



KEY HIGHLIGHTS

1. RESULTS OVERVIEW:

- EBITDA margin surged to a record 24.9% on better price-cost spread.
- Explosive volume uptick of 13% YoY.
- Defence compromised 8% of overall volume.
- Order Book of Rs. 39.2 billion, of which Rs.10.5 billion is for defence.

2. MANAGEMENT COMMENTARY:

- EBITDA Margin is likely to be 20-22% vs 18.6% in FY23. Key drivers of EBITDA margin expansion are: higher volumes in domestic explosives business, higher share of defence business, and improved performance of overseas subsidiaries.
- Volume guidance: Shipments are likely to grow 15-20% YoY in both domestic and overseas markets.
- Defence guidance: Topline is likely to increase 2x YoY to Rs8bn. Revenue from defence can easily reach Rs12bn based on the current level of investments.
- FY24 capex likely at Rs7.5bn of which: Rs3.5bn is likely to be spent for defence, Rs1.5bn is for overseas subsidiaries, and the rest for India operations.

3. PRICE PERFORMANCE (%)

Particulars	3 M	1 Y
Solar Industries	39.57%	53.44%
Nifty 50	10.66%	20.03%
Nifty 500	12.36%	25.76%

4. CONCALL SUMMARY:

- Company's market share stood at 27-28% and further market share gains are expected as it expands its presence into new geographies.
- Contribution from defence is expected to increase to 15% by FY26 vs 6% in FY23. This will bode well for overall margins as defence is margin accretive business.
- Received orders worth Rs.1800 crores from coal India Ltd, expecting higher volume growth of around 20% In FY 2024.
- Expecting substantial increase in defense revenue due to geopolitical situations and healthy order of Rs.1050 crores.
- Order book consists of 14% from coal india, 15% from non CIL and institutional customers, 15% from HNI, 47% from exports and overseas, and 8% from defense.
- Explosive volume for the quarter and half year increased by 13%.
- Final trials for Pinaka completed successfully, expecting orders soon.
- Progress made in increasing global footprints, product portfolio for defense sector, and domestic presence through acquisitions and Greenfield projects.
- Orders from Pinaka and other defense products expected to start flowing from Dec 2023 or Jan 2024.
- No specific details provided on the potential size of Pinaka order or private coal mines business.
- Moderate raw material prices and foreign exchange volatility pose challenges in international businesses.
- Capex for the year expected to be around Rs. 650 crores to Rs. 700 crores.
- Geopolitical tensions and demand for infrastructure projects expected to drive future growth.
- Expecting increased sales from different sectors to improve EBITDA margins.
- Revenue for the quarter and half year ended on September 30,2023 is Rs.1347 crores and Rs.3030 crores respectively.
- Achieved all time high EBITDA and PBT Margin at 25.52% and 21.12% respectively.

5. VALUATION AND OUTLOOK:

- Company is expected to perform well, going forward, on the back of strong growth exports & overseas operations, steady demand from mining & infra sector and healthy execution in defence segment.
- Better performance from overseas subsidiaries on the back of strong demand, Revenue increase from non-CIL customers in coal segment.
- Defence and export segments picking up due to diversified portfolio.
- Company maintaining a healthy EBITDA margin of 21-22% through to FY25E mainly due to increasing share of the high-margin defence segment and potential uptick in demand from infrastructure segment.
- We initiate BUY rating on stock and value the stock at 56.12x FY25 earnings to arrive at the target of Rs.8020.**

RECOMMENDATION – BUY

CMP –6914

TARGET – 8020 (16%)

Industry	Defence
NSE CODE	SOLARINDS
BSE CODE	532725
Market Cap (₹ Cr)	62547
Shares outstanding (in Cr)	9.05
52 wk High/Low (₹)	8499/3453
P/E	77.4
P/BV	21.9
Face Value (₹)	2.00
Book Value (₹)	316
EPS (₹)	89.3
Dividend Yield (%)	0.12
Debt / Equity	0.37
Interest coverage	11.9

SHAREHOLDING PATTERN

	Sep 23	June 23	Mar 23
Promoters	73.15	73.15	73.15
FIIs	5.89	5.79	6.63
DIIIs	15.24	15.01	14.32
Public	5.71	6.04	5.91
Promoter Pledging	0.00	0.00	0.00

