

Deepak Nitrite

 Estimate changes 

 TP change 

 Rating change 

| | |
|-----------------------|-------------|
| Bloomberg | DN IN |
| Equity Shares (m) | 127 |
| M.Cap.(INRb)/(USDb) | 331.4 / 4.4 |
| 52-Week Range (INR) | 3020 / 703 |
| 1, 6, 12 Rel. Per (%) | -2/11/175 |
| 12M Avg Val (INR M) | 2256 |

Financials & Valuations (INR bn)

| Y/E March | FY22E | FY23E | FY24E |
|-------------|-------|-------|-------|
| Sales | 66.2 | 66.8 | 67.0 |
| EBITDA | 16.1 | 16.3 | 17.4 |
| PAT | 10.7 | 10.7 | 11.4 |
| EPS (INR) | 78.2 | 78.6 | 83.4 |
| EPS Gr. (%) | 37.5 | 0.5 | 6.1 |
| BV/Sh.(INR) | 238.5 | 305.3 | 376.1 |

Ratios

| | | | |
|------------|------|-------|-------|
| Net D:E | 0.1 | (0.0) | (0.2) |
| RoE (%) | 38.1 | 28.9 | 24.5 |
| RoCE (%) | 32.3 | 26.1 | 23.0 |
| Payout (%) | 15.0 | 15.0 | 15.0 |

Valuations

| | | | |
|----------------|------|------|------|
| P/E (x) | 31.0 | 30.9 | 29.1 |
| P/BV (x) | 10.2 | 7.9 | 6.4 |
| EV/EBITDA (x) | 20.7 | 20.2 | 18.6 |
| Div. Yield (%) | 0.5 | 0.5 | 0.5 |
| FCF Yield (%) | 1.1 | 2.1 | 2.4 |

Shareholding pattern (%)

| As On | Sep-21 | Jun-21 | Sep-20 |
|----------|--------|--------|--------|
| Promoter | 45.7 | 45.7 | 45.7 |
| DII | 10.6 | 10.4 | 12.0 |
| FII | 10.9 | 11.4 | 12.7 |
| Others | 32.9 | 32.5 | 29.6 |

FII Includes depository receipts

CMP: INR2,429
TP: INR2,300 (-5%)
Downgrade to Neutral

Margin normalization at the cost of near term earnings growth

- DN reported a mixed bag result, with EBITDA 10% higher than our estimate at INR3.9b, while EBITDA margin was lower at 23% (est. 26.7%) – the lowest since 4QFY19. **Phenolics continue to act as a drag on performance of other segments, as the EBIT margin in Fine and Specialty Chemicals dip for the fourth consecutive quarter and the same for Basic Chemicals normalize.**
- EBIT mix continues to remain largely the same for the last three quarters, with contribution from Phenolics at 63% (up from an average of 51% in FY21). This comes at the cost of a decline in contribution from the most margin lucrative Fine and Specialty Chemical segment mix at 17% (v/s an average of 30% in FY21).
- With the tailwinds of demand-supply mismatch, force majeure at various plants, and China power outages (as the government takes various efforts like increasing domestic coal production quotas and lifting of the ban on Australian imports) getting gradually resolved, **prices of Phenol seems to be peaking around current levels, while Acetone prices have normalized from its peak over the last two months.**
- Product price normalization, combined with a continued increase in Brent prices, would result in a margin compression in this segment. The European Union, Singapore, and Korea have revoked Anti-Dumping Duty (ADD) on phenol, which as per our understanding accounts for ~10% of total phenol consumption in India. At our conference, the management had said that ADD doesn't really impact it as importers switch to other sources of imports.
- **Considering the aforementioned, our FY23E/FY24E EPS estimate reflects only a marginal growth of 0.5%/6.1% YoY.** The company achieved its highest ever plant utilization rate of 120% in 2QFY22, leaving limited growth in this segment for volume accretion (apart from 30ktpa expansion of IPA).
- **Since our initiation of coverage (on 30th Jun'21), the stock is up 38% (outperforming the Nifty by 22%), especially after its 50th AGM on 30th Jul'21 wherein it announced incremental capex of INR7b in phenol downstream products (solvents) and reiterated its focus on advancing towards Specialty/intermediate chemicals (with a capex of INR3b in fluorination).**
- The stock trades at 31x/29x FY23E/FY24E EPS, owing to the limited earnings growth opportunity till the time its greenfield expansions get commissioned (phenol downstream products would result in captive phenol consumption of 35-40%). We downgrade the stock to Neutral. Valuing the stock at 28x Dec'23E EPS, we arrive at a TP of INR2,300.

Phenolics business proves to be a Hercules

- Revenue came in 28% higher than our estimate at INR16.8b (+70% YoY, +10% QoQ) due to the Phenolics business. EBITDA was 10% higher than our estimate at INR3.9b (+40% YoY, -14% QoQ). **EBITDA margin stood at 23% (v/s 29.6% in 1QFY22) – the lowest since 4QFY19.** Gross margin stood at 37% (v/s 46% in 1QFY22), while conversion cost were lower at 14% (v/s 17% in 1QFY22). PAT stood at INR2.5b (+49% YoY), **translating into an EPS of INR18.6 (est. INR16.6).**

Swarnendu Bhushan- Research Analyst (Swarnendu.Bhushan@MotilalOswal.com)

Sarfraz Bhimani, CFA - Research Analyst (Sarfraz.Bhimani@MotilalOswal.com)

Investors are advised to refer through important disclosures made at the last page of the Research Report.

 Motilal Oswal research is available on www.motilaloswal.com/Institutional-Equities, Bloomberg, Thomson Reuters, Factset and S&P Capital.

- The story remains similar in 1HFY22 with a 93% YoY jump in revenue to INR32.1b, led by a 144% growth in the Phenolic business revenue to INR21.4b. EBITDA was up 83% YoY to INR8.4b, translating in an EBITDA margin of 26% (v/s 28% in 1HFY21). PAT was up 107% YoY to INR5.6b.

Valuation and view – downgrade to Neutral

- DN's vision is to become the largest player in solvents by taking advantage of import substitution. The management will continue to focus on bringing additional products under the Fine and Specialty segment and bridging the gaps in its value chain. It has been investing in its market intelligence team, which studies opportunities in new and existing markets.
- **We reiterate that the** management's increased focus towards advanced/high value products would aid margin expansion and sustainability for the company, which investors are most wary of. It would also result in a multiple re-rating for the stock as the mix of Specialty/complex chemistry products increases.
- Despite a capex of INR18b over the next three years, it is expected to turn net cash positive by FY23E, with an FCF generation of INR18b over FY22-24E.
- **Risk to our call:** 1) a sharp margin improvement in the Fine and Specialty segment from here on as the company added a new Agrochemical customer in 2QFY22, 2) sustainability of higher Phenolics margin, and 3) demand spurt in the Performance products segment, which would drive product prices higher.

