

Crompton Gr. Con

Estimate change



TP change



Rating change



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



	CROMPTON IN
Bloomberg Equity Shares (m)	627
M.Cap.(INRb)/(USD\$b)	154.6 / 2.1
52-Week Range (INR)	301 / 178
1, 6, 12 Rel. Per (%)	-3/2/9
12M Avg Val (INR M)	290

Financials & Valuations (INR b)

Y/E Mar	2020	2021E	2022E
Sales	45.1	40.6	51.0
EBITDA	6.0	5.6	7.1
PAT	4.4	4.2	5.5
EBITDA (%)	13.2	13.7	14.0
EPS (INR)	7.0	6.7	8.8
EPS Gr. (%)	16.9	(3.6)	31.6
BV/Sh. (INR)	23.4	27.3	32.4

Ratios

Net D/E	(0.2)	(0.3)	(0.4)
RoE (%)	29.8	24.6	27.3
RoCE (%)	28.9	23.9	28.0
Payout (%)	34.4	42.0	42.0

Valuations

P/E (x)	35.4	36.7	27.9
P/BV (x)	10.5	9.0	7.6
EV/EBITDA (x)	25.5	27.0	20.5
Div Yield (%)	0.8	1.0	1.3
FCF Yield (%)	2.4	2.5	3.3

Shareholding pattern (%)

As On	Jun-20	Mar-20	Jun-19
Promoter	26.2	26.2	34.4
DII	25.7	26.7	21.3
FII	29.9	30.5	28.3
Others	18.2	16.6	16.1

FII Includes depository receipts

CMP: INR246
TP: INR285 (+16%)
Buy

Strict cost controls and cash flow focus stand out

Expect demand normalization by end-2QFY21

- CROMPTON's top line was 11% below estimates. Earnings were 14% above expectations on account of strong cost controls, led by a cut in ad-spends and the ongoing cost rationalization exercise (Project Unnati). Although a large part of the cost control measures (e.g. ad-spends) may not be recurring, the business model strength of the company is impressive in times of a crisis.
- Demand activity in Jun'20 is back – particularly at ~85% for fans and at ~90% for overall ECD segment. Management has indicated that there was no MoM sales decline observed, despite pent-up demand coming in post lockdown.
- Improvement in working capital cycle helped in further strengthening of the balance sheet with net cash of INR4.5b as at Jun'20 (Mar'20: INR2.4b). Incorporating 1QFY21 performance, we have increased our FY21E EPS by 12%, while FY22E EPS remains unchanged. Maintain **Buy** rating with unchanged TP of INR285 (32x FY22E EPS).

Sharp cost cutting measures lead to earnings surprise

- Revenues declined 47% YoY to INR7.1b (11% below expectation). EBITDA declined 49% YoY to INR988m (**27% ahead of expectation**). EBITDA margin declined 30bp YoY to 13.9% (v/s est. 9.8%). Adj. PAT declined 40% to INR737m (**14% ahead of expectation**).
- Ad-spends were curtailed to a negligible INR20m (0.3% of sales) from INR450m (3.3% of sales) last year.
- **Segmental snapshot: (a) ECD** - Revenue declined 44% YoY to INR6b. EBIT margin stood at 20.5% (+20bp YoY). **(b) Lighting** - Revenue declined 57% YoY to INR1.2b. EBIT margin stood at 4.7% (-40bp YoY).

Key highlights from management commentary

- For Jun'20, water-heaters saw 42% YoY volume growth, while Mixer grinder grew 125% YoY in volumes. Agriculture pumps grew 25% YoY in value.
- CROMPTON continued gaining market share in Fans and B2C LED lighting (Bulbs and Battens). The company has gained ~100bp market share in Fans in the last 12 months.
- CROMPTON has started manufacturing TPW fans locally. This has reduced its dependence on China. May'20 saw an unprecedented demand for TPW fans from hospitals and COVID containment centers since these fans offer better mobility.
- Management expects price erosion in the B2C lighting segment to have bottomed out. B2B lighting may witness some more price erosion.

Valuation and view

- CROMPTON's efforts to further improve its leadership position in the Fans segment and good start in the new category of Water heaters and Air coolers, despite the ongoing disruption is commendable. CROMPTON's strong FCF generation is under-appreciated at current valuations, in our view. We maintain our **Buy** rating with TP of INR285 (32x FY22E EPS).

