	FY22E	FY23E	FY21E	FY22E	FY23E
TCS	Neutral	169.9	87.9	111.9	127.0	2.0	27.3	13.5	37.4	29.4	25.9	38.9	47.6	50.8
Infosys	**Buy**	84.0	46.4	56.9	67.2	19.3	22.6	18.0	28.5	23.2	19.7	29.6	34.8	39.2
HCL Technologies	**Buy**	36.7	48.0	56.5	65.0	18.0	17.5	15.1	19.7	16.8	14.6	23.6	24.6	25.9
Wipro	Neutral	34.7	18.5	21.6	23.9	12.5	17.1	10.6	23.7	20.2	18.3	19.5	23.2	25.8
Tech Mahindra	Neutral	12.3	47.3	56.5	62.5	-2.2	19.5	10.6	20.6	17.2	15.6	17.9	19.0	18.6
L & T Infotech	Neutral	9.3	107.3	128.2	151.1	23.9	19.5	17.8	36.3	30.4	25.8	31.3	30.6	29.7
MphasiS	**Buy**	4.2	65.1	79.5	91.8	3.1	22.1	15.4	24.5	20.0	17.4	20.1	22.0	22.7
Mindtree	Neutral	4.0	65.9	75.3	84.1	71.9	14.2	11.7	26.4	23.1	20.7	31.1	29.3	27.2
LTTS	**Buy**	3.5	64.3	91.0	109.0	-17.0	41.5	19.7	36.4	25.7	21.5	22.7	27.3	27.4
Coforge	Neutral	2.1	77.7	96.1	108.5	2.8	23.7	12.9	30.8	24.9	22.1	18.4	19.8	19.5
Persistent Sys	**Buy**	1.6	53.3	64.3	75.8	19.7	20.6	17.9	28.8	23.9	20.3	16.5	18.0	18.7
Cyient	**Buy**	0.9	33.2	43.7	47.3	-1.5	31.5	8.3	17.2	13.1	12.1	13.6	16.1	15.6
Zensar Tech.	Neutral	0.7	15.6	17.9	20.3	33.6	14.7	13.4	15.2	13.3	11.7	15.8	16.3	16.3

Source: MOFSL

Larsen & Toubro

Estimate change	↑
TP change	↔
Rating change	↔

Bloomberg	LT IN
Equity Shares (m)	1,402
M.Cap.(INRb)/(USDb)	1911.8 / 26.2
52-Week Range (INR)	1396 / 648
1, 6, 12 Rel. Per (%)	5/24/-16
12M Avg Val (INR M)	5708

Financials & Valuations (INR b)

Y/E Mar	2020	2021E	2022E
Sales	1,455	1,367	1,667
EBITDA	163	147	188
PAT	89	65	93
EBITDA (%)	11.2	10.8	11.3
EPS (INR)	63.4	46.6	66.0
EPS Gr. (%)	10.5	-26.4	41.5
BV/Sh. (INR)	475	538	580
Ratios			
Net D/E	1.9	1.6	1.6
RoE (%)	13.3	8.7	11.4
RoCE (%)	5.7	4.7	5.5
Payout (%)	26.5	30.0	30.0
Valuations			
P/E (x)	21.5	29.2	20.6
P/BV (x)	2.9	2.5	2.3
EV/EBITDA (x)	18.9	20.7	16.7
Div Yield (%)	1.4	1.9	1.5
FCF Yield (%)	0.8	3.7	-3.2

Shareholding pattern (%)

As On	Dec-20	Sep-20	Dec-19
Promoter	0.0	0.0	0.0
DII	33.3	35.5	37.2
FII	22.3	19.1	19.9
Others	44.4	45.4	42.9

FII Includes depository receipts

CMP: INR1,361 TP: INR1,625 (+19%) Buy

Robust Balance Sheet makes up for minor miss on core E&C

Higher other income/realty sale led to earnings surprise

- L&T's consolidated adjusted. PAT grew 5% YoY to INR22.6b, 42% above our expectation. The surprise was largely driven by bulky sales of commercial real estate (INR3.4b profit) and higher other income (+127% YoY). Excluding the impact of the same, core E&C operating performance was a tad soft as core EBITDA declined 2% YoY and was 6% below our estimate.
- Order inflows remained robust with 76% YoY growth during 3QFY21, thanks to large orders like the High Speed Rail. With this, L&T has largely made up for weak order inflows in 1HFY21. Considering the latest announced orders, we expect L&T to exit FY21 with flat order inflows, with an upside risk. Working capital, as a percentage of sales, stood at 26.2%. It should improve from here on, helped by better execution, seasonal improvement in working capital cycle by 4QFY21-end, and strengthening government finances.
- L&T has rightly prioritized Balance Sheet strength over growth during the current COVID-19 crisis. On the back of E&A sale, current cash and cash equivalents stand over INR450b, with negligible net gearing in the core business. All time high order book (3QFY21: +8%; FY21E: +16%), with OB-to-revenue ratio of 3.7x should help it clock ~16% revenue CAGR over FY21-23E. We raise our FY21E EPS by 9% on account of the surprise in headline numbers, but keep our FY22E/FY23E EPS largely unchanged. Maintain Buy with an unchanged TP of INR1,625 per share.

