

Industry
Bloomberg
BSE CODE

Metals
JSTL IN
500228

High-cost inventory drags EBITDA margin

3Q FY20 Result Update

- JSWSTEEL reported Consolidated revenue of Rs. 18055 (vs our estimate of Rs. 18333 Cr.) largely on account of fall in net sales realization by 23% YoY and 7% QoQ due to fall in HRC prices from July- Oct the lag effect of which could be seen in 3QFY20.
- Standalone production as well as sales volume during the quarter was at 4.02 MT (down 5% YoY, up 5% QoQ) and 4.03MT (up 10% YoY and 12% QoQ) respectively.
- The increase in volume largely driven by improvement in the domestic sales which went up by 25% QoQ and 11% YoY because of growth in retail sales, OE sales and Auto segment by 33%, 21%, 10% QoQ respectively.
- Consolidated EBITDA in 3QFY20 is Rs.2541 Cr. with the fall in EBITDA margin to 13.6% (down 860 bps YoY and 200 bps QoQ) on the back of higher cost inventory and the same will be carried in 4QFY20.
- The domestic subsidiaries performed well while overseas operations remained a drag with an EBITDA loss of 335 Cr. which further contracted margins in 3QFY20.
- Fall in coking coal prices by around \$ 30/t on QoQ basis, captive iron ore supply and other operating efficiencies offset the EBITDA from further decline.
- One off item during the quarter of Rs. 250 Cr. as an income which company has received on account of assignment of a long term contract signed by the company for industrial gases. Due to some regulatory issues JSWSTEEL is asked to accept the contract for which a sum of Rs. 250 Cr. is received (earlier this contract assigned was not issued to JSWSTEEL).
- Commissioning of Dolvi plant from 5 to 10 MTPA delayed further to 1HFY21 due to prolonged monsoon in 1HFY20.

View and Valuation

Despite the challenging environment as lower demand of steel products due to slowdown in automobile industry, prolonged monsoon production as well as sales volume is in line with management guidance of 16.5 MT and 15.5 MT respectively for FY20. Management expects 4-5% growth in the steel industry for FY21. Fall in realization due to lag effect and higher raw material cost inventory shrinking margins despite lower coking coal prices. Overseas operational losses additionally reduced EBITDA in 3QFY20. Capacity addition at Dolvi and Vijayanagar will help in margin expansion going ahead. We value our stock at Rs. 240 with (7x EV/EBITDA FY21E) and maintain NEUTRAL.

Key Risks to our rating and target

- Increase in coking coal prices.
- Decrease in Steel prices .

Fig in Rs Cr

KEY FINANCIAL/VALUATIONS	FY17	FY18	FY19	FY20E	FY21E
Net Sales	55,605	71,933	84,757	72,600	74,531
EBITDA	12,174	14,794	18,952	11,978	13,761
EBIT	8,744	11,407	14,911	7,789	9,525
PAT	3,354	6,214	7,639	4,662	4,242
EPS (Rs)	14	26	32	19	18
EPS growth (%)	(798)	85	23	(39)	(9)
ROE (%)	15	22	22	12	10
ROCE (%)	16	19	23	10	11
BV	94	116	144	158	171
P/B (X)	2.00	2.49	2.03	1.72	1.59
P/E (x)	13.52	11.21	9.27	14.10	15.50

The views expressed above accurately reflect the personal views of the authors about the subject companies and its(their) securities. The authors have not and will not receive any compensation for providing a specific recommendation or view. Narnolia Financial Advisors Ltd. does and seeks to do business with companies covered in its research reports. As a result, investors should be aware that the firm may have a conflict of interest that could affect the objectivity of this report. Investors should consider this report as only a single factor in making their investment decision.

