



SMC Ranking
★ ★ ☆ ☆ ☆ (2/5)

Issue Highlights

Industry	Real Estate
Offer for sale (Shares)	29,661,017
Fresh Issue (Shares)	21,186,441
Employee Reservation	254,237
Net Offer to the Public	50,847,458
Issue Size (Rs. Cr.)	574-600
Price Band (Rs.)	113-118
Employee Discount	11
Offer Date	8-Dec-21
Close Date	10-Dec-21
Face Value	10
Lot Size	125

Issue Composition	In shares
Total Issue for Sale	50,847,458
QIB	38,135,593
NIB	5,084,746
Retail	7,627,119

Shareholding Pattern (%)		
Particulars	Pre-issue	Post-issue
Promoters & promoters group	31.98%	27.98%
QIB	68.02%	64.52%
NIB	0.00%	3.00%
Retail	0.00%	4.50%
Total	100.00%	100.00%

*calculated on the upper price band

Objects of the Issue

The IPO aims to utilize the net proceed towards the following purposes;

Repayment and/ or pre-payment, in full or part, of certain borrowings availed by the company and its subsidiaries, Shriprop Structures, Global Entropolis and Bengal Shriram; and General corporate purposes, subject to applicable laws.

Book Running Lead Manager

- Axis Capital Limited
- ICICI Securities Limited
- Nomura Financial Advisory and Securities (India) Private Limited

Name of the registrar

- KFin Technologies Private Limited

About the company

Incorporated in 2000, Shriram Properties is a part of the Shriram Group and is one of the leading residential real estate development companies in South India. The company primarily focuses on the mid-market and affordable housing segments. The company is also present in the mid-market premium and luxury housing categories as well as commercial and office space categories. Bengaluru and Chennai are the key markets for the company. The company also has operations in Coimbatore, Visakhapatnam, and Kolkata. As of September 30, 2021, the company has completed 29 projects, out of which 24 are in the cities of Bengaluru and Chennai. As of September 30, 2021, the company has a total portfolio of 35 projects in ongoing, projects under development, and forthcoming projects, stages, aggregating to 46.72 million square feet of estimated saleable area.

Strength

Part of the Shriram Group and Backed by Marquee Investors: The company is a part of the Shriram Group, which is a prominent business group with fits decades of operating history in India and a well-recognized brand in the retail financial services sector and several other industries. The group is funded by marquee global and domestic financial investors across several of its businesses. The company believes that it benefits from the trust and confidence that homebuyers, lenders, financial investors, land-owners, development partners, contractors and other stakeholders place in the Shriram Group. It believes that its relationship with the Shriram Group provides it with brand recall and the ability to leverage its reputation among stakeholders in performing its business operations. Further, it has benefited from the strategic inputs and support of reputed global and domestic financial investors. It has received foreign investment from reputed private equity investors commencing in May 2006, once the real estate sector in India was opened to foreign direct investment, in March 2005. As of September 30, 2021, 58.34% of its outstanding equity is owned by marquee investors affiliated with TPG, Tata Opportunities Fund, Walton Street Capital and Starwood. It believes that it has benefitted from the expertise and strategic inputs of its investors, which has resulted in strengthening its business operations, management systems and overall governance practices.

One of the Leading Residential Real Estate Development Companies in South India with Focus on Mid-market and Affordable Housing Categories:

The company is one of the leading residential real estate development companies in South India, primarily focused on the mid-market and affordable housing categories. The company is among the top five residential real estate companies in South India in terms of number of units launched between the calendar years 2012 and the third quarter of 2021 across Tier 1 cities of South India including Bengaluru, Chennai and Hyderabad. Its Completed Projects in the cities of Bengaluru and Chennai accounted for 15.18 million square feet, or 90.56% of its total Saleable Area in Completed Projects, as of September 30, 2021. In addition, Ongoing Projects, Projects under Development and Forthcoming Projects in Bengaluru and Chennai accounted for 31.37 million square feet, or 67.15% of its total estimated Saleable Area in these projects, as of September 30, 2021. The company believes that its strong brand and reputation, development track record, industry knowledge and know-how of the regulatory environment in key cities in South India and in its chosen real estate categories, has led to a position of market leadership. Relying on its business model which combines its operational efficiency and know-how as well as its customer-insights, local knowledge and expertise, the company believes that it is well positioned to benefit from the expected growth in South India and the mid-market and affordable housing categories