Nilesh Bhaiya – Research Analyst (Nilesh.Bhaiya@MotilalOswal.com)

Pratik Singh – Research Analyst (Pratik.Singh@MotilalOswal.com)

Investors are advised to refer through important disclosures made at the last page of the Research Report.

 Motilal Oswal research is available on www.motilaloswal.com/Institutional-Equities, Bloomberg, Thomson Reuters, Factset and S&P Capital.

Quarterly Estimates

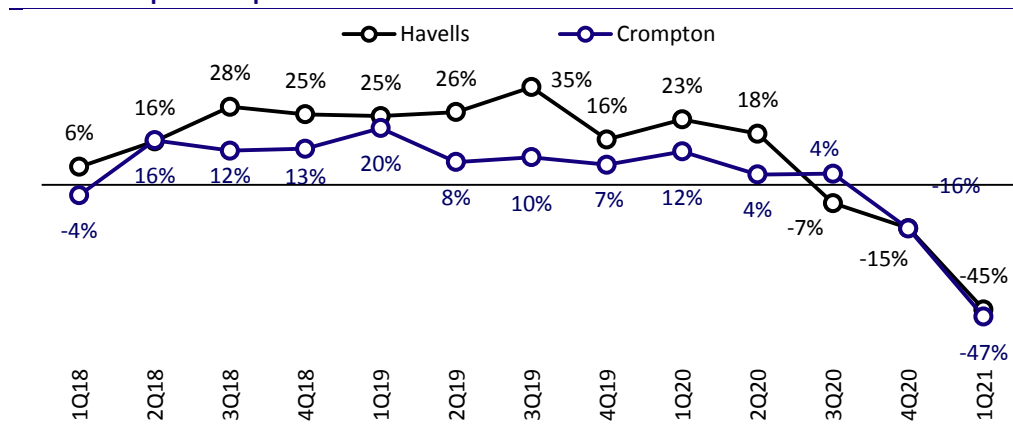
(INR m)

Y/E March	FY20				FY21E				FY20	FY21E	Vs Est. 1QE	Var. (%)
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q				
Sales	13,468	10,758	10,713	10,181	7,132	10,000	11,300	12,168	45,120	40,600	8,000	-10.9%
Change (%)	11.9	3.7	4.0	-15.6	-47.0	-7.0	5.5	19.5	0.7	-10.0	-40.6	
EBITDA	1,919	1,295	1,369	1,384	988	1,310	1,547	1,706	5,969	5,550	780	26.7%
Change (%)	14.7	4.5	8.6	-17.9	-48.5	1.2	13.0	23.2	1.9	-7.0	-59.3	
As of % Sales	14.2	12.0	12.8	13.6	13.9	13.1	13.7	14.0	13.2	13.7	9.8	
Depreciation	58	64	64	82	80	80	80	79	268	319	65	
Interest	150	87	87	83	108	100	100	92	407	400	50	
Other Income	173	122	174	119	188	200	200	212	589	800	200	
PBT	1,885	1,267	1,391	1,339	988	1,330	1,567	1,747	5,883	5,632	865	14.2%
Tax	660	154	355	341	251	335	394	437	1,510	1,418	218	
Effective Tax Rate (%)	35.0	12.1	25.5	25.5	25.4	25.2	25.2	25.0	25.7	25.2	25.2	
Adjusted PAT	1,224	1,113	1,036	998	737	995	1,172	1,310	4,373	4,214	647	13.9%
Change (%)	17.4	44.7	30.1	(11.8)	(39.8)	(10.6)	13.1	31.2	16.9	(3.6)	(47.1)	
Extra-ordinary Income (net)	-	-	574	-	-	-	0	-	574	-	-	
Reported PAT	1,224	1,113	1,610	998	737	995	1,172	1,310	4,947	4,214	647	13.9%
Change (%)	17.4	44.7	102.1	(29.5)	(39.8)	(10.6)	(27.2)	31.2	22.9	(14.8)	(47.1)	

Segmental sales (INR m)

