

FROM THE RESEARCH DESK

QUARTERLY RESULTS REVIEW

Supreme Industries Limited

Entering a period of strong plastic pipe demand; outlook for strong margin remains

Mphasis Limited

Soft quarter; HP at cusp of turnaround

Union Bank of India

Modest quarter; asset quality outlook turning positive

Century Plyboards (I) Limited

GST and entry into MDF to drive growth ahead

Global News

- The S&P 500 index finished lower on Friday for the ninth-straight session, its longest stretch of declines since December 1980. Stocks rose after the open as investors digested a strong report on October jobs growth. But they soon erased their gains as uncertainty surrounding next week's presidential election rattled markets. The S&P 500 SPX, -0.17% fell 3.44 points, or 0.2%, to 2,085.22, with consumer staples shares seeing the largest drop. The Dow Jones Industrial Average shed 41.84 points, or 0.2%, to 17,888.83.
- Japan's Nikkei share average fell to a 2-1/2-week low on Friday after major stocks like automakers stumbled on continued uncertainty surrounding next week's U.S. presidential election. The Nikkei ended 1.3 % lower at 16,905.36, the lowest closing level since Oct. 17.

Sector & Corporate News

- **Lupin** has received notification that the inspection carried out by the United States Food and Drug Administration in March 2016 at its Goa facility is now closed and the agency has issued an Establishment Inspection Report (EIR). This closes all outstanding USFDA inspections at the pharma major's Goa facility.
- **Tata Motors** has signed memorandum of understanding (MoU) with Indonesia's state-owned enterprise PT Pindad to explore market potential of Tata-armoured vehicles in Indonesia and other agreed regions of Asean. The MoU also includes a study to check the feasibility of locally assembling Tata-armoured vehicles at PT Pindad's facility in Bandung in West Java province of Indonesia.
- **Gati**, has invested in BrownTape, a cloud-based software solutions company which helps online merchants manage their orders for multiple e-commerce marketplaces. The alliance will work on the vision of simplifying eCommerce for all levels (small, medium, and large) of online sellers. The company will utilize the BrownTape Platform to develop a unique single-window solution to customers by integrating its established pan-India logistics network and BrownTape's multi-channel order management platform.

Market Snapshot

Global Indices	Closing	% Chg	% YTD
Dow Jones	17,888	(0.2)	2.7
NASDAQ	5,046	(0.2)	0.8
FTSE	6,693	(1.4)	7.2
CAC	4,377	(0.8)	(5.6)
DAX	10,259	(0.6)	(4.5)
Russia	971	(0.2)	28.3
Bovespa	61,598	(0.2)	42.1
Nikkei	16,905	(1.3)	(11.2)
Hang Seng	22,643	(0.2)	3.3
Shanghai Composite	3,125	(0.1)	(11.7)

Indian Indices	Closing	% Chg	% YTD
Sensex	27,274	(0.6)	4.4
Nifty	8,434	(0.6)	6.1
MSCI India	470	(0.8)	2.3
CNX Midcap	15,193	(1.5)	13.4
BSE Smallcap	12,877	(2.2)	8.8

Flows (USDm)	Prev. Day	MTD
FII	11	(95)

Provisional flows	(USDm)
FIIs	(51)
Locals	163

Volumes	USDbn	% Chg
Cash (NSE + BSE)	4.3	25.0

FII F&O	Stock Fut	Index Fut
Net (\$ mn)	(90)	(145)
Open Int (%)	1.1	0.3

ADR/GDR Gainers	Last	% Chg
Wipro	9.5	0.6
Infosys	15.0	0.5
Tata Motors	37.8	0.1

ADR/GDR Losers	Last	% Chg
Reliance	30.3	(2.1)
SBI	36.2	(1.9)
Dr Reddy	46.1	(1.1)
ICICI Bank	8.1	(0.6)
HDFC	69.2	(0.2)

Sectoral indices

	Closing	% Chg	% MTD	% YTD
BSE Auto	21,810	(0.8)	(1.7)	17.8
BSE Bank	21,781	(0.6)	(2.6)	12.7
BSE Cap Goods	14,342	(1.7)	(3.9)	1.5
BSE Cons dur	12,430	(1.6)	(3.8)	3.6
BSE FMCG	8,507	1.4	(0.0)	8.1
BSE IT	9,790	0.7	(2.4)	(11.5)
BSE Health	15,150	(4.2)	(8.0)	(10.4)
BSE Metal	10,256	(2.4)	(0.6)	38.6
BSE Oil	11,690	(0.6)	(5.1)	22.3
BSE Power	1,959	(1.1)	(2.4)	0.0
BSE PSU	7,573	(1.3)	(4.6)	11.1
BSE Realty	1,457	(2.4)	(6.4)	8.3
BSE TECK	5,393	0.3	(2.4)	(10.9)

Nifty Outperformers

	Price	% Chg	% MTD	% YTD
Hcl Technologies Ltd	795	4.1	3.5	(7.1)
Iitc Ltd	249	3.6	3.1	14.6
Tata Motors Ltd-A-Dvr	336	1.1	(2.9)	16.0
Wipro Ltd	453	1.1	(2.6)	(19.2)
Hindustan Unilever Ltd	848	1.0	1.1	(1.7)
Mahindra & Mahindra Ltd	1,372	0.8	4.2	7.9
Oil & Natural Gas Corp Ltd	270	0.7	(6.8)	11.5

Nifty Underperformers

	Price	% Chg	% MTD	% YTD
Sun Pharmaceutical Indus	652	(7.4)	(12.9)	(20.6)
Dr. Reddy'S Laboratories	3,080	(5.6)	(7.4)	(0.9)
Aurobindo Pharma Ltd	728	(5.4)	(11.0)	(16.9)
Bharti Infratel Ltd	364	(4.4)	4.8	(15.0)
Coal India Ltd	316	(3.4)	(2.9)	(4.2)
Lupin Ltd	1,421	(3.4)	(6.4)	(22.7)
Tata Power Co Ltd	75	(2.7)	(4.5)	9.9

Bulk Deals

Date	Security Name	Client Name	Buy/Sell	Qty	Price
4-Nov-16	Prakash Constrowell Ltd	Adjuvant Technologies Private Limited .	BUY	716,442	15.57
4-Nov-16	IT	Administrator Of The Specified Undertaking Of The Unit Trust Of I	SELL	4,941,234	1,416.05
4-Nov-16	JENBURPH	Aries Stocktrades Pvt Ltd A/C-Pms	BUY	23,591	566.67
4-Nov-16	Noida Toll Bridge Company	Cd Equifinance Private Limited	SELL	1,286,251	14.76
4-Nov-16	Noida Toll Bridge Company	Cd Finvest Pvt Ltd	BUY	1,010,000	14.84
4-Nov-16	ONMOBILE	Citigroup Global Markets Mauritius Private Limited	SELL	859,666	105.75
4-Nov-16	SUYOG	Elara India Opportunities Fund Limited	BUY	200,400	450.00
4-Nov-16	Sunil Hitech Engr Ltd	Gatsby Merchandise Private Limited	BUY	150,000	404.31
4-Nov-16	Jain DVR Equity Shares	Il And Fs Financial Services Limited	SELL	250,000	55.84
4-Nov-16	PPAP	Littlestar Tradelinks Private Limited	BUY	188,000	180.00
4-Nov-16	ONMOBILE	Nomura Singapore Limited	BUY	859,666	105.75
4-Nov-16	Larsen & Toubro Limited	State Bank Of India	BUY	5,655,000	1,415.58
4-Nov-16	Larsen & Toubro Limited	Uti Admnr Of The Specified Undertaking Of Uti-Unit Schm 64	SELL	4,941,234	1,415.65
4-Nov-16	Sunil Hitech Engr Ltd	Vigrah Trading Private Limited .	SELL	137,973	404.16

Delivery Spike

Company	Volume	Spike (%)	Chg (%)
Larsen & Toubro Ltd	15,386,075	4127%	-1.69%
Colgate-Palmolive India Ltd	660,184	1324%	3.11%
ITC Ltd	24,362,036	398%	3.64%
Tata Global Beverages Ltd	4,454,271	335%	-3.43%
Aurobindo Pharma Ltd	2,447,943	314%	-5.36%
Tech Mahindra Ltd	6,218,085	290%	0.48%
Motherson Sumi Systems Ltd	1,588,103	263%	-3.87%
Dr Reddy's Laboratories Ltd	314,488	253%	-5.60%
Sun Pharmaceutical Industries Ltd	9,723,532	215%	-7.41%
Lupin Ltd	1,197,014	181%	-3.37%

Derivatives Update

Long Build Up

Company	Last	% Chg	% Chg OI	OI (in 000)
HCLTECH	795	4.1	3.5	5,928
ITC	249	3.4	4.7	41,573
DABUR	298	2.0	5.6	8,753
ADANI PORTS	289	0.2	2.7	18,320

Short Build Up

Company	Last	% Chg	% Chg OI	OI (in 000)
DRREDDY	3,083	(5.7)	14.5	1,795
LICHSGFIN	535	(3.2)	11.2	10,097
SUNPHARMA	654	(7.4)	8.2	31,090
KSCL	401	(5.5)	5.8	2,573

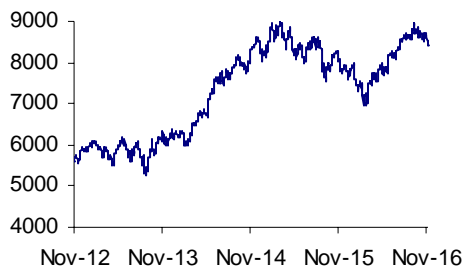
Short Covering

Company	Last	% Chg	% Chg OI	OI (in 000)
PIDILITIND	695	0.8	(5.9)	2,040
HINDUNILVR	848	0.7	(5.4)	5,264
TVSMOTOR	394	0.2	(4.8)	5,600
PETRONET	361	1.0	(3.9)	6,519

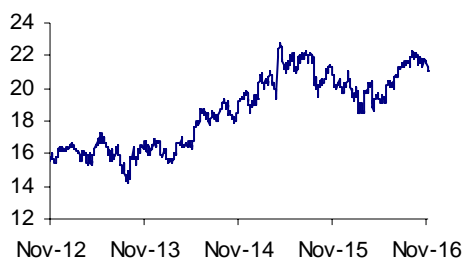
Profit Booking

Company	Last	% Chg	% Chg OI	OI (in 000)
INFRATEL	365	(4.7)	(10.1)	3,196
STAR	1,067	(4.9)	(7.3)	1,789
GLENMARK	871	(4.7)	(2.9)	2,704
HINDZINC	257	(3.7)	(5.5)	7,370

Nifty



Nifty P/E

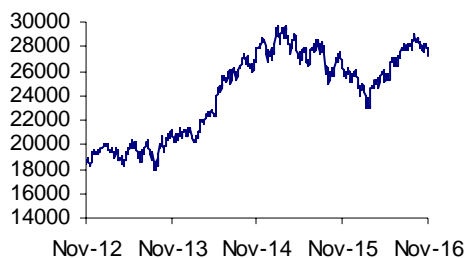


Nifty P/B

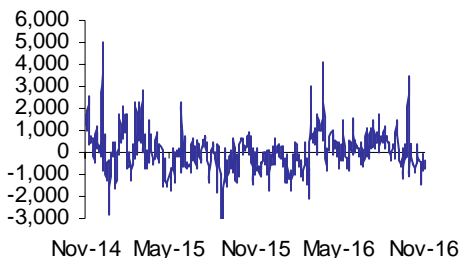


Source: Bloomberg

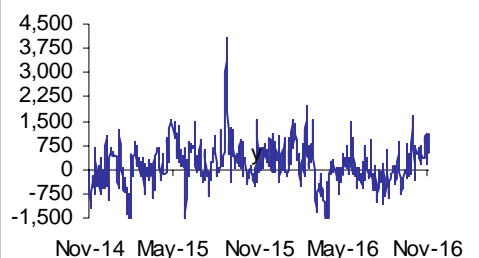
Sensex



FII Provisional Flows (INRcr)



DII Provisional Flows (INRcr)



Source: Bloomberg

Economy, Money & Banking

Forex Rate	Last	% Chg	% MTD	% YTD
INR~USD	66.7	0.1	0.1	(0.8)
INR~EUR	74.1	(0.2)	(1.6)	(2.6)
INR~GBP	83.3	(0.6)	(2.6)	17.6

Bond Market	Last	Chg (bps)	MTD (bps)	YTD (bps)
10 Year Bond	6.8	2	5	(92)
Interbank call	6.0	(24)	(20)	(100)

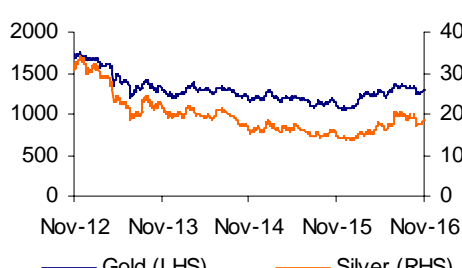
Commodities Update

Commodities	Last	% Chg	% MTD	% YTD
Gold (\$/Ounce)	1,305	0.1	2.1	22.9
Crude Oil (\$/Bl)	44	(1.3)	(6.0)	0.5
Aluminium (\$/t)	1,716	(0.7)	(1.1)	14.4
Copper (\$/t)	4,978	0.6	2.8	5.8
Zinc (\$/t)	2,435	(1.6)	(0.8)	52.8
Lead (\$/t)	2,085	0.4	1.8	16.0
Nickel (\$/t)	10,419	(0.2)	(0.2)	18.7