Consolidated - Quarterly Snapshot

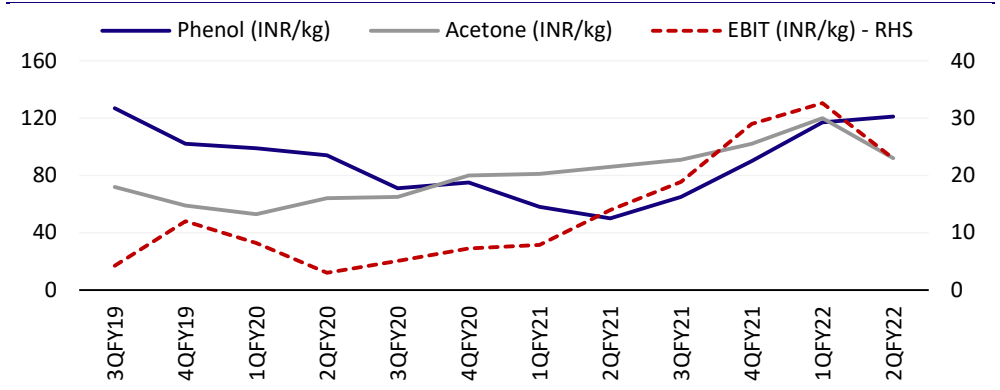
| Y/E March | FY21 | | | | FY22 | | | | | | (INR m) | |
|------------------------------|--------------|--------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|------------|
| | 1Q | 2Q | 3Q | 4Q | 1Q | 2Q | 3QE | 4QE | FY21 | FY22E | FY22 | Var (%) |
| Gross Sales | 6,745 | 9,873 | 12,347 | 14,632 | 15,262 | 16,814 | 16,726 | 17,359 | 43,598 | 66,161 | 13,180 | 28% |
| YoY Change (%) | -35.8 | -1.6 | 10.3 | 38.6 | 126.3 | 70.3 | 35.5 | 18.6 | 3.1 | 51.8 | 33.5 | |
| Gross Margins (%) | 51% | 51% | 45% | 48% | 46% | 37% | 38% | 38% | 48% | 40% | 45% | |
| EBITDA | 1,816 | 2,757 | 3,350 | 4,547 | 4,515 | 3,865 | 3,828 | 3,938 | 12,470 | 16,146 | 3,513 | 10% |
| Margins (%) | 26.9 | 27.9 | 27.1 | 31.1 | 29.6 | 23.0 | 22.9 | 22.7 | 28.6 | 24.4 | 26.7 | |
| Depreciation | 310 | 312 | 339 | 565 | 436 | 441 | 448 | 468 | 1,526 | 1,792 | 448 | -2% |
| Interest | 247 | 196 | 157 | 142 | 109 | 92 | 83 | 57 | 742 | 342 | 88 | 6% |
| Other Income | 68 | 40 | 49 | 59 | 83 | 84 | 51 | 47 | 215 | 265 | 41 | 103% |
| PBT before EO expense | 1,326 | 2,288 | 2,903 | 3,899 | 4,053 | 3,417 | 3,348 | 3,460 | 10,417 | 14,277 | 3,019 | 13% |
| PBT | 1,326 | 2,288 | 2,903 | 3,899 | 4,053 | 3,417 | 3,348 | 3,460 | 10,417 | 14,277 | 3,019 | 13% |
| Tax | 337 | 587 | 737 | 998 | 1,026 | 873 | 843 | 870 | 2,659 | 3,612 | 760 | |
| Rate (%) | 25.4 | 25.6 | 25.4 | 25.6 | 25.3 | 25.6 | 25.2 | 25.1 | 25.5 | 25.3 | 25.2 | |
| Reported PAT | 990 | 1,702 | 2,166 | 2,901 | 3,026 | 2,543 | 2,505 | 2,590 | 7,758 | 10,665 | 2,259 | 13% |
| YoY Change (%) | -24.8 | 13.2 | 38.2 | 68.4 | 205.8 | 49.4 | 15.7 | -10.7 | 27.0 | 37.5 | 32.7 | |
| Margins (%) | 14.7 | 17.2 | 17.5 | 19.8 | 19.8 | 15.1 | 15.0 | 14.9 | 17.8 | 16.1 | 17.1 | |

Phenolics and Basic Chemicals margins normalize

- **Phenolics EBIT margin** came in line with our estimate at INR23/kg (down from INR32.6/kg in 1QFY22), with EBIT at INR2.2b. Company achieved highest ever utilization rate of 120% during the quarter.
- **Fine and Specialty Chemicals EBIT margin dip for the fourth consecutive quarter to 30%** (from 33% in 1QFY22), with EBIT at INR601m. The Company has entered into medium term contract with one of the world's leading agrochemical majors, which will result in business sustainability and volume spurt for agrochemical intermediates that will aid in growth of this segment.

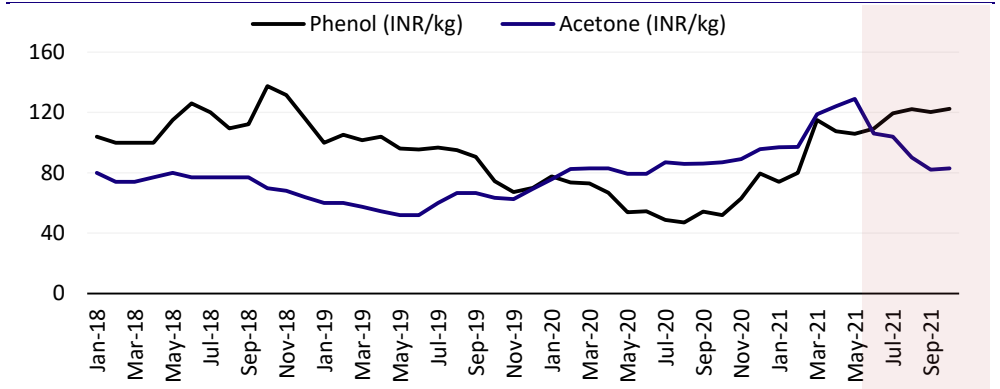
- **Basic Chemicals EBIT margin** stood at 23% (down from 34% in 1QFY22), with EBIT at INR625m. Despite logistics constraints and input cost pressures, the company was able to pass on increased costs while maintaining growth in market share. **It has renamed the business unit to ‘Basic Intermediates’ to realign towards supplying high quality intermediates to strategic customers.**
- **Performance products EBIT margin** recovered to 9% (from 2% in 1QFY22), with EBIT at INR96m. Supply challenges in China have resulted in higher volumes momentum for the company, further aided by recovery in end-user industries of paper and textile (which were a laggard in FY21).

