

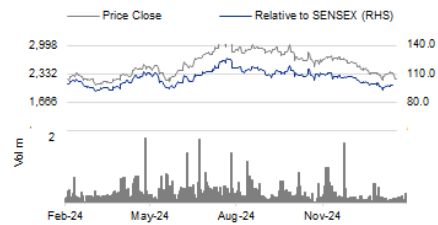
India

**REDUCE** (no change)

Consensus ratings\*: Buy 10 Hold 5 Sell 5

Current price:	Rs1,913
Target price:	Rs1,432
Previous target:	Rs1,514
Up/downside:	-25.1%
InCred Research / Consensus:	-36.6%
Reuters:	DPNT.NS
Bloomberg:	DN IN
Market cap:	US\$3,001m
	Rs260,899m
Average daily turnover:	US\$10.1m
	Rs877.8m
Current shares o/s:	136.4m
Free float:	50.8%

\*Source: Bloomberg



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	(18.9)	(28.4)	(16.2)
Relative (%)	(18.2)	(26.8)	(19.7)

Major shareholders	% held
Promoter & Promoter Group	49.2
LIC India	9.5
Franklin India	2.4

Research Analyst(s)



Satish KUMAR

T (91) 22 4161 1562

E satish.kumar@incredresearch.com

Abbas PUNJANI

T (91) 22 4161 1598

E abbas.punjani@incredresearch.com

# Deepak Nitrite Ltd

## Earnings growth is difficult to come by

- Deepak Nitrite's upcoming capex drive, which includes MIBK and MIBC, may not significantly boost its earnings. EPS CAGR to be 10% over FY25F-27F.
- Consensus earnings projections for the company appear overly optimistic, with limited profit contribution expected from MIBK and MIBC in FY26F & FY27F.
- Return ratios will fall; however, the valuation remains sky high. We reiterate REDUCE rating on the stock with a 12-month target price of Rs1,432.

### Earnings growth to remain muted but consensus over-optimistic

Deepak Nitrite is undertaking a significant capital expenditure (capex) drive to expand its product portfolio, including the manufacturing of MIBK, MIBC, and polycarbonate. The new MIBK and MIBC capacities are set to be operational by 2HFY26F, while polycarbonate production is planned for end-2027F. Deepak Nitrite's MIBK and MIBC production is set to begin in 2HFY26F, with potential gross profit contribution of Rs2bn in FY26F, assuming 100% capacity utilization (in 2HFY26F) and historical mean gross spreads. Deepak Nitrite is also facing headwinds as falling acetone prices and spread squeeze between acetone and isopropyl alcohol (IPA) is hurting the profitability. Please note that IPA production through propylene is still more profitable & hence, IPA spreads over acetone can get even more squeezed. Despite all the headwinds and apparent lack of new products (apart from MIBK and MIBC) consensus is projecting a 27% EPS CAGR, which is unlikely, in our view.

### Our optimistic assumptions project 10% EPS CAGR over FY25F-27F

Our approach is based on projecting gross profit and, therefore, we have analyzed data of all molecules' spreads over their raw materials over the last eight years and using that we have projected gross profit for Deepak Nitrite in the coming years. In essence, our approach to earnings projections is optimistic, as we have assumed: 1) There will be a 40% recovery in spot (Jan 2025) phenol spreads to 2Q levels. 2) We have assumed 20kt of MIBK and MIBC sales each in FY26F and 40kt each in FY27F. 3) The polycarbonate project will come up in FY29F; hence, while there will be cash outflow as the company incurs capex, there won't be any revenue contribution in FY26F or FY27F. 4) We have assumed that MIBC and MIBK spreads will recover to their historical mean, which means that for MIBC it will be 50% higher than current levels. 5) DASDA spreads will also rise by Rs70/kg or 233% from current levels. 6) Our numbers bake in 3QFY25 spreads of IPA over acetone, which is equal to the historical average.

### Valuations are sky high, and consensus projections over-optimistic

RoE and RoCE are likely to decline going ahead. Unless the company raises equity capital, it will become indebted to incur capex. As of now, its stock trades at 34x one-year forward EPS against the historical average of 23.4. Also, P/BV is 4.3 against the historical average of 4.3; however, RoE next year is set to decline to 13% against last eight years' average of 23%. We have valued the stock at 23.4x FY27F EPS to arrive at our new target price of Rs1,432 (Rs1,514 earlier). We maintain our REDUCE rating on it.

### Financial Summary

	Mar-23A	Mar-24A	Mar-25F	Mar-26F	Mar-27F
Revenue (Rsm)	79,721	76,818	83,000	91,667	105,000
Operating EBITDA (Rsm)	12,894	11,233	10,509	12,306	15,044
Net Profit (Rsm)	8,520	8,109	6,839	7,405	8,349
Core EPS (Rs)	62.5	55.1	50.1	54.3	61.2
Core EPS Growth	(20.1%)	(11.7%)	(9.1%)	8.3%	12.7%
FD Core P/E (x)	30.62	32.18	38.15	35.23	31.25
DPS (Rs)	7.0	7.0	4.9	4.9	4.9
Dividend Yield	0.44%	0.44%	0.31%	0.31%	0.31%
EV/EBITDA (x)	19.95	22.90	24.78	21.38	18.63
P/FCFE (x)	214.58	256.45	(134.13)	24.01	177.53
Net Gearing	(8.9%)	(7.6%)	(0.8%)	3.6%	28.3%
P/BV (x)	6.38	5.41	4.81	4.29	3.81
ROE	22.9%	16.9%	13.3%	12.9%	12.9%
% Change In Core EPS Estimates			(10.04%)	(8.44%)	
InCred Research/Consensus EPS (x)					

SOURCES: INCRED RESEARCH, COMPANY REPORTS

---

## Earnings growth is difficult to come by

Deepak Nitrite is embarking on a new capex drive to manufacture MIBK, MIBC, polycarbonate, and other chemicals. The MIBK and MIBC capacities are expected to be commissioned by 2HFY26F, while the polycarbonate capacity is scheduled for completion by the end of 2027F. Notably, MIBC and MIBK will consume acetone, potentially reducing IPA sales. As of now, Deepak Nitrite is planning a 40kt capacity each for MIBK and MIBC, which will collectively consume 75kt of acetone. This could lead to acetone scarcity and higher IPA prices in the country. At current market prices of MIBK and MIBC, these products are unlikely to contribute significantly to Deepak Nitrite's earnings, and the company will primarily remain a phenol and DASDA player. Bloomberg's earnings estimates appear overly optimistic and are likely to fall short of actual earnings. We retain our **REDUCE** rating on the stock.

### MIBK and MIBC are unlikely to save Bloomberg consensus estimates in FY26F and FY27F

While the global oversupply of phenol is well known, and it is widely acknowledged that DASDA has not contributed significantly to the company's EBITDA, the consensus bullishness may stem from the upcoming commissioning of MIBK and MIBC capacities. However, our analysis suggests that this optimism is misplaced. MIBK and MIBC will add minimal value to earnings, and Deepak Nitrite may find itself in a **Catch-22** situation—producing these chemicals will reduce acetone availability, potentially leading to higher acetone and IPA prices. This could offset any expected gains from new capacities.