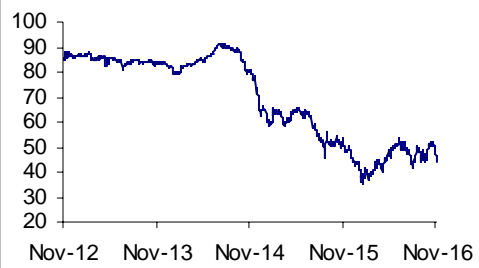
INR/USD



Gold and silver prices

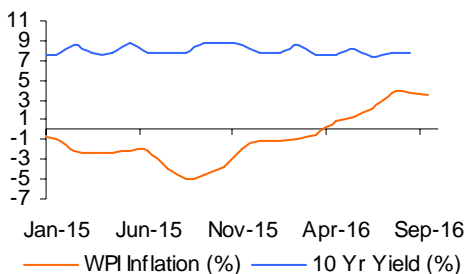


Crude prices

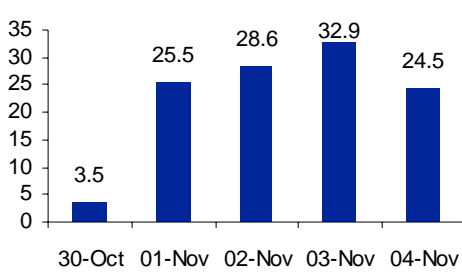


Source: Bloomberg

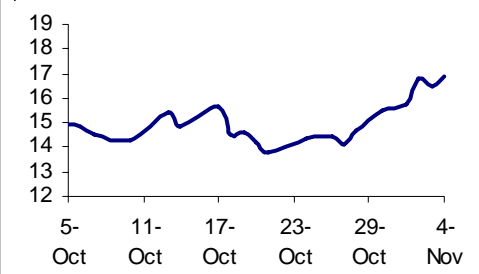
Inflation vs 10 year yield



Nifty premium/discount



NSE volatility index (%)



Source: Bloomberg

Current Reco	: BUY
Previous Reco	: HOLD
CMP	: INR900
Target Price	: INR1,059
Potential Return	: 18%

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Market data

Sensex	:	27,274
Sector	:	MIDCAPS
Market Cap (INRbn)	:	114.8
Market Cap (USDbn)	:	1.7
O/S Shares (m)	:	127.0
52-wk HI/LO (INR)	:	1025/520
Avg Daily Vol ('000)	:	153
Bloomberg	:	SI IN

Source: Bloomberg

Valuation

	FY17e	FY18e	FY19e
EPS (INR)	29.5	37.9	45.2
P/E (x)	34.5	26.5	22.2
P/BV (x)	7.4	6.1	5.1
EV/EBITDA (x)	16.8	13.8	11.6
Dividend yield (%)	1.5	1.7	1.8

Source: Bloomberg

Returns (%)

	1m	3m	6m	12m
Absolute	(4)	(6)	10	44
Relative	(1)	(3)	2	39

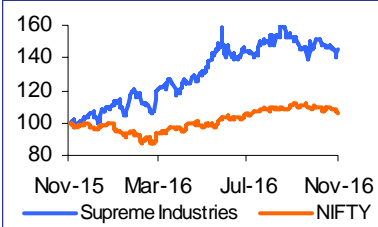
Source: Bloomberg

Shareholding pattern

Promoters	:	50%
Public	:	50%
Others	:	0%

Source: Bloomberg

Price performance vs Nifty



Source: Bloomberg, Indexed to 100

2QFY17 RESULT REVIEW

Supreme Industries Limited

Entering a period of strong plastic pipe demand; outlook for strong margin remains

Supreme Industries Ltd. (SI) 2Q performance was way below our expectations, on back of a weak 1Q. Revenue grew 14.2% YoY to INR8.8bn, supported by 16.7% volume growth while average realization declined 2.0%. EBITDA grew 46.9% YoY to INR1.3bn as the share of value added products in the overall revenue mix increased to 34.7% (vs 33.8% YoY) as well as cost reductions on the fuel and employee front. EBITDA margin increased ~340 bps YoY to 15.1%. Improved operating performance and reduced interest costs flowed into bottomline performance on a low base last year. Core net income grew 80.3% YoY to INR576mn. Adjusting for share of associate profits, net income grew 169.7% YoY to INR662mn. SI has maintained its 12-15% volume growth guidance for FY17e and has become increasingly confident that it would meet or improve its earlier operating margin guidance of 14-14.5%. We have cut our revenue and earnings estimates for FY17e/18e by 8.0%/8.3% and 13.3%/8.0% respectively and introduced our FY19e estimates (revenue/earnings growth of 16.4%/19.2% respectively). We rollover our valuation to FY19e, raise our target price for SI to Rs 1,059 (Rs 983 earlier) and upgrade the stock to Buy.

Volume grew 17% YoY on a low base; real test for volume growth to come in 2H

SI reported total sales volume of 66,808 MT (vs 57,226 MT YoY) for the quarter, registering robust growth of 16.7% YoY. However, blended realizations declined 2.0% YoY to INR129/kg on back of weaker PVC prices following decline in crude prices over past four quarters. Silpaulin has witnessed 5.3%/5.5% decline in volume/value terms respectively, while CPVC segment has remained steady during the quarter, registering volume/value growth of 2.2%/3.9% respectively. For 1HFY17, the company has delivered sales volume of 163,853 MT, registering a growth of 8.3% YoY. Management is sticking to its guidance of 12-15% volume growth in FY17, signifying an expected 16% volume growth in 2H against which we have taken a ~10% volume growth for the full year. Amongst business segments, 1H volume growth has been particularly robust in Plastic Pipes (11%) and Consumer Products (14%), while Industrial Products was relatively weak (5%). Packaging Products volume declined 4% resulting in a drag to overall growth.

Healthy 340bps improvement in operating margin

Robust volume growth and increased share of value-added products in the overall revenue mix (34.7% vs 33.8% YoY) resulted in strong margin delivery by SI. Lower power/employee costs have also supported margin improvement during the quarter. Amongst business segments, the bread and butter Plastic Pipes division has seen a margin improvement of ~18 bps to 13.7%. Margin improvement was sharper in the Consumer Products (+301 bps/14.2%) and Industrial Products (+144 bps/11.1%) divisions. Packaging Products margins shrunk 267 bps to 12.8% during the quarter in sync with weak volume. Overall, EBITDA margins improved 340 bps to 15.1%, thus fueling EBITDA growth of 46.9% to INR1.3bn.

12-15% FY17e volume guidance maintained; confident of beating EBITDA margin guidance

Although SI has clocked in a volume growth of 8.3% during 1HFY17, the management remains confident of meeting its 12-15% volume growth guidance set earlier during the year. The company is witnessing healthy demand from agriculture (rainwater harvesting), and municipal sectors (water delivery infrastructure, sewage infrastructure). In Silpaulin too, SI expects to grow volume by ~12% to 22,500 MT during FY17e. Given that industry-wide polymer prices (key raw material) have remained stable in a narrow range, and increased focus on value-added products, SI is confident of beating its FY17e EBITDA margin guidance of 14-14.5%.

Introducing FY19 estimates; upgrade to Buy

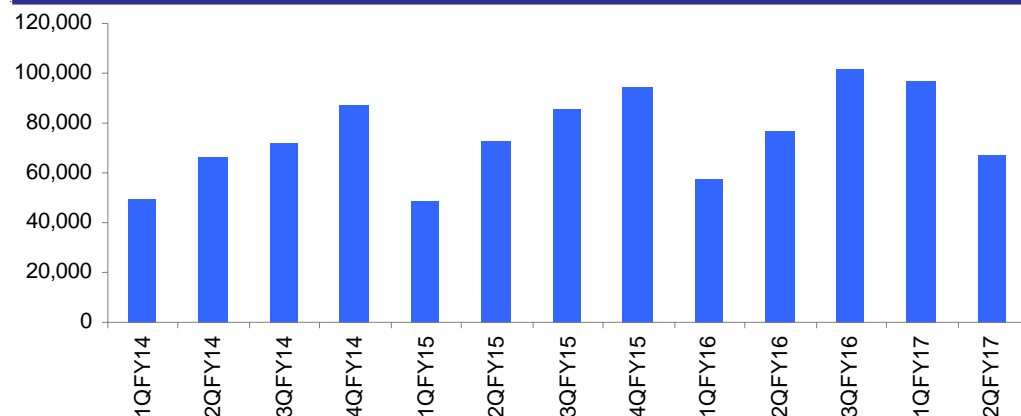
We introduce our FY19e estimates for SI. We expect revenue/earnings growth of 16.4%/19.2% for FY19e with EBITDA margin of ~16%. We upgrade SI to Buy (from Hold earlier) with a revised SOTP-based target price of INR 1,059 (Rs 983 earlier), valuing the core business at 25x FY19e earnings.

Detailed quarterly financials

INRM	2QFY17	2QFY16	YoY (%)	1QFY17	QoQ (%)	9MFY16	9MFY15	YoY (%)
Net Sales	8,782	7,696	14.1	11,846	(25.9)	29,586	28,335	4.4
Other Op. Income	47	32	44.6	47	(0.5)	163	280	(41.9)
Total Op. Income	8,829	7,728	14.2	11,893	(25.8)	29,748	28,615	4.0
Expenditure	7,495	6,820	9.9	9,882	(24.1)	25,137	25,315	(0.7)
Raw Materials	5,455	4,941	10.4	7,582	(28.0)	19,000	19,816	(4.1)
Staff Cost	509	422	20.8	514	(0.9)	1,485	1,154	28.7
Other Expenditure	1,531	1,457	5.0	1,786	(14.3)	4,653	4,346	7.1
Operating Profit	1,333	908	46.9	2,012	(33.7)	4,611	3,299	39.8
OPM (%)	15.1	11.7	336	16.9	(181)	15.5	11.5	397 bps
Other Income	16	15	3.2	6	159.4	10	15	(36.7)
Interest	86	99	(13.2)	97	(11.1)	276	470	(41.4)
Depreciation	374	335	11.7	370	0.9	1,046	1,034	1.1
PBT	889	489	81.9	1,550	(42.7)	3,300	1,810	82.3
Exceptional Income	0	0		0		(77)	784	(109.8)
Tax on above	0	0		0		0	266	
PBT post exceptional income	889	489	81.9	1,550	(42.7)	3,223	2,328	38.4
Tax	313	169	84.9	534	(41.5)	1,178	619	90.1
PAT	576	320	80.3	1,016	(43.3)	2,045	1,709	19.7
Share of Associate	86	(74)	(215.6)	137	(37.3)	167	(83)	(301.4)
Reported PAT	662	245	169.7	1,153	(42.6)	2,212	1,626	36.1
Core PAT	576	320	80.3	1,016	(43.3)	2,122	1,190	78.3
Adjusted PAT	662	245	169.7	1,153	(42.6)	2,289	1,107	106.8
NPM (%)	7.5	3.2	435	9.7	(219)	7.7	3.9	383 bps
Reported EPS	5.2	1.9	169.7	9.1	(42.6)	17.4	12.8	36.1
Adjusted EPS - Consolidated	5.2	1.9	169.7	9.1	(42.6)	18.0	8.7	106.8
Adjusted EPS - Core Operations	4.5	2.5	80.3	8.0	(43.3)	16.7	9.4	78.3
Volumes	66,808	57,226	16.7	97,045	(31.2)	235,306	207,886	13.2
Realisation/tonne (INR)	129,386	131,970	(2.0)	120,784	7.1	123,813	130,601	(5.2)
EBIDTA/tonne (INR)	19,959	15,864	25.8	20,729	(3.7)	19,597	15,870	23.5

