Relaxo Footwear

Accumulate

Annual Report Analysis FY20

Relaxo is a leading player in the 'value' segment enjoying a strong brand equity and robust product portfolio. Despite stiff competition, nationwide lockdown and resultant economic challenges, Relaxo registered 5%/29% growth in topline/net profit respectively in FY20. We believe that with robust distribution network, strong in-house manufacturing capabilities, innovation, rising aspirational levels within target segment, Relaxo is well placed to navigate through the current challenging business conditions.

Focus on strengthening distribution

Relaxo continued to strengthen its distribution network particularly in underpenetrated markets by improving supply chain. The company has presence in ~50K MBO's serviced through 700 distributors. As per the management, domestic market has potential of 85K outlets, providing Relaxo room for further growth. Relaxo already has strong presence in the North. Through strategic initiatives, distributors directly service over 85% of the large districts in India, leading to significant market share gains in priority markets in West and East India. Sales in rural and smaller towns is picking up faster than urban with enhanced demand for open footwear.

Cost saving initiatives and stable RM costs to support margins

During FY20, gross margins improved 370bps to 56.9% due to benign raw material prices and better product mix. Further, operational efficiencies and streamlining product offerings aided EBITDA margin expansion. During lockdown, higher demand of low ticket sized products like open footwear (~70% of revenue) is likely to impact margins in the short term. However, stable RM costs, lesser dependency on retail model and cost optimization initiatives are expected to partially arrest margin erosion.

Focus on Retail business

Relaxo's focus to gradually ramp up its retail presence remains intact. The company expanded its retail outlets (EBO's) to 390 stores in FY20, from 343 in FY19. EBO's currently contribute ~8% to company's top-line and is expected to gain momentum gradually. Cost rationalization measures like closing non profitable stores, staff rightsizing, rent negotiations, inventory management and a more efficient reordering mechanism were initiated during the year. With rising trend for online shopping amidst lockdown, E-com business gained traction in FY20 constituting ~9-10% sales.

Strong Balance sheet

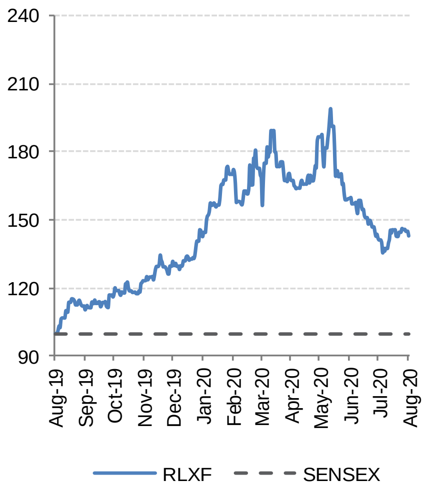
Over the years, Relaxo has maintained healthy operating cash flows to contain its capex plans. It has controlled working capital cycle (~60 days), healthy asset turns (~2.2x) generating ROE/RoCE of ~19-20%. The company has an asset-light model and rental costs are much lower compared to peers because of its distribution-led format. It has no long term debt and D/E ratio has improved substantially from 0.4x in FY16 to 0.02x in FY20. While Covid-19 pandemic is likely to lead to down-trading and impact earnings in short term, we remain positive on Relaxo due to its robust balance sheet and structural drivers in place.

Plan to set up new manufacturing plant at Bhiwadi

To cater to the growing demand, the company has commenced commercial production at its new plant at Bhiwadi (Rajasthan) for manufacturing flip flops (Hawaii range). It has proposed to add capacity of 100K pairs/day in Bhiwadi plant with total investment of Rs 900mn which will be funded through internal accruals. The capacity will be added within three years and is likely to take Relaxo's total capacity to 800K pairs/day from ~700K pairs/day currently.

CMP	Rs 638
Target / Upside	Rs 651 / 2%
BSE Sensex	38,813
NSE Nifty	11,372
Scrip Details	
Equity / FV	Rs 248mn / Rs 1
Market Cap	Rs 158bn
	US$ 2bn
52-week High/Low	Rs 830/Rs 416
Avg. Volume (no)	352,166
NSE Symbol	RELAXO
Bloomberg Code	RLXF IN
Shareholding Pattern Jun'20(%)	
Promoters	71.0
MF/Banks/FIs	6.6
FIIs	3.3
Public / Others	19.2

