

BSE SENSEX

34,732

S&P CNX

10,244

Motilal Oswal values your support in the Asiamoney Brokers Poll 2020 for India Research, Sales and Trading team. We request your ballot.


Stock Info

Bloomberg	MRCO IN
Equity Shares (m)	1,290
M.Cap.(INRb)/(USDb)	428.6 / 5.6
52-Week Range (INR)	404 / 234
1, 6, 12 Rel. Per (%)	-9/16/2
12M Avg Val (INR M)	878
Free float (%)	40.4

Financials Snapshot (INR b)

Y/E March	2020	2021E	2022E
Sales	73.2	73.8	84.3
Sales Gr. (%)	-0.3	0.9	14.1
EBITDA	14.7	14.6	16.7
EBITDA Margin (%)	20.1	19.8	19.9
Adj. PAT	10.5	10.4	12.0
Adj. EPS (INR)	8.1	8.1	9.3
EPS Gr. (%)	13.4	-0.7	14.9
BV/Sh.(INR)	23.4	30.2	30.7

Ratios

RoE (%)	34.9	30.1	30.5
RoCE (%)	31.9	27.3	27.9
Payout (%)	96.0	94.8	94.5

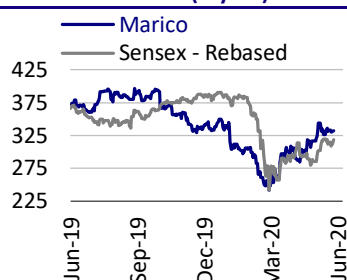
Valuation

P/E (x)	40.5	40.8	35.5
P/BV (x)	14.1	10.9	10.7
EV/EBITDA (x)	28.7	28.1	24.6
Div. Yield (%)	2.3	2.3	2.7

Shareholding pattern (%)

As On	Mar-20	Dec-19	Mar-19
Promoter	59.6	59.6	59.7
DII	10.7	9.7	5.6
FII	22.8	23.9	26.6
Others	6.9	6.8	8.0

FII Includes depository receipts

Stock Performance (1-year)

CMP: INR330
TP: INR385 (+17%)
Buy
Resilient portfolio; inexpensive valuations

With the COVID-19 crisis having impacted nearly every industry, we were interested in learning about the strategies being adopted by large corporates to cope with the changing times. Therefore, we interacted with the management of Marico (MRCO) in this regard, as well as to obtain a longer term perspective on the company's prospects. Here are the key highlights from our discussion:

- **Commendable revival in performance:** The Company's overall business has seen gradual improvement from mid-April to date, and is currently clocking more than 90% of its FY20 average monthly sales. Moreover, pipeline inventory is also at a manageable rate at the company level and MRCO has started producing most of the range. In terms of working capital, normalcy has already returned in trade, but consumers are expected to continue to downtrade or prefer LUPs going ahead as well.
- **Rural to fare better than urban,** given that: a) Agriculture has been least impacted by COVID-19 among the sectors, b) a significant share of migrant labor has returned to villages, potentially resulting in the lower end of consumption shifting to rural, c) the forecast for monsoon is better than the long-term average, and d) MGNREGA wages have been raised.
- **COVID-19 to accelerate shift from unorganized to organized:** Copra costs are deflationary, and given the pandemic situation, a number of smaller/regional players are finding it difficult to manage their working capital. Hence, large players such as MRCO should gain share from them.
- **With premiumization taking a backseat in FY21, company likely to focus on innovative, sustainable portfolio rather than opportunistic one:** MRCO expects relatively discretionary categories (35% of the portfolio) such as male styling, premium hair nourishment, and premium hair oil in the Value-Added Hair Oil (VAHO) to witness impact on sales in the near term. Hence, company will focus on launching products in more relevant categories (mass), such as Health, Wellness, & Immunity and Hygiene.
- **Market share gains on improved availability and the right pricing:** MRCO is witnessing deflation in copra by ~10% (v/s 2–3 months ago). A benign raw material cycle should allow the company to offer products at a lower price and make the material available across channels.
- **Robust outlook:** MRCO believes that, if Covid situation remains as is and doesn't worsen, than on steady state its revenue growth for the balance nine months of the fiscal should be in positive trajectory and this will be supported by significant share gains opportunities available in 65% of its portfolio. Furthermore, the company targets same EBITDA margins as last year and this should be supported by various cost management initiatives, such as reducing: a) A&P spends as a percentage of sales (to 9% in FY21 from 9.9% in FY20), b) fixed overheads cost except employee spends, and (c) material costs as indicated above thereby offsetting impact of downtrading and faster growth in the relatively lower margin foods portfolio.

- **Valuations and view:** MRCO has a more resilient portfolio of products than peers to withstand the COVID-19-led sales and earnings decline in FY21. This is possible on account of: a) recovery seen in Parachute volumes even prior to the COVID-19 outbreak, b) successful turnaround and strong growth in Saffola Edible Oils and Foods, and c) a better outlook for the international business v/s peers. Furthermore, the outlook on material costs is also better than the earlier expectation of possible inflation.
- While the longer term growth trajectory and eventual rerating would be determined by the success of its new products (an area in which it has seen limited success thus far), valuations at 35.5x FY22 EPS (close to 10 year average of 35.6) appear comfortable for a business that has better earnings visibility over peers. We maintain Buy rating with TP of INR385 (40x June'22 EPS).

