

Carving out growth

Coforge reported 1.8% cc QoQ growth, beating expectations (JMFe: 0.5%). Growth was led by BFS (+3.1%), a vertical most impacted by furloughs. Deal wins were strong (USD 354mn at 1.3x book-to-bill). 12-M executable order book (EOB) outpaced revenue growth again (16% vs 12%). Coforge's 9MFY24 order inflow has grown marginally ahead of its 12-M EOB (24% vs 18%). This indicates limited divergence between TCV and ACV growth, something that can't be said for the larger peers confidently. Besides, even at FY24 conversion ratio, FY24E exit EOB translates into mid-teen FY25 USD revenues growth, per our estimate. Coforge's consistent investment in capacity, capabilities and sales engine is helping the company carve out growth even in a challenging demand environment. That is impacting near-term margins though. 3Q adjusted EBITDA margins missed estimates marginally. But management is confident of better margins in FY25 as SG&A leverage plays out. These lend visibility to earnings trajectory. We lower our FY24-26E EPS marginally by 1-4% on a slightly lower margin assumptions. However, at 24% FY23-26E EPS CAGR, Coforge's earnings growth remains the highest among our coverage universe. Besides, at 30x FY25E EPS, we find the valuations reasonable. Maintain BUY with revised TP of INR 6,940.

- 3QFY24 – mixed bag:** Coforge reported 1.8% cc QoQ revenue growth, above JMFe: 0.5%. Growth was led by BFSI (+3.1% cc QoQ) while Insurance and Travel were weak. Reported EBITDA margins improved by 200bps (in-line) on lower ESOP cost. However, adjusted EBITDA margin (ex ESOP) missed estimates by 30bps as furloughs eroded 40-50bps. Lower other income resulted in PAT miss (INR 2.4bn vs JMFe: INR 2.5bn). OCF/EBITDA was 73% (vs 49%), in-line with management guidance of 65-70% in 2H.
- Maintains growth guidance, cuts margin guidance:** Coforge won USD 354mn TCV of deals during the quarter at 1.26x book-to-bill. Deal wins include three large deals (USD 20mn+). 12-M EOB grew by 16% YoY, ahead of revenue growth (12% YoY cc), reflecting a healthy inflow as well as a resilient book-of-business. Management reiterated its FY24 cc growth guidance of 13-16%. They maintained that they will likely land towards the lower end of the band. 1.2% cc QoQ ask rate needed to achieve the lower end of the band makes it achievable, in our view. Management indicated Q4FY24's margins to be at a similar level to Q4 of last year, implying some moderation to its earlier full year margin guidance. However, they expect margins to improve in FY25.
- Marginal cut to EPS; maintain BUY:** We estimate that at a likely FY24E exit 12-M EOB of USD 1bn and a conversion ratio similar to FY23-exit, Coforge can deliver a mid-teen USD revenue growth in FY25 (JMFe: 15.7%). That offers comfort. Even though we lower our FY24-25E EPS by 3-4% on lower margin assumption, we see 200bps EBITDA margin expansion over FY24-26E driving 32% EPS CAGR over the same period. Even though management commentary around flat IT budgets and pressure on RTB spend is not encouraging, we draw comfort from Coforge's consistent execution led wallet share gain. These should help sustain the multiples, in our view. We value the stock at 28x forward PER (unchanged). Our TP moves to INR 6,940 (from INR 6,890) on roll-forward. BUY.

Recommendation and Price Target

Current Reco.	BUY
Previous Reco.	BUY
Current Price Target (12M)	6,940
Upside/(Downside)	10.4%
Previous Price Target	6,038
Change	14.9%

Key Data – COFORGE IN

Current Market Price	INR6,283
Market cap (bn)	INR388.0/US\$4.7
Free Float	91%
Shares in issue (mn)	61.1
Diluted share (mn)	61.6
3-mon avg daily val (mn)	INR2,371.9/US\$28.6
52-week range	6,789/3,565
Sensex/Nifty	71,424/21,572
INR/US\$	83.1

