

## Lumax Industries Ltd. (LIL)

No. of shares (m)	9.35
Mkt cap (Rs crs/\$m)	2362/283.9
Current price (Rs/\$)	2527/30.4
Price target (Rs/\$)	2886/34.7
52 W H/L (Rs.)	2799/1630
Book Value (Rs/\$)	640/7.7
Beta	0.5
Daily NSE volume (avg. monthly)	8030
P/BV (FY24e/25e)	3.7/3.0
EV/EBITDA(FY24e/25e)	11.4/9.2
P/E (FY24e/25e)	20.4/14.0
EPS growth (FY23/24e/25e)	98.4/9.7/45.7
OPM (FY23/24e/25e)	9.0/9.2/10.0
ROE (FY23/24e/25e)	20.7/19.5/23.8
ROCE (FY23/24e/25e)	8.7/8.3/11.9
D/E ratio (FY23/24e/25e)	0.8/0.8/0.9
BSE Code	517206
NSE Code	LUMAXIND
Bloomberg	LUMX IN
Reuters	LUMA.NS

## Shareholding pattern

	%
Promoters	75.0
MFs / Banks / FIs	1.3
Foreign Portfolio Investors	1.1
Govt. Holding	-
Total Public	22.6
<b>Total</b>	<b>100.0</b>

As on September 30, 2023.

## Recommendation

**ACCUMULATE**

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## Quarterly Highlights

- Lumax Industries registered a sub optimal growth of 3.8% in topline at Rs 643.75 crs in Q2FY24 as against Rs 620.06 crs in Q2FY23. The sluggish growth can be modest growth in two wheeler and passenger vehicle production for the same period. Revenue for H1FY24 grew by over 11.5% to Rs 1262.19 crs as against Rs 1132.00 crs in the corresponding period of prior fiscal. Of this, manufacturing revenue (excluding moulds) stood at Rs. 1218 crs, witnessing a growth of almost 10.6%. Mahindra & Mahindra accounted for bulk of the growth.
- Consequently, a not so robust top-line had not insignificantly affected its operating profits, which declined by 7.8% to Rs 54.94 crs Vs Rs 59.57 crs in Q2FY23. Moreover, increase in employee expense by 13.6% (Rs 79.97 crs in Q2FY24 Vs Rs 70.39 crs in Q2FY23) due to additional manpower for the new plant had further put pressure on operating margin that shrunk by 108 bps on year-on-year basis. Though, the period was also marked by a robust performance from the associate company, SL Lumax, whose contribution to Lumax's profits stood at Rs. 13.34 crs in Q2FY24 as against mere Rs. 11.34 crs in Q2FY23
- The company maintains a robust order book valued at Rs. 2,200 crores, with the PV segment comprising 70%, and the rest from 2/3W, CVs and agro space segment. EVs account for 30% of the total order book, with management anticipating a further increase in the EV share. The company has commenced phase 1 of new Chakan plant from 1st November, which will mainly cater to the new business received from Tata Motors and Mahindra & Mahindra.
- The stock currently trades at 20.4x FY24e EPS of Rs. 123.77 and 14.0x FY25e EPS of Rs. 180.36. The auto sector is showing signs of recovery with passenger vehicle sales crossed its peak formed in 2019 which is positive for the company as around 65% of its top line comes from this segment only. With company's effort to localize of some part of LED lights and increase its share of revenue from LED lights - 36% to 50% in coming years- earnings in FY25 is expected to increase by 45.7%. However, any slowdown in its client sales can have adverse effect on its revenue due to high client concentration. On balance, we recommend 'Accumulate' rating on the stock with a revised target price of Rs. 2886 (Previous target: Rs 2448) based on 16x FY25 earnings.