Detailed takeaways from the call

Performance highlights

- The company resumed the production of **Edible Oils and Foods** in April, although at a reduced capacity; thereafter in May, production in these categories reached a near-normal level.
- **Hair Oils and Personal Care:** In these categories, operations resumed in late-April/early-May at a lower capacity and are gradually scaling up in June.
- **The company's overall business** has seen gradual improvement from mid-April to date, and is currently clocking more than 90% of its FY20 average monthly sales.
- **Saffola Edible Oils and Foods:** These have continued their healthy run with robust growth. Parachute Coconut Oil has also shown resilience and is clocking FY20 average sales. VAHO saw a gradual uptick toward the end of April. However, the Premium Personal Care category continues to move slowly.
- **Pipeline inventory:** This is at a manageable rate at the company level. MRCO has started producing most of the range. At the distributor level, it continues to be on the lower side. Trade inventories have declined significantly.
- **Channel performance:** General trade (GT) and e-commerce are faring well currently. Large-format modern trade (MT) outlets and wholesale have been impacted due to supply chain issues. MRCO expects to see normalcy soon in the MT channel, but wholesale should continue to remain under pressure for long. On the other hand, MRCO has been focusing on deepening its direct presence in rural and has increased the number of stockists by ~40% in the last 1.5 years, which should benefit the company in the current scenario.
- **Channel conflicts:** These were addressed by: a) launching differentiated SKUs across channels, e.g., 500ml Parachute Oil in GT v/s 550–600ml in MT, b) introducing a price control mechanism, c) segregating non-differentiated SKUs into three different buckets, (e.g. large packs are more advantageous toward new-age channels, LUPs are focused on GT, and the mid-segment has strong price control).
- **In terms of working capital,** normalcy has already returned in trade, but consumers are expected to downtrade or prefer LUPs going ahead.

Rural to fare better than urban

- Significant slowdown has been witnessed in rural in the past on account of: a) falling wage rates, b) low food inflation / high non-food inflation, and c) low spend on MGNREGA.
- However company believes that, going ahead, rural should perform better than urban, given that: a) Agriculture has been least impacted by COVID-19 among the sectors, b) a significant share of migrant labor has returned to villages, potentially resulting in the lower end of consumption shifting to rural, c) the forecast for monsoon is better than the long-term average, and d) MGNREGA wages have been raised.

COVID-19 to accelerate shift from unorganized to organized

- In the Coconut Oil category, 35% of the market is unorganized (loose form). MRCO believes that, the current environment has placed Coconut Oil (Parachute) in an extremely favorable position given the rising awareness for hygiene. From a 100–125bps conversion every year, the rate should speed up further in FY21.
- Moreover, within the organized market, MRCO has ~61% market share in Coconut Oil, followed by Dabur, Shalimar, and other regional players, which account for ~19% share in total; the balance 20% of the market has a very long tail, with players having a mere 1–2% share each. Copra rates are not inflationary, but given the pandemic situation, a number of smaller/regional/local players are finding it difficult to manage their working capital. Hence, large players such as MRCO should gain share from them, which is likely to be the case for other categories as well.

Premiumization to take a backseat for the next year

- MRCO expects discretionary categories (15% of the portfolio) such as male styling, premium hair nourishment, and premium hair oil in the Value-Added Hair Oil (VAHO 25%) category to suffer in the near term – the category is indexed at around 1.6x v/s base oil in terms of pricing. However, with pricing intervention in the mid-segment of VAHO, the company should be able to revive growth in this category.
- On the other hand, ~65% of the company's portfolio (including Parachute Oil, Saffola Oil, and Foods) is positively placed in the current environment.

Focus on creating sustainable and innovative portfolio over opportunistic one

- Over the years, MRCO has focused on launching new products in premium segments. However, with lower disposable income due to COVID-19-related challenges, the premiumization trend is likely to be impacted.
- Hence, in FY21, the company would focus on launching products in more relevant categories (mass), such as Health, Wellness, & Immunity and Hygiene.
- Within Health, Wellness, & Immunity, the company would participate in broader categories, but in the case of Hygiene, it would focus on category creation.

Market share gains on improved availability and the right pricing:

- MRCO is witnessing deflation in copra by ~10% (v/s 2–3 months ago). A benign raw material cycle should allow the company to offer products at a lower price and make the material available across channels.
- With improved availability and the right pricing, the company should be able to gain market share in the Coconut Oil, Hair Oil, and Foods categories.