Price Performance

%	1M	6M	12M
Absolute	-0.1	35.4	53.2
Relative*	-0.6	26.4	30.0

* To the BSE Sensex

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

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

Financial Summary	(INR mn)				
Y/E March	FY22A	FY23A	FY24E	FY25E	FY26E
Net Sales	64,096	80,392	92,386	1,07,708	1,25,371
Sales Growth (%)	37.4	25.4	14.9	16.6	16.4
EBITDA	11,154	14,053	15,516	19,795	23,609
EBITDA Margin (%)	17.3	17.5	16.8	18.3	18.8
Adjusted Net Profit	6,617	8,264	9,040	12,848	15,819
Diluted EPS (INR)	107.4	133.9	146.7	208.6	256.8
Diluted EPS Growth (%)	41.5	24.7	9.5	42.2	23.1
ROIC (%)	33.9	33.1	27.9	30.5	34.1
ROE (%)	25.5	28.4	26.7	31.1	30.8
P/E (x)	58.5	46.9	42.8	30.1	24.5
P/B (x)	14.0	12.4	10.4	8.4	6.7
EV/EBITDA (x)	34.3	27.1	25.0	19.3	15.9
Dividend Yield (%)	0.5	0.8	0.9	1.0	1.2

Source: Company data, JM Financial. Note: Valuations as of 20/Jan/2024

Key Highlights from the call

- **Outlook:** Coforge expects growth momentum to continue in Q4 with margin improvement. Per management, macro headwind will continue in FY25 as well.
- **Demand:** Demand environment remains challenging. There are green shoots in terms of growth opportunities, particularly in the areas of driving agility in software delivery, new product propositions, and compliance and regulatory requirements. Clients have completed their budgeting cycle for the CY24 and there is no significant increase in budgets. The company expects to have more clarity on the release of budgets for tech projects in the second half of the year. Business environment is highly competitive and pricing pressure remains high due to depressed demand in the market.
- **Deal wins:** Order intake for the quarter was \$354 mn, marking the eighth consecutive quarter with an order intake of more than \$300 mn. Coforge closed three large deals in the quarter, bringing the 12M order book to around \$1 bn. Of the three new deals, one is a new business. Second is largely new business and half business of the third is new business.
- **Margins:** Company expects margin improvement of 150-200bps in Q4, on the back of new business ramp-ups and the reversal of furloughs. Management estimates a 40bps-50bps headwinds due to higher than anticipated furloughs, and expects this to reverse in Q4.
- **Segments: BFS:** Headwinds due to higher than usual furloughs in Q3. BFSI is experiencing tightening of budgets. The top three drivers for budget spends in the BFSI sector are agility in software delivery, new product proposition or innovation, and compliance and regulatory requirements.
 - **Insurance:** Insurance vertical was flat in cc terms. The focus areas of spend include legacy modernization, cloud migration, digital transformation, and supplier consolidation. Coforge continues to invest in core platform partnerships with companies such as Duck Creek, Bondpro, Origami risk, and OneShield in the insurance vertical.
 - **Travel:** Vertical grew 1% sequentially in cc terms. Airlines and airports are leading in spending, while logistics and hospitality show relatively lower demand. The focus in these sectors includes cost take-out initiatives, IT productization, and emphasis on security, cloud, and data solutions. Per management, softening in the Travel tech and the airline space in North America has bottomed out.
 - **Other:** Coforge invested in sales and marketing capabilities, focusing on newer verticals like healthcare, retail, and CMT.
- **Supply side:** Company reported a net headcount reduction of 31 employees sequentially. Coforge has added ~1,400 employee in the current fiscal. Attrition lowered to 12.1%. Utilization during the quarter was at 79.4%. Per management there is 50-60bps headroom for utilization to grow.

Macro headwinds to continue in FY25.

