

Avenue Supermarts

BSE SENSEX
58,299

S&P CNX
17,382

CMP: INR4,237 TP: INR3,740 (-12%)

Neutral

Motilal Oswal values your support in the Asiamoney Brokers Poll 2022 for India Research, Sales, Corporate Access and Trading team. We [request your ballot.](#)



Stock Info

	DMART IN
Bloomberg	DMART IN
Equity Shares (m)	648
M.Cap.(INRb)/(USDb)	2744.7 / 34.5
52-Week Range (INR)	5900 / 3185
1, 6, 12 Rel. Per (%)	12/4/11
12M Avg Val (INR M)	2240
Free float (%)	25.0

Financials Snapshot (INR b)

Y/E March	FY22	FY23E	FY24E
Sales	309.8	468.3	581.8
EBITDA	25.0	42.1	52.0
Adj. PAT	14.9	26.7	33.4
EBITDA Margin (%)	8.1	9.0	8.9
Adj. EPS (INR)	23.0	41.3	51.5
EPS Gr. (%)	35.7	79.2	24.8
BV/Sh. (INR)	219.2	262.0	315.5

Ratios

Net D:E	-0.2	-0.2	-0.2
RoE (%)	11.5	17.8	18.5
RoCE (%)	11.4	16.8	17.0
Payout (%)	0	0	0

Valuations

P/E (x)	183.9	102.6	82.2
EV/EBITDA (x)	110.0	65.0	52.6
EV/Sales (X)	8.9	5.8	4.7
Div. Yield (%)	0	0	0
FCF Yield (%)	-0.4	0.1	0.4

To focus on growth, expand the e-commerce business

DMART hosted an analyst meet to discussing the ongoing market conditions, its new larger store strategy, remodeling of ecommerce business and the growth outlook

Is the sluggish recovery or higher store sizes hurting sales productivity and gross margin?

Revenue/sq. ft. has been sluggish (-8% CAGR) over the last three years. The management sees little cause for concern as the Mass Discretionary segment (27% of revenue) is yet to fully recover. It appeared optimistic that high bill values have partly compensated for the lower footfalls and cut in bill sizes. The higher store size has pulled down revenue productivity, but it gives DMART an opportunity to increase product offerings to the mass value customer, thus increasing its wallet share. It also offers a longer term growth visibility. Being on an ownership model, the lower revenue/sq. ft. in the initial period is less concerning as the benefits of long-term high ROIC far outpace the lower throughput.

In no hurry to scale up its online presence

Despite the mushrooming of several Online Grocery players, with some achieving sizeable scale, the management appears in no hurry to scale up its online presence. The Online segment attracts both value and convenience-oriented customers. DMART continues to focus on the value customer, through its pricing and product offering. Even though it is yet to turn profitable, the management is now much more constructive on the business, with plans to: a) build new fulfillment centers in close proximity to debottleneck capacity, b) emphasize on home delivery wherever viable, and c) drive scale to improve economics in the Online Grocery business. It also plans to leverage its offline store locations and sourcing strength to drive unit economics. However, it is yet to see clarity on profitability. The management doesn't believe this has impacted its offline store business.

Building internal capabilities to drive store additions, but wary of changing market conditions

The last few quarters have seen strong store additions, ahead of our estimate, despite the COVID-led disruptions. The last five years too saw an increase in the number of store additions to maintain the pace of growth. The management acknowledged that with scale this can be a challenge, given the changing Real Estate market dynamics, even it has built internal capabilities. It targets higher store additions going forward. We have factored in cumulative store additions of 135 stores over FY22-24E, at a footprint CAGR of 18%.

Long-term margin trends to be maintained

Gross margin has not fully recovered in 1QFY23, down 10bp from pre-COVID levels (1QFY20), due to a sluggish performance in the Discretionary category. The management said the same may be capped at 15% over the long term. The lower cost of retailing at present has partly insulated the impact of lower revenue productivity, but margin can recover as revenue reaches normalized levels.

Aliasgar Shakir - Research Analyst (Aliasgar.Shakir@motilaloswal.com)

Research Analyst: Harsh Gokalgandhi (Harsh.Gokalgandhi@motilaloswal.com) | Tanmay Gupta (Tanmay.Gupta@motilaloswal.com)

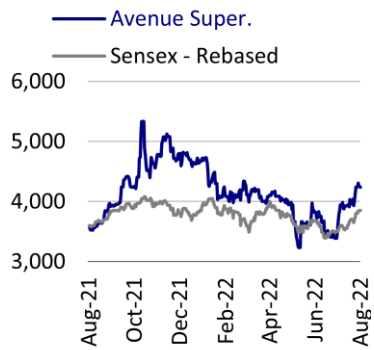
Investors are advised to refer through important disclosures made at the last page of the Research Report.

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

Shareholding pattern (%)

As On	Jun-22	Mar-22	Jun-21
Promoter	75.0	75.0	75.0
DII	6.9	6.8	6.7
FII	8.6	8.8	10.0
Others	9.5	9.4	8.3

FII Includes depository receipts

Stock's performance (one-year)**Key highlights from the management interaction**

- The recovery in the Merchandise and Apparel segment remains muted as the Mass product category sees a postponement in demand due to spending pressures. The management expects a promising recovery within this segment as the situation normalizes.
- The management plans to expand its e-commerce presence in smaller cities by focusing on the home delivery model and using its physical infrastructure (offline stores) as pick-up points.
- The pace of store additions continues as the company identifies various expansion opportunities. DMART will focus on opening larger format stores.

