

# United Breweries

Estimate changes

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.](#)



	UBBL IN
Bloomberg	
Equity Shares (m)	264
M.Cap.(INRb)/(USDb)	257.2 / 3.4
52-Week Range (INR)	1403 / 759
1, 6, 12 Rel. Per (%)	-4/-16/-29
12M Avg Val (INR M)	686

## Financials & Valuations (INR b)

Y/E March	2020	2021E	2022E
Net Sales	65.1	41.1	57.6
Sales Gr. (%)	0.5	-36.8	40.0
EBITDA	8.8	3.0	8.0
Margin (%)	13.5	7.4	13.9
Adj. PAT	4.3	0.0	3.1
Adj. EPS (INR)	16.2	0.1	11.9
EPS Gr. (%)	-24.0	-99.1	#
BV/Sh. (INR)	133.1	132.9	140.3

## Ratios

RoE (%)	12.8	0.1	8.7
RoCE (%)	12.8	1.2	8.8

## Valuations

P/E (x)	60.1	#	81.8
P/BV (x)	7.3	7.3	6.9
EV/EBITDA (x)	29.5	84.7	32.7

#inordinately high due to very low FY21 EPS

## Shareholding pattern (%)

As On	Jun-20	Mar-20	Jun-19
Promoter	57.7	57.7	57.7
DII	25.1	25.6	20.7
FII	10.7	10.4	15.7
Others	6.5	6.3	5.9

FII Includes depository receipts

CMP: INR973

TP: INR820 (-16%)

Sell

## Outlook remains poor

- United Breweries (UBBL)'s results were worse than our expectations. Its outlook remains weak, with: (a) June volumes down 57% YoY, (b) lockdown in various urban centers thus far in 2QFY21, (c) no repeal of excise duty increase in the majority of the states (which saw a steep excise increase in May), and (d) the continued likelihood of closure of on-trade sales for a few more months.
- As highlighted in our Alcobev downgrade [note](#) in May'20, we expect FY20–FY22 to be 'lost years' for alcobev players, which are severely affected by a weak demand environment in FY21. Moreover, recovery in FY22 is also unclear due to: (a) an unprecedented steep excise duty increase threatening both net sales growth and profitability for the next few quarters and (b) the risk of weak state finances leading to delay in payments, thereby increasing receivables.
- Its stock is the most expensive in our coverage universe at 82x FY22 EPS, with ROCE at ~10% even in FY22. Maintain **Sell**, with TP of INR820.

## Performance worse than expected

- Standalone net sales declined 75.3% YoY to INR5.1b** (v/s est. INR7.2b). EBITDA loss stood at INR957m (v/s est. INR750m loss and EBITDA profit of INR3.3b in 1QFY20). PBT loss stood at INR1.5b (in-line) v/s PBT profit of INR2.6b in 1QFY20. Net loss stood at INR1.1b (v/s est. INR1.5b loss and net profit of INR1.6b in 1QFY20).
- Gross margins contracted 370bp YoY to 46.7%.**
- With higher employee costs and other expenses as a percentage of sales, standalone EBITDA margins stood at -18.9% in 1QFY21 (v/s est. -10.5% and +16.1% in 1QFY20).

## Highlights from management commentary

- UBBL expects demand recovery to take time particularly with Karnataka – a large state in terms of demand – witnessing lockdown. Additionally, restrictions being imposed and repealed in various other states even in 2QFY21 is creating further volatility.
- Gross margins declined due to weak state mix and lower on-trade sales.

## Valuation and view

- As highlighted in our Alcobev sector downgrade [report](#) in May, the Alcohol segment is being affected by a series of events, such as: (a) weak demand, (b) very sharp excise increases by state governments, (c) the unlikelihood of bars and restaurants re-opening anytime soon, and (d) worsening state finances potentially pressuring working capital.
- The capital-intensive nature of the business (depreciation at ~23% of EBITDA even in FY20) implies the PAT impact would be even sharper than the sales and EBITDA impact.
- Steep ROCE decline from already unimpressive levels of 12.8% in FY20 and a weak earnings outlook, combined with expensive valuations of 82x FY22 EPS and 32.7x EV/EBITDA, have led us to maintain a **Sell** rating on the stock, with TP of INR820 (targeting 24x Sep'22 EV/EBITDA, a 20% discount to peers).

