ICICI direct Research

# MARKET STRATEGY 2021

# CY21: Time to play "micro themes" after strong "macro- based" recovery

CY20 was a remarkable year for the global economy as well as the equity markets. From the extreme end of despair and uncertainty, the year is ending on a note of recovery and hope as the fight with the pandemic nears an end with the beginning of vaccination. Indian equities were no different from global equity markets as they staged a heroic recovery of ~84% from the lows (~15% return for CY20) after the disastrous fall of ~39% in February-March, 2020.

As we embark towards 2021, the resilient domestic setup points towards a recovery in key macroeconomic data viz. GDP, Infrastructure spending post a weak year. Corporate earnings post the dip is likely to stage a handsome growth trajectory. However, after a "V-shaped" recovery and a flush of liquidity in the capital markets in CY20, the economic recovery path ahead is likely to be uneven. Furthermore, rising commodity price led inflation and new strain led risk of restrictions and lockdowns, also persist. CY21, therefore, presents an opportunity where the basic tenet of asset allocation and sectoral/security selection will be tested and identification of micro themes across segments will hold the key.

**Some micro themes for CY21 are :**

1. **PLI scheme boost for textile/electronics/specialty steel and benefits of import substitution**
2. **Food processing to utilise excess farm output for value addition**
3. **CRAMS – Significant capex hints at growing visible opportunities**
4. **Cloud based opportunities in the IT sector**
5. **Expected cyclical upswing of CV segment**
6. **Insurance on the cusp of sustained structural growth**
7. **Product based capital goods companies to benefit from capex upcycle**
8. **Roads and Highways – Resilient segment within infrastructure**

## Nifty fair value pegged at 14400

With the worst of asset quality concerns behind us amid resolution of big ticket stressed assets and economic optimism in the post-Covid era, Nifty earnings CAGR is impressively placed at 22.7% in FY21E-23E. We value the Nifty at 14,400 i.e. 20x P/E on FY23E EPS of ₹ 720 with corresponding Sensex target at 50,000.

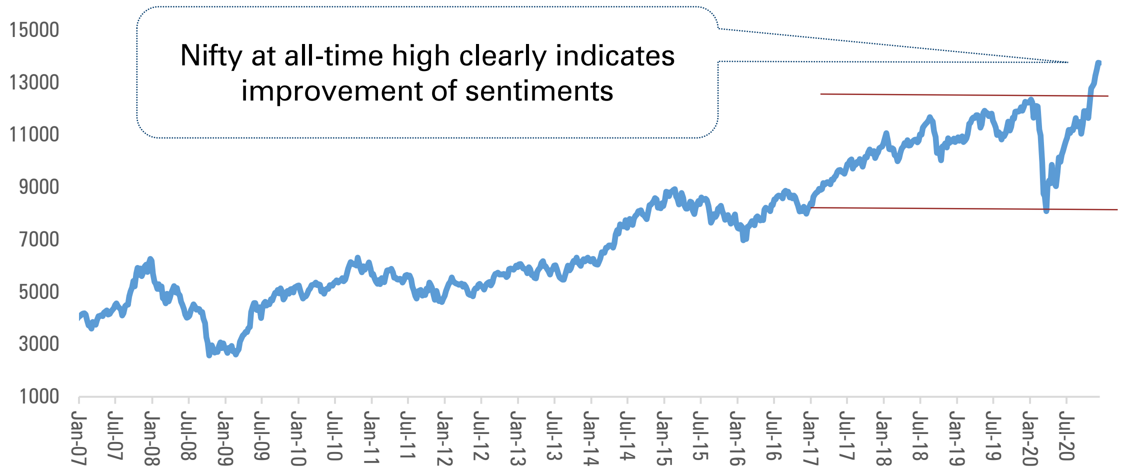
| Nifty Target | | | | | | |
|---|---|---|---|---|---|---|
| **Earnings Estimates** | **FY18** | **FY19** | **FY20** | **FY21E** | **FY22E** | **FY23E** |
| **Nifty EPS (₹/share)** | 455 | 471 | 442 | 478 | 615 | 720 |
| **Earnings CAGR over FY21E-23E** | | | | | | 22.7% |
| **Target Multiple** | | | | | | 20x |
| **Nifty Target (at 20x FY23E EPS)** | | | | | | 14400 |

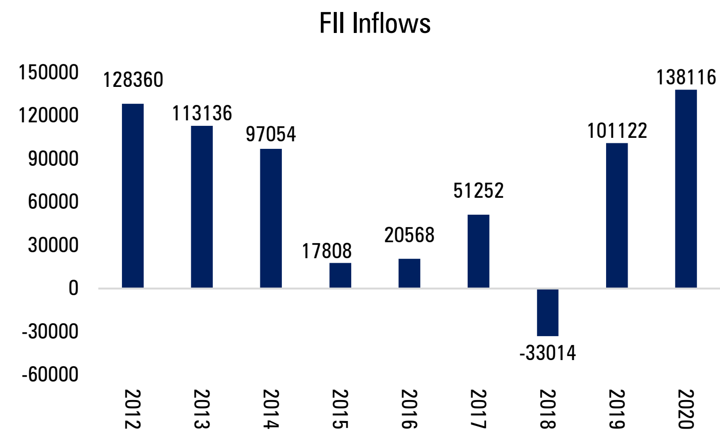
**For CY21, we expect midcaps and small caps to gain relatively more than the large caps. Our thesis is based on the fact that delta in earnings growth during a recovery phase will be high in midcaps and small caps vis-à-vis large caps whereas multiple expansion in the former will provide additional alpha for capital appreciation. Other macro factors like benign interest rates and structural cost rationalisation measures will also aid operating and financial leverage for this category. Hence, our top picks for CY21 are in the midcap and small cap space.**

| Stock Picks for 2021 | | | |
|---|---|---|---|
| **Company** | **CMP (₹)** | **Target Price (₹)** | **Upside (%)** |
| Phillips Carbon Black | 171 | 210 | 23 |
| PNC Infra | 174 | 220 | 26 |
| HCL Tech | 941 | 1105 | 17 |
| Amber Enterprise | 2380 | 2830 | 19 |
| Navin Fluorine | 2608 | 3040 | 17 |
| Indoco Remedies | 297 | 380 | 28 |
| Divis Lab | 3800 | 4425 | 16 |

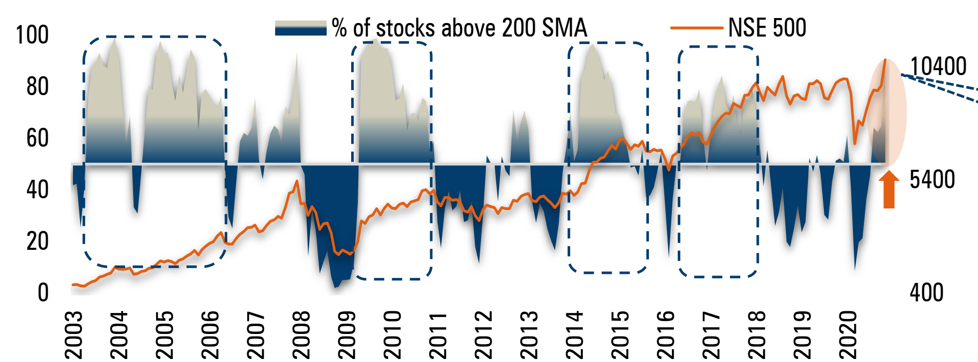
# Factors driving economy, its revival post Covid-19…

# Sentiment indicators – Stock market key indicator of sentiments




In CY20, India has been a preferred destination for FIIs, with FII inflows at life-time high, further supporting our view of improving market sentiment

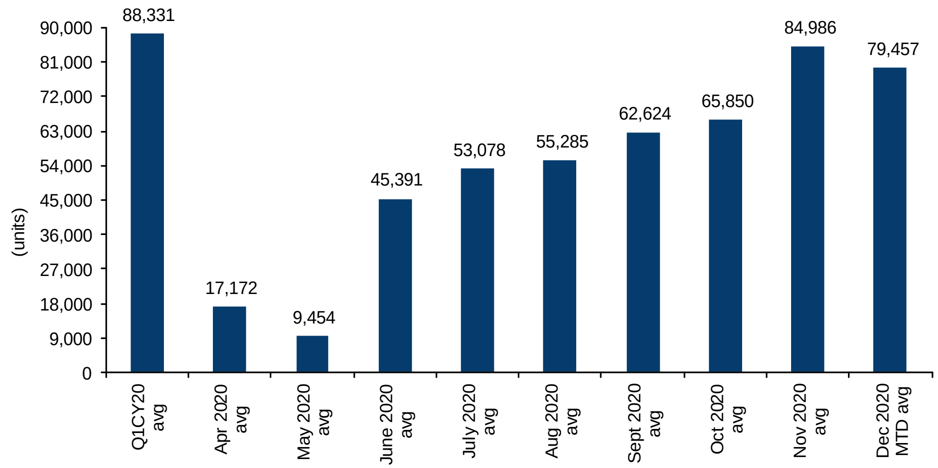



Past few months' sharp rally is supported by strengthening market breadth as currently 92% component of NSE 500 is trading above their 200 days simple moving average (SMA). This highlights broad based participation and improving market sentiments

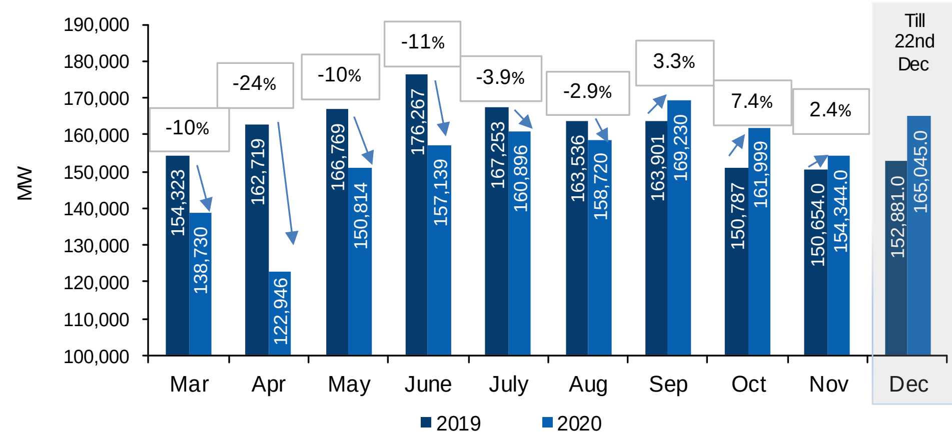
*Source: NSE, Company, ICICI Direct Research*

# Leading economic indicators also indicate recovery

**Monthly Vahan registration at pre-Covid levels**




**Monthly average peak power demand in 2019 & 2020**

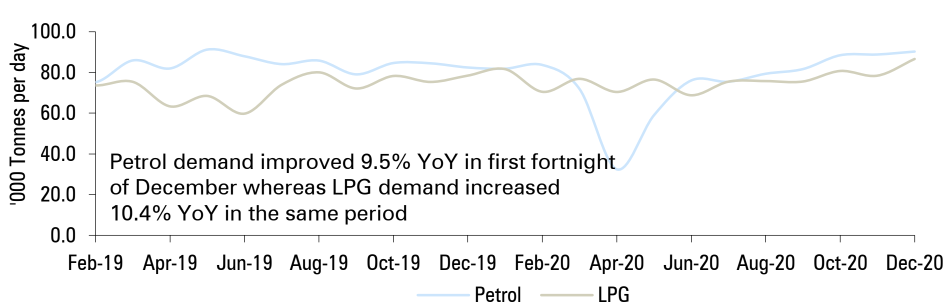



**Vahan daily registrations during December (MTD) are at ~79500 units at around pre-Covid levels, a little lower than peak volumes (boosted by festive retails) clocked in November 2020**

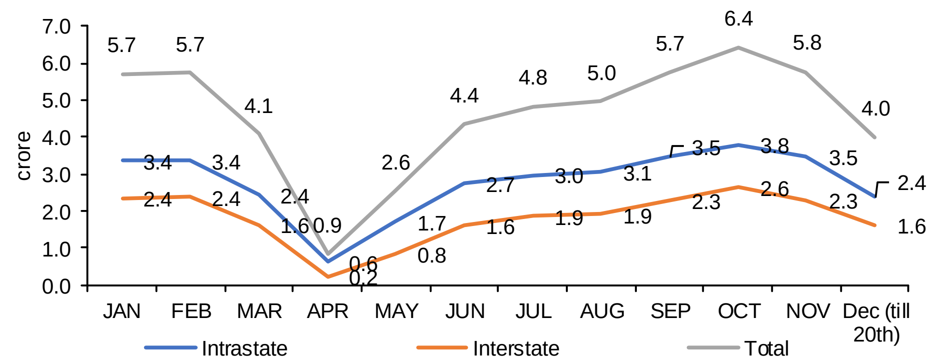
(Note – Andhra Pradesh, Madhya Pradesh and Telangana are non-Vahan states. They combined form ~15% of auto volumes and ~20% of tractor volumes)

**Average peak power demand started on a strong footing in December with average peak power demand till December 22 being registered at 165 GW vs. 152.8 GW YoY, an increase of 8%.**

