

Indigo Paints

Estimate change	↑
TP change	↔
Rating change	↔

CMP: INR1,697 TP: INR2,010 (+18%) Buy

Margin surprises positively, outlook on volume improving

Bloomberg	INDIGOPN IN
Equity Shares (m)	48
M.Cap.(INRb)/(USDb)	80.7 / 1
52-Week Range (INR)	2736 / 1376
1, 6, 12 Rel. Per (%)	14/-18/-41
12M Avg Val (INR M)	104

Financials & Valuations (INR b)

Y/E March	2022	2023E	2024E
Sales	9.1	11.4	14.3
Sales Gr. (%)	25.3	26.0	25.0
EBITDA	1.4	1.9	2.8
EBIT Margin (%)	15.0	17.1	19.9
Adj. PAT	0.8	1.3	1.9
Adj. EPS (INR)	17.7	27.3	40.2
EPS Gr. (%)	18.6	54.2	47.4
BV/Sh.(INR)	136.6	163.9	204.0

Ratios

RoE (%)	13.9	18.1	21.8
RoCE (%)	13.6	17.8	21.5

Valuation

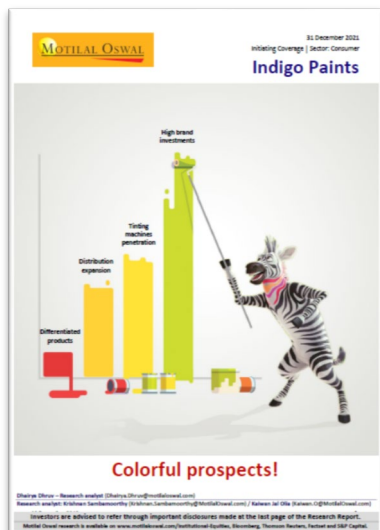
P/E (x)	94.9	61.5	41.8
P/BV (x)	12.3	10.2	8.2
EV/EBITDA (x)	56.7	39.5	26.6

Shareholding pattern (%)

As On	Mar-22	Dec-21	Mar-21
Promoter	54.0	54.0	54.0
DII	3.6	2.6	3.2
FII	8.9	10.9	10.7
Others	33.5	32.5	32.2

FII Includes depository receipts

Our recent initiating coverage note



- INDIGOPN reported in line sales, but EBITDA margin surprised positively in 4QFY22.
- The sequential improvement in gross margin over the past two quarters is a trend that will continue going forward. While volume growth in 4QFY22 was affected by the advancement of purchases in Oct-Nov'21, ahead of the price increases in Dec'21, growth has resumed in Apr-May'22. In 1HFY23, INDIGOPN is likely to gain from a low base, especially in Kerala, which was the most affected by the second COVID wave in FY22. We maintain our **Buy** rating.

Sales in line; positive surprise on margin

- Consolidated net sales grew 13.4% YoY to INR2.9b (estimate INR3b).
- Gross margin contracted by 310bp YoY (+70bp QoQ) to 43.6%. This, along with lower employee costs as a percentage of sales (-40bp YoY) and lower other expenses (-440bp YoY) helped EBITDA margin expand by ~180bp YoY (+400bp QoQ) to 18.6% (est. 16.2%).
- EBITDA grew 25.2% YoY to INR538m (above our estimate of INR487m).
- PBT increased by 28% YoY to INR474m (above our estimate of INR418m).
- Adjusted PAT grew 39.1% YoY to INR346m (above our estimate of INR318m).
- A&P spends rose 14.3% YoY to INR881m in FY22.
- Sales/EBITDA/adjusted PAT grew 25.3%/11%/18.6% YoY in FY22.

Highlights from the management commentary

- The cost of emulsion and monomer rose in Mar'22, but has been steady in Apr-May'22. The outlook on the same remain stable over the next few months. However, its medium to longer term outlook is still unclear.
- INDIGOPN has taken minor price hikes during earlier this month (less than 0.5%) and another small hike will be taken next week (0.6-0.7%). The industry is opting for more calibrated price increases compared to the past.
- Gross margin is likely to improve sequentially over the next two quarters, just like it has improved sequentially in the past two quarters.
- The management has identified 750 towns in Tier I and II cities as potential towns, excluding those in metros. The company has expanded its dealer networks in these cities in recent years. However, output per dealer in these 750 cities is relatively lower. Its focus now will be on boosting its presence among influencers (painter community) and leveraging and scaling up its brand equity. The management expects good results from these initiatives over the next six months.