## Standalone – Quarterly Earnings Model

(INR m)

Y/E March	FY20				FY21				FY20	FY21E	FY21 1QE	Variance
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE				
<b>Net Sales</b>	<b>20,485</b>	<b>15,786</b>	<b>14,548</b>	<b>14,242</b>	<b>5,069</b>	<b>8,682</b>	<b>11,348</b>	<b>16,040</b>	<b>65,092</b>	<b>41,138</b>	<b>7,170</b>	-29.3%
YoY Change (%)	9.8	3.4	0.3	-12.6	-75.3	-45.0	-22.0	12.6	0.5	-36.8	-65.0	
<b>Gross Profit</b>	<b>10,314</b>	<b>8,225</b>	<b>7,692</b>	<b>7,248</b>	<b>2,365</b>	<b>4,428</b>	<b>6,014</b>	<b>8,574</b>	<b>33,581</b>	<b>21,381</b>	<b>3,800</b>	
Margin (%)	50.3	52.1	52.9	50.9	46.7	51.0	53.0	53.5	51.6	52.0	53.0	
<b>EBITDA</b>	<b>3,289</b>	<b>1,925</b>	<b>2,215</b>	<b>1,323</b>	<b>-957</b>	<b>128</b>	<b>1,364</b>	<b>2,491</b>	<b>8,758</b>	<b>3,026</b>	<b>-750</b>	27.6%
YoY Change (%)	-17.8	-39.5	-10.6	-22.8	P/L	-93.4	-38.4	88.3	-23	-65.4	-122.8	
Margins (%)	16.1	12.2	15.2	9.3	-18.9	1.5	12.0	15.5	13.5	7.4	-10.5	
Depreciation	692	689	736	734	505	580	750	800	2,851	2,635	700	
Interest	77	88	99	48	72	105	140	178	311	495	60	
Other Income	32	19	35	6	14	50	40	54	93	158	40	
<b>PBT</b>	<b>2,552</b>	<b>1,167</b>	<b>1,416</b>	<b>547</b>	<b>-1,519</b>	<b>-507</b>	<b>514</b>	<b>1,566</b>	<b>5,689</b>	<b>54</b>	<b>-1,470</b>	3.3%
Tax	907	16	346	135	-376	0	26	361	1,406	11	0	
Rate (%)	35.5	1.3	24.4	24.7	24.8	0.0	5.0	23.1	24.7	19.9	0.0	
<b>Adj PAT</b>	<b>1,645</b>	<b>1,151</b>	<b>1,070</b>	<b>412</b>	<b>-1,143</b>	<b>-507</b>	<b>489</b>	<b>1,205</b>	<b>4,279</b>	<b>44</b>	<b>-1,470</b>	-22.3%
YoY Change (%)	-25.9	-29.7	-2.0	-39.4	P/L	P/L	-54.3	192.6	-24.0	-99.0	-189.3	
Margins (%)	8.0	7.3	7.4	2.9	-22.5	-5.8	4.3	7.5	6.6	0.1	-20.5	