Demonstrated Capabilities in Project Identification and Strong Execution Track Record: The company has realized pre-sales volumes of 1.56 million square feet of Saleable Area or 1,260 units, 3.00 million square feet of Saleable Area or 2,525 units, 3.25 million square feet of Saleable Area or 2,873 units and 3.56 million square feet of Saleable Area or 3,469 units, for the six months ended September 30, 2021 and the Financial Years 2021, 2020 and 2019, respectively. Its pre-sales volumes grew at CAGR of 22.61% between the Financial Years 2017 and 2021. The company has been able to strengthen its market position amidst consolidating industry environment since demonetisation in 2016 and introduction of RERA in 2017. The company has been able to complete and deliver seven projects with aggregate Saleable Area of 8.04 million square feet during Financial Years 2018 to 2021 and the six months ending September 30, 2021. Its overall execution timelines have improved consistently over the years benefiting from improvements in project management and control, technology and automation as well as strengthened implementation and monitoring. In order to achieve timely development of its projects, the company relies on its project engineering, design and procurement teams, of 167 employees in aggregate, as of September 30, 2021, including managing regulatory approvals and tracks project timelines and costs.

Established Strategic Relationships: The company has established relationships with domestic as well as international financial investors, from whom the Company has been able to procure financial investments for its projects. Investors who have invested in its projects include SUN Apollo India Real Estate Fund I LLC, Mitsubishi Corporation, Amplus Capital Advisors Private Limited, ASK Real Estate Special Opportunities Fund, India Realty Excellence Fund II LLP managed by Motilal Oswal Real Estate Investment Advisors II Private Limited and Kotak Affordable India Fund (a joint investment vehicle focused on investing into affordable housing projects between CDC of UK and Kotak Alternative Investment Managers), and include certain investors who have made multiple investments in its completed and Ongoing Projects. This approach has enabled it to raise capital through investments from financial investors in order to fund growth, expand the scale of its projects and reduce debt exposure, while also benefitting from the know-how and strategic inputs of such investors. Other than its strong association with investors, the Company also has well-established relationships with several lenders, including public and private sector banks and NBFCs, across its projects. Further, a significant portion of its Completed and Ongoing Projects are developed through joint-development agreements or joint ventures. As of September 30, 2021, 23 out of its 29 Completed Projects covering a Saleable Area of 10.68 million square feet are through joint development agreements or joint-ventures. Similarly, 12 out of 35 of its Ongoing Projects, Projects under Development and Forthcoming Projects, covering an estimated Saleable Area of 18.23 million square feet as of September 30, 2021, are owned through joint development agreements or joint-ventures.

Scalable and Asset Light Business Model supported by its Strong Financial Position: Its business model relies on the strength of its brand, project execution and management capabilities as well as its well-established relationships with landowners, development partners, financial investors, architects and contractors. Leveraging these capabilities and relationships, the company is transitioning from a real estate development model to a combination of real estate development and real estate services based business model. The company believes this transition will help improve margins and profitability as well as return on capital, given low capital-intensive nature of its new business model. As part of this model, its focus is on DM or joint development agreements with landowners/developers or joint ventures, which requires lower upfront capital expenditure compared to direct acquisition of real estate or land parcels. The company has launched 11 projects under the DM portfolio with a Saleable Area of 6.42 million square feet as of September 30, 2021. Its pre-sales volume from the DM model for the six months ended September 30, 2021 and 2020, Financial Years 2021, 2020 and 2019 were 0.79 million square feet, 0.29 million square feet, 1.05 million square feet, 0.83 million square feet and 0.69 million square feet. The company believes its asset light business model will result in efficient utilisation of capital resulting in lower debt and regular fee income, allowing it to have higher return on capital employed