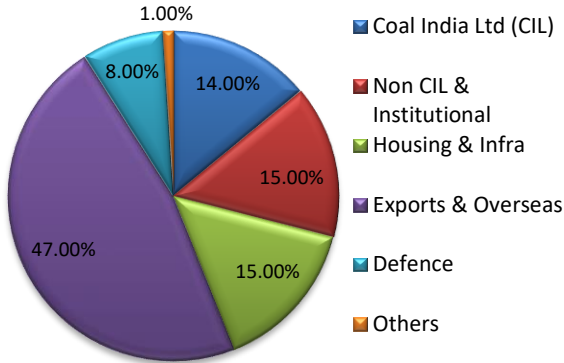
FINANCIAL SNAPSHOT (₹ Cr)

Y/E March	2023A	2024E	2025E
Core			
Sales	6922.5	7674	9592.6
Sales Gr. (%)	75.4	10.85	25
EBITDA	1288.9	1688	2014
EBITDA mrg. (%)	19.1	22	21
PAT	811.2	1097	1292
EPS (₹)	83.7	121.4	142.9
EPS Gr. (%)	71.6	45.04	17.71
Ratios			
RoE (%)	35.9	29.8	28.4
RoCE (%)	36.3	34.5	39.8
Valuation			
P/E (x)	44.4	46.4	54.6
Net Debt/ equity	0.45	0.42	0.36

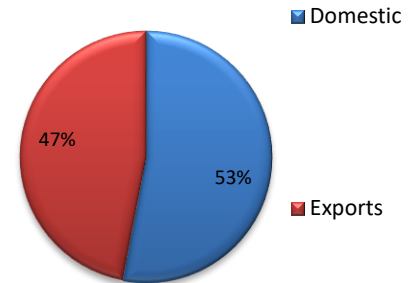
Particulars	TTM	5 Yr Avg
Historical P/E :	45.8	42.4
Industry P/E :	33.8	
Historical P/B :	13.3	9.5
Industry P/B :	4.9	

REVENUE SPLIT (%) Q2 FY24

Customer-wise revenue Mix (in %)



Revenue Mix (%)



QUARTERLY PERFORMANCE (CONSOLIDATED)

(₹ Cr)

Y/E March	FY22				FY23		FY24			FY23	FY24E*
	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3QE*		
Net sales	1018	1317	1616	1567	1812	1929	1682	1347	1919	6923	7674
YoY change (%)	57.60	66.40	95.78	98.89	77.99	46.45	4.12	-14	5.91	75	10.85
Total Expenditure	840	1054	1333	1268	1462	1572	1359	1012	1397	5634	5986
EBITDA	178	263	283	299	350	357	323	335	522	1289	1688
Margins (%)	17	20	18	19	19	19	19	25	27.2	19	22
Depreciation	27	30	31	30	32	35	34	34	36	128	150
Interest	13	15	14	19	25	31	25	25	34	90	110
Other income	7	1	9	4	7	11	8	8	13	32	35
PBT	144	219	247	254	299	302	272	285	465	1102	1463
Tax	39	44	64	65	80	81	70	76	123	291	366
Rate (%)	27	20	26	26	27	27	26	27	26.5	26.0	25
Adjusted PAT	105	175	183	189	219	221	202	209	342	811	1097
YoY change (%)	29.02	83.91	81.11	152.36	108.73	26.33	10.38	10.58	56.16	78.24	35.27
Key Performance Indicator											
RM Cost (% of Sales)	59	62	66	60	64	62	57	48	-	63	-
Staff Cost (% of Sales)	7	7	5	6	5	5	6	8	-	5	-
Other Costs (% of Sales)	34	31	29	34	31	33	37	44	-	14	-
EBITDA Margin (%)	17	20	18	19	19	19	19	25	27.2	19	22.00
PAT Margin (%)	10	13	11	12	12	11	12	15	17.82	11.72	14.29

Source: Company, Hem Securities Research.