E: MOFSL Estimates

## Key Performance Indicators

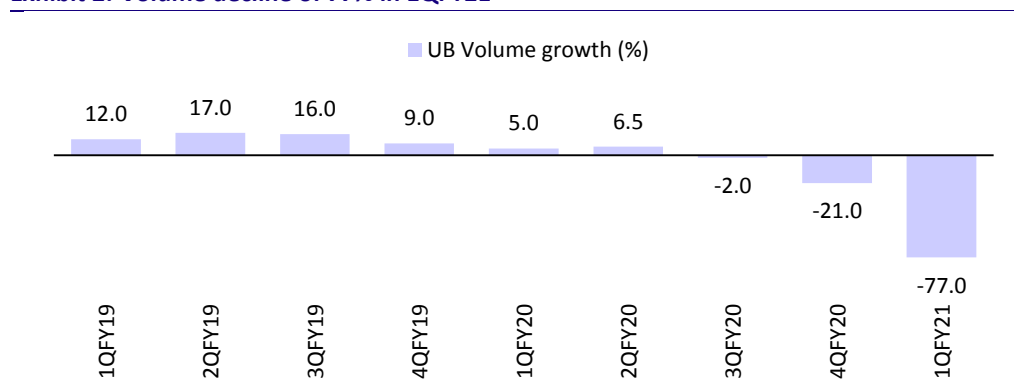
Y/E March	FY20				FY21	
	1Q	2Q	3Q	4Q	1Q	
<b>2Y average growth (%)</b>						
Sales	10.5	11.4	10.6	-0.9		-32.7
EBITDA	4.0	1.9	25.9	-20.3		-73.5
PAT	5.6	22.4	64.2	-32.3		-97.7
<b>% of Sales</b>						
COGS	49.7	47.9	47.1	49.1		53.3
Employee Expenses	6.0	7.8	8.7	9.0		22.7
Other Expenses	28.3	32.1	28.9	32.6		42.8
Depreciation	3.4	4.4	5.1	5.2		10.0
<b>YoY change (%)</b>						
COGS	18.8	11.6	1.2	-13.3		-73.4
Employee Expenses	15.2	15.5	23.5	15.3		-6.5
Other Expenses	15.3	0.9	-1.6	11.9		-62.5
Other Income	-79.3	-48.9	68.6	-94.3		-55.4
EBIT	-22.9	-51.1	-18.4	-45.1		-156.3

## Exhibit 1: Volume growth in 1QFY21

Volume growth (%)	1QFY21
All India	-77
North	-71
West	-79
South	-77
East	-90

Source: Company, MOFSL

## Exhibit 2: Volume decline of 77% in 1QFY21



Source: MOFSL, Company



## Conference call highlights

### Operating environment

- Volumes were down 77% YoY in 1QFY21, with Jun'20 volumes down 57% YoY.
- Among the states that announced sharp increases in excise duty, excise has been reduced only in Delhi and Orissa.
- Net debt increased by INR1.2b over Mar'20 levels (~14% increase in percentage terms).
- UBBL expects demand recovery to take time. Karnataka, a large state in terms of demand, witnessed lockdown.
- Restrictions are being imposed and repealed in various states even in 2QFY21, which is creating further volatility.
- Market share has been flattish in 1QFY21.
- Reactions worldwide to the opening up of bars and restaurants have been mixed given the volatile COVID-19 environment.

### Beer affected more than spirits

Demand for beer was impacted more than demand for spirits on account of:

- Beer being bulkier to carry than spirits
- Limited refrigeration capacity in households
- Summer being the peak season for beer, but not for spirits

### Margins and costs

- A weak state mix led to sharp gross margin decline despite soft raw material costs. Barley costs are down 10% YoY.
- On-trade has more premium sales. Hence, the sales mix was affected to some extent due to the lack of on-trade sales.
- Price increases have been taken in free pricing markets such as Karnataka (INR5 per bottle) and Maharashtra (INR10 per bottle).
- There is a higher proportion of new bottles currently as on-trade is closed.
- There was no inventory write-off due to expiry. This was unlike 4QFY20.
- Depreciation was lower due to single-shift manufacturing in 1QFY21.

### Balance sheet and capex

- Capex would be close to INR2b in FY21 depending on how things pan out.
- Working capital is under control on a sequential basis.