The well Positioned to Benefit from Regulatory and Industry Developments: The Real Estate (Regulation and Development) Act, 2016 ("RERA") became effective in May 2017, pursuant to which

all projects that meet specified criteria are to be registered with the relevant RERA authority. RERA also prescribes ongoing disclosure requirements (such as mandatory disclosures of project approvals, progress of construction and sales) for real estate projects and requires escrow of 70% of project receivables with withdrawals permitted only for specified purposes. The implementation of the RERA has resulted in increased compliance requirements for real estate projects which require both expertise and business volumes, for long-term sustainability. These regulations and resultant increase in compliance risks provide a growth opportunity for larger and well-established real estate developers and establish barriers to entry for smaller real estate developers. The company is among the top five residential real estate companies in South India in terms of number of units launched between the calendar years 2012 and the third quarter of 2021 across Tier 1 cities of South India including Bengaluru, Chennai and Hyderabad. The company believes that leveraging on its industry position, scale of its operations, experience and efficient project management systems and processes, and its ability to comply with requirements relating to cash flows, project delivery and regulatory disclosures, the company is well positioned to benefit from the opportunity presented by the introduction of RERA and the expected consolidation in the real estate industry in India.

Strategies

Continued Focus on Mid-Market and Affordable Housing Categories: The company intends to continue to strengthen its reputation and track record in the mid-market and affordable housing categories, in order to deliver cost effective housing solutions to its customers. The company intends to leverage its existing market position, competitive strengths and understanding of customer preferences to deepen its penetration in mid-market and affordable housing category. As of September 30, 2021, the company has a portfolio of 16 Ongoing Projects, three Projects under Development and one Forthcoming Project in the mid-market category and affordable housing category, aggregating to 16.67 million square feet and 16.73 million square feet in the mid-market category and affordable housing category, respectively, or 35.67% and 35.80%, respectively, of its estimated total Saleable Area. Further, as part of this strategy, leveraging on its existing expertise the Company is currently developing a project in Kolkata, with a focus on the affordable housing category. The company continues to evaluate new opportunities in the mid-market and affordable housing categories in its core markets, which the company believes provide opportunities for growth and increased returns, while also exploring opportunities in the senior living and the hospitality real estate categories.

Continued Focus on Key Cities in South India: The company intends to continue to focus on key cities in which the company is present, such as Bengaluru and Chennai, where the company believes it has established a strong presence and developed in depth local knowledge and relationships. The company believes that metropolitan cities such as Bengaluru and Chennai, which are among the commercial and business hubs of India with a depth of demand for quality and affordable residential projects, provide it with a significant opportunity to market its projects. Its strong competitive position, industry knowledge and regulatory environment know-how in these cities will enable it to benefit from the expected increased real estate demand in line with the growth of these cities. The company intends to use its expertise and know-how to identify opportunities in areas in these cities where the Company is under-represented and to build a stronger presence in such areas. As of September 30, 2021, the Company has 22 projects or 16.95 million square feet of estimated Saleable Area in Ongoing Projects, fits projects or 2.27 million square feet of estimated Saleable Area in Projects under Development and fits projects or 12.15 million square feet of estimated Saleable Area in Forthcoming Projects in Bengaluru and Chennai, in aggregate. Further, although these cities remain and are expected to remain its primary focus, the company will continue to evaluate growth opportunities outside these cities on a case-by-case basis.

Strengthen Presence in the Plotted Development Category: In December 2018, the Company ventured into plotted development under the brand extension "Shriram Earth". Its maiden plotted development project was called "Shriram Earth - Mysore Road", under the DM model. Since then, the Company has launched eight more projects, comprising of six projects under the DM model, one

project under the joint development arrangement and one project under the owned development category. The total area launched for these projects is around 2.84 million square feet, out of which the company has sold 2.54 million square feet (approximately 89.53% of Saleable Area) as of September 30, 2021. The company decided to venture into this vertical as its core markets present a significant new opportunity in this area and thus focused on building a mix of projects with a quick turnaround time and faster returns.