Valuation and view

- The strong growth in DMART's footprint and cost optimization has led to a healthy EBITDA/PAT CAGR of 15%/18% over FY19-22.
- Revenue per sq. ft. remains under pressure due to the impact of inflation on the Discretionary category and higher store sizes.
- We factor in an EBITDA/PAT CAGR of 37%/50% over FY22-24, with a footprint CAGR of 18%.
- We are cognizant of the prominence of new-age grocery models, rich valuations, and weak revenue/sq. ft. over the last few quarters. Subsequently, we maintain our Neutral rating with a TP of INR3,740.

Analyst meet highlights

Key takeaways

- The recovery in the Merchandise and Apparel segment remains muted as the Mass product category sees a postponement in demand due to spending pressures. The management expects a promising recovery within this segment as the situation normalizes.
- The management plans to expand its e-commerce presence in smaller cities by focusing on the home delivery model and using its physical infrastructure (offline stores) as pick-up points.
- The pace of store additions continues as the company identifies various expansion opportunities. DMART will focus on opening larger format stores.

Detailed Takeaways

Recovery momentum continues aided by improved bill value;

- Company saw limited impact of COVID on its sales given the nature of products sold.
- Company witnessed strong LTL growth indicating good recovery post second wave. This recovery continued to remain strong post omicron impact.
- Bill cuts at 181m were lower than FY20 numbers despite the strong store additions as footfalls continue to remain lower. This was however offset by improved Average Bill Value.
- Revenue throughput:
 - Revenue/ sq.ft. at INR27,454 was lower as compared to pre-covid levels majorly on account of opening up of larger store.
 - The company however does not see this as a concern given the ownership model followed instead of renting of stores.
 - While revenue for stores in bigger cities are better given the larger spending capacity, returns remain largely in line across tiers given the higher acquisition cost of property in these areas.

Non-Food (merchandise and apparel) segment remains a drag

- Aggregate share of apparel at ~23% is still lower as compared to pre-covid share of 27%-28%
- FY22 saw pressure within the discretionary spend category, especially within the mass product segment on account of inflationary pressure.
- Company affirmed that this was mainly due to a mix of down trading and postponement of demand within this segment.
- Company however sees this segment to inch towards recovery once the market normalises.
- It further stated that it would provide a better colour on the demand recovery in this segment in 2QFY23 results.

Margins and Cost:

- Gross margins for 1QFY23 were 50bp lower as compared to pre-covid levels of 1QFY19, mainly on account of lower revenue share from non-food categories.
- Seasonally 1Q is expected to be stronger as compare to full year in terms of gross margins given the higher demand for non-food products on account of school opening.

- Management stated the gross margins to remain sustainable in the range of 15%.
- Operating costs were lower v/s pre-covid levels mainly due to improved scale and lower footfalls.
- These costs are however expects to inch up going ahead as footfalls resume back to normal levels

Store Adds to continue

- Re-iterated its strategy of following cluster based expansion strategy which gives operating leverage to business.
- Company added highest ever stores in FY22, adding 50 stores during FY22
- Store addition pace will continue at an accelerated pace as company will look to keep incremental inorganic sales growth at similar or better levels
- **Store size:** Company will continue with opening of larger format stores of 50-60k sqft size stores which gives more opportunity to sell discretionary product, thereby enhancing margins.
- **North region:** Company sees huge opportunity in the northern market, especially in the Delhi, Ghaziabad and NCR region. It will look to add more stores in these regions.
- 13% of stores are leased. This will continue to remain in the range of 10-15% of total stores going ahead.
- Company looks to reach 120-130 stores mark in the MMR (Mumbai Metropolitan region) as it sees a huge growth opportunity in this market.
- Real estate:
 - It has also seen improved pricing for real estate in majority of the regions leading to property acquisition,
 - Higher real estate pricing in the South Bombay region will abstain company from opening up of stores in that region.
 - It further stated that acquisition of land is with a target to open in 2 years, and it doesn't plan to build a land bank

Ecommerce to scale up:

- Revenue from this segment has doubled on YoY basis as company expanded its presence across 12 cities. Further, it has not witnessed any drop in traction post covid.
- Losses from this segment widened despite revenue growth as company is looking to scale up with ~90% expenses being variable cost
- Company finds this segment to be promising and looks to scale up without major capital requirements.
- The company, however, remains unsure on the profitability of this segment.
- It will look to scale up this segment by setting up of new fulfilment centres in proximity to demand areas as it looks to achieve 24hrs delivery in major markets like Mumbai.
- It currently has 519 pick-up points under D-Mart ready, as of Mar'22 of which ~300 points are located in Mumbai.
- Expansion in Smaller cities:
 - The company is further exploring expansion within lower population cities with lower upfront capex cost and utilizing the base of D-Mart offline stores.
 - Company will look to focus on Home delivery in these markets and setting up pickup point within the store

- Fulfilment centres nearly peak within 6-8 months (majorly related to Mumbai and larger towns), while smaller towns may take a larger time period
- The company will continue to use the data to enhance the services instead of focusing on upselling and down selling opportunities
- Fresh and cash and carry: Fresh is challenging to run within the current format while cash carry seems to be a difficult model given the lower margin profiles.
- While the Gross margins within these segments remain lower, company will look to improve the profitability on the back of improved revenues

Continue to remain competitive on pricing

- **Focus on value:** Company re-iterated its focus on remaining a value focused rather than convenience
- It is not seeing any significant discounting pressure from peers.