Valuation and view

- Revisions to our model have resulted in a 1%/7% increase in our FY23/FY24 EPS estimate.

Krishnan Sambamoorthy – Research analyst (Krishnan.Sambamoorthy@MotilalOswal.com)

Research analyst: Kaiwan Jal Olia (Kaiwan.O@MotilalOswal.com) | Aditya Kasat (Aditya.Kasat@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.motilalosal.com/Institutional-Equities, Bloomberg, Thomson Reuters, Factset and S&P Capital.

- INDIGOPN has successfully surmounted the high entry barriers in the Indian Paints industry via a patient and multi-pronged strategy, which comprises: a) introduction of differentiated products, b) building a distribution network in the rural market, c) creating brand equity through high investments in advertising, d) rapidly driving penetration of tinting machines, and e) engaging with the influencer community (painters/contractors) to gain trust as indicated in our Dec'21 [initiating coverage note](#).
- The outlook remains positive as the management continues to deliver on its above-mentioned strategy. We maintain our **Buy** rating with TP of INR2,010 per share (50x Mar'24E EPS).

Consolidated quarterly performance**(INR m)**

Y/E March	FY21				FY22				FY21	FY22	FY22E 4QE	Var. (%)
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q				
Net Sales	1,046	1,548	2,096	2,543	1,560	1,961	2,655	2,884	7,233	9,060	3,010	-4.2%
Change (%)	-27.3	20.4	22.2	40.8	49.2	26.7	26.6	13.4	15.8	25.3	18.4	
Gross Profit	465	777	1,040	1,186	710	818	1,138	1,258	3,468	3,925	1,357	-7.3%
Gross Margin (%)	44.5	50.2	49.6	46.7	45.5	41.7	42.9	43.6	47.9	43.3	45.1	
EBITDA	190	291	315	429	202	234	387	538	1,225	1,360	487	10.4%
Margin (%)	18.2	18.8	15.0	16.9	12.9	11.9	14.6	18.6	16.9	15.0	16.2	
Change (%)	-	-	-	-7.9	6.1	-19.6	22.8	25.2	34.7	11.0	13.4	
Interest	14	11	9	4	3	3	3	5	38	13	6	
Depreciation	56	57	62	70	74	77	79	83	244	313	86	
Other Income	2	6	12	16	30	30	23	25	36	109	22	
PBT	122	230	256	371	156	185	328	474	979	1,143	418	13.5%
Tax	38	42	68	122	40	49	85	128	271	302	100	
Effective Tax Rate (%)	31.2	18.3	26.6	33.0	25.5	26.6	26.0	27.1	27.6	26.5	23.8	
Adjusted PAT	84	188	188	249	116	135	243	346	709	840	318	8.7%
Change (%)	-	-	-	-8.9	38.2	-28.0	29.4	39.1	48.2	18.6	27.9	

Key performance indicators (consolidated)

Y/E March	FY21				FY21			
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
Segmental volume growth (%)								
Cement Paints + Putty	-	-	-	-	23.1	9.2	0.1	7.9
Emulsions	-	-	-	-	73.1	24.2	15.9	39.8
Enamels + Wood Coatings	-	-	-	-	17.4	10.2	-4.5	16
Primers + Distempers + Others	-	-	-	-	5.1	31.1	-3.6	21.4
Segmental value growth (%)								
Cement Paints + Putty	-	-	-	-	24.8	11.5	3.7	3.9
Emulsions	-	-	-	-	83.1	40.6	35.4	21.7
Enamels + Wood Coatings	-	-	-	-	25.6	20.3	8.9	2.9
Primers + Distempers + Others	-	-	-	-	7.4	43.3	18.5	5.4
Average growth over the last two-years (%)								
Sales	-13.7	10.2	11.1	20.4	10.9	23.5	24.4	27.1
EBITDA	-	-	-	-3.9	-	-	-	8.7
PAT	-	-	-	-4.5	-	-	-	15.1
As a percentage of Sales								
COGS	55.5	49.8	50.4	53.3	54.5	58.3	57.1	56.4
Operating Expenses	26.3	31.4	34.6	29.8	32.6	29.8	28.3	25.0
A&P spends	2.4	8.5	14.5	12.2	10.1	8.0	11.1	9.4
Depreciation	5.3	3.7	3.0	2.7	4.7	3.9	3.0	2.9
YoY change (%)								
COGS	-	-	-	57.7	46.4	48.2	43.5	19.9
Operating Expenses	-	-	-	57.9	85.0	20.2	3.7	-4.9
Other Income	-	-	-	407.9	1,558.8	375.5	94.0	59.0
EBIT	-90.7	-81.8	-85.3	-12.7	-4.8	-33.1	21.8	26.3



