

# PSP Project Limited

FY21-24E Earnings CAGR%	31%
CF & Return Profile	High
Valuations	Reasonable

**Order inflow accretion is crucial going forward....**

## BUY

CMP (Rs)	578
Target (Rs)	834
Upside (%)	44%

Nifty: 17,938      Sensex: 60,099

### Key Stock Data

Bloomberg	PSPPL IN
Shares O/s Mn (FV INR10)	36
Mkt Cap(USD Bn/INR Bn)	0.3/20.8
52-week high/low	588/394
6m daily avg vol(INR Mn)	136
Free Float %	30

### Price Performance

(%)	3m	1yr	3yr
PSPPL	9.4	41.2	14.9
Nifty	(2.4)	25.1	19.6
NSE500	(1.6)	30.8	20.7

### Shareholding Pattern

(%)	Mar20	Jun20	Sep20
Promoter	74.2	69.9	70.2
FII	1.3	1.3	1.7
DII	2.9	2.1	2.9
Others	21.6	26.7	25.2

Suraj Sonulkar

suraj.sonulkar@amsec.in  
+91 22 4343 5217

- **PSP Project Ltd (PSPPL) reported revenue grew by 25% yoy to Rs4.9bn, owing to healthy order book executions.**
- **EBITDA grew by 58% yoy to Rs741mn and EBITDAM improved by 322bp yoy to 15.3%, owing to lower raw material cost and employee cost**
- **Adj PAT grew by 57% yoy to Rs469mn, higher than our estimates owing to higher EBITDAM and lower tax rate. APATM improved by 142bp yoy to 9.5%**
- **In YTD FY22, Revenue grew by 61% yoy to Rs11.9bn, EBITDA grew by 131% yoy to Rs1.7bn and EBITDAM improved by 426bp yoy to 14.1% and Adj PAT grew by 158% yoy to Rs1.1bn.**
- **The standalone order book remained strong at Rs40bn as of Dec'21, suggesting a 3.2x on FY21 revenue.**
- **Out of total orders, 7.3bn (18% of orders) are slow-moving orders (Bhiwandi and Pandharpur).**

**Robust standalone order book at 3.2x of FY21 revenue; provides strong growth visibility:** PSP Projects has a strong order book of Rs40bn as of Dec'21, ensuring strong revenue growth. The order backlog implies a healthy book-to-bill ratio of 3.2x in FY21 revenue. Order Inflow during 9MFY22 is at Rs.9.8bn, Major order from a multinational company to build steel plant at Hazira and Residential building of PAC Battalion in UP. UP orders account highest in the order book of 51%, followed by Gujarat at 31% and Maharashtra at 18% of the total standalone order book. The government segment accounts highest orders of 39%, followed by Govt Residential of 24%, Institutional orders of 19%, and Residential orders of 12%.

**Strong order inflow pipeline:** PSP has bid orders worth Rs35bn-38bn, 49% is private projects and 60% is from the state of Gujarat. Bid pipeline orders include Sports complex in Ahmedabad of Rs6bn, Residential projects in Mumbai of Rs3bn, Corporate head office in Ahmedabad of Rs2bn, Pharma company expansion of factor Rs2bn, Commercial mall in Ahmedabad of Rs2bn, Factory projects near Surat projects of Rs1.5bn, Steel plant expansion is at Rs1.5bn, Existing client phase II orders of Rs1bn, MEP work from DMRC of Rs1bn, Temple projects in Ahmedabad of Rs800mn and Central vista projects of Rs11.7bn. Out of total Central Vista projects of Rs200bn, only Rs50bn has already been awarded and Rs150bn is yet to be awarded in the coming months. We have factored in order inflow of Rs15bn/Rs15bn/Rs15bn in FY22E/FY23E/FY23, respectively.

**Outlook & Valuation:** We expect revenue CAGR of 24% and PAT CAGR of 31% during FY21-24E, respectively. We expect ROE and ROCE to remain strong at 21.3%/26.0% respectively in FY24E. The stock is trading at 10.4x FY24E earnings. Given the robust order book, healthy margin, superior return ratio, strong balance sheet, expanding geographical footprint, and opportunity in infrastructure space; we are positive on the business and stock as a long-term investment opportunity. We maintain our BUY rating with a target price of Rs 834 based on 15x FY24E earnings.