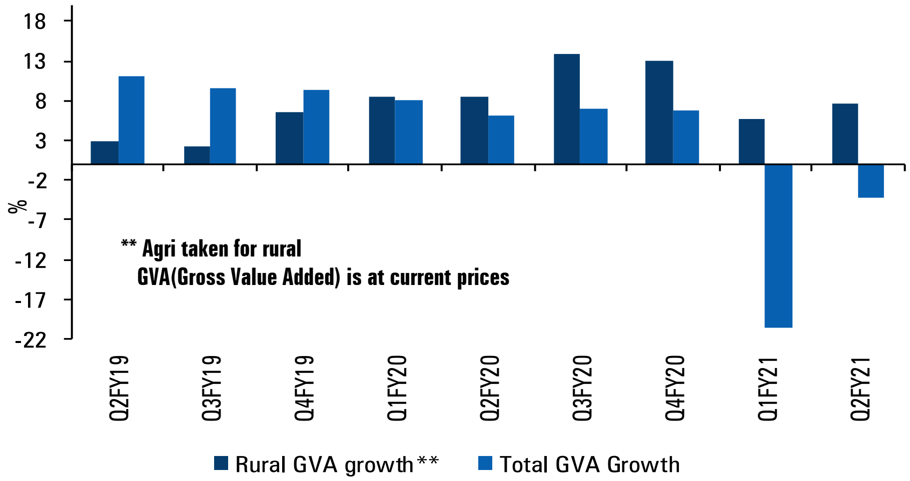
**Petrol & LPG demand**




**E-Way bill generation**



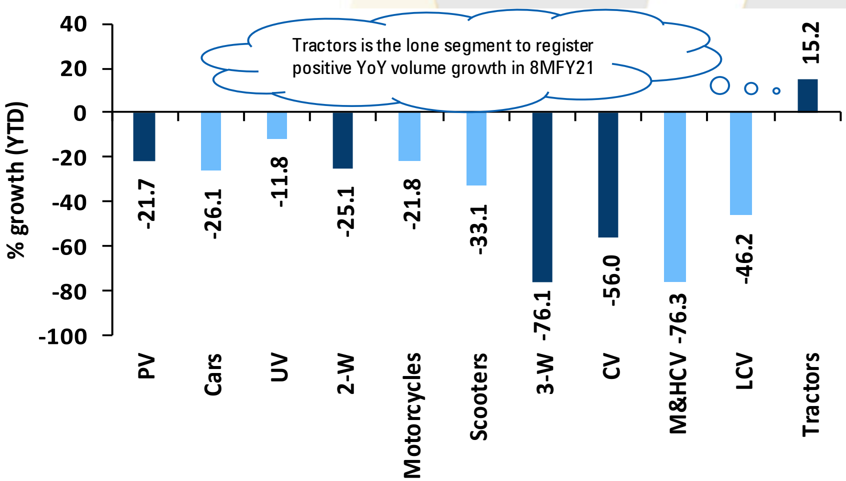
# Rural growth stays resilient; tractor, 2-W pockets reflect buoyancy

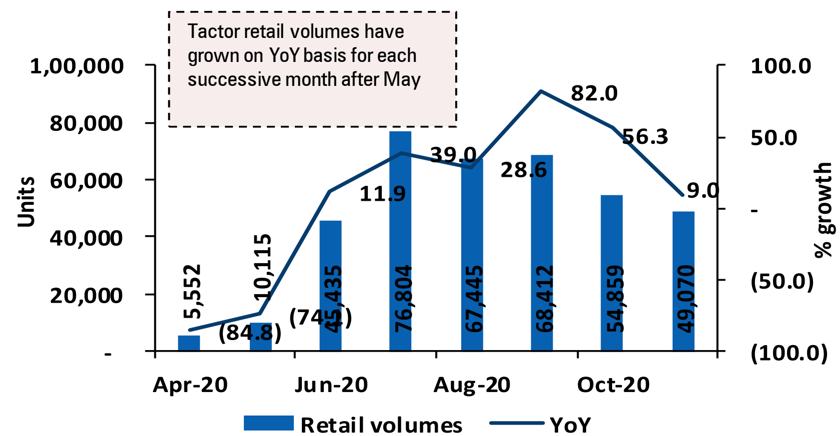



Rural India and agriculture sector were affected the least by the containment measures. Accordingly, when GVA contracted 20.6%, agriculture was the only sector that stayed positive in Q1FY21 growing 5.7% YoY. The strength continued with growth of 7.7% YoY, despite GVA contraction of 4.2% YoY in September 2020.

Rural incomes and sentiment remain buoyant, driven by - strong rainfall (up 9% YoY), record Kharif output (9% YoY increase as per first advance estimates for FY21), healthy reservoir levels (86% of capacity), lower pandemic incidence in the hinterlands and continued government spend on agriculture & rural development

**Tractors recovery remains well ahead of rest of automotive pack in post Covid months**

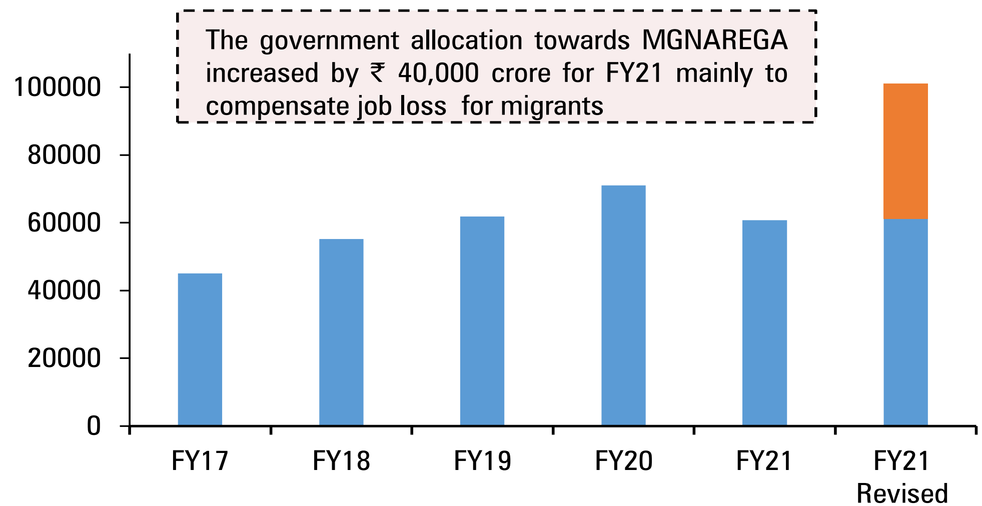



*Source:: Siam, Crisil Research, Vahan database, Industry sources, ICICI Direct Research *GVA= GDP + Subsidies on products – Taxes on products*

# Rural buoyancy – Driven by government spends

- Government spends increased by ₹ 1.7 lakh crore largely towards Rural India to weather the impact of the pandemic. It has distributed more than 24 million tonnes of food grain in the last eight months, transferred ₹ 30,000 crore to 20 crore women Jan-Dhan accounts and increased MGNAREGA spends by ₹ 40,000 crore
- Consequently, rural consumption has grown significantly in the last six months. This is reflected in the growth numbers for FMCG sector categories. For example, Nestlé witnessed urban & rural sales growth of 6% & 12% in September 2020 quarter compared to 13% & 6%, respectively, for the same in the March 2020 quarter. Similarly, within the consumer discretionary sector, paints and appliances have seen double digit growth largely driven by rural consumption




Source:: Budget Documents, Media reports, ICICIDirect Research

# PLI scheme boost for domestic manufacturing

The government in its notification on November 11, extended the reach of production linked incentive (PLI) scheme to 10 more sectors for five years with a total outlay of ~ ₹ 1.46 lakh crore. Prior to this, the government had already approved PLI schemes for three sectors (mobile manufacturing, API, medical devices).

| Sectors | Estimated Expenditure (₹ crore) |
|---|---|
| Mobile Phones Manufacturing | 47,240 |
| API and others | 6,940 |
| Manufacturing of Medical Devices | 3,420 |
| Advance Cell Chemistry Battery | 18,100 |
| Electronic/Technology Products | 5,000 |
| Automobiles & Auto Components | 57,042 |
| Pharmaceuticals Drugs | 15,000 |
| Telecom & Networking Products | 12,195 |
| Textile Products | 10,683 |
| Food Products | 10,900 |
| High Efficiency Solar PV Modules | 4,500 |
| White Goods (ACs & LED) | 6,238 |
| Specialty Steel | 6,322 |
| **Total** | **2,03,580** |

*Source:: PIB, Media reports, ICICIDirect Research*

# Capex opportunity, albeit lower, remains decent…

- Capex numbers are likely to get revised, due to Covid impact. While there is no official release yet, overall capex is expected to be 25-33% lower than budgeted. However, this also provides a decent opportunity

- Among segments, states with stressed fiscals will have a lower capex spending. Central and private are likely to do the heavy lifting of capex spends in the near term

- Ordering of big projects is expected to provide a decent opportunity. For instance, bullet train tender for the ordering of Gujarat section, itself provides opportunity of ~₹ 60000 crore

- The road segment has been the most resilient of infra opportunity: Despite the lockdown, NHAI has awarded projects worth ₹ 50000 crore, totalling 1,900 km of highways in FY21YTD. NHAI expects to award projects of 4,500 km in FY21 and is set to exceed this target

| | FY20 | FY21E | % of the Total | FY21E (Estimated) - factoring in post covid impact |
|---|---|---|---|---|
| Urban Infra | 2,98,174 | 4,62,298 | 21% | 3,23,609 |
| Energy | 2,33,607 | 4,41,523 | 20% | 1,67,779 |
| Roads | 3,32,559 | 3,83,283 | 18% | 2,68,298 |
| Railways | 1,33,387 | 2,62,465 | 12% | 1,70,602 |
| Irrigation | 1,14,463 | 2,00,615 | 9% | 1,20,369 |
| Rural Infra | 1,40,313 | 1,76,803 | 8% | 1,32,602 |
| Social Infra | 56,608 | 78,314 | 4% | 58,736 |
| Digital Communication | 78,356 | 61,847 | 3% | 43,293 |
| Industrial infra | 19,070 | 43,066 | 2% | 25,840 |
| Ports | 13,357 | 18,104 | 1% | 13,578 |
| Agri, food processing | 3,570 | 3,895 | 0% | 2,727 |
| Airports | 18,667 | 21,655 | 1% | 15,159 |
| TOTAL (₹ crore) | 14,42,131 | 21,53,868 | | 13,42,590 |



*Source:: NIP, Media reports, NHAI, ICICIDirect Research*

# BFSI stress much lower than anticipated

- Initial moratorium at industry level was at above 50%
- Unlocking and lenders effort has led to sharp improvement in collection efficiency (at ~90% currently)
- Restructuring is anticipated at ₹ 5.2 lakh crore i.e. ~5% of advances
- Provision on incremental stress and ageing NNPA is expected to keep credit cost at ~240 bps in FY22-23E
- Higher proportion of incremental stress & pile of earlier NNPA is likely to keep PSU bank earnings under pressure. Private banks are positioned relatively better and the earnings seemed to have bottomed out for them

| Incremental stress build up | |
|---|---|
| | **₹ lakh crore** |
| Advances | 103.4 |
| | |
| **Incremental stress** | |
| Restructuring @~5% of advances | 5.2 |
| NPA accretion | 1.9 |
| **Total** | **7.0** |

| Credit cost to remain elevated | | | |
|---|---|---|---|
| **₹ lakh crore** | **Advances** | **Slippages** | **Provision** |
| **Covid related stress** | | | |
| Restructuring | 5.2 | 1.6 | 1.6 |
| NPA accretion | 1.9 | 1.9 | 0.9 |
| **Total** | **7.0** | **3.4** | **2.5** |
| | | | |
| Exisiting NNPA | 3.2 | 3.2 | 2.6 |
| | | | |
| **Total** | **103.4** | | **5.0** |
| | | | |
| **Credit cost (%)** | | | **2.4%** |

*Source: RBI, ICICIDirect Research*

# Micro themes for CY21

# PLI scheme boost for textile/auto/electronics

### Textile

- Allocation of **₹ 10683 crore for MMF and technical textiles** over the next five years through PLI scheme will enhance the capabilities of the Indian MMF sector by attracting higher investment, improving global competitiveness and garnering higher share of global MMF trade
- As per industry estimates, about 40 product lines in MMF garments and 10 products lines in technical textiles account for nearly US$180 billion global trade in which India has a very limited share and that could provide scalable export opportunity for Indian MMF players to enhance their market share

### Auto

- Allocation towards automobile sector that was classified under two broad heads:

**(a) ~₹ 57,000 crore for auto and auto component sector and**

**(b) ~₹ 18,000 crore for advanced cell chemistry including EV batteries**

- Exact contours of the scheme have not yet been decided. However, media reports mention that incentives could be linked to export turnover and investments in gross block

### Electronics

- In a bid to give a boost to domestic production of mobile phones, accessories and reduce import, the government has launched a production linked incentive (PLI) scheme. Government plans to **boost domestic production of mobile phones and export with the aim of creating ₹ 10.5 lakh crore turnover in five years along with ~8 lakh new jobs**
- It **will entail ₹ 47240 crore government expenditure** in the form of incentive and **₹ 11000 crore additional investment by private players**