Highlights from the management commentary

Performance and outlook

- Everything is back to normal for the Paints industry. Volume outlook is positive in Apr-May'22. Demand in 4QFY22 was affected by the advancement of purchases in 3QFY22, ahead of the sharp increase in price in Dec'21.
- INDIGOPN is digging deep to find new growth areas, apart from: a) a range of differentiated products, b) growing in Tier III and IV cities, c) expansion in its distributor network, and d) brand building.
- It is gradually expanding its dealer network now in Tier III and IV cities.
- The management has identified 750 towns in Tier I and II cities as potential towns, excluding those in metros. The company has expanded its dealer networks in these cities in recent years, but output per dealer in these 750 cities is relatively lower. The focus is now on boosting its presence among the influencer (painter) community and leveraging and scaling up its brand equity. It expects good results from these initiatives over the next six months.
- At present, 20-25% of sales for INDIGOPN accrues from these 750 cities, while it may be ~45% for its peers.
- The growth rate is higher for the Emulsions category, which constitutes a large part of the pie for INDIGOPN.

Cost and margin

- The cost of emulsion and monomer rose in Mar'22, but was steady in Apr-May'22. The outlook remains stable over the next few months. However, the medium to longer term outlook is still unclear.
- On an average, FY22 saw price hikes of 20-22%, with a lower (mid-single digit) increase in putties and higher rise in the premium products.
- In FY22:
 - Cement and putty witnessed value/volume growth of 7.9%/3.9%.
 - Emulsions clocked a value/volume growth of 39.8%/21.7%.
 - Enamels and wood coatings saw a value/volume growth of 16%/2.9%.
 - Primers and distempers saw value/volume growth of 21.4%/5.4%.
- INDIGOPN has taken minor price hikes during earlier this month (less than 0.5%) and another small price increase will be taken next week as well (0.6-0.7%). The industry is opting for a more calibrated price increase compared to the past.
- Gross margin is likely to improve sequentially over the next two quarters, just like it has improved sequentially in the past two quarters.
- The company is not witnessing any downtrading. However, this may not be the case with the industry.
- EBITDA margin was up in 4QFY22, despite higher ad-spends YoY.

Key mix

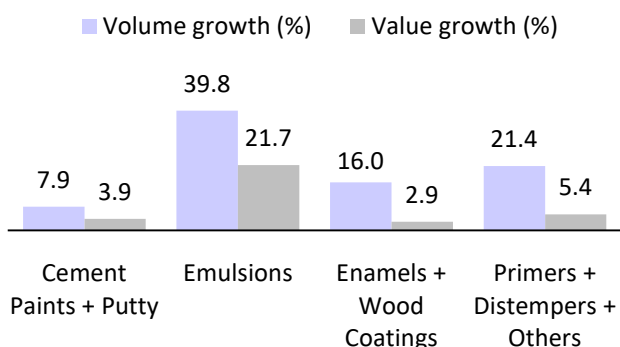
- The proportion of differentiated products to sales was 29.6% in FY22 (similar to 29.5% in FY21).
- Despite good growth in Kerala in 2HFY22, the state's share in total revenue reduced to 28% in FY22 from 30% in FY21.
- Cement-based Paints and putty account for 10-15% of sales.
- The proportion of wood coating to sales is not more than 4-5%.

Other points

- Construction of a greenfield water-based Paints plant is going on in Tamil Nadu. It is likely to be commissioned in 3Q now from 2QFY23. However, the management expects no issue from a demand fulfilling perspective in the near term as it has adequate capacity.