Exhibit 1: DPL margins have direct correlation to movement in product prices...



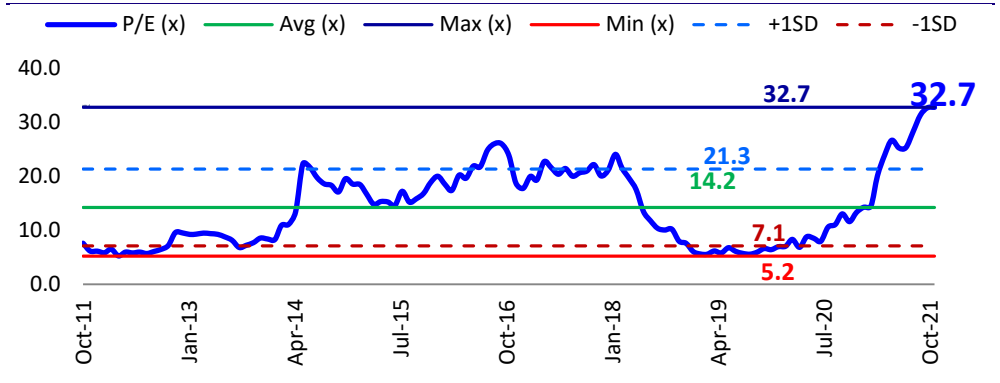
Source: Industry, MOFSL

Exhibit 2: ...which are seeing peaking for both Acetone-Phenol in the recent past...



Source: Industry, MOFSL

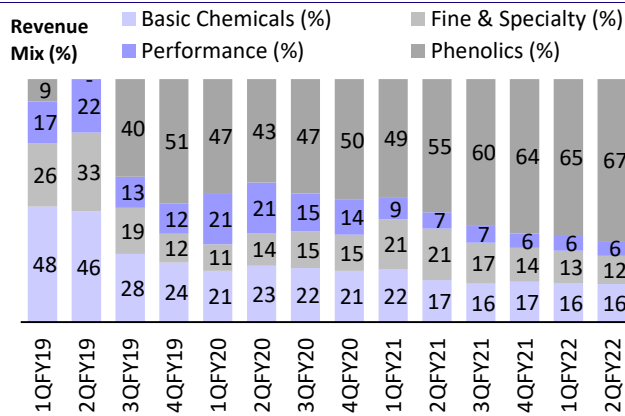
Exhibit 3: ...although, the stock has outperformed nifty by ~22% in last four months



Source: Company, MOFSL

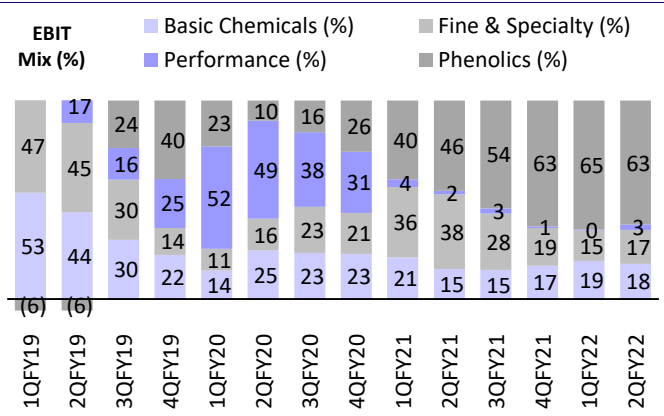
1QFY22 - Quarter in charts

Exhibit 4: Contribution of Phenolics to total revenue keeps increasing (at 67% in 2QFY22)...



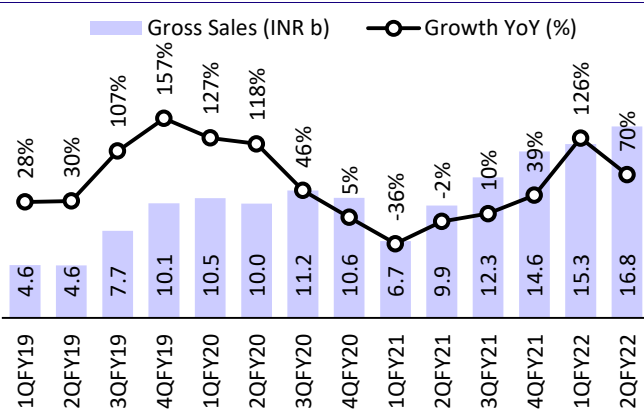
Source: Company, MOFSL

Exhibit 5: ...while contribution of fine & specialty shrank for revenue and EBIT respectively