Relaxo Footwear relative to Sensex



VP Research: Sachin Bobade
Tel: +91 22 40969731
E-mail: sachinb@dolatcapital.com

Associate: Nikhat Koor
Tel: +91 22 40969764
E-mail: nikhatk@dolatcapital.com

Annual Report Macro View

Key Management	i) Mr. Nikhil Dua was re-appointed as Whole Time Director of the company for a period of three years with effect from October 1, 2020. ii) Mr. Deval Ganguly, Whole Time Director will retire by rotation at the ensuing AGM and being eligible, offered himself for re-appointment.
Board of Directors	i) Ms. Deepa Verma was re-appointed as a Non-Executive and Independent Director of the Company for the second term w.e.f. September 2019 for a period of five consecutive years. ii) Mr. Rajeev Rupendra Bhadauria (DIN-00376562) was appointed as a Non-Executive and Independent Director of the company for a first term w.e.f. August 2019 for a period of five consecutive years.
Auditors	M/s B R Maheswari & Co. LLP continue to be the auditors of the company.

Credit Ratings

	FY2020	FY2019
Long term Rating	No change	ICRA AA (stable outlook)
Short Term Rating	No change	ICRA A1+
Commercial Paper	No change	ICRA A1+

Pledged Shares	No pledged shares were held during the year.
Remuneration	There was increase of 0.4% in median remuneration of all employees in FY20. The aggregate remuneration of employees excluding KMPs grew by 8.6% YoY. The aggregate increase in salary for Whole Time Directors and other KMP's rose 8.4% YoY in FY20. Number of permanent employees on the roll of the company was 7,852 as on March 31, 2020 compared to 6,254 as on March 31 , 2019.

Key Holders

Shareholding Pattern	FY2020	FY2019
A. Promoters	**70.98**	**71.02**
B. Public Shareholding		
1. Institutions:		
a. Mutual Funds	6.40	6.14
b. Banks/FI	0.02	0.01
c. FPI	2.95	2.74
2. Non-Institutions:		
a. Bodies corporate	11.44	13.61
b. Individuals	6.18	4.95
c. Others	2.03	1.53
C. Shares Held By Custodians For ADRs	0	0
Total	**100**	**100**

Source: Company, DART

Footwear Industry Structure and Developments

- India is the second largest footwear producer after China, with annual footwear production accounting for ~ 9% of the global production of 22bn pairs pa. India produces ~2.2 bn pairs annually of which, 90% are consumed domestically and 10% are exported primarily to European nations and the USA.
- The average per capita footwear consumption in India appears to be low at 1.7 pairs vs the global average of 3 pairs of developing economies, and 6 pairs of developed ones.
- Branded footwear currently accounts for around 45% and unbranded dominates with 55% market share respectively.
- With rapid urbanization, higher disposable income and growing fitness and fashion consciousness, domestic demand for footwear was witnessing an upsurge since past many years.
- Indian footwear market is skewed towards men with the segment commanding ~60% share compared to global average of 40%. With better education and employment opportunities, women's segment is likely to grow faster than men's segment, going ahead.
- Post Covid, though there is a shift of focus to E-commerce, it currently accounts for < 10% of the total footwear sales in the country.
- Due to fear and social distancing norms, consumer sentiment would take some time to revive, even as lockdown restrictions ease.
- In Budget 2020, government hiked import duty on footwear from 25% to 35% and on footwear components from 15% to 20%. This, in addition to government initiatives on promoting 'Made-in-India' footwear, is expected to provide a boost to domestic manufacturers.
- With companies adopting 'work from home' policies and socializing becoming less frequent, casual and comfortable open footwear are likely to gain momentum. Increasing awareness about health, is likely to drive demand for sports footwear. Pent up demand and upcoming festive season is expected to provide some relief to the footwear industry.

Financial Analysis

Profit and Loss Statement Analysis

Despite uncertain market scenario, increasing competition and Covid-19 outbreak in March'20, Relaxo exhibited reasonable financial performance in FY20.