## Valuation and view

### Significant improvement in profitability and returns in the last 10 years

- UBBL has done well to grow market share from the early 50s to mid-50s in the decade ending FY20 amid a highly competitive environment.
- At the same time, the company has significantly improved profitability and ROCEs over the past decade. Net margins increased to 6.6% in FY20 from 3.9% in FY10; ROCE increased from below 9% to ~13% in FY20 (despite being depressed by weak volume growth and the COVID-19 impact in FY20).
- Premiumization, better utilization of capacity, the recycling of bottles enabled by embossment, the localized sourcing of barley, and reduced competitive intensity in recent years have enabled margin and ROCE improvement.
- Over the past decade, sales have grown at an ~11% CAGR, and EBITDA and PAT at ~13% and ~17% CAGRs, respectively. The past five-year track record is less impressive at a ~7% CAGR each for sales and EBITDA and 10.5% for PAT. However, the last three years have reported 11%/9%/23% growth in sales/EBITDA/PAT CAGR, respectively, despite a weak FY20.

### Business is secured with several moats

- **Large brewing capacity:** UBBL has 21 owned and eight contract breweries across India, more than 2x that of the next largest player. This is a huge advantage in a capital-intensive business and in a country where interstate import duty is high.
- **Widest distribution network:** UBBL has the widest distribution among beer players by far at ~80k outlets.
- **Brand and maintaining relevance:** In a media-dark country, the incumbent leader has the natural advantage. Moreover, beer consumption worldwide has a healthy share of local brands. UBBL's 'Kingfisher' is well-placed in this context. The company has also successfully kept the brand relevant through clever marketing.

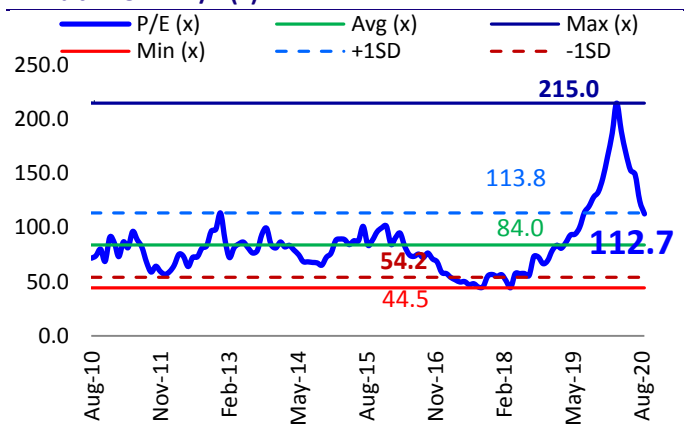
### Our view on the stock

- Changes to the model have resulted in 97%/10% reduction in FY21/FY22 forecasts.
- As highlighted in our Alcobev sector downgrade [report](#) in May, the Alcohol segment is struck by a series of events, such as: (a) weak demand, (b) very sharp excise increases by state governments, (c) the unlikelihood of bars and restaurants re-opening anytime soon, and (d) worsening state finances potentially pressuring working capital.
- The capital-intensive nature of the business (depreciation at ~23% of EBITDA even in FY20) implies the PAT impact would be even sharper than the sales and EBITDA impact.
- Steep RoCE decline from already unimpressive levels of 12.8% in FY20 and a weak earnings outlook, combined with expensive valuations of 82x FY22 EPS and 32.7x EV/EBITDA, have led us to maintain a **Sell** rating on the stock, with TP of INR820 (targeting 24x Sep'22 EV/EBITDA, a 20% discount to peers).

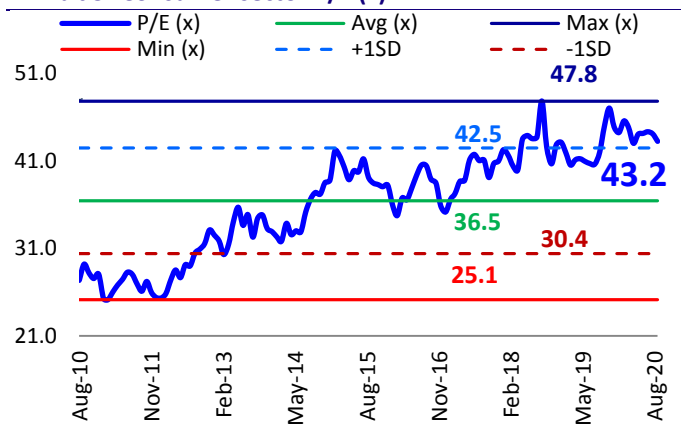
**Exhibit 3: We cut our PAT forecasts by 97%/10% for FY21/FY22**