Focus on its Asset Light Business Model, Primarily through Development Management: The company intends to remain focused on transition from a real estate development model to a combination of real estate development and real estate services based business model in order to grow its fee income while reducing capital investments, and improve its return on capital. While continuing to enter into joint development agreements with landowners or joint ventures, which requires lower upfront capital expenditure, the company intends to increase its fee income and revenues from its DM business. As of September 30, 2021, 14 out of 35 projects aggregating to 31.92% of its total estimated Saleable Area in Ongoing Projects, Projects under Development and Forthcoming Projects are under its DM business. The company intends to continue to enter into DM agreements with landowners and other real estate developers and provide additional project development services. The company believes this business allows it to access land banks in a cost efficient manner and leverage its brand name and project execution and management capabilities, while investing low upfront capital. The company believes its competitive strengths in the area of sales and marketing, demonstrated track record in project execution and ability to leverage its brand, reputation and strong financial position to arrange third party financing for the DM projects provide increased benefits for landowners as part of its DM business. The company believes that its increased focus on its DM business will enable it to lower the project development related risks such as delay in acquisition of land and generate increased return from capital deployed. The company has developed a commercial building at an SEZ in Chennai, of 2.03 million square feet of Saleable Area, for which the company received DM fees. The company has launched 11 projects with a Saleable Area of 6.42 million square feet under the DM model as of September 30, 2021. In addition, as of September 30, 2021, the Company has commenced development operations in 12 residential projects under its DM model, including 11 Ongoing Projects and one Project under Development.

Develop and Monetize its Project in Kolkata: The company has expanded its presence to Kolkata by leveraging on its land reserves in the city and are among the fits largest residential real estate companies in Kolkata in terms of number of residential units launched between the calendar year 2014 to the third quarter of 2021. The company owns a land parcel of 314 acres located at Uttarpara, Kolkata which the company intends to use for development of an integrated township project, 'Shriram Grand City'. In addition, the company has entered into an agreement for sale for acquiring approximately 73 acres in the same location, of which the company intends to use approximately 25 acres of land for development of roads and associated infrastructure for the proposed integrated township project. The land parcel of 314 acres has an aggregate development potential of about 33.54 million square feet of estimated Saleable Area. As of September 30, 2021, the company has obtained approval for development of 26.42 million square feet of residential area and 7.12 million square feet of non-residential area. In addition to 4.32 million square feet of Ongoing Projects and 6.00 million square feet of Projects under Development, 21.45 million square feet of estimated Saleable Area was also intended to be in the midmarket and affordable housing category and commercial developments, as of September 30, 2021. The company has a dedicated team focused on this project, and as of September 30, 2021, 98 employees are based out of Kolkata and work exclusively on this project in close coordination with rest of its teams.

Build Scale, Consolidate Position and Enhance its Execution Capabilities to Capitalize on Industry Opportunity: Leveraging its existing experience and enhanced capabilities, the company believes it will be able to capitalize on the consolidation of the real estate industry and projected increase in the market share of larger developers with strong execution and financial capabilities, which according to the JLL Report, are required to meet compliance requirements stipulated under RERA. The company has realized pre-sales volumes of 1.56 million square feet of Saleable Area, 3.00 million square feet of Saleable Area, 3.25 million square feet of Saleable Area, and 3.56 million

square feet of Saleable Area for the six months ended September 30, 2021, Financial Years 2021, 2020 and 2019, respectively. Its realized pre-sales volumes have grown at a CAGR of 22.61% between Financial Years 2018 and 2020. To support its growth, the company has successfully launched several projects in recent periods. The company has launched seven, six, six and fits projects during the Financial Years 2019, 2020, 2021 and the six months ended September 30, 2021. The company intends to continue its growth strategy to build scale and consolidate its leadership in core markets through focused efforts on sales and marketing and customer service, as well as efforts to manage costs efficiently. The company intends to further scale-up and enhance its execution and in-house capabilities for project planning and monitoring. For example, the company has grown its employees from 521 as of March 31, 2018 to 647 as of September 30, 2021. Over the past three years the company has also focused on increasing the efficiency of its personnel by reorganizing its sales and marketing team and growing the team from 214 as of March 31, 2018 to 313 as of September 30, 2021, strengthened its business development and project execution teams and implemented systems and processes for improved project management and construction monitoring. Further, the company seeks to supplement its employee base by recruiting talented and qualified personnel and increasing the efficiency of its existing employees by conducting trainings in relation to new project management processes and technologies.

Continued Focus on Relationships with Financial Investors: The company intends to continue to enter into arrangements with financial investors aimed at leveraging the strength of its current business model and existing strong relationships with reputed financial investors. As part of this strategy, the company has entered into strategic relationships with financial investors for development of investment platforms arrangements, which include a capital commitment towards projects that meet, specified and agreed upon criteria. For example, the company has entered into partnership with Kotak Affordable India Fund (a joint investment vehicle focused on investing into affordable housing projects between CDC of UK and Kotak Alternative Investment Managers) wherein the company has secured capital from the fund towards 50% economic interest in Sunshine One (formerly known as Shriram Grand-2), as part of its project in Kolkata. Similarly, the company has entered into economic interest / equity partnership with Mitsubishi Corporation for its Project Shriram Park 63 at Chennai. The company proposes to leverage such arrangements to reduce its capital exposure by sharing risk and rewards with financial investors.