Reduced HRC prices fall realization

3QFY20 Results

Consolidated

Fig in Rs Cr

FINANCIALS	3QFY19	4QFY19	1QFY20	2QFY20	3QFY20	YoY %	QoQ%	FY18	FY19	YoY %
Net Sales	20,318	22,368	19,812	17,572	18055	-11.1%	2.7%	71,933	84,757	17.8%
Other Income	37	53	141	156	127	243%	-18.6%	167	204	22%
Total Income	20355	22421	19953	17,728	18182	-11%	2.6%	72,100	84,961	17.8%
COGS	10157	12076	10362	9,410	10053	-1%	6.8%	39,025	43,206	10.7%
Staff Cost	667	701	759	653	709	6%	8.6%	1,843	2,489	35.1%
Other Exp.	3088	3507	3273	3,229	3349	8%	3.7%	16,271	13,057	-19.8%
Expenditure	15817	17928	16096	14,841	15604	-1%	5.1%	57,139	65,805	15.2%
EBITDA	4501	4440	3716	2,731	2451	-46%	-10.3%	14,794	18,952	28.1%
EBITDAmargin	22.2%	19.8%	18.8%	15.5%	13.6%	-39%	-12.7%	20.6%	22.4%	8.7%
Depreciation	1078	1084	1026	1,057	1055	-2%	-0.2%	3,387	4,041	19.3%
EBIT	3423	3356	2690	1,674	1396	-59%	-16.6%	11,407	14,911	30.7%
Interest	1021	1046	1042	1,127	1060	4%	-5.9%	3,701	3,917	5.8%
PBT	2439	2363	1789	703	463	-81%	-34.1%	7,873	11,198	42.2%
Excpt. Item	0	0	0	-	0	-	-	(264)	-	-
Tax	820	835	762	(1,848)	249	-70%	-113.5%	1,538	3,644	136.9%
PAT	1624	1523	1028	2,560	211	-87%	-91.8%	6,214	7,639	22.9%

Volume growth based on domestic market

Standalone production as well as sales volume during the quarter was at 4.02 MT (down 5% YoY, up 5% QoQ) and 4.03MT (up 10% YoY and 12% QoQ) respectively. The increase in volume largely driven by improvement in the domestic sales which went up by 25% QoQ and 11% YoY because of growth in retail sales, OE sales and Auto segment by 33%, 21%, 10% QoQ respectively. Despite the slowdown in the economy volumes during the quarter are in line with the management guidance for FY20. Management expects steel demand to grow by 4% YoY in FY20 based on the growth of 3.5% YoY in 9MFY20. Moreover, for FY21 steel demand is expected to grow by 5% YoY.

Realizations fell on YoY basis due to lower steel prices

Realization in 3QFY20 fell by 23% YoY and 7% QoQ led by the lag effect of fall in HRC prices from July- Oct. Some lag effect is further expected in 4QFY20 of this reduced HRC prices in 1HFY20.

JSW Coated EBITDA margin improves

JSW coated business registered production volume of 0.47 MT and sales volume of 0.52 MT. On account of improved operating efficiency EBITDA margins expanded despite fall in realization due to HRC prices.

US plate and pipe mill margin impacted by falling steel prices in US

The US based plate and pipe mill facility produced 70479 T of plates and 14669 T of pipes operating at a capacity utilization of 29% and 11% respectively. Sales volume stood at 52749 T of plates and 11328 T of pipes. It reported an EBITDA loss of \$ 12.6 million for the quarter mainly due to lower realization and inventory write-down.

USA Ohio and Italy subsidiary expected to turn EBITDA positive by end of FY20

The US based HR coil manufacturing facility produced 74272 T of HRC during the quarter. Sales volume for the quarter stood at 58611 T. It reported EBITDA loss of \$ 25.19 million for the quarter which includes inventory write down of \$ 2.02 million. The Italy based rolled long products manufacturing facility produced 174523 T and sold 156677 T during the quarter. It reported an EBITDA loss of 9.95 million Euros for the quarter.

Concall Highlights

• Demand Outlook

- Management expects steel demand to grow by 4% YoY in FY20 based on the growth of 3.5% YoY in 9MFY20. Moreover, for FY21 steel demand is expected to grow by 5% YoY.
- The increment spending of Rs. 600000 Cr. by the government in the national infrastructure pipeline which is 43% YoY growth for FY21 will be a positive sign towards growth in the steel industry.