### MIBK is primarily used as an industrial solvent ►

Methyl isobutyl ketone (MIBK) is a versatile solvent with applications across various industries. Its primary uses include:

1. **Industrial solvent**
  - A. **Paints, coatings, and inks:** Used as a solvent in automotive coatings, industrial paints, and printing inks due to its good solvency and evaporation rate.
  - B. **Resins and adhesives:** Helps dissolve resins in adhesives and sealants.
  - C. **Extraction solvent:** Used in the extraction of metals like uranium and rare earth elements.
2. **Chemical intermediate**
  - A. **Rubber processing:** Acts as an intermediate in rubber and tyre manufacturing.
  - B. **Plasticizers and lubricants:** Used in the production of plastic additives and synthetic lubricants.
3. **Pharmaceuticals:** Used in drug synthesis and as a solvent for pharmaceutical formulations.
4. **Specialty applications**
  - A. **Electronics industry:** Used as a cleaning solvent for electronic components.
  - B. **Flavour and fragrance industry:** Occasionally used in regulated amounts.

## MIBK is manufactured using acetone and hydrogen ➤

Methyl isobutyl ketone (MIBK) is primarily manufactured through a three-step catalytic process using acetone and hydrogen. The process involves:

### Acetone condensation (self-condensation of acetone)

- A. Acetone undergoes an aldol condensation in the presence of an alkaline catalyst (e.g., NaOH, Ba(OH)<sub>2</sub>) or an acidic catalyst (e.g., ion-exchange resins).
- B. This forms 4-hydroxy-4-methylpentan-2-one (HMP, or diacetone alcohol, DAA) as an intermediate.
- C.  $2\text{CH}_3\text{COCH}_3 \rightarrow \text{CH}_3\text{COCH}_2\text{CH}(\text{OH})\text{CH}_3$ .

### Dehydration to mesityl oxide (MO)

- A. The HMP undergoes dehydration (removal of water) to form mesityl oxide (MO). This is typically catalysed by acidic catalysts like alumina or sulfuric acid.
- B.  $\text{CH}_3\text{COCH}_2\text{CH}(\text{OH})\text{CH}_3 \rightarrow \text{CH}_3\text{COCH}=\text{CHCH}_3 + \text{H}_2\text{O}$ .

### Hydrogenation to MIBK

- A. MO is hydrogenated in the presence of hydrogen (H<sub>2</sub>) and a metal catalyst (Ni, Pd, or Pt-based catalysts) under moderate pressure and temperature.

MIBK is manufactured using acetone and hydrogen.

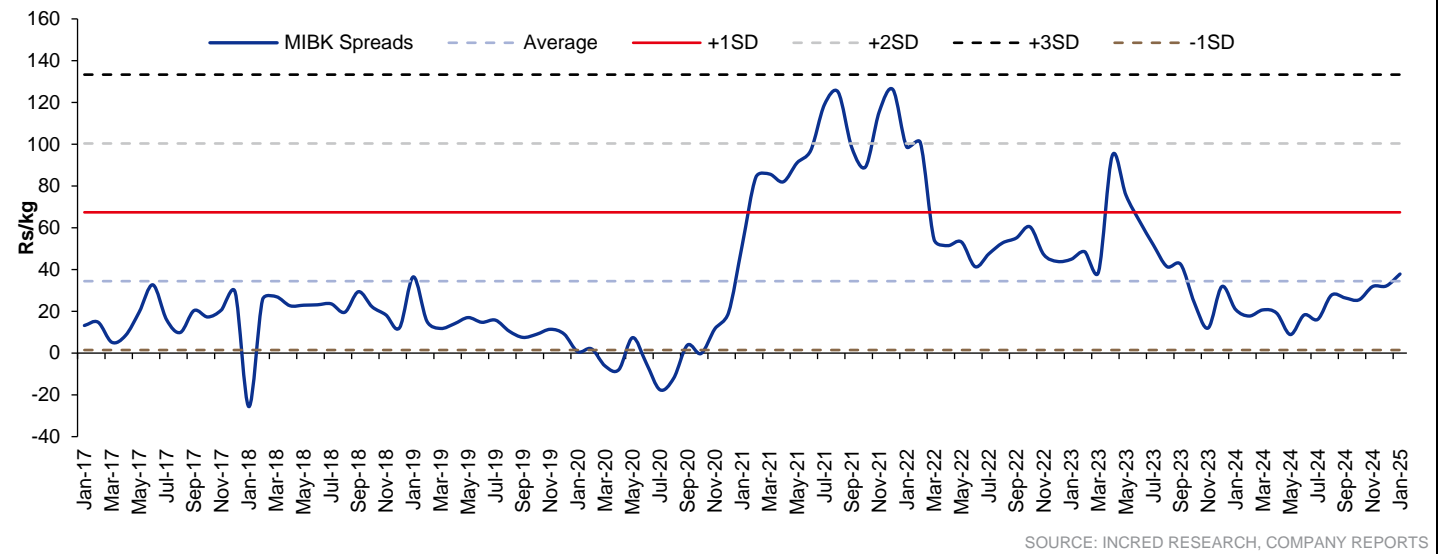
## MIBK spreads over raw materials have come off after the post-Covid rally ➤

MIBK (methyl isobutyl ketone) spreads over raw materials—primarily acetone and hydrogen—have come off significantly from the post-Covid rally.

### Key trends in MIBK spreads:

1. **Post-Covid rally & peak spreads (2021-2022)**
  - MIBK prices surged due to supply chain disruptions, higher shipping costs, and strong downstream demand (especially in coatings, adhesives, and industrial solvents).
  - Acetone prices also rose but at a slower pace, leading to high MIBK spreads.
  - Hydrogen costs were less of a factor compared to the volatility in acetone.
2. **Decline in spreads (2023-present)**
  - **Weak acetone prices:** With acetone supply normalizing (from both phenol-based and standalone plants), the cost of production for MIBK fell, reducing producer margins.
  - **Sluggish demand:** Key end-user markets (automotive coatings, rubber chemicals, and adhesives) saw weak demand, particularly in China and Europe.
  - **Increased competition:** More MIBK supply from Asia (China, South Korea) added to the downward pressure on prices.
  - **Declining freight costs:** The logistics premium that existed post-Covid has faded, narrowing regional arbitrage opportunities.

Figure 1: In line with the global recovery and declining acetone prices, MIBK spreads have shown some recovery; however, a significant rally is unlikely



SOURCE: INCRED RESEARCH, COMPANY REPORTS

**Assuming average gross spreads and 50% capacity utilization, MIBK can add Rs700m to gross profit**

Deepak Nitrite plans to commission MIBK capacity in 2HFY26F. Average gross spreads over raw material for MIBK have been Rs34/kg. In FY26F, the company can, at best, operate MIBK capacity at 50% of its capacity; hence, gross profit from MIBK in FY26F can be ~ Rs700m, and in FY27F, it can increase to Rs1,400m.

**MIBC is used in various industrial processes**

Methyl isobutyl carbinol (MIBC) has various industrial applications:

**Mineral flotation:** Primarily used as a frother in mineral flotation processes. This application is crucial for separating valuable minerals from ore, especially in the mining of copper, molybdenum, and coal, where it helps increase both production and the quality of mineral concentrates.

**Lubricant oil additives:** MIBC serves as a chemical intermediate in the production of additives for lubricating oils, such as zinc dialkyldithiophosphate, enhancing anti-wear and corrosion inhibition properties.

**Solvents:** It is utilized as a solvent in coatings, for dissolving dyes, oils, gums, resins, waxes, nitrocellulose, and ethyl cellulose, particularly in industrial manufacturing processes like paints and lacquers.