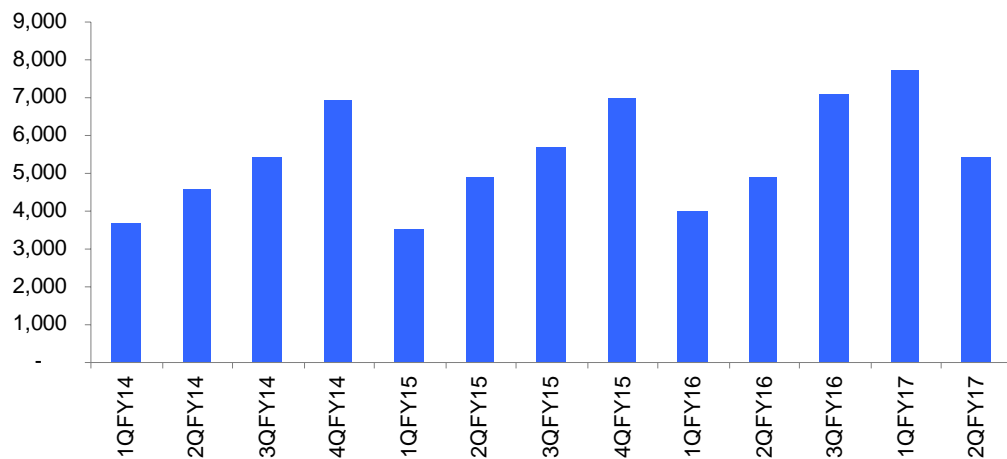
Source: Company, Antique

Trend in overall volume over the last 12 quarters



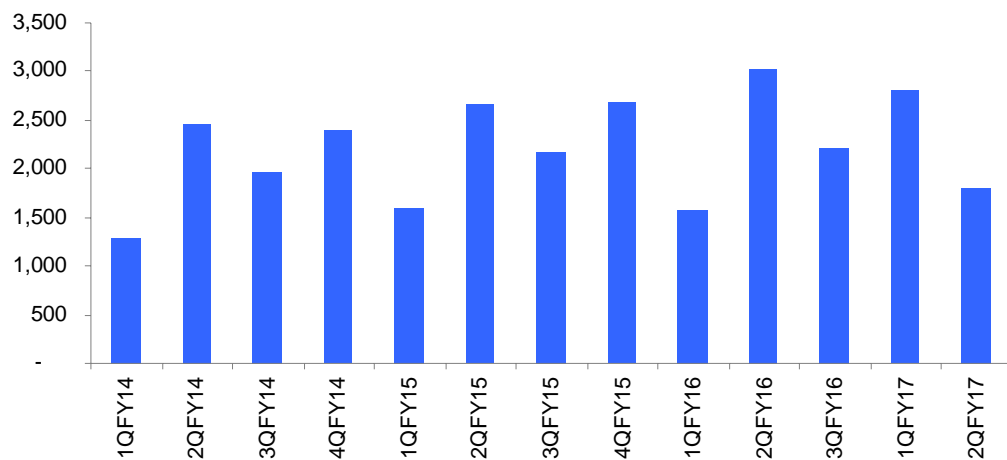
Source: Company, Antique

Trend in plastic piping segment revenue over the last 12 quarters



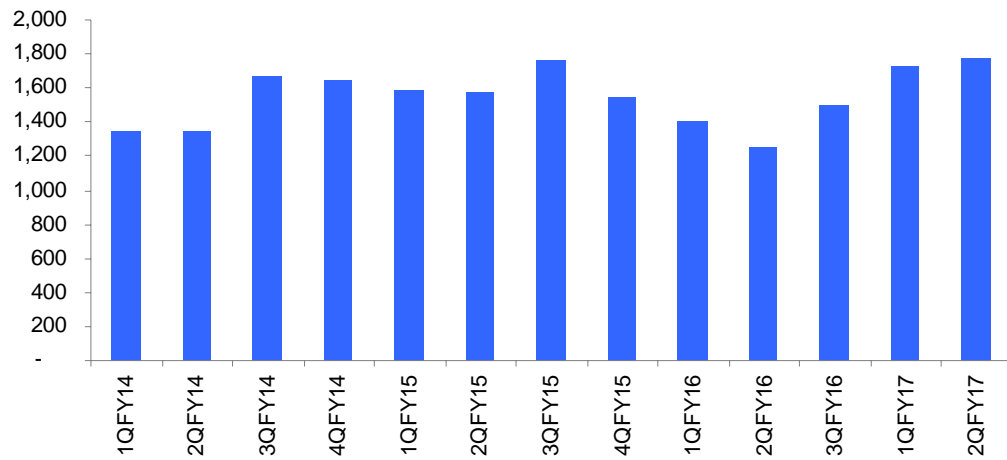
Source: Company, Antique

Trend in packaging product segment revenue over the last 12 quarters



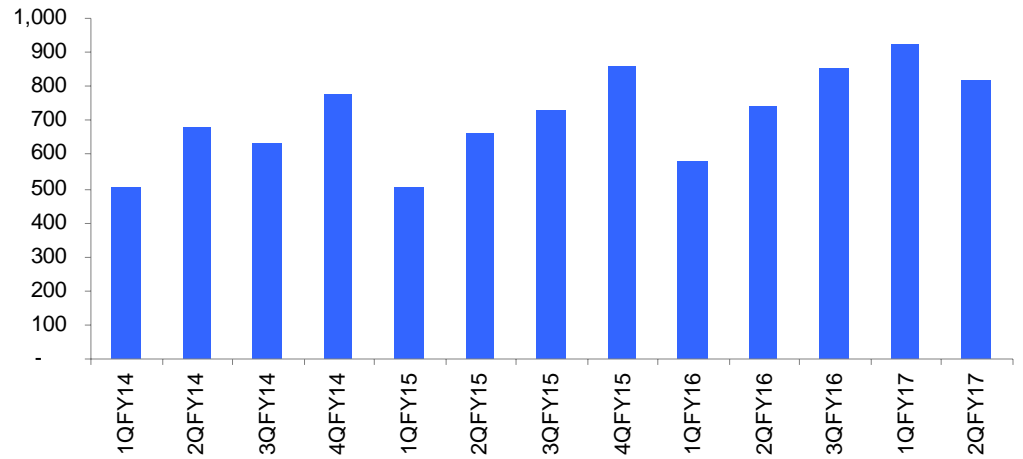
Source: Company, Antique

Trend in industrial product segment revenue over the last 12 quarters



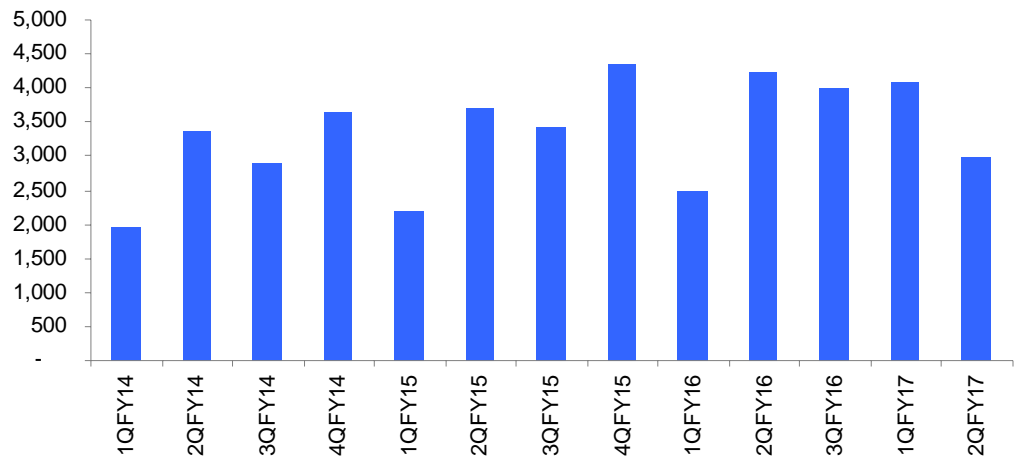
Source: Company, Antique

Trend in consumer product segment revenue over the last 12 quarters



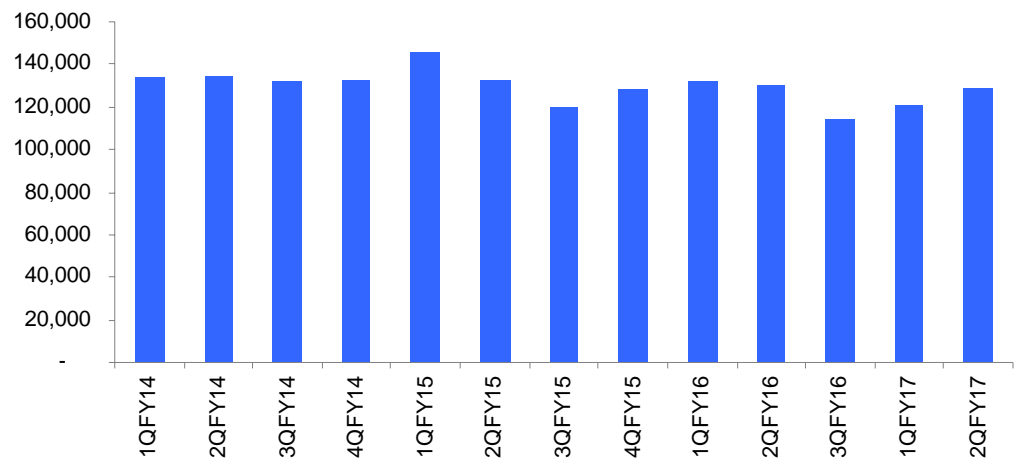
Source: Company, Antique

Trend in value-added product revenue over the last 12 quarters



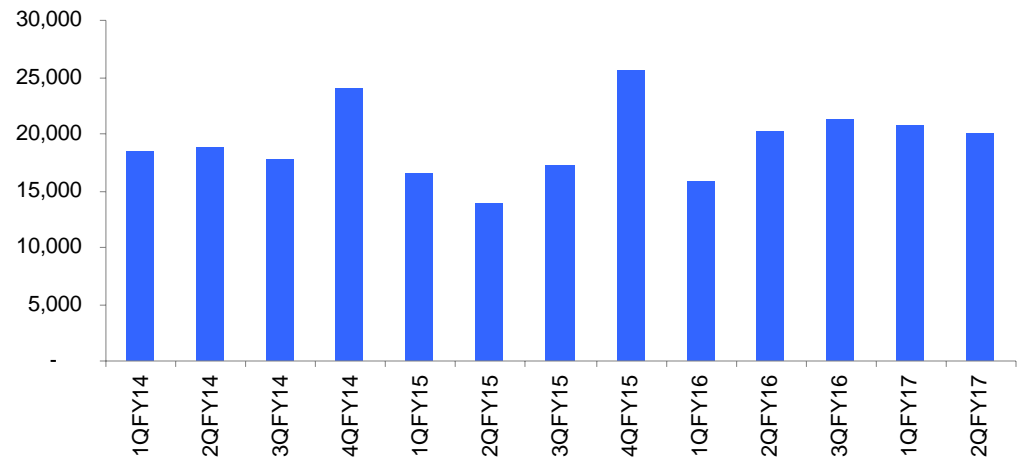
Source: Company, Antique

Trend in realisation/t over the last 12 quarters



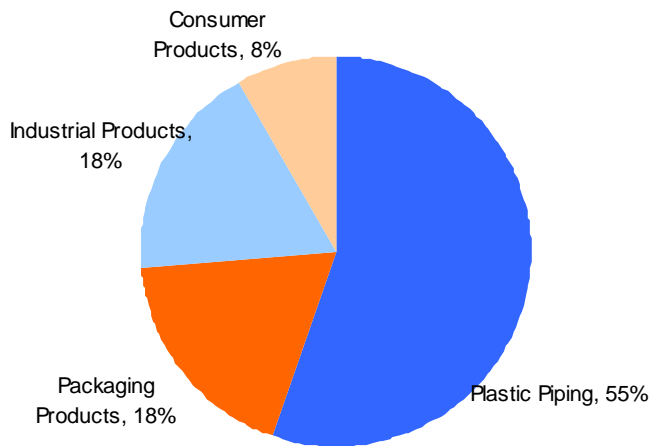
Source: Company, Antique

Trend in EBITDA/t over the last 12 quarters

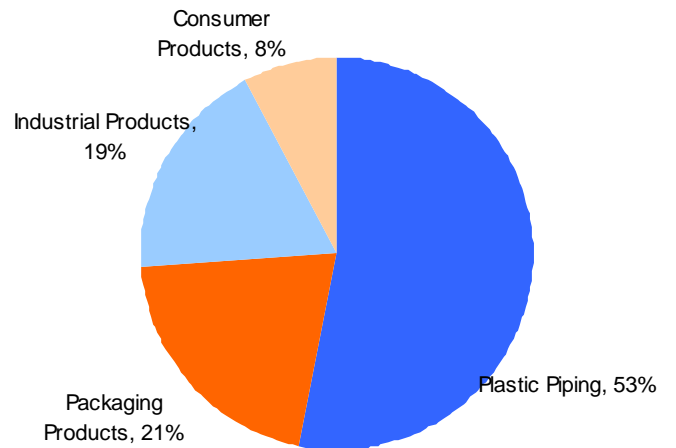


Source: Company, Antique

Revenue mix (%): 2QFY17



Revenue mix (%): 2QFY16



Source: Company, Antique

Financials

Profit and loss account (INRm)

Year-ended June 30	FY15	FY16*	FY17e	FY18e	FY19e
Revenues	40,802	29,586	43,949	51,023	59,259
Operational Income	357	163	211	221	231
Total Income	41,159	29,748	44,160	51,243	59,490
Expenses	35,516	25,137	37,269	43,006	49,988
Operating Profit	5,642	4,611	6,891	8,238	9,502
Other income	24	10	45	100	200
EBIDT	5,667	4,621	6,936	8,338	9,702
Depreciation	1,390	1,046	1,539	1,709	1,879
Interest expense	580	276	300	90	36
Profit before tax	3,698	3,300	5,096	6,539	7,787
Taxes incl deferred taxation	1,263	1,178	1,784	2,223	2,648
Profit after Tax - Core Operations	2,434	2,122	3,313	4,315	5,139
Extra ordinary Items (EOI)	683	(77)	-	-	-
Share in Associates	106	167	441	504	602
Reported Profit after tax	3,224	2,212	3,753	4,820	5,741
Adj. Profit after Tax (Excl EOI)	2,541	2,289	3,753	4,820	5,741
Diluted EPS (INR) - Core Operations	19.2	16.7	26.1	34.0	40.5
Adj. Diluted EPS (INR) - Excl EOI	20.0	18.0	29.5	37.9	45.2
Diluted EPS (INR) - Reported	25.4	17.4	29.5	37.9	45.2

Balance sheet (INRm)

Year-ended June 30	FY15	FY16*	FY17e	FY18e	FY19e
Share Capital	254	254	254	254	254
Reserves & Surplus	11,861	12,899	15,166	18,351	22,309
Networth	12,115	13,153	15,420	18,605	22,563
Debt	3,928	2,287	1,200	300	300
Deferred Tax Liability	895	1,053	1,053	1,053	1,053
Capital Employed	16,939	16,492	17,673	19,957	23,915
Gross Fixed Assets	18,158	21,388	23,888	26,388	28,888
Accumulated Depreciation	8,120	9,166	10,705	12,415	14,294
Net Assets	10,037	12,222	13,182	13,973	14,594
Capital work in progress	998	300	300	300	300
Goodwill	288	0	0	0	0
Investments	1,207	1,262	1,262	1,262	1,262
Current Assets, Loans & Advances					
Inventory	4,647	5,586	5,057	5,871	6,819
Debtors	2,380	2,362	2,529	2,936	3,409
Cash & Bank balance	1,818	289	104	1,335	4,300
Loans & advances and others	2,196	2,150	2,330	2,535	2,740
Current Liabilities & Provisions					
Creditors	3,004	3,383	3,492	4,054	4,708
Other liabilities & provisions	3,627	4,296	3,600	4,200	4,800
Net Current Assets	4,409	2,709	2,928	4,422	7,760
Application of Funds	16,939	16,492	17,673	19,957	23,915