Other points

- **Edible Oils and Foods:** This portfolio has a margin profile lower than the company margin profile. Although slowdown in the discretionary category would put pressure on gross margins, benign raw material costs, including for liquid paraffin, should support packaging costs. Moreover, the focus on managing other overhead costs should also support margins. As the Foods portfolio gains scale, A&P intensity would be lower than that in the Personal Care category. Hence, the net margin profile would continue to be healthy.
- **Saffola:** The Company is seeing good traction for the Saffola Active and Gold categories in 1QFY21. Even after eliminating the impact of the pandemic, MRCO expects high single digit to low double digit growth in this brand owing to: a) its improving availability, b) the right pricing, c) the removal of Saffola Gold trade offers and introduction of reduced pricing from INR159 to INR139, d) the provision of the 5+1 offer consistently, e) brand communication focused on care sentiment v/s cure sentiment previously.
- **No significant threat from private labels:** MRCO does not foresee any threat to the business from private labels as they are likely to impact no. 3 or no. 4 players and not the leader. If Jiomart were to turn big, the company would deal with it like any other intermediary. However, the only challenge would be to get retailers on board as they are reluctant to show their entire turnover on the platform.
- **A&P:** On this front, the company's share of spend in digital is at ~18% v/s ~13% three years ago.

Key Charts

Exhibit 1: In 95% of its portfolio, Marico's brands are No. 1 or No. 2

Brand	Category	Indicative Market Share (%) #
Parachute/Nihar	Coconut Oil (India)	~ 58%
Parachute	Coconut Oil (Bangladesh)	~ 86%
Saffola	Super Premium Refined Edible Oils (India)	~ 66%
Saffola	Oats (India)	~ 27%*
Parachute Adv., Nihar Naturals, Hair & Care	Hair Oils (India)	~ 33%
X-Men	Male Shampoo (Vietnam)	~ 38%*
Fiancée Gels/ Hair Code	Hair Styling (Egypt)	~ 54%*
Set Wet / Parachute Advansed	Hair Gels & Creams (India)	~ 62%*
Livon / Silk & Shine	Post Wash Hair Serum (India)	~83%
X-Men Men's Roll-On Deodorants	Roll-On Deodorants (Vietnam)	~32%

*Value market share

Source: Nielsen, Company, MOFSL

Exhibit 2: Material cost outlook remains benign

RM change	Cochin/ Kochi Coconut Oil	Copra Calicut/ Kozhikode	Safflower Oil Nominal Bombay	Kardi Oil Jalna	Rice Bran oil	Liquid Paraffin	HDPE
YoY %							
1QFY19	40.1	42.0	20.4	26.0	18.0	12.3	22.2
2QFY19	11.0	6.1	22.0	-0.7	14.2	26.6	29.3
3QFY19	-18.3	-23.0	13.3	5.6	9.7	17.8	21.5
4QFY19	-15.0	-18.7	7.0	11.1	-0.1	-3.2	-9.2
1QFY20	-23.6	-25.3	2.2	19.8	-11.7	-0.5	-21.3
2QFY20	-12.1	-10.0	4.7	23.2	-12.3	-9.2	-27.6
3QFY20	3.2	4.7	8.4	40.9	1.0	-16.6	-29.4
4QFY20	-2.9	-0.3	12.1	26.6	7.4	-3.2	-15.2
1QFY21 TD	13.0	9.6	15.7	20.8	13.5	-8.6	-16.7
QoQ %							
1QFY19	-3.4	-5.6	4.3	-7.6	9.8	-1.6	9.4
2QFY19	-9.3	-12.5	6.0	-2.7	5.7	3.3	2.7
3QFY19	-12.4	-12.1	-2.3	10.2	-8.0	9.3	-4.8
4QFY19	10.7	11.9	-0.9	12.1	-6.3	-12.9	-15.2
1QFY20	-13.1	-13.2	-0.5	-0.4	-3.0	1.2	-5.2
2QFY20	4.3	5.4	8.6	0.0	4.9	-5.7	-5.4
3QFY20	2.8	2.2	1.2	26.1	5.9	0.4	-7.2
4QFY20	4.2	6.6	2.5	0.7	-0.3	1.1	1.9
1QFY21 TD	1.2	-4.6	2.8	-4.9	2.5	-4.4	-6.9

Source: Company, MOFSL

Exhibit 3: International business exposure

Companies	~International revenue
Dabur	30%
Emami	15%
GCPL	47%
ITC	< 10%
Marico	12%

Source: Company, MOFSL

Exhibit 4: Price reduction in Parachute to provide solace on overall volume growth

Movements in MRP in SKUs	Dec'18	Nov'19	Dec'19
PCNO (100ml)	39	39	34
PCNO (250ml)	105	105	100
QoQ & YoY change (%)			
PCNO (100ml)			-12.8
PCNO (250ml)			-4.8

Source: Company, MOFSL

Exhibit 5: Compared to other companies of its size, performance over the last 5 years while slower ...