### Exhibit 1: Key Financials

Y/E Mar/Rs mn	FY20	FY21	FY22E	FY23E	FY24E
Sales	14,993	12,409	17,293	20,430	23,856
yoy (%)	43.0	(17.3)	40.1	18.1	16.8
EBITDA	1,910	1,348	2,075	2,452	2,863
yoy (%)	28.2	(29.4)	53.9	18.1	16.8
Adjusted PAT	1,293	808	1,269	1,549	1,819
yoy (%)	43.2	(37.5)	57.1	22.1	17.5
EBITDAM (%)	12.8	10.9	12.0	12.0	12.0
Adj PATM (%)	8.5	6.4	7.3	7.5	7.6
Diluted EPS (Rs)	35.9	22.4	35.2	43.0	55.6

### Exhibit 2: Key Ratios

Y/E Mar	FY20	FY21	FY22E	FY23E	FY24E
Equity	360	360	360	360	360
ROE (%)	31.2	16.2	21.4	21.7	21.3
ROCE (%)	40.7	21.9	27.1	26.1	26.0
ROIC (%)	35.3	19.0	24.4	23.7	23.9
D:E (x)	(0.3)	(0.3)	(0.1)	(0.1)	(0.2)
PER (x)	16.1	25.8	16.4	13.4	10.4
P/BV (x)	4.6	3.9	3.2	2.7	2.0
EV/Sales (x)	1.3	1.6	1.2	1.0	0.7
EV/EBITDA (x)	10.3	14.3	9.8	8.1	6.0

Source: Company, AMSEC Research

**Exhibit 3 : 3QFY22 Quarterly Standalone Performance**

P&L (Rs mn)	3QFY21	4QFY21	1QFY22	2QFY22	3QFY22	yoy(%)	qoq (%)	YTFDY21	YTFDY22	yoy (%)
<b>Net Sales</b>	<b>3902</b>	<b>5007</b>	<b>3174</b>	<b>3904</b>	<b>4856</b>	<b>24.5</b>	<b>24.4</b>	<b>7401</b>	<b>11934</b>	<b>61.2</b>
Other Operating Inc.						-	-	0	0	-
<b>Total Sales</b>	<b>3902</b>	<b>5007</b>	<b>3174</b>	<b>3904</b>	<b>4856</b>	<b>24.5</b>	<b>24.4</b>	<b>7401</b>	<b>11934</b>	<b>61.2</b>
Stock Adjustment	-19	69	-40	39	-29	54.8	-173.0	-93	-29	-68.3
Consumption of RM	1420	1456	1030	1255	1302	-8.3	3.7	2525	3588	42.1
Construction Exp	1848	2675	1587	1855	2601	40.8	40.2	3769	6044	60.3
Employee Cost	137	142	152	155	164	19.7	5.7	367	471	28.4
Other Expenditure	47	44	50	52	77	63.9	46.2	105	179	69.6
Total Expenditure	3432	4387	2780	3357	4116	19.9	22.6	6674	10252	53.6
<b>EBITDA</b>	<b>469</b>	<b>621</b>	<b>394</b>	<b>547</b>	<b>741</b>	<b>57.8</b>	<b>35.4</b>	<b>728</b>	<b>1682</b>	<b>131.2</b>
Add: Other Income	38	38	38	46	76	100.2	64.7	131	160	22.2
Interest	30	46	34	38	98	223.9	159.3	101	169	67.1
Depreciation	64	68	54	70	94	45.7	33.5	189	218	15.7
<b>Core PBT</b>	<b>413</b>	<b>546</b>	<b>344</b>	<b>485</b>	<b>625</b>	<b>51.5</b>	<b>28.8</b>	<b>568</b>	<b>1454</b>	<b>155.9</b>
Excep. item Loss / (Gain)	-27	0	0	0	0	-	-	-27	0	
<b>Profit Before Tax</b>	<b>385</b>	<b>546</b>	<b>344</b>	<b>485</b>	<b>625</b>	<b>62.3</b>	<b>28.8</b>	<b>541</b>	<b>1454</b>	<b>168.8</b>
Provision for Taxation	106	139	93	120	156	47.1	30.6	140	368	163.3
<b>PAT</b>	<b>279</b>	<b>407</b>	<b>251</b>	<b>366</b>	<b>469</b>	<b>68.0</b>	<b>28.2</b>	<b>401</b>	<b>1086</b>	<b>170.8</b>
Extra Ordinary Income	-20	0	0	0	0	-	-	-20	0	
Share of Profit in Asso.						-	-	0	0	
<b>Adj. Net Profit</b>	<b>299</b>	<b>407</b>	<b>251</b>	<b>366</b>	<b>469</b>	<b>56.9</b>	<b>28.2</b>	<b>421</b>	<b>1086</b>	<b>158.0</b>
Equity Capital (FV Rs 10)	360	360	360	360	360			360	360	
<b>Basic EPS (Rs)</b>	<b>7.8</b>	<b>11.3</b>	<b>7.0</b>	<b>10.2</b>	<b>13.0</b>			<b>11.1</b>	<b>30.2</b>	
EBITDA (%)	12.0	12.4	12.4	14.0	15.3	322bp	124bp	9.8	14.1	426bp
PAT (%)	8.1	8.1	7.8	9.3	9.5	142bp	25bp	5.9	9.0	313bp
Tax / PBT (%)	27.5	25.4	27.0	24.6	25.0	(-257bp)	35bp	25.9	25.3	(54bp)
Interest/Net Sales	0.8	0.9	1.1	1.0	2.0	124bp	105bp	1.4	1.4	5bp
Employee cost/Net Sales	3.5	2.8	4.8	4.0	3.4	(-13bp)	(-60bp)	5.0	4	(101bp)
RM / Net Sales (%)	83.3	83.9	81.2	80.7	79.8	(-347bp)	(-88bp)	83.8	80.5	(333bp)