Per share data

Year-ended June 30	FY15	FY16*	FY17e	FY18e	FY19e
No. of shares (m)	127	127	127	127	127
BVPS (INR)	95.4	103.5	121.4	146.5	177.6
CEPS (INR)	36.3	25.6	41.7	51.4	60.0
DPS (INR)	9.0	7.5	10.0	11.0	12.0

Source: Company Antique

* Data for 9 months

Cash flow statement (INRm)

Year-ended June 30	FY15	FY16*	FY17e	FY18e	FY19e
EBT	4,487	3,390	5,537	7,043	8,389
Depreciation & amortisation	1,390	1,046	1,539	1,709	1,879
Interest expense	580	276	300	90	36
Other Adjustments	(57)	-	-	-	-
(Inc)/Dec in working capital	1,016	328	(405)	(264)	(372)
Tax paid	(1,263)	(1,178)	(1,784)	(2,223)	(2,648)
CF from operating activities	6,152	3,862	5,188	6,355	7,285
Capital expenditure	(1,724)	(2,244)	(2,500)	(2,500)	(2,500)
Net Investments	(133)	(55)	-	-	-
CF from investing activities	(1,858)	(2,300)	(2,500)	(2,500)	(2,500)
Inc/(Dec) in debt	(771)	(1,641)	(1,087)	(900)	-
Dividends & Interest paid	(1,951)	(1,390)	(1,786)	(1,725)	(1,819)
CF from financing activities	(2,722)	(3,032)	(2,873)	(2,625)	(1,819)
Net cash flow	1,572	(1,469)	(185)	1,230	2,965
Opening balance	246	1,818	289	104	1,335
Closing balance	1,818	349	104	1,335	4,300

Growth indicators (%)

Year-ended June 30	FY15	FY16*	FY17e	FY18e	FY19e
Revenue	6.1	(27.5)	48.5	16.1	16.1
EBITDA	2.7	(18.3)	49.4	19.6	15.4
PAT - Core operations	(0.9)	(12.8)	56.1	30.3	19.1
EPS - Core operations	(0.9)	(12.8)	56.1	30.3	19.1

Valuation (x)

Year-ended June 30	FY15	FY16*	FY17e	FY18e	FY19e
PE - Core Operations	47.0	53.9	34.5	26.5	22.2
PE - Consolidated (Excl EOI)	45.0	49.9	30.5	23.7	19.9
P/BV	9.4	8.7	7.4	6.1	5.1
EV/EBITDA	20.6	25.2	16.8	13.8	11.6
EV/Sales	2.9	3.9	2.6	2.2	1.9
Dividend Yield (%)	1.4	1.1	1.5	1.7	1.8

Financial ratios

Year-ended June 30	FY15	FY16*	FY17e	FY18e	FY19e
RoE (%)	22.6	18.1	26.3	28.3	27.9
RoCE (%)	25.7	21.4	31.6	35.2	35.7
Debt/Equity (x)	0.3	0.2	0.1	0.0	0.0
EBIT/Interest (x)	7.4	13.0	18.0	73.7	217.3

Margins (%)

Year-ended June 30	FY15	FY16*	FY17e	FY18e	FY19e
EBITDA	13.7	15.5	15.6	16.1	16.0
EBIT	10.5	12.1	12.3	13.0	13.2
PAT	6.2	7.7	8.5	9.4	9.7

Source: Company Antique

* Data for 9 months

Current Reco	: HOLD
Previous Reco	: HOLD
CMP	: INR511
Target Price	: INR560
Potential Return	: 10%

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Market data

Sensex	:	27,274
Sector	:	IT
Market Cap (INRbn)	:	107.1
Market Cap (USDbn)	:	1.604
O/S Shares (m)	:	210.2
52-wk HI/LO (INR)	:	624/404
Avg Daily Vol ('000)	:	129
Bloomberg	:	MPHLIN

Source: Bloomberg

Valuation

	FY17e	FY18e	FY19e
EPS (INR)	38.9	41.0	43.2
P/E(x)	13.1	12.5	11.8
P/BV(x)	1.6	1.5	1.5
EV/EBITDA(x)	8.5	7.4	6.8
Dividend yield (%)	3.8	4.0	4.2

Source: Bloomberg

Returns (%)

	1m	3m	6m	12m
Absolute	(7)	(2)	6	6
Relative	(3)	(0)	(3)	3

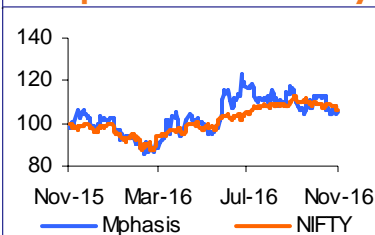
Source: Company, Antique

Shareholding pattern

Promoters	:	61%
Public	:	39%
Others	:	0%

Source: Bloomberg

Price performance vs Nifty



Source: Bloomberg Indexed to 100

2QFY17 RESULT REVIEW

Mphasis Limited

Soft quarter; HP at cusp of turnaround

Mphasis' 2QFY17 revenues of USD224.1 mn declined 0.2% QoQ, marginally below our estimate of USD227mn. HP business (HP; 24% of revenues) saw a sequential growth of 1.9% QoQ in USD terms, while Direct International (DI) declined 0.6% QoQ due to client specific issue. The management expects HP business to see moderate growth in 2HFY17, which we believe is a big positive given the declining revenue profile in this client for last few years. Further it maintained its stance DI growing ahead of industry growth rate in coming quarters. The company won TCV of USD83mn in DI, with 44% of these being in next generation services which have been the core area of investments and growth for the company. It has reiterated its margin EBIT margin guidance of 14%-16% range for 2HFY17 riding the improved traction in the newer technologies and focus on operational efficiencies.

HP business is shaping up as per management's expectations and stability returning in this segment, reduces overhang on the growth trajectory. DI was soft in 2QFY17 due to client specific issue which as per the company is not likely to recur in 2HFY17 and the company is on track to achieve industry growth rate in the DI riding the order book and healthy pipeline. We have built in 8%/7% USD revenue growth for FY18 and FY19 and maintain Hold recommendation as we roll over valuations to FY19 with target price of INR560 valuing it at 13x FY19e EPS.

Traction improving in HP; DI growth to bounce back in 2HFY17

DI saw a sequential decline of 0.6% QoQ. Within DI, Direct core (73% of DI) saw 0.2% sequential growth as client specific issue impacted growth during the quarter. Direct core has been the key focus area for the company and the company does not envisage client specific issue to recur in 2HFY17. Mphasis continues to invest in areas of digital, global risk and compliance (GRC) and IMS and this has resulted in strong deal wins in DI segment (USD83mn in 2QFY17 on the back of USD96mn in 1QFY17). HP business reported sequential growth after posting decline for nearly 5 years. On the EBIT margin front the company expects it to be in the 14-16% range for 2HFY17.

HP business: initial signs of turnaround

HP business after declining for nearly 5 years has seen sequential growth of 1.9% in USD terms. The company maintained its stance of stability in the HP account and expects it to grow moderately in 2HFY17. The company alluded that the margin in HP business are not dilutive and it does not require incremental investments for the moderate growth it expects in 2HFY17. The billing in HP account will be in USD versus INR earlier.

Outlook & Valuation

With improved traction in DI and growth offshoots seen in HP business, investors would watch out for consistency in growth trajectory along with EBIT margins being in the stated range. The stock currently trades at 12.5x / 11.8x FY18e /FY19e EPS and we maintain our Hold recommendation with a target price of INR560 (13x FY19e EPS).

Quarterly financials

INRm	2QFY17	1QFY17	QoQ (%)	2QFY16	YoY (%)
Revenue (USDmn)	224	224	(0.2)	237	(5.4)
Revenue	15,176	15,167	0.1	15,553	(2.4)
EBITDA	2,463	2,445	0.8	2,325	6.0
Profit after tax	2,107	2,043	3.2	1,961	7.5
EPS (INR)	10.0	9.7	3.2	9.0	11.5
Margins	2QFY17	1QFY17	QoQ (bps)	2QFY16	YoY (bps)
EBITDA	16.2	16.1	11	14.9	128
PBT	19.7	18.6	105	17.2	248
Net profit	13.9	13.5	42	12.6	128

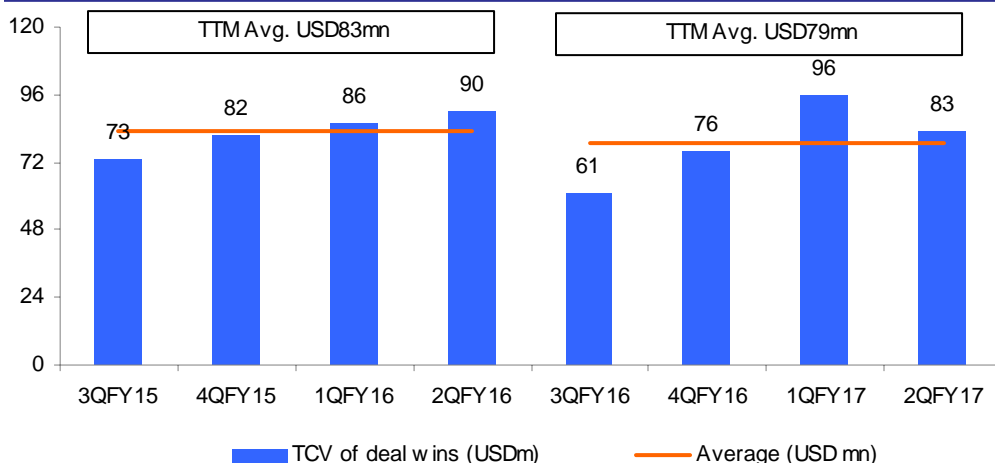
Source: Company, Antique

Quarterly Financials

INRm	2QFY17	1QFY17	QoQ (%)	2QFY16	YoY (%)
Revenue (USDmn)	224	224	(0.2)	237	(5.4)
Revenue	15,176	15,167	0.1	15,553	(2.4)
Cost of revenues	10,916	10,904	0.1	11,383	(4.1)
Gross profit	4,260	4,263	(0.1)	4,170	2.2
Operating expenses	1,797	1,818	(1.2)	1,845	(2.6)
EBITDA	2,463	2,445	0.8	2,325	6.0
Depreciation	140	137	2.2	179	(21.8)
EBIT	2,323	2,308	0.7	2,146	8.3
Interest and other income	665	519	28.1	531	25.2
PBT	2,988	2,827	5.7	2,677	11.6
Income tax	822	784	4.8	716	14.8
Exceptional items	(59)	0	NM	(53)	NM
Profit after tax	2,107	2,043	3.2	1,961	7.5
EPS (INR)	10.0	9.7	3.2	9.0	11.5
Margins	2QFY17	1QFY17	QoQ (bps)	2QFY16	YoY (bps)
EBITDA	16.2	16.1	11	14.9	128
EBIT	15.3	15.2	9	13.8	151
PBT	19.7	18.6	105	17.2	248
Net profit	13.9	13.5	42	12.6	128

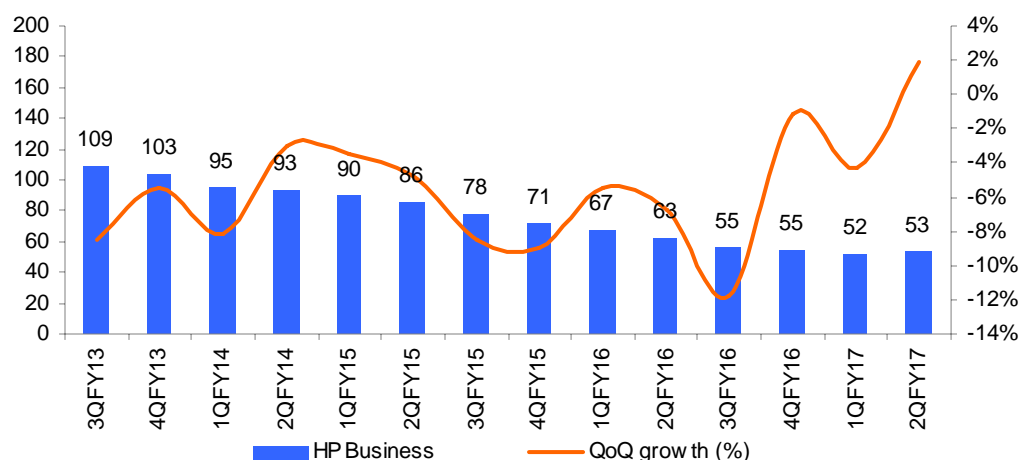
Source: Company, Antique

Deal momentum in DI continues to be strong



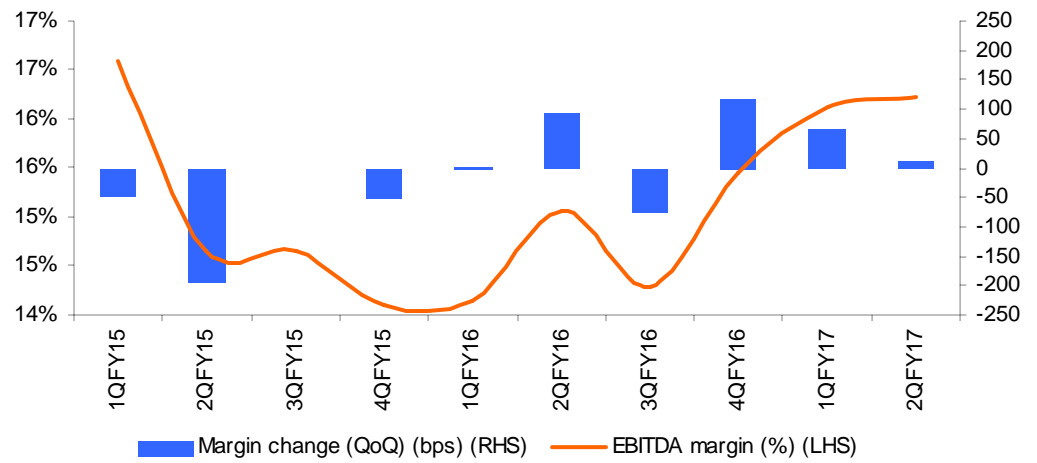
Source: Company, Antique

HP stabilising in USD50-55mn range; growth seen after several quarters of decline