Risk factors

- Its business and profitability is significantly dependent on the performance of the real estate market in India
- Its real estate development activities are geographically concentrated in key cities in South India.
- The company has a significant amount of debt.
- The company relies on independent contractors to execute our projects.
- The business is capital intensive and is significantly dependent on the availability of real estate financing in India.

Peer comparison

Co_Name	Total Income	PAT	EPS	P/E	P/BV	BV	FV	Price	Mcap
Sunteck Realty	637.55	52.00	3.81	112.61	2.26	189.76	1.00	429.05	6282.65
Prestige Estates	6876.00	1528.20	9.53	45.87	2.60	168.34	10.00	437.10	17521.66
Godrej Propert.	818.61	-124.54	0.00	0.00	6.72	301.26	5.00	2023.15	56241.01
Sobha	2569.20	98.60	10.40	79.57	3.20	258.46	10.00	827.55	7848.97
Brigade Enterpr.	2571.32	-4.61	1.01	489.21	4.09	120.88	10.00	494.10	11369.33
Oberoi Realty	2656.99	920.72	25.32	33.71	3.19	267.22	10.00	853.55	31035.27
Shriram Properties Limited**	431.50	-68.18	-ve	-ve	1.97	59.95	10.00	118.00	2001.26

**FY21 Financials
* TTM Financials

Valuation

The company has negative earnings so valuation cannot be done on P/E basis. Therefore, we are considering the EV/EBIDTA ratio valuation of actual FY21, on the upper end of the price band of Rs. 118, the stock is priced at post issue, EV/EBIDTA of 16.28x on its FY21 EV of Rs. 1970.51 and EBIDTA of Rs121.05.

Industry overview

The residential housing market performed strongly during the quarter ended September 30, 2021, i.e., the third quarter of 2021, with residential unit sales and new launches of residential projects experiencing the strongest results since the outbreak of the COVID-19 pandemic, despite the impact of the “second wave” during the second quarter of 2021. In particular, greater control over the impact of the pandemic and positive progress of the vaccination program have enabled an early relaxation of the “second wave” related lockdown initiatives, while learnings gained from similar relaxations during 2020 have assisted property developers to better manage construction and delivery schedules, as well as continue sales activity. Housing demand in India is expected to be supported by an increase in its overall population and increasing population density in its urban areas. By the year 2030, India is estimated to surpass China in terms of population and by the year 2050, population of India is estimated to be 25% more than that of China. Increase in population further gives rise to the demand for housing.

Outlook

The company is one of the Leading Residential Real Estate Development Companies in South India with Focus on Mid-market and Affordable Housing Categories. As the real estate industry is expected to continue its up-trend and the company, given its brand name and popularity in the South India, it is expected that the company would see good demand for housing. A long term investor may opt the issue.

An Indicative timetable in respect of the Issue is set out below:

EVENT	INDICATIVE DATE (On or about)
Bid/Offer Opens Date	Dec 08, 2021
Bid/Offer Closing Date	Dec 10, 2021
Finalisation of Basis of Allotment with the Designated Stock Exchange	On or about Dec 15, 2021
Initiation of refunds (if any, for Anchor Investors)/unblocking of funds from ASBA Account	On or about Dec 16, 2021
Credit of Equity Shares to depository accounts of Allottees	On or about Dec 17, 2021
Commencement of trading of the Equity Shares on the Stock Exchanges	On or about Dec 20, 2021

Consolidated Financials

Profit & Loss

Rs. in Cr.