Working Capital to normalise with recovery

- Company saw a very little impact on inventory churn during covid on account of nature of product sold. It further stated that it reaching pre-covid levels in terms of inventory days as revenues recovers.
- Fixed asset to turnover ratio is expected to improve moving forward and expected to come back to 4x in FY23.
- Company continues remain debt free with no external debt

Align Retail Trades Ltd:

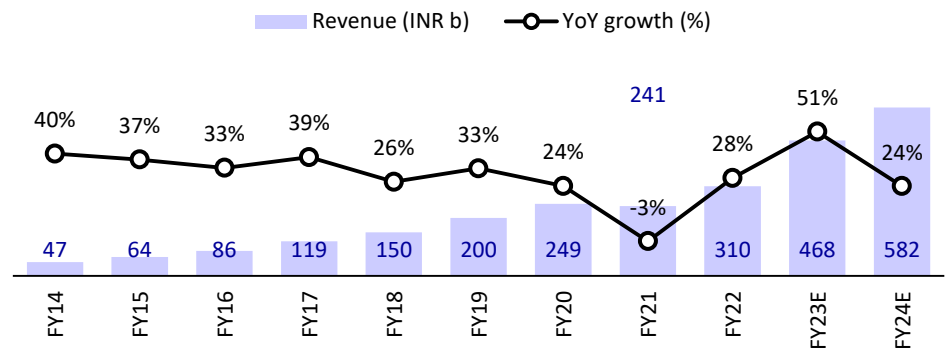
- The capex done in subsidiary was mainly to set-up manufacturing capability for sorting, grading and packing.

Exhibit 1: Valuation based on FY21E EBITDA

	Methodology	Driver (INR b)	Multiple	Fair Value (INR b)	Value/sh (INR)
EBITDA	FY24 EV/EBITDA	52	46	2,390	3,690
Less Net debt				-32	-50
Total Value				2,422	3,740
Shares o/s (m)				648	
CMP (INR)					4,237
Upside (%)					-12