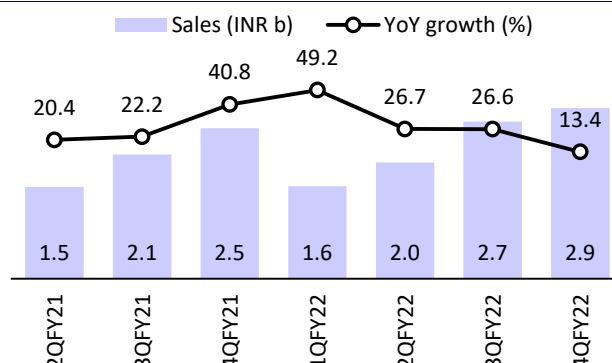
Key exhibits

Exhibit 1: Value growth significantly outperforms volume growth across categories due to price hikes



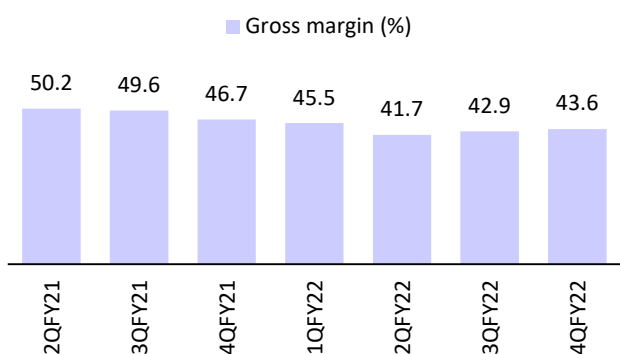
Source: Company, MOFSL

Exhibit 2: Sales up 13.4% YoY to INR2.9b in 4QFY22



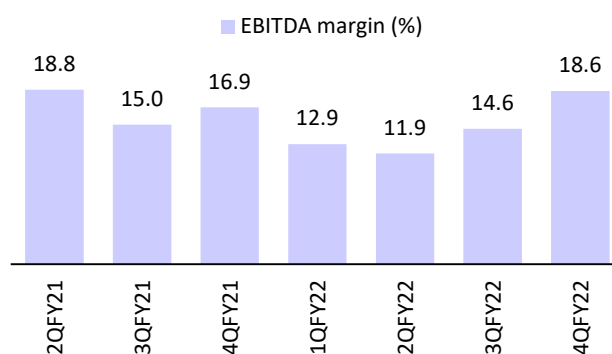
Source: Company, MOFSL

Exhibit 3: Gross margin fell 310bp YoY, but rose 70bp QoQ to 43.6% in 4QFY22



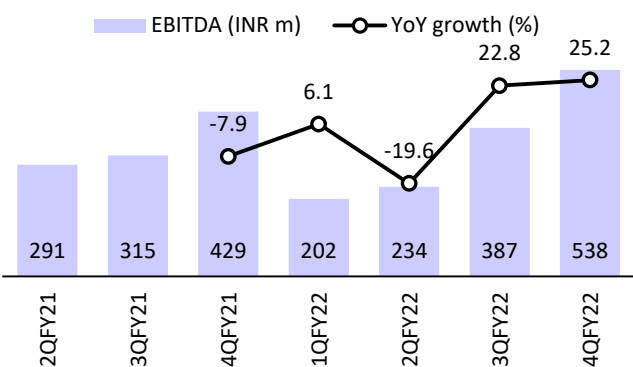
Source: Company, MOFSL

Exhibit 4: EBITDA margin up 170bp YoY and 400bp QoQ to 18.6% in 4QFY22



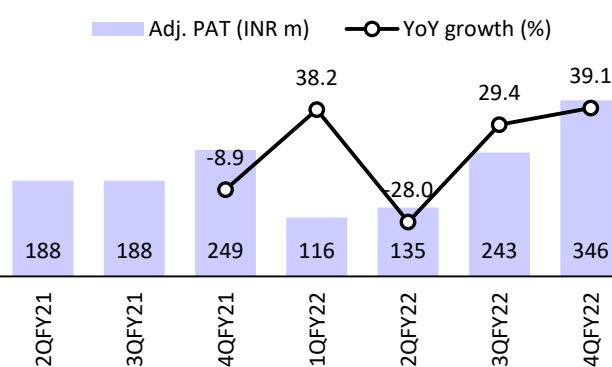
Source: Company, MOFSL

Exhibit 5: EBITDA up 25.2% YoY to INR538m in 4QFY22



Source: Company, MOFSL

Exhibit 6: PAT up 39.1% YoY to INR346m in 4QFY22



Source: Company, MOFSL

Valuation and view

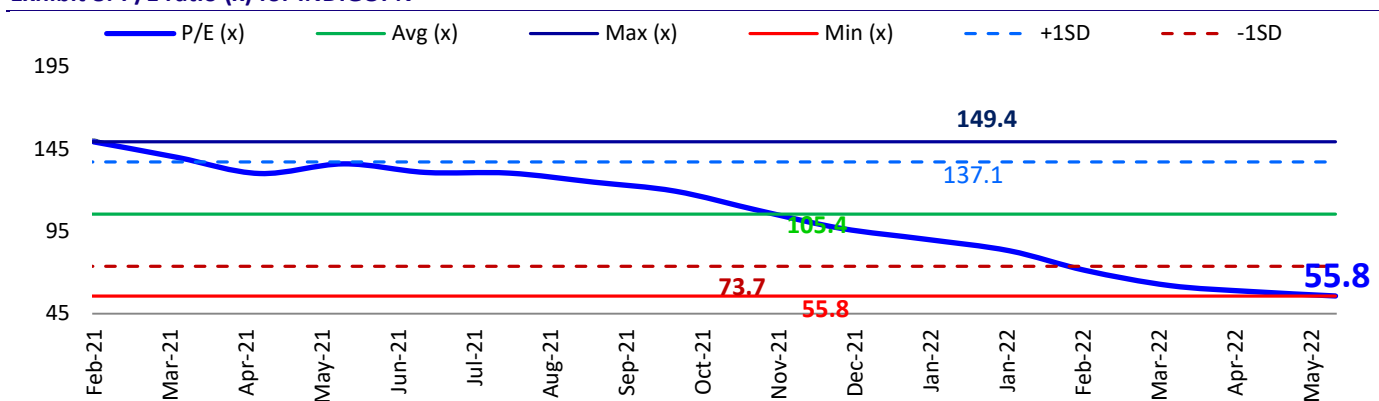
- Changes to the model have led to 1%/7% increase in our FY23/FY24 EPS estimate.
- INDIGOPN has successfully surmounted the high entry barriers of the Indian Paints industry through its patient and multi-pronged strategy comprising: a) introducing differentiated products, b) purposefully building a distribution network via the rural markets, c) creating brand equity through high investments in advertising, d) rapidly driving the penetration of tinting machines, and e) engaging with influencers (painters/contractors) to build trust as indicated in our Dec'21 [initiating coverage note](#).
- The outlook remains positive as the company continues to deliver on its above-mentioned strategy. We maintain our **Buy** rating with TP of INR2,010 per share (50x Mar'24E EPS).

Exhibit 7: Raise our FY23/FY24 EPS forecasts by 1%/7%

INR m	New estimate		Old estimate		Change (%)	
	FY23E	FY24E	FY23E	FY24E	FY23E	FY24E
Sales	11,415	14,269	11,415	13,698	-	4.2
EBITDA	1,947	2,833	1,935	2,665	0.6	6.3
PAT	1,296	1,910	1,288	1,784	0.7	7.0