*Insights into the assumptions:

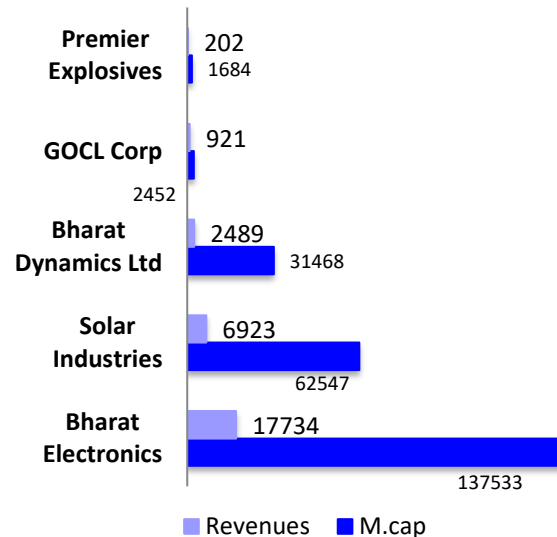
- Expected to see sharp growth in FY24 on the back of Owning to the improving demand dynamics and a strong sales performance in FY23.
- We expect EBITDA and PAT margins to improve in line with dedicated cost cutting efforts by the company.



INDUSTRY OVERVIEW

- Strategic electronic market of India stood at approximately USD 600 cr in 2019 and is expected to touch USD 1500 cr by 2032, driven by the rise in indigenous manufacturing modern featured weapon systems, procurement of advanced weapons systems and rejuvenation of existing product/weapons systems.
- With Government initiatives, the expenditure on defence procurement from foreign sources which used to be 46 % of the overall expenditure has reduced to 36 % in the last four years i.e. 2018-19 to 2021-22.
- The share of domestic procurement in overall defence procurement is about 60%. In order to enhance procurement from domestic industry, it is incumbent that procurement is doubled from the current Rs.70,000 crore to Rs.1,40,000 crore by 2025.
- Defence exports grew by 334 % in last five years; India now exporting to over 75 countries due to collaborative efforts.
- Under the Atmanirbhar Bharat Initiative, four positive indigenization lists of 411 products have been prepared by Department of Military Affairs and Ministry of Defence to be manufactured domestically for the defence sector, instead of being sourced via imports.
- India has around 194 defence tech startups building innovative tech solutions to empower and support the country's defence efforts grow to at a CAGR of 5.68% from FY16 to FY22.