Core E&C misses expectation, but strong order book provides comfort

- **Headline numbers beat expectation:** Consolidated revenue was largely flat at INR356b and in line with our expectation. EBITDA rose 4% to INR42.8b and was 9% ahead of our estimate. The beat is largely attributable to a bulky sale of commercial real estate. Other income jumped 127% to INR10.6b on higher cash balance and strong treasury operations. Adjusted PAT grew 5% YoY to INR22.6b and was 42% above our expectation.
- **Strong order inflows makes up for minor miss on core E&C performance:** Adjusted for the sale of commercial real estate (bulky, but not a one-off item), we estimate a 4%/2% YoY decline in core E&C revenue/EBITDA (a miss on our expectations). However, we note key positive developments: **a)** domestic E&C revenue has normalized and stood flat YoY; **b)** strong order inflows (+76% YoY) implies that 9MFY21 core E&C orders are now just down 5% YoY; **c)** order book increased 8% YoY to INR3.3t, with OB-to-revenue ratio of 3.7x, providing strong revenue visibility; **d)** Balance Sheet strengthened with strong liquidity and negligible net gearing for the core business and consolidated gross D/E down to 1.74x v/s 1.85x at FY20-end.
- **Key segmental highlights: a)** Infrastructure segment witnessed revenue decline of 8%, while margin improved by 10bp YoY to 6.2%. **b)** Hydrocarbon segment witnessed strong performance, with flat revenue and 12.2% EBITDA margin – largely unhampered by oil price fluctuations.

Valuation and view

- **Outlook remains encouraging:** While the normalization in capex has lagged other sectors, the outlook looks quite encouraging, with likely FY21E exit at a record high order book, robust Balance Sheet, improving government financials, and impetus on Infrastructure development as a tool to lift long-term economic growth in India. We expect L&T to witness core E&C revenue/EBITDA/adjusted PAT CAGR of 16%/14%/17% over FY21-23E. Our estimates largely account for commodity price inflation risk. Our consolidated revenue/EBITDA/adjusted PAT CAGR estimate stands at 16%/20%/29% over FY21-23E, helped by L&T Finance Holdings and lower losses in Hyderabad Metro.
- **Maintain Buy with an unchanged TP of INR1,625/share:** L&T has rightly prioritized Balance Sheet strength over growth during the current COVID-19 crisis. On the back of E&A sale, current cash and cash equivalents stand over INR450b, with negligible net gearing in the core business. All time high order book (3QFY21: +8%; FY21E: +16%), with OB-to-revenue ratio of 3.7x, provides strong revenue visibility. We raise our FY21E EPS by 9% on account of the surprise in headline numbers, but keep our FY22E/FY23E EPS largely unchanged. Maintain Buy with an unchanged TP of INR1,625 per share on account of: a) unchanged core business target P/E multiple of 20x v/s long-term average of 22x, and b) contribution from four listed subsidiaries, after applying a 20% holding company discount. Adjusted for valuation of subsidiaries (INR595/share contribution), L&T trades at FY22E/FY23E P/E of 16.7x/14.9x, providing ample valuation comfort. Should the stock move to its long-term average multiple of 22x, our target price would stand at INR1,725 per share, assuming no change in the valuation of its subsidiaries.

Quarterly performance (INR b)