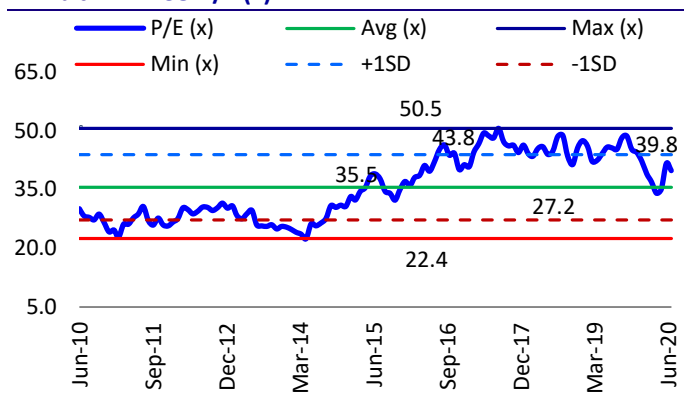
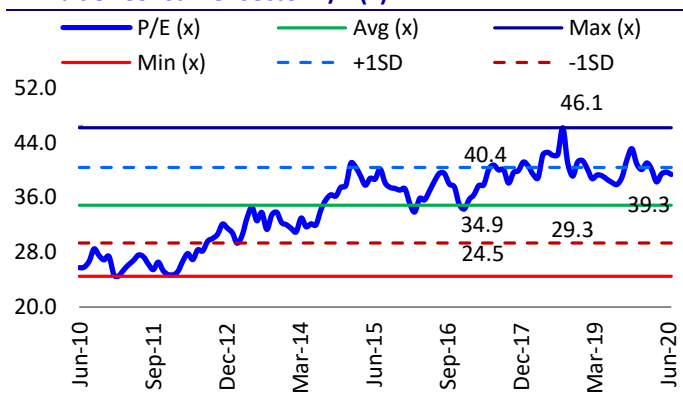
Y/E March	2015	2016	2017	2018	2019	2020	5Y CAGR (%)
Net Sales	57,330	60,173	59,178	63,220	73,340	73,150	5.0
Change (%)	22.3	5.0	-1.7	6.8	16.0	-0.3	
EBITDA	8,701	10,514	11,593	11,370	13,250	14,690	11.0
Change (%)	16.4	20.8	10.3	-1.9	16.5	10.9	
Margin (%)	15.2	17.5	19.6	18.0	18.1	20.1	490bp
Profit before Taxes	8,217	10,292	11,497	11,170	12,570	14,030	11.3
Change (%)	18.2	27.2	11.7	-2.8	12.5	11.6	
Margin (%)	14.3	17.1	19.4	17.7	17.1	19.2	480bp
Profit after Taxes	5,735	7,233	8,110	8,140	9,260	10,500	12.9
Change (%)	18.1	26.1	12.1	0.4	13.8	13.4	
Margin (%)	10.0	12.0	13.7	12.9	12.6	14.4	440bp

Source: Company, MOFSL

Exhibit 6: ... than earlier part of the decade has been much better than peers

Y/E March	2010	2011	2012	2013	2014	2015	5Y CAGR (%)	2016
Net Sales	26,608	31,283	39,682	45,843	46,865	57,330	16.6	60,173
Change (%)	11.4	17.6	26.8	15.5	2.2	22.3		5.0
EBITDA	3,751	4,098	4,729	6,140	7,477	8,701	18.3	10,14
Change (%)	23.4	9.2	15.4	29.8	21.8	16.4		20.8
Margin (%)	14.1	13.1	11.9	13.4	16.0	15.2	110bp	17.5
Profit before Taxes	3,076	3,275	4,021	5,187	6,946	8,217	21.7	10,292
Change (%)	25.7	6.5	22.8	29.0	31.9	18.2		27.2
Margin (%)	11.6	10.5	10.1	11.3	14.8	14.3	270bp	17.1
Profit after Taxes	2,414	2,375	3,189	3,627	4,854	5,735	18.9	7,233
Change (%)	19.4	-0.3	33.5	15.0	33.8	18.1		26.1
Margin (%)	9.1	7.6	8.0	7.9	10.4	10.0	90bp	12.0

Source: Company, MOFSL

Exhibit 7: MRCO P/E (x)**Exhibit 8: Consumer sector P/E (x)**

Financials and valuations

Income Statement							(INR M)	
Y/E March	2015	2016	2017	2018	2019	2020	2021E	2022E
Net Sales	57,330	60,173	59,178	63,220	73,340	73,150	73,824	84,265
Change (%)	22.3	5.0	-1.7	6.8	16.0	-0.3	0.9	14.1
COGS	31,356	30,887	28,472	33,720	40,170	37,450	38,159	43,447
Gross Profit	25,974	29,286	30,706	29,500	33,170	35,700	35,665	40,817
Margin (%)	45.3	48.7	51.9	46.7	45.2	48.8	48.3	48.4
Operating Expenses	17,274	18,773	19,113	18,130	19,920	21,010	21,041	24,071
EBITDA	8,701	10,514	11,593	11,370	13,250	14,690	14,624	16,746
Change (%)	16.4	20.8	10.3	-1.9	16.5	10.9	-0.4	14.5
Margin (%)	15.2	17.5	19.6	18.0	18.1	20.1	19.8	19.9
Depreciation	843	949	903	890	1,310	1,400	1,474	1,636
Int. and Fin. Charges	230	206	166	160	400	500	581	719
Other Income - Recurring	589	933	973	850	1,030	1,240	1,656	1,917
Profit before Taxes	8,217	10,292	11,497	11,170	12,570	14,030	14,226	16,307
Change (%)	18.2	27.2	11.7	-2.8	12.5	11.6	1.4	14.6
Margin (%)	14.3	17.1	19.4	17.7	17.1	19.2	19.3	19.4
Current Tax (excl MAT Ent)	2,383	2,503	2,922	2,840	3,310	3,470	3,509	4,023
Deferred Tax	-15	551	455	60	-180	-160	71	82
Tax Rate (%)	28.8	29.7	29.4	26.0	24.9	23.6	25.2	25.2
Minority Interest	-114	-5	-10	-130	-180	-220	-220	-220
Profit after Taxes	5,735	7,233	8,110	8,140	9,260	10,500	10,425	11,983
Change (%)	18.1	26.1	12.1	0.4	13.8	13.4	-0.7	14.9
Margin (%)	10.0	12.0	13.7	12.9	12.6	14.4	14.1	14.2
Extraordinary items	0	-5	0	0	1,880	-290	0	0
Reported PAT	5,735	7,228	8,110	8,140	11,140	10,210	10,425	11,983