INR m	New		Old		% Change	
	FY21E	FY22E	FY21E	FY22E	FY21E	FY22E
Total Income	41,138	57,594	45,565	59,234	-9.7%	-2.8%
EBITDA	3,026	8,016	4,784	7,937	-36.7%	1.0%
Adj. PAT	37	3,142	1,284	3,505	-97.1%	-10.4%

Source: Company, MOFSL

**Exhibit 4: UBBL P/E (x)**

Source: Company, MOFSL

**Exhibit 5: Consumer sector P/E (x)**

Source: Company, MOFSL

## Financials and Valuations

### Consolidated – Income Statement

(INR m)

Y/E March	FY16	FY17	FY18	FY19	FY20	FY21E	FY22E
<b>Total Income from Operations</b>	<b>48,408</b>	<b>47,603</b>	<b>56,196</b>	<b>64,754</b>	<b>65,092</b>	<b>41,138</b>	<b>57,594</b>
Change (%)	3.0	-1.7	18.1	15.2	0.5	-36.8	40.0
Raw Materials	21,209	21,779	26,315	30,077	31,511	19,758	26,673
% of Sales	43.8	45.8	46.8	46.4	48.4	48.0	46.3
<b>Gross Profit</b>	<b>27,198</b>	<b>25,823</b>	<b>29,881</b>	<b>34,678</b>	<b>33,581</b>	<b>21,381</b>	<b>30,921</b>
Margin (%)	56.2	54.2	53.2	53.6	51.6	52.0	53.7
<b>Total Expenditure</b>	<b>41,402</b>	<b>40,871</b>	<b>47,170</b>	<b>53,371</b>	<b>56,334</b>	<b>38,112</b>	<b>49,578</b>
% of Sales	85.5	85.9	83.9	82.4	86.5	92.6	86.1
<b>EBITDA</b>	<b>7,006</b>	<b>6,732</b>	<b>9,025</b>	<b>11,384</b>	<b>8,758</b>	<b>3,026</b>	<b>8,016</b>
Margin (%)	14.5	14.1	16.1	17.6	13.5	7.4	13.9
Depreciation	2,436	2,871	2,597	2,599	2,851	2,635	3,375
<b>EBIT</b>	<b>4,569</b>	<b>3,861</b>	<b>6,429</b>	<b>8,785</b>	<b>5,907</b>	<b>391</b>	<b>4,640</b>
Int. and Finance Charges	787	560	456	239	311	495	588
Other Income	764	180	105	247	93	158	166
<b>PBT bef. EO Exp.</b>	<b>4,547</b>	<b>3,481</b>	<b>6,078</b>	<b>8,793</b>	<b>5,689</b>	<b>54</b>	<b>4,219</b>
EO Items	0	0	0	0	0	0	0
<b>PBT after EO Exp.</b>	<b>4,547</b>	<b>3,481</b>	<b>6,078</b>	<b>8,793</b>	<b>5,689</b>	<b>54</b>	<b>4,219</b>
Total Tax	1,560	1,182	2,132	3,160	1,406	11	1,061
Tax Rate (%)	34.3	34.0	35.1	35.9	24.7	19.9	25.1
Less: Minority Interest	4	4	4	4	6	6	6
<b>Adjusted PAT</b>	<b>2,983</b>	<b>2,296</b>	<b>3,942</b>	<b>5,629</b>	<b>4,277</b>	<b>37</b>	<b>3,142</b>
Change (%)	14.8	-23.0	71.7	42.8	-24.0	-99.1	#
Margin (%)	6.2	4.8	7.0	8.7	6.6	0.1	5.5