**Organic synthesis:** MIBC plays a role in organic synthesis due to its solubility characteristics and reactivity.

**Brake fluids:** It's used in the manufacture of brake fluids, contributing to the formulation's performance.

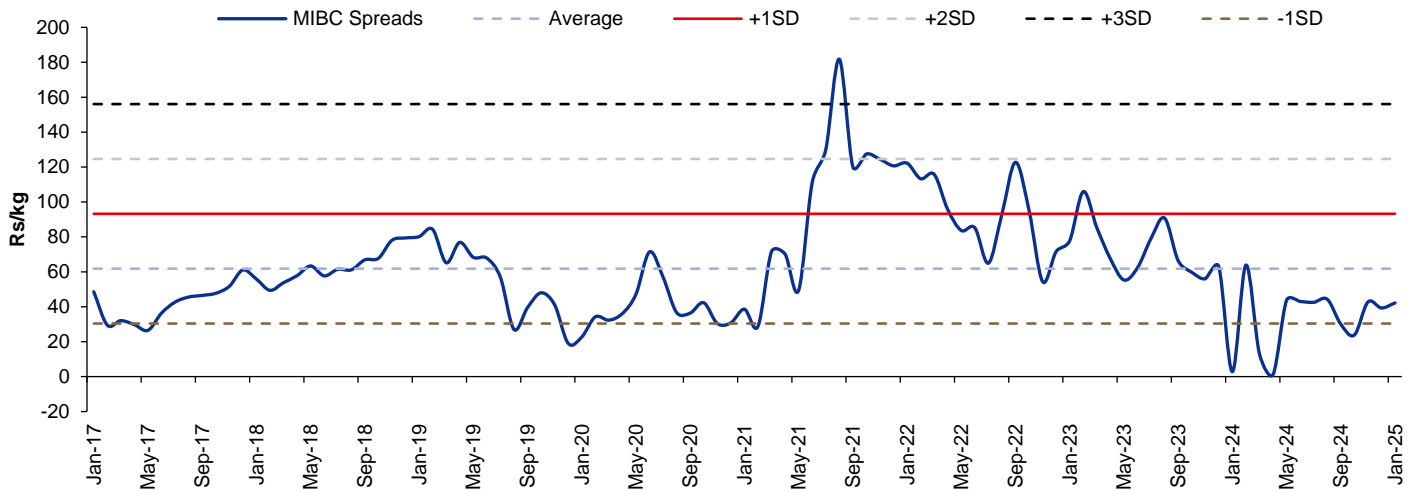
**Plasticizers precursor:** MIBC acts as a precursor to certain plasticizers, which are used to improve the flexibility and durability of plastics in various applications like flooring, wall coverings, and automotive interiors.

**Hydraulic fluids:** It can be used as a diluting agent in hydraulic fluids to adjust viscosity and other performance attributes.

**Electronics manufacturing:** There's a mention of its use in electronics manufacturing, although the specifics are less detailed in the available information.

**The spreads of MIBC have been coming down; however, they may stabilize around the historical average level ➤**

**Figure 2: MIBC spreads are well below the historical mean; however, to estimate earnings for FY26F and FY27F we have assumed that gross spreads over raw material will revert to the historical mean**



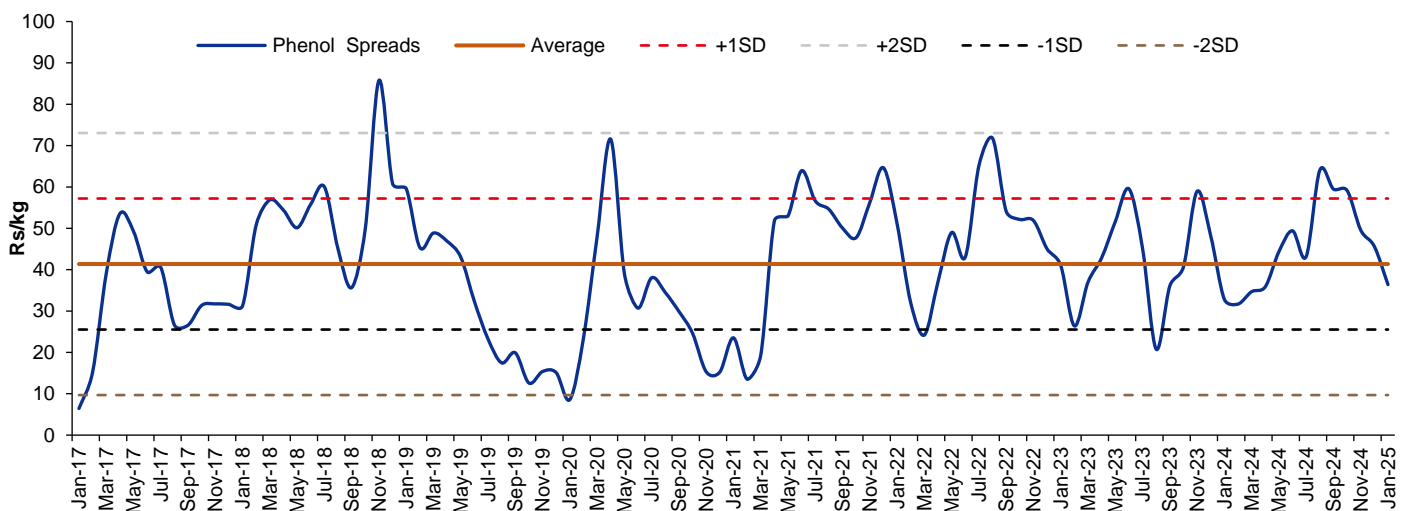
SOURCE: INCRED RESEARCH, COMPANY REPORTS

**MIBC can add Rs1,200m in gross profit in FY26F and Rs2,400m in FY27F ➤**

Given that MIBC capacity is likely to be commissioned in 2HFY26F, it is not possible for the plant to operate at more than 50% of the rated annual capacity. The gross profit per kg of MIBC (seven-year historical average) has been around Rs62/kg. Assuming the spreads rise by 50% from the current levels to reach the historical average by 2HFY26F, we believe FY26F gross profit will be ~Rs1,200 m, and FY27F gross profit from MIBC will be ~Rs2,400m.

**Phenol is a classic commodity and it's not surprising that its spreads are falling ➤**

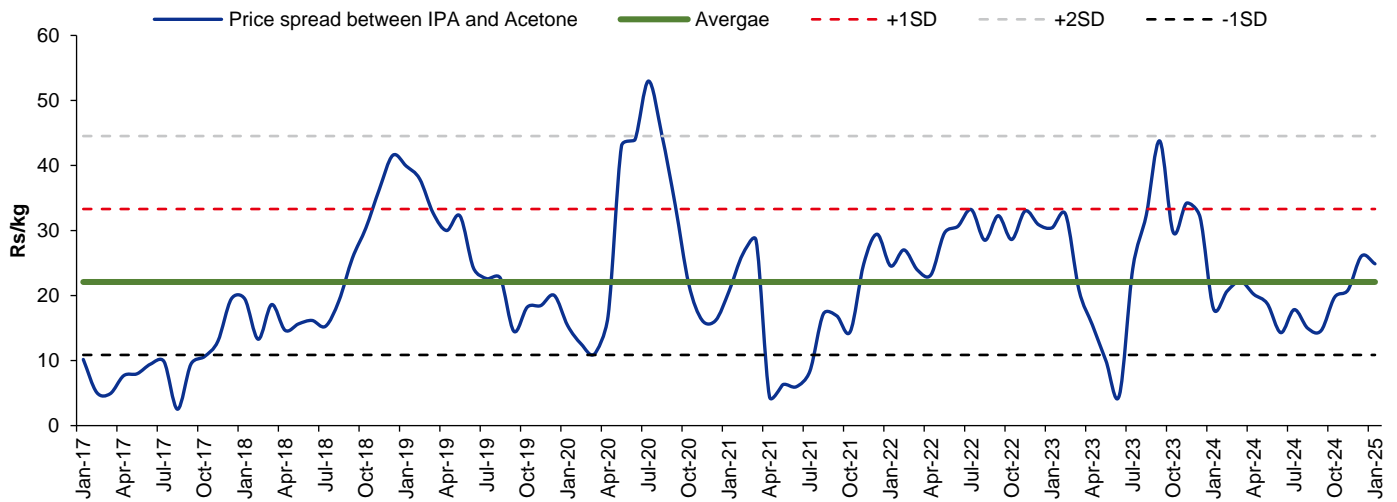
**Figure 3: Phenol spreads are falling, and they will remain under more pressure as China ramps up production**