*Source:: PIB, Media reports, ICICIDirect Research*

# PLI - Boost for domestic manufacturing of electronics

In a bid to give a boost to the domestic production of electronics goods and components like mobile phones, ACs, accessories, etc, and to reduce the imports, the government has launched a **production linked incentive (PLI) scheme**

### Key features of PLI scheme

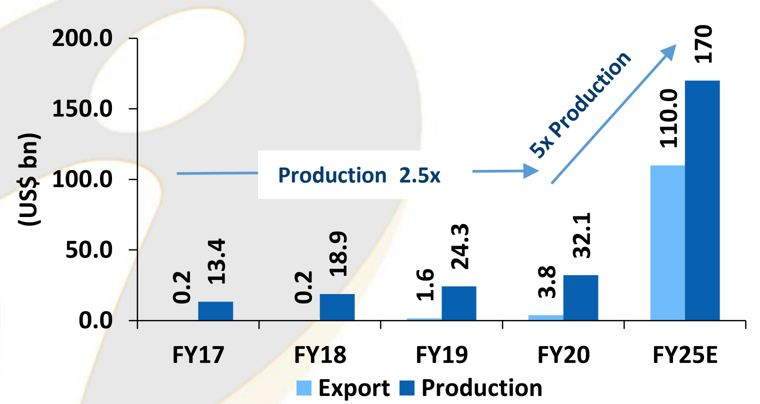
- Total ~₹ 47,240 government expenditure in the form incentive for mobile phones & white goods manufacturing
- Scheme targets zero import of mobile phones from current levels of US$1 billion
- Production target of ₹ 10.5 lakh crore (US$170 bn) worth of mobile. ₹ 6.5 lakh crore (US$110 bn) of production will be exported
- Domestic value addition to increase from 15-20% to 45-50% in the next five years
- Total ~8 lakh new job creation

### Major benefits

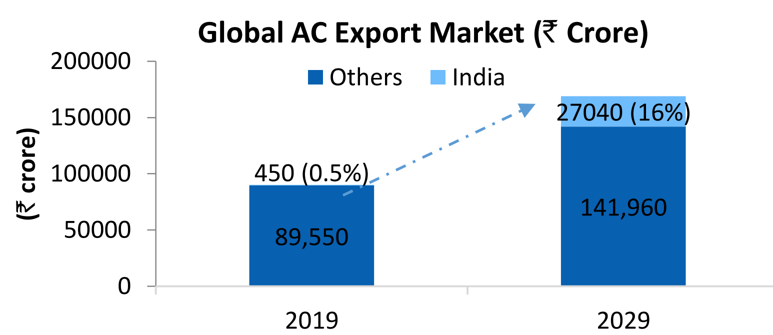
✓ Boost domestic production & lower imports (electronic goods third largest import item)

✓ Attracts foreign investments, preferred destination in China+1 strategy

**Anticipate multifold jump in mobile production & exports**




**Anticipate multifold rise in India AC export market share**




### Major beneficiaries

**Dixon Technologies**

- Phone capacity (pa): 40 million units (13% of India's demand)
- Washing machine capacity (pa): 1.2 mn unit (28% of India's demand)
- LED TV capacity (pa): 4.4 mn unit (31% of India's demand)

**Amber Enterprises**

- RAC market share: 24%
- Railways market share (static & mobility application): 51%

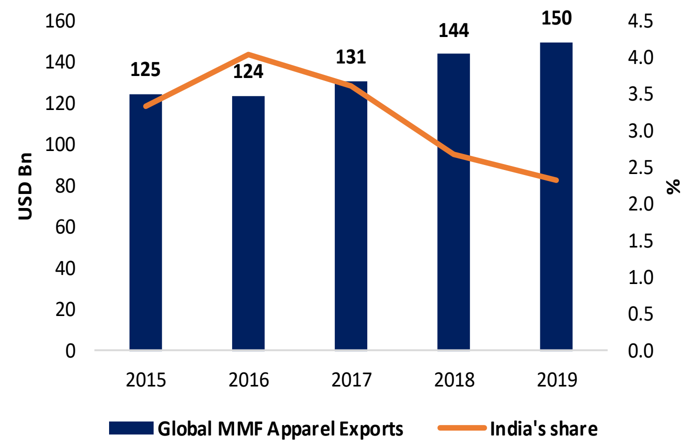
*Source:: NSDL, ICICI Direct Research*

# Focus on garnering higher share of MMF/technical textile value chain export opportunity

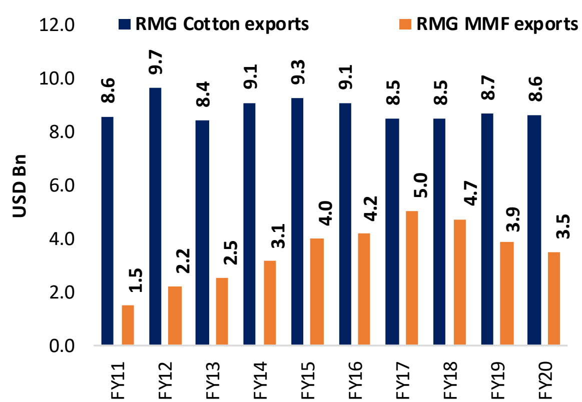
**MMF to dominate global fibre consumption**


Globally MMF is the dominant fibre, while India's exports are skewed in favour of cotton based textiles with share of cotton based textile exports at ~2x to MMF based textiles. To capture the global export opportunity in MMF, the Government of India has allocated ₹ 10683 crore to support manmade fibre (MMF) and technical textiles over the next five years through production linked incentive scheme (PLI).

**India's share minuscule at ~2% of global apparel MMF trade**




**India's strength predominantly lies with cotton based apparel exports**




Polyester is becoming a preferred fibre given its unique characteristics (highly durable, wrinkle resilient) and inherent limitations of growth of cotton fibre. The PLI scheme aims to enhance capabilities of the Indian MMF sector and improve global competitiveness to garner higher share of the global MMF trade. Scaling up capacities for these products would provide a sustainable export opportunity for Indian MMF players present across the value chain (from yarn to apparels).

**Key beneficiaries:**

**Gokaldas Exports:** Major exporter of apparels with ~ 40% MMF based product portfolio (jackets)

**Siyaram Silk Mills:** Presence in domestic B2C segment with MMF contributing ~ 85% fabric product portfolio

**Filatex India:** Major player in Indian MMF industry expected to benefit from increased export demand of value added MMF products (DTY, FDY)

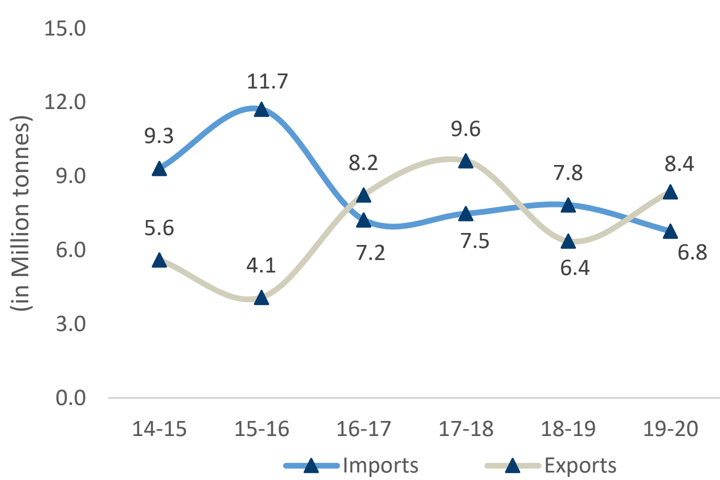
**Arvind Ltd:** Presence in technical textiles (segment growing in early double digits with stable margins)

*Source: Ministry Of Commerce, PIB, Wazir Advisors, ICICI Direct Research*

# Specialty steel: Focus on import substitution, export augmentation

Over the years, domestic steel companies have been focused towards import substitution as well as export promotion. The extension of PLI scheme to speciality steel gives a further push to this objective. Within this scheme, there is a financial outlay of ₹ 6322 crore that has been approved for five years. Under this PLI scheme, coated products, high strength steel, steel rails and alloy steel bars and rods are included. Going forward, this scheme would also aid domestic companies in enhancing their manufacturing capabilities and developing new products to promote import substitution as well as enhance exports.

**Indian finished steel imports & exports (in million tonne)**




**Highlights of PLI for speciality steel sector**

| Sector | Implementing Ministry | Years | Amount | Benefits |
|---|---|---|---|---|
|  Speciality Steel | Ministry of Steel | Five | ₹ 6322 crore | ❖ Will Help in enhancing manufacturing capabilities of Value Added products. |

**Speciality Steel Products included in the PLI Scheme**

| | |
|---|---|
| • Colled Products | • Steel Rolls |
| • Speciality Steel Products | • Alloy Steel Bars |

✓ Specialty steel, a part of value added steel, finds applications in key areas within automobiles, railways, etc. This is by virtue of having critical application, value added products yields, higher EBITDA/tonne for steel companies vis-à-vis basic commodity grade. Hence, having higher proportion of value added share aids in lending stability to overall operating margins. Currently, for JSW Steel, value added, special products account for ~51% of overall sales while for Tata Steel value added, special products account for ~43% of overall sales (domestic segment for both companies). Extension of PLI scheme to specialty steel segment would give a push for domestic steel companies to increase the share of value added products in overall product mix thereby improving their earnings profile

✓ The PLI scheme would aid in both promoting import substitution as well as lending stability to earnings of domestic steel companies. The scheme would support in upscaling product profile for domestic steel companies thereby leading to import substitution. Furthermore, for steel companies it would also aid in increasing the share of value added products in its overall product basket thereby lending stability to overall EBITDA/tonne

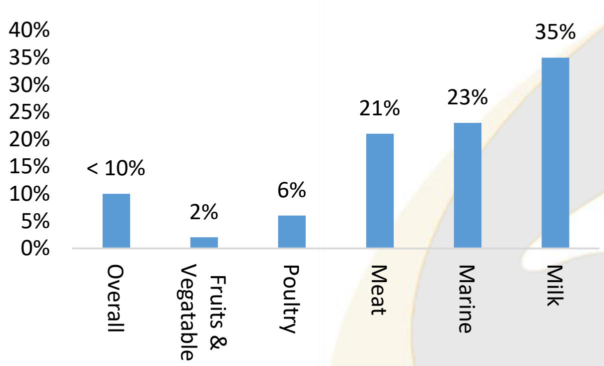
✓

*Source:: Ministry of Steel,, ICICI Direct Research*

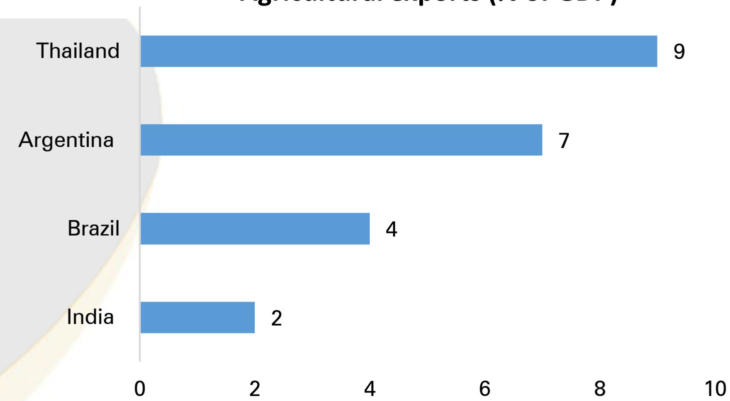
# Food processing essential to drive excess output for value addition, export

Food processing is essential to utilise excess agricultural production for exports but it can also be re-directed for fuel production. In turn, this would reduce dependency on crude import. In 2019-20, India sacrificed 0.8 million tonnes (MT) of sugar for additional ethanol production. We believe 5 MT of sugar (16% of production) can be diverted for additional 300 crore litre of ethanol production in the next three years.