Y/E March	FY20				FY21E			
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
Lighting	2,739	2,877	2,843	2,770	1,166	2,500	3,000	3,334
Electrical consumer durables	10,729	7,881	7,870	7,411	5,965	7,500	8,300	8,835
Total Sales	13,468	10,758	10,713	10,181	7,132	10,000	11,300	12,168
YoY Growth (%)								
Lighting	(1.8)	(11.5)	(10.8)	(19.1)	(57.4)	(13.1)	5.5	20.4
Electrical consumer durables	16.0	10.6	10.6	(14.3)	(44.4)	(4.8)	5.5	19.2
EBIT								
Lighting	141	151	196	193	55	113	150	183
Electrical Consumer durables	2,173	1,514	1,561	1,482	1,223	1,463	1,619	1,817
EBIT Margin (%)								
Lighting	5.1	5.2	6.9	7.0	4.7	4.5	5.0	5.5
Electrical Consumer durables	20.3	19.2	19.8	20.0	20.5	19.5	19.5	20.6

Exhibit 1: Like-to-like categories – CROMPTON's growth rate has converged to that of Havells over past 2-3 quarters now



Source: MOSL, Company

Story in charts

Exhibit 2: FY19 revenue break-up

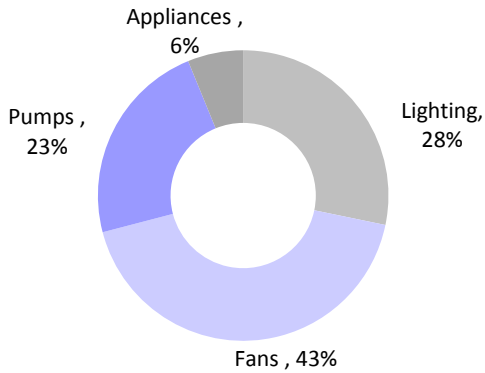


Exhibit 3: FY20-22E CAGR estimates by category

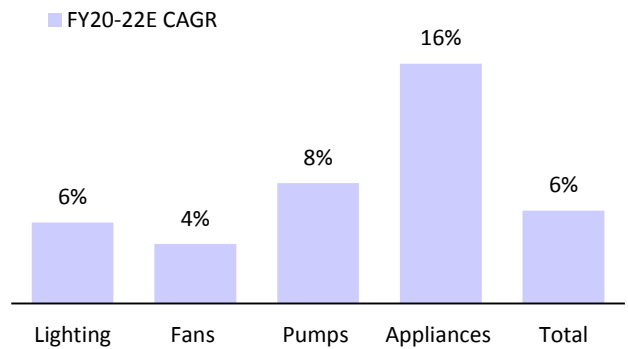


Exhibit 4: Expect Lighting revenue CAGR of 6% over FY20-22E

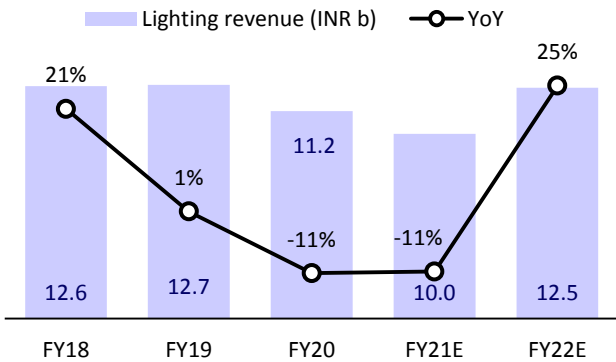


Exhibit 5: Lighting margins expected to scale up in FY22E

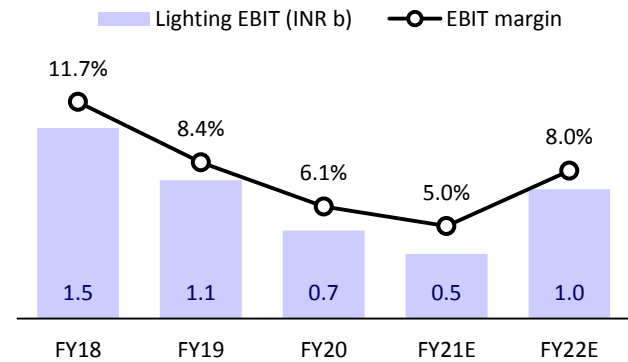


Exhibit 6: Expect ECD revenue CAGR of 7% over FY20-22E after a decline in FY21E

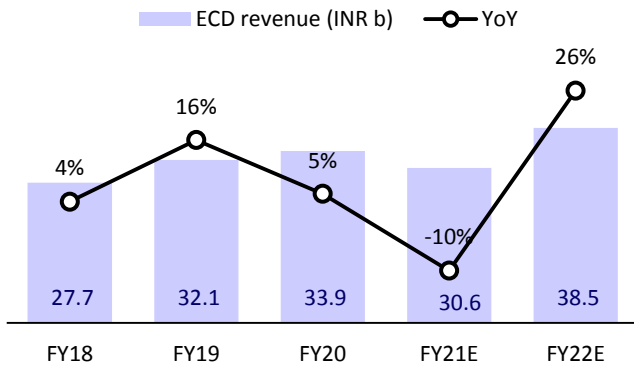


Exhibit 7: ECD margins to remain stable over FY20-22E owing to various cost cutting measures

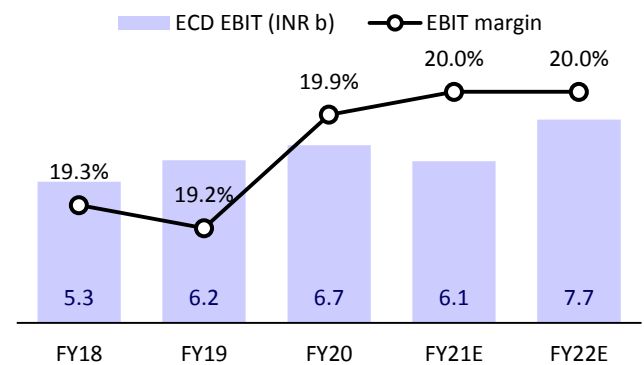
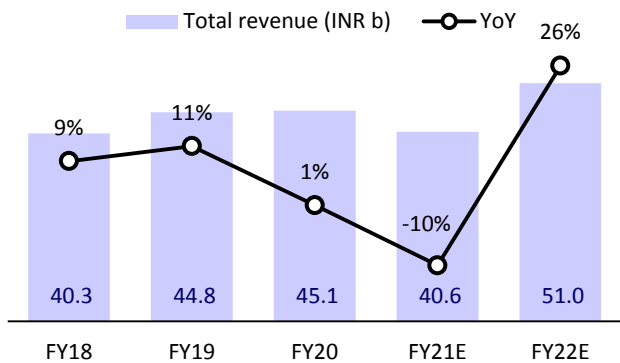
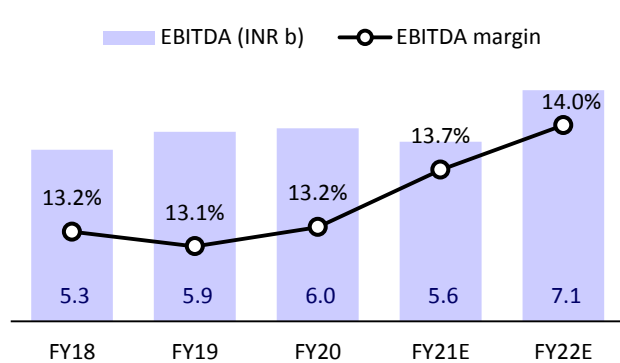