Balance Sheet							(INR M)	
Y/E March	2015	2016	2017	2018	2019	2020	2021E	2022E
Share Capital	1,290	1,290	1,291	1,290	1,290	1,290	1,290	1,290
Reserves	16,958	18,884	21,966	24,140	28,700	28,940	37,660	38,323
Net Worth	18,248	20,174	23,257	25,430	29,990	30,230	38,950	39,613
Minority Interest	137	143	133	120	110	130	130	130
Loans	4,279	3,313	2,388	3,090	3,490	5,580	6,030	6,480
Capital Employed	22,664	23,630	25,778	28,640	33,590	35,940	45,110	46,223
Gross Fixed Assets	8,807	6,119	7,440	8,120	9,140	13,110	11,790	13,090
Intangibles	1,034	328	361	600	550	410	605	605
Less: Accum. Depn.	-3,973	-917	-1,749	-2,480	-3,250	-4,650	-6,124	-7,760
Net Fixed Assets	5,868	5,531	6,053	6,240	6,440	8,870	6,271	5,935
Capital WIP	30	367	112	270	450	580	580	580
Goodwill	4,892	4,974	4,795	4,860	5,030	5,380	5,480	5,580
Investments	2,838	5,439	6,082	5,430	4,500	7,040	13,000	12,000
Curr. Assets, L&A	17,625	16,852	19,191	23,920	29,120	26,560	34,620	38,520
Inventory	9,947	9,256	12,534	15,110	14,110	13,800	15,503	17,359
Account Receivables	1,768	2,521	2,470	3,400	5,170	5,390	6,275	6,741
Cash and Bank Balance	2,049	3,171	2,360	2,010	5,520	2,790	7,163	7,837
Others	3,861	1,904	1,828	3,400	4,320	4,580	5,678	6,583
Curr. Liab. and Prov.	8,511	9,953	10,329	11,880	13,710	14,020	14,841	16,392
Current Liabilities	7,471	8,395	9,040	10,560	12,260	12,690	13,342	14,757
Accounts Payable	5,643	6,690	6,966	8,220	9,440	9,780	10,176	11,339
Provisions	1,040	1,558	1,289	1,320	1,450	1,330	1,499	1,635
Net Current Assets	9,115	6,899	8,862	12,040	15,410	12,540	19,779	22,128
Deferred Tax Liability	-79	421	-125	-200	1,760	1,530	0	0
Application of Funds	22,664	23,630	25,778	28,640	33,590	35,940	45,110	46,223

E: MOFSL Estimates

Financials and valuations

Ratios

Y/E March	2015	2016	2017	2018	2019	2020	2021E	2022E
Basic (INR)								
EPS	4.4	5.6	6.3	6.3	7.2	8.1	8.1	9.3
Cash EPS	5.0	6.3	6.8	7.0	9.7	9.0	9.2	10.6
BV/Share	14.1	15.6	18.0	19.7	23.2	23.4	30.2	30.7
DPS	1.2	3.5	4.3	4.6	6.6	7.6	7.7	8.8
Payout %	28.1	62.4	67.6	72.4	76.3	96.0	94.8	94.5

Valuation (x)

P/E	74.2	58.9	52.5	52.3	46.0	40.5	40.8	35.5
Cash P/E	66.0	52.1	48.2	47.1	34.2	36.7	35.8	31.3
EV/Sales	7.4	7.0	7.1	6.7	5.7	5.8	5.6	4.9
EV/EBITDA	48.9	40.0	36.2	37.1	31.6	28.7	28.1	24.6
P/BV	23.3	21.1	18.3	16.7	14.2	14.1	10.9	10.7
Dividend Yield (%)	0.4	1.1	1.3	1.4	2.0	2.3	2.3	2.7

Return Ratios (%)

RoE	36.0	37.7	37.3	33.4	33.4	34.9	30.1	30.5
RoCE	27.7	31.9	33.3	30.8	31.3	31.9	27.3	27.9
RoIC	35.7	41.5	47.4	40.7	40.7	41.7	39.4	45.1