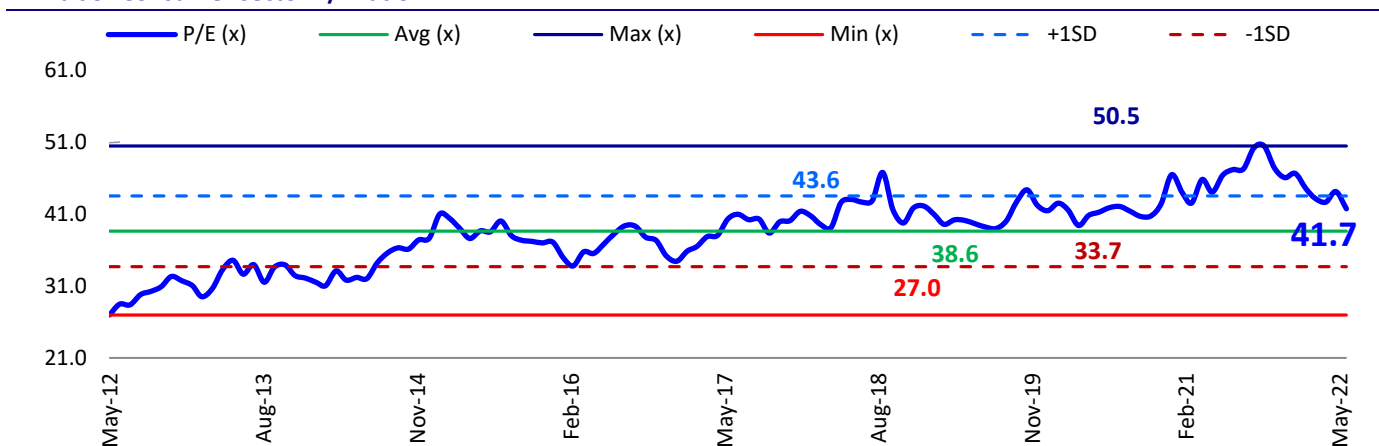
Source: Company, MOFSL

Exhibit 8: P/E ratio (x) for INDIGOPN



Source: Bloomberg, Company, MOFSL

Exhibit 9: Consumer sector P/E ratio



Source: Bloomberg, Company, MOFSL

Financials and valuations

Consolidated Income Statement

(INR m)

Y/E March	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E
Net Sales	4,015	5,356	6,248	7,233	9,060	11,415	14,269
Change (%)		33.4	16.6	15.8	25.3	26.0	25.0
Raw Materials	2,377	2,985	3,220	3,765	5,135	6,221	7,491
Gross Profit	1,638	2,371	3,028	3,468	3,925	5,194	6,778
Margin (%)	40.8	44.3	48.5	47.9	43.3	45.5	47.5
Operating Expenses	1,380	1,830	2,118	2,243	2,565	3,247	3,945
EBITDA	258	541	910	1,225	1,360	1,947	2,833
Change (%)		109.6	68.2	34.7	11.0	43.1	45.5
Margin (%)	6.4	10.1	14.6	16.9	15.0	17.1	19.9
Depreciation	90	171	196	244	313	288	342
Int. and Fin. Charges	45	47	56	38	13	15	17
Other Income	16	16	16	36	109	90	80
Profit before Taxes	139	340	674	979	1,143	1,733	2,554
Change (%)		145.2	98.2	45.2	16.7	51.6	47.4
Margin (%)	3.5	6.4	10.8	13.5	12.6	15.2	17.9
Tax	-3	48	147	256	288	437	644
Deferred Tax	0	20	49	15	15	0	0
Tax Rate (%)	-2.2	20.1	29.1	27.6	26.5	25.2	25.2
Adjusted PAT	142	272	478	709	840	1,296	1,910
Change (%)		91.7	76.0	48.2	18.6	54.2	47.4
Margin (%)	3.5	5.1	7.7	9.8	9.3	11.4	13.4
Exceptional/Prior Period inc.	13	3	0	0	0	0	0
Reported PAT	155	275	478	709	840	1,296	1,910

Balance Sheet

(INR m)

Y/E March	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E
Share Capital	286	289	290	476	476	476	476
Reserves	989	1,186	1,680	5,159	6,023	7,319	9,229
Net Worth	1,275	1,475	1,971	5,635	6,499	7,795	9,705
Loans	316	516	392	0	0	0	0
Other Liability	77	115	132	157	209	209	209
Capital Employed	1,667	2,106	2,495	5,792	6,708	8,004	9,914
Gross Block	686	1,006	1,669	2,339	2,669	3,619	3,919
Less: Accum. Depn.	67	137	245	452	773	1,154	1,554
Net Fixed Assets	619	869	1,424	1,887	1,896	2,465	2,365
Capital WIP	25	44	11	31	510	510	510
Right to Use Assets	97	311	278	301	332	475	583
Investments	184	197	208	497	1,731	2,131	2,631
Curr. Assets, L&A	1,641	2,002	1,967	4,983	4,288	4,996	7,033
Inventory	552	693	768	947	1,177	1,483	1,854
Account Receivables	968	1,038	1,045	1,212	1,717	2,163	2,704
Cash and Bank Balance	46	140	57	2,583	996	845	1,842
Others	75	130	97	241	398	505	633
Curr. Liab. and Prov.	1,307	1,623	1,698	2,212	2,354	2,878	3,513
Account Payables	1,085	1,362	1,386	1,856	2,014	2,538	3,172
Other Liabilities	220	261	289	315	270	270	270
Provisions	1	0	24	42	70	70	70
Net Current Assets	335	379	269	2,771	1,934	2,118	3,520
Goodwill on Cons.	407	306	306	306	306	306	306
Application of Funds	1,667	2,106	2,495	5,792	6,708	8,004	9,914