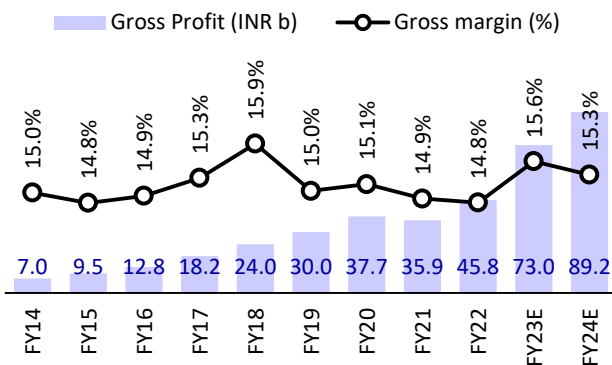
Source: MOFSL, Company

Exhibit 2: Revenue to witness robust 37% CAGR over FY22–24E



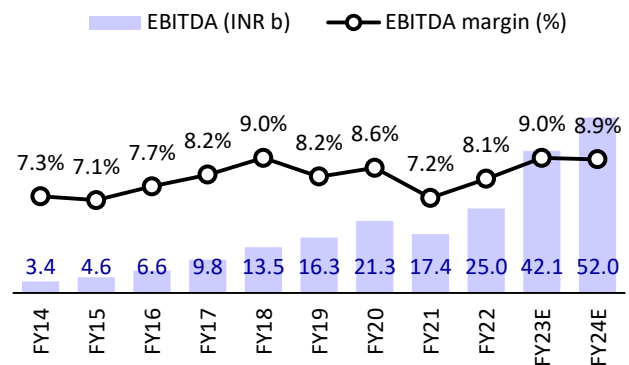
Source: MOFSL, Company

Exhibit 3: Gross margin to recover in FY23E



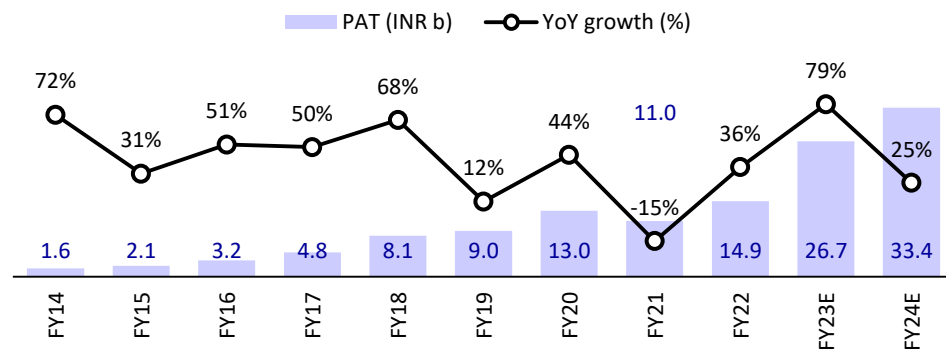
Source: MOFSL, Company

Exhibit 4: EBITDA margin to expand 90bp in FY23E



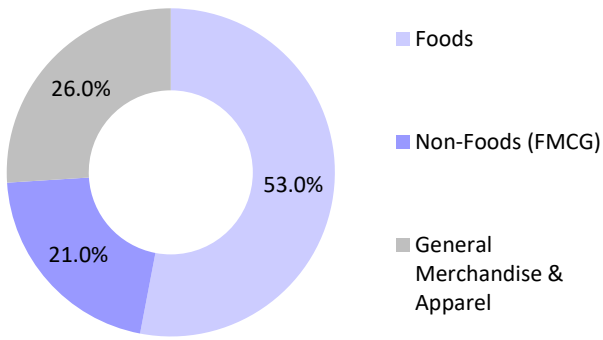
Source: MOFSL, Company

Exhibit 5: PAT to clock 50% CAGR over FY22–24E



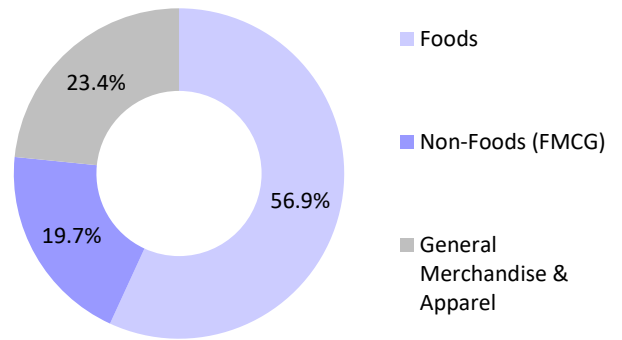
Source: MOFSL, Company

Exhibit 6: Revenue mix remains skewed (FY12)...



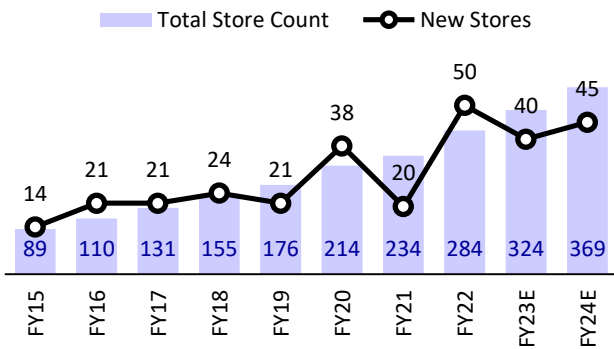
Source: Company, MOFSL

Exhibit 7: ...towards Foods category (FY22)



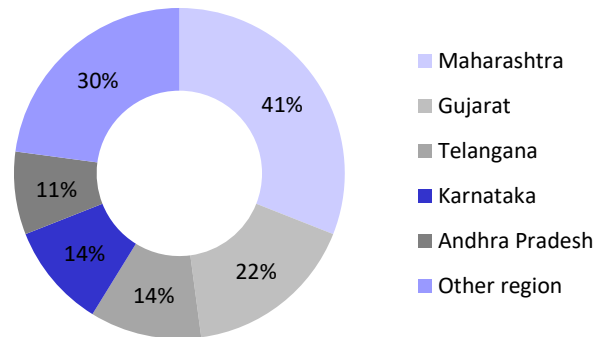
Source: Company, MOFSL

Exhibit 8: Store additions to continue



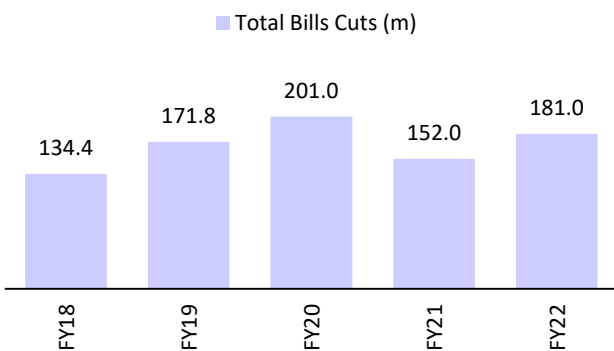
Source: Company, MOFSL

Exhibit 9: Five key markets account for 70% of total store network (FY20)



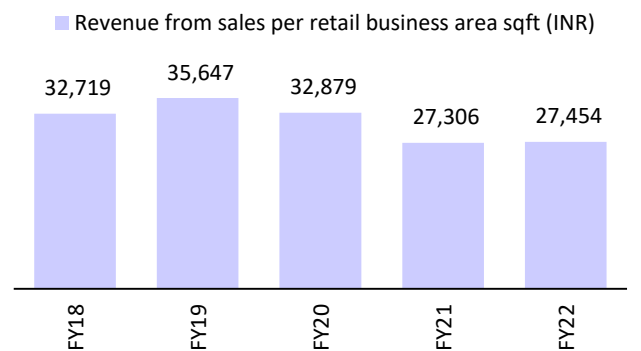
Source: Company, MOFSL

Exhibit 10: Total billings sees improvement (m)