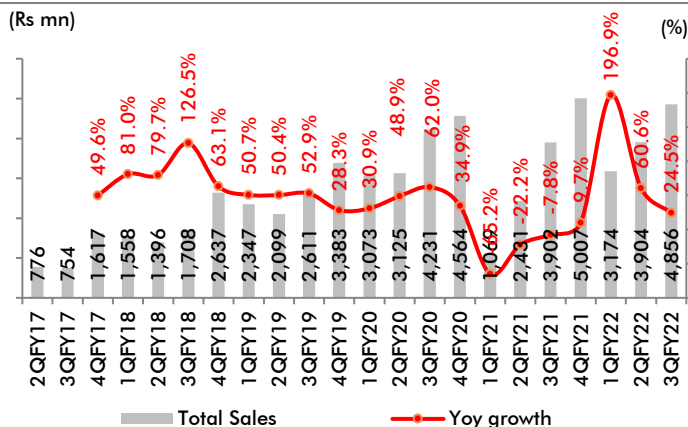
Source: Company, AMSEC Research

**Concall highlights:**

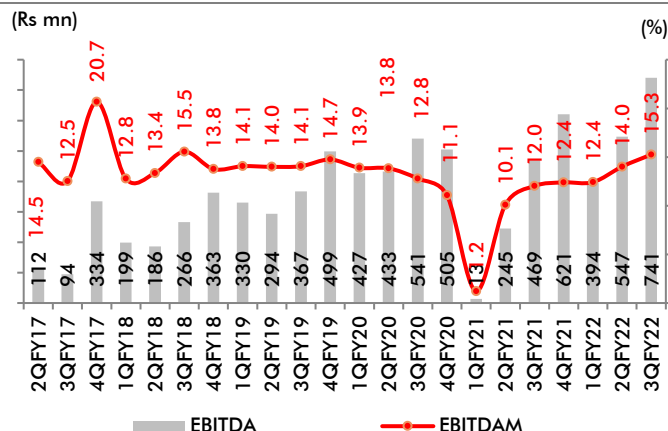
- **Disinvestment from Subsidiary:** Successfully exited investments in (PSP Projects INC) US Subsidiary by selling the stake for a consideration of USD 10,000. The entire loan amount has been duly received along with interest
- **Precast Factory:** During quarters company has successfully commissioned precast facilities (Total investment of Rs1.1bn). Further, received orders from L&T to the tune of Rs. 490Mn. Total precast revenue booked for Rs.45.7 Mn. Total asset capitalized Rs 1.1bn. Maximum revenue can generate of Rs3bn.
- **SDB Projects update:** SDB Projects is almost on verge of completion. The company expected to complete projects by end of Feb2022. Revenue received from SDB projects is Rs930Mn in Q3FY22 and Rs1.7bn till now. The balance order book stood at Rs1.2bn.
- **UP Medical & Hospital Projects:** All projects have been mobilized, started foundation work, and revenue generation has been started. Revenue book stood at Rs380Mn in Q3FY22 and Rs640mn till now.
- **Bhiwandi & Pandharpur projects:** Bhiwandi projects are under the status quo and matter still in court. Pandharpur projects have stopped work due to payment delays. PSP has received a letter from the Pandharpur council, and they are going to pay Rs80mn out of the total outstanding of Rs200mn.
- **Guidance:** Management expecting revenue of Rs17bn-18bn in FY22 (40-45%) and 20% growth in FY23 with EBITDAM of 12-13%. Further, expecting order inflow of Rs15bn-18bn in FY22.
- **Other details:** Working capital stood at Rs840mn, Long term debt of Rs300mn and Mobilization advance of Rs800mn, working capital days is at 43, the Cash balance is Rs2.2bn