KEY PLAYERS



PEER PERFORMANCE

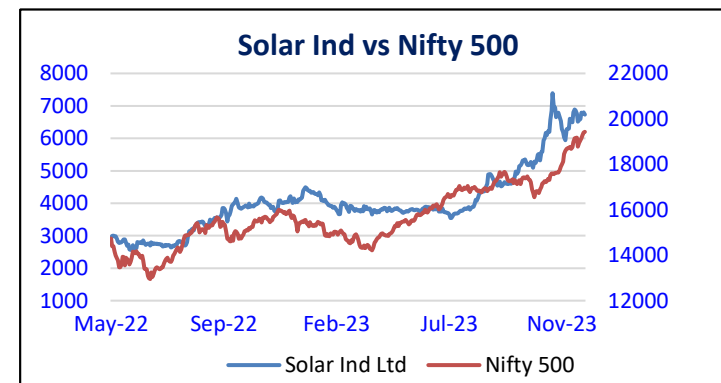
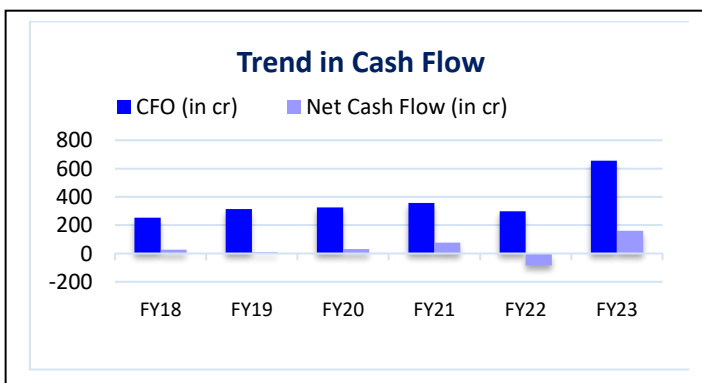
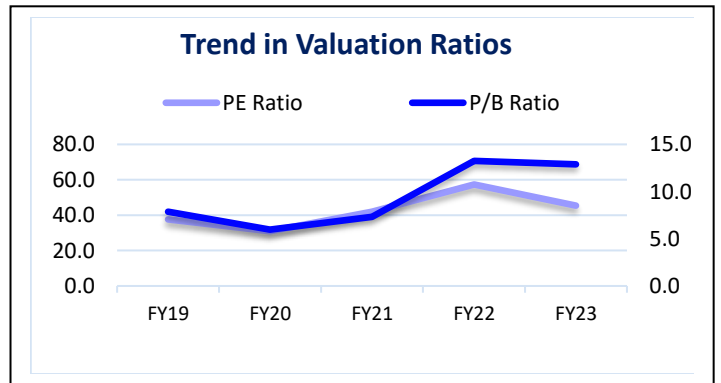
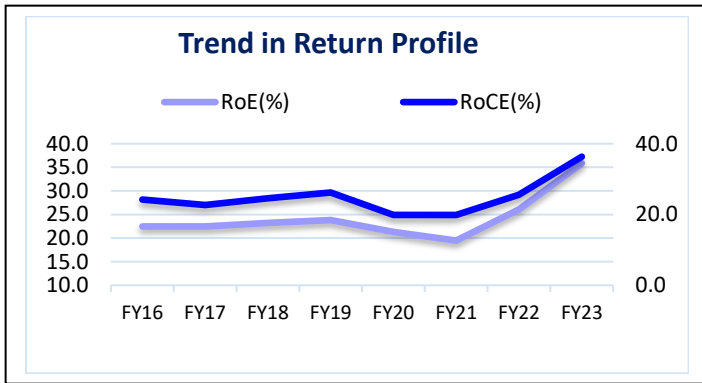
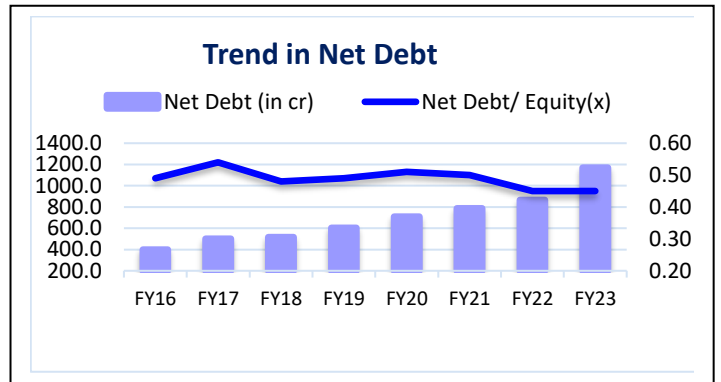
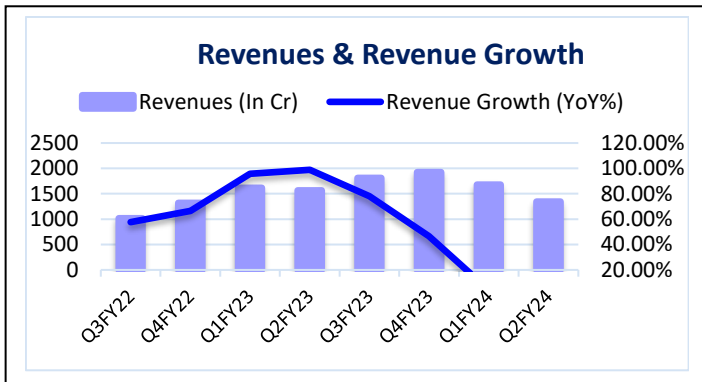
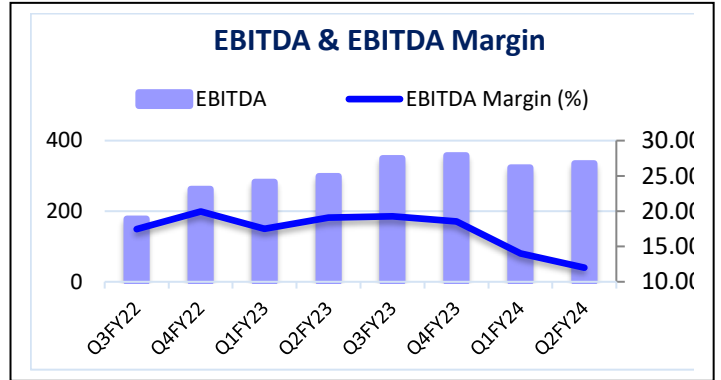
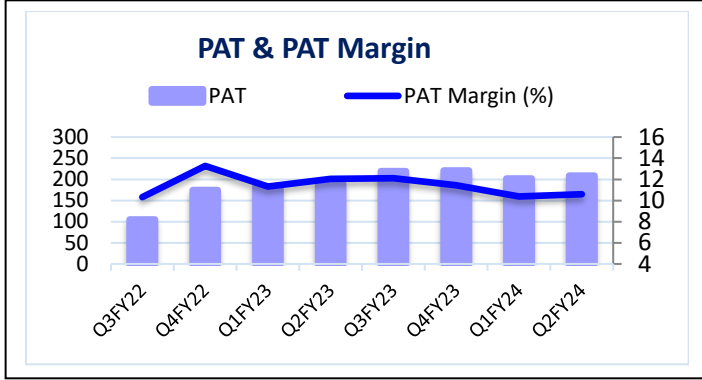
(₹ Cr)