Leverage Ratio

Debt/Equity (x)	0.2	0.2	0.1	0.1	0.1	0.2	0.2	0.2
-----------------	-----	-----	-----	-----	-----	-----	-----	-----

Cash Flow Statement

(INR M)

Y/E March	2015	2016	2017	2018	2019	2020	2021E	2022E
OP/(loss) before Tax	8,217	10,287	11,487	11,170	12,630	13,740	14,226	16,307
Int./Div. Received	-185	-594	-43	-280	320	-1,000	-1,656	-1,917
Depreciation	843	949	903	890	960	1,500	1,474	1,636
Interest Paid	39	206	-197	-180	-300	500	581	719
Direct Taxes Paid	-2,097	-2,474	-2,964	-2,950	-3,200	-2,890	-3,509	-4,023
(Incr)/Decr in WC	-169	-197	-2,698	-3,490	210	330	-2,865	-1,676
CF from Operations	6,648	8,176	6,487	5,160	10,620	12,180	8,249	11,047
(Incr)/Decr in FA	-581	-864	-815	-1,280	-1,430	-1,860	1,125	-1,300
Free Cash Flow	6,068	7,312	5,673	3,880	9,190	10,320	9,374	9,747
(Pur)/Sale of Investments	410	-1,180	15	700	1,030	-2,540	-5,960	1,000
Others	-2,238	1,000	-760	740	-180	-4,125	10,368	-438
CF from Invest.	-2,408	-1,044	-1,560	160	-580	-8,525	5,533	-738
Issue of Shares	6	5	0	0	0	0	0	0
(Incr)/Decr in Debt	-437	0	0	0	0	2,090	450	450
Dividend Paid	-3,001	-5,023	-5,088	-6,360	-6,820	-8,495	-9,799	-9,886
Others	-2,824	-992	-652	690	290	20	-61	-199
CF from Fin. Activity	-6,255	-6,010	-5,740	-5,670	-6,530	-6,385	-9,409	-9,635
Incr/Decr of Cash	-2,015	1,122	-812	-350	3,510	-2,730	4,373	674
Add: Opening Balance	4,064	2,049	3,171	2,360	2,010	5,520	2,790	7,163
Closing Balance	2,049	3,171	2,360	2,010	5,520	2,790	7,163	7,837

E: MOFSL Estimates

Explanation of Investment Rating	
Investment Rating	Expected return (over 12-month)
BUY	>=15%
SELL	< - 10%
NEUTRAL	< - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

*In case the recommendation given by the Research Analyst is inconsistent with the investment rating legend for a continuous period of 30 days, the Research Analyst shall within following 30 days take appropriate measures to make the recommendation consistent with the investment rating legend.

Disclosures

The following Disclosures are being made in compliance with the SEBI Research Analyst Regulations 2014 (herein after referred to as the Regulations).

Motilal Oswal Financial Services Ltd. (MOFSL) is a SEBI Registered Research Analyst having registration no. INH000000412. MOFSL, the Research Entity (RE) as defined in the Regulations, is engaged in the business of providing Stock broking services, Investment Advisory Services, Depository participant services & distribution of various financial products. MOFSL is a subsidiary company of Passionate Investment Management Pvt. Ltd.. (PIMPL). MOFSL is a listed public company, the details in respect of which are available on www.motilaloswal.com. MOFSL (erstwhile Motilal Oswal Securities Limited - MOSL) is registered with the Securities & Exchange Board of India (SEBI) and is a registered Trading Member with National Stock Exchange of India Ltd. (NSE) and Bombay Stock Exchange Limited (BSE), Multi Commodity Exchange of India Limited (MCX) and National Commodity & Derivatives Exchange Limited (NCDEX) for its stock broking activities & is Depository participant with Central Depository Services Limited (CDSL) National Securities Depository Limited (NSDL), NERL, COMRIS and CCRL and is member of Association of Mutual Funds of India (AMFI) for distribution of financial products and Insurance Regulatory & Development Authority of India (IRDA) as Corporate Agent for insurance products. Details of associate entities of Motilal Oswal Financial Services Limited are available on the website at <http://onlinereports.motilaloswal.com/Dormant/documents/List%20of%20Associate%20companies.pdf>

MOFSL 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 MOFSL even though there might exist an inherent conflict of interest in some of the stocks mentioned in the research report

MOFSL and / or its affiliates do and seek to do business including investment banking with companies covered in its research reports. As a result, the recipients of this report should be aware that MOFSL 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. Details of pending Enquiry Proceedings of Motilal Oswal Financial Services Limited are available on the website at <https://galaxy.motilaloswal.com/ResearchAnalyst/PublishViewLitigation.aspx>

A graph of daily closing prices of securities is available at www.nseindia.com, www.bseindia.com. Research Analyst views on Subject Company may vary based on Fundamental research and Technical Research. Proprietary trading desk of MOFSL or its associates maintains arm's length distance with Research Team as all the activities are segregated from MOFSL research activity and therefore it can have an independent view with regards to Subject Company for which Research Team have expressed their views.