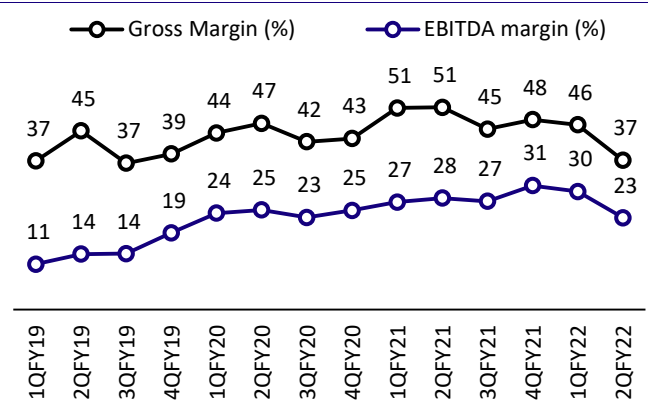
Source: Company, MOFSL

Exhibit 1: Sales were +10% QoQ, led by Phenolics business



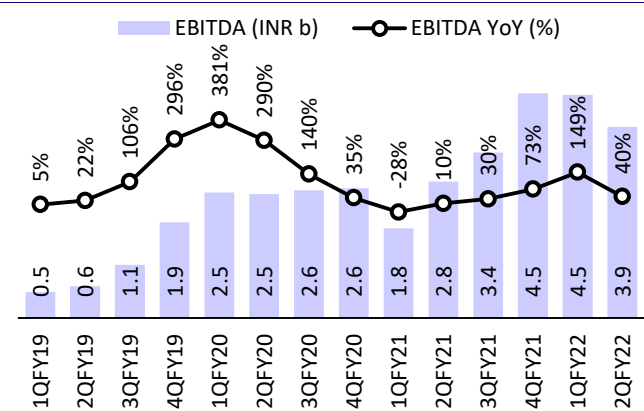
Source: Company, MOFSL

Exhibit 2: Margins contraction largely across segments



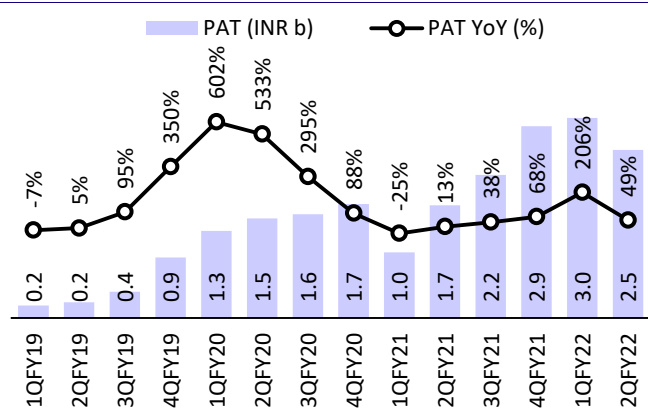
Source: Company, MOFSL

Exhibit 3: EBITDA was down 14% QoQ (margin at 23.0%)



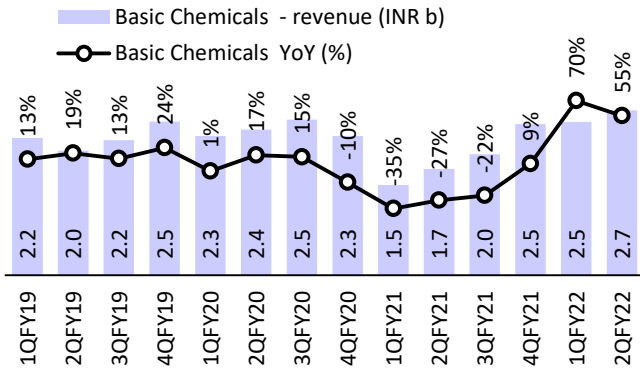
Source: Company, MOFSL

Exhibit 4: PAT was down 16% QoQ (margin at 15.1%)



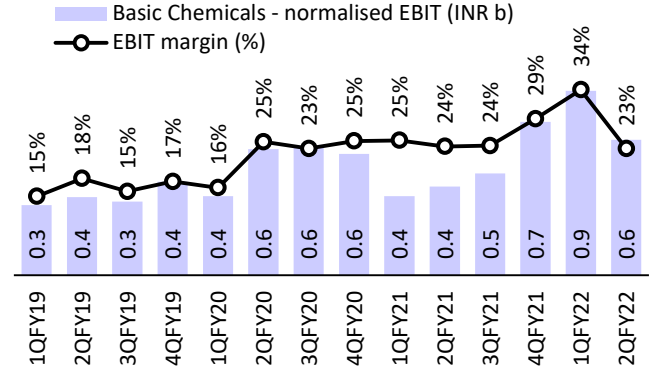
Source: Company, MOFSL

Exhibit 5: Basic chemicals revenue was up 7% QoQ...



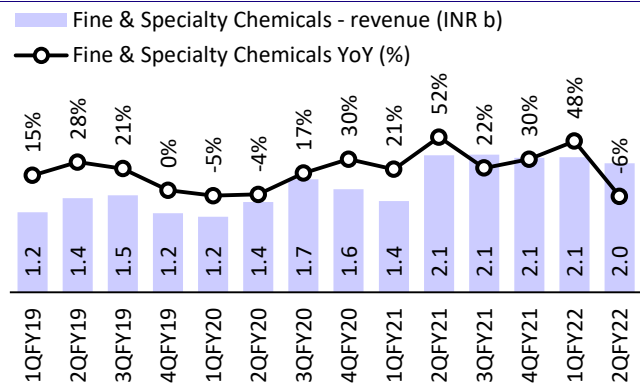
Source: Company, MOFSL

Exhibit 6: ...with EBIT margin normalization (-11pp QoQ)



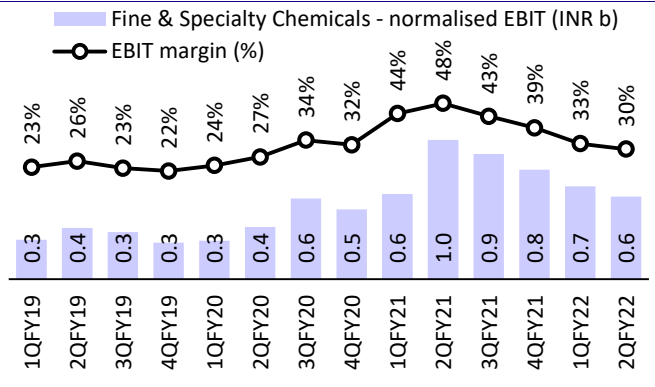
Source: Company, MOFSL

Exhibit 7: Fine & Specialty revenue was down 5% QoQ...



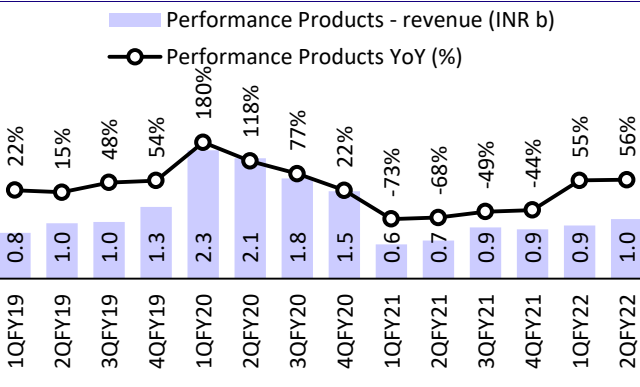
Source: Company, MOFSL

Exhibit 8: ...further EBIT margin compression (-300bps QoQ)



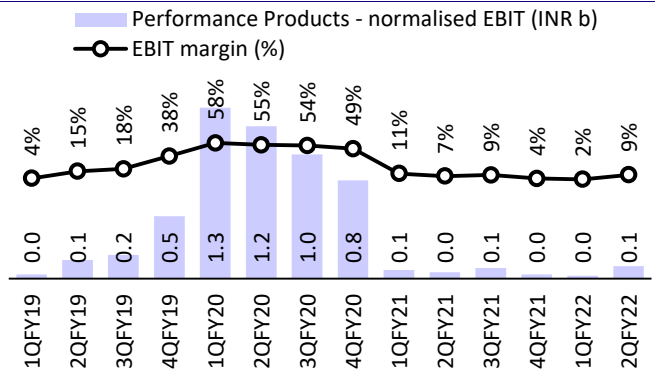
Source: Company, MOFSL

Exhibit 9: Performance products revenue grew 12% QoQ...