Consolidated (Rs crs)	FY21	FY22	FY23	FY24e	FY25e
Income from operations	1425.98	1751.31	2319.52	2651.36	3062.32
Other Income	25.23	13.39	14.68	13.96	14.69
EBITDA (other income included)	125.27	131.55	217.21	259.16	320.92
PAT after associate profit and EO (adjusted)	16.27	53.17	105.51	115.70	168.59
EPS(Rs)	17.41	56.88	112.88	123.77	180.36
EPS growth (%)	-77.4	226.8	98.4	9.7	45.7

## Outlook & Recommendation

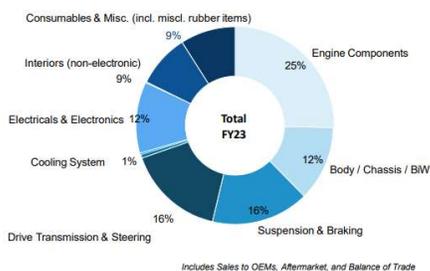
### Auto and Auto Components Industry Overview

According to Federation of Automobile Association (FADA), November 2023 press release, India witness strong traction in retail vehicle sales at 2.8 million units in November thus overtaking the previous high when the industry sold 2.6 million units. Passenger vehicle showed a growth of around 17% year-on-year basis primarily fueled by Deepawali and the launch of new models especially in SUVs and introduction of higher variants in most of the product categories. Two wheeler segment too witnessed a significant growth buoyed by festive season and recovery in rural segment (supported by growth in agricultural income). Commercial vehicle category could not replicate the same trend as the other two segments and declined by 1.8% on year-on-year basis due to high inflation and excess rainfall damaging crops.

However, the period following the festivities saw a noticeable slowdown, coupled with a critical challenge of slow-moving inventory due to a mismatch in demand and supply. As per FADA November release, passenger vehicle inventory is still above 60 days (normally inventory should be of 30 days) which underscores the need for OEMs to strategically reduce dispatches of slow-moving vehicles, especially in the entry-level category. Historically, it is recognized that holding inventory beyond 30 days starts to erode dealer profitability as the financial burden is intensified by the high interest costs of inventory funding.

As per Future Market Insights, the automotive lighting market is projected to grow from \$37.1 billion in 2023 to \$69 billion by 2033, growing at a CAGR of 6.4% during the forecast period. Much of the growth this report projects would be driven by rapid technological advancements in the automotive sector which would fuel the demand for more efficient and low power consuming lighting products along with rising consumer demand for aesthetically appealing lights in cars and implementation of stringent safety standards by regulatory bodies. Moreover, growing sales of electric and autonomous vehicles are expected to create several lucrative opportunities for automotive lighting manufacturers and aid in adoption of advanced automotive lighting systems.

Overall Component Sales By Category:

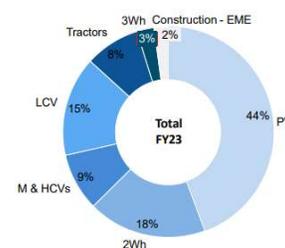


Source: ACMA



Source: ACMA

Component Sales to OEMs By Segment:



Source: ACMA

The Indian auto component industry reported its highest-ever turnover of Rs 5.6 lakh crore, a growth of 32.8% in FY23 as against Rs 4.2 lakh crore in FY22, according to Automotive Component Manufacturers Association of India (ACMA). The growth was primarily driven by strong growth in vehicle sales for FY23, clocking growth of 20.4% as against the same period in the previous year. ACMA stated that auto parts' imports rose 10.9% in FY23 to Rs. 1.63 lakh crore, while exports grew steadily at 5.2% to Rs. 1.61 lakh crore in the same period despite recessionary trends in Europe and USA. The turnover of the aftermarket grew by 15% to Rs. 85,333 crore. With significant mitigation happening on the supply side with the availability of semiconductors and increasing availability of containers, the vehicle industry is poised to grow in coming years. Headwinds such as continued war in East Europe and Middle East and looming recession in Europe and USA pose market risks.