• Operational and financial performance

- Management is confident of achieving the guidance of production and Sales volume of 16.5 MT and 15.5 MT respectively for FY20 based on the progress and outlook for 4QFY20.
- Production as well as sales volume during the quarter has crossed 4 MT. The increase in volume driven by improvement in the domestic sales which went up by 25% QoQ and 11% YoY while in export volume fall in 3QFY20.
- Improvement in the domestic sales volume to 3 MT (up 25% QoQ) largely on account of retail sales, OEM segment and Auto segment grew by 33%, 21%, 10% QoQ respectively. Increase in the share of value added product to 50% (46% in 2QFY20).
- Restocking was seen in the month of November and December which acts as the demand pickup from the steel industry in this near term slowdown.
- Fall in blended realization by 23% YoY and 7% QoQ led by fall in prices from July- Sept the lag effect of which could be seen in 3QFY20.
- Inventory levels as on 30Th Sept. of 13.23 Lacs tonnes which is higher cost inventory sold and contracted margins during the quarter. However, on 31St Dec the inventory level is still at 10.78 lac tonnes which will further reduce margins in 4QFY20.
- The Cost of production reduced by 5% in 3QFY20 majorly driven by coking coal prices (fall by \$ 30 /T on QoQ basis), captive iron ore supply and other operating efficiencies.
- The domestic subsidiaries performed well while overseas operations remained a drag with an EBITDA loss of 335 Cr. during the quarter.
- Net debt during the quarter reduced by Rs. 88 Cr. along with weighted cost of interest reduced by 30 bps to 6.52% during the quarter.
- Within overseas operations, Europe operations are expected to generate positive EBITDA in 4QFY20 and US operations are expected to reduce the EBITDA losses.
- Other operating income came down during the quarter due to incentives received in previous quarters for achieving the capacity at Dovli mine at certain level.

• Acquisition Update

- The acquisition of VIL completed during the quarter paid a total consideration of Rs. 63.5 Cr.. The two benefits of this acquisition are increase in holding to 73.5% from 50% in VIL. The other one is color coating line with the capacity of around 40-50K tonnes per annum which will further benefit in terms of EBITDA on color coated products.

• CAPEX Update

- Capex guidance for FY20 is Rs. 11000 Cr. out of the amount Rs. 7767 Cr. already spend till 9MFY20.
- Tin plate plant at Tarapur unit commissioned in FY19 is stabilized with the growth of 14% in the volume of Tin plate production will ramp up further.
- The 5th mine commissioned in 3QFY20 and the last 6Th one is remaining which will be commissioned at the end of Jan-2020. The guidance of 4.5 MT through captive sources will be able to accomplish in FY20.
- At Monnet Ispat and energy ltd. blast furnace will restart in 4QFY20.
- Prolonged monsoon impacted construction activity in Dolvi as well as Vijaynagar plant. Based on the progress of work the Dolvi project delayed further to get commissioned in 1HFY21 (earlier it will be commissioned in 4QFY20).

Exhibit: Standalone net sales and realization trend

Higher volume and growth in domestic sales maintain flat Sales on QoQ basis inspite fall in realization..

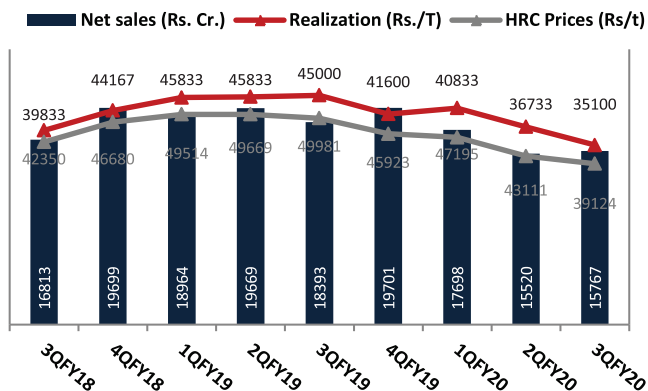


Exhibit: Standalone COGS and gross margin trend

Higher cost inventory contracted margins..