Financials and valuations

Ratios

Y/E March	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E
Basic (INR)							
EPS	3.0	5.7	10.1	14.9	17.7	27.3	40.2
Cash EPS	4.9	9.3	14.2	20.0	24.2	33.3	47.3
BV/Share	26.8	31.0	41.4	118.5	136.6	163.9	204.0
DPS	0.0	0.0	0.0	0.0	3.0	5.5	8.0
Payout (%)	0.0	0.0	0.0	0.0	17.0	20.0	20.0

Valuation (x)

P/E	562.7	293.6	166.8	112.6	94.9	61.5	41.8
Cash P/E	343.8	180.4	118.3	83.8	69.2	50.3	35.4
EV/Sales	12.0	9.1	7.8	10.6	8.5	6.7	5.3
EV/EBITDA	186.2	89.8	53.6	62.6	56.7	39.5	26.6
P/BV	62.6	54.1	40.5	14.2	12.3	10.2	8.2
Dividend Yield (%)	0.0	0.0	0.0	0.0	0.2	0.3	0.5

Return Ratios (%)

RoE	11.1	19.8	27.8	18.6	13.9	18.1	21.8
RoCE	11.3	16.4	22.5	17.8	13.6	17.8	21.5
RoIC		16.8	23.3	25.3	18.4	20.9	26.2

Working Capital Ratios

Debtor (Days)	88	71	61	61	69	69	69
Asset Turnover (x)	2.4	2.5	2.5	1.2	1.4	1.4	1.4

Leverage Ratio

Debt/Equity ratio (x)	0.2	0.4	0.2	0.0	0.0	0.0	0.0
-----------------------	-----	-----	-----	-----	-----	-----	-----

Cash Flow Statement

(INR m)

Y/E March	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E
OP/(loss) before Tax	126	337	674	979	1,143	1,733	2,554
Depreciation	90	171	196	244	313	288	342
Net interest	44	45	54	22	-47	-75	-63
Others	4	6	-8	-5	-19	0	0
Direct Taxes Paid	0	-44	-124	-164	-258	-437	-644
(Incr.)/Decr. in WC	-25	2	-69	137	-479	-336	-405
CF from Operations	238	516	723	1,214	652	1,174	1,784
Incr. in FA	-181	-633	-613	-660	-1,208	-950	-300
Free Cash Flow	57	-117	110	553	-556	224	1,484
Pur. of Investments	5	0	0	-2,522	460	-400	-500
Others	5	23	-21	2,138	-1,438	323	420
CF from Invest.	-171	-611	-634	-1,044	-2,186	-1,027	-380
Issue of Shares	0	17	18	2,932	0	0	0
Incr. in Debt	-30	209	-143	-500	0	0	0
Dividend Paid	0	0	0	0	0	-143	-259
Net interest Paid	-38	-37	-47	-33	-2	-105	-97
Others	0	0	0	-41	-50	-50	-50
CF from Fin. Activity	-68	189	-172	2,357	-53	-298	-407
Incr./Decr. in Cash	-1	94	-83	2,526	-1,587	-151	997
Add: Opening Balance	47	46	140	57	2,583	996	845
Closing Balance	46	140	57	2,583	996	845	1,842

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. MOFSL (erstwhile Motilal Oswal Securities Limited - MOFSL) 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.: INP000000670); PMS and Mutual Funds are offered through MOAMC which is group company of MOFSL. Motilal Oswal Wealth Management Ltd. (MOWML): PMS (Registration No.: INP000004409) is offered through MOWML, which is a group company of MOFSL. Motilal Oswal Financial Services Limited is a distributor of Mutual Funds, PMS, Fixed Deposit, Bond, NCDs, Insurance Products and IPOs. Real Estate is offered through Motilal Oswal Real Estate Investment Advisors II Pvt. Ltd. which is a group company of MOFSL. Private Equity is offered through Motilal Oswal Private Equity Investment Advisors Pvt. Ltd which is a group company of MOFSL. Research & Advisory services is backed by proper research. Please read the Risk Disclosure Document prescribed by the Stock Exchanges carefully before investing. There is no assurance or guarantee of the returns. Investment in securities market is subject to market risk, read all the related documents carefully before investing. Details of Compliance Officer: Name: Neeraj Agarwal, Email ID: na@motilaloswal.com, Contact No.:022-71881085.

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