- **Revenue** increased 5.2% YoY to Rs Rs 24.1bn in FY20. This is attributed to volume de-growth of 2.6% YoY to 179.2mn pairs due to Covid led disruption; and 8% YoY increase in average selling price to Rs 135. Key drivers for Relaxo's performance are-
    - Aggressive penetration in new and underpenetrated geographies,
    - Focus on consumer needs and quality
    - enhanced presence in new/emerging channels like modern trade and e-com,
    - capable channel partners and sales force
- **Gross margin** improved 370bps YoY to 56.9% due to benign raw material prices during the year as well as change in product mix.
- **EBITDA**: Lower RM costs was partially offset by 90bps increase in employee expenses (12.2% of sales). Other expenses remained flat at 27.7%. Consequently, reported EBITDA margin expanded by 280bps to 17.0%. EBITDA margins adjusted to IND AS 116, stand at 15.1%. EBITDA increased by 26.1% YoY to Rs 4,090mn. This can be attributed to robust cost control measures, better product mix, premiumization and regular disposal of aged inventory.
- **Net Profit** increased 29.0% YoY to Rs 2,263mn in FY20. This was supported by low tax rates on account of Ind AS 116 implementation. Net profit margin increased from 7.6% in FY19 to 9.4% in FY20.

DART View: We believe that with decline in household income levels, consumers are likely to shift towards the branded affordable products. Relaxo has attractive product offerings and has the ability to premiumize portfolio at the lower end of the pyramid. Given that 80% business is through distribution channel and only 8% is through retail outlets, we believe Relaxo would outpace Bata in terms of revenue growth. We expect Relaxo's volume growth to pick up in H2FY21E, with easing of lockdown restriction and revival in consumer sentiment.

Balance Sheet and Cash Flow Analysis

- During the year, the BOD issued and allotted 144,690 equity shares of Re 1/- each fully paid up on exercise of stock options by the eligible employees under the Employee Stock Option Plan, 2014.
- **Share capital**- During the year, the company issued bonus shares in the ratio of 1:1. On March 31, 2020, the issued, subscribed and paid-up share capital of the company was Rs 248,246,436/- divided into 248,246,436 equity shares of Re 1/- each.
- **Dividend**- Relaxo has been consistent in dividend payouts over the years. In FY20, the company declared an interim dividend of Rs 1.25 (125% of Face Value of Re 1 each). Due to uncertainties caused by the pandemic, the company has not recommended any final dividend for FY20. Dividend paid (incl dividend distribution tax) amounted to Rs 643mn in FY20 translating to dividend payout of 28.4%.

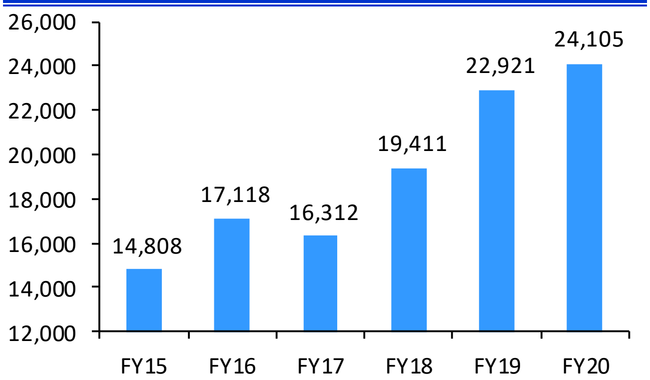
- **Net block** increased 16.0% YoY to Rs 9.8bn in FY20. The company incurred capital expenditure of Rs 1,159mn in FY20, an increase of 26.8% YoY. The capital expenditure was in line with the growth strategy of the company and was funded through internal accruals. Company expects to incur capex of Rs 1bn in FY21E. Of this, 50% would be allocated for construction of new plant and remaining would be maintenance capex.
- **Borrowing**- The company has repaid long term loans to the tune of Rs 236.5mn during the year and no term loan is outstanding as of March, 2020. Total borrowing reduced by 78% YoY to Rs 191mn at the end of FY20. The debt equity ratio has improved substantially from 0.1x in FY19 to 0.02x in FY20 as company has reduced its outstanding loans and working capital utilization during the year.
- **Interest coverage** reduced to 17.8x in FY20 from 38.0x in FY19 due to increase in interest component by Rs 126.2mn as per Ind AS 116.
- **Cash flow from operations** increased significantly to Rs 3,190mn in FY20 from Rs 1,235mn in FY19. Capex increased 26.8% YoY to Rs 1,159mn. Consequently, FCF increased to Rs 2,032mn from Rs 321mn in FY19.
- **Inventories** grew 17.1% YoY to Rs 4,477mn. Inventory turnover declined from 6.0x in FY19 to 5.4x in FY20. Increase in inventory days from 61 to 68 days in FY20 can be attributed to supply chain disruption on account of Covid.
- **Receivables** declined 22.7% YoY to Rs 1,721mn in FY20. Receivable days reduced to 26 days from 35 days with debtor turnover at 14x in FY20 from 10x in FY19.
- **Payables** decreased 3.8% YoY to Rs 1,837mn in FY20 with decline in payable days from 30 to 28 during the year.
- **Return Ratios**- In FY20, ROE and ROCE improved 20bps and 230bps YoY to 19.0% and 19.1% respectively. This can be attributed to improvement in profitability.