Source: Company, MOFSL

Exhibit 11: Revenue/sq. ft. declines as store size increases



Source: Company, MOFSL

Exhibit 12: Inventory days improves to 33 days

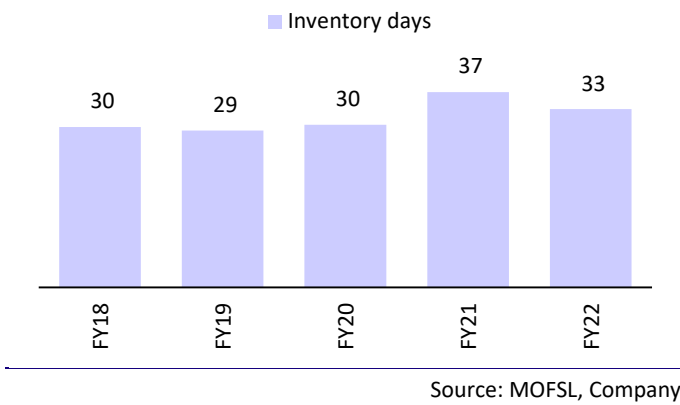


Exhibit 13: Payable days at 8 days for FY22

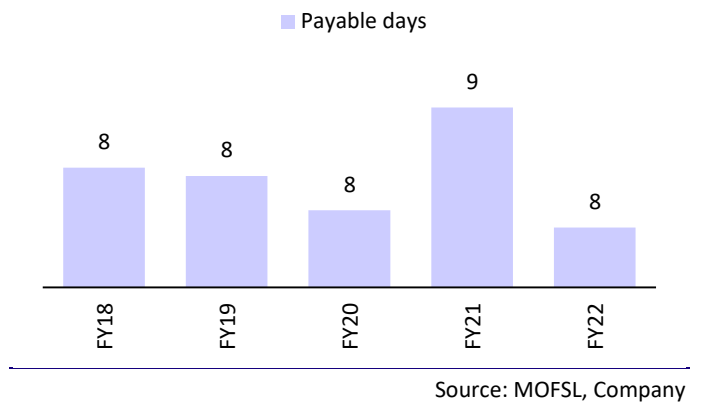


Exhibit 14: Asset Turnover ratio at 3.1x

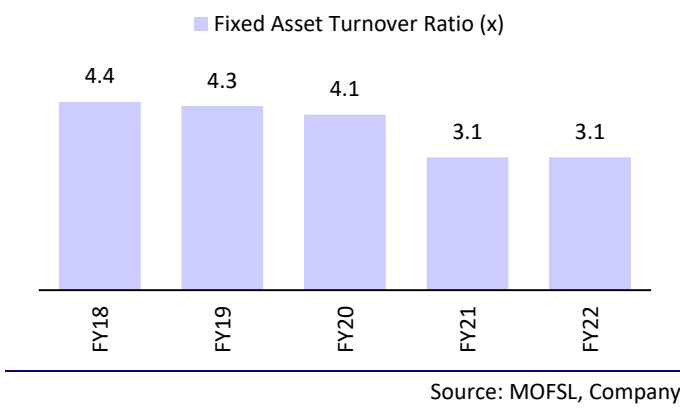
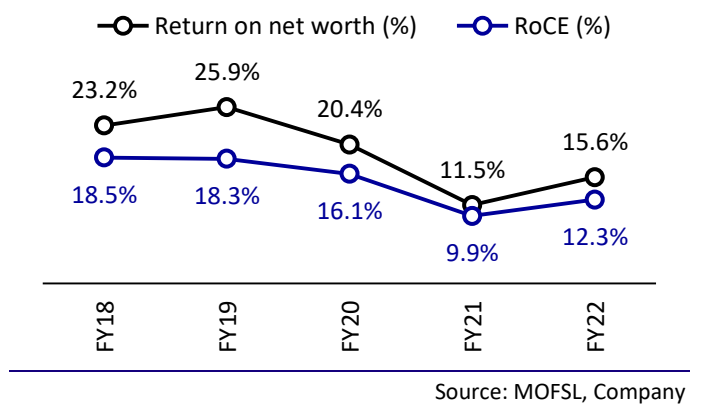


Exhibit 15: Return ratios recovers in FY22



Financials and valuations

Consolidated - Income Statement

(INR m)