SOURCE: INCRED RESEARCH, COMPANY REPORTS

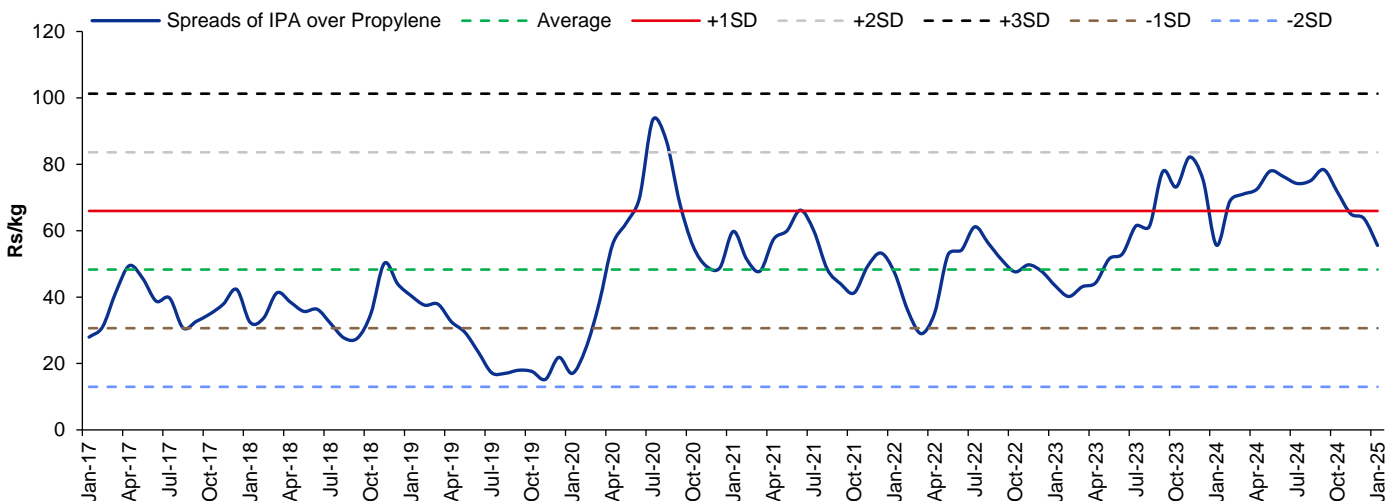
**However, the major problem for Deepak Nitrite has been the falling spreads of IPA over acetone ➤**

**Figure 4: IPA spreads over acetone are falling**



SOURCE: INCRED RESEARCH, COMPANY REPORTS

**Figure 5: Despite rising propylene prices, IPA spreads over propylene remain quite high**



SOURCE: INCRED RESEARCH, COMPANY REPORTS

**Demand slowdown is hitting DASDA as well; however, a likely recovery in textiles can lead to marginal recovery in spreads ➤**

Diamino stilbene disulfonic acid (DASDA) is a key compound used primarily as an optical brightening agent (OBA) or fluorescent whitening agent. Here are its main uses:

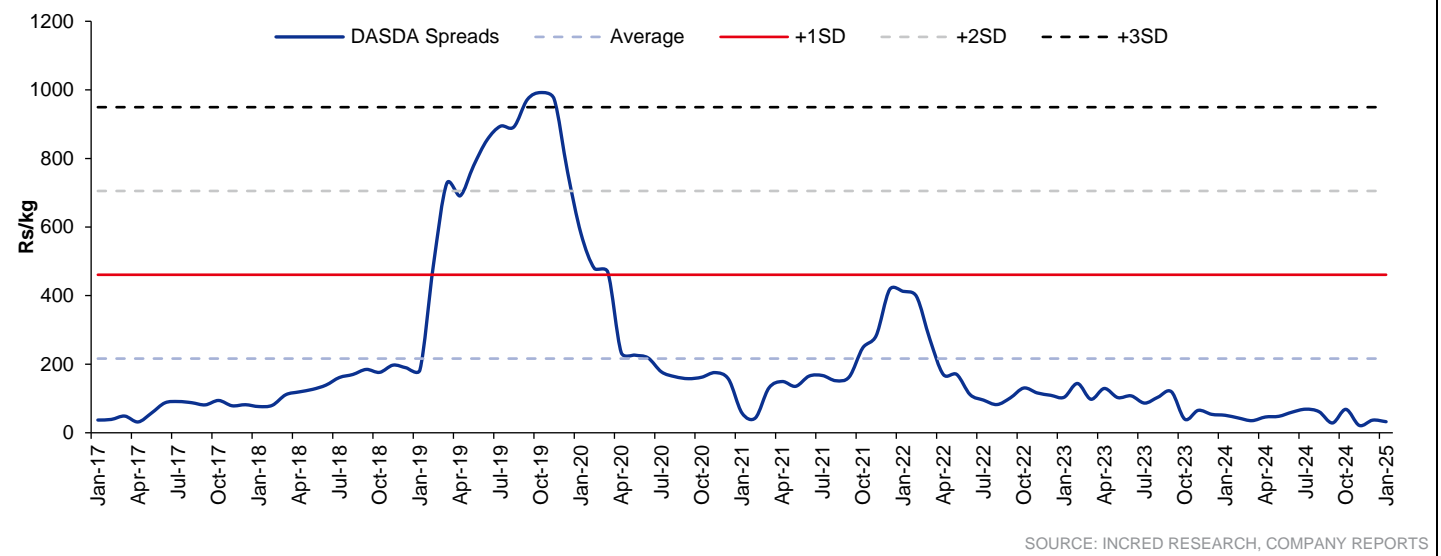
1. **Textile industry:** DASDA is widely used in the textile industry as an optical brightener. It is added to fabrics during the dyeing and finishing process to enhance their whiteness and brightness by absorbing ultraviolet or UV light and re-emitting it as visible blue light. This gives the fabric a whiter appearance.
2. **Paper industry:** Similar to textiles, DASDA is used in the paper industry to improve the brightness of paper products. It enhances the whiteness of paper by reflecting more light.
3. **Detergents and laundry products:** DASDA is incorporated into laundry detergents and other cleaning products to improve the visual appeal of washed fabrics by making them appear brighter and whiter. It is particularly effective in preventing yellowing and enhancing the brightness of whites.



4. **Plastics:** It is sometimes used in the plastics industry as an optical brightener to make plastic products look whiter.
5. **Cosmetics and personal care:** DASDA can be used in certain cosmetic products where whitening or brightening effects are desired, such as in skin-care formulations.
6. **Photographic materials:** DASDA can also be used in certain photographic products to enhance whiteness.

The compound is highly effective due to its ability to absorb UV light and re-emit it as visible light, which is why it's used in these industries to improve the appearance of the final product.