Other Highlights

- During the year, the BOD approved the capacity addition by setting up- New State of Art Plant at Bhiwadi (Rajasthan) which will take 3 years to be completely operational.
- During the year, Relaxo consolidated growth in existing priority export markets while continuing to expand its global footprint. The company has been recognized as one of the top non-leather exporters from India. Exports accounted for 4% of revenue in FY20.
- Relaxo launched focused promotional campaigns through the year with Bollywood actors like Salman Khan, Akshay Kumar and Ranveer Singh which helped to maintain leadership position for its brands Bahamas, Sparx and Flite. During FY20, advertisement expenses grew 18.3% YoY to Rs 908mn (3.8% of sales).
- E-commerce (9-10% of revenue) is the fastest growing channel for the company. The company has tied up with leading E-commerce portals and more than 70% of portfolio is listed online for customers.
- Relaxo regularly refreshed its product portfolio and launched more than 200 new products in FY20 as each brand was supported by a separate team ensuring focused product design and development.

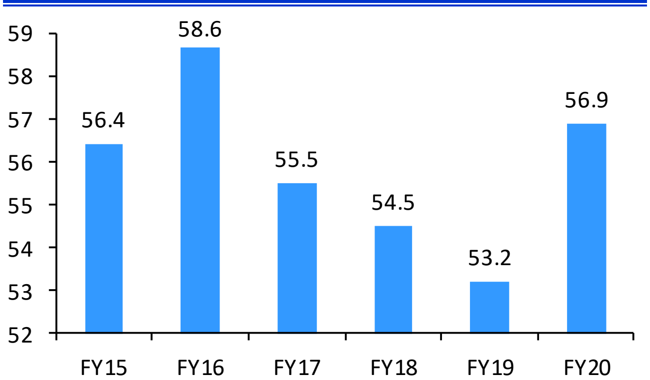
- With a view to strengthen its trade connect, Relaxo conducted multiple retail meets countrywide and also launched a Key Outlet Program with aggressive branding to drive visibility in the markets.
- **Credit Rating** - During FY20, ICRA has reaffirmed Long term rating of Relaxo of ICRA AA (stable outlook). ICRA has reaffirmed short term rating of the company as ICRA A1+ which is the highest rating for the category. It has also reaffirmed ICRA A1+ top notch rating to the company for Commercial Paper of Rs 500mn.

Exhibit 1: Net sales trend (Rs mn)



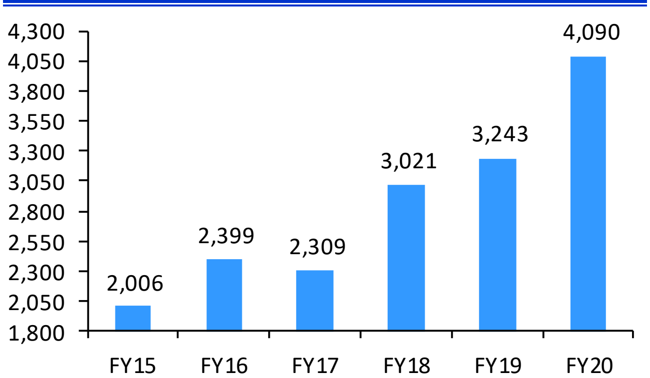
Source: Company, DART

Exhibit 2: Gross margin trend (%)



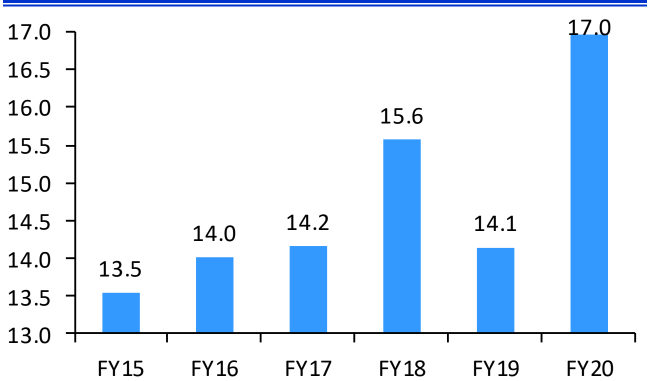
Source: Company, DART

Exhibit 3: EBITDA trend (Rs mn)