Exhibit 1. 3QFY24 result summary

	3Q24 A	2Q24 A	Change (QoQ)	Estimate (JMFe)	Variance (vs. JMFe)	Estimate (Consensus)	Variance (vs. consensus)	QoQ estimate	
								JMFe	Consensus
USD-INR	82.39	81.85	0.7%	82.93	-0.7%	82.93	-0.7%	1.3%	1.3%
CC Revenue Growth (QoQ)		-	1.8%		30bp	1.5%	84bp	2.0%	1.5%
Revenue (USD mn)	282	278	1.4%	279	0.9%	282.15	-0.1%	0.5%	1.5%
Revenue (INR mn)	23,233	22,762	2.1%	23,170	0.3%	23,398	-0.7%	1.8%	2.8%
EBIT (INR mn)	3,262	2,808	16.2%	3,241	0.7%	3,284	-0.7%	15.4%	17.0%
EBIT margin	14.0%	12.3%	170bp	14.0%	5bp	14.0%	bp	165bp	170bp
PAT - adjusted (INR mn)	2,392	1,809	32.2%	2,491	-4.0%	2,457	-2.6%	37.7%	35.8%
EPS - adjusted(INR)	38.6	29.6	30.4%	40.4	-4.5%	39.7	-2.6%	36.5%	34.0%

Source: Company, JM Financial

3QFY24 result review

Exhibit 2. Key financial summary

	2Q23	3Q23	4Q23	FY23	1Q24	2Q24	3Q24
Cons. revenues (USD mn)	247.3	252.7	265.3	1,004.0	271.8	278.1	282.0
Change (QoQ/YoY)	3.6%	2.2%	5.0%	16.3%	13.9%	12.5%	11.6%
Cons. revenues (INR mn)	19,605	20,687	21,845	80,392	22,316	22,869	23,283
Change (QoQ/YoY)	7.4%	5.5%	5.6%	25.4%	2.2%	2.5%	1.8%
Cost of revenues	13,316	13,698	14,306	54,059	15,414	15,374	15,543
Gross profit	6,289	6,989	7,539	26,333	6,902	7,495	7,740
Gross margin	32.1%	33.8%	34.5%	32.8%	30.9%	32.8%	33.2%
SG&A costs	2,834	3,245	3,318	12,034	3,480	3,915	3,666
Operating profit (EBITDA)	3,455	3,744	4,221	14,299	3,422	3,580	4,074
Operating margin	17.6%	18.1%	19.3%	17.8%	15.3%	15.7%	17.5%
Depreciation & amortization	614	624	717	2,585	757	772	811
EBIT	2,841	3,120	3,504	11,714	2,665	2,808	3,263
EBIT margin	14.5%	15.1%	16.0%	14.6%	11.9%	12.3%	14.0%
Other income	-161	-46	-632	-876	-258	-402	-307
Profit before tax	2,680	3,074	2,872	10,838	2,407	2,406	2,956
Income tax expense	474	715	379	2,061	485	528	516
Net income from operations	2,206	2,359	2,493	8,777	1,922	1,878	2,440
Share of minority interest	195	77	19	513	104	69	48
PAT - Adjusted	2,011	2,282	2,474	8,264	1,818	1,809	2,392
Change (QoQ/YoY)	34.3%	13.5%	8.4%	24.9%	-26.5%	-0.5%	32.2%
Exceptional item (Adjusted for Tax)	0	0	1,326	1,326	165	0	0
PAT - Reported	2,011	2,282	1,148	6,938	1,653	1,809	2,392
Adjusted Basic EPS	33.0	37.4	40.5	135.4	29.8	29.7	39.2
Change (QoQ/YoY)	34.2%	13.5%	8.4%	24.4%	-26.5%	-0.3%	32.2%

Source: Company, JM Financial

Growth driven by BFS despite being impacted the most by furloughs.

Improved efficiency resulted in gross margin expansion by 60bps.

Higher than expected furloughs had 40-50bps impact on margin.