### Consolidated – Balance Sheet

(INR m)

Y/E March	FY16	FY17	FY18	FY19	FY20	FY21E	FY22E
Equity Share Capital	264	264.4	264	265	266	266	266
Total Reserves	21,207	23,078	26,638	31,572	34,936	34,873	36,820
<b>Net Worth</b>	<b>21,471</b>	<b>23,342</b>	<b>26,903</b>	<b>31,838</b>	<b>35,203</b>	<b>35,139</b>	<b>37,087</b>
Minority Interest	25	28	29	30	33	33	33
Deferred Tax Liabilities	634	470	182	114	0	0	0
Total Loans	8,062	5,940	3,121	2,115	1,691	1,691	7,691
<b>Capital Employed</b>	<b>30,193</b>	<b>29,780</b>	<b>30,235</b>	<b>34,097</b>	<b>36,927</b>	<b>36,863</b>	<b>44,811</b>
Gross Block	33,084	35,089	37,208	39,954	41,254	43,754	46,254
Less: Accum. Deprn.	15,104	17,827	20,152	22,425	22,475	25,110	28,485
<b>Net Fixed Assets</b>	<b>17,980</b>	<b>17,262</b>	<b>17,056</b>	<b>17,529</b>	<b>18,779</b>	<b>18,644</b>	<b>17,769</b>
Goodwill on Consolidation	242	242	242	242	242	242	242
Capital WIP	608	1,372	723	1,899	1,991	1,148	1,148
<b>Total Investments</b>	<b>1</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>3</b>
<b>Curr. Assets, Loans&amp;Adv.</b>	<b>24,827</b>	<b>25,911</b>	<b>29,212</b>	<b>34,171</b>	<b>34,493</b>	<b>26,019</b>	<b>43,888</b>
Inventory	6,881	7,508	8,080	10,325	10,939	4,840	10,939
Account Receivables	11,189	12,954	14,986	15,110	13,504	7,911	18,914
Cash and Bank Balance	140	243	242	462	786	2,615	2,849
Loans and Advances	6,618	5,205	5,904	8,275	9,264	10,653	11,186
<b>Curr. Liability &amp; Prov.</b>	<b>13,466</b>	<b>15,007</b>	<b>16,999</b>	<b>19,747</b>	<b>18,582</b>	<b>9,193</b>	<b>18,239</b>
Account Payables	4,176	4,596	5,217	5,902	5,450	2,890	7,209
Provisions	9,291	10,412	11,782	13,845	13,131	6,303	11,030
<b>Net Current Assets</b>	<b>11,361</b>	<b>10,903</b>	<b>12,212</b>	<b>14,424</b>	<b>15,911</b>	<b>16,826</b>	<b>25,649</b>
<b>Appl. of Funds</b>	<b>30,193</b>	<b>29,780</b>	<b>30,235</b>	<b>34,097</b>	<b>36,927</b>	<b>36,863</b>	<b>44,811</b>