**Quarterly Standalone Charts:**

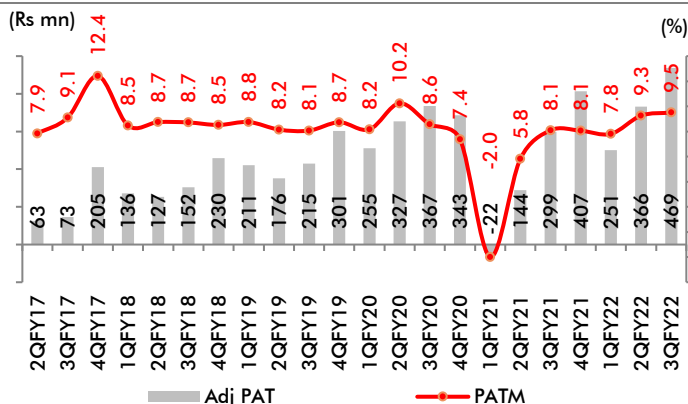
**Exhibit 4: Revenue Trend**



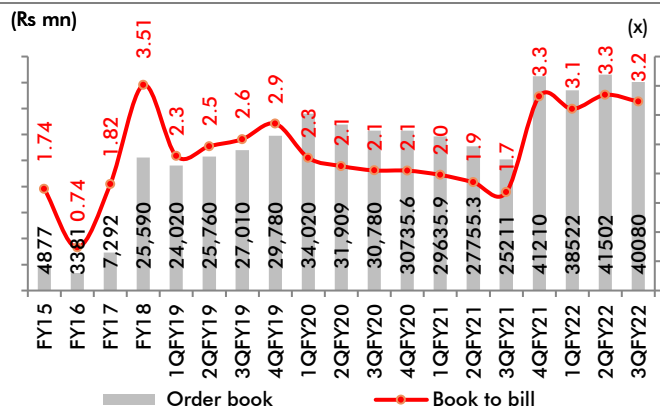
**Exhibit 5: EBITDA and EBITDAM Trend**



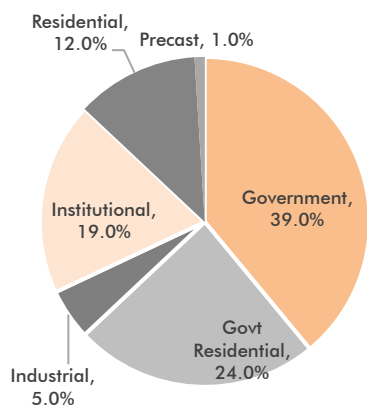
**Exhibit 6: PAT and PATM Trend**



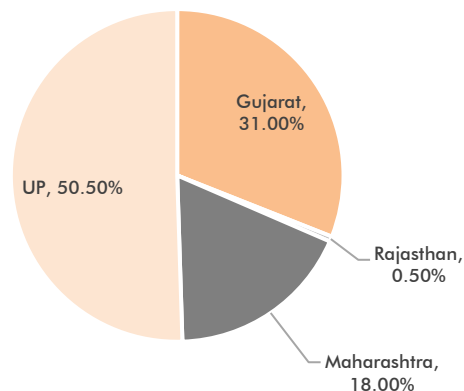
**Exhibit 7: Order book trend**



**Exhibit 8: Standalone order book break up (Rs40) - Segment wise**



**Exhibit 9: Standalone Order book (Rs40 bn)- Region wise**



Source: Company, AMSEC Research

**Financial (Standalone)****(Rs Mn)**

<b>Profit &amp; Loss Accounts</b>						<b>Cash Flow Statement</b>					
<b>Particulars</b>	<b>FY20</b>	<b>FY21</b>	<b>FY22E</b>	<b>FY23E</b>	<b>FY24E</b>	<b>Particulars</b>	<b>FY20</b>	<b>FY21</b>	<b>FY22E</b>	<b>FY23E</b>	<b>FY24E</b>
<b>Net sales</b>	<b>14,993</b>	<b>12,409</b>	<b>17,293</b>	<b>20,430</b>	<b>23,856</b>	PBT	1,744	1,087	1,696	2,071	2,432
Raw material	8,800	6,173	13,938	16,466	19,228	Non-cash adjustments	19	87	104	106	156
Subcontracting Expenses	3,555	4,229	-	-	-	Changes in working capital	(1,523)	23	(1,987)	(609)	(656)
Employee benefits expenses	594	509	865	1,021	1,193	Interest Paid	146	147	275	275	275
Other expenses	134	150	415	490	573	Tax Paid & Other Adj	(695)	(214)	(427)	(522)	(613)
<b>Total Expenditure</b>	<b>13,083</b>	<b>11,060</b>	<b>15,218</b>	<b>17,978</b>	<b>20,993</b>	<b>Cashflow from operations</b>	<b>(308)</b>	<b>1,130</b>	<b>(340)</b>	<b>1,321</b>	<b>1,594</b>
<b>EBITDA</b>	<b>1,910</b>	<b>1,348</b>	<b>2,075</b>	<b>2,452</b>	<b>2,863</b>	Capital exp. & Advances	(313)	(713)	(500)	(500)	(500)
Depreciation	267	256	304	326	376	Change in investments	-	36	-	-	-
<b>Operating profit</b>	<b>1,643</b>	<b>1,092</b>	<b>1,771</b>	<b>2,125</b>	<b>2,487</b>	Other investing cashflow	248	169	200	220	220
Other income	248	169	200	220	220	<b>Cashflow from investing</b>	<b>(65)</b>	<b>(508)</b>	<b>(300)</b>	<b>(280)</b>	<b>(280)</b>
<b>EBIT</b>	<b>1,891</b>	<b>1,261</b>	<b>1,971</b>	<b>2,345</b>	<b>2,707</b>	Issue of equity	-	-	-	-	-
Interest	146	147	275	275	275	Issue/repay debt	486	61	1,022	-	-
Exceptional items	-	(27)	-	-	-	Interest Paid	(146)	(147)	(275)	(275)	(275)
<b>Profit before tax</b>	<b>1,744</b>	<b>1,087</b>	<b>1,696</b>	<b>2,071</b>	<b>2,432</b>	Dividends paid	(216)	(216)	(144)	(270)	(270)