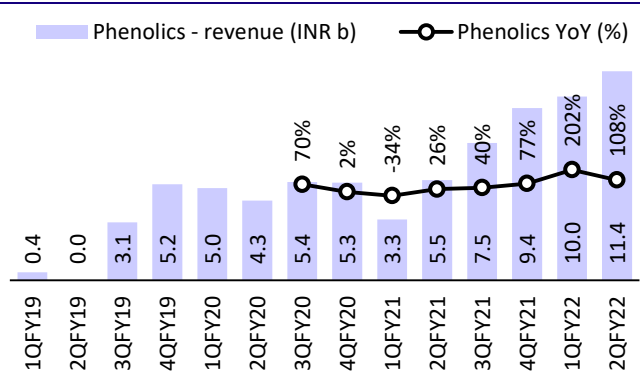
Source: Company, MOFSL

Exhibit 10: ...with EBIT margin normalization to 9%



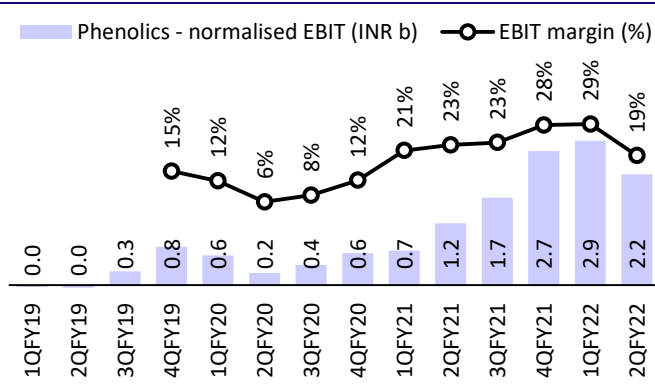
Source: Company, MOFSL

Exhibit 11: Deepak Phenolics revenue grew 14% QoQ...



Source: Company, MOFSL

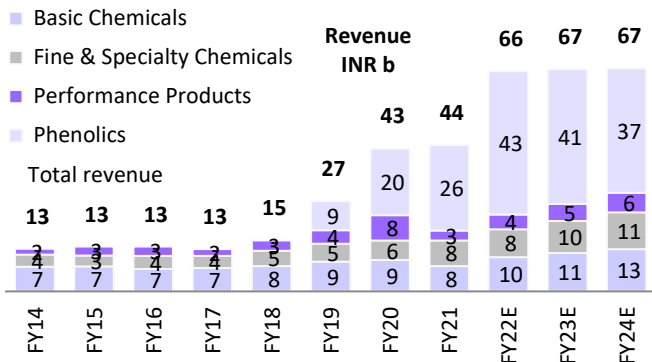
Exhibit 12: ...with EBIT margins at 19% (INR23/kg)



Source: Company, MOFSL

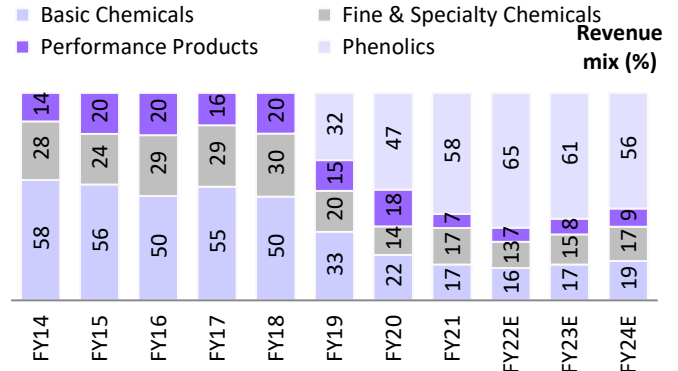
Financials story in charts

Exhibit 13: Revenue growth peaked as product prices in DPL division normalizes going forward...



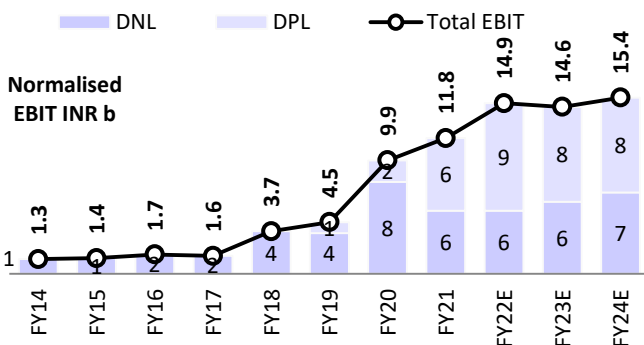
Source: MOFSL

Exhibit 14: ...resulting in lower contribution from DPL in the total revenue mix



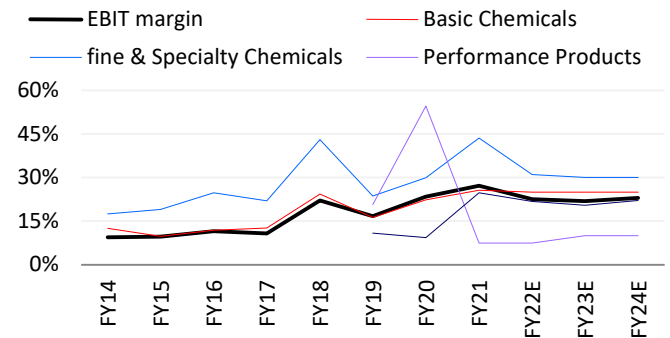
Source: Company, MOFSL

Exhibit 15: Expect normalized EBIT margin to stabilize around 15% levels...