Exhibit 3. Vertical portfolio

	3Q23	4Q23	1Q24	2Q24	3Q24
Distribution					
BFS	31.1%	31.0%	31.1%	31.6%	32.2%
Insurance	22.1%	22.2%	22.6%	22.6%	22.0%
Travel and Transportation	19.3%	18.8%	18.5%	18.5%	17.8%
Others	27.4%	28.0%	27.8%	27.3%	28.1%
Revenue (USD mn and QoQ growth)					
BFS	78.6	82.2	84.5	87.9	90.8
Change	0.3%	4.6%	2.8%	4.0%	3.3%
Insurance	55.8	58.9	61.4	62.9	62.0
Change	-2.7%	5.4%	4.3%	2.3%	-1.3%
Transportation	48.8	49.9	50.3	51.4	50.2
Change	2.2%	2.2%	0.8%	2.3%	-2.4%
Others	69.2	74.3	75.6	75.9	79.2
Change	8.5%	7.3%	1.7%	0.5%	4.4%

Source: Company, JM Financial

Travel vertical in Europe performed significantly well in Q3.

Exhibit 4. Key manpower metrics

	3Q23	4Q23	1Q24	2Q24	3Q24
Manpower Base					
Total	22,505	23,224	24,224	24,638	24,607
Headcount additions	-486	719	1,000	414	-31
- As % of opening base	-2.1%	3.2%	4.3%	1.7%	-0.1%
Operating metrics					
Utilization - IT services (blended)	80.3%	81.5%	81.0%	80.0%	79.4%
Attrition - quarterly annualized	15.8%	14.1%	13.3%	13.0%	12.1%

Source: Company, JM Financial

50-60bps headroom for utilization to grow.

Exhibit 5. Key client metrics

	3Q23	4Q23	1Q24	2Q24	3Q24
Client wins and order book					
New customer wins	11	10	6	8	7
Fresh order intake	345	301	531	313	354
Change (YoY)	39%	0%	69%	3%	3%
Orders executable over next 12 months	841	869	897	935	974
Change (YoY)	20%	21%	20%	17%	16%
Pending order book	1863	1899	2158	2193	2265
Change (YoY)	19%	16%	26%	24%	22%
Revenue concentration					
Top 5 clients	23.9%	23.1%	25.1%	23.5%	22.7%
Next 5 clients	12.4%	12.4%	12.6%	11.7%	11.6%
Top 10 clients	36.3%	35.5%	37.7%	35.2%	34.3%
Revenue growth (in USD terms)					
Top 5 clients	5.7%	1.0%	11.8%	-4.2%	-1.7%
Next 5 clients	-0.2%	5.8%	3.3%	-5.0%	0.9%
Top 10 clients	3.6%	2.7%	8.8%	-4.5%	-0.8%

Source: Company, JM Financial

Signed seven new logos during the quarter.

Retain BUY; TP revised to INR 6,940

We lower our Revenue estimates by -0.9% to -1.7% to factor in soft FY25. We are lowering our margin estimates by 18 to 55 bps. This translates into a -0.7% to -3.7% cut to our EPS. Even though management commentary around flat IT budgets and pressure on RTB spend is not encouraging, we draw comfort from Coforge's consistent execution led wallet share gain. These should help sustain the multiples, in our view. We value the stock at 28x forward PER (unchanged). Our TP moves to INR 6,940 (from INR 6,890) on roll-forward. BUY.

Exhibit 6. What has changed

	Old			New			Change		
	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E
Exchange rate (INR/USD)	82.51	83.00	83.00	82.53	83.20	83.20	0.0%	0.2%	0.2%
Consolidated revenue (USD mn)	1,129.9	1,309.8	1,532.41	1,119.4	1,294.6	1,506.9	-0.9%	-1.2%	-1.7%
Growth in USD revenues (YoY)	12.5%	15.9%	17.0%	11.5%	15.7%	16.4%	-104bp	-28bp	0bp
Consolidated revenue (INR mn)	93,237	1,09,164	1,27,390	92,273	1,08,158	1,25,571	-1.0%	-0.9%	-1.4%
EBITDA margin	17.2%	18.8%	19.0%	16.8%	18.3%	18.8%	-34bp	-55bp	-18bp
EBIT margin	13.8%	15.9%	16.1%	13.4%	15.3%	15.9%	-39bp	-55bp	-18bp
PAT (INR mn)	9,386	13,190	15,936.00	9,040	12,848	15,819	-3.7%	-2.6%	-0.7%
EPS	152.27	214.13	258.71	146.65	208.58	256.81	-3.7%	-2.6%	-0.7%