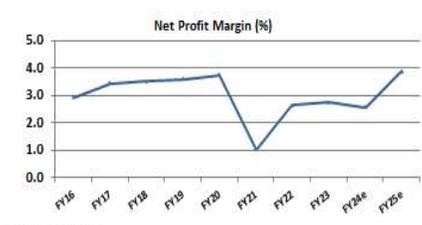
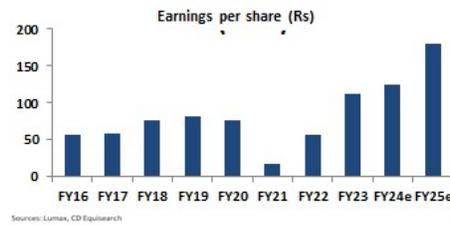
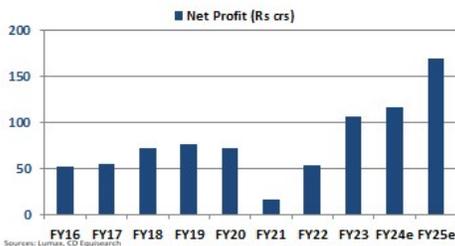
## Financials & Valuation

As per data published by SIAM, the auto sales peaked at 2.63 crs units in 2019 but after that sale sharply corrected for three years consecutively; in FY23 sales grew by 20.4% to 2.12 crs unit as against 1.76 crs in FY22 mostly led by passenger vehicle and two wheeler. Following the trend of premiumization where consumers increasingly prefer SUVs over sedans, PV segment clocked in sale of 39 lakhs units in FY23 growing by 26.7% as against 31 lakhs unit in FY22, surpassing the previous high of FY19 of around 34 lakhs units. Consequently, Lumax industries reported a robust top-line growth of 32.4% in FY23 (Rs 2319.52 crs Vs Rs 1751.31 crs)

LED prices are 3x the convention lights which in turn lead to increase in realization. Over the past 5 years Lumax has witnessed a strong increase in the share of LED in the product mix, rising from 25% to 36% of the total revenue. Currently the share of LED lights in the order book stands at 35% for which management projects it to increase to 50% in coming 2-3 years. In the 2W LED lights, currently, the company imports 25-30% of content and for passenger vehicle it is 50%; the company is planning to locally source some of this parts but this will only take place after quality and engineering capabilities are met. Through this strategic decision the company will be able to improve its competitiveness in LED and increase its operating margin.

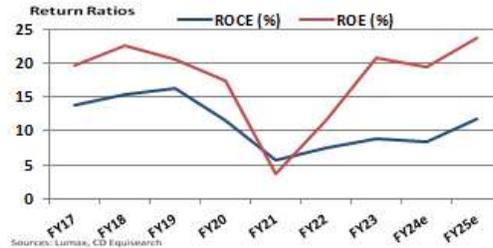
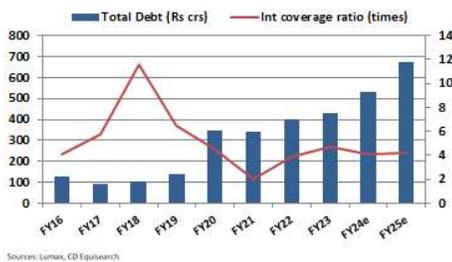


The phase 1 of Chakan plant (investment of around Rs 175 crs) came on stream in November and expected to run at full capacity from Q4FY24. The new facility will lead to robust growth in revenue and contribute around Rs 150-180 crs in H2FY24. This project would cater to the new orders received from OEM customers such as Mahindra & Mahindra and Tata Motors for advance lighting solutions and have the potential to generate peak annualized turnover of Rs. 600 crs. The company expects to incur a capex of Rs 250-300 crs including the Chakan plant in FY24. In FY25 company plan to spend around 300 crs for phase 2 of Chakan plant along with two other plants as well. Lumax maintain a robust order book of Rs 2200 crs in H1FY24 with passenger vehicle segment comprising of 70%, the rest is attributed to commercial vehicle and 2/3W segment. It also continues to strengthen its position in the EV segment with 30% of the total order book comprising of EV and is further anticipated to rise on the back of increasing penetration of passenger vehicles in EV space.



# CD Equisearch Pvt Ltd

Lumax's effort to increase its exports with the help of initiatives such as offer existing customer in foreign market off the shelf product and engaging with OEMs based in Central Europe through its new design center in Czech Republic have not yet borne fruit (1.55% of total turnover). Global OEMs prefer to source these products locally due to the fragile nature of the product which acts as somewhat of headwind to growing exports. On the other hand, foreign exchange outgo in FY23 stood at Rs. 507.61, growing at a CAGR of over 12% over the past five fiscals. This is largely attributed to import of electronics and other advanced plastics which are not readily available or manufactured in India.