Y/E March	FY17	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E
Total Income from Operations	1,18,977	1,50,332	2,00,045	2,48,702	2,41,431	3,09,763	4,68,252	5,81,839
Change (%)	38.6	26.4	33.1	24.3	-2.9	28.3	51.2	24.3
Raw Materials	1,00,810	1,26,356	1,70,008	2,11,029	2,05,547	2,63,974	3,95,207	4,92,623
Gross Profit	18,167	23,976	30,037	37,673	35,884	45,789	73,045	89,216
Margin (%)	15.3	15.9	15.0	15.1	14.9	14.8	15.6	15.3
Employees Cost	1,925	2,826	3,554	4,561	5,366	6,162	9,365	11,055
Other Expenses	6,429	7,622	10,150	11,829	13,088	14,642	21,540	26,183
Total Expenditure	1,09,165	1,36,804	1,83,712	2,27,419	2,24,000	2,84,778	4,26,112	5,29,861
% of Sales	91.8	91.0	91.8	91.4	92.8	91.9	91.0	91.1
EBITDA	9,812	13,528	16,333	21,283	17,431	24,985	42,140	51,978
Margin (%)	8.2	9.0	8.2	8.6	7.2	8.1	9.0	8.9
Depreciation	1,278	1,590	2,125	3,744	4,142	4,981	5,834	7,134
EBIT	8,534	11,938	14,208	17,539	13,289	20,004	36,306	44,845
Int. and Finance Charges	1,220	595	472	691	417	538	645	775
Other Income	286	693	484	600	1,962	1,175	929	1,665
PBT bef. EO Exp.	7,600	12,036	14,219	17,448	14,835	20,641	36,589	45,735
EO Items	0	0	0	0	0	0	0	0
PBT after EO Exp.	7,600	12,036	14,219	17,448	14,835	20,641	36,589	45,735
Total Tax	2,683	4,158	5,195	4,438	3,840	5,717	9,841	12,348
Tax Rate (%)	35.3	34.5	36.5	25.4	25.9	27.7	26.9	27.0
Minority Interest	129	-185	1	1	0	0	0	0
Reported PAT	4,788	8,063	9,024	13,009	10,994	14,924	26,749	33,386
Adjusted PAT	4,788	8,063	9,024	13,009	10,994	14,924	26,749	33,386
Change (%)	49.5	68.4	11.9	44.2	-15.5	35.7	79.2	24.8
Margin (%)	4.0	5.4	4.5	5.2	4.6	4.8	5.7	5.7

Consolidated - Balance Sheet

(INR m)

Y/E March	FY17	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E
Equity Share Capital	6,241	6,241	6,241	6,478	6,478	6,478	6,478	6,478
Total Reserves	32,177	40,450	49,634	1,04,320	1,15,359	1,30,299	1,57,047	1,90,434
Net Worth	38,418	46,691	55,875	1,10,797	1,21,837	1,36,776	1,63,525	1,96,912
Total Loans	14,973	4,393	4,298	37	0	0	10,000	16,500
Lease Liabilities				2,955	3,927	6,469	6,350	6,587
Deferred Tax Liabilities	505	452	633	474	512	640	640	640
Capital Employed	53,898	51,541	60,811	1,14,268	1,26,281	1,43,890	1,80,518	2,20,641
Gross Block	27,764	37,223	49,352	68,484	83,178	1,10,486	1,24,136	1,53,511
Less: Accum. Deprn.	2,260	4,006	6,131	9,786	13,873	18,669	24,503	31,636
Net Fixed Assets	25,504	33,217	43,221	58,698	69,305	91,817	99,634	1,21,875
Right to use assets				7,173	9,602	13,887	14,655	15,497
Capital WIP	1,529	1,471	3,768	3,644	10,196	11,293	11,293	11,293
Total Investments	531	682	165	31,374	30	59	48	38
Curr. Assets, Loans&Adv.	30,629	20,330	22,118	26,264	56,237	50,758	82,130	1,03,304
Inventory	9,479	11,634	16,087	19,474	22,483	27,427	37,897	47,238
Account Receivables	210	335	644	196	436	669	1,032	1,282
Cash and Bank Balance	18,843	5,602	2,191	1,079	14,456	2,986	23,525	35,108
Loans and Advances	2,097	2,758	3,197	5,516	18,863	19,677	19,677	19,677
Curr. Liability & Prov.	4,295	4,942	9,246	6,497	10,280	10,838	13,386	16,669
Account Payables	2,607	3,173	4,633	4,335	5,781	5,892	8,938	11,141
Other Current Liabilities	1,605	1,642	4,474	1,996	4,236	4,533	3,980	4,946
Provisions	84	127	139	167	262	413	468	582
Net Current Assets	26,334	15,387	12,872	19,767	45,958	39,920	68,744	86,636
Deferred Tax assets	0	1	2	3	10	17	17	17
Appl. of Funds	53,897	51,541	60,811	1,14,268	1,26,281	1,43,890	1,80,518	2,20,642

E: MOFSL Estimates

Financials and valuations

Ratios

Y/E March	FY17	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E
Basic (INR)								
EPS (diluted from FY17)	7.7	12.9	14.5	20.1	17.0	23.0	41.3	51.5
Cash EPS (diluted from FY17)	9.7	15.5	17.9	26.8	24.3	31.9	52.2	64.9
BV/Share (diluted from FY17)	61.6	74.8	89.5	177.5	195.2	219.2	262.0	315.5
DPS	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Payout (%)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Valuation (x)								
P/E	552.3	328.0	293.0	211.0	249.6	183.9	102.6	82.2
Cash P/E	435.9	273.9	237.2	157.8	174.7	132.8	81.2	65.3
P/BV	68.8	56.6	47.3	23.9	21.7	19.3	16.2	13.4
EV/Sales	22.2	17.6	13.2	11.0	11.3	8.9	5.8	4.7
EV/EBITDA	269.0	195.3	162.0	127.6	156.9	110.0	65.0	52.6
Dividend Yield (%)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
FCF per share	-2.8	-2.9	-9.5	-6.6	-10.1	-15.7	19.8	10.4
Return Ratios (%)								
RoE	17.9	18.9	17.6	15.6	9.5	11.5	17.8	18.5
RoCE	14.2	15.8	16.8	15.5	9.4	11.4	16.8	17.0
RoIC	18.7	20.4	18.3	19.7	11.0	12.5	19.3	20.5
Working Capital Ratios								
Fixed Asset Turnover (x)	4.3	4.0	4.1	3.6	2.9	2.8	3.8	3.8
Asset Turnover (x)	2.2	2.9	3.3	2.2	1.9	2.2	2.6	2.6
Inventory (Days)	34	34	35	34	40	38	35	35
Debtor (Days)	1	1	1	0	1	1	1	1
Creditor (Days)	9	9	10	7	10	8	8	8
Leverage Ratio (x)								
Current Ratio	7.1	4.1	2.4	4.0	5.5	4.7	6.1	6.2
Interest Cover Ratio	7.0	20.0	30.1	25.4	31.9	37.2	56.2	57.9
Net Debt/Equity	-0.1	0.0	0.0	-0.3	-0.1	0.0	0.0	-0.1