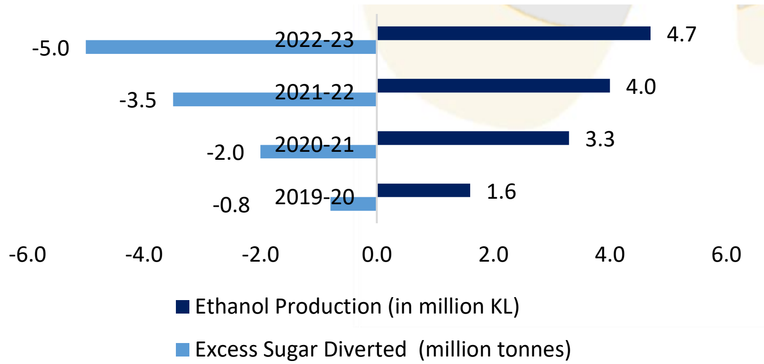
**Food processing levels in different food products**




**Agricultural exports (% of GDP)**



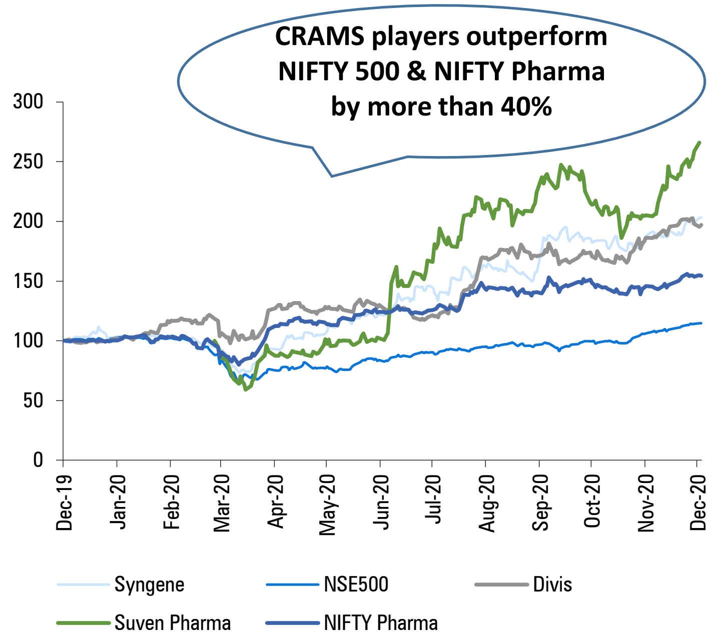

**Excess sugar production diverted towards Ethanol Production**

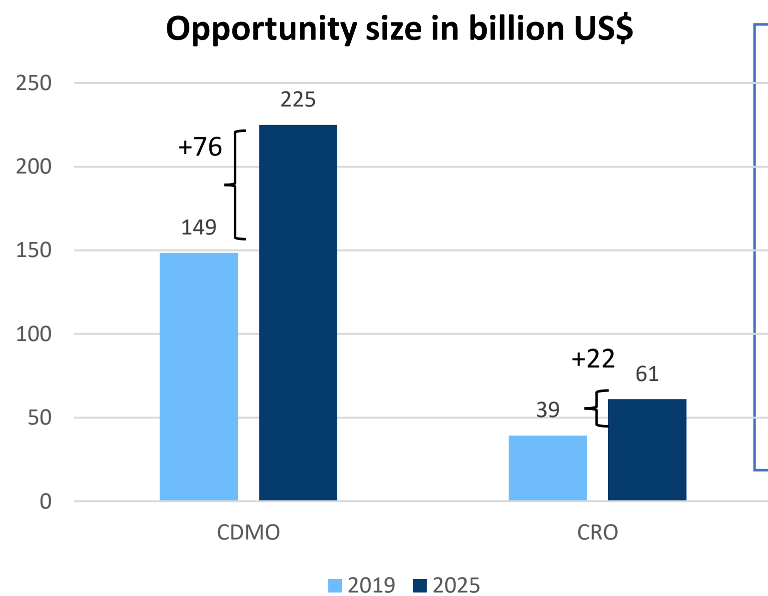



- India processes less than 10% of its agricultural produce with milk & marine products being the highest at 35% & 23%, respectively
- One of the major exports within food processing in India is seafood that shipped 12.9 lakh tonnes of seafood worth $6.68 billion during 2019-20
- However, still agricultural exports accounts for 2% of our GDP against 9% & 7% for Thailand & Argentina, respectively
- India has been successfully been able to process excess sugarcane towards ethanol production. It is expected to sacrifice 5.0 MT of sugar & produce additional 300 crore litre of ethanol by 2022-23

*Source:: NSDL, ICICI Direct Research*

# CRAMS – Significant visibility capex hints at growing opportunities




Global CRAMS market is expected to grow at 7% CAGR in 2019-25 on the back of increasing costs of R&D, coupled with significant revenue loss due to impending patent cliff that has forced major pharmaceutical companies worldwide to outsource part of their research and manufacturing activities

| Capex (₹crore) | FY21-23E | Past 5 years | Comments |
|---|---|---|---|
| Divi's Lab | 2800 | 2000 | Aggressive capex attributable to order book visibility in both CRAMs and API segments |
| Suven Pharma | 600 | NA | Post demerger of innovative business, declared aggressive capex for CRAMs business |
| Syngene | 2100 | 1275 | Aggressive capex attributable to order book visibility |
| Laurus Lab | 1500 | 1500 | CRAMs is 30% of overall revenues, however has strong order book visibility for it |

**Increasing capex plans across the board on the back of stronger CRAMS demand**

Besides the usual cost advantage and legacy capabilities spelled out many times in the past, the post Covid scenario would further strengthen the already strong order-book scenario. A case in point is a proposed incremental capex of ₹ 400 crore by Divi's to execute an unplanned CRAMs order at short notice

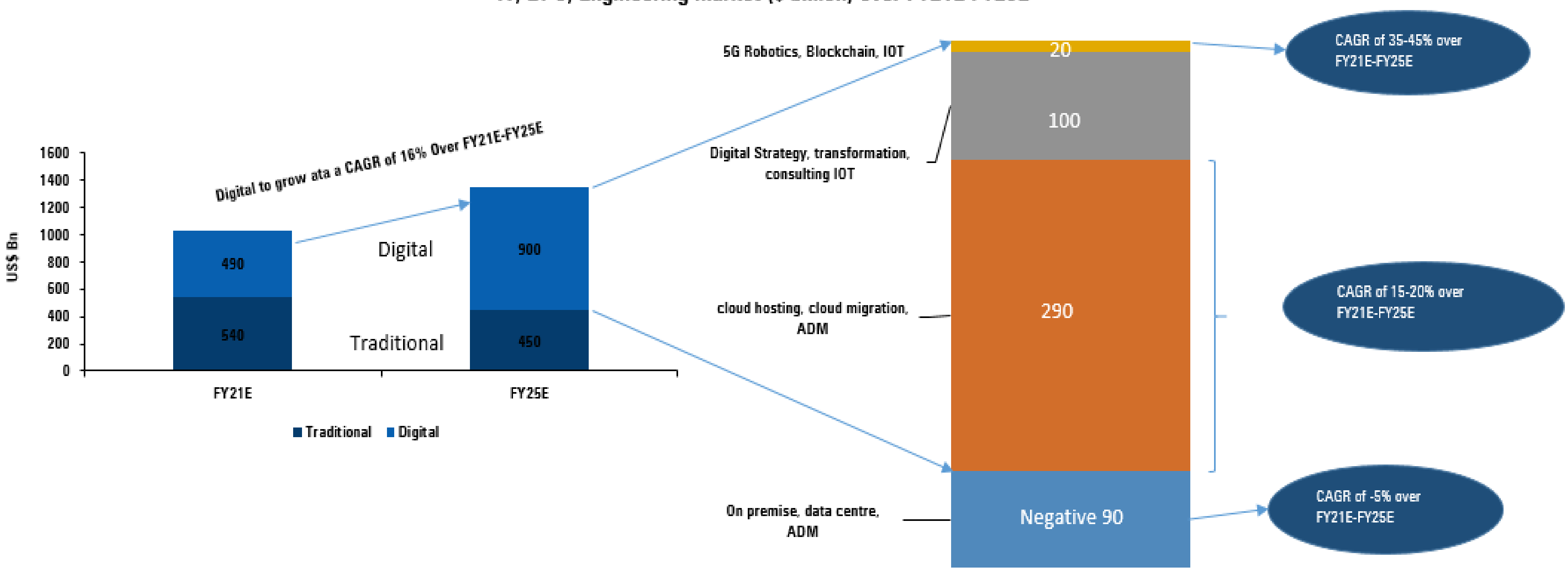
*Source: NSE, Company, ICICI Direct Research*

# Cloud based opportunities in IT sector

Rising adoption of smartphones, high internet speed and social distancing (due to Covid-19) has changed consumer behaviour. Consumers now prefer to transact (buy a product) virtually over the smartphone via an app instead of physical transaction. This has led to proliferation of new age technologies (expected to grow at a CAGR of 16% in FY21E-25E) and is set to be the beginning of a multi-year technology transformation phase.

In the first phase, enterprises are building a cloud-based foundation (expected to grow at a CAGR of 15-20% in FY21E-25E). In the second phase, there will be growth in ancillary technologies like AI, robotics, IOT and 5G (expected to grow at a CAGR of 35-45% in FY21E-25E). The key beneficiaries of this theme include HCL Technologies (which has higher share of revenues from infrastructure led Cloud based services) and Tech Mahindra (which generates ~40% of revenues from communication segment and an ideal play on 5G technologies).

**IT, BPO, Engineering market ($ billion) over FY21E-FY25E**



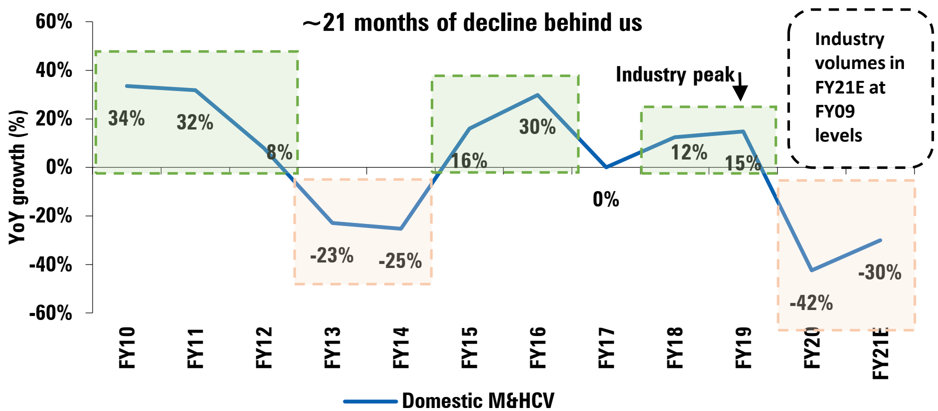

**Break up of incremental revenue of US$320 bn over FY21E-FY25E**

*Source: Wipro Analyst Meet Presentation, ICICI Direct Research*

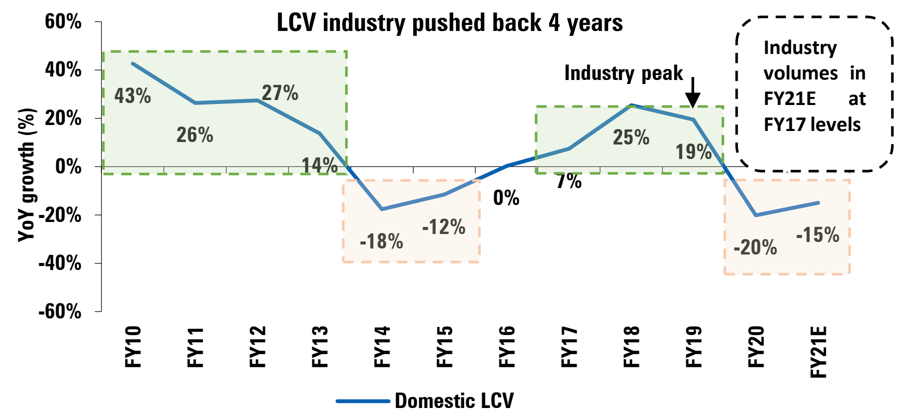
# CV segment on cusp of cyclical upswing

The domestic CV space is expected to commence its cyclical upswing from FY22E onwards primarily tracking steady pace of road construction awarding, increased freight movement, pick-up in mining activity amid government focus on infrastructure and continued e-commerce demand.

**M&HCV industry pushed back 12 years; nearing two years of usual downcycle**




**LCV industry more stable; with less volatility in volumes**




CV cycle recovery would benefit the entire CV segment linked automotive value chain. Key beneficiaries can be classified as:

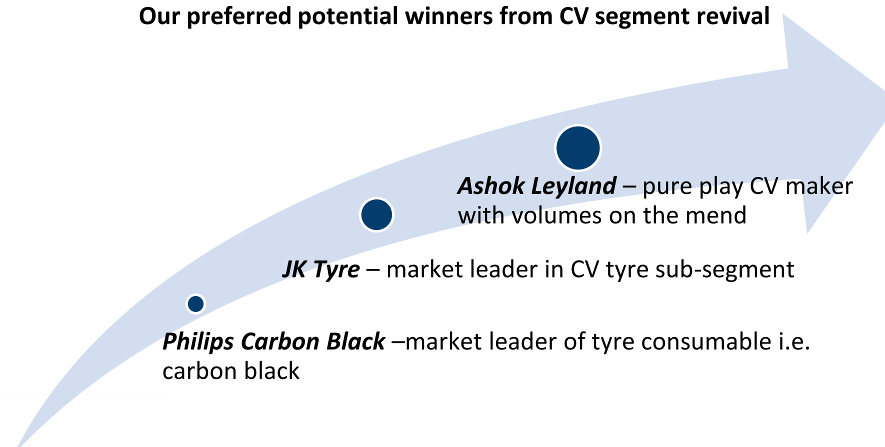
(i) **Auto OEMs**: On the auto OEMs front, it will benefit Tata Motors, Ashok Leyland, M&M and Eicher Motors (VECV).

(ii) **Auto components**: On the auto ancillary front, it will benefit forging players like Bharat Forge, MM Forging. It will also benefit other components players viz. Bosch, Wabco, Automotive Axle, Jamna Auto, Minda Corporation among others.