Source: Company, Antique

EBITDA margin continues the uptrend for last three quarters



Source: Company, Antique

Financials

Profit and loss account (INRm)

Year-ended	March 31	FY15	FY16	FY17e	FY18e	FY19e
Net Revenue		57,949	60,879	61,079	66,711	71,397
Op. Expenses		49,248	51,909	51,483	55,999	60,156
EBITDA		8,701	8,970	9,596	10,712	11,241
Depreciation		980	744	584	700	750
EBIT		7,721	8,226	9,012	10,012	10,491
Other income		1,967	1,954	2,510	2,105	2,209
Interest Exp.		280	242	191	144	104
Extra Ordinary Items-gain/(loss)		(32)	(548)	(59)	-	-
Reported PBT		9,376	9,390	11,272	11,973	12,596
Tax		2,630	2,696	3,150	3,352	3,527
Reported PAT		6,746	6,694	8,122	8,620	9,069
Net Profit		6,746	6,694	8,122	8,620	9,069
Adjusted PAT		6,778	7,242	8,181	8,620	9,069
Adjusted EPS (INR)		32.3	34.5	38.9	41.0	43.2

Balance sheet (INRm)

Year-ended	March 31	FY15	FY16	FY17e	FY18e	FY19e
Share Capital		2,101	2,102	2,102	2,102	2,102
Reserves & Surplus		52,697	60,829	64,077	67,525	71,153
Networth		54,798	62,931	66,179	69,627	73,255
Debt		4,344	3,114	1,289	789	289
Minority Interest						
Net deferred Tax liabilities		(326)	(211)	(211)	(211)	(211)
Capital Employed		58,816	65,833	67,257	70,205	73,333
Gross Fixed Assets		10,055	9,300	10,800	11,800	12,900
Accumulated Depreciation		8,499	8,128	8,712	9,413	10,162
Capital work in progress		204	556	576	616	656
Net Fixed Assets		1,760	1,728	2,664	3,003	3,394
Goodwill		21,781	22,942	22,942	22,942	22,942
Investments		14,431	21,118	20,118	19,118	18,118
Non Current Investments		2,499	3,754	3,754	3,754	3,754
Current Investments		11,932	17,364	16,364	15,364	14,364
Current Assets, Loans & Adv.		35,369	32,365	34,969	38,793	42,720
Debtors		6,252	6,489	6,694	7,311	7,824
Cash & Bank balance		13,209	8,549	10,699	13,869	17,192
Loans & advances and others		15,908	17,326	17,577	17,612	17,703
Current Liabilities & Prov.		14,525	12,319	13,436	13,651	13,841
Liabilities		4,064	4,525	5,642	6,137	6,592
Provisions		10,462	7,794	7,794	7,514	7,248
Net Current Assets		20,844	20,045	21,533	25,142	28,879
Application of Funds		58,816	65,833	67,257	70,205	73,332

Per share data

Year-ended	March 31	FY15	FY16	FY17e	FY18e	FY19e
No. of shares (m)		210	210	210	210	210
Diluted no. of shares (m)		210	210	210	210	210
BVPS (INR)		261	300	315	331	349
CEPS (INR)		36.8	35.4	41.4	44.4	46.7
DPS (INR)		16.0	0.0	19.3	20.5	21.6

Source: Company, Antique

Cash flow statement (INRm)

Year-ended	March 31	FY15	FY16	FY17e	FY18e	FY19e
PBT		9,408	9,938	11,272	11,973	12,596
Depreciation & amortisation		981	773	584	700	750
Interest expense		234	194	191	144	104
(Inc)/Dec in working capital		(201)	281	662	(438)	(415)
Tax paid		(2,793)	(2,344)	(3,150)	(3,352)	(3,527)
Less: Interest/Div. Income Received		(1,354)	(1,411)	(2,097)	(2,105)	(2,209)
Other operating Cash Flow		(245)	(294)	-	-	-
CF from operating activities		6,030	7,138	7,462	6,922	7,299
Capital expenditure		(897)	(1,054)	(1,520)	(1,040)	(1,140)
Inc/(Dec) in investments		(4,049)	(1,962)	1,000	1,000	1,000
Add: Interest/Div. Income Received		1,282	1,429	2,097	2,105	2,209
CF from investing activities		(3,664)	(1,587)	1,577	2,065	2,069
Inc/(Dec) in share capital		1	1	-	-	-
Inc/(Dec) in debt		83	(1,461)	(1,825)	(500)	(500)
Dividend Paid		(1,947)	(4,223)	(5,064)	(5,316)	(5,546)
CF from financing activities		(1,863)	(5,683)	(6,889)	(5,816)	(6,046)
Net cash flow		503	(132)	2,150	3,171	3,323
Opening balance		3,532	13,209	8,549	10,699	13,869
Closing balance		4,035	13,077	10,699	13,869	17,192

Growth indicators (%)

Year-ended	March 31	FY15	FY16	FY17e	FY18e	FY19e
Revenue(%)		123.4	5.1	0.3	9.2	7.0
EBITDA(%)		97.9	3.1	7.0	11.6	4.9
Adj PAT(%)		119.3	6.9	13.0	5.4	5.2
Adj EPS(%)		119.3	6.9	13.0	5.4	5.2

Valuation (x)

Year-ended	March 31	FY15	FY16	FY17e	FY18e	FY19e
P/E		15.8	14.8	13.1	12.5	11.8
P/BV		2.0	1.7	1.6	1.5	1.5
EV/EBITDA		9.9	9.4	8.5	7.4	6.8
EV/Sales		1.5	1.4	1.3	1.2	1.1
Dividend Yield (%)		3.1	0.0	3.8	4.0	4.2

Financial ratios

Year-ended	March 31	FY15	FY16	FY17e	FY18e	FY19e
RoE (%)		12.8	12.3	12.7	12.7	12.7
RoCE (%)		17.1	16.3	17.3	17.6	17.7
Asset/T.O (x)		3.1	2.7	2.7	2.5	2.4
Net Debt/Equity (x)		-0.4	-0.4	-0.4	-0.4	-0.4
EBIT/Interest (x)		34.6	42.1	60.3	84.1	122.1

Margins (%)

Year-ended	March 31	FY15	FY16	FY17e	FY18e	FY19e
EBITDA Margin(%)		15.0	14.7	15.7	16.1	15.7
EBIT Margin(%)		13.3	13.5	14.8	15.0	14.7
PAT Margin(%)		11.3	11.5	12.9	12.5	12.3

Source: Company Antique

Current Reco	: BUY
Previous Reco	: BUY
CMP	: INR134
Target Price	: INR150
Potential Return	: 12%

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Market data

Sensex	:	27,274
Sector	:	Banks
Market Cap (INRbn)	:	92.1
Market Cap (USDbn)	:	1.379
O/S Shares (m)	:	687.4
52-wk HI/LO (INR)	:	174/104
Avg Daily Vol ('000)	:	3,239
Bloomberg	:	UNBK IN

Source: Bloomberg

Valuation

	FY17e	FY18e	FY19e
EPS (INR)	15.3	24.3	38.1
P/E (x)	8.8	5.5	3.5
P/ABV (x)	1.3	1.1	0.8
Dividend yield (%)	3.0	4.5	4.5

Source: Bloomberg

Returns (%)

	1m	3m	6m	12m
Absolute	(12)	1	14	(18)
Relative	(9)	3	5	(20)

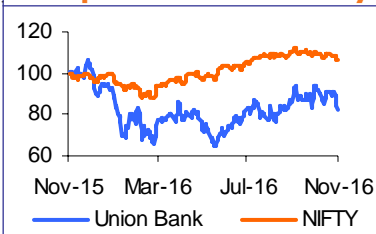
Source: Bloomberg

Shareholding pattern

Promoters	:	63%
Public	:	37%
Others	:	0%

Source: Bloomberg

Price performance vs Nifty



Source: Bloomberg, Indexed to 100

2QFY17 RESULT REVIEW

Union Bank of India

Modest quarter; asset quality outlook turning positive

Union Bank (UNBK) reported a tepid quarter with GNPLs increasing by 9.5% q-q led by fresh slippages of Rs33.96bn (5.3% annualized, ~6% q-q decline). GNPL ratio thus increased to 10.73% from 10.16% in 1QFY17 while healthy provisioning (65-70% on account of NPL ageing) enabled slight improvement in coverage ratio to 50.5% (43.2% excluding technical write-offs). Standard restructured advances declined to 2.10% from 2.7% in 1QFY17. Business growth revived with both deposits and advances portfolio growing by 6.7% q-q / 3.2% q-q respectively. Advances to Retail, Agriculture, and MSME segments grew by 17.8% y-y and now contributes ~55% of the domestic loan book. Management has guided for successive 15% q-q decline in fresh slippages over next few quarters while the credit cost for FY17/18 will remain similar at 1.7%/1.5% respectively on account of NPL ageing related provisions. We cut earnings and roll forward our valuations. Maintain BUY with PT of Rs150 (unchanged) based on 1.0x Sep-18E ABV.

Revenue growth revives; domestic NIMs improved by 7bp q-q

UNBK reported 11.6% y-y growth in total income led by 19% y-y growth in other income (boosted by treasury gains of Rs4.66 bn). NII stood at Rs22.77 bn representing 8.4% y-y growth led by pick-up in loan/investment growth and 7bp q-q improvement in domestic margins to 2.43%. Continued control on opex (3.2% y-y decline) helped deliver 29% y-y growth in operating profits at Rs18.2 bn. However sharp 275% y-y rise in provisions at Rs16.2 bn (65-70% provisions on account of NPL ageing) resulted in 80% y-y decline in PBT and 73% y-y decline in net earnings.

Asset quality remains under pressure; fresh slippages came in at Rs33.96bn (5.3% annualized)

UNBK reported fresh slippages of Rs33.96 bn (6% q-q decline) mainly led by steel, paper and pharma sectors. This included two lumpy accounts worth Rs4bn excluding which the slippages stood at Rs29bn. Slippages from restructured assets stood at Rs11.96 bn and resulted in 22% q-q decline in o/s std. restructured assets to 2.1% of loans. GNPL ratio thus increased to 10.73% from 10.16% in 1QFY17 while healthy provisioning enabled slight improvement in coverage ratio to 50.5% (43.2% excluding technical write-offs). UNBK undertook fresh SDR of Rs25.5bn (O/s: Rs46.8bn) and fresh 5/25 of Rs3.34bn (O/s: Rs39.28bn) while S4A assets stands at Rs2.75bn. UNBK has guided for 15% successive sequential decline in fresh slippages even as recoveries are likely to gather pace however the outstanding SMA-2 at Rs187.8bn (~7.1% of loans) still remains an overhang. The credit cost is likely to remain sticky largely on account of NPL ageing related provisions which alone accounted for 65-70% of total 2QFY17 provisions and UNBK has guided for a credit cost of 170bp/150 bp over FY17/18E respectively.

Tier-I has improved 17bp q-q to 8.56%; maintain 'BUY'

UNBK Tier-I capital has improved to 8.56% (8.06% core Tier-I) aided by Rs10bn of capital raising under AT-1. Besides the government has already announced to infuse Rs7.21bn of capital in the current financial year which we have built into our estimates. We thus project UNBK to end FY17 with total Tier-I of 8.5% even as it grows its loan book by ~10% during 2HFY17. UNBK's continued focus on RAM segments, improvement in CASA mix and focus on efficiency should reflect in return ratios, albeit gradually. Maintain "BUY" with PT of Rs150.

NII grew by 8.4% y-y led by pick-up in loan/investment growth and 7bp q-q improvement in domestic margins to 2.43%

Other income reported robust growth of 19% YoY driven by strong treasury income

Provisions continue remain high as higher provisioning towards NPL ageing

Business growth revived with both deposits and advances portfolio growing by 6.7% q-q / 3.2% q-q respectively. Advances to Retail, Agriculture, and MSME segments grew by 17.8% y-y

Domestic Margins expanded 7bps q-q however moderation in overseas margin impacted global NIM

Asset quality deteriorated further with GNPA ratio increases to 10.7%. Fresh slippages continues to remain higher at INR33.96bn with slippages from restructured book at INR11bn.

Tier-I capital has improved to 8.56% (8.06% core Tier-I) aided by Rs10bn of capital raising under AT-1.