Particulars	Solar Industries	GOCL Corp	Premier Explosives	Bharat Electronics	Bharat Dynamics Ltd
Market Cap	62547	2452	1684	137533	31468
Net Sales	6922.53	921	202	17734	2489
EBITDA	1288.92	-21	26	4086	408
PAT	811.17	211	7	2986	352
EPS (Rs)	83.67	42.59	6.21	4.08	19.21
EBITDA MARGIN %	19.07	-2	13	23	16
PAT MARGIN %	11.72	22.91	3.47	16.84	14.14
ROCE %	34.7	5.68	6.72	29.9	15.6
ROE %	33.4	3.13	3.64	22.8	11.3
P/E	77.4	36.2	74.0	41.4	74.0
P/B	21.9	1.75	7.92	9.29	9.33
EV/EBITDA	45.3	15.5	32.5	27.0	43.7
Debt to Equity	0.37	1.08	0.28	0.00	0.00
Return on assets	19.0	1.19	2.05	8.59	4.58

Source: Company, Hem Securities Research.



STORY IN CHARTS





INVESTMENT RATIONALE:

- Solar Industries Ltd's topline and profit is constantly growing from last 10 years. Compounded sales growth for 5 years 29% with compounded profit growth for 5 years is 28%.
- Company is a dominant player in industrial explosives, controlling a significant one fourth of this market in India. It is well poised to sustain its dominance with in domestic explosives volumes over FY23-26.
- Company's overseas manufacturing base is likely to help growth with a 15% revenue CAGR over FY23-26. Another contributing factor pushing up its revenue base is its transition to becoming a comprehensive, integrated manufacturer of advanced weaponry, from being a key supplier of defence consumables earlier.
- Current market share of the company is around 24% and in last 10 years their market share has increased from 17%-18% to 24%. In coming future it is moving towards around 30% on all India basis. SOIL has established itself in the niche explosives business, capturing a formidable 25% market share in India and a significant presence among top players in the global arena. We expect it to remain a dominant force in this segment due to the absence of other contenders with a similar scale, stringent regulations that act as a high entry barrier, and large repeat business due to the sensitive nature of the product.
- Company had given a guidance of around 65% growth for FY22-23, however they superseded the top line by 75%. They are projecting a same growth of 65-75% in their revenues for FY2023-24. Also, Domestic and Overseas Volume growth guidance is 18% for FY 24.
- The management expects a guided to double the current defence revenue of 400 cr to 800 cr in FY24.
- Management guidance for EBITDA Margin guidance of FY 24 is 21-22% from the current 18%.
- Company have almost doubled in last four years and they expect to maintain the same kind of growth rate in the next four to five years.
- Overall company is fundamentally strong with consistent profit growth as well as sales growth plus margins are also strong with consistent growth. Right now defence contributes only 8%-9% of revenue but company plans to expand in this space and also government has identified the defence sector as one of the key areas for boosting 'AtmaNirbhar Bharat, or Self- Reliant India' By 2025.

RISK FACTORS:

- Ramp-up in overseas operations get delayed.
- No meaningful traction witnessed in defence revenues and Further rise in raw material prices.