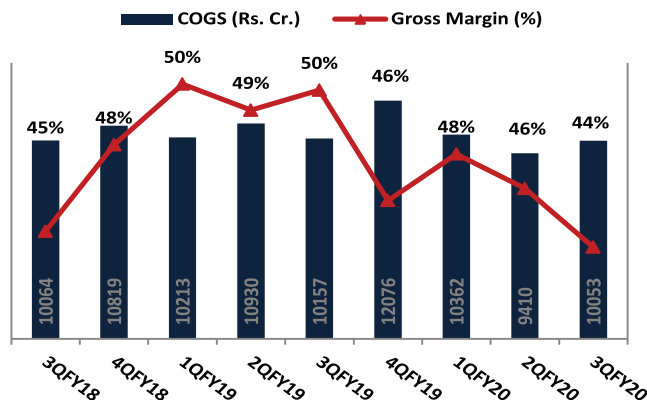


Exhibit: Iron ore and coking coal price trend

Reduced coking coal prices provides cushion to margins from further decline..

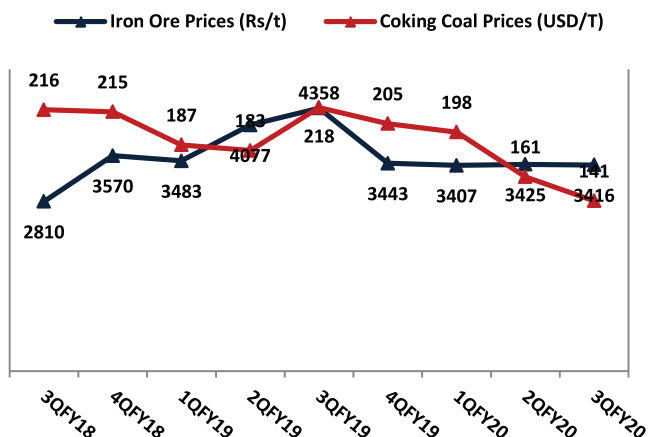


Exhibit: Standalone sales volume and EBITDA/t

EBITDA/t declined with the drop in realization..

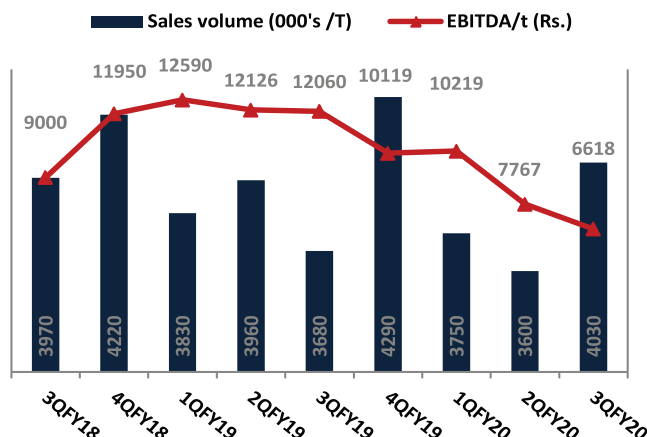


Exhibit: Coated products sales volume and EBITDA/t

Coated business's EBITDA/t decline with the reduced HRC price lag effect of 1HFY20.