Tax	452	279	427	522	613	Other financing cashflow	-	-	-	-	-
<b>Reported net profit</b>	<b>1,293</b>	<b>808</b>	<b>1,269</b>	<b>1,549</b>	<b>1,819</b>	<b>Cashflow from financing</b>	<b>124</b>	<b>(302)</b>	<b>603</b>	<b>(545)</b>	<b>(545)</b>
EO Items (loss/ gain)	-	-	-	-	-	<b>Change in cash &amp; cash eq</b>	<b>(250)</b>	<b>320</b>	<b>(36)</b>	<b>496</b>	<b>769</b>
<b>Adjusted net profit</b>	<b>1,293</b>	<b>808</b>	<b>1,269</b>	<b>1,549</b>	<b>1,819</b>	<b>Opening cash &amp; cash eq</b>	<b>2,217</b>	<b>1,967</b>	<b>2,287</b>	<b>2,251</b>	<b>2,747</b>
Share O/s mn	36.0	36.0	36.0	36.0	32.7	<b>Closing cash &amp; cash eq</b>	<b>1,967</b>	<b>2,287</b>	<b>2,251</b>	<b>2,747</b>	<b>3,517</b>
Diluted EPS Rs (adjusted)	35.9	22.4	35.2	43.0	55.6	<b>Free cash flow to firm</b>	<b>(621)</b>	<b>416</b>	<b>(840)</b>	<b>821</b>	<b>1,094</b>
<b>Balance Sheet</b>						<b>Ratio</b>					
<b>Particulars</b>	<b>FY20</b>	<b>FY21</b>	<b>FY22E</b>	<b>FY23E</b>	<b>FY24E</b>	<b>Particulars</b>	<b>FY20</b>	<b>FY21</b>	<b>FY22E</b>	<b>FY23E</b>	<b>FY24E</b>
<b>APPLICATION OF FUNDS :</b>						<b>PER SHARE</b>					
<b>Non Current Assets</b>	<b>2,673</b>	<b>2,992</b>	<b>3,288</b>	<b>3,562</b>	<b>3,786</b>	EPS Rs (adjusted)	35.9	22.4	35.2	43.0	55.6
Gross block (Total)	1,998	2,295	2,795	3,295	3,795	CEPS Rs	43.3	29.6	43.7	52.1	67.1
Less : accumulated depreciation	919	1,133	1,437	1,763	2,139	Book Value Rs	127.0	149.4	180.7	216.2	285.2
Net block (Total)	1,079	1,162	1,358	1,532	1,656	<b>VALUATION</b>					
Capital work in progress	-	416	416	416	416	EV / Net Sales	1.3	1.6	1.2	1.0	0.7
Investment in Equity Shares	38	1	1	1	1	EV / EBITDA	10.3	14.3	9.8	8.1	6.0
Other Investment	7	7	7	7	7	P / E Ratio	16.1	25.8	16.4	13.4	10.4
Deferred tax assets	58	92	92	92	92	P / BV Ratio	4.6	3.9	3.2	2.7	2.0
Long term loans and advances	1,467	1,250	1,300	1,350	1,400	<b>GROWTH YOY%</b>					
Other non-current assets	25	65	115	165	215	Sales Growth	43.0	(17.3)	40.1	18.1	16.8
<b>Current Assets</b>	<b>6,920</b>	<b>6,911</b>	<b>9,604</b>	<b>11,434</b>	<b>13,660</b>	EBITDA Growth	28.2	(29.4)	53.9	18.1	16.8
Current investment	-	-	-	-	-	Net Profit Growth	43.2	(37.5)	57.1	22.1	17.5
Inventories	968	892	1,668	1,970	2,301	Gross Fixed Asset Growth	18.6	14.9	21.8	17.9	15.2
Sundry debtors	2,240	2,220	4,027	4,758	5,556	<b>Margin Analysis (%)</b>					