Y/E March	FY20				FY21E				FY20	FY21E	MOSL	
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE			3QFY21E	Variance
Sales	**296**	**353**	**362**	**442**	**213**	**310**	**356**	**488**	**1,455**	**1,367**	**369**	**-3.6%**
Change (%)	9.7	15.2	5.9	2.2	-28.3	-12.2	-1.8	10.2	7.6	-6.0	1.9	
EBITDA	**30.7**	**40.2**	**41.2**	**51.2**	**16.2**	**33.3**	**42.8**	**54.7**	**163.3**	**147.0**	**39.1**	**9.3%**
Change (%)	11.3	13.6	9.8	-3.0	-47.2	-17.1	3.9	6.8	6.5	-10.0	-4.9	
Margin (%)	10.4	11.4	11.4	11.6	7.6	10.7	12.0	11.2	11.2	10.8	10.6	
Depreciation	4.6	6.3	6.6	7.1	6.7	7.1	7.0	7.0	24.6	27.9	7.0	0.3%
Interest	5.9	6.9	7.0	8.2	10.6	10.4	9.6	9.0	28.0	39.6	9.0	6.9%
Other income	6.3	6.0	4.7	6.6	7.8	5.6	10.6	6.5	23.6	30.5	5.5	93.6%
PBT	**26.6**	**33.0**	**32.2**	**42.5**	**6.7**	**21.4**	**36.8**	**45.1**	**134.3**	**110.0**	**28.6**	**28.5%**
Tax	7.9	7.9	7.1	9.7	2.6	6.8	10.4	11.7	32.6	31.5	7.7	34.6%
Effective tax rate (%)	29.9	24.0	22.1	22.7	38.3	31.6	28.3	26.1	24.3	28.6	27.0	
Adjusted PAT (before MI and AI)	**18.6**	**25.1**	**25.1**	**32.8**	**4.1**	**14.6**	**26.4**	**33.3**	**101.7**	**78.5**	**20.9**	**26.2%**
Reported PAT	**14.7**	**25.3**	**23.5**	**32.0**	**3.0**	**55.2**	**24.7**	**31.1**	**95.5**	**114.0**	**15.9**	**55.0%**
Change (%)	21.2	13.3	15.2	-6.5	-79.4	118.4	4.9	-2.6	7.2	19.4	-32.4	
Extraordinary inc./(exp.) -incl. discontinued operations	1.1	2.2	1.9	1.3	2.3	44.1	2.1	0.0	6.5	48.5	0.0	
Adjusted PAT	**13.6**	**23.1**	**21.6**	**30.6**	**0.7**	**11.1**	**22.6**	**31.1**	**88.9**	**65.5**	**15.9**	**41.9%**
Change (%)	20.5	28.4	13.8	-4.7	-94.8	-52.1	4.5	1.6	10.6	-26.4	-26.4	

26 January 2021
Company update | Sector: Cement

Grasim Inds.

BSE SENSEX	S&P CNX
48,348	14,239

Bloomberg	GRASIM IN
Equity Shares (m)	657
M.Cap.(INRb)/(USDb)	703.4 / 9.1
52-Week Range (INR)	1123 / 380
1, 6, 12 Rel. Per (%)	16/57/14
12M Avg Val (INR M)	1874

Financial Snapshot (INR b)

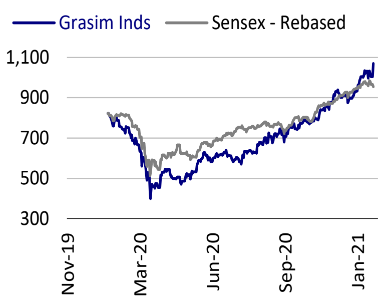
Y/E MARCH	2021E	2022E	2023E
Sales	153.4	205.5	247.7
EBITDA	14.4	27.5	38.5
Adj. PAT	5.4	12.1	17.8
EBITDA Margin (%)	9.4	13.4	15.5
S/A Adj. EPS (INR)	8.3	18.4	27.0
S/A EPS Gr. (%)	-56.9	122.5	46.7
Consol EPS (INR)	79.6	92.7	107.9
BV/Sh. (INR)	577.0	591.4	614.4
Ratios			
Net D:E	0.1	0.1	0.1
RoE (%)	1.4	3.1	4.4
RoCE (%)	2.4	4.8	6.4
Valuations			
P/E (x)	129.3	58.1	39.6
P/BV (x)	1.9	1.8	1.7
Div. Yield (%)	0.4	0.4	0.4
FCF Yield (%)	0.3	-1.3	-0.2

Shareholding pattern (%)

As On	Dec-20	Sep-20	Dec-19
Promoter	41.4	40.9	40.1
DII	18.4	20.3	22.6
FII	13.2	12.8	16.2
Others	27.0	26.1	21.1

FII Includes depository receipts

Stock Performance (1-year)