COMPANY RECAP

- Solar Industries is one of the world leading manufacturers of bulk explosives, packaged explosives and initiating systems, which find applications in the mining, infrastructure and construction industries. Company also ventured into the defense segment in 2010 and diversified into manufacturing of propellants for missiles and rockets, warheads and warhead explosives. The Co. is also engaged in manufacturing activities related to interiors, glazing and metal works, and concrete products.
- Product wise revenue:-
 - **Explosives:** 76% (The explosives manufactured by the company is used by a wide range of segments from the Mining Industry to the Housing and Real estate industry and with its presence spread across 51+ nations, Solar Industries is one of the world's leading Explosives Manufacturer).
 - **Initiating Systems :** 15%
 - **Defense :** 9% (The explosives manufactured by the company is used by a wide range of segments from the Mining Industry to the Housing and Real estate industry and with its presence spread across 51+ nations, Solar Industries is one of the world's leading Explosives Manufacturer).
- Customer-wise revenue mix (in %) consolidates: Coal India Ltd: 17%, Non CIL Ltd & Institutional: 10%, Housing & Infra: 26%, Exports & Overseas: 42%, Defence: 5% and Others : 1%.
- Market share: Varies between 24% and 30%. In the last 10 years their market share has definitely increased from 17% to 18% to almost 24% to 25% and now it is moving towards around 30% on all India basis.
- International Market: A growing international footprint with presence in 65 countries and manufacturing facilities in 7 countries.
- Company raw material is Ammonium Nitrate and By and large 80% they are sourcing from the local market and 20% from the sources especially in Russia and local.
- Geographical Revenue Mix: India- 46% and International-54%.
- The Manufacturing facilities have the capacity to produce more than 4,50,000 MT of explosives.
- Products of the company
 - Industrial explosives comprise:**
 - Bulk Explosives
 - Packaged Explosives
 - Initiating Systems
 - Defence Products:**
 - High Energy Materials (HMX, RDX,
 - TNT & Compounds)
 - Composite Propellants for Pinaka, Akash, Brahmos etc.
 - Explosives Filling of Ammunitions Mines, Multi-Mode Hand Grenade, Warheads, Fuses, Pyros and Ignitior.



ANNUAL PERFORMANCE

Financials & Valuations

Income Statement

	2018	2019	2020	2021	2022	2023	2024E	2025E
							(₹ Cr)	
March	2018	2019	2020	2021	2022	2023	2024E	2025E
Revenue from operations	1916	2461.57	2237.3	2515.6	3947.6	6922.5	7674	9592.6
Growth YoY (%)	21	28.47	-9.1	12.4	56.9	75.4	10.85	25.00
Total Expenditure	1505	1959.63	1803.0	2001.0	3213.1	5633.6	5986	7578
(%) of sales	78.55	79.61	80.6	79.5	81.4	81.4	78.00	78.99
EBITDA	412	501.94	434.3	514.6	734.6	1288.9	1688	2014
EBITDA Growth (%)	27.16	21.95	(8.0)	12.8	43.1	72.2	30.95	19.31
EBITDA Margin (%)	21	20.67	20.9	21.0	19.2	19.1	22	21
Depreciation	51	58.89	84.5	93.5	109.3	128.2	150	180
EBIT	361	466.79	420.3	490.6	716.7	1230.1	1538	1834
Growth (%)	26.67	21.31	(13.5)	13.2	48.6	81.2	25.04	19.25
Interest Expenses	33	49.87	55.0	45.4	50.3	90.4	110	150
Other Income	12	14.72	41.1	21.4	32.4	31.5	35	39
Exceptional Items	-	-6.05	-	-	-	-	-	-
Earnings before Taxes	340	401.85	335.8	397.1	607.4	1101.6	1463	1723
Growth (%)	25.5	18.2	-16.4	18.3	52.96	81.36	32.81	17.78
EBT Margin (%)	17.75	16.08	14.7	15.6	15.2	15.9	19.06	17.96
Tax-Total	106	125.05	57.1	109	152	290.4	366	431
Rate of tax (%)	31	31.12	17	27.5	25	26.4	25	25%
Net Profit	234	276.80	278.7	288.1	455.5	811.2	1097	1292
Growth (%)	20	18.50	0.7	3.4	58.1	78.1	35.27	17.78
PAT Margin (%)	12.21	11.07	12.2	11.3	11.4	11.7	14.29	13.00
EPS	24.37	28.91	29.6	30.5	48.8	83.7	121.4	142.9
EPS Growth (%)	18.24	18.62	2.2	3.3	59.7	71.6	45.04	17.71