(iii) **Tyre & tyre chemicals:** Given high tonnage demand of tyres from CV space, it will benefit market leaders like Apollo Tyres, JK Tyres in tyre space & Phillips Carbon, Oriental Carbon in the tyre chemical space.

Implementation of affirmative, incentive-based scrappage policy and PLI scheme would also act as tailwinds for the CV space.

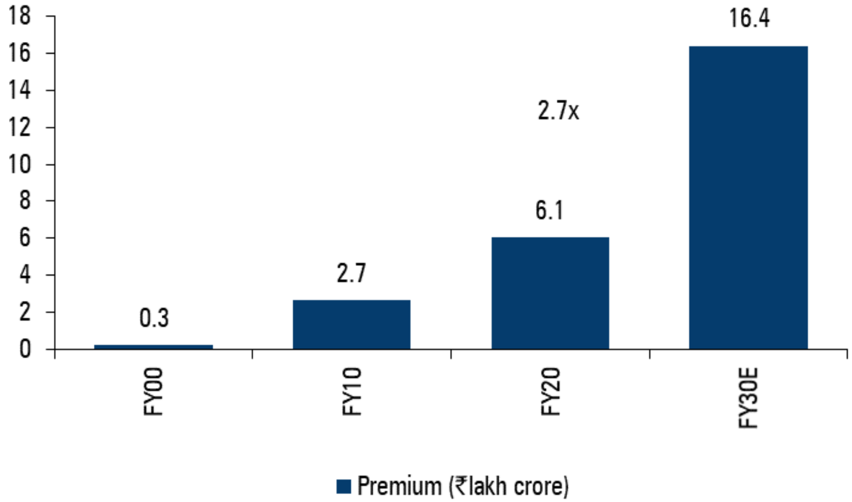
**Our preferred potential winners from CV segment revival**



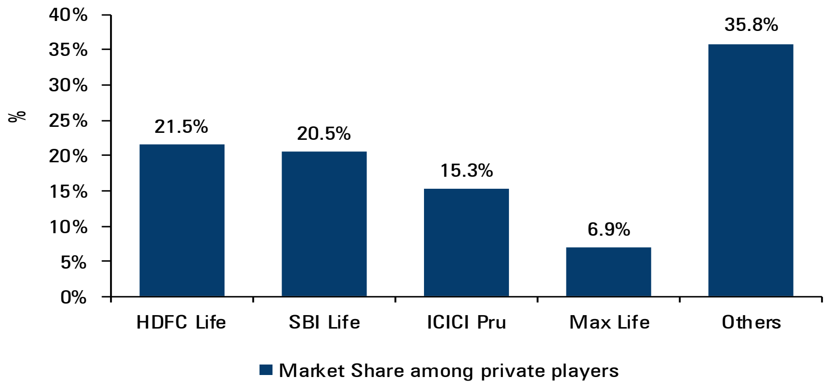

*Source:: SIAM, Company, ICICI Direct Research*

# Insurance on cusp of sustained structural growth

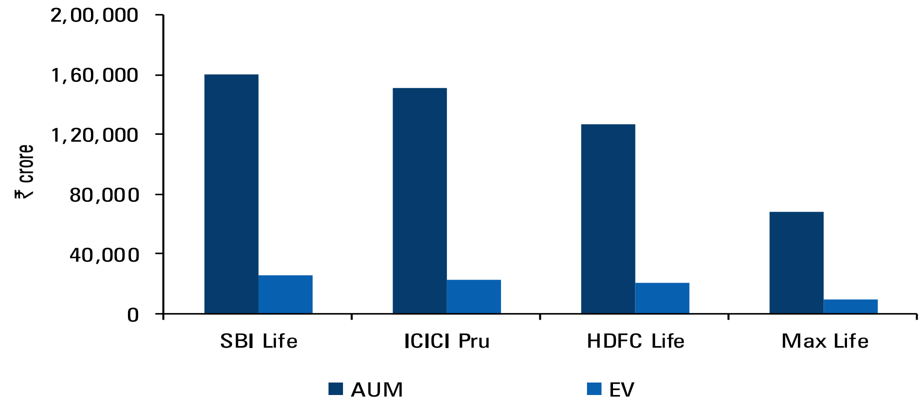
**Insurance premium to surge post a slower decade**




**Top four private players with ~60% share well to gain incremental share**



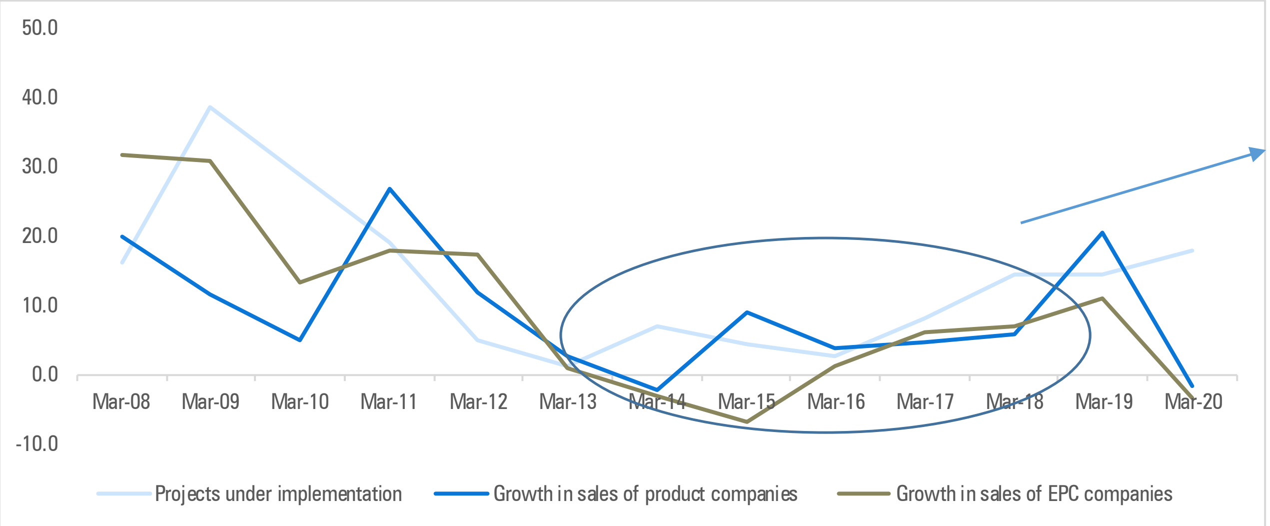

**Business growth, improving mix to favour embedded value**




- Indian life insurance industry on cusp of structural growth as a tailwind in pandemic era
- Lower penetration at 2.4% and high protection gap to act as catalyst to sustain business growth
- **Protection, non-participating product to drive next phase of growth**
- High yielding product, improving persistency to drive margin ahead
- Large private players – **HDFC Life Insurance and SBI Life Insurance well placed to grab incremental opportunity** ahead

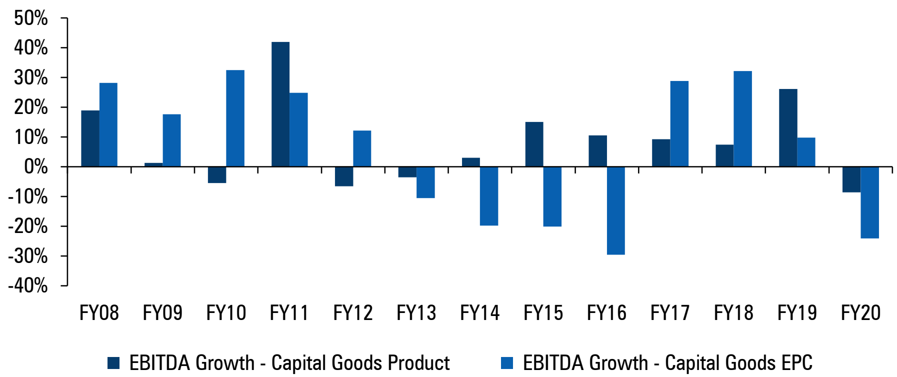
*Source: Company, IRDA, ICICI Direct Research*

# Product based capital goods companies fare well over EPC across capex cycles




| Year | Under Implementation (₹ crore) | No of Projects | Incremental Projects |
|---|---|---|---|
| Mar-08 | 1309837 | 9947 | |
| Mar-09 | 1816844 | 12093 | 2146 |
| Mar-10 | 2342990 | 13155 | 1062 |
| Mar-11 | 2790251 | 14866 | 1711 |
| Mar-12 | 2923495 | 15874 | 1008 |
| Mar-13 | 2957714 | 15382 | -492 |
| Mar-14 | 3162513 | 15147 | -235 |
| Mar-15 | 3299360 | 15530 | 383 |
| Mar-16 | 3388081 | 15399 | -131 |
| Mar-17 | 3660934 | 15797 | 398 |
| Mar-18 | 4185482 | 16129 | 332 |
| Mar-19 | 4790966 | 16739 | 610 |
| Mar-20 | 5651934 | 17372 | 633 |
| Sep-20 | 5867252 | 17842 | 470 |

Operating performance across cycles has been steady for product based capital goods companies



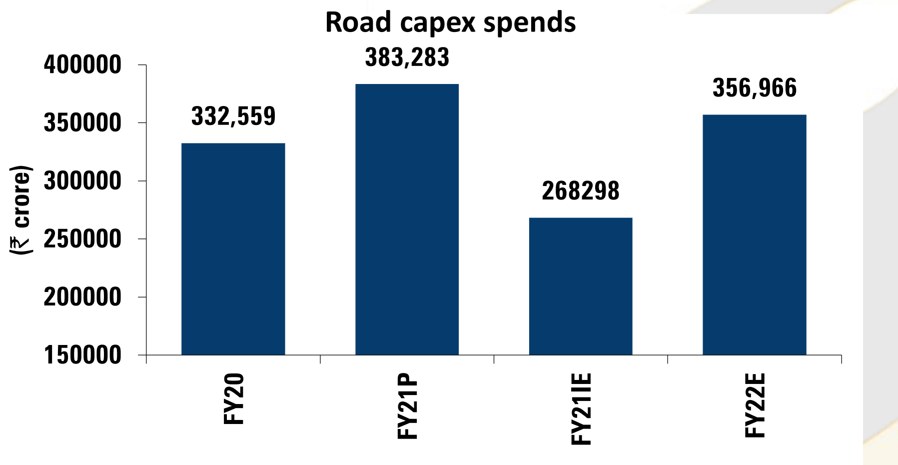

With gradual improvement in fresh announcement of capex (H1FY21 saw announcement of fresh projects to the tune of ₹ 325000 crore and gradual pick-up in execution of existing projects on ground, **demand for short cycle products like bearings, pumps, material handling equipment, construction equipment, abrasives, etc is likely to witness an uptick. Companies like SKF, Timken, Elgi, ACE, Ador Welding, ESAB, KSB, Grindwell to be key beneficiaries**

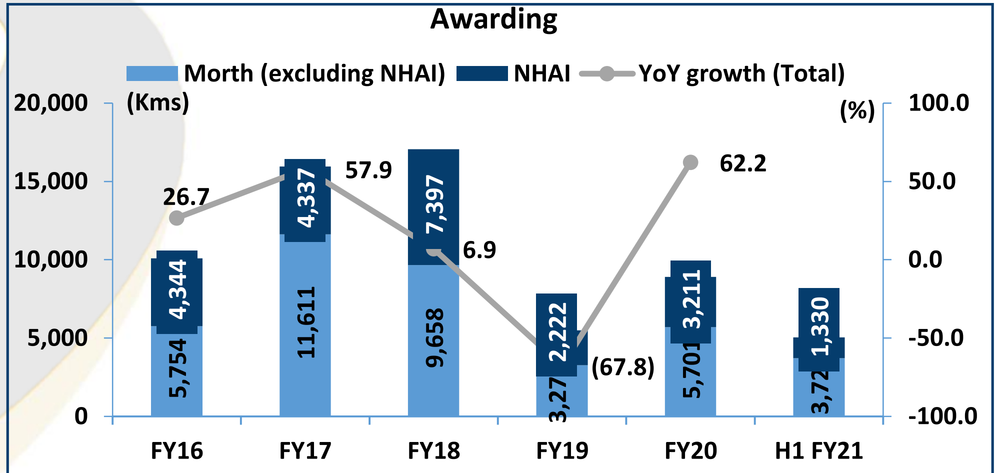
The last decade of capex cycle, FY13-17 was a difficult phase as fresh projects under implementation grew 4%. However, at the same time product based capital good companies saw steady ~4% growth whereas EPC companies saw an average decline of 0.4% in revenues.

*Source: NSE, Company, ICICI Direct Research*

# Roads and highways – Resilient segment within infrastructure

The roads & highways segment (that formed ~23%+ of overall infrastructure spending in FY20) has put up a stellar show with robust awarding and improving construction pace. We expect players with strong execution skills and lean balance sheet position to benefit from the growing traction. Key beneficiary from our coverage universe would be KNR Constructions and PNC Infratech.