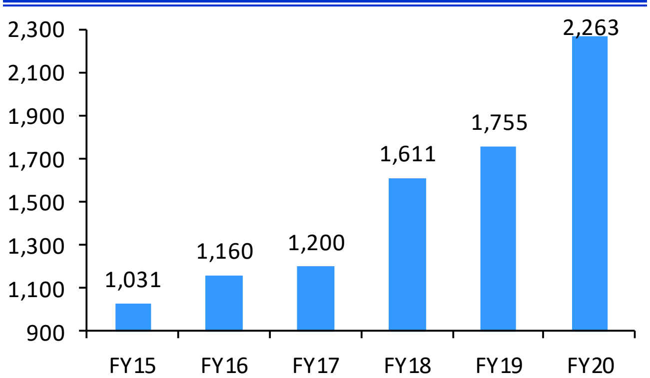
Source: Company, DART

Exhibit 4: EBITDA margin trend (%)



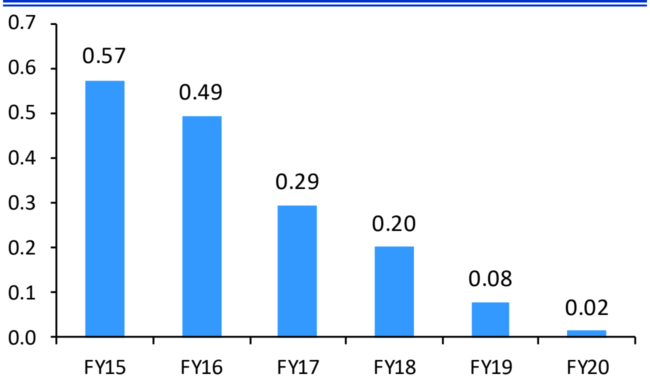
Source: Company, DART

Exhibit 5: Net income trend (Rs mn)



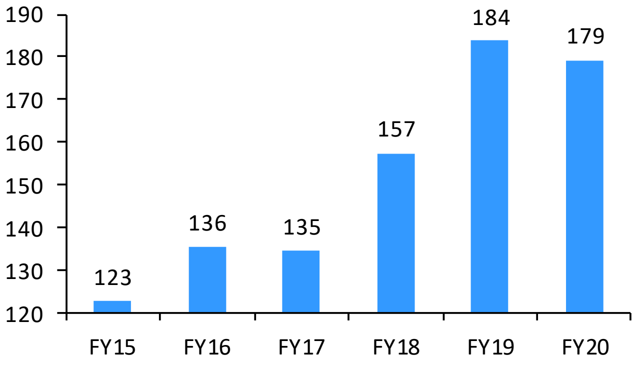
Source: Company, DART

Exhibit 6: Declining D/E ratio (x)



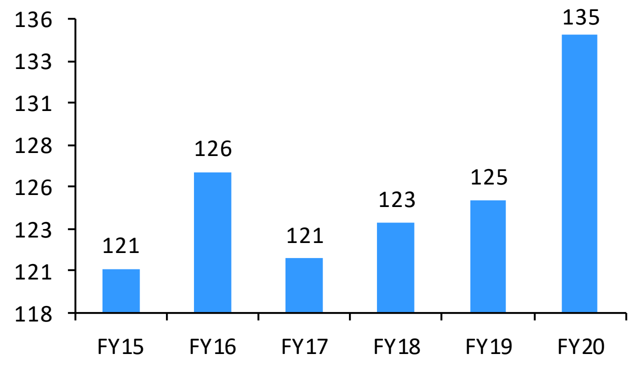
Source: Company, DART

Exhibit 7: Pairs sold (mn)



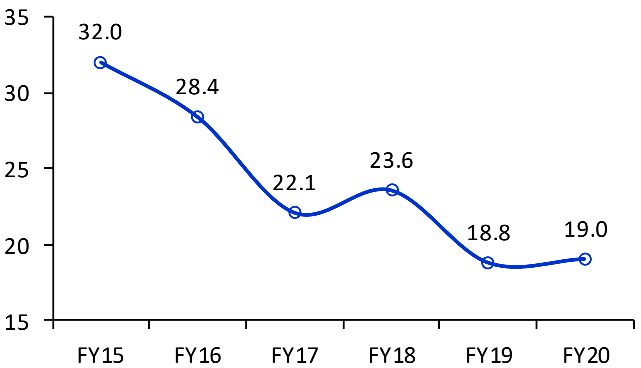
Source: Company, DART

Exhibit 8: Realization (Rs)