Consolidated - Cash Flow Statement

Y/E March	FY17	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E
(INR m)								
OP/(Loss) before Tax	7,600	12,036	14,219	17,448	14,835	20,641	36,589	45,735
Depreciation	1,278	1,590	2,125	3,744	4,142	4,981	5,834	7,134
Interest & Finance Charges	1,220	595	472	691	417	538	645	775
Direct Taxes Paid	-2,586	-4,027	-5,018	-4,924	-2,616	-5,603	-9,841	-12,348
(Inc)/Dec in WC	-2,697	-2,427	-3,507	-3,762	-1,271	-5,825	-8,284	-6,309
CF from Operations	4,815	7,767	8,292	13,197	15,506	14,733	24,943	34,985
Others	-237	-467	-224	-395	-1,754	-1,009	-929	-1,665
CF from Operating incl EO	4,578	7,300	8,068	12,801	13,751	13,724	24,015	33,320
(Inc)/Dec in FA	-6,354	-9,087	-13,970	-17,060	-20,275	-23,895	-11,184	-26,598
Free Cash Flow	-1,775	-1,787	-5,902	-4,259	-6,524	-10,172	12,831	6,722
(Pur)/Sale of Investments	-229	-247	0	0	7,830	10,500	12	10
Others	-18,259	13,970	4,386	-29,505	1,345	500	929	1,665
CF from Investments	-24,842	4,635	-9,584	-46,566	-11,100	-12,895	-10,243	-24,924
Issue of Shares	18,406	0	0	41,869	0	0	0	0
Inc/(Dec) in Debt	3,050	-10,791	2,600	-6,615	-1,359	0	10,000	6,500
Interest Paid	-1,203	-800	-510	-682	-436	-538	-645	-775
Dividend Paid	0	0	0	0	0	0	0	0
Others	0	0	0	-998	0	-1,255	-2,588	-2,540
CF from Fin. Activity	20,253	-11,591	2,090	33,574	-1,795	-1,792	6,767	3,185
Inc/Dec of Cash	-11	345	574	-190	856	-964	20,538	11,582
Opening Balance (without bank bal.)	340	329	674	1,249	1,059	1,915	951	21,490
Closing Balance	329	674	1,249	1,059	1,915	951	21,490	33,072
Other bank balance	18,514	4,928	942	20	12,541	2,035	2,036	2,036
Closing Balance (including bank bal)	18,843	5,602	2,191	1,079	14,456	2,986	23,525	35,108

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

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

Disclosures

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

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

MOFSL and its associate company(ies), their directors and Research Analyst and their relatives may; (a) from time to time, have a long or short position in, act as principal in, and buy or sell the securities or derivatives thereof of companies mentioned herein. (b) be engaged in any other transaction involving such securities and earn brokerage or other compensation or act as a market maker in the financial instruments of the company(ies) discussed herein or act as an advisor or lender/borrower to such company(ies) or may have any other potential conflict of interests with respect to any recommendation and other related information and opinions.; however the same shall have no bearing whatsoever on the specific recommendations made by the analyst(s), as the recommendations made by the analyst(s) are completely independent of the views of the associates of MOFSL even though there might exist an inherent conflict of interest in some of the stocks mentioned in the research report

MOFSL and / or its affiliates do and seek to do business including investment banking with companies covered in its research reports. As a result, the recipients of this report should be aware that MOFSL may have a potential conflict of interest that may affect the objectivity of this report. Compensation of Research Analysts is not based on any specific merchant banking, investment banking or brokerage service transactions. Details of pending Enquiry Proceedings of Motilal Oswal Financial Services Limited are available on the website at <https://galaxy.motilaloswal.com/ResearchAnalyst/PublishViewLitigation.aspx>

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

Regional Disclosures (outside India)

This report is not directed or intended for distribution to or use by any person or entity resident in a state, country or any jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject MOFSL & its group companies to registration or licensing requirements within such jurisdictions.

For Hong Kong:

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

For U.S.