**Figure 6: The average spreads of DASDA are a misrepresentation of the cycle; in 2019, this product had witnessed Rs1,000/kg spreads, which have fallen by 97%; however, some recovery to the last five years' average of Rs100/kg is possible**



SOURCE: INCRED RESEARCH, COMPANY REPORTS

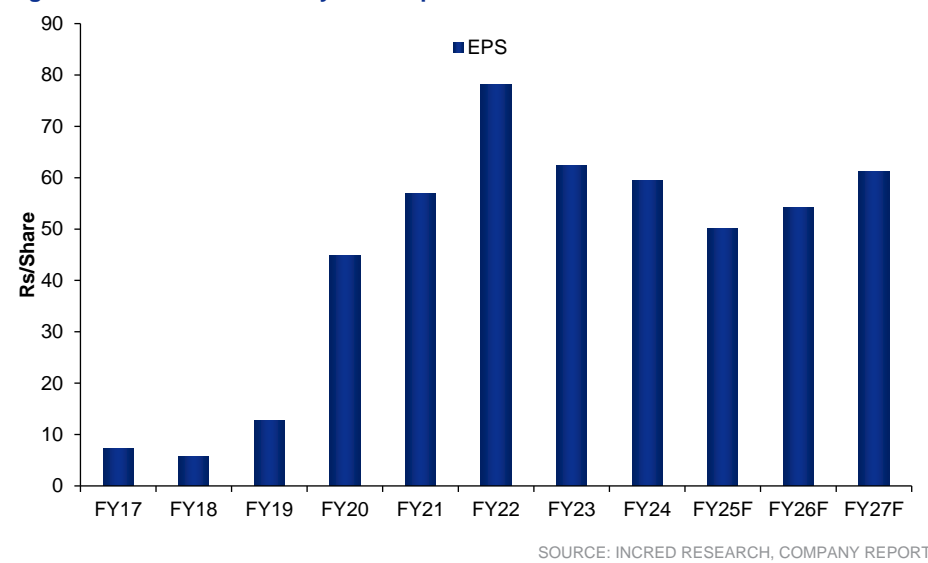
## Earnings and valuation

As our approach is based on projecting gross profit and we have analyzed data of all molecules' spreads over raw materials over the last eight years, we have projected gross profits for the company in the coming years. In essence, our approach to earnings projections is realistic, as we have assumed:

1. There will be some recovery in phenol spreads to 2Q levels.
2. We have assumed 20kt of MIBK and MIBC sales each in FY26F and 40kt each in FY27F.
3. The polycarbonate project will come in FY29F; hence, while there will be cash outflow as the company invests in capex, there won't be any revenue contribution in FY26F or FY27F.
4. We have assumed that MIBC and MIBK spreads will recover to their historical mean, which is 50% higher than current levels.
5. DASDA spreads will also rise by Rs70/kg or 233% from current levels.

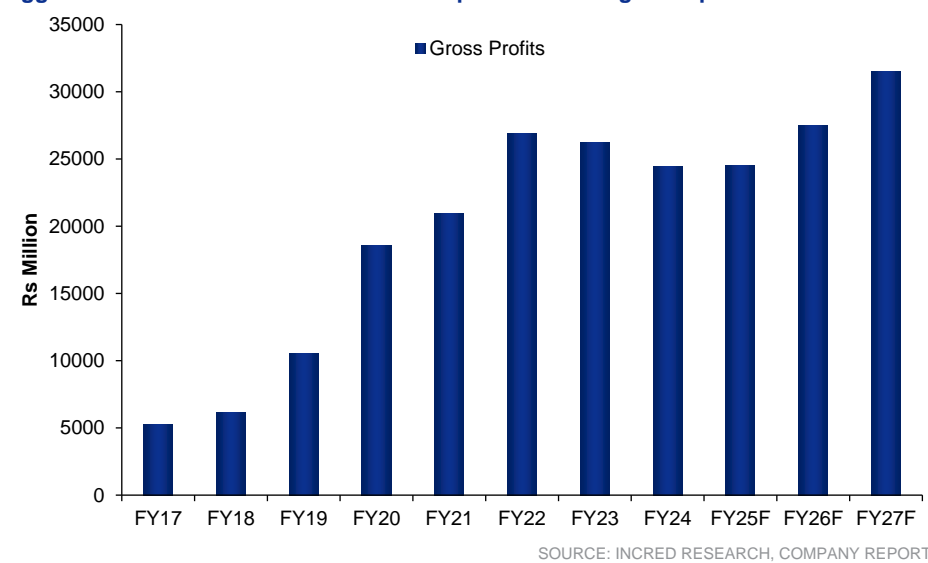
**We project EPS to remain flattish... ➤**

**Figure 7: FY22 EPS is unlikely to be repeated even in FY27F**



**...as there won't be any significant increase in gross profit ➤**

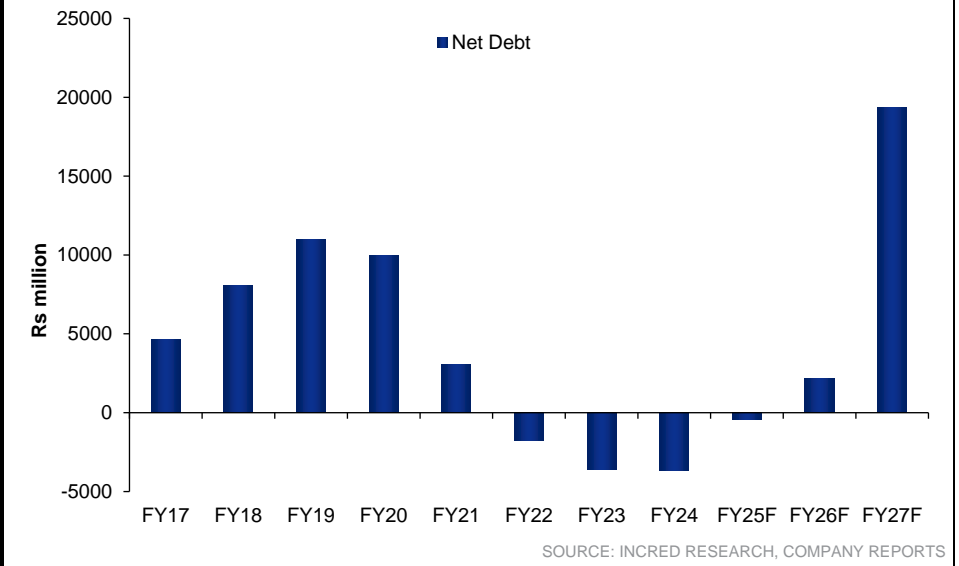
**Figure 8: Gross profit is unlikely to increase significantly, even after assuming an aggressive reversion to the mean of multiple molecules' gross spreads**