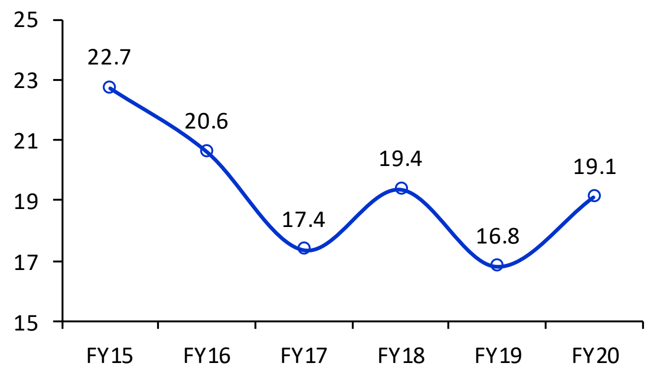
Source: Company, DART

Exhibit 9: ROE (%)



Source: Company, DART

Exhibit 10: ROCE (%)



Source: Company, DART

Profit and Loss Account

(Rs Mn)	FY19A	FY20A	FY21E	FY22E
Revenue	**22,921**	**24,105**	**22,681**	**28,257**
Total Expense	**19,678**	**20,015**	**18,784**	**23,165**
COGS	10,723	10,393	9,746	12,070
Employees Cost	2,587	2,940	2,802	3,323
Other expenses	6,368	6,682	6,236	7,772
EBIDTA	**3,243**	**4,090**	**3,897**	**5,092**
Depreciation	624	1,094	1,149	1,200
EBIT	**2,619**	**2,995**	**2,748**	**3,892**
Interest	69	169	170	210
Other Income	130	91	210	230
Exc. / E.O. items	0	0	0	0
EBT	**2,680**	**2,917**	**2,788**	**3,912**
Tax	925	655	697	978
RPAT	1,755	2,263	2,091	2,934
Minority Interest	0	0	0	0
Profit/Loss share of associates	**0**	**0**	**0**	**0**
APAT	**1,755**	**2,263**	**2,091**	**2,934**

Balance Sheet

(Rs Mn)	FY19A	FY20A	FY21E	FY22E
Sources of Funds				
Equity Capital	124	248	248	248
Minority Interest	0	0	0	0
Reserves & Surplus	10,927	12,475	14,157	16,681
Net Worth	**11,051**	**12,723**	**14,405**	**16,929**
Total Debt	869	191	191	191
Net Deferred Tax Liability	344	248	421	421
Total Capital Employed	**12,264**	**13,162**	**15,017**	**17,541**
Applications of Funds				
Net Block	**8,493**	**9,830**	**9,781**	**10,081**
CWIP	114	438	482	530
Investments	2	2	7	7
Current Assets, Loans & Advances	**6,823**	**8,161**	**8,857**	**11,872**
Inventories	3,824	4,477	3,900	4,860
Receivables	2,226	1,721	2,166	2,700
Cash and Bank Balances	22	40	988	2,065
Loans and Advances	174	1,643	1,540	1,920
Other Current Assets	577	280	262	327
Less: Current Liabilities & Provisions	**3,169**	**5,270**	**4,110**	**4,949**
Payables	1,909	1,837	2,043	2,546
Other Current Liabilities	1,260	3,433	2,067	2,403
sub total				
Net Current Assets	3,655	2,892	4,747	6,923
Total Assets	**12,264**	**13,162**	**15,017**	**17,541**

E – Estimates (Note: Relaxo issued bonus shares in the ratio 1:1 in June'19)