CMP: INR1,070 TP: INR1,110 (+4%) Neutral

Announces a bold entry into Paints

High IRR potential, but tough to grab market share

- **We view GRASIM's announced foray into the Indian Decorative Paints industry as a bold step. While it would be challenging to gain market share in an oligopolistic industry, if it can execute well, supported by the existing brand strength and distribution network of Ultratech's white cement and putty businesses, the company could significantly improve its RoCE profile (currently only ~5-6%).**
- **While GRASIM is still formalizing the blueprint for this venture, planned capex of INR50b over the next three years would make it the second largest company in the sector in terms of capital employed (after Asian Paints).**
- **While RoCE of 15-25% earned by incumbents (Asian Paints, Berger, Kansai Nerolac, Akzo Nobel) and the 20% IRR targeted by GRASIM's management are impressive, challengers like JSW, Sherwin Williams, Nippon Paint, etc., in the past 10-12 years failed to make in a dent in the market share of incumbents (given their strong brand recall and product innovations).**
- **With standalone planned capex (including ongoing expansions in its core Viscose and Chemicals businesses) of INR9-10b, spread over the next three years, the risk of any capital misallocation or investments in Vodafone IDEA Ltd (VIL) is lower.**
- **We therefore reduce our holding company discount to 50% (from 60% earlier) to align it to its 10-year average of 47% and raise our TP to INR1,110/share. We, however, maintain our Neutral rating and prefer subsidiary UltraTech (Buy, TP: INR6,650/share) which offers more upside.**

Highlights from the management commentary

The management cited the consistent high growth in the Paints business over the last decade, due to inherent growth potential and migration to organized from the unorganized sector, as reason to enter this business segment. It plans to manufacture, trade, sell, and export all types of Paints and allied products and services. Here are the key highlights from the management discussion.

Eyes 20% IRR on capex of INR50b; would leverage Birla White's distribution

- GRASIM plans to spend ~INR50b towards capex over FY22-24. The same will be funded through internal accruals and debt. It targets to be the second largest player through calibrated growth of the business and an IRR of 20%.
- The management has already started working on technological and product differentiation aspects. It has been undertaking consumer, influencer and trade partner research to understand market trends.
- Profitability would be driven by scale, cost structure (significantly lower than peers), and use of the latest technology.
- The company will be setting up plants at multiple locations and is already in talks with various state governments.
- GRASIM would leverage the existing brand equity of Aditya Birla Group, including the strong brand and distribution network of Birla White and Birla Wall Care Putty. Birla White has 100k influencers and 54k dealers spread across 6,000 towns. Around 70% of its dealers also sell Paints.

Industry insights

- The market size of the Decorative Paints business stands at INR400b and has been growing at 11% CAGR since FY14.
- It's an oligopolistic industry with four major players. The unorganized sector commands a 25% market share. The largest player has a pan-India distribution network of 70k dealers.
- In the long run, demand growth for Paints is expected to be driven by Tier II and III cities and rural areas. The management expects its entry to accelerate the shift to organized from unorganized players.

Paints foray would give investors clarity on capital allocation

- The Paints business would drive the third leg of growth for GRASIM, reduce volatility (VSF and the Chemicals business are highly volatile in terms of prices), and provide clarity on capital allocation to a scalable business, thus addressing concerns on capital allocation to VIL.
- Capex on the Paints business would not cannibalize expansion of VSF and the Chemicals business, which have a scheduled capex of INR70b till FY22.
- It targets to maintain net debt-to-EBITDA ratio below 3.5x.

Valuation and view

- While the outlook in the core Viscose and Chemicals businesses has been improving, we expect margin to remain muted due to significant over-capacity in the industry, which would remain for the next three years. We, therefore, expect RoE to remain weak ~3% in FY22E.
- Given GRASIM's conglomerate business structure, we value it on a SoTP basis. Our TP values: a) the standalone business (Viscose, Chemicals, etc.) at 6x FY22E EV/EBITDA, b) UTCEM at a 50% holding company discount to our TP, and c) other listed investments (ABCAP, IDEA, HNDL, and ABFRL) at a 50% holding company discount to the market price. We thus arrive at a fair value of INR1,110 per share. Maintain **Neutral**.

Can Fin Homes

Bloomberg	CANF IN
Equity Shares (m)	133
M.Cap.(INRb)/(USDb)	64.1 / 0.9
52-Week Range (INR)	530 / 253
1, 6, 12 Rel. Per (%)	-4/-5/-14
12M Avg Val (INR M)	277

Financials & Valuations (INR b)

Y/E March	2020	2021E	2022E
NII	6.7	8.0	8.0
PPP	5.8	7.0	7.0
PAT	3.8	4.4	4.7
EPS (INR)	28.2	33.2	35.6
EPS Growth (%)	26.8	17.5	7.2
BVPS (INR)	161	193	226
Ratios (%)			
NIM	3.5	3.8	3.6
C/I ratio	15.7	13.0	14.6
RoAA	1.9	2.0	2.0
RoE	19.1	18.7	17.0
Payout	8.5	6.0	5.6
Valuation			
P/E (x)	17.1	14.5	13.6
P/BV (x)	3.0	2.5	2.1
Div. Yield (%)	0.4	0.4	0.4

Shareholding pattern (%)

As On	Dec-20	Sep-20	Dec-19
Promoter	30.0	30.0	30.0
DII	15.3	13.4	7.7
FII	0.0	0.0	0.0
Others	54.7	56.6	62.3

FII Includes depository receipts

CMP: INR482 Buy

Disbursements sluggish; margins intact

- Can Fin Homes (CANF)'s PAT grew 24% YoY to INR1.3b (largely stable QoQ). The company had a mixed quarter, with disbursements remaining muted, while spreads were stable despite yield pressure.