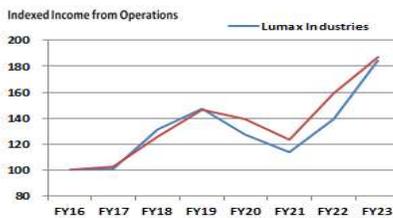
The stock currently trades at 20.4x FY24e EPS of Rs. 123.77 and 14.0x FY25e EPS of Rs. 180.36. Earnings growth over in the next couple of years would be marked by strong ties with major auto OEMs and presumably from greater adoption of LEDs in premium variants of existing models. Improvement in capacity utilization in the passenger vehicle segment and increasing penetration of high-margin LED segment would also be a contributing factor. However, few clients contributing majority of the top line exhibit risk and despite long standing relationship with existing OEM clients. On balance, we recommend 'accumulate' rating on the stock with a revised target price of Rs. 2886 (Previous target: Rs 2448) based on 16x FY25 earnings. For more information, refer to our December 2022 report.

## Cross Sectional Analysis

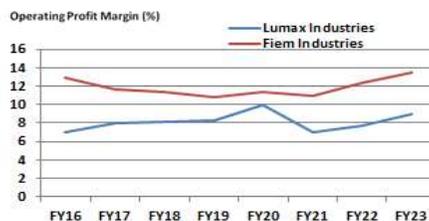
Company	Equity*	CMP	MCAP*	Sales*	Profit*	OPM (%)	NPM (%)	Int Cov	ROE (%)	Mcap/Sales	P/BV	P/E
Lumax Ind	9	2527	2362	2450	102	8.6	2.1	3.7	18.2	1.0	3.9	23.2
Fiem Ind	13	2098	2761	1862	149	13.4	8.0	33.8	20.0	1.5	3.5	18.5

\*figures in crores; calculations on ttm basis, consolidated data

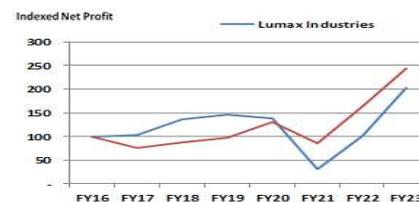
During Q2FY24, domestic two-wheeler production remained flat at 5.56 million units on year-over-year basis, but grew by almost 14% sequentially. Following flat growth in production and festive season falling in the Q3FY24, Fiem Industries top line declined by 3.0% to Rs 509.38 crs in Q2FY24 as against Rs 525.19 crs in Q2FY23. 97% of the revenue generated by Fiem Industries is from 2-wheeler segment, unlike Lumax which generates some 29% of its sales from the same segment. Operating profit declined by 5.7% to Rs 68.05 crs in Q2FY24 on year-on-year basis; OPM witnessed a decline of over 40 bps to 13.35%. Net sales in H1FY24 grew by mere 1.5% to Rs 983.98 crs as against Rs 969.73 crs in the corresponding year of the previous year following the same trend as two-wheeler production which remained flat at 10.5 million units in H1FY24 as against H1FY23. The company has planned a capex of Rs 100 crs in FY24 of which some will be used to replace plant & machinery which got destroyed in the fire in Q1 of which Rs 52 crs is already spent in H1FY24.