Exhibit 8: Expect revenue CAGR of 6.3% over FY20-22E



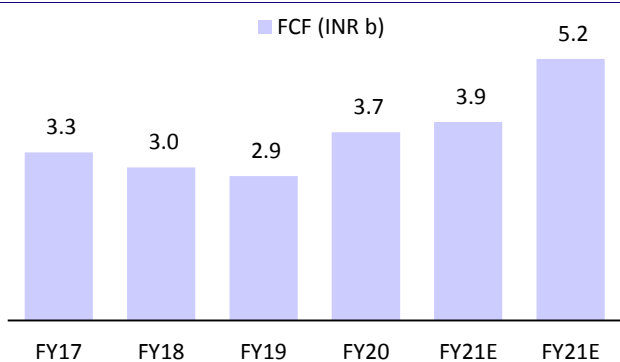
Source: MOFSL, Company

Exhibit 9: EBITDA margin to expand 80bp over FY20-22E



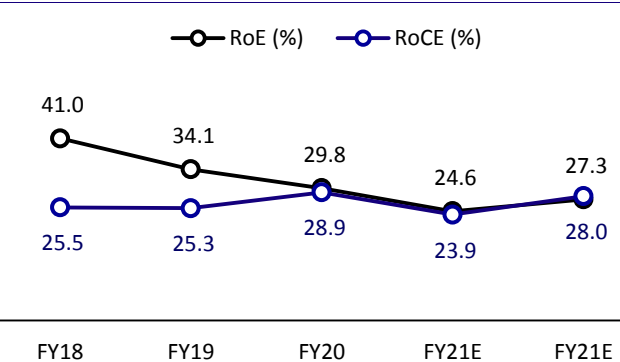
Source: MOFSL, Company

Exhibit 10: Strong FCF generation over FY20-22E



Source: MOFSL, Company

Exhibit 11: Return ratios to remain healthy



Source: MOFSL, Company

Exhibit 12: We increase our FY21E EPS by 12%, with FY22E EPS unchanged

Earnings Change	Old		New		Change	
	FY21E	FY22E	FY21E	FY22E	FY21E	FY22E
Revenue	40,600	51,000	40,600	51,000	0%	0%
EBITDA	5,132	7,137	5,550	7,149	8%	0%
EBITDA margin	12.6%	14.0%	13.7%	14.0%	1.0%	0.0%
Adj. PAT	3,777	5,565	4,214	5,548	12%	0%

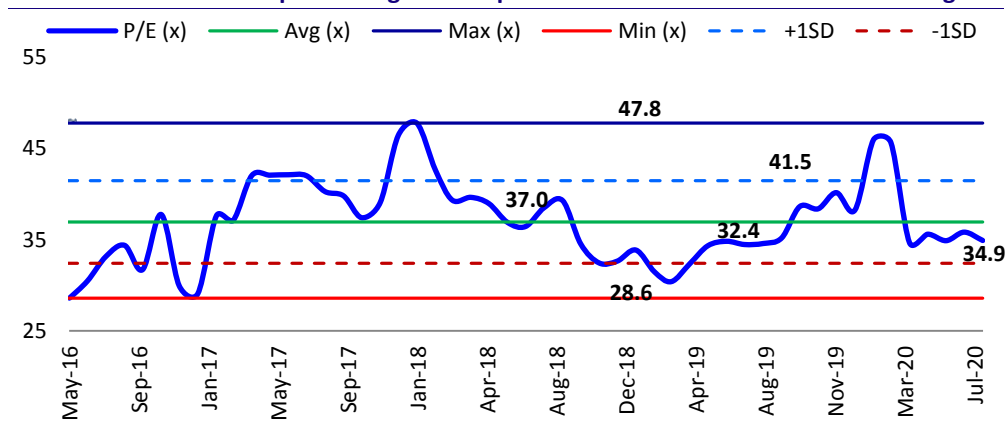
Source: MOSL, Company

Valuation and view

- Largest player in the fans and residential pumps market:** CROMPTON has been the leader in fans and residential pumps with a market share of 27% and 28%, respectively. In lighting, the company has an 8% market share (third highest). It has also revamped its small appliances portfolio with new product launches in water heaters and air coolers.
- Rising premiumization in existing portfolio:** New management has continuously focused on increasing sales of premium products within the existing product portfolio. Share of premium fans (as % of total fans revenue) has gone up from 10% in FY16 to ~30% in FY20. CROMPTON intends to maintain its leadership in the fans segment while increasing the sales of premium fans.
- Strong free cash flow generation:** With moderate capex and strong operating performance, CROMPTON has been able to generate healthy free cash flow of over INR12.9b from FY17 to FY20 v/s adj. PAT of INR14.2b over the same period, indicating FCF/PAT conversion at 0.9x.

- **Robust return ratios:** With strong profitability and an asset-light business model, return ratios are healthy – RoE/RoCE of 30%/29% in FY20.
- **Valuation extremely comfortable:** CROMPTON trades at FY21/FY22E P/E of 37x/28x. We estimate adjusted EPS CAGR (FY20-22E) of 13% on the back of 6% CAGR in revenue. CROMPTON's strong FCF generation is under-appreciated at current valuations, in our view. Owing to higher than estimated profitability and margins in 1QFY21, we have increased our FY21E EPS by 12% with FY22E EPS unchanged. We maintain our **Buy** rating with TP of INR285 (32x FY22E EPS).