Disbursements muted; AUM mix stable

- **While disbursements improved sequentially, they were still 25% below YoY levels. This is contrary to the performances of some HFCs in 3QFY21.**
- As a result, AUM grew 1% QoQ / 4% YoY to INR210b. The share of salaried customers inched up 70bp QoQ to 72%. Note that it has remained largely flat for the past 10 quarters. The share of home loans was also sequentially stable at 91%.

Decline in cost of funds negates yield pressure; GNPL ratio stable

- **Yield on loans and cost of funds both declined 20bp QoQ to 9.8%/6.9%. The current spread of 2.9% is meaningfully above its average of 2.3–2.5%. We await management commentary on the spread trajectory.**
- On a sequential basis, the share of market borrowings increased 300bp to 20%, while that of bank borrowings declined 300bp to 57%.
- The GNPL ratio improved 4bp QoQ to 68bp. The company took INR16m provisions in the quarter. PCR increased to 40% from 36% in 2QFY21 and 26% in 3QFY20. While the company has not given any details, we believe the GNPL ratio stands low after accounting for the SC dispensation on NPL classification.

Other highlights

- The Tier I ratio is 22.4%.
- Annualized repayment rate for the quarter was 18%.

Valuation and view

Over the past three years, CANF's loan book growth has been on the decline. While its performance in 1HFY21 was muted as per expectations, disbursements in 3QFY21 were also disappointing (especially v/s peers). However, on the positive side, its spread is at an all-time high of 2.9% – the trajectory of spreads over the next 1–2 years is a key monitorable. Healthy asset quality has always been a benchmark for the company – however, the true asset quality picture is unknown at present due to the SC classification benefit. We look to revise our estimates and TP post the concall on 27th Jan.

CANF: Quarterly performance INR m

Y/E March	FY20				FY21			FY20
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	
Interest Income	4,820	4,940	5,135	5,251	5,221	5,240	4,996	20,189
Interest Expenses	3,294	3,385	3,398	3,366	3,308	3,135	2,892	13,442
Net Interest Income	**1,526**	**1,555**	**1,737**	**1,885**	**1,913**	**2,106**	**2,104**	**6,747**
YoY Growth (%)	20.9	19.2	27.6	36.9	25.3	35.4	21.1	24.0
Other income	21	67	33	38	4	18	31	115
Total Income	**1,548**	**1,622**	**1,770**	**1,923**	**1,917**	**2,124**	**2,135**	**6,862**
YoY Growth (%)	15.4	17.4	24.3	28.1	23.8	30.9	20.6	22.1
Operating Expenses	232	250	269	325	215	252	344	1,076
YoY Growth (%)	16.4	41.0	24.7	0.0	-7.4	0.7	28.1	17.7
Operating Profits	**1,316**	**1,372**	**1,501**	**1,598**	**1,702**	**1,872**	**1,791**	**5,786**
YoY Growth (%)	15.3	13.9	24.2	35.9	29.4	36.4	19.3	23.0
Provisions	87	63	45	408	441	151	16	603
Profit before Tax	**1,229**	**1,309**	**1,456**	**1,189**	**1,260**	**1,720**	**1,775**	**5,183**
Tax Provisions	419	333	390	280	329	436	456	1,422
Profit after tax	**810**	**976**	**1,066**	**909**	**932**	**1,284**	**1,319**	**3,761**
YoY Growth (%)	7.6	19.7	40.7	35.7	15.0	31.5	23.8	26.8
Cost to Income Ratio (%)	15.0	15.4	15.2	16.9	11.2	11.9	16.1	15.7
Tax Rate (%)	34.1	25.4	26.8	23.6	26.1	25.4	25.7	27.4

Automobiles

"Along with this policy, the government must also institute a much more effective way of certifying the fitness of vehicles, both passenger as well as commercial. Currently, fitness certificates are only required for commercial vehicles and not for passenger vehicles. But there's no reason why passenger vehicles should not also be certified for fitness every two or three years My only worry is that at the end of 15 years, if the amount (to be paid as green tax) is not large, it would not be much of a disincentive and people may continue to use polluting and unsafe vehicles"