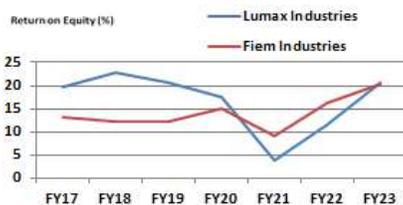
Base year FY10=100  
Source: Companies, CD Equiresearch



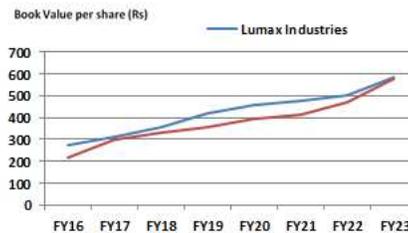
Source: Companies, CD Equiresearch



Base year FY10=100  
Source: Companies, CD Equiresearch



Source: Companies, CD Equiresearch



Source: Companies, CD Equiresearch

## Financials

### Consolidated Quarterly Results

Figures in Rs crs

	Q2FY24	Q2FY23	% chg	H1FY24	H1FY23	% chg
Revenue From Operations	643.75	620.06	3.8	1262.19	1132.00	11.5
Other Income	1.76	3.94	-55.4	4.53	8.88	-49.0
<b>Total Income</b>	<b>645.51</b>	<b>624.01</b>	<b>3.4</b>	<b>1266.72</b>	<b>1140.87</b>	<b>11.0</b>
Total Expenditure	588.81	560.49	5.1	1155.91	1029.64	12.3
<b>EBITDA (other income incl.)</b>	<b>56.70</b>	<b>63.52</b>	<b>-10.7</b>	<b>110.81</b>	<b>111.24</b>	<b>-0.4</b>
Interest	10.70	6.95	54.1	20.52	12.88	59.3
Depreciation	21.33	20.05	6.3	42.63	38.91	9.6
<b>PBT</b>	<b>24.67</b>	<b>36.51</b>	<b>-32.4</b>	<b>47.66</b>	<b>59.45</b>	<b>-19.8</b>
Tax	11.76	14.89	-21.0	22.51	22.54	-0.2
<b>PAT</b>	<b>12.90</b>	<b>21.62</b>	<b>-40.3</b>	<b>25.15</b>	<b>36.90</b>	<b>-31.8</b>
Profit from Associate	13.35	11.34	17.7	24.22	15.89	52.4
<b>Net Profit after Profit from Associate</b>	<b>26.25</b>	<b>32.97</b>	<b>-20.4</b>	<b>49.37</b>	<b>52.79</b>	<b>-6.5</b>
Extraordinary Item	-	-	-	-	-0.43	-
<b>Adjusted Net Profit</b>	<b>26.25</b>	<b>32.97</b>	<b>-20.4</b>	<b>49.37</b>	<b>53.22</b>	<b>-7.2</b>
EPS	28.08	35.27	-20.4	52.81	56.94	-7.2

### Income Statement

Figures in Rs crs

	FY21	FY22	FY23	FY24e	FY25e
Revenue From Operations	1425.98	1751.31	2319.52	2651.36	3062.32
Other Income	25.23	13.39	14.68	13.96	14.69
<b>Total Income</b>	<b>1451.21</b>	<b>1764.70</b>	<b>2334.21</b>	<b>2665.32</b>	<b>3077.01</b>
Total Expenditure	1325.94	1633.14	2117.00	2406.16	2756.09
<b>EBITDA (other income incl.)</b>	<b>125.27</b>	<b>131.55</b>	<b>217.21</b>	<b>259.16</b>	<b>320.92</b>
Interest	29.24	21.74	29.86	40.95	51.30
Depreciation	64.51	63.67	79.92	89.95	107.31
<b>PBT</b>	<b>31.52</b>	<b>46.15</b>	<b>107.44</b>	<b>128.26</b>	<b>162.31</b>
Tax	14.91	12.09	46.06	60.28	43.82
<b>PAT</b>	<b>16.61</b>	<b>34.05</b>	<b>61.37</b>	<b>67.98</b>	<b>118.49</b>
Profit from Associate	1.54	6.67	41.71	47.72	50.11
<b>Net Profit after Profit from Associate</b>	<b>18.15</b>	<b>40.72</b>	<b>103.08</b>	<b>115.70</b>	<b>168.59</b>
Extraordinary Item	1.88	-12.45	-2.43	-	-
<b>Adjusted Net Profit</b>	<b>16.27</b>	<b>53.17</b>	<b>105.51</b>	<b>115.70</b>	<b>168.59</b>
EPS	17.41	56.88	112.88	123.77	180.36