- Given the pandemic impact on the overall construction pace, we anticipate ~33% lower than estimated capex spends on roads in FY21. We note that core-highways segment (NHAI/MoRTH) would be largely on track, while state/rural roads construction traction could be the key dragger. However, the overall capex spends is expected to bounce back to ₹ 3.5+ lakh crore levels in FY22, thereby providing huge opportunities for road players
- We would, however, prefer, EPC/HAM players with strong execution sills, relatively leaner balance sheets and comfortable working capital

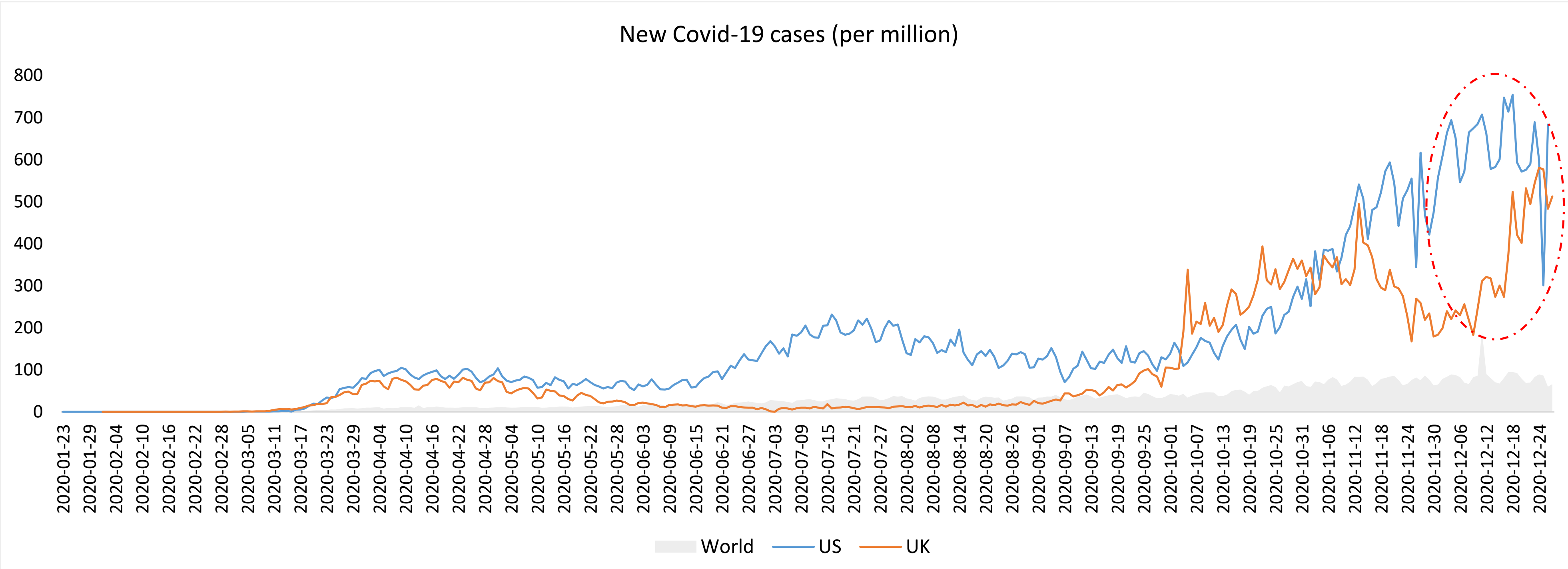
- The robust activity continued during H1FY21 even with the disturbances caused by nationwide lockdown owing to Covid-19 pandemic. NHAI, MoRTH (excluding NHAI) has awarded projects totalling 1,330 km, 3,722 km, respectively, in H1FY21. **For FY21YTD, ordering has been ~1900 km by NHAI, as per media reports**
- We expect NHAI to exceed FY21 target of 4,500 km (~₹ 2,000 bn) given
  - Strong order pipeline having 80%+ land availability along with forest and environmental approvals and clearances
  - Favourable changes in HAM/BOT models certifying higher acceptability
  - Monthly payment to contractors ensuring decent cash flows

*Source:: NHAI, MoRTH, NIP, Media Articles, ICICI Direct Research *IE: IDirect Estimates *HAM= Hybrid Annuity Model*

# Risks

# US not out of the woods yet; new strain threatens fresh lockdowns…

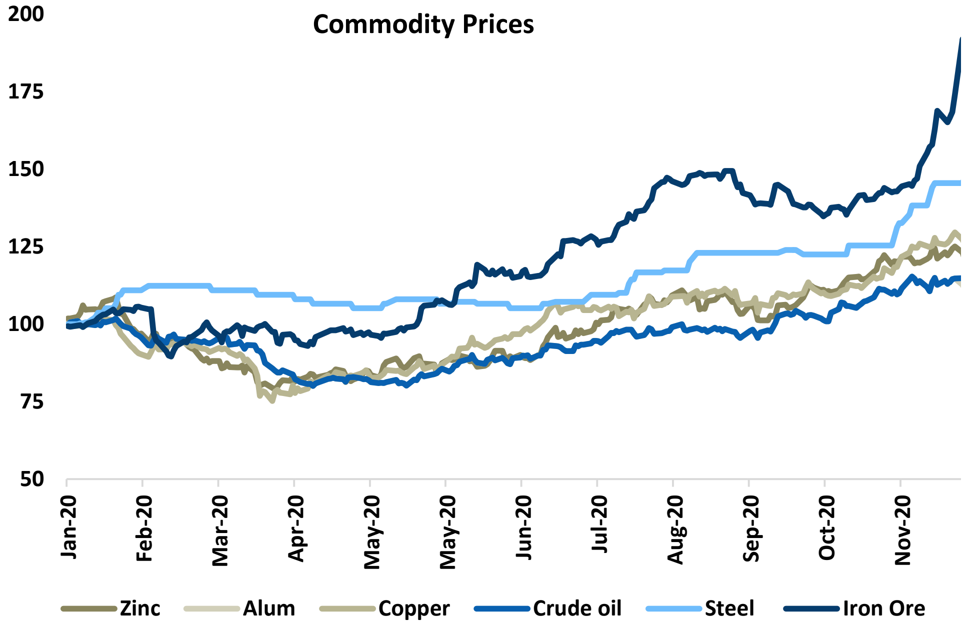
Restrictions, lockdowns may resurface in other parts of the globe if the cases in the US and Europe continue to rise instead of flattening. The newly discovered Covid-19 strain in the UK (believed to be more contagious) has already forced measured lockdowns in the UK. These mutations and restrictions may impact global vaccine development drives as well. Global growth recovery may take more time than estimated earlier.

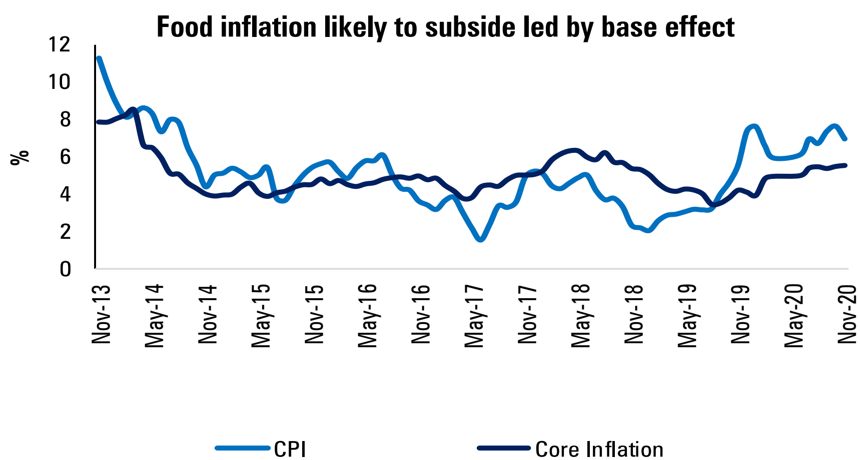


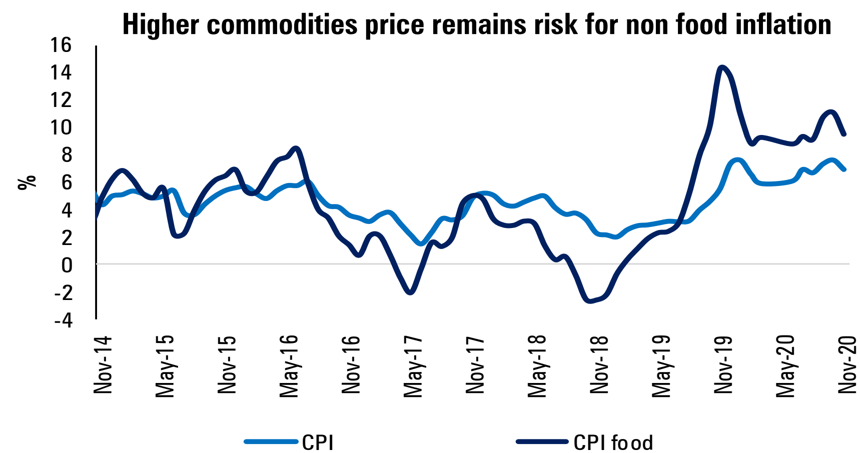

*Source: ICICI Direct Research, ourworldindata.org*

# Uptick in commodity prices likely to push inflation higher….

- ✓ There has been an uptick in prices of all commodities, which includes likes of crude oil, ferrous metal, all major base metals, etc. The rally witnessed in commodity prices is expected to push up costs for user industries and is, therefore, likely to add to the inflationary pressure in the medium term
- ✓ Over the last two to three quarters, global commodity prices have witnessed a steady uptick primarily on the back of a sharp improvement in Chinese GDP growth rate post the decline in Q1CY20 coupled with a decline in the US dollar. Among all major commodities, iron ore has witnessed the steepest rally and is up 83% YTD



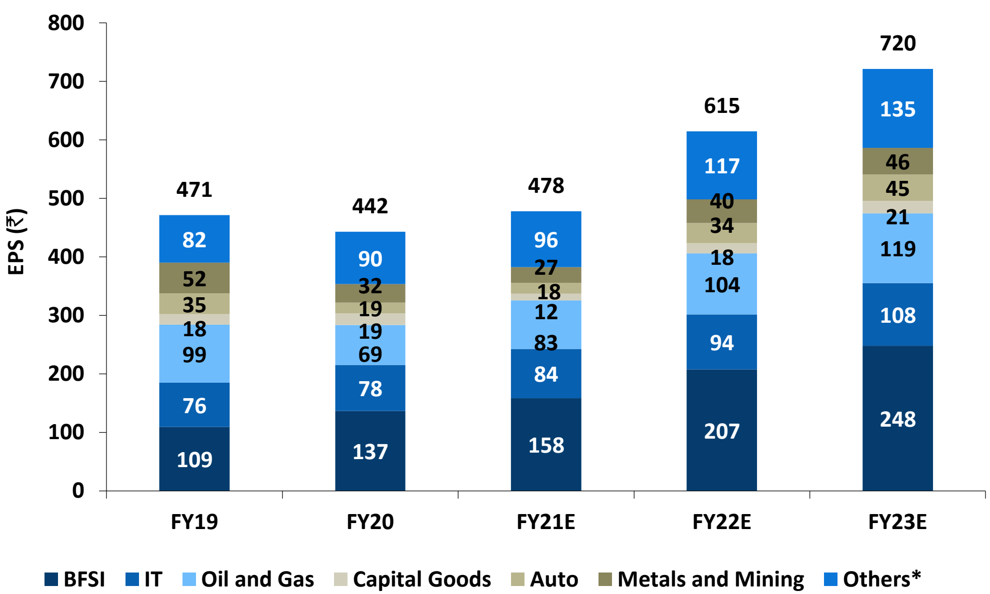

*Source:: RBI, Bloomberg, ICICI Direct Research*

# Earnings & Market Outlook

# Strong rebound in earnings: Nifty EPS to register 22.7% CAGR in FY21-23E

With the worst of asset quality concerns behind us amid resolution of big ticket stressed assets and economic optimism in the post Covid era, we expect Nifty earnings to grow at a CAGR of 17.5% over FY20-23E to ₹ 720 in FY23E vs. ₹ 442 in FY20. From the low base of FY21E, Nifty earnings CAGR is impressively placed at 22.7% in FY21E-23E.