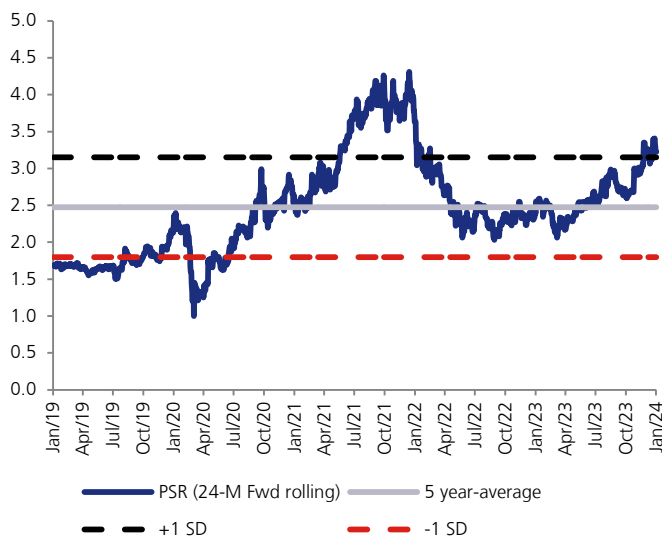
Source: JM Financial estimates

Exhibit 7. JMFe vs. Consensus estimates

	Consensus estimates			JMFe			Difference		
	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E
Sales (INR mn)	92,854	1,06,779	1,23,450	92,273	1,08,158	1,25,571	-0.6%	1.3%	1.7%
EBITDA (INR mn)	15,789	19,147	22,358	15,516	19,795	23,609	-1.7%	3.4%	5.6%
EBITDA margin	17.0%	17.9%	18.1%	16.8%	18.3%	18.8%	-19bp	37bp	69bp
Net Income (INR mn)	8,988	11,821	14,163	9,040	12,848	15,819	0.6%	8.7%	11.7%
EPS (INR)	145.72	191.76	229.78	146.7	208.6	256.8	0.6%	8.8%	11.8%

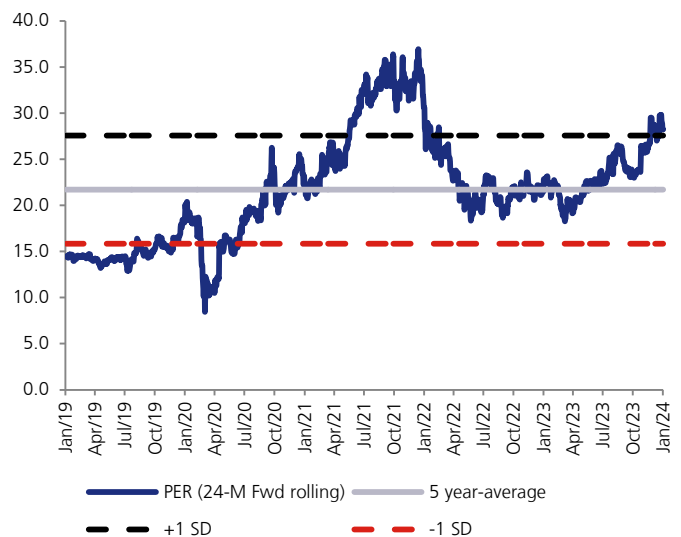
Note: Consensus estimates as of 22nd Jan and may not reflect changes in estimates post result. Source: Company, JM Financial estimates

Exhibit 8. Price-to-sales valuation chart



Source: Company, JM Financial

Exhibit 9. Price-to-Earnings valuation chart



Source: Company, JM Financial

Financial Tables (Consolidated)