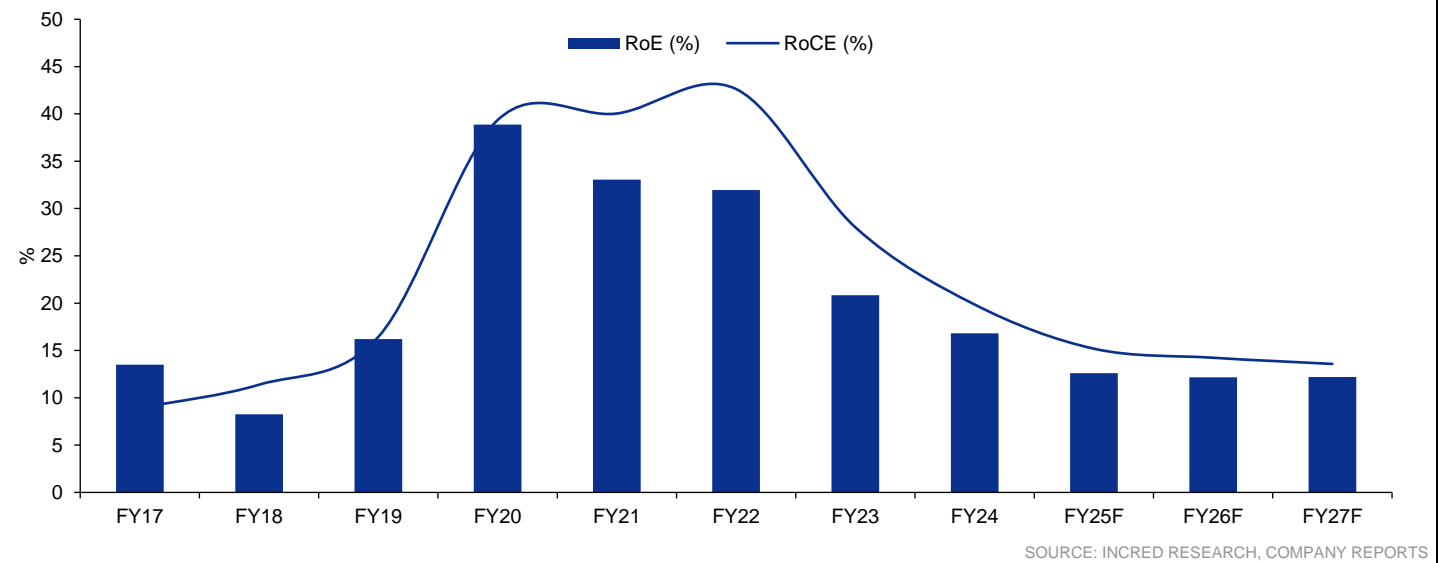
**Debt will go up as the company embarks on its aggressive capex plan ➤**

**Figure 9: Debt all set to increase**



**RoE and RoCE to worsen ➤**

**Figure 10: RoE and RoCE will decline**



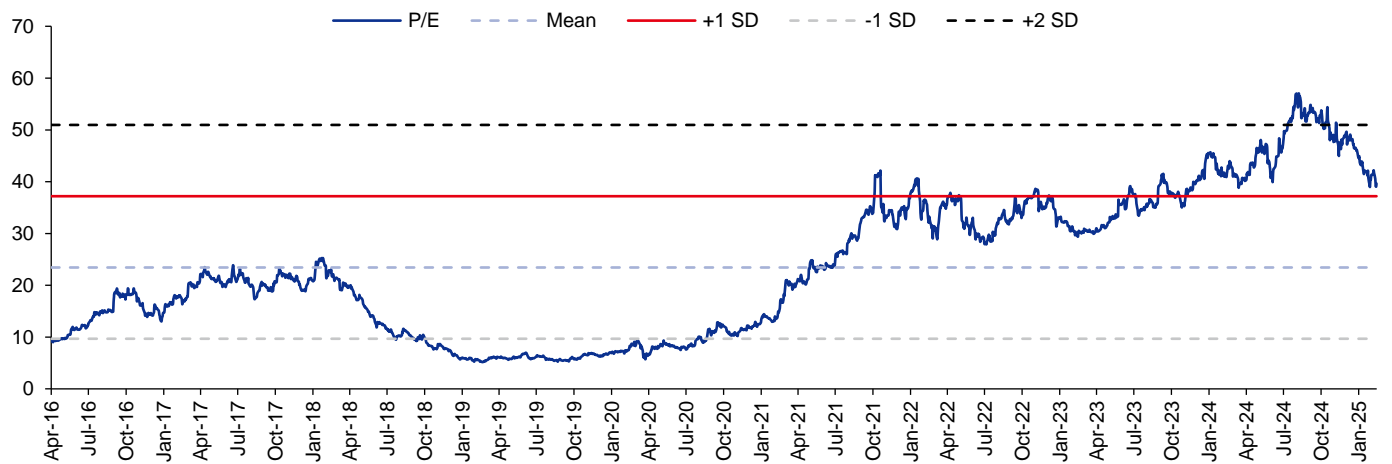
However, the valuation is still high ➤

Figure 11: P/BV is still sky high (given low RoE)



SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 12: P/E resembles more of a consumer company rather than a commodity player



SOURCE: INCRED RESEARCH, COMPANY REPORTS

Reiterate REDUCE rating with a new target price of Rs1,432 ➤

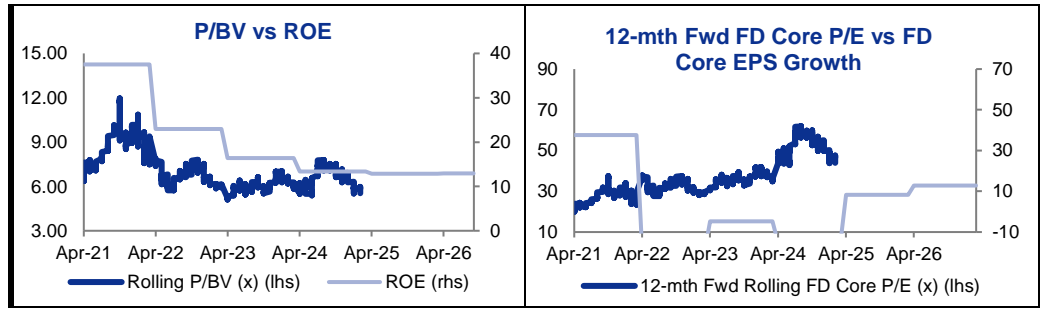
We value the stock at a historical mean P/E of 23.4 to arrive at our new target price of Rs1,432.

Figure 13: We valued the stock at its historical mean valuation of 23.4x one-year forward P/E to arrive at our new target price of Rs1,432

Valuation	
FY26F EPS (Rs)	54.29
FY27F EPS (Rs)	61.21
P/E multiple (x)	23.40
Target price (Rs)	1,432

SOURCE: INCRED RESEARCH, COMPANY REPORTS

BY THE NUMBERS



Profit & Loss

(Rs mn)	Mar-23A	Mar-24A	Mar-25F	Mar-26F	Mar-27F
<b>Total Net Revenues</b>	79,721	76,818	83,000	91,667	105,000
<b>Gross Profit</b>	26,246	24,457	24,500	27,500	31,500
<b>Operating EBITDA</b>	12,894	11,233	10,509	12,306	15,044
Depreciation And Amortisation	(1,663)	(1,657)	(1,920)	(2,447)	(2,843)
<b>Operating EBIT</b>	11,231	9,576	8,589	9,859	12,201
Financial Income/(Expense)	(248)	(118)	(207)	(720)	(1,800)
Pretax Income/(Loss) from Assoc.					
Non-Operating Income/(Expense)	476	761	761	761	761
<b>Profit Before Tax (pre-EI)</b>	11,459	10,219	9,143	9,900	11,162
Exceptional Items		798			
<b>Pre-tax Profit</b>	11,459	11,017	9,143	9,900	11,162
Taxation	(2,939)	(2,908)	(2,304)	(2,495)	(2,813)
Exceptional Income - post-tax					
<b>Profit After Tax</b>	8,520	8,109	6,839	7,405	8,349
Minority Interests					
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
<b>Net Profit</b>	8,520	8,109	6,839	7,405	8,349
Recurring Net Profit	8,520	7,521	6,839	7,405	8,349
<b>Fully Diluted Recurring Net Profit</b>	8,520	7,521	6,839	7,405	8,349