We value the Nifty at 14,400 i.e. 20x P/E on FY23E EPS of ₹ 720 with corresponding Sensex target at 50,000

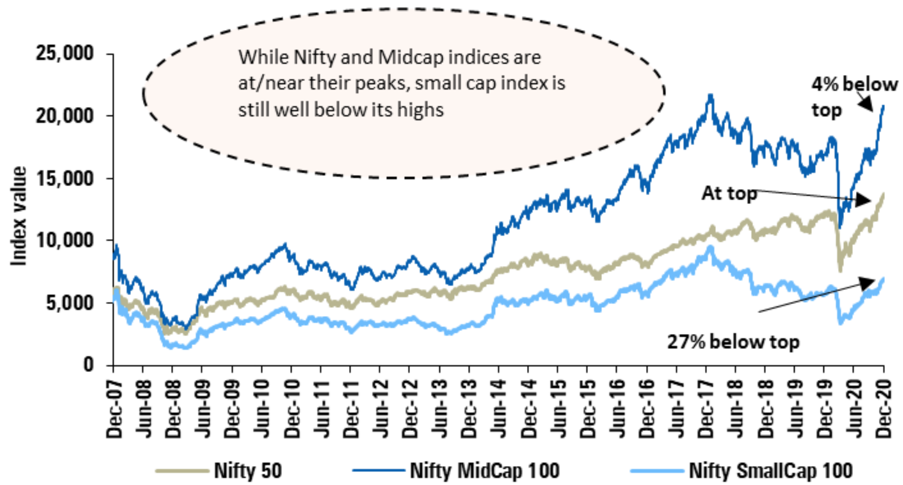



| Nifty Target | | | | | | |
|---|---|---|---|---|---|---|
| Earnings Estimates | FY18 | FY19 | FY20 | FY21E | FY22E | FY23E |
| Nifty EPS (₹/share) | 455 | 471 | 442 | 478 | 615 | 720 |
| Growth (%) | | 3.4% | -6.2% | 8.2% | 28.6% | 17.2% |
| Earnings CAGR over FY20-23E | | | | | | 17.5% |
| Earnings CAGR over FY21E-23E | | | | | | 22.7% |
| Target Multiple (~1.1x PEG) | | | | | | 20.0x |
| | | | | | | |
| Nifty Target (at 20x FY23E EPS) | | | | | | 14,400 |

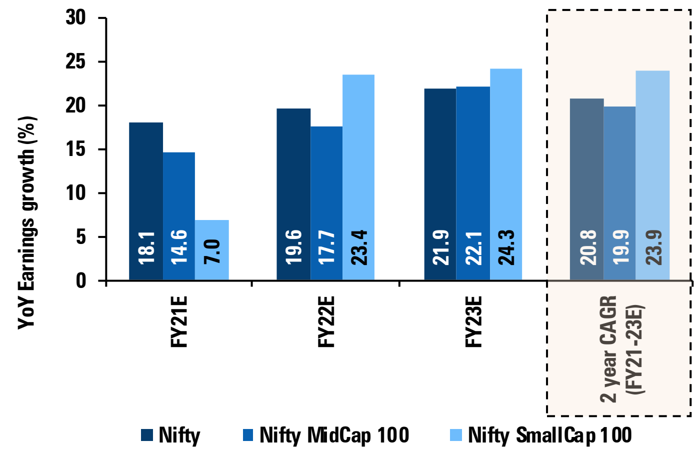
*Source:: Bloomberg, Companies, ICICIDirect Research*

# Price underperformance, earnings CAGR, inexpensive valuations, low interest rates: Fertile ground for midcap, small caps

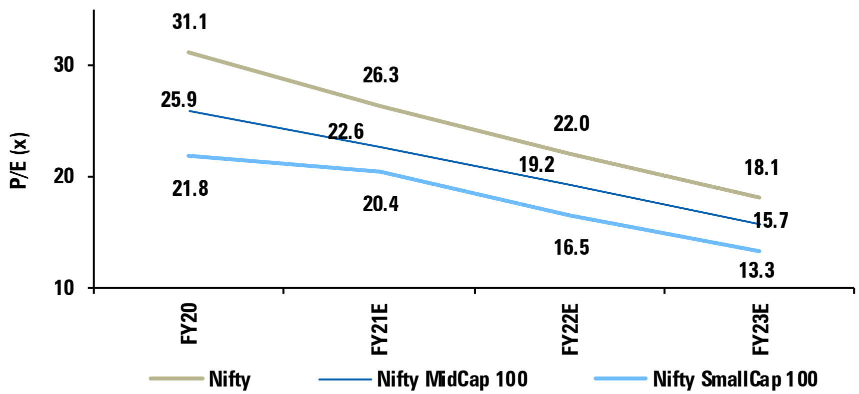
**Substantial headroom left for small cap index till previous high**



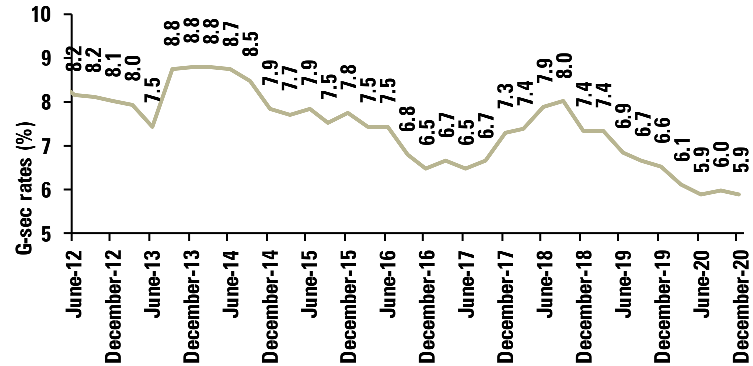

**Superior earnings growth potential for small caps shining through**




**Value buying opportunity seen in small caps followed by midcaps and large caps**




**Multi-year low interest rates - to support P/E expansion**




*Source:: NSE, ICICI Direct Research*

# Top Picks

## Phillips Carbon Black (PHICAR) — Target Price: ₹ 210 (23% upside)

- Phillips Carbon Black (PCBL) is a leader in the carbon black industry with domestic market share pegged at ~35%+. Carbon black finds major applications in the tyre industry wherein it is used as a reinforcement agent and constitutes ~23-25% of tyre by weight. The domestic tyre industry is witnessing healthy demand prospects primarily tracking high share of after-market sales in the overall sales pie (~70%) and recovery in auto volumes domestically, thereby benefitting PCBL
- Macroeconomic levers in terms of recommendation of extension of anti dumping duty (ADD) on imports of carbon black into India as well as domestic commercial vehicle (CV) industry, especially M&HCV sub-segment on the cusp of cyclical recovery, bodes well for domestic carbon black players with PCBL as the key beneficiary. Building in the positives, we build in carbon black sales volume CAGR of ~12% in FY21-23E to 4.75 lakh tonne by FY23E (3.8 lakh tonne in FY21E & 4.4 lakh tonne in FY22E)
- Sensing the robust demand prospects, PCBL is embarking on a greenfield expansion with a capex of ~₹ 600 crore (capacity of ~1.5 lakh tonne) with likely commissioning by FY23 end and targeted RoCE at ~20%. Conservatively, as of now, we have not built in any volumes from greenfield capex as PCBL awaits regulatory approvals
- PCBL has a healthy balance sheet (limited leverage; debt: equity <0.5x), capital efficient business model (RoCE, RoE >15%) and generates robust cash flow from operations (average CFO yield >15%). We assign BUY rating to PCBL with a target price of ₹ 210 valuing it at 10x P/E on FY23E EPS of ₹ 21.0

| (₹ Crore) | FY20 | FY21E | FY22E | FY23E |
|---|---|---|---|---|
| Net Sales | 3,243.5 | 2,481.1 | 2,973.4 | 3204.8 |
| EBITDA | 464.9 | 410.0 | 561.2 | 627.3 |
| PAT | 283.5 | 213.9 | 320.9 | 362.3 |
| EPS (₹) | 16.5 | 12.4 | 18.6 | 21.0 |
| PE (x) | 10.0 | 13.3 | 8.9 | 7.8 |
| P/BV (x) | 1.7 | 1.5 | 1.4 | 1.2 |
| RoNW (%) | 16.8 | 11.5 | 15.3 | 15.3 |
| RoCE (%) | 16.1 | 12.5 | 16.6 | 16.7 |

## PNC Infratech (PNCINF) — Target Price: ₹ 220 (26% upside)

- PNC Infratech (PNC), a north-based player, is one of the better placed EPC players owing to a) its prudent bidding strategy, b) in-house execution, c) easy access to raw material, and d) focus on select areas (predominantly UP and Bihar). As on Q2-end, PNC's order book (OB) is robust at over ₹ 15,800 crore (OB/TTM revenues: 3.6x). With the targeted total order inflows of ₹ 10,000 crore during FY21, expected surge in executable order book with receipts of appointed dates, and increasing execution efficiency, PNC is well-placed to deliver ~12% revenue CAGR over FY20-23E. Operating margin is expected to remain healthy at ~14%
- PNC has a balance equity requirement of ₹ 970 crore (including new projects) to be spent towards HAM projects in next two to three years. However, we believe it is one of the few better-placed players to fulfil its equity requirement largely via internal accruals and has capabilities to bid for upcoming HAM projects given its lean balance sheet position (net debt free on standalone levels). Additionally, PNC is targeting monetisation of BOT/HAM asset and is currently in discussions with potential investors. Development on asset divestment would provide additional comfort to the balance sheet and aid its strategy to remain asset-light
- Overall, we are positive on the company with a) its strong order book position, b) robust execution capabilities, c) consistent operating margins, and d) healthy return ratios. We have a BUY rating with a target of ₹ 220 (based on SOTP valuation)

| (₹ Crore) | FY20 | FY21E | FY22E | FY23E |
|---|---|---|---|---|
| Net Sales | 4,878 | 5,047 | 6,060 | 6,803 |
| EBITDA | 764 | 681 | 848 | 952 |
| Adjusted PAT | 315 | 346 | 449 | 494 |
| EPS (₹) | 17.9 | 13.5 | 17.5 | 19.2 |
| P/E (x) | 9.6 | 12.8 | 9.9 | 9.0 |
| EV/EBITDA (x) | 5.2 | 6.5 | 5.1 | 4.3 |
| RoNW (%) | 12.4 | 12.0 | 13.5 | 13.0 |
| RoCE (%) | 25.3 | 18.2 | 20.3 | 19.8 |

*Source: Company, ICICI Direct Research*

## Divi's Laboratories (DIVLAB) — Target Price: ₹ 4425 (16% upside)

- Divi's Labs is engaged in manufacture of generic APIs, intermediates, custom synthesis of active ingredients and advanced intermediates for pharma MNCs, other speciality chemicals like Carotenoids and complex compounds like peptides and nucleotides
- The custom synthesis (CS) business (41% of FY20 revenues) is a margin accretive one but at times lumpy as it depends on offtake from customers (global top 20 big pharma). However, this business showed good recovery on account of an improved business environment. Strong R&D capabilities and India cost arbitrage along with IP adherence are some legacy strengths that will drive incremental assignments from MNCs. We expect CS to grow at a CAGR of 24.4% to ₹ 4256 crore in FY20-23E
- Two generics, Naproxen (pain management) and Dextromethorphan (cough suppressant) account for ~26% of overall revenues. Divi's enjoys ~70% global market share in these two products. Divi's is also increasing its presence in another niche area of carotenoids after acquiring requisite capabilities. With focus on brownfield expansion, the management is committed to addressing capacity constraints. We expect sales from generics to grow at a CAGR of 23.5% to ₹ 5996 crore in FY20-23E
- More than strong half-yearly performance, important narrative for Divi's is unprecedented capex to further augment capacity besides preparing for growing opportunities arising due to China+1 factor. It has earmarked an aggressive capex of ~₹ 3700 crore [₹ 1800 (existing plans) + ₹ 400 (custom synthesis blocks) + ₹ 1500 (greenfield Kakinada plant) crore], over and above ~₹ 2000 crore spent in last five years. Divi's stays a quintessential play on Indian API/CRAMs segment with its product offerings and execution prowess. We maintain BUY with target price of ₹ 4425 based on 40x FY23E EPS of ₹ 110.6

| (₹ Crore) | FY20 | FY21E | FY22E | FY23E |
|---|---|---|---|---|
| Net Sales | 5,394.4 | 7,035.5 | 8,572.4 | 10,251.6 |
| EBITDA | 1,816.1 | 2,756.8 | 3,300.4 | 3,998.1 |
| PAT | 1,376.5 | 1,939.2 | 2,385.3 | 2,936.8 |
| EPS (\|) | 51.9 | 73.0 | 89.9 | 110.6 |
| PE (x) | 72.7 | 51.6 | 42.0 | 34.1 |
| P/BV (x) | 13.7 | 11.5 | 9.4 | 7.6 |
| RoNW (%) | 18.8 | 22.2 | 22.3 | 22.3 |
| RoCE (%) | 23.9 | 28.4 | 28.7 | 28.7 |