Income Statement		(INR mn)				
Y/E March	FY22A	FY23A	FY24E	FY25E	FY26E	
Net Sales	64,096	80,392	92,386	1,07,708	1,25,371	
Sales Growth	37.4%	25.4%	14.9%	16.6%	16.4%	
Other Operating Income	224	-246	-113	450	200	
Total Revenue	64,320	80,146	92,273	1,08,158	1,25,571	
Cost of Goods Sold/Op. Exp	43,736	54,059	61,982	71,715	83,384	
Personnel Cost	0	0	0	0	0	
Other Expenses	9,430	12,034	14,775	16,649	18,579	
EBITDA	11,154	14,053	15,516	19,795	23,609	
EBITDA Margin	17.3%	17.5%	16.8%	18.3%	18.8%	
EBITDA Growth	41.8%	26.0%	10.4%	27.6%	19.3%	
Depn. & Amort.	2,272	2,585	3,127	3,233	3,674	
EBIT	8,882	11,468	12,389	16,562	19,935	
Other Income	-428	-634	-765	-208	84	
Finance Cost	0	0	0	0	0	
PBT before Excep. & Forex	8,454	10,834	11,624	16,354	20,019	
Excep. & Forex Inc./Loss(-)	161	4	30	0	0	
PBT	8,615	10,838	11,654	16,354	20,019	
Taxes	1,468	2,061	2,345	3,290	4,028	
Extraordinary Inc./Loss(-)	0	-1,326	-165	0	0	
Assoc. Profit/Min. Int.(-)	530	513	269	215	172	
Reported Net Profit	6,617	6,938	8,875	12,848	15,819	
Adjusted Net Profit	6,617	8,264	9,040	12,848	15,819	
Net Margin	10.3%	10.3%	9.8%	11.9%	12.6%	
Diluted Share Cap. (mn)	61.6	61.7	61.6	61.6	61.6	
Diluted EPS (INR)	107.4	133.9	146.7	208.6	256.8	
Diluted EPS Growth	41.5%	24.7%	9.5%	42.2%	23.1%	
Total Dividend + Tax	2,299	3,565	4,229	4,819	5,560	
Dividend Per Share (INR)	31.4	48.5	57.6	65.7	75.8	

Source: Company, JM Financial

Cash Flow Statement		(INR mn)				
Y/E March	FY22A	FY23A	FY24E	FY25E	FY26E	
Profit before Tax	8,615	9,512	11,654	16,354	20,019	
Depn. & Amort.	2,272	2,585	3,127	3,233	3,674	
Net Interest Exp. / Inc. (-)	578	722	848	-242	-284	
Inc (-) / Dec in WCap.	-1,433	-1,027	-2,020	-4,126	-3,451	
Others	270	513	0	0	0	
Taxes Paid	-2,646	-2,800	-2,345	-3,290	-4,028	
Operating Cash Flow	7,656	9,505	11,265	11,928	15,930	
Capex	-1,541	-1,582	-4,116	-4,151	-4,701	
Free Cash Flow	6,115	7,923	7,149	7,777	11,229	
Inc (-) / Dec in Investments	450	0	0	0	0	
Others	-8,473	-1,134	-4,467	242	284	
Investing Cash Flow	-9,564	-2,716	-8,583	-3,909	-4,417	
Inc / Dec (-) in Capital	0	0	-269	-215	-172	
Dividend + Tax thereon	-3,152	-3,534	-3,477	-3,963	-4,572	
Inc / Dec (-) in Loans	3,519	-180	0	0	0	
Others	-1,247	-1,886	0	0	0	
Financing Cash Flow	-880	-5,600	-3,746	-4,178	-4,745	
Inc / Dec (-) in Cash	-2,788	1,189	-1,065	3,841	6,769	
Opening Cash Balance	8,391	4,718	6,025	5,070	8,911	
Closing Cash Balance	5,603	5,907	4,960	8,911	15,680	