## Consolidated Balance Sheet

Figures in Rs crs

	FY21	FY22	FY23	FY24e	FY25e
<b>Sources of Funds</b>					
Share Capital	9.35	9.35	9.35	9.35	9.35
Reserves & Surplus	451.09	482.40	574.23	664.69	808.04
<b>Total Shareholders' Funds</b>	<b>460.43</b>	<b>491.74</b>	<b>583.58</b>	<b>674.04</b>	<b>817.39</b>
Long Term Debt	36.20	93.77	105.51	193.00	277.00
<b>Total Liabilities</b>	<b>496.63</b>	<b>585.51</b>	<b>689.09</b>	<b>867.04</b>	<b>1094.39</b>
<b>Application of Funds</b>					
Gross Block	900.87	1048.79	1163.02	1338.02	1626.00
Less: Accumulated Depreciation	273.72	337.64	414.23	504.17	611.49
<b>Net Block</b>	<b>627.14</b>	<b>711.14</b>	<b>748.79</b>	<b>833.84</b>	<b>1014.51</b>
Capital Work in Progress	47.02	48.03	42.98	167.98	180.00
Investments	92.15	101.80	146.90	194.63	244.74
<b>Current Assets, Loans &amp; Advances</b>					
Inventory	222.34	264.35	377.93	397.70	459.35
Trade Receivables	216.31	232.14	306.17	351.31	405.76
Cash and Bank	3.15	15.70	7.36	9.48	25.46
Other Assets	68.61	99.01	144.85	154.87	176.24
<b>Total CA &amp; LA</b>	<b>510.41</b>	<b>611.20</b>	<b>836.31</b>	<b>913.36</b>	<b>1066.81</b>
Current Liabilities	792.19	878.48	1063.15	1201.81	1370.50
Provisions-Short term	8.73	6.46	7.32	7.50	8.50
<b>Total Current Liabilities</b>	<b>800.92</b>	<b>884.94</b>	<b>1070.47</b>	<b>1209.31</b>	<b>1379.00</b>
Net Current Assets	-290.51	-273.74	-234.16	-295.95	-312.20
Net Deferred Tax	-32.84	-37.37	-65.66	-90.66	-96.00
Net long term assets	53.67	35.64	50.24	57.19	63.34
<b>Total Assets</b>	<b>496.63</b>	<b>585.51</b>	<b>689.09</b>	<b>867.04</b>	<b>1094.39</b>

## Key Financial Ratios

	FY21	FY22	FY23	FY24e	FY25e
<b>Growth Ratios (%)</b>					
Revenue	-11.0	22.8	32.4	14.3	15.5
EBITDA	-25.9	20.9	49.2	17.0	23.8
Net Profit	-77.4	226.8	98.4	9.7	45.7
EPS	-77.4	226.8	98.4	9.7	45.7
<b>Margins (%)</b>					
Operating Profit Margin	7.0	7.7	9.0	9.2	10.0
Gross profit Margin	6.6	7.2	8.3	8.2	8.8
Net Profit Margin	1.0	2.7	2.8	2.6	3.9
<b>Return (%)</b>					
ROCE	5.6	7.6	8.7	8.3	11.9
ROE	3.7	11.6	20.7	19.5	23.8
<b>Valuations</b>					
Market Cap/ Sales	1.1	0.5	0.7	0.9	0.8
EV/EBITDA	15.0	8.2	9.4	11.4	9.2
P/E	92.3	15.6	15.7	20.4	14.0
P/BV	3.4	1.8	3.0	3.7	3.0
<b>Other Ratios</b>					
Interest Coverage	2.0	3.9	4.7	4.1	4.2
Debt Equity	0.8	0.9	0.8	0.8	0.9
Current Ratio	0.6	0.7	0.8	0.7	0.8
<b>Turnover Ratios</b>					
Fixed Asset Turnover	2.3	2.7	3.2	3.4	3.3
Total Asset Turnover	3.0	3.4	3.8	3.6	3.2
Debtors Turnover	7.3	7.8	8.6	8.1	8.1
Inventory Turnover	6.6	6.6	6.6	6.2	6.4
Creditor Turnover	3.8	3.8	4.1	3.9	3.9
<b>WC Ratios</b>					
Debtor Days	49.9	46.7	42.4	45.3	45.1
Inventory Days	55.3	55.0	55.5	58.8	56.8
Creditor Days	94.9	95.8	89.2	92.6	94.6
Cash Conversion Cycle	10.2	5.9	8.7	11.5	7.3