– **Mr. RC Bhargava, Chairman, Maruti Suzuki**

"There are more than 2.5m trucks that are more than eight years on Indian roads. The green tax will be passed on through higher truck rentals. It is difficult to understand the rationale and basis of the eight-year cut off without having any scientific method of maintenance and inspection system. Merely imposing a green tax is not the way to check air pollution. More stringent PUC quarterly regime is helpful in keeping the environment clean"

– **Mr. SP Singh, Senior Fellow at the Indian Foundation of Transport Research and Training**

Government proposes green tax for older vehicles…

…and scrapping of government/PSU vehicles

- The Ministry of Road Transport and Highway (MORTH) has approved levy of a 'green tax' on public/personal vehicles older than eight/15 years. The proposal will now go to states for consultation before it is formally notified. Click here for the press release.
- Transport vehicles older than eight years could be charged a green tax of 10-25% of road tax at the time of renewal of the fitness certificate. Personal vehicles would be charged a green tax after 15 years.
- Public transport vehicles, such as city buses, would be charged a lower green tax. A higher green tax (50% of road tax) is proposed for vehicles registered in highly polluted cities. A differential tax is proposed for different fuels (petrol/diesel) and type of vehicle.
- Vehicles like hybrids, electric, and those running on alternate fuels like CNG, ethanol, LPG, etc. are to be exempted. Vehicles used in farming, such as tractor, harvester, tiller, etc. would also be exempted.
- Revenue collected from the green tax would be used for tackling pollution.
- The Centre has also approved scrapping of over 15-year old vehicles owned by government departments and PSUs with effect from 1 Apr'22. The Central government and PSU collectively own an estimated ~600k PVs (no estimates on over 15-year old vehicles). In Nov'17, the government planned to convert its fleet into electric vehicles over a five year period. We believe that EVs would replace scrapped PVs (and not benefit MSIL currently).
- **Our view**: The green tax would raise the cost of doing business for small fleet operators operating over eight-year old CVs. However, the cost rise wouldn't be material enough to force them to move to younger vehicles. While the green tax may not spur demand for new vehicles on its own, it can supplement the expected scrappage scheme by deterring purchase of older vehicles and incentivizing scrapping of old vehicles. The expected scrappage policy, along with the green tax, can be effective in spurring demand for new vehicles.

NOTES

Disclosures:
The following Disclosures are being made in compliance with the SEBI Research Analyst Regulations 2014 (herein after referred to as the Regulations).

Motilal Oswal Financial Services Ltd. (MOFSL) is a SEBI Registered Research Analyst having registration no. INH000000412. MOFSL, the Research Entity (RE) as defined in the Regulations, is engaged in the business of providing Stock broking services, Investment Advisory Services, Depository participant services & distribution of various financial products. MOFSL is a subsidiary company of Passionate Investment Management Pvt. Ltd.. (PIMPL). MOFSL is a listed public company, the details in respect of which are available on www.motilaloswal.com. MOFSL (erstwhile Motilal Oswal Securities Limited - MOSL) is registered with the Securities & Exchange Board of India (SEBI) and is a registered Trading Member with National Stock Exchange of India Ltd. (NSE) and Bombay Stock Exchange Limited (BSE), Multi Commodity Exchange of India Limited (MCX) and National Commodity & Derivatives Exchange Limited (NCDEX) for its stock broking activities & is Depository participant with Central Depository Services Limited (CDSL) National Securities Depository Limited (NSDL),NERL, COMRIS and CCRL and is member of Association of Mutual Funds of India (AMFI) for distribution of financial products and Insurance Regulatory & Development Authority of India (IRDA) as Corporate Agent for insurance products. Details of associate entities of Motilal Oswal Financial Services Limited are available on the website at http://onlinereports.motilaloswal.com/Dormant/documents/Associate%20Details.pdf

Details of pending Enquiry Proceedings of Motilal Oswal Financial Services Limited are available on the website at https://galaxy.motilaloswal.com/ResearchAnalyst/PublishViewLitigation.aspx

MOFSL, it's associates, Research Analyst or their relative may have any financial interest in the subject company. MOFSL and/or its associates and/or Research Analyst may have actual/beneficial ownership of 1% or more securities in the subject company in the past 12 months. MOFSL and its associate company(ies), their directors and Research Analyst and their relatives may; (a) from time to time, have a long or short position in, act as principal in, and buy or sell the securities or derivatives thereof of companies mentioned herein. (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) discussed herein or act as an advisor or lender/borrower to such company(ies) or may have any other potential conflict of interests with respect to any recommendation and other related information and opinions.; however the same shall have no bearing whatsoever on the specific recommendations made by the analyst(s), as the recommendations made by the analyst(s) are completely independent of the views of the associates of MOFSL even though there might exist an inherent conflict of interest in some of the stocks mentioned in the research report. Research Analyst may have served as director/officer, etc. in the subject company in the past 12 months. MOFSL and/or its associates may have received any compensation from the subject company in the past 12 months.