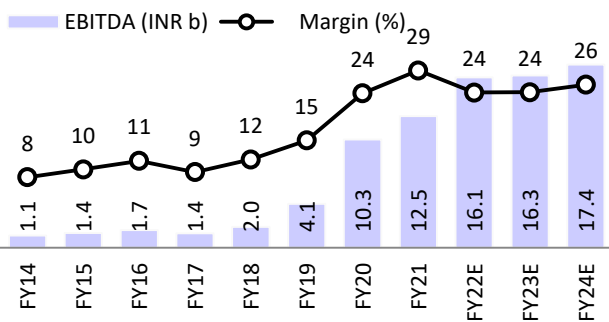
Source: Company, MOFSL

Exhibit 16: ...with Fine and Specialty Chemicals still enjoying the highest EBIT margin (at ~30% in our assumptions)



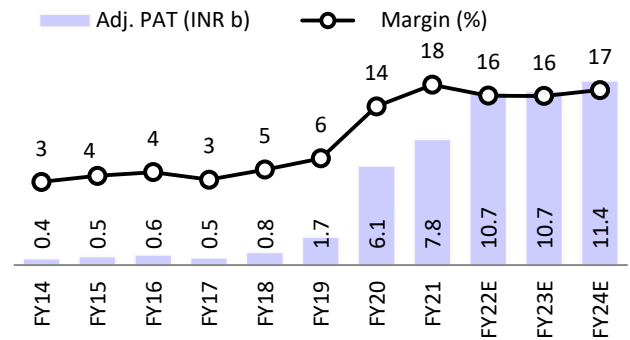
Source: Company, MOFSL

Exhibit 17: EBITDA margin to normalize from FY21 levels



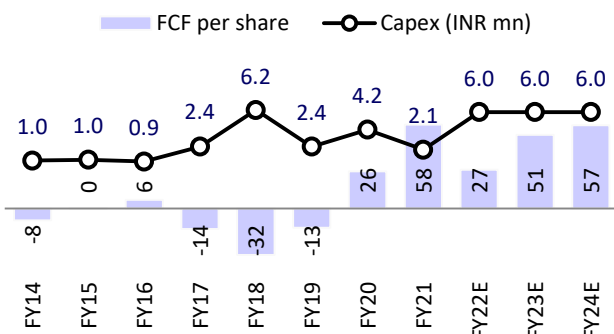
Source: Company, MOFSL

Exhibit 18: Expect ~14% PAT CAGR over FY21-24E



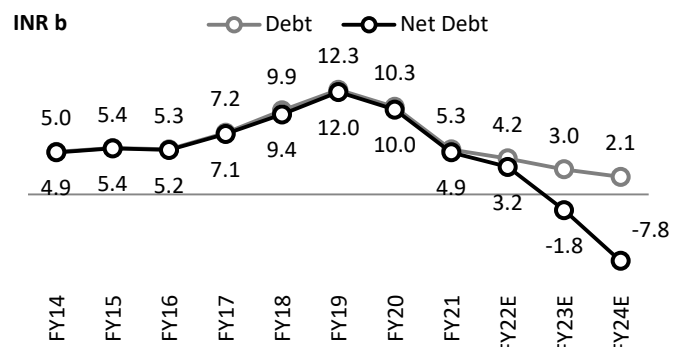
Source: Company, MOFSL

Exhibit 19: DN to incur ~INR18b on capex over FY22-24...



Source: Company, MOFSL

Exhibit 20: ...but is likely to turn net cash positive



Source: Company, MOFSL

Financials and valuations

| Consolidated - Income Statement | | | | | | (INR Mn) | | |
|-------------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Y/E March | FY17 | FY18 | FY19 | FY20 | FY21 | FY22E | FY23E | FY24E |
| Total Income from Operations | 14,547 | 16,762 | 26,999 | 42,297 | 43,598 | 66,161 | 66,764 | 67,013 |
| Change (%) | -0.2 | 15.2 | 61.1 | 56.7 | 3.1 | 51.8 | 0.9 | 0.4 |
| Gross Margins (%) | 41.9 | 38.0 | 39.0 | 43.9 | 48.1 | 39.7 | 40.2 | 42.2 |
| EBITDA | 1,355 | 1,963 | 4,139 | 10,258 | 12,470 | 16,146 | 16,325 | 17,354 |
| Margin (%) | 9.3 | 11.7 | 15.3 | 24.3 | 28.6 | 24.4 | 24.5 | 25.9 |
| Depreciation | 480 | 526 | 778 | 1,397 | 1,526 | 1,792 | 2,056 | 2,319 |
| EBIT | 874 | 1,437 | 3,361 | 8,861 | 10,944 | 14,354 | 14,269 | 15,034 |
| Int. and Finance Charges | 341 | 451 | 832 | 1,149 | 742 | 342 | 251 | 176 |
| Other Income | 109 | 123 | 151 | 352 | 215 | 265 | 300 | 335 |
| PBT bef. EO Exp. | 642 | 1,109 | 2,680 | 8,064 | 10,417 | 14,277 | 14,319 | 15,194 |
| EO Items | 705 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| PBT after EO Exp. | 1,347 | 1,109 | 2,680 | 8,064 | 10,417 | 14,277 | 14,319 | 15,194 |
| Total Tax | 382 | 318 | 943 | 1,954 | 2,659 | 3,612 | 3,604 | 3,824 |
| Tax Rate (%) | 28.4 | 28.7 | 35.2 | 24.2 | 25.5 | 25.3 | 25.2 | 25.2 |
| Reported PAT | 963 | 790 | 1,737 | 6,110 | 7,758 | 10,665 | 10,715 | 11,370 |
| Adjusted PAT | 458 | 790 | 1,737 | 6,110 | 7,758 | 10,665 | 10,715 | 11,370 |
| Change (%) | -26.9 | 72.4 | 119.8 | 251.9 | 27.0 | 37.5 | 0.5 | 6.1 |
| Margin (%) | 3.2 | 4.7 | 6.4 | 14.4 | 17.8 | 16.1 | 16.0 | 17.0 |