Cash Flow

(Rs mn)	Mar-23A	Mar-24A	Mar-25F	Mar-26F	Mar-27F
<b>EBITDA</b>	12,894	11,233	10,509	12,306	15,044
Cash Flow from Invt. & Assoc.					
Change In Working Capital	(9,286)	(6,049)	(1,188)	(1,665)	(2,562)
(Incr)/Decr in Total Provisions					
Other Non-Cash (Income)/Expense	(246)	(627)			
Other Operating Cashflow	784	1,678	414	1,440	3,600
Net Interest (Paid)/Received	(248)	(118)	(207)	(720)	(1,800)
Tax Paid	2,600	2,665	(2,304)	(2,495)	(2,813)
<b>Cashflow From Operations</b>	6,499	8,781	7,224	8,866	11,469
Capex	(3,581)	(7,424)	(10,000)	(10,000)	(25,000)
Disposals Of FAs/subsidiaries	9	33			
Acq. Of Subsidiaries/investments	822	2,887			
Other Investing Cashflow	(10)	(2,714)			
<b>Cash Flow From Investing</b>	(2,761)	(7,218)	(10,000)	(10,000)	(25,000)
Debt Raised/(repaid)	(2,523)	(545)	831	12,000	15,000
Proceeds From Issue Of Shares					
Shares Repurchased					
Dividends Paid	(955)	(1,023)	(800)	(800)	(800)
Preferred Dividends					
Other Financing Cashflow	(113)	2,003			
<b>Cash Flow From Financing</b>	(3,591)	435	31	11,200	14,200
Total Cash Generated	148	1,998	(2,745)	10,067	670
<b>Free Cashflow To Equity</b>	1,216	1,017	(1,945)	10,867	1,470
<b>Free Cashflow To Firm</b>	3,987	1,681	(2,569)	(413)	(11,730)

SOURCES: INCRED RESEARCH, COMPANY REPORTS

**BY THE NUMBERS...cont'd**

<b>Balance Sheet</b>					
<b>(Rs mn)</b>	<b>Mar-23A</b>	<b>Mar-24A</b>	<b>Mar-25F</b>	<b>Mar-26F</b>	<b>Mar-27F</b>
Total Cash And Equivalents	4,168	5,846	3,448	12,836	10,665
Total Debtors	13,095	12,984	14,028	15,493	17,747
Inventories	8,931	7,599	8,211	9,068	10,387
Total Other Current Assets	1,197	1,987	1,987	1,987	1,987
<b>Total Current Assets</b>	<b>27,391</b>	<b>28,416</b>	<b>27,674</b>	<b>39,384</b>	<b>40,786</b>
Fixed Assets	22,424	30,662	38,742	46,295	68,452
Total Investments	25	27	27	27	27
Intangible Assets					
Total Other Non-Current Assets	1,448	1,857	1,857	1,857	1,857
<b>Total Non-current Assets</b>	<b>23,897</b>	<b>32,546</b>	<b>40,626</b>	<b>48,179</b>	<b>70,336</b>
Short-term Debt	115				
Current Portion of Long-Term Debt					
Total Creditors	6,618	5,823	6,291	6,948	7,959
Other Current Liabilities	1,205	2,028	2,028	2,028	2,028
<b>Total Current Liabilities</b>	<b>7,938</b>	<b>7,851</b>	<b>8,319</b>	<b>8,976</b>	<b>9,987</b>
Total Long-term Debt	430	2,170	3,000	15,000	30,000
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities	154	623	623	623	623
<b>Total Non-current Liabilities</b>	<b>584</b>	<b>2,792</b>	<b>3,623</b>	<b>15,623</b>	<b>30,623</b>
Total Provisions	1,866	2,093	2,093	2,093	2,093
<b>Total Liabilities</b>	<b>10,388</b>	<b>12,735</b>	<b>14,034</b>	<b>26,691</b>	<b>42,702</b>
Shareholders Equity	40,900	48,227	54,266	60,871	68,420
Minority Interests					
<b>Total Equity</b>	<b>40,900</b>	<b>48,227</b>	<b>54,266</b>	<b>60,871</b>	<b>68,420</b>

<b>Key Ratios</b>					
	<b>Mar-23A</b>	<b>Mar-24A</b>	<b>Mar-25F</b>	<b>Mar-26F</b>	<b>Mar-27F</b>
Revenue Growth	17.2%	(3.6%)	8.0%	10.4%	14.5%
Operating EBITDA Growth	(19.6%)	(12.9%)	(6.4%)	17.1%	22.2%
Operating EBITDA Margin	16.2%	14.6%	12.7%	13.4%	14.3%
Net Cash Per Share (Rs)	26.56	26.96	3.28	(15.87)	(141.75)
BVPS (Rs)	299.85	353.57	397.84	446.27	501.61
Gross Interest Cover	45.32	80.95	41.54	13.69	6.78
Effective Tax Rate	25.6%	26.4%	25.2%	25.2%	25.2%
Net Dividend Payout Ratio	13.4%	15.7%	11.7%	10.8%	9.6%
Accounts Receivables Days	55.83	61.96	59.39	58.77	57.77
Inventory Days	50.43	57.61	49.32	49.14	48.31
Accounts Payables Days	40.05	43.36	37.79	37.65	37.01
ROIC (%)	25.2%	17.9%	13.6%	13.1%	13.9%
ROCE (%)	27.9%	20.1%	15.5%	14.4%	13.7%
Return On Average Assets	18.2%	13.2%	10.8%	10.2%	9.8%

SOURCES: INCRED RESEARCH, COMPANY REPORTS

---

## DISCLAIMER

---

This report (including the views and opinions expressed therein, and the information comprised therein) has been prepared by Incred Research Services Private Ltd. (formerly known as Earnest Innovation Partners Private Limited) (hereinafter referred to as "IRSPL"). IRSPL is registered with SEBI as a Research Analyst vide Registration No. INH00011024. Pursuant to a trademark agreement, IRSPL has adopted "Incred Equities" as its trademark for use in this report.

The term "IRSPL" shall, unless the context otherwise requires, mean IRSPL and its affiliates, subsidiaries and related companies. This report is not directed or intended for distribution to or use by any person or entity resident in a state, country or any jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject IRSPL and its affiliates/group companies to registration or licensing requirements within such jurisdictions.

This report is being supplied to you strictly on the basis that it will remain confidential. No part of this report may be (i) copied, photocopied, duplicated, stored or reproduced in any form by any means; or (ii) redistributed or passed on, directly or indirectly, to any other person in whole or in part, for any purpose without the prior written consent of IRSPL.

The information contained in this report is prepared from data believed to be correct and reliable at the time of issue of this report.

IRSPL is not required to issue regular reports on the subject matter of this report at any frequency and it may cease to do so or change the periodicity of reports at any time. IRSPL is not under any obligation to update this report in the event of a material change to the information contained in this report. IRSPL has not any and will not accept any, obligation to (i) check or ensure that the contents of this report remain current, reliable or relevant; (ii) ensure that the content of this report constitutes all the information a prospective investor may require; (iii) ensure the adequacy, accuracy, completeness, reliability or fairness of any views, opinions and information, and accordingly, IRSPL and its affiliates/group companies (and their respective directors, associates, connected persons and/or employees) shall not be liable in any manner whatsoever for any consequences (including but not limited to any direct, indirect or consequential losses, loss of profits and damages) of any reliance thereon or usage thereof.