Exhibit 13: Valuations tapered off given the pressure witnessed in core business margins



Source: MOFSL, Company



Highlights from management commentary

Demand outlook and business ramp-up

- CROMPTON achieved 70% of last year's sales in May'20 and 90% in June'20.
- **Secondary sales trend in July'20 indicate similar pickup in demand to that of June'20.**
- CROMPTON continued to gain market share in Fans and LED B2C portfolio (Bulbs and Battens)
- E-commerce channel witnessed 400% YoY growth in May'20 and June'20.
- While local lockdowns will continue to disrupt business, management expects sales to normalize by the end of 2QFY21.
- Management hasn't seen a decline in demand post the pent up demand witnessed post lockdown. Thus, the growth has been steady and improving.

Electrical consumer durables

- **Fans:** In June, Fans activity scaled back to ~85% level. Latest market share available for April period shows market share gains for CROMPTON.
- **Appliance:** In June'20, appliance business witnessed 6% volume growth YoY. Water heater saw 42% YoY volume growth in June'20, while Mixer grinders grew by 125% YoY (volume) in June'20.
- **Pump:** In June'20, Agro pumps achieved 25% value growth, with domestic Pumps scaling back to 100% activity level.

Lighting

- In June'20, B2C LED volumes grew 9% YoY.
- B2B business came under pressure due to deferment of orders by institutions and muted Government orders.
- Margins came in better than expected on account of cost cutting initiatives and favourable mix (1QFY21 saw supplies of EESL street lighting which has a higher margin than EESL bulbs)
- Also, ~3-4% of price hikes in May supported margins.
- Overall, for B2C lighting, price erosion is expected to have bottomed out, while B2B lighting may continue to witness price erosion for some more time.

Margins

- Ad-spends were curtailed to a negligible INR20m (0.3% of sales) from INR450m (3.3% of sales) last year. **Ad-spends will be restored as markets recover.**
- Other expenses declined by 51% YoY versus 47% decline in revenue, with the reduction done across variable costs and discretionary costs. Some of these costs could have been recurring cost but was cut down owing to COVID led shutdown.

Other key takeaways

- Strong focus on cash flow management led to improvement in balance sheet with net cash position of INR4.6b (v/s INR2.4b at end-FY20).
- **Introduction of New BEE rating has been shifted by 18 months.**
- CROMPTON's objective is not to improve margins from hereon, but to invest for growth from near to medium term perspective.

Financials and valuations

Income Statement						(INR M)
Y/E March	2018	2019	2020	2021E	2022E	2023E
Total Revenues	40,254	44,789	45,120	40,600	51,000	56,970
Change (%)	8.6	11.3	0.7	-10.0	25.6	11.7
EBITDA	5,310	5,858	5,969	5,550	7,149	7,964
% of Total Revenues	13.2	13.1	13.2	13.7	14.0	14.0
Depreciation	126	129	268	319	335	351
Other Income	308	483	589	800	800	1,000
Interest	637	596	407	400	200	0
PBT	4,854	5,616	5,883	5,632	7,414	8,613
Tax	1,617	1,875	1,510	1,418	1,866	2,168
Rate (%)	33.3	33.4	25.7	25.2	25.2	25.2
Adjusted PAT	3,238	3,741	4,373	4,214	5,548	6,445
Extra-ordinary Income	0	285	574	0	0	0
Reported PAT	3,238	4,025	4,947	4,214	5,548	6,445
Change (%)	14.3	24.3	22.9	-14.8	31.6	16.2