Cash and bank	1,967	2,287	2,251	2,747	3,517	Gross profit Margin	38.5	47.4	15.9	15.9	15.9
Short loans and advances	1,403	1,158	1,421	1,679	1,961	EBITDA Margin	12.8	10.9	12.0	12.0	12.0
Others current assets	341	354	237	280	327	EBIT Margin	12.7	10.2	11.4	11.5	11.3
<b>Total Assets</b>	<b>9,593</b>	<b>9,904</b>	<b>12,893</b>	<b>14,996</b>	<b>17,447</b>	Adj PAT Margin	8.5	6.4	7.3	7.5	7.6
<b>SOURCES OF FUNDS :</b>						CFO/EBITDA %	20.2	99.6	4.2	75.2	77.1
Share Capital	360	360	360	360	360	CFO/PAT %	(23.9)	139.8	(26.8)	85.3	87.6
Reserves	4,211	5,020	6,145	7,424	8,973	Int/Debt	19.6	18.1	15.0	15.0	15.0
<b>Total Shareholders Funds</b>	<b>4,571</b>	<b>5,380</b>	<b>6,505</b>	<b>7,784</b>	<b>9,333</b>	Tax/PBT	25.9	25.7	25.2	25.2	25.2
<b>Non-Current Liabilities</b>	<b>44</b>	<b>36</b>	<b>308</b>	<b>308</b>	<b>308</b>	<b>Return Ratio (%)</b>					
Long term borrowings	40	28	300	300	300	ROE	31.2	16.2	21.4	21.7	21.3
Long term provisions	4	8	8	8	8	ROCE	40.7	21.9	27.1	26.1	26.0
<b>Current Liabilities</b>	<b>4,977</b>	<b>4,488</b>	<b>6,080</b>	<b>6,905</b>	<b>7,806</b>	ROIC	35.3	19.0	24.4	23.7	23.9
Short term borrowings	682	680	1,430	1,430	1,430	<b>Turnover</b>					
Trade payables	2,163	2,599	2,274	2,687	3,137	Net Working capital (Days)	17	27	59	59	59
Other current liabilities	2,117	1,130	2,139	2,508	2,912	Debtors Velocity (Days)	55	66	85	85	85
Short term provisions	15	79	237	280	327	Inventory (Days)	24	26	35	35	35
<b>Total Equity &amp; Liabilities</b>	<b>9,593</b>	<b>9,904</b>	<b>12,893</b>	<b>14,996</b>	<b>17,447</b>	Creditors Velocity (Days)	53	77	48	48	48
Net Working Capital	683	918	2,805	3,313	3,869	Gross Asset Ratio	8.1	5.8	6.8	6.7	6.7
Total Gross Debt	748	810	1,832	1,832	1,832	Total Asset Ratio	177	127	152	147	147
Total Net Debt	(1,219)	(1,478)	(420)	(916)	(1,685)	<b>LIQUIDITY</b>					
Capital Employed	5,320	6,190	8,336	9,615	11,165	Current Ratio	1.4	1.5	1.6	1.7	1.7
Order book	30,152	41,341	39,047	33,618	24,762	Quick Ratio	1.2	1.3	1.3	1.4	1.5
Order inflow	15,780	23,530	15,000	15,000	15,000	Net Debt-Equity Ratio	(0.3)	(0.3)	(0.1)	(0.1)	(0.2)
Book To bill (x)	2.0	3.3	2.3	1.6	1.0	Interest Coverage (x)	11.2	7.4	6.4	7.7	9.1
<b>PAYOUT</b>						<b>PAYOUT</b>					
						Payout %	17	18	21	17	15
						Dividend %	50	40	75	75	76
						Yield %	0.9	0.7	1.3	1.3	1.4