Balance Sheet

Y/E March	2018	2019	2020	2021	2022	2023
Equity Share Capital	18	18	18	18	18	18
Reserves & Surplus	1066	1220	1362	1561	1896	2592
Total Shareholder's Funds (A)	1084	1238	1380	1579	1914	2610
Long Term Borrowings	196	152	253	433	436	473
Non-Controlling Interest	-	-	-	-	-	-
Total Non-Current Liabilities (B)	196	152	253	433	436	473
Advance from customers	1	0	0	0	3	0
Trade Payables	143	163	154	286	465	488
Other Liability Items	563	700	694	661	811	1337
Total Current Liabilities (C)	707	863	848	926	1279	1825
Total Equity and Liabilities (A+B+C)	1987	2253	2481	2959	3629	4908
Property, Plant & Equipment	923	1043	1209	1288	1493	1702
Capital Work in progress	107	178	165	293	230	282
Investments	17	33	2	1	18	99
Total Non-Current Assets (A)	1047	1254	1376	1582	1741	2083
Inventory	232	283	331	440	719	1098
Debtors	364	399	370	455	541	825
Cash and Bank Balance	69	92	120	181	99	260
Loans and advances	13	5	5	5	10	14
Other Current Assets	262	222	278	296	519	629
Total Current Assets (B)	940	1000	1105	1378	1888	2826
Total Assets(A+B)	1987	2253	2481	2959	3629	4908

Source: Company, Hem Securities Research.



Ratios						
Y/E March (Basic (INR))	2018	2019	2020	2021	2022	2023
Profitability and return ratios						
Net profit margin (%)	11.90	11.07	12.24	11.30	11.43	11.72
EBITDA margin (%)	21.58	20.67	20.87	21.02	19.25	19.07
EBIT margin (%)	18.97	18.07	17.16	17.35	16.51	17.22
ROE (%)	23.21	23.84	21.29	19.47	26.07	35.86
ROCE (%)	24.57	26.24	19.89	19.87	25.56	36.34
Working Capital & liquidity ratios						
Payables (Days)	39.92	39.94	46.37	51.02	38.93	25.49
Inventory (Days)	38.44	37.61	49.18	55.21	53.10	47.90
Receivables (Days)	63.47	55.68	61.65	59.10	45.64	36.02
Current Ratio (x)	1.44	1.33	1.34	1.50	1.49	1.53
Valuations Ratios						
EV/sales (x)	5.30	4.16	3.94	4.84	6.62	4.99
EV/EBITDA (x)	23.98	19.84	18.56	22.71	34.08	26.16
P/E (x)	44.03	37.23	6.00	41.86	57.50	44.14
P/BV (x)	8.96	7.87	5.97	7.32	13.25	12.88
Dividend Yield (%)	0.56	0.65	0.66	0.47	0.27	0.22
Return on Assets (%)	12.59	13.05	11.77	10.59	13.83	19.00
Leverage Ratio						
Debt/Equity (x)	0.8	0.49	0.51	0.50	0.45	0.45

Cash Flow Statement

Y/E March	2018	2019	2020	2021	2022	2023
CF from Operating activities (A)	118	314	325	357	298	656
CF from Investing Activities (B)	-170	-202	-212	-251	-303	-519
CF from Financing Activities (C)	-53	-52	-34	-26	-45	118
Net Cash Flow	27	60	79	80	-50.6	256
Add: Opening Bal.	0	52	61	93	170	85
Closing Balance	27	61	93	170	85	245

Source: Company, Hem Securities Research.



RATING CRITERIA

INVESTMENT RATING	EXPECTED RETURN
BUY	>=15%
ACCUMULATE	5% to 15%
HOLD	0 to 5%
REDUCE	-5% to 0
SELL	<-5%

RECOMMENDATION SUMMARY

DATE	RATING	TARGET
18 th Jan 24	BUY	8020

DISCLAIMER

HEM Securities Limited (“Research Entity or HSL”) is regulated by the Securities and Exchange Board of India (“SEBI”) and is licensed to carry on the business of broking, depository services and other related activities. Broking services offered by HEM Securities Limited are under SEBI Registration No.: INZ000168034.