## Indoco Remedies (INDREM) — Target Price: ₹ 380 (28% upside)

- Indoco Remedies is engaged in manufacture, marketing and distribution of pharmaceutical products and services in the domestic & international markets
- Domestic formulations (~63% of FY20 revenues) grew at 6.5% CAGR in FY16-20. The subdued growth can be attributed to high concentration of acute therapies and one of the lowest MR productivity. With a market share of ~0.62% and overall rank of 29, the company is still a marginal player with some top brands in smaller categories like stomatologicals. However, with a positive outcome of restructuring exercise and likely improvement in MR productivity besides therapy calibration, we expect Indian formulations to deliver 9% growth in FY20-23E to ₹ 889 crore
- Exports formulations (~27% of overall FY20 sales) have de-grown at 6.6% CAGR in FY16-20, undone by regulatory hurdles in developed markets. However, recent clearance from the UK-MHRA and lifting of warning letters from the USFDA for Goa plant II and III (plant I is still under warning letter) is likely to improve operating leverage for export formulations. We expect the export business to grow at ~35% CAGR in FY20-23E to ₹ 733 crore, mainly due to lower base and launches of new products
- The management has guided for significant export growth and margin improvement for FY21. While FY21 growth in the domestic market is likely to be subdued due to Covid-19, exports are likely to deliver robust growth on the back of strong pipeline and visible launch schedule as reflected in the upbeat management guidance. Normalisation of exports dispatches is likely to improve operating leverage as well. With better visibility, we expect the company to maintain consistency and generate strong FCF. We maintain BUY rating and arrive at a TP of ₹ 380 based on ~18x FY23 EPS of ₹ 21

| (₹ Crore) | FY20 | FY21E | FY22E | FY23E |
|---|---|---|---|---|
| Net Sales | 1,106.6 | 1,257.9 | 1,550.5 | 1,771.2 |
| EBITDA | 123.2 | 208.4 | 259.6 | 323.1 |
| PAT | 24.1 | 85.6 | 136.8 | 193.9 |
| EPS (\|) | 2.6 | 9.3 | 14.8 | 21.0 |
| PE (x) | 111.8 | 31.5 | 19.7 | 13.9 |
| P/BV (x) | 4.0 | 3.6 | 3.1 | 2.6 |
| RoNW (%) | 3.5 | 11.4 | 15.7 | 18.6 |
| RoCE (%) | 4.6 | 11.4 | 15.6 | 19.4 |

*Source: Company, ICICI Direct Research*

## Navin Fluorine (NAVFLU) — Target Price: ₹ 3040 (17% upside)

- Incorporated in 1967, Navin Fluorine (NFIL) operates one of the largest integrated fluorochemicals complexes in India. NFIL operates in four segments viz. (i) refrigeration gases, (ii) inorganic fluorides, (iii) speciality chemicals, (iv) CRAMS, largely dispersed equally in terms of topline contribution at the end of FY20
- Going ahead, we expect an increase in CRAMS revenue post cGMP3 plant to have come on stream last year along with better growth visibility from speciality chemical business owing to higher share of fluorine consumption across pharma and agrochemical, recent deal win in high performance product (HPP) to translate into speciality business revenue share inching up to 75-80% in the medium term from 54% in FY20. This bodes well in terms of operational performance given that high value business generates high thirties margins against legacy being in mid-teens. In turn, this would improve FCF and return ratios in years to come
- Apart from this, the company also plans to enter a new segment value chain from fluorine molecules. We believe this can diversify business risk, to a certain extent, given it is largely dependent on agrochemical and pharma, at present
- **Key Risk : 1) Slowdown in global agrochem industry:** Since agrochemical growth is dependent on the agri season, hence, any impact in the crop value chain due to erratic weather situation in the global market can impact order flows for value added segments and, thereby, revenues

| (₹ Crore) | FY20 | FY21E | FY22E | FY23E |
|---|---|---|---|---|
| Net Sales | 1,061.6 | 1,086.1 | 1,261.5 | 1720.1 |
| EBITDA | 263.5 | 291.1 | 359.5 | 540.1 |
| PAT | 179.1 | 222.5 | 242.4 | 376.3 |
| EPS (₹) | 36.2 | 45.0 | 49.0 | 76.0 |
| PE (x) | 71.1 | 47.8 | 52.5 | 33.8 |
| P/BV (x) | 9.0 | 7.8 | 7.0 | 6.0 |
| RoNW (%) | 12.7 | 13.6 | 13.3 | 17.7 |
| RoCE (%) | 17.9 | 18.7 | 17.2 | 22.9 |

## Amber Enterprises (AMBEN) — Target Price: ₹ 2830 (19% upside)

- Amber Enterprises, the largest contract manufacturer of room air conditioners (RAC), is one of the biggest beneficiaries of the government's production linked incentive (PLI) schemes and import ban on finished AC in India. Amber is the key supplier to all top 10 AC brands and commands ~24% volume market share of ACs sold in India. We believe, after a washout H1FY21, the company may witness a strong recovery in H2FY21 supported by normalised inventory at the dealer level and robust pent up demand for RACs amid changing consumer lifestyle post pandemic. In addition, the import restrictions on RAC and its components present a business opportunity of ~₹ 10,000 crore for Amber. Also, India's AC export market share may cross ₹ 27,000 crore in the next 10 years (from mere ₹ 450 crore in FY19), hence also benefitting the company
- Revenue, PAT may see a CAGR of 19% 23%, respectively, in FY20-23E led by strong volume traction in the RAC and component business. This, along with rising contribution of high margin component & mobility business in the topline (rose from 28% in FY18 to 39% in FY20) may keep EBITDA margin elevated
- We see a structural growth story in India's RAC contract manufacturing industry along with major overseas brands choosing India as a manufacturing hub under their 'China+1 strategy'. We believe, with strong backward integration and market leadership position in the RAC OEM/ODM industry, Amber is well placed to reap the benefit of rising business opportunities in India. We assign a BUY rating to Amber with a target price of ₹ 2830 valuing it at 31x P/E on FY23E EPS of ₹ 90

| (₹ Crore) | FY20 | FY21E | FY22E | FY23E |
|---|---|---|---|---|
| Net Sales | 3,962.8 | 3,297.4 | 5,402.7 | 6,727.5 |
| EBITDA | 309.3 | 211.0 | 470.0 | 565.1 |
| Net Profit | 164.1 | 79.9 | 253.0 | 303.4 |
| EPS (₹) | 52.2 | 23.7 | 75.1 | 90.0 |
| PE (x) | 45.1 | 99.3 | 31.4 | 26.2 |
| P/BV (x) | 6.6 | 5.2 | 4.5 | 3.8 |
| RoNW (%) | 14.5 | 5.3 | 14.3 | 14.7 |
| RoCE (%) | 14.3 | 7.2 | 17.0 | 17.8 |

*Source: Company, ICICI Direct Research*

**HCL Technologies (HCLTEC)** **Target Price: ₹ 1105 (17% upside)**

- HCL Tech (HCLT) is an IT service provider catering to various segments like financial services (accounts for ~22% of revenues), manufacturing (~17.7%), lifescience (~14%), public services (~11%), retail & CPG (~10%), telecom, media, publishing & entertainment (~8%) and technology services (~17%). In terms of geographies, it generates ~63% from Americas, ~28% from Europe, ~9% from RoW. HCLT is expected to be a key beneficiary of robust growth in digital technologies (expected to grow at 15-20% CAGR in FY21E-25E) leading to double digit revenue growth and improving margins in FY22E and FY23E
- We believe growing opportunities in cloud, automation, cyber security are a sweet spot for HCLT. Its expertise in IMS, app modernisation (~70% of revenues) can see phenomenal growth led by integrated deals in cloud. Also, healthy opportunity in ER&D and product business is expected to further boost revenues. Further, HCL Tech has various margin levers in terms of higher utilisation, lower subcontracting cost, lower travel and lower discretionary spend that is expected to improve its margins. This, coupled with improved capital allocation policy & reasonable valuation prompt us to be positive on the stock.
- **Key Risk : 1) Products business:** Recently acquired products from IBM require higher investment. If the company is unable to scale up these business adequately it will adversely impact its revenues, **2) decline in pace of digital acceleration**: A slower than expected pace of growth in digital technologies will impact HCL Tech's revenue growth.

| (₹ Crore) | FY20 | FY21E | FY22E | FY23E |
|---|---|---|---|---|
| Net Sales | 70,678.0 | 75,345.7 | 85,517.4 | 96207.0 |
| EBITDA | 16,694.0 | 19,514.5 | 22,234.5 | 25110.0 |
| PAT | 11,062.0 | 12,375.8 | 14,420.3 | 16620.9 |
| EPS (|) | 40.8 | 45.6 | 53.2 | 61.3 |
| PE (x) | 22.9 | 20.5 | 17.6 | 15.3 |
| P/BV (x) | 4.9 | 4.2 | 3.7 | 3.2 |
| RoNW (%) | 21.6 | 20.7 | 21.0 | 20.9 |
| RoCE (%) | 23.0 | 23.8 | 24.9 | 25.3 |

*Source: Company, ICICI Direct Research*

**Pankaj Pandey** **Head – Research** **pankaj.pandey@icicisecurities.com**

**ICICI Direct Research Desk,**
**ICICI Securities Limited,**
1st Floor, Akruti Trade Centre,
Road No 7, MIDC
Andheri (East)
Mumbai – 400 093
**research@icicidirect.com**

ANALYST CERTIFICATION

I/We, Pankaj Pandey Research Analysts, authors and the names subscribed to this report, hereby certify that all of the views expressed in this research report accurately reflect our views about the subject issuer(s) or securities. We also certify that no part of our compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view(s) in this report. It is also confirmed that above mentioned Analysts of this report have not received any compensation from the companies mentioned in the report in the preceding twelve months and do not serve as an officer, director or employee of the companies mentioned in the report.

A. Disclaimer in retail research report

ICICI Securities Limited (ICICI Securities) is a full-service, integrated investment banking and is, inter alia, engaged in the business of stock brokering and distribution of financial products. ICICI Securities Limited is a SEBI registered Research Analyst with SEBI Registration Number – INH000000990. ICICI Securities Limited SEBI Registration is INZ000183631 for stock broker. ICICI Securities is a subsidiary of ICICI Bank which is India's largest private sector bank and has its various subsidiaries engaged in businesses of housing finance, asset management, life insurance, general insurance, venture capital fund management, etc. ("associates"), the details in respect of which are available on www.icicibank.com

ICICI Securities is one of the leading merchant bankers/ underwriters of securities and participate in virtually all securities trading markets in India. We and our associates might have investment banking and other business relationship with a significant percentage of companies covered by our Investment Research Department. ICICI Securities generally prohibits its analysts, persons reporting to analysts and their relatives from maintaining a financial interest in the securities or derivatives of any companies that the analysts cover.

Recommendation in reports based on technical and derivative analysis centre on studying charts of a stock's price movement, outstanding positions, trading volume etc as opposed to focusing on a company's fundamentals and, as such, may not match with the recommendation in fundamental reports. Investors may visit ICICI Direct.com to view the Fundamental and Technical Research Reports.

Our proprietary trading and investment businesses may make investment decisions that are inconsistent with the recommendations expressed herein.

ICICI Securities Limited has two independent equity research groups: Institutional Research and Retail Research. This report has been prepared by the Retail Research. The views and opinions expressed in this document may or may not match or may be contrary with the views, estimates, rating, target price of the Institutional Research.

The information and opinions in this report have been prepared by ICICI Securities and are subject to change without any notice. 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 of ICICI Securities. While we would endeavour to update the information herein on a reasonable basis, ICICI Securities is under no obligation to update or keep the information current. Also, there may be regulatory, compliance or other reasons that may prevent ICICI Securities from doing so. Non-rated securities indicate that rating on a particular security has been suspended temporarily and such suspension is in compliance with applicable regulations and/or ICICI Securities policies, in circumstances where ICICI Securities might be acting in an advisory capacity to this company, or in certain other circumstances.

This report is based on information obtained from public sources and sources believed to be reliable, but no independent verification has been made nor is its accuracy or completeness guaranteed. This report and information herein is solely for informational purpose and shall 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. Though disseminated to all the customers simultaneously, not all customers may receive this report at the same time. ICICI Securities will not treat recipients as customers by virtue of their receiving this report. 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.

# Disclaimer

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. The recipient should independently evaluate the investment risks. The value and return on investment may vary because of changes in interest rates, foreign exchange rates or any other reason. ICICI Securities accepts no liabilities whatsoever for any loss or damage of any kind arising out of the use of this report. Past performance is not necessarily a guide to future performance. Investors are advised to see Risk Disclosure Document to understand the risks associated before investing in the securities markets. Actual results may differ materially from those set forth in projections. Forward-looking statements are not predictions and may be subject to change without notice.

ICICI Securities or its associates might have managed or co-managed public offering of securities for the subject company or might have been mandated by the subject company for any other assignment in the past twelve months.

ICICI Securities or its associates might have received any compensation from the companies mentioned in the report during the period preceding twelve months from the date of this report for services in respect of managing or co-managing public offerings, corporate finance, investment banking or merchant banking, brokerage services or other advisory service in a merger or specific transaction.

ICICI Securities encourages independence in research report preparation and strives to minimize conflict in preparation of research report. ICICI Securities or its associates or its analysts did not receive any compensation or other benefits from the companies mentioned in the report or third party in connection with preparation of the research report. Accordingly, neither ICICI Securities nor Research Analysts and their relatives have any material conflict of interest at the time of publication of this report.

Compensation of our Research Analysts is not based on any specific merchant banking, investment banking or brokerage service transactions.

ICICI Securities or its subsidiaries collectively or Research Analysts or their relatives do not own 1% or more of the equity securities of the Company mentioned in the report as of the last day of the month preceding the publication of the research report.

Since associates of ICICI Securities are engaged in various financial service businesses, they might have financial interests or beneficial ownership in various companies including the subject company/companies mentioned in this report.

ICICI Securities may have issued other reports that are inconsistent with and reach different conclusion from the information presented in this report.

Neither the Research Analysts nor ICICI Securities have been engaged in market making activity for the companies mentioned in the report.

We submit that no material disciplinary action has been taken on ICICI Securities by any Regulatory Authority impacting Equity Research Analysis activities.

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 ICICI Securities and affiliates 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.