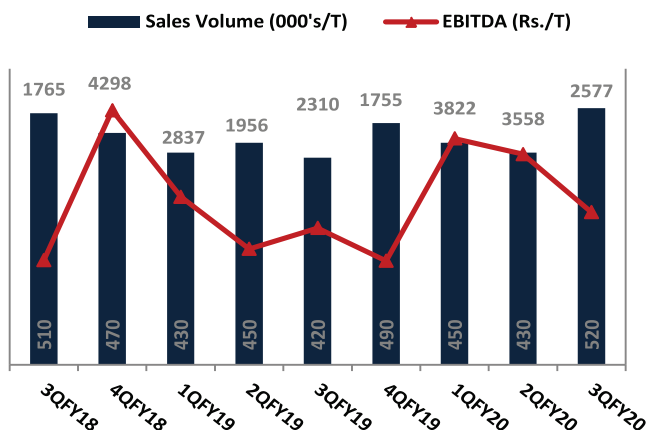
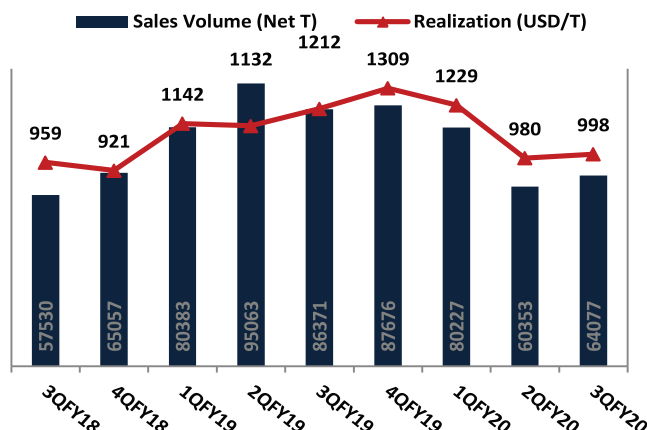


Exhibit: US plate and pipe volume and realization

Realization starting to decline as lower steel prices starts coming in....



Financial Details (Consolidated)

Balance Sheet

Fig in Rs Cr

Y/E March	FY14	FY15	FY16	FY17	FY18	FY19	FY20E	FY21E
Share Capital	1,067	1,067	301	301	302	301	301	301
Reserves	20,871	21,987	18,665	22,346	27,696	34,494	37,967	41,019
Networth	21,938	23,054	18,965	22,648	27,998	34,795	38,268	41,320
Debt	31,590	34,885	37,811	37,296	33,900	35,989	45,245	52,476
Other Non Cur Liab	3,093	3,836	2,740	3,712	3,797	8,905	7,511	7,511
Total Capital Employed	53,528	57,939	56,777	59,944	61,898	70,784	83,513	93,797
Net Fixed Assets (incl CWIP)	54,884	58,856	62,455	62,221	63,091	73,693	84,146	99,954
Non Cur Investments	595	599	1,195	1,067	1,157	1,812	1,812	1,812
Other Non Cur Asst	18	268	1,996	1,892	2,881	3,925	3,925	3,925
Non Curr Assets	62,190	67,102	67,728	66,779	68,826	81,359	92,619	108,685
Inventory	8,155	11,009	8,321	11,395	12,594	14,548	13,128	13,477
Debtors	2,292	2,500	2,727	4,149	4,704	7,160	5,569	5,717
Cash & Bank	663	1,913	1,020	1,485	1,063	6,187	6,875	4,863
Other Curr Assets	-	-	2,230	3,198	3,599	2,461	2,108	2,164
Curr Assets	15,450	18,817	14,737	21,251	23,189	33,543	30,753	29,358
Creditors	11,699	14,253	12,758	14,352	15,944	16,159	15,912	16,336
Provisons (both)	422	447	265	299	322	392	373	376
Other Curr Liab	8,790	9,438	1,044	1,230	1,564	1,976	1,693	1,738
Curr Liabilities	20,852	24,047	23,143	24,631	26,787	35,675	32,671	33,525
Net Curr Assets	(5,402)	(5,230)	(8,406)	(3,380)	(3,598)	(2,132)	(1,918)	(4,168)
Total Assets	77,640	85,919	82,465	88,041	92,018	114,914	123,372	138,043