Regional Disclosures (outside India)

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

For Hong Kong:

This report is distributed in Hong Kong by Motilal Oswal capital Markets (Hong Kong) Private Limited, a licensed corporation (CE AYY-301) licensed and regulated by the Hong Kong Securities and Futures Commission (SFC) pursuant to the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) "SFO". As per SEBI (Research Analyst Regulations) 2014 Motilal Oswal Securities (SEBI Reg No. INH000000412) has an agreement with Motilal Oswal capital Markets (Hong Kong) Private Limited for distribution of research report in Hong Kong. This report is intended for distribution only to "Professional Investors" as defined in Part I of Schedule 1 to SFO. Any investment or investment activity to which this document relates is only available to professional investor and will be engaged only with professional investors." Nothing here is an offer or solicitation of these securities, products and services in any jurisdiction where their offer or sale is not qualified or exempt from registration. The Indian Analyst(s) who compile this report is/are not located in Hong Kong & are not conducting Research Analysis in Hong Kong.

For U.S.

Motilal Oswal Financial Services Limited (MOFSL) is not a registered broker - dealer under the U.S. Securities Exchange Act of 1934, as amended (the "1934 act") and under applicable state laws in the United States. In addition MOFSL is not a registered investment adviser under the U.S. Investment Advisers Act of 1940, as amended (the "Advisers Act" and together with the 1934 Act, the "Acts"), and under applicable state laws in the United States. Accordingly, in the absence of specific exemption under the Acts, any brokerage and investment services provided by MOFSL, including the products and services described herein are not available to or intended for U.S. persons. This report is intended for distribution only to "Major Institutional Investors" as defined by Rule 15a-6(b)(4) of the Exchange Act and interpretations thereof by SEC (henceforth referred to as "major institutional investors"). This document must not be acted on or relied on by persons who are not major institutional investors. Any investment or investment activity to which this document relates is only available to major institutional investors and will be engaged in only with major institutional investors. In reliance on the exemption from registration provided by Rule 15a-6 of the U.S. Securities Exchange Act of 1934, as amended (the "Exchange Act") and interpretations thereof by the U.S. Securities and Exchange Commission ("SEC") in order to conduct business with Institutional Investors based in the U.S., MOFSL has entered into a chaperoning agreement with a U.S. registered broker-dealer, Motilal Oswal Securities International Private Limited. ("MOSIPL"). Any business interaction pursuant to this report will have to be executed within the provisions of this chaperoning agreement.

The Research Analysts contributing to the report may not be registered /qualified as research analyst with FINRA. Such research analyst may not be associated persons of the U.S. registered broker-dealer, MOSIPL, and therefore, may not be subject to NASD rule 2711 and NYSE Rule 472 restrictions on communication with a subject company, public appearances and trading securities held by a research analyst account.

For Singapore

In Singapore, this report is being distributed by Motilal Oswal Capital Markets Singapore Pte Ltd ("MOCMSPL") (Co.Reg. NO. 201129401Z) which is a holder of a capital markets services license and an exempt financial adviser in Singapore. As per the approved agreement under Paragraph 9 of Third Schedule of Securities and Futures Act (CAP 289) and Paragraph 11 of First Schedule of Financial Advisors Act (CAP 110) provided to MOCMSPL by Monetary Authority of Singapore. Persons in Singapore should contact MOCMSPL in respect of any matter arising from, or in connection with this report/publication/communication. This report is distributed solely to persons who qualify as "Institutional Investors", of which some of whom may consist of "accredited" institutional investors as defined in section 4A(1) of the Securities and Futures Act, Chapter 289 of Singapore ("the SFA"). Accordingly, if a Singapore person is not or ceases to be such an institutional investor, such Singapore Person must immediately discontinue any use of this Report and inform MOCMSPL.

Specific Disclosures

- 1 MOFSL, Research Analyst and/or his relatives does not have financial interest in the subject company, as they do not have equity holdings in the subject company.
- 2 MOFSL, Research Analyst and/or his relatives do not have actual/beneficial ownership of 1% or more securities in the subject company
- 3 MOFSL, Research Analyst and/or his relatives have not received compensation/other benefits from the subject company in the past 12 months
- 4 MOFSL, Research Analyst and/or his relatives do not have material conflict of interest in the subject company at the time of publication of research report
- 5 Research Analyst has not served as director/officer/employee in the subject company
- 6 MOFSL has not acted as a manager or co-manager of public offering of securities of the subject company in past 12 months
- 7 MOFSL has not received compensation for investment banking/ merchant banking/brokerage services from the subject company in the past 12 months
- 8 MOFSL has not received compensation for other than investment banking/merchant banking/brokerage services from the subject company in the past 12 months

9 MOFSL has not received any compensation or other benefits from third party in connection with the research report

10 MOFSL has not engaged in market making activity for the subject company

The associates of MOFSL may have:

- financial interest in the subject company
- actual/beneficial ownership of 1% or more securities in the subject company
- received compensation/other benefits from the subject company in the past 12 months
- 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 MOFSL even though there might exist an inherent conflict of interest in some of the stocks mentioned in the research report.
- acted as a manager or co-manager of public offering of securities of the subject company in past 12 months
- 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)
- received compensation from the subject company in the past 12 months for investment banking / merchant banking / brokerage services or from other than said services.