Consolidated - Balance Sheet

| Y/E March | FY17 | FY18 | FY19 | FY20 | FY21 | FY22E | FY23E | FY24E |
|-------------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Equity Share Capital | 261 | 273 | 273 | 273 | 273 | 273 | 273 | 273 |
| Total Reserves | 6,887 | 8,949 | 10,443 | 15,446 | 23,194 | 32,259 | 41,367 | 51,031 |
| Net Worth | 7,149 | 9,221 | 10,716 | 15,719 | 23,467 | 32,532 | 41,639 | 51,304 |
| Total Loans | 7,239 | 9,866 | 12,286 | 10,279 | 5,271 | 4,217 | 2,952 | 2,066 |
| Deferred Tax Liabilities | 391 | 454 | 775 | 796 | 1,078 | 1,078 | 1,078 | 1,078 |
| Capital Employed | 14,778 | 19,541 | 23,776 | 26,794 | 29,816 | 37,827 | 45,669 | 54,448 |
| Gross Block | 6,106 | 6,403 | 17,749 | 20,460 | 22,304 | 28,304 | 34,304 | 40,304 |
| Less: Accum. Deprn. | 306 | 528 | 743 | 2,140 | 3,666 | 5,459 | 7,514 | 9,833 |
| Net Fixed Assets | 5,801 | 5,875 | 17,006 | 18,320 | 18,637 | 22,845 | 26,790 | 30,470 |
| Capital WIP | 3,492 | 9,545 | 339 | 1,723 | 2,068 | 2,068 | 2,068 | 2,068 |
| Total Investments | 1,198 | 318 | 24 | 24 | 1,893 | 1,893 | 1,893 | 1,893 |
| Curr. Assets, Loans&Adv. | 7,385 | 10,167 | 11,910 | 12,019 | 13,005 | 19,288 | 23,258 | 28,276 |
| Inventory | 1,671 | 3,272 | 4,107 | 3,945 | 3,827 | 6,158 | 6,211 | 6,115 |
| Account Receivables | 3,603 | 4,118 | 5,750 | 6,127 | 7,563 | 9,584 | 9,672 | 9,708 |
| Cash and Bank Balance | 145 | 482 | 258 | 314 | 334 | 991 | 4,798 | 9,867 |
| Cash | 58 | 94 | 30 | 21 | 89 | 745 | 4,552 | 9,621 |
| Bank Balance | 87 | 388 | 228 | 293 | 245 | 245 | 245 | 245 |
| Loans and Advances | 1,965 | 2,296 | 1,795 | 1,633 | 1,281 | 2,554 | 2,578 | 2,587 |
| Curr. Liability & Prov. | 3,097 | 6,364 | 5,502 | 5,292 | 5,787 | 8,266 | 8,338 | 8,259 |
| Account Payables | 2,146 | 5,953 | 4,724 | 3,643 | 4,367 | 5,686 | 5,735 | 5,646 |
| Other Current Liabilities | 832 | 280 | 587 | 1,385 | 1,144 | 2,167 | 2,186 | 2,194 |
| Provisions | 119 | 132 | 191 | 264 | 276 | 414 | 417 | 419 |
| Net Current Assets | 4,288 | 3,803 | 6,408 | 6,727 | 7,218 | 11,021 | 14,919 | 20,017 |
| Appl. of Funds | 14,779 | 19,541 | 23,776 | 26,794 | 29,816 | 37,827 | 45,669 | 54,448 |

E: MOSL Estimates

Financials and valuations

| Ratios | | | | | | | | |
|-------------------------------|------------|------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Y/E March | FY17 | FY18 | FY19 | FY20 | FY21 | FY22E | FY23E | FY24E |
| Basic (INR) | | | | | | | | |
| EPS | 3.4 | 5.8 | 12.7 | 44.8 | 56.9 | 78.2 | 78.6 | 83.4 |
| Cash EPS | 6.9 | 9.6 | 18.4 | 55.0 | 68.1 | 91.3 | 93.6 | 100.4 |
| BV/Share | 52.4 | 67.6 | 78.6 | 115.2 | 172.0 | 238.5 | 305.3 | 376.1 |
| DPS | 1.1 | 1.3 | 6.5 | 4.5 | 5.5 | 11.7 | 11.8 | 12.5 |
| Payout (%) | 19.6 | 27.0 | 61.6 | 12.1 | 9.7 | 15.0 | 15.0 | 15.0 |
| Valuation (x) | | | | | | | | |
| P/E | 721.8 | 418.8 | 190.5 | 54.2 | 42.7 | 31.0 | 30.9 | 29.1 |
| Cash P/E | 352.5 | 251.4 | 131.6 | 44.1 | 35.6 | 26.6 | 25.9 | 24.2 |
| P/BV | 46.3 | 35.9 | 30.9 | 21.1 | 14.1 | 10.2 | 7.9 | 6.4 |
| EV/Sales | 23.2 | 20.3 | 12.7 | 8.1 | 7.7 | 5.1 | 4.9 | 4.8 |
| EV/EBITDA | 249.5 | 173.3 | 82.9 | 33.2 | 26.9 | 20.7 | 20.2 | 18.6 |
| Dividend Yield (%) | 0.0 | 0.1 | 0.3 | 0.2 | 0.2 | 0.5 | 0.5 | 0.5 |
| FCF per share | -14.1 | -32.1 | -13.3 | 25.6 | 58.0 | 26.8 | 50.8 | 57.4 |
| Return Ratios (%) | | | | | | | | |
| RoE | 7.7 | 9.7 | 17.4 | 46.2 | 39.6 | 38.1 | 28.9 | 24.5 |
| RoCE | 5.6 | 6.5 | 10.5 | 27.6 | 29.4 | 32.3 | 26.1 | 23.0 |
| RoIC | 6.5 | 10.7 | 13.5 | 28.0 | 32.4 | 36.7 | 30.6 | 29.0 |
| Working Capital Ratios | | | | | | | | |
| Fixed Asset Turnover (x) | 2.5 | 2.9 | 2.4 | 2.4 | 2.4 | 3.2 | 2.7 | 2.3 |
| Asset Turnover (x) | 1.0 | 0.9 | 1.1 | 1.6 | 1.5 | 1.7 | 1.5 | 1.2 |
| Inventory (Days) | 42 | 71 | 56 | 34 | 32 | 34 | 34 | 33 |
| Debtor (Days) | 90 | 90 | 78 | 53 | 63 | 53 | 53 | 53 |
| Creditor (Days) | 54 | 130 | 64 | 31 | 37 | 31 | 31 | 31 |
| Leverage Ratio (x) | | | | | | | | |
| Current Ratio | 2.4 | 1.6 | 2.2 | 2.3 | 2.2 | 2.3 | 2.8 | 3.4 |
| Interest Cover Ratio | 2.6 | 3.2 | 4.0 | 7.7 | 14.7 | 42.0 | 56.9 | 85.6 |
| Net Debt/Equity | 1.0 | 1.0 | 1.1 | 0.6 | 0.2 | 0.1 | 0.0 | -0.2 |