Q2FY17 Financials - Revenue growth revives driven by higher other income; however higher provisioning continues to drag net earnings

(Rs mn)	Q2FY17	Q2FY16	YoY (%)	Q1FY17	QoQ (%)
Interest income	82,081	81,415	0.8	78,766	4.2
Interest Expenses	59,307	60,398	(1.8)	57,744	2.7
Net interest income (NII)	22,774	21,017	8.4	21,023	8.3
Other income	11,394	9,594	18.8	10,399	9.6
Total income	34,169	30,612	11.6	31,421	8.7
Operating expenses	15,972	16,505	(3.2)	15,171	5.3
-Staff expenses	8,736	10,055	(13.1)	8,590	1.7
-Other expenses	7,236	6,450	12.2	6,581	9.9
Operating profit	18,197	14,107	29.0	16,251	12.0
Core operating profit	13,537	11,517	17.5	13,091	3.4
Total provisions	16,203	4,325	274.6	13,530	19.8
Profit before tax	1,994	9,782	(79.6)	2,721	(26.7)
Tax	227	3,200	(92.9)	1,058	(78.5)
Profit after tax	1,767	6,582	(73.2)	1,663	6.2

(Rs mn)	Q2FY17	Q2FY16	YoY (%)	Q1FY17	QoQ (%)
Balance sheet					
Deposits	3,614,539	3,306,651	9.3	3,387,273	6.7
Advances	2,652,051	2,462,170	7.7	2,568,611	3.2
Gross NPA (Rs mn)	298,621	155,412	92.1	272,809	9.5
Net NPA (Rs mn)	169,479	83,349	103.3	158,247	7.1
O/S Std Restr. assets (Rs mn)	56,360	139,130	(59.5)	72,470	(22.2)

(Rs mn)	Q2FY17	Q2FY16	YoY (%)	Q1FY17	QoQ (%)
Profitability ratios					
Roaa	0.2	0.7	(51)	0.2	-
Roae	3.5	12.8	(934)	3.4	10
NIM	2.3	2.3	(4)	2.3	2
Yield on Advances	9.0	9.8	(86)	8.9	2
Cost of Funds	5.6	6.3	(67)	5.8	(24)
Asset Quality					
Gross NPL ratio	10.7	6.1	461	10.2	57
Net NPL ratio	6.4	3.4	300	6.2	23
Coverage ratio	43.2	46.4	(312)	42.0	125
Rest. Assets/ Total adv.	2.1	5.7	(353)	2.8	(70)
Business & Other Ratios					
Low-cost deposit mix	31.5	28.6	290	31.5	-
Cost-income ratio	46.7	53.9	(717)	48.3	(154)
Non int. inc / total income	33.3	31.3	201	33.1	25
Credit deposit ratio	73.4	74.5	(109)	75.8	(246)
CAR	11.2	10.3	93	10.8	44
Tier-I	8.6	7.7	89	8.4	17

Source: Company, Antique

Loan book growth led by Retail & MSME, while Large corporate book saw contraction; the share of RAM* advances increased to 55% from 51% in 2QFY16

Loan book break-up	Q2FY17	Q2FY16	YoY (bps)	Q1FY17	QoQ (bps)
Retail Loans	388,470	336,210	15.5	372,420	4.3
Agri Loans	411,590	361,580	13.8	391,720	5.1
MSME Loan	582,680	475,890	22.4	553,490	5.3
International Loans	264,800	246,830	7.3	256,180	3.4
Large Corporate & Others	1,001,195	1,119,710	(10.6)	994,801	0.6
Total Loan Book	2,783,680	2,555,530	8.9	2,685,530	3.7

Source: Company, Antique

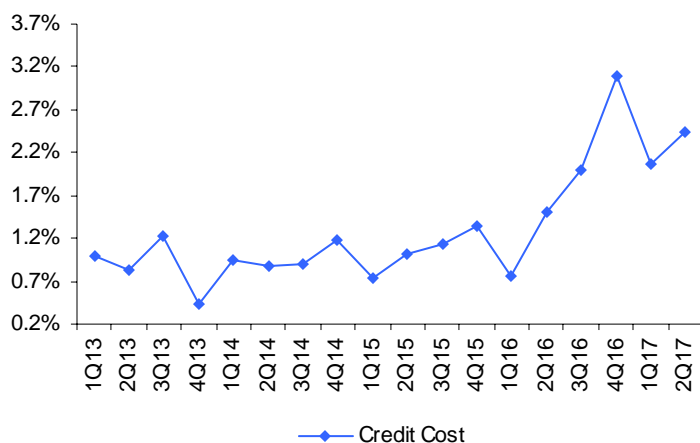
*RAM - Retail, Agri, MSME

Slippage ratio declined to 5.29% vs 5.39% in 1QFY17

Union	2QFY15	3QFY15	4QFY15	1QFY16	2QFY16	3QFY16	4QFY16	1QFY17	2QFY17
Opening	102,325	114,616	125,960	130,310	141,440	155,410	1,84,950	241,710	272,810
Additions	19,680	17,380	15,470	15,080	19,310	34,090	61,700	36,030	33,960
Upgrades/Recoveries	5,580	3,860	8,670	2,380	2,640	1,960	3,950	4,930	8,150
Gross NPAs	114,616	125,960	130,310	141,440	155,410	184,950	2,41,710	272,810	298,620
Slippages(% of Loans)	3.36%	2.92%	2.56%	2.36%	3.11%	5.54%	9.73%	5.39%	5.29%
Fresh Restructuring	9,310	12,120	23,680	7,520	4,430	-	1,090	0	0
O/s Standard Restructured	126,030	123,470	136,580	141,250	139,130	136,170	85,270	72,470	56,360
Restructured (% of loans)	5.30%	5.10%	5.30%	5.70%	5.70%	5.40%	3.20%	2.82%	2.13%

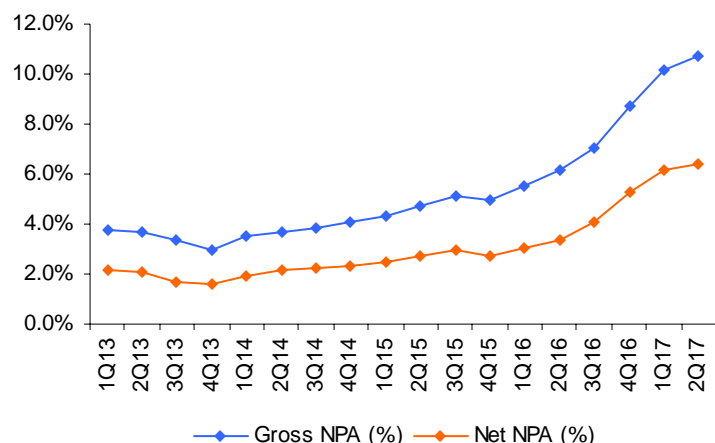
Source: Company, Antique

Credit cost increases to 2.34% however management guided for lower credit cost during 2HFY17



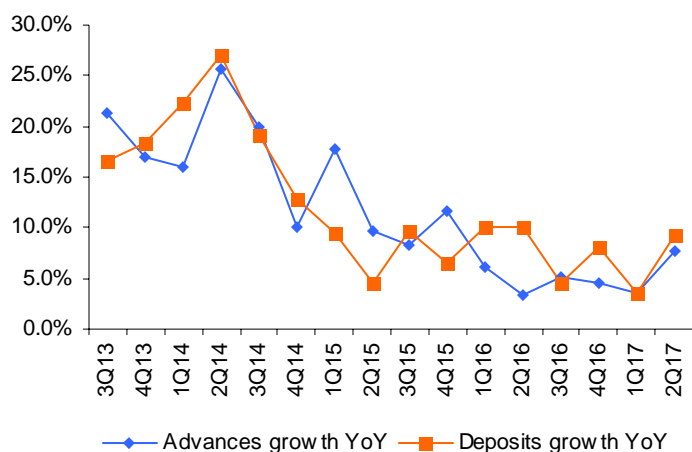
Source: Company, Antique

Asset quality deteriorates on high slippages



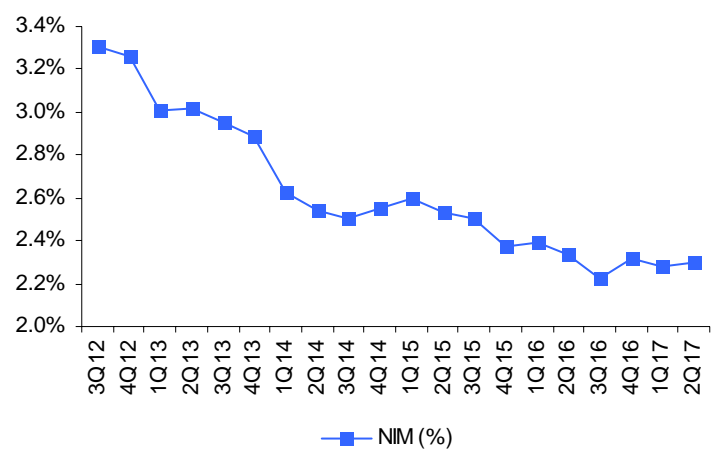
Source: Company, Antique

Business growth continues to remain sluggish, marginally improves on sequential basis



Source: Company, Antique

Margins remain stable at 2.3%



Source: Company, Antique

Return ratios to move up gradually

RoA decomposition	FY15	FY16	FY17E	FY18E	FY19E
Interest income/Assets	8.7	8.2	7.8	7.7	7.6
Interest expenses/Assets	6.4	6.1	5.8	5.6	5.4
Net interest income/Assets	2.3	2.1	2.0	2.1	2.2
Treasury income/Assets	0.2	0.2	-	-	-
Other Inc. from operations/Assets	1.0	0.9	1.0	1.0	0.9
Total income/Assets	3.3	3.0	3.0	3.1	3.1
Employee expenses/Assets	1.0	0.9	0.9	0.9	0.8
Other operating expenses/Assets	0.6	0.7	0.6	0.6	0.6
Operating profit/Assets	1.6	1.4	1.4	1.6	1.7
Tax/Assets	0.3	0.1	0.1	0.1	0.2
Loan loss provisions/Assets	0.8	1.0	1.1	1.0	1.0
Net profit/Assets	0.5	0.3	0.3	0.4	0.5

Source: Company, Antique

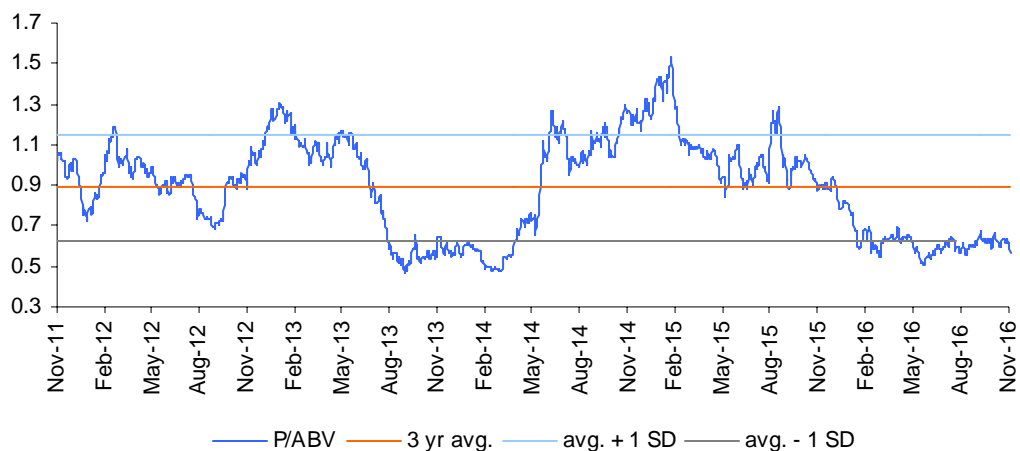
We maintain our BUY rating with PT to INR150 based on 1.0x Sep-18e ABV

PT calculation and upside

Fair price - EVA	152
Fair price - P/ABV	147
Average of the two	150
Target P/ABV	1.0
Target P/E	4.8
Current price, Rs	134
Upside (%)	12%
Dividend yield (%)	1%
Total return (%)	13%

Source: Company, Antique

Union Bank historical one year forward P/ABV trends



Source: Company, Antique

Financials

Profit and loss account (INRm)

Year-ended	March 31	FY15	FY16	FY17e	FY18e	FY19e
Interest Income	320,840	321,988	331,752	361,133	401,110	
Interest Expense	236,401	238,857	246,169	262,369	284,728	
Net Interest Income	84,439	83,131	85,583	98,764	116,382	
% NII Growth	7.2	(1.5)	2.9	15.4	17.8	
Treasury Income	7,087	9,160	-	-	-	
Non-interest income	35,230	36,317	41,983	45,551	48,512	
Net Revenue	119,669	119,448	127,566	144,316	164,894	
Employees Expenses	37,855	36,993	39,028	41,408	43,934	
Other Op. Expenses	23,579	26,029	27,323	28,861	30,798	
Operating Profit	58,235	56,426	61,215	74,047	90,162	
% OP Growth	11.6	-3.1	8.5	21.0	21.8	
Tax	10,017	4,138	3,837	6,999	10,982	
Total Provisions	30,401	38,772	46,456	49,050	50,940	
Net Profit	17,816	13,516	10,922	17,997	28,240	

Balance sheet (INRm)