Source: Company, AMSEC Research

## Recommendation rationale

## Sector rating

<b>Buy:</b> Potential upside of	> +15% (absolute returns)
<b>Accumulate:</b>	> +5 to +15%
<b>Reduce:</b>	+5 to -5%
<b>Sell:</b>	< -5%
<b>Not Rated (NR):</b>	No investment opinion on the stock

<b>Overweight:</b>	The sector is expected to outperform relative to the Sensex.
<b>Underweight:</b>	The sector is expected to underperform relative to the Sensex.
<b>Neutral:</b>	The sector is expected to perform in line with the Sensex.

## Disclosures

This Report is published by Asian Markets Securities Private Limited (hereinafter referred to as "AMSEC") for private circulation. AMSEC is a registered Stock Broker with National Stock Exchange of India Limited and BSE Limited in cash and derivatives segments. It is also having registration as a Depository Participant with CDSL and as Portfolio Manager. 'AMSEC is registered Research Analyst under SEBI (Research Analyst) Regulations, 2014 having Registration Number as INH000001378.'

AMSEC has other business divisions with independent research teams separated by Chinese walls, and therefore may, at times, have different or contrary views on stocks and markets.

AMSEC or its associates have not been debarred / suspended by SEBI or any other regulatory authority for accessing / dealing in securities Market. AMSEC, its associates or analyst or his relatives do not hold any financial interest in the subject company. AMSEC or its associates or Analyst do not have any conflict or material conflict of interest at the time of publication of the research report with the subject company. AMSEC or its associates or Analyst or his relatives hold / do not hold beneficial ownership of 1% or more in the subject company at the end of the month immediately preceding the date of publication of this research report.

AMSEC or its associates / analyst has not received any compensation / managed or co-managed public offering of securities of the company covered by Analyst during the past twelve months. AMSEC or its associates have not received any compensation or other benefits from the company covered by Analyst or third party in connection with the research report. Analyst has not served as an officer, director or employee of subject company and AMSEC / analyst has not been engaged in market making activity of the subject company.

**Analyst Certification:** I, **Suraj Sonulkar** the research analysts and authors of this report, hereby certify that the views expressed in this research report accurately reflects my personal views about the subject securities, issuers, products, sectors or industries. It is also certified that no part of the compensation of the analyst(s) was, is, or will be directly or indirectly related to the inclusion of specific recommendations or views in this research. The analyst(s) principally responsible for the preparation of this research report and has taken reasonable care to achieve and maintain independence and objectivity in making any recommendations.