Income Statement

Fig in Rs Cr

Y/E March	FY14	FY15	FY16	FY17	FY18	FY19	FY20E	FY21E
Revenue from Operation	51,220	52,972	41,546	55,605	71,933	84,757	72,600	74,531
Change (%)	34%	3%	-22%	34%	29%	18%	-14%	3%
Other Income	86	111	180	152	167	204	467	186
EBITDA	9,165	9,402	6,401	12,174	14,794	18,952	11,978	13,761
Change (%)	41%	3%	-32%	90%	22%	28%	-37%	15%
Margin (%)	18%	18%	15%	22%	21%	22%	16%	18%
Depr & Amor.	3,183	3,434	3,323	3,430	3,387	4,041	4,189	4,236
EBIT	5,983	5,968	3,078	8,744	11,407	14,911	7,789	9,525
Int. & other fin. Cost	3,048	3,493	3,601	3,768	3,701	3,917	4,298	4,460
EBT	3,021	2,586	(342)	5,128	7,873	11,198	3,957	5,251
Exp Item	(1,713)	(47)	(2,125)	-	(264)	-	-	-
Tax	920	819	(1,966)	1,674	1,538	3,644	(690)	1,024
Minority Int & P/L share of Ass.	(37)	(73)	21	(100)	(59)	(145)	(215)	(215)
Reported PAT	452	1,797	(481)	3,354	6,214	7,639	4,662	4,242
Adjusted PAT	2,165	1,844	1,645	3,354	6,478	7,639	4,662	4,242
Change (%)	-53%	298%	-127%	-798%	85%	23%	-39%	-9%
Margin(%)	1%	3%	-1%	6%	9%	9%	6%	6%

Financial Details (Consolidated)

Key Ratios

Y/E March	FY14	FY15	FY16	FY17	FY18	FY19	FY20E	FY21E
ROE	2.1%	7.8%	-2.5%	14.8%	22.2%	22.0%	12.2%	10.3%
ROCE	12.3%	10.5%	5.7%	15.9%	19.1%	23.1%	10.4%	11.2%
Asset Turnover	0.7	0.6	0.5	0.6	0.8	0.7	0.6	0.5
Debtor Days	16	17	24	27	24	31	28	28
Inv Days	58	76	73	75	64	63	66	66
Payable Days	83	98	112	94	81	70	80	80
Int Coverage	2.0	1.7	0.9	2.3	3.1	3.8	1.8	2.1
P/E	55.4	12.2	-64.4	13.5	11.2	9.3	14.1	15.5
Price / Book Value	1.1	1.0	1.6	2.0	2.5	2.0	1.7	1.6
EV/EBITDA	5.6	5.7	10.2	6.3	6.8	5.0	8.0	7.6
FCF per Share	-13.1	0.8	7.2	12.1	31.6	18.3	-15.1	-30.2
Div Yield	1.0%	1.2%	0.9%	0.4%	0.8%	1.1%	1.5%	1.5%

Cash Flow Statement

Fig in Rs Cr

Y/E March	FY14	FY15	FY16	FY17	FY18	FY19	FY20E	FY21E
PBT	1,308	2,539	(2,468)	5,128	7,609	11,168	3,972	5,266
(inc)/Dec in Working Capital	(3,520)	(1,175)	491	(3,866)	(1,101)	(1,581)	(1,697)	(20)
Non Cash Op Exp	5,209	6,311	9,081	6,341	7,311	7,676	8,020	8,510
Int Paid (+)	2,290	2,631	3,075	3,022	3,500	3,582	4,298	4,460
Tax Paid	(404)	(773)	(207)	(237)	(1,440)	(2,630)	690	(1,024)
others								
CF from Op. Activities	2,593	6,903	6,897	7,366	12,379	14,633	10,985	12,732
(inc)/Dec in FA & CWIP	(5,763)	(6,721)	(5,166)	(4,435)	(4,736)	(10,206)	(14,642)	(20,044)
Free Cashflow	(3,170)	182	1,731	2,931	7,643	4,427	(3,657)	(7,312)
(Pur)/Sale of Inv	17	30	(9)	(331)	(37)	(162)	(18)	-
others								
CF from Inv. Activities	(5,671)	(6,397)	(3,854)	(5,094)	(4,529)	(11,448)	(14,193)	(19,858)
inc/(dec) in NW	-	-	57	49	-	-	-	-
inc/(dec) in Debt	6,029	2,737	238	1,025	(3,992)	6,881	9,256	7,232
Int. Paid	(2,413)	(2,563)	(3,125)	(3,045)	(3,511)	(3,815)	(4,298)	(4,460)
Div Paid (inc tax)	(315)	(344)	(320)	(218)	(655)	(933)	(1,189)	(1,189)
others	-	-	-	-	-	-	-	-
CF from Fin. Activities	3,300	(169)	(3,151)	(2,188)	(8,185)	1,753	3,768	1,582
Inc(Dec) in Cash	222	337	(108)	84	(335)	4,938	560	(5,543)
Add: Opening Balance	302	579	944	833	917	582	6,187	6,875
Closing Balance	575	913	833	917	582	5,581	6,747	1,332