| Consolidated - Cash Flow Statement | | | | | | | | |
|---|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| (INR Mn) | | | | | | | | |
| Y/E March | FY17 | FY18 | FY19 | FY20 | FY21 | FY22E | FY23E | FY24E |
| OP/(Loss) before Tax | 1,347 | 1,109 | 2,680 | 8,064 | 10,417 | 14,277 | 14,319 | 15,194 |
| Depreciation | 480 | 528 | 778 | 1,397 | 1,526 | 1,792 | 2,056 | 2,319 |
| Others | -403 | 481 | 829 | 1,262 | 853 | 342 | 251 | 176 |
| Direct Taxes Paid | -162 | -279 | -561 | -1,985 | -2,365 | -3,612 | -3,604 | -3,824 |
| (Inc)/Dec in WC | -772 | -9 | -3,123 | -1,092 | -440 | -3,147 | -91 | -29 |
| CF from Operations | 490 | 1,830 | 603 | 7,647 | 9,991 | 9,652 | 12,930 | 13,836 |
| (Inc)/Dec in FA | -2,412 | -6,206 | -2,410 | -4,160 | -2,086 | -6,000 | -6,000 | -6,000 |
| Free Cash Flow | -1,922 | -4,376 | -1,808 | 3,487 | 7,905 | 3,652 | 6,930 | 7,836 |
| CF from Investments | -3,526 | -5,247 | -1,626 | -4,279 | -3,962 | -6,000 | -6,000 | -6,000 |
| Inc/(Dec) in Debt | 2,160 | 2,626 | 2,033 | -1,088 | -5,217 | -1,054 | -1,265 | -886 |
| Interest Paid | -342 | -450 | -841 | -1,134 | -736 | -342 | -251 | -176 |
| Dividend Paid | -167 | -188 | -213 | -1,060 | -4 | -1,600 | -1,607 | -1,705 |
| CF from Fin. Activity | 3,046 | 3,453 | 958 | -3,376 | -5,962 | -2,996 | -3,123 | -2,767 |
| Inc/Dec of Cash | 10 | 36 | -64 | -8 | 67 | 656 | 3,807 | 5,069 |
| Opening Balance | 47 | 58 | 94 | 30 | 22 | 89 | 746 | 4,553 |
| Closing Balance | 58 | 94 | 30 | 21 | 89 | 745 | 4,552 | 9,621 |

| Explanation of Investment Rating | |
|----------------------------------|--|
| Investment Rating | Expected return (over 12-month) |
| BUY | >=15% |
| SELL | < - 10% |
| NEUTRAL | < - 10 % to 15% |
| UNDER REVIEW | Rating may undergo a change |
| NOT RATED | We have forward looking estimates for the stock but we refrain from assigning recommendation |

*In case the recommendation given by the Research Analyst is inconsistent with the investment rating legend for a continuous period of 30 days, the Research Analyst shall within following 30 days take appropriate measures to make the recommendation consistent with the investment rating legend.

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.motilalosal.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://online.reports.motilalosal.com/Dormant/documents/List%20of%20Associate%20companies.pdf>

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

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

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 Securities (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.

Specific Disclosures

- 1 MOFSL, Research Analyst and/or his relatives does not have financial interest in the subject company, as they do not have equity holdings in the subject company.
- 2 MOFSL, Research Analyst and/or his relatives do not have actual/beneficial ownership of 1% or more securities in the subject company
- 3 MOFSL, Research Analyst and/or his relatives have not received compensation/other benefits from the subject company in the past 12 months
- 4 MOFSL, Research Analyst and/or his relatives do not have material conflict of interest in the subject company at the time of publication of research report
- 5 Research Analyst has not served as director/officer/employee in the subject company
- 6 MOFSL has not acted as a manager or co-manager of public offering of securities of the subject company in past 12 months
- 7 MOFSL has not received compensation for investment banking/ merchant banking/brokerage services from the subject company in the past 12 months
- 8 MOFSL has not received compensation for other than investment banking/merchant banking/brokerage services from the subject company in the past 12 months
- 9 MOFSL has not received any compensation or other benefits from third party in connection with the research report
- 10 MOFSL has not engaged in market making activity for the subject company

The associates of MOFSL may have:

- financial interest in the subject company
- actual/beneficial ownership of 1% or more securities in the subject company
- received compensation/other benefits from the subject company in the past 12 months

- 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.
- acted as a manager or co-manager of public offering of securities of the subject company in past 12 months
- 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)
- received compensation from the subject company in the past 12 months for investment banking / merchant banking / brokerage services or from other than said services.

The associates of MOFSL has not received any compensation or other benefits from third party in connection with the research report

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.

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.

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.

Disclaimer:

The report and information contained herein is strictly confidential and meant solely for the selected recipient and may not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent. This report and information herein is solely for informational purpose and may not be used or considered as an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments. Nothing in this report constitutes investment, legal, accounting and tax advice or a representation that any investment or strategy is suitable or appropriate to your specific circumstances. The securities discussed and opinions expressed in this report may not be suitable for all investors, who must make their own investment decisions, based on their own investment objectives, financial positions and needs of specific recipient. This may not be taken in substitution for the exercise of independent judgment by any recipient. Each recipient of this document should make such investigations as it deems necessary to arrive at an independent evaluation of an investment in the securities of companies referred to in this document (including the merits and risks involved), and should consult its own advisors to determine the merits and risks of such an investment. The investment discussed or views expressed may not be suitable for all investors. Certain transactions -including those involving futures, options, another derivative products as well as non-investment grade securities - involve substantial risk and are not suitable for all investors. No representation or warranty, express or implied, is made as to the accuracy, completeness or fairness of the information and opinions contained in this document. The Disclosures of Interest Statement incorporated in this document is provided solely to enhance the transparency and should not be treated as endorsement of the views expressed in the report. This information is subject to change without any prior notice. The Company reserves the right to make modifications and alternations to this statement as may be required from time to time without any prior approval. MOFSL, its associates, their directors and the employees may from time to time, effect or have effected an own account transaction in, or deal as principal or agent in or for the securities mentioned in this document. They may perform or seek to perform investment banking or other services for, or solicit investment banking or other business from, any company referred to in this report. Each of these entities functions as a separate, distinct and independent of each other. The recipient should take this into account before interpreting the document. This report has been prepared on the basis of information that is already available in publicly accessible media or developed through analysis of MOFSL. The views expressed are those of the analyst, and the Company may or may not subscribe to all the views expressed therein. This document is being supplied to you solely for your information and may not be reproduced, redistributed or passed on, directly or indirectly, to any other person or published, copied, in whole or in part, for any purpose. 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 MOFSL to any registration or licensing requirement within such jurisdiction. The securities described herein may or may not be eligible for sale in all jurisdictions or to certain category of investors. Persons in whose possession this document may come are required to inform themselves of and to observe such restriction. Neither the Firm, not its directors, employees, agents or representatives shall be liable for any damages whether direct or indirect, incidental, special or consequential including lost revenue or lost profits that may arise from or in connection with the use of the information. The person accessing this information specifically agrees to exempt MOFSL or any of its affiliates or employees from, any and all responsibility/liability arising from such misuse and agrees not to hold MOFSL or any of its affiliates or employees responsible for any such misuse and further agrees to hold MOFSL or any of its affiliates or employees free and harmless from all losses, costs, damages, expenses that may be suffered by the person accessing this information due to any errors and delays.

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.