Year-ended	March 31	FY15	FY16	FY17e	FY18e	FY19e
Capital	6,358	6,874	7,408	7,408	7,408	
Reserves and Surplus	191,251	222,038	235,996	249,530	273,308	
Deposits	3,168,699	3,427,200	3,721,939	4,149,962	4,693,607	
Borrowings	353,600	309,574	369,502	426,392	503,660	
Other Liabilities & Provisions	96,252	81,273	97,528	117,034	140,440	
Total liabilities	3,816,160	4,046,959	4,432,373	4,950,327	5,618,424	
Cash & Balances with RBI	150,631	156,047	159,566	178,478	202,693	
Bal. with banks/ call money	73,149	136,715	77,737	86,951	98,748	
Investment	940,930	892,083	1,083,555	1,180,052	1,326,186	
Loans and advances	2,556,546	2,673,540	2,903,464	3,275,108	3,736,898	
Fixed Assets	26,820	39,399	40,975	42,614	44,318	
Other Assets	68,084	149,175	167,076	187,125	209,580	
Total assets	3,816,160	4,046,959	4,432,373	4,950,327	5,618,424	

Per share data (INR)

Year-ended	March 31	FY15	FY16	FY17e	FY18e	FY19e
Book value per share (INR)	288	288	294	312	344	
Adj. BVPS (INR)	212	153	107	120	166	
Price/ Adj. Book value	0.6	0.9	1.3	1.1	0.8	
EPS(INR)	28.1	20.4	15.3	24.3	38.1	
P/E Ratio	4.8	6.6	8.8	5.5	3.5	

Asset Quality

Year-ended	March 31	FY15	FY16	FY17e	FY18e	FY19e
Gross NPA (INRm)	130,309	241,699	335,389	364,079	371,227	
Gross NPA (%)	5.10	9.04	11.55	11.12	9.93	
Net NPA (INRm)	69,190	140,260	197,629	202,837	188,326	
Net NPA (%)	2.71	5.25	6.81	6.19	5.04	
% coverage of NPA	47	42	41	44.3	49.3	
Delinquencies (%)	1.8	4.5	4.4	3.1	2.8	

Source: Company, Antique

Capital Adequacy Ratio

Year-ended	March 31	FY15	FY16	FY17e	FY18e	FY19e
RWA (INRm)	2,531,620	2,737,910	2,902,732	3,162,817	3,519,583	
Tier I (%)	7.5	8.1	8.5	8.1	8.0	
Tier II (%)	2.7	2.4	2.6	2.7	2.7	
Total CAR (%)	10.2	10.6	11.1	10.8	10.7	

Business Ratios

Year-ended	March 31	FY15	FY16	FY17e	FY18e	FY19e
Credit / Deposit(%)	80.7	78.0	78.0	78.9	79.6	
Investment / Deposit (%)	29.7	26.0	29.1	28.4	28.3	
CASA (%)	29.2	32.3	32.0	32.7	33.1	
RoA (%)	0.5	0.3	0.3	0.4	0.5	
Core RoE (%)	10.1	7.0	5.2	8.0	11.6	
Dividend Yield (%)	5.4	1.8	3.0	4.5	4.5	

Key assumptions

Year-ended	March 31	FY15	FY16	FY17e	FY18e	FY19e
Deposit						
Deposit growth (%)	6.4	8.2	8.6	11.5	13.1	
Cost of deposits (%)	7.0	6.7	6.4	6.2	6.0	
Advances						
Advances growth (%)	11.6	4.6	8.6	12.8	14.1	
Yield on advances (%)	9.9	9.0	8.8	8.7	8.6	
Investments						
Investments growth (%)	0.4	(5.2)	21.5	8.9	12.4	
Yield on investments (%)	8.3	8.3	8.0	7.8	7.6	

Earnings Ratios

Year-ended	March 31	FY15	FY16	FY17e	FY18e	FY19e
Interest Inc. / Avg. assets (%)	8.7	8.2	7.8	7.7	7.6	
Interest Exp./ Avg. assets (%)	6.4	6.1	5.8	5.6	5.4	
NIM (%)	2.3	2.1	2.0	2.1	2.2	
Int. exp/ Int earned (%)	73.7	74.2	74.2	72.7	71.0	
Oth. Inc./ Tot. Inc. (%)	29.4	30.4	32.9	31.6	29.4	
Staff exp/Total opt. exp (%)	61.6	58.7	58.8	58.9	58.8	
Cost/ Income Ratio (%)	51.3	52.8	52.0	48.7	45.3	
Prov./ Operating Profit (%)	52.2	68.7	75.9	66.2	56.5	
Loan loss prov./Avg. loans (bps)	125.4	148.3	166.6	158.8	145.3	

RoA decomposition

Year-ended	March 31	FY15	FY16	FY17e	FY18e	FY19e
Interest income/ Assets	8.7	8.2	7.8	7.7	7.6	
Interest expenses/ Assets	6.4	6.1	5.8	5.6	5.4	
Net interest income/Assets	2.3	2.1	2.0	2.1	2.2	
Treasury income/Assets	0.2	0.2	-	-	-	
Other Inc. from operations/Assets	1.0	0.9	1.0	1.0	0.9	
Total income/Assets	3.3	3.0	3.0	3.1	3.1	
Employee expenses/Assets	1.0	0.9	0.9	0.9	0.8	
Other operating expenses/Assets	0.6	0.7	0.6	0.6	0.6	
Operating profit/Assets	1.6	1.4	1.4	1.6	1.7	
Tax/Assets	0.3	0.1	0.1	0.1	0.2	
Loan loss provisions/Assets	0.8	1.0	1.1	1.0	1.0	
Net profit/Assets	0.5	0.3	0.3	0.4	0.5	

Source: Company Antique

Current Reco	: BUY
Previous Reco	: BUY
CMP	: INR230
Target Price	: INR270
Potential Return	: 17%

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2QFY17 RESULT REVIEW

Century Plyboards (I) Limited

GST and entry into MDF to drive growth ahead

Century Plyboards (CPBI) 2QFY17 revenue came in at INR 4.6bn (+4.6% YoY), broadly in-line with our expectations. Top-line was supported by the Laminate business which grew 10.7% YoY, while the Plywood segment grew merely by 2.2% YoY, due to both tepid demand as well as strong base. EBITDA margin was largely flat YoY at 16.4% as the strong performance of the Laminate business was nullified by margin decline in the Plywood business. Consequently, EBITDA came in at INR 757mn (+2.5% YoY). Depreciation remained on the higher side and increased by 18% YoY due to the capitalisation of the newly added laminate capacity, though interest expense remained benign as bulk of the annual planned capex is set to be in the 2H. As a result, net income grew 6.5% YoY to INR493mn, in line with our estimate of INR500mn. Given the muted growth in 1H, we are cutting our FY17e/18e revenue estimates by 4.8%/1.2% and earnings estimates by 8%/1.2% respectively. We are also introducing our FY19e estimates wherein we expect CPBI to clock revenue/net income growth of 14.6%/22.2% respectively. We rollover our valuation to FY19e and increase our target price to INR 270 (from INR 204 earlier), valuing the company at 22x FY19e EPS. We maintain our Buy rating on the stock.

Market data	
Sensex	: 27,274
Sector	: Mid Cap
Market Cap (INRbn)	: 51.0
Market Cap (USDbn)	: 0.765
O/S Shares (m)	: 222.2
52-wk HI/LO (INR)	: 268/135
Avg Daily Vol ('000)	: 328
Bloomberg	: CPBI IN

Source: Bloomberg

	FY17e	FY18e	FY19e
EPS (INR)	7.5	10.1	12.3
P/E (x)	30.9	22.9	18.7
P/BV (x)	7.5	5.8	4.5
EV/EBITDA (x)	18.6	14.3	11.8
Dividend yield (%)	0.4	0.4	0.4

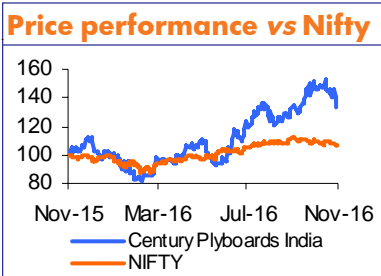
Source: Bloomberg

Returns (%)				
	1m	3m	6m	12m
Absolute	(12)	8	23	28
Relative	(8)	9	13	24

Source: Bloomberg

Shareholding pattern	
Promoters	: 72%
Public	: 23%
Others	: 0%

Source: Bloomberg



Source: Bloomberg, Indexed to 100

Poor demand and strong base quarter weigh in on Plywood performance

Volume in the plywood segment including the face veneers and deco plywoods declined by 0.8% on back of combination of the following factors (1) poor demand in the urban markets on back of benign demand from real estate sector, (2) strong base last year in the same quarter. In October 2015, the company had taken a price hike (followed by a second hike in 4QFY16), which encouraged dealers to stock up on inventory during same quarter last year. Sainik volumes were largely flat during the quarter (~13,400 cbm) though realisation for Sainik continued to dip. Realisation levels for the premium ply segment improved ~10% YoY though for the whole plywood business it was up only by ~2.4% YoY as Sainik and face veneer realisations were a drag. Management is confident that CPBI will be able to demonstrate good 10% growth in the ply segment volume in FY17e through a stronger 2H as the base becomes weak. CPBI is against the approach of cutting prices to drive volume growth and thus has lagged its peers though has managed to replicate the strong ~16% EBITDA margin in the ply segment.

Capacity utilization ramp-up supports Laminates segment growth

Laminates volume grew by a strong ~29% as utilization levels of recently installed capacity ramped up fully during the quarter. However, blended realisation for the laminates business declined 5% YoY, largely due to lower realisations for both laminates and exports. Lamination capacity is currently running at ~100% utilization, and this asset can be sweated to ~120-125% in the near future before two more lamination production lines come online in FY18.

MDF plant to be commissioned by 4QFY17; confident of achieving a 60% utilisation in FY18

CPBI's MDF project plans are running on track and the facility should commence operations in 4QFY17. The plant will have a capacity of ~220k cbm per year with easy access to timber in the nearby vicinity. Total capex for the plant has been envisioned at ~Rs 3.8 bn of which ~Rs 1.6 bn has been incurred as on 2QFY17. CPBI expects the plant to reach 60% capacity utilization in FY18e (given that ~40% of India's MDF requirement is still imported) and touch EBITDA margin of north of 25%. On the positive side, CPBI guided for a INR600mn lower capex in FY17 compared to last time on back of incremental import duty benefits on the machinery for the MDF plant.

Rolling over to FY19e estimates; maintain Buy

Given the slow performance in 1HFY17 (~7.5% revenue growth, ~6.0% net income growth), we are revising our FY17e/18e revenue/earnings estimates lower by 4.8%/1.2% and 8.8%/1.2% respectively. We also introduce our FY19e estimates wherein we expect CPBI to clock revenue/net income growth of 14.6%/22.2% respectively as new laminates capacity as well as the MDF plant production would pick up pace. We roll forward our valuation to FY19e and raise our target price to Rs 270 (Rs 204 earlier), valuing the company at 22x FY19e. We maintain our Buy rating on the stock.

Quarterly table with segment reporting

Particulars	2QFY17	2QFY16	YoY (%)	1QFY17	QoQ (%)	FY16	FY15	YoY (%)
Net Sales	4,593	4,391	4.6	4,036	13.8	16,469	15,525	6.1
Other Op. Income	34	31	9.7	21	61.6	116	123	(6.0)
Total Op. Income	4,627	4,422	4.6	4,058	14.0	16,585	15,648	6.0
Expenditure	3,870	3,684	5.1	3,374	14.7	13,710	13,006	5.4
Raw Materials	1,513	1,899	(20.3)	1,439	5.2	6,256	6,584	(5.0)
Cost of traded goods	891.6	444.6	100.5	606.4	47.0	2,175.9	1,926.6	12.9
Staff Cost	624	568	10.0	638	(2.1)	2,306	1,933	19.3
Other Expenditure	841	772	9.0	691	21.8	2,971	2,562	16.0
Operating Profit	757	738	2.5	683	10.8	2,875	2,642	8.8
OPM (%)	16.4	16.7	(34)	16.8	(48)	17.3	16.9	45bps
Other Income	13.1	4.9	165.5	8.0	63.1	16.3	36.5	(55.3)
Interest	60.3	134.7	(55.3)	88.7	(32.1)	467.3	432.9	7.9
Depreciation	126	107	17.5	93	36.4	446	448	(0.4)
Exceptional income	0	0		(6)		0	0	
PBT	584	501	16.4	505	15.7	1,978	1,798	10.0
Tax	91	39	135.4	80	14.0	297	290	2.4
PAT	493	463	6.5	425	16.0	1,681	1,508	11.4
Adjusted PAT	493	463	6.5	431	14.4	1,681	1,508	11.4
NPM (%)	10.7	10.5	19	10.7	6	10.2	9.7	49bps

Source: Company, Antique

EBIT

Particulars (INRm)	2QFY17	2QFY16	YoY (%)	1QFY17	QoQ (%)	FY16	FY15	YoY (%)
Plywood & allied products	492.0	517.0	(4.8)	436.1	12.8	1,835.2	1,866.9	(1.7)
Laminate & allied products	171.0	104.6	63.5	117.6	45.4	447.3	229.6	94.8
CFS	56.3	56.2	0.1	78.6	(28.4)	281.8	217.7	29.4
Others	(33.3)	(4.3)	679.5	(3.7)	810.8	(16.8)	(27.7)	(39.1)
Total	686.0	673.6	1.8	628.7	9.1	2,547.4	2,286.5	11.4

Source: Company, Antique

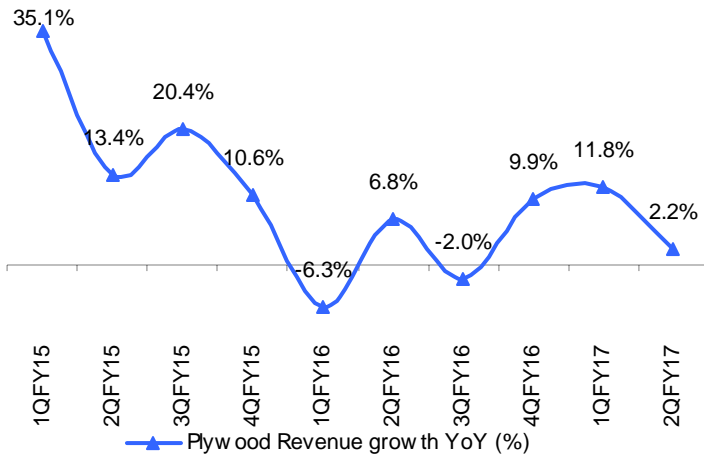
EBIT Margin (%)