Narnolia Financial Advisors Ltd. is a SEBI registered Research Analyst having SEBI Registration No. INH300006500. The Company/Analyst (s) does/do not have any holding in the stocks discussed but these stocks may have been recommended to clients in the past. Clients of Narnolia Financial Advisors Ltd. may be holding aforesaid stocks.

The stocks recommended are based on our analysis which is based on information obtained from public sources and sources believed to be reliable, but no independent verification has been made nor is its accuracy or completeness guaranteed.

Disclosures: Narnolia Financial Advisors Ltd. (NFAL) (Formerly Microsec Capital Ltd.) is a SEBI Registered Research Analyst having registration no. INH300006500. NFAL is engaged in the business of providing Stock Broking, Depository Participant, Merchant Banking, Portfolio Management & distribution of various financial products. Details of associate entities of NFAL is available on the website at www.narnolia.com

No penalties have been levied on NFAL by any Regulatory/Statutory authority. NFAL, its associates, Research Analyst or their relative may have financial interest in the subject company. NFAL and/or its associates and/or Research Analyst may have beneficial ownership of 1% or more securities in the subject company at the end of the month immediately preceding the date of publication of the Research Report. NFAL and its associate company(ies), their directors and Research Analyst and their relatives may; (a) from time to time, have a long or short position in, act as principal in, and buy or sell the securities or derivatives thereof of companies mentioned herein. (b) be engaged in any other transaction involving such securities and earn brokerage or other compensation or act as a market maker in the financial instruments of the company(ies) discussed herein or act as an advisor or lender/borrower to such company(ies) or may have any other potential conflict of interests with respect to any recommendation and other related information and opinions; however the same shall have no bearing whatsoever on the specific recommendations made by the analyst(s), as the recommendations made by the analyst(s) are completely independent of the views of the associates of NFAL even though there might exist an inherent conflict of interest in some of the stocks mentioned in the research report. Research Analyst may have served as director/officer, etc. in the subject company in the last 12 month period. NFAL and/or its associates may have received compensation from the subject company in the past 12 months. In the last 12 months period ending on the last day of the month immediately preceding the date of publication of this research report, NFAL or any of its associates may have: a) managed or co-managed public offering of securities from subject company of this research report, b) received compensation for investment banking or merchant banking or brokerage services from subject company of this research report, c) received compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company of this research report. d) Subject Company may have been a client of NFAL or its associates during 12 months preceding the date of distribution of the research report. NFAL and its associates have not received any compensation or other benefits from the Subject Company or third party in connection with the research report. NFAL and / or its affiliates may do and seek to do business including Investment Banking with companies covered in the research reports. As a result, the recipients of this report should be aware that NFAL may have a potential conflict of interest that may affect the objectivity of this report. Compensation of Research Analysts is not based on any specific Merchant Banking, Investment Banking or Brokerage service transactions. Research Analyst's views on Subject Company may vary based on Fundamental research and Technical Research. Proprietary trading desk of NFAL or its associates maintains arm's length distance with Research Team as all the activities are segregated from NFAL research activity and therefore it can have an independent view with regards to subject company for which Research Team have expressed their views.

Analyst Certification The views expressed in this research report accurately reflect the personal views of the analyst(s) about the subject securities or issues, and no part of the compensation of the research analyst(s) was, is, or will be directly or indirectly related to the specific recommendations and views expressed by research analyst(s) in this report.