1. Name of the Analyst / Associate	Suraj Sonulkar
2. Analysts' ownership of any stock related to the information contained:	Nil
3. AMSEC ownership of any stock related to the information contained:	None
4. Broking relationship with company covered:	None
5. Investment Banking relationship with company covered:	None

## Disclaimer

This report is for the personal information of the authorized recipient and does not construe to be any investment, legal or taxation advice you. AMSEC is not soliciting any action based upon it. Nothing in this research shall be construed as a solicitation to buy or sell any security or product, or to engage in or refrain from engaging in any such transaction. In preparing this research, we did not take into account the investment objectives, financial situation and particular needs of the reader.

This research has been prepared for the general use of the clients of AMSEC and must not be copied, either in whole or in part, or distributed or redistributed to any other person in any form. If you are not the intended recipient you must not use or disclose the information in this research in any way. Though disseminated to all the customers simultaneously, not all customers may receive this report at the same time. AMSEC will not treat recipients as customers by virtue of their receiving this report. 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 AMSEC & its group companies to registration or licensing requirements within such jurisdictions.

The report is based on the information obtained from sources believed to be reliable, but we do not make any representation or warranty that it is accurate, complete or up-to-date and it should not be relied upon as such. We accept no obligation to correct or update the information or opinions in it. AMSEC or any of its affiliates or employees shall not be in any way responsible for any loss or damage that may arise to any person from any inadvertent error in the information contained in this report. AMSEC or any of its affiliates or employees do not provide, at any time, any express or implied warranty of any kind, regarding any matter pertaining to this report, including without limitation the implied warranties of merchantability, fitness for a particular purpose, and non-infringement. The recipients of this report should rely on their own investigations.

This information is subject to change without any prior notice. AMSEC reserves its absolute discretion and right to make or refrain from making modifications and alterations to this statement from time to time. Nevertheless, AMSEC is committed to providing independent and transparent recommendations to its clients, and would be happy to provide information in response to specific client queries.

Before making an investment decision on the basis of this research, the reader needs to consider, with or without the assistance of an adviser, whether the advice is appropriate in light of their particular investment needs, objectives and financial circumstances. There are risks involved in securities trading. The price of securities can and does fluctuate, and an individual security may even become valueless. International investors are reminded of the additional risks inherent in international investments, such as currency fluctuations and international stock market or economic conditions, which may adversely affect the value of the investment. Opinions expressed are subject to change without any notice. Neither the company nor the director or the employees of AMSEC accept any liability whatsoever for any direct, indirect, consequential or other loss arising from any use of this research and/or further communication in relation to this research. Here it may be noted that neither AMSEC, nor its directors, employees, agents or representatives shall be liable for any damages whether direct or indirect, incidental, special or consequential including lost revenue or lost profit that may arise from or in connection with the use of the information contained in this report.

**For U.S. persons only:** This research report is a product of AMSEC, which is the employer of the research analyst who has/have, prepared the research report. The research analyst(s) preparing the research report is/are resident outside the United States (U.S.) and is/are not associated persons of any U.S. regulated broker-dealer and therefore the analyst(s) is/are not subject to supervision by a U.S. broker-dealer, and is/are not required to satisfy the regulatory licensing requirements of FINRA or required to otherwise comply with U.S. rules or regulations regarding, among other things, communications with a subject company, public appearances and trading securities held by a research analyst account.

This report is intended for distribution by AMSEC only to "Major Institutional Investors" as defined by Rule 15a-6(b)(4) of the U.S. Securities and Exchange Act, 1934 (the Exchange Act) and interpretations thereof by U.S. Securities and Exchange Commission (SEC) in reliance on Rule 15a 6(a)(2). If the recipient of this report is not a Major Institutional Investor as specified above, then it should not act upon this report and return the same to the sender. Further, this report may not be copied, duplicated and/or transmitted onward to any U.S. person, which is not the Major Institutional Investor.

In reliance on the exemption from registration provided by Rule 15a-6 of the Exchange Act and interpretations thereof by the SEC in order to conduct certain business with Major Institutional Investors, AMSEC has entered into an agreement with a U.S. registered broker-dealer, Marco Polo Securities Inc. ("Marco Polo"). Transactions in securities discussed in this research report should be effected through Marco Polo or another U.S. registered broker dealer.

Copyright of this document vests exclusively with AMSEC.

Our reports are also available on Fact Set and Bloomberg ASNM <GO>