Particulars	Period ended 30-Sep-21 (6 Months)	Period ended 31-Mar-21 (12 Months)	Period ended 31-Mar-20 (12 Months)
Revenue from operations	118.18	431.50	571.96
Total expenditure	118.08	380.26	541.43
Operating Profit	0.10	51.24	30.53
OPM%	0.08	11.88	5.34
Other Income	36.98	69.81	59.88
PBDIT	37.07	121.05	90.41
Depreciation	3.435	6.575	6.404
PBIT	33.64	114.48	84.01
Interest	63.92	125.31	123.18
PBT	-30.28	-10.83	-39.17
Share of loss of joint ventures, net	-18.45	-33.20	-40.94
(Loss) before exceptional items and tax	-48.73	-44.03	-80.11
Exceptional items	-4.00	-1.17	-1.55
(Loss)/ Profit before tax for the period	-52.72	-45.20	-81.66
Tax	7.31	22.98	4.74
Profit After Tax	-60.03	-68.18	-86.39

Balance sheet is on next page

Balance Sheet

Rs. in Cr.

Particulars	As on 30-Sep-21	As on 31-Mar-21	As on 31-Mar-20
Non-current assets			
Property, plant and equipment	58.80	61.36	67.07
Capital work-in-progress	0.00	0.00	0.00
Investment property	0.06	0.06	0.06
Goodwill	10.59	10.59	10.59
Other intangible assets	3.35	3.66	3.36
Intangible assets under development	0.00	0.00	0.00
Investments accounted for using the equity method	40.86	44.90	58.55
Financial Assets			
Investments	0.00	0.00	0.00
Loans	83.29	86.00	50.05
Other financial assets	16.46	70.05	109.93
Deferred tax assets (net)	31.26	39.19	59.22
Other financial assets	9.87	10.42	10.09
Other non-current assets	137.94	134.55	163.85
Total non-current assets	392.47	460.78	532.76
Current assets			
Inventories	2062.58	2026.09	2092.13
Financial Assets			
Investments	1.43	1.39	40.19
Trade receivables and contract assets	108.19	132.43	164.59
Cash and cash equivalents	39.89	79.25	42.79
Bank balances other than (iii) above	2.26	2.19	1.74
Loans	66.24	57.65	45.10
Other financial assets	376.09	322.63	334.16
Other current assets	244.23	217.09	163.85
Total current assets	2900.90	2838.71	2884.54
Total Assets	3293.36	3299.49	3417.30
Non-current liabilities			
Financial liabilities			
Borrowings	48.44	49.43	78.64
Lease Liabilities	1.35	1.26	1.44
Other financial liabilities	32.74	30.80	59.74
Provisions	4.95	4.47	4.45
Deferred tax liabilities (net)	14.88	15.76	14.77
Total financial liabilities	102.35	101.72	159.03
Current liabilities			
Financial liabilities			
Borrowings	646.66	677.74	658.61
Lease liabilities	0.46	0.42	0.39
Trade payables			
Total outstanding dues of micro enterprises and small enterprises	8.53	7.37	9.20
Total outstanding dues of creditors other than micro enterprises and small enterprises	135.46	137.49	131.76
Other financial liabilities	357.80	347.49	297.77
Other current liabilities	1243.75	1169.15	1236.97
Provisions	4.11	3.26	3.15
Income tax liabilities (net)	27.47	27.56	26.35
Total current liabilities	2424.23	2370.48	2364.18
Total	2526.59	2472.20	2523.21
NET Worth	766.78	827.29	894.09
Net worth represented by:			
Share capital	148.11	148.11	148.11
Other Equity	620.67	689.43	756.35
Non-controlling interest	-2.00	-10.25	-10.36
Net Worth	766.78	827.29	894.09

RANKING METHODOLOGY

WEAK	★
NEUTRAL	★★
FAIR	★★★
GOOD	★★★★
EXCELLENT	★★★★★

E-mail: smc.care@smcindiaonline.com



Moneywise. Be wise.

Corporate Office:
11/6B, Shanti Chamber,
Pusa Road, New Delhi - 110005
Tel: +91-11-30111000
www.smcindiaonline.com

Mumbai Office:
Lotus Corporate Park, A Wing 401/402, 4th Floor,
Graham Firth Steel Compound, Off Western
Express Highway, Jay Coach Signal, Goreagon
(East) Mumbai - 400063
Tel: 91-22-67341600, Fax: 91-22-67341697

Kolkata Office:
18, Rabindra Sarani, Poddar Court, Gate No-4,
5th Floor, Kolkata - 700001
Tel.: 033 6612 7000/033 4058 7000
Fax: 033 6612 7004/033 4058 7004

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