Disclosure of Interest Statement-

Analyst's ownership of the stocks mentioned in the Report	NIL
---	-----

A graph of daily closing prices of securities is available at www.nseindia.com, www.bseindia.com.

Correspondence Office Address: Arch Waterfront, 5th Floor, Block GP, Saltlake, Sector 5, Kolkata 700 091; Tel No.: 033-40541700; www.narnolia.com.

Registered Office Address: Marble Arch, Office 201, 2nd Floor, 236B, AJC Bose Road, Kolkata 700 020; Tel No.: 033-4050 1500; www.narnolia.com

Compliance Officer: Manish Kr Agarwal, Email Id: mkagarwal@narnolia.com, Contact No.: 033-40541700.

Registration details of Company: Narnolia Financial Advisors Ltd. (NFAL): SEBI Stock Broker Registration: INZ000166737 (NSE/BSE/MSEI); NSDL/CDSL: IN-DP-380-2018; Research Analyst: INH300006500, Merchant Banking: (Registration No.: INM000010791), PMS: (Registration No.: INP000002304), AMFI Registered Mutual Fund distributor: ARN 3087

Registration Details of Group entities: G. Raj & Company Consultants Ltd (G RAJ)-BSE Broker INZ260010731; NSDL DP: IN-DP-NSDL-371-2014 || Narnolia Commerce Limited (Formerly Microsec Commerce Ltd.)-MCX/NCDEX Commodities Broker: INZ000051636 || NarnoliaVelox Advisory Ltd.- SEBI Registered PMS: INP000005109 || Eastwind Capital Advisors Pvt Ltd. (EASTWIND)-SEBI Registered Investment Adviser: INA300005439 || Narnolia Insurance Brokers Limited (Formerly Microsec Insurance Brokers Ltd.)-IRDA Licensed Direct Insurance Broker (Life & Non-Life) Certificate No. 134, License No. DBO46/02 || Narnolia Securities Ltd. (NSL)-AMFI Registered Mutual Fund distributor: ARN 20558, PFRDA NPS POP: 27092018 || Narnolia Capital Advisors Pvt. Ltd. - RBI Registered NBFC:B.05.02568.

Disclaimer:

This report has been prepared by Narnolia Financial Advisors Ltd. (NFAL) and is meant for sole use by the recipient and not for public circulation. The report and information contained herein is strictly confidential and may not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent of NFAL. The report is based on the facts, figures and information that are considered true, correct, reliable and accurate. The intent of this report is not recommendatory in nature. The information is obtained from publicly available media or other sources believed to be reliable. Such information has not been independently verified and no guaranty, representation of warranty, express or implied, is made as to its accuracy, completeness or correctness. All such information and opinions are subject to change without notice. The report is prepared solely for informational purpose and does not constitute an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments for the clients. Nothing in this report constitutes investment, legal, accounting and tax advice or a representation that any investment or strategy is suitable or appropriate to your specific circumstances. The securities discussed and opinions expressed in this report may not be suitable for all investors, who must make their own investment decisions, based on their own investment objectives, financial positions and needs of specific recipient. Certain transactions - including those involving futures, options, another derivative products as well as non-investment grade securities - involve substantial risk and are not suitable for all investors. Each recipient of this document should make such investigations as it deems necessary to arrive at an independent evaluation of an investment in the securities of companies referred to in this document (including the merits and risks involved), and should consult his/her/its own advisors to determine the merits and risks of such an investment. Though disseminated to all the customers simultaneously, not all customers may receive this report at the same time. NFAL will not treat recipients as customers by virtue of their receiving this report. Neither the Company, not 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 profits or lost opportunities that may arise from or in connection with the use of the information/report. The person accessing this information specifically agrees to exempt NFAL or any of its affiliates or employees from, any and all responsibility/liability arising from such misuse and agrees not to hold NFAL or any of its affiliates or employees responsible for any such misuse and further agrees to hold NFAL or any of its affiliates or employees free and harmless from all losses, costs, damages, expenses that may be suffered by the person accessing this information due to any errors and delays.

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 NFAL & its group companies to registration or licensing requirements within such jurisdictions.