Important Ratios

Particulars	FY19A	FY20A	FY21E	FY22E
(A) Margins (%)				
Gross Profit Margin	53.2	56.9	57.0	57.3
EBIDTA Margin	14.1	17.0	17.2	18.0
EBIT Margin	11.4	12.4	12.1	13.8
Tax rate	34.5	22.4	25.0	25.0
Net Profit Margin	7.7	9.4	9.2	10.4
(B) As Percentage of Net Sales (%)				
COGS	46.8	43.1	43.0	42.7
Employee	11.3	12.2	12.4	11.8
Other	27.8	27.7	27.5	27.5
(C) Measure of Financial Status				
Gross Debt / Equity	0.1	0.0	0.0	0.0
Interest Coverage	38.0	17.8	16.2	18.5
Inventory days	61	68	63	63
Debtors days	35	26	35	35
Average Cost of Debt	5.7	31.8	89.0	109.9
Payable days	30	28	33	33
Working Capital days	58	44	76	89
FA T/O	2.7	2.5	2.3	2.8
(D) Measures of Investment				
AEPS (Rs)	7.1	9.1	8.4	11.8
CEPS (Rs)	9.6	13.5	13.1	16.7
DPS (Rs)	0.9	2.6	1.7	1.7
Dividend Payout (%)	12.4	28.4	19.6	14.0
BVPS (Rs)	44.6	51.3	58.1	68.3
RoANW (%)	18.8	19.0	15.4	18.7
RoACE (%)	16.8	19.1	16.0	19.3
RoAIC (%)	24.2	23.6	20.2	26.4
(E) Valuation Ratios				
CMP (Rs)	638	638	638	638
P/E	90.2	69.9	75.7	53.9
Mcap (Rs Mn)	158,224	158,224	158,224	158,224
MCap/ Sales	6.9	6.6	7.0	5.6
EV	159,071	158,375	157,427	156,350
EV/Sales	6.9	6.6	6.9	5.5
EV/EBITDA	49.0	38.7	40.4	30.7
P/BV	14.3	12.4	11.0	9.3
Dividend Yield (%)	0.1	0.4	0.3	0.3
(F) Growth Rate (%)				
Revenue	18.1	5.2	(5.9)	24.6
EBITDA	7.4	26.1	(4.7)	30.7
EBIT	5.7	14.4	(8.2)	41.6
PBT	10.0	8.9	(4.4)	40.3
APAT	8.9	29.0	(7.6)	40.3
EPS	8.9	29.0	(7.6)	40.3

Cash Flow

(Rs Mn)	FY19A	FY20A	FY21E	FY22E
CFO	1,235	3,190	2,506	3,035
CFI	(589)	(1,159)	(1,149)	(1,548)
CFF	(664)	(2,014)	(410)	(410)
FCFF	321	2,032	1,362	1,487
Opening Cash	40	22	40	988
Closing Cash	22	40	988	2,065

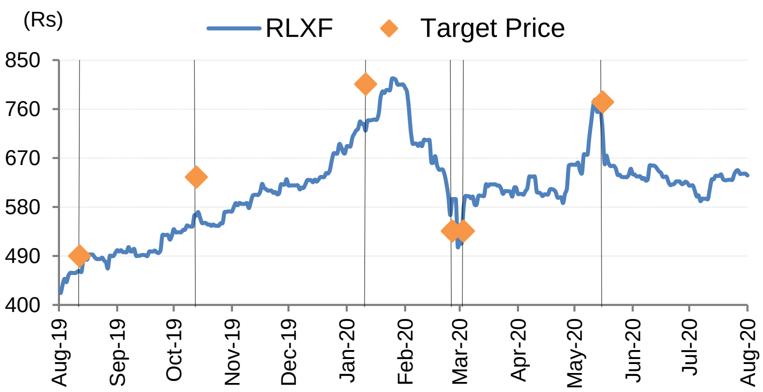
E – Estimates (Note: Relaxo issued bonus shares in the ratio 1:1 in June'19)

DART RATING MATRIX

Total Return Expectation (12 Months)

Buy	**> 20%**
Accumulate	**10 to 20%**
Reduce	**0 to 10%**
Sell	**< 0%**

Rating and Target Price History



Month	Rating	TP (Rs.)	Price (Rs.)
Sep-19	BUY	490	462
Nov-19	Accumulate	635	564
Feb-20	Accumulate	806	721
Mar-20	Sell	536	594
Mar-20	Sell	536	575
Jun-20	Accumulate	773	720

*Price as on recommendation date

DART Team

Purvag Shah	**Managing Director**	**purvag@dolatcapital.com**	**+9122 4096 9747**
Amit Khurana, CFA	**Head of Equities**	**amit@dolatcapital.com**	**+9122 4096 9745**