In the past 12 months , MOFSL or any of its associates may have:
a) managed or co-managed public offering of securities from subject company of this research report,
b) received compensation for investment banking or merchant banking or brokerage services from subject company of this research report,
c) received compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company of this research report.
d) Subject Company may have been a client of MOFSL or its associates in the past 12 months.

MOFSL and it's associates have not received any compensation or other benefits from the subject company or third party in connection with the research report. To enhance transparency, MOFSL has incorporated a Disclosure of Interest Statement in this document. This should, however, not be treated as endorsement of the views expressed in the report. MOFSL and / or its affiliates do and seek to do business including investment banking with companies covered in its research reports. As a result, the recipients of this report should be aware that MOFSL may have a potential conflict of interest that may affect the objectivity of this report. Compensation of Research Analysts is not based on any specific merchant banking, investment banking or brokerage service transactions. Above disclosures include beneficial holdings lying in demat account of MOFSL which are opened for proprietary investments only. While calculating beneficial holdings, It does not consider demat accounts which are opened in name of MOFSL for other purposes (i.e holding client securities, collaterals, error trades etc.). MOFSL also earns DP income from clients which are not considered in above disclosures. Above disclosures include beneficial holdings lying in demat account of MOFSL which are opened for proprietary investments only. While calculating beneficial holdings, It does not consider demat accounts which are opened in name of MOFSL for other purposes (i.e holding client securities, collaterals, error trades etc.). MOFSL also earns DP income from clients which are not considered in above disclosures.

Terms & Conditions:
This report has been prepared by MOFSL and is meant for sole use by the recipient and not for circulation. The report and information contained herein is strictly confidential and may not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent of MOFSL. The report is based on the facts, figures and information that are considered true, correct, reliable and accurate. The intent of this report is not recommendatory in nature. The information is obtained from publicly available media or other sources believed to be reliable. Such information has not been independently verified and no guaranty, representation of warranty, express or implied, is made as to its accuracy, completeness or correctness. All such information and opinions are subject to change without notice. The report is prepared solely for informational purpose and does not constitute an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments for the clients. Though disseminated to all the customers simultaneously, not all customers may receive this report at the same time. MOFSL will not treat recipients as customers by virtue of their receiving this report.

Analyst Certification
The views expressed in this research report accurately reflect the personal views of the analyst(s) about the subject securities or issues, and no part of the compensation of the research analyst(s) was, is, or will be directly or indirectly related to the specific recommendations and views expressed by research analyst(s) in this report.

Disclosure of Interest Statement	**Companies where there is interest**
Analyst ownership of the stock	No

A graph of daily closing prices of securities is available at www.nseindia.com, www.bseindia.com. Research Analyst views on Subject Company may vary based on Fundamental research and Technical Research. Proprietary trading desk of MOFSL or its associates maintains arm's length distance with Research Team as all the activities are segregated from MOFSL research activity and therefore it can have an independent view with regards to subject company for which Research Team have expressed their views.

Regional Disclosures (outside India)
This report is not directed or intended for distribution to or use by any person or entity resident in a state, country or any jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject MOFSL & its group companies to registration or licensing requirements within such jurisdictions.

For Hong Kong:
This report is distributed in Hong Kong by Motilal Oswal capital Markets (Hong Kong) Private Limited, a licensed corporation (CE AYY-301) licensed and regulated by the Hong Kong Securities and Futures Commission (SFC) pursuant to the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) "SFO". As per SEBI (Research Analyst Regulations) 2014 Motilal Oswal Financial Services Limited(SEBI Reg No. INH000000412) has an agreement with Motilal Oswal capital Markets (Hong Kong) Private Limited for distribution of research report in Hong Kong. This report is intended for distribution only to "Professional Investors" as defined in Part I of Schedule 1 to SFO. Any investment or investment activity to which this document relates is only available to professional investor and will be engaged only with professional investors." Nothing here is an offer or solicitation of these securities, products and services in any jurisdiction where their offer or sale is not qualified or exempt from registration. The Indian Analyst(s) who compile this report is/are not located in Hong Kong & are not conducting Research Analysis in Hong Kong.