Source: Company, JM Financial

Balance Sheet		(INR mn)				
Y/E March	FY22A	FY23A	FY24E	FY25E	FY26E	
Shareholders' Fund	27,331	30,825	36,806	45,692	56,939	
Share Capital	609	611	618	618	618	
Reserves & Surplus	26,722	30,214	36,188	45,074	56,321	
Preference Share Capital	0	0	0	0	0	
Minority Interest	983	874	937	937	937	
Total Loans	3,545	3,382	9,229	7,229	6,229	
Def. Tax Liab. / Assets (-)	-1,970	-3,174	-4,803	-4,803	-4,803	
Total - Equity & Liab.	29,889	31,907	42,169	49,055	59,302	
Net Fixed Assets	20,835	23,165	24,154	25,072	26,099	
Gross Fixed Assets	5,928	6,820	7,699	8,617	9,644	
Intangible Assets	14,821	16,299	16,387	16,387	16,387	
Less: Depn. & Amort.	0	0	0	0	0	
Capital WIP	86	46	68	68	68	
Investments	0	0	0	0	0	
Current Assets	25,973	29,912	35,515	44,406	56,995	
Inventories	0	0	0	0	0	
Sundry Debtors	11,203	13,379	16,191	18,877	21,972	
Cash & Bank Balances	4,718	6,025	5,070	8,911	15,680	
Loans & Advances	0	0	0	0	0	
Other Current Assets	10,052	10,508	14,254	16,618	19,343	
Current Liab. & Prov.	16,919	21,170	17,871	20,795	24,164	
Current Liabilities	14,011	17,305	17,625	20,549	23,918	
Provisions & Others	2,908	3,865	246	246	246	
Net Current Assets	9,054	8,742	17,643	23,611	32,830	
Total - Assets	29,889	31,907	41,797	48,683	58,929	

Source: Company, JM Financial

Dupont Analysis						
Y/E March	FY22A	FY23A	FY24E	FY25E	FY26E	
Net Margin	10.3%	10.3%	9.8%	11.9%	12.6%	
Asset Turnover (x)	2.2	2.3	2.2	2.1	2.1	
Leverage Factor (x)	1.1	1.2	1.2	1.2	1.2	
RoE	25.5%	28.4%	26.7%	31.1%	30.8%	

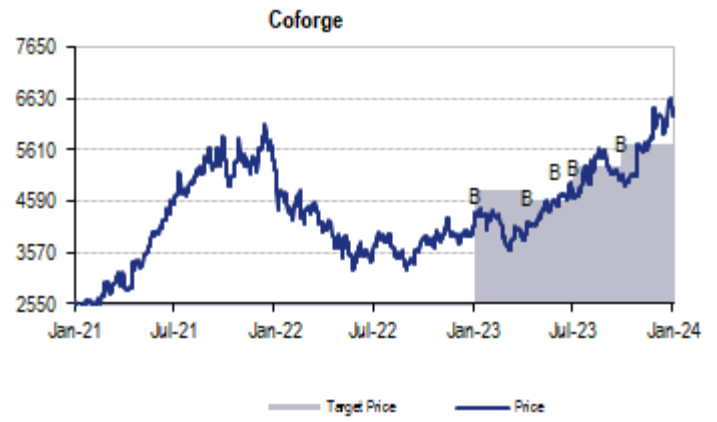
Key Ratios						
Y/E March	FY22A	FY23A	FY24E	FY25E	FY26E	
BV/Share (INR)	448.8	504.7	603.3	749.5	934.0	
ROIC	33.9%	33.1%	27.9%	30.5%	34.1%	
ROE	25.5%	28.4%	26.7%	31.1%	30.8%	
Net Debt/Equity (x)	0.0	-0.1	0.1	0.0	-0.2	
P/E (x)	58.5	46.9	42.8	30.1	24.5	
P/B (x)	14.0	12.4	10.4	8.4	6.7	
EV/EBITDA (x)	34.3	27.1	25.0	19.3	15.9	
EV/Sales (x)	6.0	4.8	4.2	3.5	3.0	
Debtor days	64	61	64	64	64	
Inventory days	0	0	0	0	0	
Creditor days	96	96	84	85	86	

Source: Company, JM Financial

History of Recommendation and Target Price

Date	Recommendation	Target Price	% Chg.
21-Jan-23	Buy	4,790	
27-Apr-23	Buy	4,620	-3.5
20-Jun-23	Buy	4,620	0.0
21-Jul-23	Buy	5,300	14.7
19-Oct-23	Buy	5,730	8.1