## Cumulative Financial Data

Rs crs	FY20-22	FY23-25e
Income from operations	4779	8033
Operating profit	394	759
EBIT	245	524
PBT	172	402
PAT	141	390
OPM (%)	8.2	9.5
GPM (%)	7.6	8.5
NPM (%)	2.5	3.1
Interest coverage	3.3	4.3
ROE (%)	10.9	20.8
ROCE (%)	8.7	9.4
Debt-Equity ratio*	0.9	0.9
Fixed asset turnover	2.5	3.1
Total asset turnover	3.3	3.3
Debtors turnover	7.0	8.4
Creditors turnover	3.4	3.9
Inventory turnover	6.2	6.7
Debtor days	51.9	43.5
Creditor days	106.6	93.3
Inventory days	58.5	54.5
Cash conversion cycle	3.8	4.6

FY20-22 implies three year period ending fiscal 22;\*as on terminal year. Consolidated data for cumulative

Driven by strong demand recovery in the automobile space, especially in the passenger vehicle segment, Lumax Industries is expected to post 68.0% growth in cumulative revenues to Rs. 8033 crs during FY23-25e period as against Rs. 4779 crs in the preceding three year period. Operating profits would, too, grow apace the top-line thus raking in Rs. 759 crs in the projected period, a growth of 92.6%. Increased share of revenue from LED lights and company efforts to rationalize cost by sourcing some parts locally will help OPM to increase by 130 bps to 9.5% during FY23-25.

Cumulative post tax earnings during FY23-25e period would rise by over 2.8x supported by strong performance of its associate company, SL Lumax, as well as increased off-take from its existing clients –this would help boost ROE to 20.8% (vs. 10.9% in FY20-22). Interest coverage ratio is expected to rise from 3.3 in FY20-22 period to 4.3 in FY23-25e. Fall in debtor days (see table),projected though, would be of little help as cash conversion cycle is estimated to marginally increase in FY23-25e period (see table).

## Financial Summary- US Dollar denominated

million \$	FY21	FY22	FY23	FY24e	FY25e
Equity capital	1.3	1.2	1.1	1.1	1.1
Shareholders' funds	60.4	61.9	66.7	76.8	93.7
Total debt	46.0	52.9	52.4	64.0	81.0
Net fixed assets (including CWIP)	90.4	98.9	95.1	119.2	142.4
Investments	12.5	13.4	17.9	23.4	29.4
Net current assets	-39.5	-36.1	-28.5	-35.6	-37.5
Total assets	65.3	74.3	79.6	100.0	127.0
Revenues	192.2	235.0	288.5	318.6	368.0
EBITDA	16.5	19.9	27.5	31.1	38.6
EBDT	12.6	17.0	23.8	26.2	32.4
PBT	3.9	8.5	13.9	15.4	19.5
PAT	2.2	7.1	13.1	13.9	20.3
EPS(\$)	0.23	0.76	1.40	1.49	2.17
Book value (\$)	6.46	6.62	7.14	8.21	10.02

Income statement figures translated at average rates; balance sheet at year end rates; projections at current rates (Rs 83.23/\$). All dollar denominated figures are adjusted for extraordinary items.

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buy: >20%    accumulate: >10% to ≤20%    hold: ≥-10% to ≤10%    reduce: ≥-20% to <-10%    sell: <-20%

Exchange Rates Used- Indicative

Rs/\$	FY20	FY21	FY22	FY23
Average	70.88	74.20	74.51	80.39
Year end	75.39	73.50	75.81	82.22

All \$ values mentioned in the write-up translated at the average rate of the respective quarter/ year as applicable. Projections converted at current exchange rate. Cumulative dollar figure is the sum of respective yearly dollar value.