For U.S:
Motilal Oswal Financial Services Limited (MOFSL) is not a registered broker - dealer under the U.S. Securities Exchange Act of 1934, as amended (the"1934 act") and under applicable state laws in the United States. In addition MOFSL is not a registered investment adviser under the U.S. Investment Advisers Act of 1940, as amended (the "Advisers Act" and together with the 1934 Act, the "Acts), and under applicable state laws in the United States. Accordingly, in the absence of specific exemption under the Acts, any brokerage and investment services provided by MOFSL, including the products and services described herein are not available to or intended for U.S. persons. This report is intended for distribution only to "Major Institutional Investors" as defined by Rule 15a-6(b)(4) of the Exchange Act and interpretations thereof by SEC (henceforth referred to as "major institutional investors"). This document must not be acted on or relied on by persons who are not major institutional investors. Any investment or investment activity to which this document relates is only available to major institutional investors and will be engaged in only with major institutional investors. In reliance on the exemption from registration provided by Rule 15a-6 of the U.S. Securities Exchange Act of 1934, as amended (the "Exchange Act") and interpretations thereof by the U.S. Securities and Exchange Commission ("SEC") in order to conduct business with Institutional Investors based in the U.S., MOFSL has entered into a chaperoning agreement with a U.S. registered broker-dealer, Motilal Oswal Securities International Private Limited. ("MOSIPL"). Any business interaction pursuant to this report will have to be executed within the provisions of this chaperoning agreement.

The Research Analysts contributing to the report may not be registered /qualified as research analyst with FINRA. Such research analyst may not be associated persons of the U.S. registered broker-dealer, MOSIPL, and therefore, may not be subject to NASD rule 2711 and NYSE Rule 472 restrictions on communication with a subject company, public appearances and trading securities held by a research analyst account.

For Singapore:
In Singapore, this report is being distributed by Motilal Oswal Capital Markets Singapore Pte Ltd ("MOCMSPL") (Co.Reg. NO. 201129401Z) which is a holder of a capital markets services license and an exempt financial adviser in Singapore,
as per the approved agreement under Paragraph 9 of Third Schedule of Securities and Futures Act (CAP 289) and Paragraph 11 of First Schedule of Financial Advisors Act (CAP 110) provided to MOCMSPL by Monetary Authority of Singapore. Persons in Singapore should contact MOCMSPL in respect of any matter arising from, or in connection with this report/publication/communication. This

report is distributed solely to persons who qualify as "Institutional Investors", of which some of whom may consist of "accredited" institutional investors as defined in section 4A(1) of the Securities and Futures Act, Chapter 289 of Singapore ("the SFA"). Accordingly, if a Singapore person is not or ceases to be such an institutional investor, such Singapore Person must immediately discontinue any use of this Report and inform MOCMSPL.

Registered Office Address: Motilal Oswal Tower, Rahimtullah Sayani Road, Opposite Parel ST Depot, Prabhadevi, Mumbai-400025; Tel No.: 022 71934200/ 022-71934263; Website www.motilaloswal.com. CIN No.: L67190MH2005PLC153397.Correspondence Office Address: Palm Spring Centre, 2nd Floor, Palm Court Complex, New Link Road, Malad(West), Mumbai- 400 064. Tel No: 022 7188 1000.

Registration Nos.: Motilal Oswal Financial Services Limited (MOFSL)*: INZ000158836(BSE/NSE/MCX/NCDEX); CDSL and NSDL: IN-DP-16-2015; Research Analyst: INH000000412. AMFI: ARN - 146822; Investment Adviser: INA000007100; Insurance Corporate Agent: CA0579 ;PMS:INP000006712. Motilal Oswal Asset Management Company Ltd. (MOAMC): PMS (Registration No.: INP000000670); PMS and Mutual Funds are offered through MOAMC which is group company of MOFSL. Motilal Oswal Wealth Management Ltd. (MOWML): PMS (Registration No.: INP000004409) is offered through MOWML, which is a group company of MOFSL. Motilal Oswal Financial Services Limited is a distributor of Mutual Funds, PMS, Fixed Deposit, Bond, NCDs,Insurance Products and IPOs.Real Estate is offered through Motilal Oswal Real Estate Investment Advisors II Pvt. Ltd. which is a group company of MOFSL. Private Equity is offered through Motilal Oswal Private Equity Investment Advisors Pvt. Ltd which is a group company of MOFSL. Research & Advisory services is backed by proper research. Please read the Risk Disclosure Document prescribed by the Stock Exchanges carefully before investing. There is no assurance or guarantee of the returns. Investment in securities market is subject to market risk, read all the related documents carefully before investing. Details of Compliance Officer: Name: Neeraj Agarwal, Email ID: na@motilaloswal.com, Contact No.:022-71881085.

* MOSL has been amalgamated with Motilal Oswal Financial Services Limited (MOFSL) w.e.f August 21, 2018 pursuant to order dated July 30, 2018 issued by Hon'ble National Company Law Tribunal, Mumbai Bench.