Particulars (INRm)	2QFY17	2QFY16	YoY (%)	1QFY17	QoQ (%)	FY16	FY15	YoY (%)
Plywood & allied products	15.1%	16.3%	-112 bps	15.2%	-7 bps	15.6%	16.3%	-64 bps
Laminate & allied products	17.5%	11.8%	564 bps	14.8%	267 bps	13.3%	7.8%	552 bps
CFS	26.7%	28.6%	-194 bps	33.8%	-709 bps	33.2%	30.8%	246 bps
Others	-21.2%	-3.2%	-1,796 bps	-2.3%	-1,895 bps	-3.0%	-6.3%	329 bps
Total	14.9%	15.4%	-46 bps	15.5%	-61 bps	15.5%	14.7%	74 bps

Source: Company, Antique

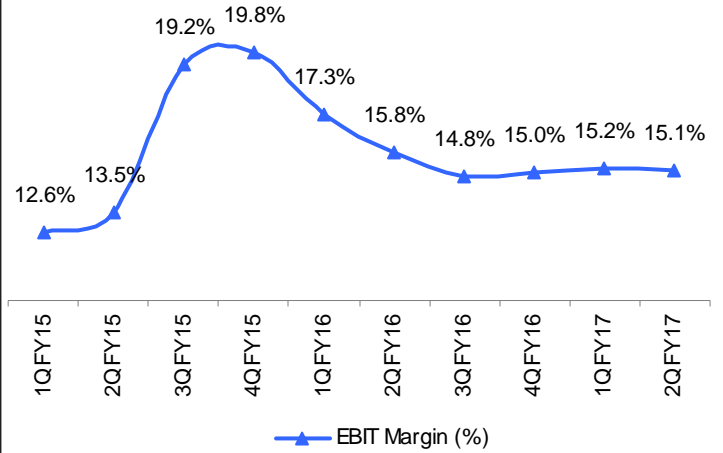
Plywood division performance

Plywood revenue growth YoY (%)



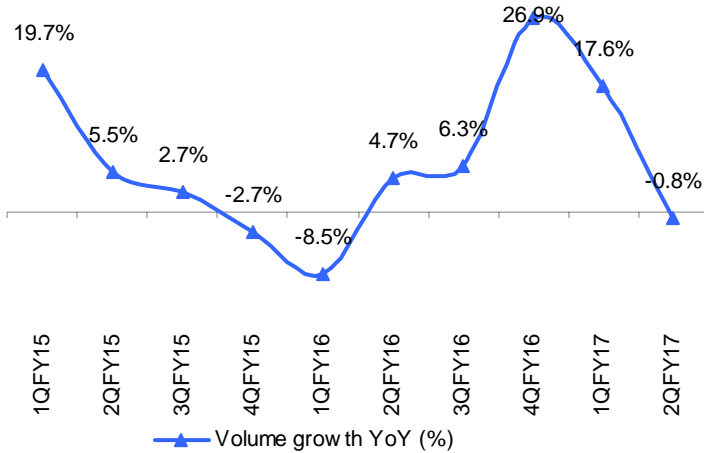
Source: Company, Antique

EBIT margin (%)



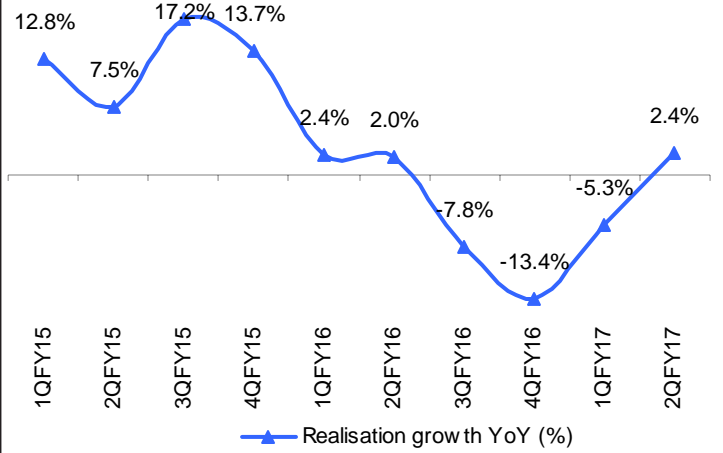
Source: Company, Antique

Volume growth YoY (%)



Source: Company, Antique

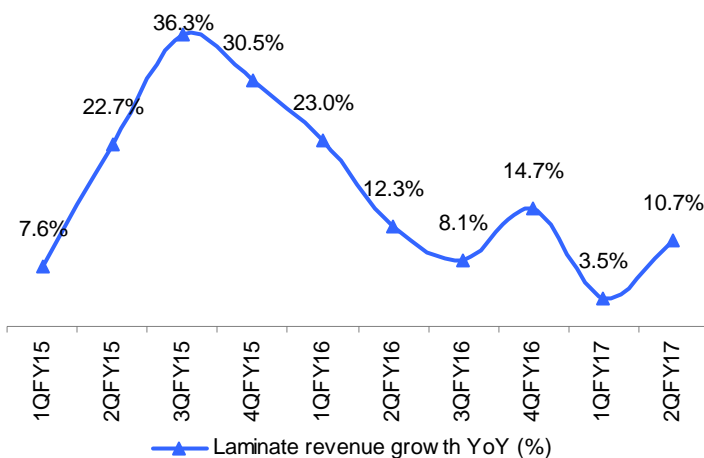
Realisation growth YoY (%)



Source: Company, Antique

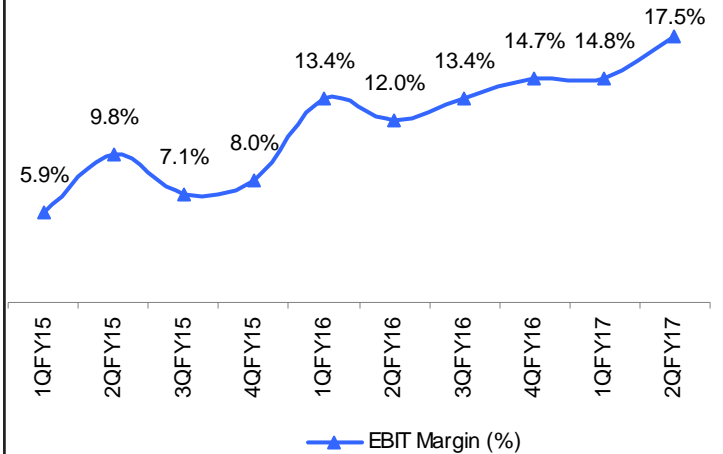
Laminate division performance

Laminate revenue growth YoY (%)



Source: Company, Antique

EBIT margin (%)



Source: Company, Antique

Financials

Profit and loss account (INRm)

Year ended 31 Mar	FY15	FY16	FY17e	FY18e	FY19e
Revenues	15,884	16,637	17,810	22,771	26,086
Expenses	13,181	13,702	14,785	18,846	21,500
Operating Profit	2,703	2,935	3,026	3,925	4,585
Other income	33	11	30	20	20
EBIDT	2,736	2,946	3,056	3,945	4,605
Depreciation	485	484	517	707	900
Interest expense	456	481	550	555	430
Profit before tax	1,796	1,981	1,988	2,684	3,275
Taxes incl deferred taxation	296	301	318	429	524
PAT before MI & EO Items	1,500	1,680	1,670	2,254	2,751
Minority Interest	9	8	10	12	14
Share in P/L of associates	(1)	-	-	-	-
Profit after tax	1,490	1,672	1,660	2,242	2,737
Reported EPS (INR)	6.7	7.5	7.5	10.1	12.3

Balance sheet (INRm)

Year ended 31 Mar	FY15	FY16	FY17e	FY18e	FY19e
Share Capital	223	223	223	223	223
Reserves & Surplus	3,671	5,104	6,504	8,486	10,963
Networth	3,894	5,327	6,727	8,709	11,186
Minority Interest	55	90	100	112	126
Debt	5,138	4,194	5,800	5,300	3,300
Deferred Tax Liability	8	7	7	7	7
Capital Employed	9,095	9,618	12,633	14,127	14,618
Gross Fixed Assets	4,607	5,887	6,287	10,337	10,837
Accumulated Depreciation	2,151	2,635	3,152	3,859	4,759
Net Assets	2,456	3,252	3,135	6,478	6,078
Capital work in progress	326	400	3,000	150	150
Goodwill	0	0	0	0	0
Investments	4	2	2	2	2
Deferred Tax Assets	70	137	137	137	137
Current Assets					
Inventory	3,322	2,975	3,172	4,055	4,645
Debtors	2,683	2,873	3,025	3,806	4,288
Cash & Bank balance	374	389	700	267	265
Loans & advances and others	1,439	1,765	1,860	1,980	2,100
Current Liabilities & Prov					
Creditors	622	869	900	1,000	1,100
Other liabilities & provisions	959	1,306	1,497	1,747	1,947
Net Current Assets	6,239	5,827	6,360	7,360	8,251
Application of Funds	9,095	9,618	12,633	14,127	14,618

Per share data

Year ended 31 Mar	FY15	FY16	FY17e	FY18e	FY19e
No. of shares (m)	223	223	223	223	223
BVPS (INR)	17.5	23.9	30.2	39.1	50.3
CEPS (INR)	8.9	9.7	9.8	13.3	16.3
DPS (INR)	1.8	1.0	1.0	1.0	1.0

Source: Company, Antique

Cash flow statement (INRm)

Year ended 31 Mar	FY15	FY16	FY17e	FY18e	FY19e
EBT	1,796	1,973	1,978	2,672	3,261
Depreciation & amortisation	485	484	517	707	900
Interest expense	456	481	550	555	430
Interest / Dividend received	(16)	-	-	-	-
Other Adjustments	(19)	21	-	-	-
(Inc)/Dec in working capital	(877)	359	(222)	(1,434)	(893)
Tax paid	(337)	(301)	(318)	(429)	(524)
CF from operating activities	1,488	3,017	2,506	2,070	3,175
Capital expenditure	(751)	(1,354)	(3,000)	(1,200)	(500)
Net Investments	43	2	-	-	-
Income from investments	836	-	-	-	-
CF from investing activities	128	(1,352)	(3,000)	(1,200)	(500)
Inc/(Dec) in debt	(649)	(944)	1,606	(500)	(2,000)
Dividends & Interest paid	(927)	(742)	(810)	(815)	(690)
Other Adjustments	(52)	35	10	12	14
CF from financing activities	(1,629)	(1,651)	806	(1,303)	(2,676)
Net cash flow	(13)	14	311	(433)	(2)
Opening balance	387	374	389	700	267
Closing balance	374	389	700	267	265

Growth indicators (%)

Year ended 31 Mar	FY15	FY16	FY17e	FY18e	FY19e
Revenue	17.7	4.9	7.9	27.9	14.6
EBITDA	70.8	8.6	3.1	29.7	16.8
PAT	147.2	12.2	(0.7)	35.1	22.1
EPS	147.2	12.2	(0.7)	35.1	22.1

Valuation (x)

Year ended 31 Mar	FY15	FY16	FY17e	FY18e	FY19e
PE	34.4	30.7	30.9	22.9	18.7
P/BV	13.6	9.5	7.5	5.8	4.5
EV/EBITDA	20.7	18.8	18.6	14.3	11.8
EV/Sales	3.6	3.3	3.2	2.5	2.1
Dividend Yield (%)	0.8	0.4	0.4	0.4	0.4

Financial ratios

Year ended 31 Mar	FY15	FY16	FY17e	FY18e	FY19e
RoE (%)	42.6	35.7	27.1	28.7	27.2
RoCE (%)	25.0	26.2	22.7	24.1	25.7
Debt/Equity (x)	1.3	0.8	0.8	0.6	0.0
EBIT/Interest (x)	4.9	5.1	4.6	5.8	8.6

Margins (%)

Year ended 31 Mar	FY15	FY16	FY17e	FY18e	FY19e
EBITDA	17.2	17.8	17.0	17.2	17.6
EBIT	14.3	14.9	14.3	14.2	14.2
PAT	9.5	10.1	9.3	9.8	10.5

Source: Company Antique

Events Calendar

Nov 2016

Monday	Tuesday	Wednesday	Thursday	Friday	Saturday	Sun
7 Nov	8 Nov	9 Nov	10 Nov	11 Nov	12 Nov	13Nov
Godrej Consumer ICICI Bank Shree Cement Ceat HSIL	Ashok Leyland Bharat Forge Repc Home Finance PTC India Fin Serv BHEL KEC Intl	Apollo Tyres Bosch Honeywell Automation NCC Orient Cement REC	Thermax Manappuram Fin Motherson Sumi Blue Star Minda Industries	FAG Bearings Mahindra & Mahindra Bank of Baroda BPCL Muthoot Finance	Atul Auto Hindalco Ind	
14 Nov	15 Nov	16 Nov	17 Nov	18 Nov	19 Nov	20Nov
	Container Corp HPCL					
21 Nov	22 Nov	23 Nov	24 Nov	25 Nov	26 Nov	27Nov
28 Nov	29 Nov	30 Nov				

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