Unless otherwise specified, this report is based upon reasonable sources. Such sources will, unless otherwise specified, for market data, be market data and prices available from the main stock exchange or market where the relevant security is listed, or, where appropriate, any other market. Information on the accounts and business of company(ies) will generally be based on published statements of the company(ies), information disseminated by regulatory information services, other publicly available information and information resulting from our research. While every effort is made to ensure that statements of facts made in this report are accurate, all estimates, projections, forecasts, expressions of opinion and other subjective judgments contained in this report are based on assumptions considered to be reasonable as of the date of the document in which they are contained and must not be construed as a representation that the matters referred to therein will occur. Past performance is not a reliable indicator of future performance. The value of investments may go down as well as up and those investing may, depending on the investments in question, lose more than the initial investment. No report shall constitute an offer or an invitation by or on behalf of IRSPL and its affiliates/group companies to any person to buy or sell any investments.

The opinions expressed are based on information which is believed to be accurate and complete and obtained through reliable public or other non-confidential sources at the time made (information barriers and other arrangements may be established, where necessary, to prevent conflicts of interests arising. However, the analyst(s) may receive compensation that is based on his/their coverage of company(ies) in the performance of his/their duties or the performance of his/their recommendations. In reviewing this report, an investor should be aware that any or all of the foregoing, among other things, may give rise to real or potential conflicts of interest. Additional information is, subject to the duties of confidentiality, available on request. The report is not a "prospectus" as defined under Indian Law, including the Companies Act, 2013, and is not, and shall not be, approved by, or filed or registered with, any Indian regulator, including any Registrar of Companies in India, SEBI, any Indian stock exchange, or the Reserve Bank of India. No offer, or invitation to offer, or solicitation of subscription with respect to any such securities listed or proposed to be listed in India is being made, or intended to be made, to the public, or to any member or section of the public in India, through or pursuant to this report.

The research analysts, strategists or economists principally responsible for the preparation of this research report are segregated from the other activities of IRSPL. Information barriers and other arrangements have been established, as required, to prevent any conflicts of interests.

The research analysts, strategists or economists principally responsible for the preparation of this research report are segregated from the other activities of IRSPL. Information barriers and other arrangements have been established, as required, to prevent any conflicts of interests.

IRSPL may have issued other reports (based on technical analysis, event specific, short-term views, etc.) that are inconsistent with and reach a different conclusion from the information presented in this report.

Holding of Analysts/Relatives of Analysts, IRSPL and Associates of IRSPL in the covered securities, as on the date of publishing of this report

Research Analyst or his/her relative(s) or InCred Research Services Private Limited or our associate may have any financial interest in the subject company.

Research Analyst or his/her relatives or InCred Research Services Limited or our associates may have actual or beneficial ownership of 1% or more securities of the subject company(ies) at the end of the month immediately preceding the date of publication of the Research Report.

Research Analyst or his/her relative or InCred Research Services Private Limited or our associate entities may have any other material conflict of interest at the time of publication of the Research Report.

In the past 12 months, IRSPL or any of its associates may have:

- a) Received any compensation/other benefits from the subject company,
- b) Managed or co-managed public offering of securities for the subject company,
- c) Received compensation for investment banking or merchant banking or brokerage services from the subject company,
- d) Received compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company

We or our associates may have received compensation or other benefits from the subject company(ies) or third party in connection with the research report.

Research Analyst may have served as director, officer, or employee in the subject company.

We or our research analyst may engage in market-making activity of the subject company.

#### **Analyst declaration**

- The analyst responsible for the production of this report hereby certifies that the views expressed herein accurately and exclusively reflect his or her personal views and opinions about any and all of the issuers or securities analysed in this report and were prepared independently and autonomously in an unbiased manner.
- No part of the compensation of the analyst(s) was, is, or will be directly or indirectly related to the inclusion of specific recommendations(s) or view(s) in this report or based on any specific investment banking transaction.
- The analyst(s) has(have) not had any serious disciplinary action taken against him/her(them).
- The analyst, strategist, or economist does not have any material conflict of interest at the time of publication of this report.
- The analyst(s) has(have) received compensation based upon various factors, including quality, accuracy and value of research, overall firm performance, client feedback and competitive factors.

IRSPL and/or its affiliates and/or its Directors/employees may own or have positions in securities of the company(ies) covered in this report or any securities related thereto and may from time to time add to or dispose of, or may be materially interested in, any such securities.

IRSPL and/or its affiliates and/or its Directors/employees may do and seek to do business with the company(ies) covered in this research report and may from time to time (a) buy/sell the securities covered in this report, from time to time and/or (b) act as market maker or have assumed an underwriting commitment in securities of such company(ies), and/or (c) may sell them to or buy them from customers on a principal basis and/or (d) may also perform or seek to perform significant investment banking, advisory, underwriting or placement services for or relating to such company(ies) and/or (e) solicit such investment, advisory or other services from any entity mentioned in this report and/or (f) act as a lender/borrower to such company and may earn brokerage or other compensation. However, Analysts are forbidden to acquire, on their own account or hold securities (physical or uncertificated, including derivatives) of companies in respect of which they are compiling and producing financial recommendations or in the result of which they play a key part.

Registration granted by SEBI, membership of a SEBI recognized supervisory body (if any) and certification from NISM in no way guarantee performance of the intermediary or provide any assurance of returns to investors.

---

#### **InCred Research Services Private Limited**

##### **Research Analyst SEBI Registration Number: INH000011024**

Registered Office: Unit No 1203, 12th Floor, B Wing, The Capital, C-70, G Block, BKC, Bandra (E), Mumbai – 400051

Phone: +91-22-6844-6100

Corporate Office: 05<sup>th</sup> floor, Laxmi Towers, Plot No. C-25, G Block, Bandra – Kurla Complex, Bandra (East), Mumbai – 400051

Phone: +91-22-4161-1500

Name of the Compliance Officer: Mr. Yogesh Kadam

Email ID: compliance@incredresearch.com, Phone No: +91-22-41611539

For any queries or grievances, you may contact the Grievance Officer.

Name of the Grievance Officer: Mr. Rajarshi Maitra

Phone no. +91-022-41611546

Email ID: rajarshi.maitra@incredresearch.com

CIN: U74999MH2016PTC287535

**Recommendation Framework****Stock Ratings**

Definition:

- Add** The stock's total return is expected to exceed 10% over the next 12 months.
- Hold** The stock's total return is expected to be between 0% and positive 10% over the next 12 months.
- Reduce** The stock's total return is expected to fall below 0% or more over the next 12 months.

*The total expected return of a stock is defined as the sum of the: (i) percentage difference between the target price and the current price and (ii) the forward net dividend yields of the stock. Stock price targets have an investment horizon of 12 months.*

**Sector Ratings**

Definition:

- Overweight** An Overweight rating means stocks in the sector have, on a market cap-weighted basis, a positive absolute recommendation.
- Neutral** A Neutral rating means stocks in the sector have, on a market cap-weighted basis, a neutral absolute recommendation.
- Underweight** An Underweight rating means stocks in the sector have, on a market cap-weighted basis, a negative absolute recommendation.

**Country Ratings**

Definition:

- Overweight** An Overweight rating means investors should be positioned with an above-market weight in this country relative to benchmark.
- Neutral** A Neutral rating means investors should be positioned with a neutral weight in this country relative to benchmark.
- Underweight** An Underweight rating means investors should be positioned with a below-market weight in this country relative to benchmark.