CONTACT DETAILS

Equity Sales	Designation	E-mail	Direct Lines
Dinesh Bajaj	VP - Equity Sales	dineshb@dolatcapital.com	+9122 4096 9709
Kapil Yadav	VP - Equity Sales	kapil@dolatcapital.com	+9122 4096 9735
Yomika Agarwal	VP - Equity Sales	yomika@dolatcapital.com	+9122 4096 9772
Jubbin Shah	VP - Derivatives Sales	jubbins@dolatcapital.com	+9122 4096 9779
Ashwani Kandoi	AVP – Equity Sales	ashwanik@dolatcapital.com	+9122 4096 9725
Lekha Nahar	AVP – Equity Sales	lekhan@dolatcapital.com	+9122 4096 9740
Equity Trading	**Designation**	**E-mail**	
P. Sridhar	SVP and Head of Sales Trading	sridhar@dolatcapital.com	+9122 4096 9728
Chandrakant Ware	VP - Sales Trading	chandrakant@dolatcapital.com	+9122 4096 9707
Shirish Thakkar	VP - Head Domestic Derivatives Sales Trading	shirisht@dolatcapital.com	+9122 4096 9702
Kartik Mehta	Asia Head Derivatives	kartikm@dolatcapital.com	+9122 4096 9715
Bhavin Mehta	VP - Derivatives Strategist	bhavinm@dolatcapital.com	+9122 4096 9705

Dolat **Capital Market Private Limited.**
Sunshine Tower, 28th Floor, Senapati Bapat Marg, Dadar (West), Mumbai 400013

Analyst(s) Certification

The research analyst(s), with respect to each issuer and its securities covered by them in this research report, certify that: All of the views expressed in this research report accurately reflect his or her or their personal views about all of the issuers and their securities; and No part of his or her or their compensation was, is, or will be directly or indirectly related to the specific recommendations or views expressed in this research report.

I. Analyst(s) and Associate (S) holding in the Stock(s): (Nil)

II. Disclaimer:

This research report has been prepared by Dolat Capital Market Private Limited. to provide information about the company(ies) and sector(s), if any, covered in the report and may be distributed by it and/or its affiliated company(ies) solely for the purpose of information of the select recipient of this report. This report and/or any part thereof, may not be duplicated in any form and/or reproduced or redistributed without the prior written consent of Dolat Capital Market Private Limited. This report has been prepared independent of the companies covered herein. Dolat Capital Market Private Limited. and its affiliated companies are part of a multi-service, integrated investment banking, brokerage and financing group. Dolat Capital Market Private Limited. and/or its affiliated company(ies) might have provided or may provide services in respect of managing offerings of securities, corporate finance, investment banking, mergers & acquisitions, financing or any other advisory services to the company(ies) covered herein. Dolat Capital Market Private Limited. and/or its affiliated company(ies) might have received or may receive compensation from the company(ies) mentioned in this report for rendering any of the above services. Research analysts and sales persons of Dolat Capital Market Private Limited. may provide important inputs to its affiliated company(ies) associated with it. While reasonable care has been taken in the preparation of this report, it does not purport to be a complete description of the securities, markets or developments referred to herein, and Dolat Capital Market Private Limited. does not warrant its accuracy or completeness. Dolat Capital Market Private Limited. may 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. This report is provided for information only and is not an investment advice and must not alone be taken as the basis for an investment decision. The investment discussed or views expressed herein may not be suitable for all investors. The user assumes the entire risk of any use made of this information. The information contained herein may be changed without notice and Dolat Capital Market Private Limited. reserves the right to make modifications and alterations to this statement as they may deem fit from time to time. Dolat Capital Market Private Limited. and its affiliated company(ies), their directors and employees may; (a) from time to time, have a long or short position in, and buy or sell the securities of the 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 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. This report is neither an offer nor solicitation of an offer to buy and/or sell any securities mentioned herein and/or not an official confirmation of any transaction. 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 Dolat Capital Market Private Limited. and/or its affiliated company(ies) 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 a certain category of investors. Persons in whose possession this report may come, are required to inform themselves of and to observe such restrictions.

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

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

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

Dolat Capital Market Private Limited.

Corporate Identity Number: U65990DD1993PTC009797
Member: BSE Limited and National Stock Exchange of India Limited.
SEBI Registration No: BSE - INB010710052 & INF010710052, NSE - INB230710031& INF230710031, Research: INH000000685
Registered office: Office No. 141, Centre Point, Somnath, Daman – 396 210, Daman & Diu
Board: +9122 40969700 | Fax: +9122 22651278 | Email: research@dolatcapital.com | www.dolatresearch.com