E: MOFSL Estimates

#inordinately high due to very low FY21 PAT

## Financials and Valuations

### Ratios

Y/E March	FY16	FY17	FY18	FY19	FY20	FY21E	FY22E
<b>Basic (INR)</b>							
<b>EPS</b>	<b>11.3</b>	<b>8.7</b>	<b>14.9</b>	<b>21.3</b>	<b>16.2</b>	<b>0.1</b>	<b>11.9</b>
BV/Share	81.2	88.3	101.7	120.4	133.1	132.9	140.3
DPS	1.2	1.2	2.0	2.5	2.5	0.0	3.6
Payout (%)	10.2	13.2	13.4	11.8	15.5	0.0	29.9
<b>Valuation (x)</b>							
P/E	86.2	112.0	65.2	45.7	60.1	#	81.8
Cash P/E	47.5	49.8	39.3	31.3	36.1	96.2	39.5
P/BV	12.0	11.0	9.6	8.1	7.3	7.3	6.9
EV/Sales	5.5	5.5	4.6	4.0	4.0	6.2	4.5
EV/EBITDA	37.8	39.0	28.8	22.7	29.5	84.7	32.7
Dividend Yield (%)	0.1	0.1	0.2	0.3	0.3	0.0	0.4
<b>Return Ratios (%)</b>							
RoE	14.8	10.2	15.7	19.2	12.8	0.1	8.7
RoCE	12.1	9.1	14.3	18.1	12.8	1.2	8.8
RoIC	10.5	8.9	14.5	18.5	13.5	0.9	9.4
<b>Working Capital Ratios</b>							
Asset Turnover (x)	1.6	1.6	1.9	1.9	1.8	1.1	1.3
Inventory (Days)	49	55	51	52	60	70	50
Debtor (Days)	77	93	91	85	80	95	85
Creditor (Days)	30	34	32	31	32	37	32
<b>Leverage Ratio (x)</b>							
Debt/Equity	0.4	0.3	0.1	0.1	0.0	0.0	0.2

### Consolidated – Cash Flow Statement

(INR m)

Y/E March	FY16	FY17	FY18	FY19	FY20	FY21E	FY22E
OP/(Loss) before Tax	4,547	3,481	6,078	8,793	5,689	54	4,209
Depreciation	2,436	2,871	2,597	2,599	2,851	2,635	3,375
Interest & Finance Charges	755	581	471	306	305	495	588
Direct Taxes Paid	-1,595	-1,435	-2,534	-3,898	-1,903	-8	-795
(Inc)/Dec in WC	-777	22	-1,265	-1,101	-2,196	12,863	-21,954
<b>CF from Operations</b>	<b>5,365</b>	<b>5,519</b>	<b>5,346</b>	<b>6,699</b>	<b>4,746</b>	<b>16,039</b>	<b>-14,578</b>
Others	441	-78	287	-214	332	0	0
<b>CF from Operating incl EO</b>	<b>5,806</b>	<b>5,441</b>	<b>5,633</b>	<b>6,485</b>	<b>5,078</b>	<b>16,039</b>	<b>-14,578</b>
(Inc)/Dec in FA	-2,430	-2,355	-2,014	-4,366	-4,033	-2,480	-2,480
<b>Free Cash Flow</b>	<b>3,376</b>	<b>3,086</b>	<b>3,619</b>	<b>2,119</b>	<b>1,045</b>	<b>13,559</b>	<b>-17,058</b>
Others	-24	15	-45	-25	5	0	0
<b>CF from Investments</b>	<b>-2,455</b>	<b>-2,340</b>	<b>-2,060</b>	<b>-4,392</b>	<b>-4,028</b>	<b>-2,480</b>	<b>-2,480</b>
Inc/(Dec) in Debt	-1,857	-2,122	-2,820	-1,006	115	0	6,000
Interest Paid	-794	-583	-507	-313	-268	-495	-588
Dividend Paid	-317	-307	-308	-640	-800	-102	-1,205
Others	0	0	1	-21	252	-3,672	-234
<b>CF from Fin. Activity</b>	<b>-2,968</b>	<b>-3,012</b>	<b>-3,634</b>	<b>-1,980</b>	<b>-700</b>	<b>-4,268</b>	<b>3,974</b>
<b>Inc/Dec of Cash</b>	<b>383</b>	<b>89</b>	<b>-61</b>	<b>114</b>	<b>350</b>	<b>9,291</b>	<b>-13,084</b>
Opening Balance	62	34	126	154	321	423	13,385
Cash eqv	-305	120	177	114	115	-7,098	2,548
<b>Closing Balance</b>	<b>140</b>	<b>243</b>	<b>242</b>	<b>381</b>	<b>786</b>	<b>2,615</b>	<b>2,849</b>

E: MOFSL Estimates

#inordinately high due to very low FY21 PAT

NOTES



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](http://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](http://www.nseindia.com), [www.bseindia.com](http://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](http://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](mailto: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.