Balance Sheet						(INR M)
Y/E March	2018	2019	2020	2021E	2022E	2023E
Share Capital	1,254	1,254	1,255	1,255	1,255	1,255
Reserves	6,641	9,731	13,423	15,868	19,086	22,824
Net Worth	7,895	10,985	14,678	17,122	20,340	24,078
Loans	6,486	6,493	3,497	1,797	0	0
Capital Employed	14,381	17,477	18,175	18,919	20,340	24,078
Gross Fixed Assets	8,849	8,991	9,705	10,205	10,705	11,205
Less: Depreciation	234	359	616	934	1,269	1,619
Net Fixed Assets	8,616	8,632	9,090	9,271	9,437	9,586
Capital WIP	6	10	199	199	199	199
Investments	0	142	142	142	142	142
Curr. Assets	15,628	17,915	18,010	17,644	21,035	25,850
Inventory	3,032	3,524	4,636	4,172	4,192	4,682
Debtors	5,536	5,660	4,587	4,128	5,185	5,792
Cash & Bank Balance	5,450	6,724	5,866	6,718	8,358	11,689
Loans & Advances	0	0	0	0	0	0
Other Assets	1,610	2,007	2,920	2,628	3,301	3,687
Current Liab. & Prov.	9,869	9,221	9,265	8,337	10,473	11,699
Current Liabilities	8,719	7,530	7,426	6,682	8,394	9,377
Provisions	1,150	1,691	1,839	1,655	2,078	2,322
Net Current Assets	5,759	8,694	8,745	9,307	10,563	14,151
Application of Funds	14,381	17,477	18,175	18,919	20,340	24,078

Financials and valuations

Ratios						
Y/E March	2018	2019	2020	2021E	2022E	2023E
Basic (INR)						
Adj EPS	5.2	6.0	7.0	6.7	8.8	10.3
Cash EPS	5.4	6.2	7.4	7.2	9.4	10.8
Book Value	12.6	17.5	23.4	27.3	32.4	38.4
DPS	1.5	1.7	2.0	2.4	3.1	3.6
Payout (incl. Div. Tax.)	34.9	35.1	34.4	42.0	42.0	42.0
Valuation (x)						
P/E	47.8	41.4	35.4	36.7	27.9	24.0
Cash P/E	46.0	40.0	33.4	34.2	26.3	22.8
EV/EBITDA	29.3	26.4	25.5	27.0	20.5	18.0
EV/Sales	3.8	3.4	3.4	3.7	2.9	2.5
Price/Book Value	19.6	14.1	10.5	9.0	7.6	6.4
Dividend Yield (%)	0.7	0.7	0.8	1.0	1.3	1.5
Profitability Ratios (%)						
RoE	41.0	34.1	29.8	24.6	27.3	26.8
RoCE	25.5	25.3	28.9	23.9	28.0	26.8
RoIC	38.7	36.0	34.8	32.5	43.1	46.5
Turnover Ratios						
Debtors (Days)	50	46	37	37	37	37
Inventory (Days)	27	29	38	38	30	30
Creditors (Days)	69	54	52	52	52	52
Asset Turnover (x)	2.8	2.6	2.5	2.1	2.5	2.4
Leverage Ratio						
Net Debt/Equity (x)	0.1	0.0	-0.2	-0.3	-0.4	-0.5

Cash Flow Statement						(INR M)
Y/E March	2018	2019	2020	2021E	2022E	2023E
PBT before EO Items	5,423	5,788	5,817	5,632	7,414	8,613
Depreciation	126	129	268	319	335	351
Interest & other	350	293	173	-400	-600	-1,000
Direct Taxes Paid	-1,812	-1,994	-1,445	-1,418	-1,866	-2,168
(Inc)/Dec in WC	-933	-1,202	-602	288	385	-258
CF from Operations	3,154	3,014	4,211	4,421	5,668	5,538
(Inc)/Dec in FA	-133	-160	-494	-500	-500	-500
Free Cash Flow	3,021	2,855	3,717	3,921	5,168	5,038
Investment & Others	-188	-1,343	-18	800	800	1,000
CF from Investments	-322	-1,503	-512	300	300	500
(Inc)/Dec in Debt	0	0	-3,088	-1,700	-1,797	0
Interest Paid	-634	-587	-586	-400	-200	0
Dividend Paid	-1,129	-1,312	-1,506	-1,770	-2,330	-2,707
Others	486	1,624	572	0	0	0
CF from Fin. Activity	-1,269	-237	-4,556	-3,870	-4,327	-2,707
Inc/Dec of Cash	1,564	1,274	-857	851	1,640	3,331
Add: Beginning Balance	3,886	5,450	6,724	5,866	6,718	8,358
Closing Balance	5,450	6,724	5,866	6,718	8,358	11,689

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 alternations 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.: INP00000670); 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.