Recommendation History



APPENDIX I

JM Financial Institutional Securities Limited

Corporate Identity Number: U67100MH2017PLC296081

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

SEBI Registration Nos.: Stock Broker - INZ000163434, Research Analyst - INH000000610

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

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

Compliance Officer: Mr. Sahil Salastekar | Tel: +91 22 6224 1073 | Email: sahil.salastekar@jmfl.com

Grievance officer: Mr. Sahil Salastekar | Tel: +91 22 6224 1073 | Email: instcompliance@jmfl.com

Investment in securities market are subject to market risks. Read all the related documents carefully before investing.

Definition of ratings	
Rating	Meaning
Buy	Total expected returns of more than 10% for stocks with market capitalisation in excess of INR 200 billion and REITs* and more than 15% for all other stocks, over the next twelve months. Total expected return includes dividend yields.
Hold	Price expected to move in the range of 10% downside to 10% upside from the current market price for stocks with market capitalisation in excess of INR 200 billion and REITs* and in the range of 10% downside to 15% upside from the current market price for all other stocks, over the next twelve months.
Sell	Price expected to move downwards by more than 10% from the current market price over the next twelve months.

* REITs refers to Real Estate Investment Trusts.

Research Analyst(s) Certification

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

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

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

Important Disclosures

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

JM Financial Institutional Securities is registered with the Securities and Exchange Board of India (SEBI) as a Research Analyst and a Stock Broker having trading memberships of the BSE Ltd. (BSE) and National Stock Exchange of India Ltd. (NSE). No material disciplinary action has been taken by SEBI against JM Financial Institutional Securities in the past two financial years which may impact the investment decision making of the investor. Registration granted by SEBI and certification from the National Institute of Securities Market (NISM) in no way guarantee performance of JM Financial Institutional Securities or provide any assurance of returns to investors.

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

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

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

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

While reasonable care has been taken in the preparation of this report, it does not purport to be a complete description of the securities, markets or developments referred to herein, and JM Financial Institutional Securities does not warrant its accuracy or completeness. JM Financial Institutional Securities may not be in any way responsible for any loss or damage that may arise to any person from any inadvertent error in the information contained in this report. This report is provided for information only and is not an investment advice and must not alone be taken as the basis for an investment decision.

This research report is based on the fundamental research/analysis conducted by the Research Analyst(s) named herein. Accordingly, this report has been prepared by studying/focusing on the fundamentals of the company(ies) covered in this report and other macro-economic factors. JM Financial Institutional Securities may have also issued or may issue, research reports and/or recommendations based on the technical/quantitative analysis of the company(ies) covered in this report by studying and using charts of the stock's price movement, trading volume and/or other volatility parameters. As a result, the views/recommendations expressed in such technical research reports could be inconsistent or even contrary to the views contained in this report.

The investment discussed or views expressed or recommendations/opinions given herein may not be suitable for all investors. The user assumes the entire risk of any use made of this information. The information contained herein may be changed without notice and JM Financial Institutional Securities reserves the right to make modifications and alterations to this statement as they may deem fit from time to time.

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

This report is not directed or intended for distribution to, or use by any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject JM Financial Institutional Securities and/or its affiliated company(ies) to any registration or licensing requirement within such jurisdiction. The securities described herein may or may not be eligible for sale in all jurisdictions or to a certain category of investors. Persons in whose possession this report may come, are required to inform themselves of and to observe such restrictions.

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

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

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

Any U.S. person who is recipient of this report that wishes further information regarding, or to effect any transaction in, any of the securities discussed in this report, must contact, and deal directly through a U.S. registered representative affiliated with a broker-dealer registered with the SEC and a member of FINRA. In the U.S., JM Financial Institutional Securities has an affiliate, JM Financial Securities, Inc. located at 1325 Avenue of the Americas, 28th Floor, Office No. 2821, New York, New York 10019. Telephone +1 (332) 900 4958 which is registered with the SEC and is a member of FINRA and SIPC.

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

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