This Report has been prepared by HEM Securities Limited in the capacity of a Research Analyst having SEBI Registration No. INH100002250 and distributed as per SEBI (Research Analysts) Regulations 2014. This report does not constitute an offer or solicitation for the purchase or sale of any financial instrument or as an official confirmation of any transaction. The information contained herein is from publicly available data or other sources believed to be reliable. This report is provided for assistance only and is not intended to be and must not alone be taken as the basis for an investment decision. The user assumes the entire risk of any use made of this information. Each recipient of this report should make such investigation 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 own advisors to determine the merits and risks of such investment. This should not be construed as invitation or solicitation to do business with HSL. The investment discussed or views expressed may not be suitable for all investors.

This information is strictly confidential and is being furnished to you solely for your information. This information should not be reproduced or redistributed or passed on directly or indirectly in any form to any other person or published, copied, in whole or in part, for any purpose. This report is not directed or intended for distribution to, or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject HSL and associates / group companies to any registration or licensing requirements within such jurisdiction. The distribution of this report in certain jurisdictions may be restricted by law, and persons in whose possession this report comes, should observe, any such restrictions. The information given in this report is as of the date of this report and there can be no assurance that future results or events will be consistent with this information. This information is subject to change without any prior notice. HSL reserves the right to make modifications and alterations to this statement as may be required from time to time. HSL or any of its associates / group companies 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. HSL is committed to providing independent and transparent recommendation to its clients. Neither HSL nor any of its associates, group companies, directors, employees, agents or representatives shall be liable for any damages whether direct, indirect, special or consequential including loss of revenue or lost profits that may arise from or in connection with the use of the information. Our proprietary trading and investment businesses may make investment decisions that are inconsistent with the recommendations expressed herein. Past performance is not necessarily a guide to future performance. The disclosures of interest statements incorporated in this report are provided solely to enhance the transparency and should not be treated as endorsement of the views expressed in the report.

We offer our research services to clients as well as our prospects. Though this report is disseminated to all the customers simultaneously, not all customers may receive this report at the same time. We will not treat recipients as customers by virtue of their receiving this report.



HSL and its associates, officer, directors, and employees, research analyst (including relatives) worldwide may: (a) from time to time, have long or short positions in, and buy or sell the securities thereof, of company(ies), mentioned herein or (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 subject company/company(ies) discussed herein or act as advisor or lender/borrower to such company(ies) or have other potential/material conflict of interest with respect to any recommendation and related information and opinions at the time of publication of research report or at the time of public appearance.

Investments in securities market are subject to market risks, read all the related documents carefully before investing.

ANALYST CERTIFICATION/ DISCLOSURE OF INTEREST

Name of the Research Analyst: Deepanshu Jain

The analyst for this report certifies that all of the views expressed in this report accurately reflect his or her personal views about the subject company or companies and its or their securities, and no part of his or her compensation was, is or will be, directly or indirectly related to specific recommendations or views expressed in this report.

SN	Particulars	Yes/No
1.	Research Analyst or his/her relative's or HSL's financial interest in the subject company(ies)	No
2.	Research Analyst or his/her relative or HSL's actual/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	No
3.	Research Analyst or his/her relative or HSL has any other material conflict of interest at the time of publication of the Research Report	No
4.	Research Analyst has served as an officer, director or employee of the subject company(ies)	No
5.	HSL has received any compensation from the subject company in the past twelve months	No
6.	HSL has received any compensation for investment banking or merchant banking or brokerage services from the subject company in the past twelve months	No
7.	HSL has received any compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company in the past twelve months	No
8.	HSL has received any compensation or other benefits from the subject company or third party in connection with the research report	No
9.	HSL has managed or co-managed public offering of securities for the subject company in the past twelve months	No
10.	Research Analyst or HSL has been engaged in market making activity for the subject company(ies)	No

Since HSL and its associates are engaged in various businesses in the financial services industry, they may have financial interest or may have received compensation for investment banking or merchant banking or brokerage services or for any other product or services of whatsoever nature from the subject company(ies) in the past twelve months. Associates of HSL may have actual/beneficial ownership of 1% or more and/or other material conflict of interest in the securities discussed herein.

There were no instances of non-compliance by HSL on any matter related to the capital markets, resulting in significant and material disciplinary action during the last three years.