The associates of MOFSL has not received any compensation or other benefits from third party in connection with the research report

Above disclosures include beneficial holdings lying in demat account of MOFSL which are opened for proprietary investments only. While calculating beneficial holdings, It does not consider demat accounts which are opened in name of MOFSL for other purposes (i.e holding client securities, collaterals, error trades etc.). MOFSL also earns DP income from clients which are not considered in above disclosures.

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.

Terms & Conditions:

This report has been prepared by MOFSL and is meant for sole use by the recipient and not for 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 MOFSL. 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. Though disseminated to all the customers simultaneously, not all customers may receive this report at the same time. MOFSL will not treat recipients as customers by virtue of their receiving this report.

Disclaimer:

The report and information contained herein is strictly confidential and meant solely for the selected recipient 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. This report and information herein is solely for informational purpose and may not be used or considered as an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments. 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. This may not be taken in substitution for the exercise of independent judgment by any recipient. 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 its own advisors to determine the merits and risks of such an investment. The investment discussed or views expressed may not be suitable for all investors. 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. No representation or warranty, express or implied, is made as to the accuracy, completeness or fairness of the information and opinions contained in this document. The Disclosures of Interest Statement incorporated in this document is provided solely to enhance the transparency and should not be treated as endorsement of the views expressed in the report. This information is subject to change without any prior notice. The Company reserves the right to make modifications and alterations to this statement as may be required from time to time without any prior approval. MOFSL, its associates, their directors and the employees may from time to time, effect or have effected an own account transaction in, or deal as principal or agent in or for the securities mentioned in this document. They may perform or seek to perform investment banking or other services for, or solicit investment banking or other business from, any company referred to in this report. Each of these entities functions as a separate, distinct and independent of each other. The recipient should take this into account before interpreting the document. This report has been prepared on the basis of information that is already available in publicly accessible media or developed through analysis of MOFSL. The views expressed are those of the analyst, and the Company may or may not subscribe to all the views expressed therein. This document is being supplied to you solely for your information and may not be reproduced, redistributed or passed on, directly or indirectly, 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 MOFSL to any registration or licensing requirement within such jurisdiction. The securities described herein may or may not be eligible for sale in all jurisdictions or to certain category of investors. Persons in whose possession this document may come are required to inform themselves of and to observe such restriction. Neither the Firm, 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 that may arise from or in connection with the use of the information. The person accessing this information specifically agrees to exempt MOFSL or any of its affiliates or employees from, any and all responsibility/liability arising from such misuse and agrees not to hold MOFSL or any of its affiliates or employees responsible for any such misuse and further agrees to hold MOFSL 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.

Registered Office Address: Motilal Oswal Tower, Rahimtullah Sayani Road, Opposite Parel ST Depot, Prabhadevi, Mumbai-400025; Tel No.: 022 71934200/ 022-71934263; Website www.motilaloswal.com; CIN no.: L67190MH2005PLC153397. Correspondence Office Address: Palm Spring Centre, 2nd Floor, Palm Court Complex, New Link Road, Malad(West), Mumbai- 400 064. Tel No: 022 7188 1000.

Registration Nos.: Motilal Oswal Financial Services Limited (MOFSL)*: INZ000158836(BSE/NSE/MCX/NCDEX); CDSL and NSDL: IN-DP-16-2015; Research Analyst: INH000000412. AMFI: ARN - 146822; Investment Adviser: INA000007100; Insurance Corporate Agent: CA0579;PMS:INP000006712. Motilal Oswal Asset Management Company Ltd. (MOAMC): PMS (Registration No.: INP000000670); PMS and Mutual Funds are offered through MOAMC which is group company of MOFSL. Motilal Oswal Wealth Management Ltd. (MOWML): PMS (Registration No.: INP000004409) is offered through MOWML, which is a group company of MOFSL. Motilal Oswal Financial Services Limited is a distributor of Mutual Funds, PMS, Fixed Deposit, Bond, NCDs, Insurance Products and IPOs. Real Estate is offered through Motilal Oswal Real Estate Investment Advisors II Pvt. Ltd. which is a group company of MOFSL. Private Equity is offered through Motilal Oswal Private Equity Investment Advisors Pvt. Ltd which is a group company of MOFSL. Research & Advisory services is backed by proper research. Please read the Risk Disclosure Document prescribed by the Stock Exchanges carefully before investing. There is no assurance or guarantee of the returns. Investment in securities market is subject to market risk, read all the related documents carefully before investing. Details of Compliance Officer: Name: Neeraj Agarwal, Email ID: na@motilaloswal.com, Contact No.:022-71881085.

* MOSL has been amalgamated with Motilal Oswal Financial Services Limited (MOFSL) w.e.f August 21, 2018 pursuant to order dated July 30, 2018 issued by Hon'ble National Company Law Tribunal, Mumbai Bench.