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

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

For Singapore

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

Specific Disclosures

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

The associates of MOFSL may have:

- financial interest in the subject company
- actual/beneficial ownership of 1% or more securities in the subject company
- received compensation/other benefits from the subject company in the past 12 months
- other potential conflict of interests with respect to any recommendation and other related information and opinions.; however the same shall have no bearing whatsoever on the specific recommendations made by the analyst(s), as the recommendations made by the analyst(s) are completely independent of the views of the associates of MOFSL even though there might exist an inherent conflict of interest in some of the stocks mentioned in the research report.
- acted as a manager or co-manager of public offering of securities of the subject company in past 12 months
- be engaged in any other transaction involving such securities and earn brokerage or other compensation or act as a market maker in the financial instruments of the company(ies) discussed herein or act as an advisor or lender/borrower to such company(ies)
- received compensation from the subject company in the past 12 months for investment banking / merchant banking / brokerage services or from other than said services.

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

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

Analyst Certification

The views expressed in this research report accurately reflect the personal views of the analyst(s) about the subject securities or issues, and no part of the compensation of the research analyst(s) was, is, or will be directly or indirectly related to the specific recommendations and views expressed by research analyst(s) in this report.

Terms & Conditions:

This report has been prepared by MOFSL and is meant for sole use by the recipient and not for circulation. The report and information contained herein is strictly confidential and may not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent of MOFSL. The report is based on the facts, figures and information that are considered true, correct, reliable and accurate. The intent of this report is not recommendatory in nature. The information is obtained from publicly available media or other sources believed to be reliable. Such information has not been independently verified and no guaranty, representation of warranty, express or implied, is made as to its accuracy, completeness or correctness. All such information and opinions are subject to change without notice. The report is prepared solely for informational purpose and does not constitute an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments for the clients. Though disseminated to all the customers simultaneously, not all customers may receive this report at the same time. MOFSL will not treat recipients as customers by virtue of their receiving this report.

Disclaimer:

The report and information contained herein is strictly confidential and meant solely for the selected recipient and may not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent. This report and information herein is solely for informational purpose and may not be used or considered as an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments. Nothing in this report constitutes investment, legal, accounting and tax advice or a representation that any investment or strategy is suitable or appropriate to your specific circumstances. The securities discussed and opinions expressed in this report may not be suitable for all investors, who must make their own investment decisions, based on their own investment objectives, financial positions and needs of specific recipient. This may not be taken in substitution for the exercise of independent judgment by any recipient. Each recipient of this document should make such investigations as it deems necessary to arrive at an independent evaluation of an investment in the securities of companies referred to in this document (including the merits and risks involved), and should consult its own advisors to determine the merits and risks of such an investment. The investment discussed or views expressed may not be suitable for all investors. Certain transactions -including those involving futures, options, another derivative products as well as non-investment grade securities - involve substantial risk and are not suitable for all investors. No representation or warranty, express or implied, is made as to the accuracy, completeness or fairness of the information and opinions contained in this document. The Disclosures of Interest Statement incorporated in this document is provided solely to enhance the transparency and should not be treated as endorsement of the views expressed in the report. This information is subject to change without any prior notice. The Company reserves the right to make modifications and alternations to this statement as may be required from time to time without any prior approval. MOFSL, its associates, their directors and the employees may from time to time, effect or have effected an own account transaction in, or deal as principal or agent in or for the securities mentioned in this document. They may perform or seek to perform investment banking or other services for, or solicit investment banking or other business from, any company referred to in this report. Each of these entities functions as a separate, distinct and independent of each other. The recipient should take this into account before interpreting the document. This report has been prepared on the basis of information that is already available in publicly accessible media or developed through analysis of MOFSL. The views expressed are those of the analyst, and the Company may or may not subscribe to all the views expressed therein. This document is being supplied to you solely for your information and may not be reproduced, redistributed or passed on, directly or indirectly, to any other person or published, copied, in whole or in part, for any purpose. This report is not directed or intended for distribution to, or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject MOFSL to any registration or licensing requirement within such jurisdiction. The securities described herein may or may not be eligible for sale in all jurisdictions or to certain category of investors. Persons in whose possession this document may come are required to inform themselves of and to observe such restriction. Neither the Firm, not its directors, employees, agents or representatives shall be liable for any damages whether direct or indirect, incidental, special or consequential including lost revenue or lost profits that may arise from or in connection with the use of the information. The person accessing this information specifically agrees to exempt MOFSL or any of its affiliates or employees from, any and all responsibility/liability arising from such misuse and agrees not to hold MOFSL or any of its affiliates or employees responsible for any such misuse and further agrees to hold MOFSL or any of its affiliates or employees free and harmless from all losses, costs, damages, expenses that may be suffered by the person accessing this information due to any errors and delays.

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

Registration Nos.: Motilal Oswal Financial Services Limited (MOFSL)*: INZ000158836(BSE/NSE/MCX/NCDEX); CDSL and NSDL: IN-DP-16-2015; Research Analyst: INH000000412. AMFI: ARN - 146822; Investment Adviser: INA000007100; Insurance Corporate Agent: CA0579;PMS:INP000006712. Motilal Oswal Asset Management Company Ltd. (MOAMC): PMS (Registration No.: INP00000670); PMS and Mutual Funds are offered through MOAMC which is group company of MOFSL. Motilal Oswal Wealth Management Ltd. (MOWML): PMS (Registration No.: INP000004409) is offered through MOWML, which is a group company of MOFSL. Motilal Oswal Financial Services Limited is a distributor of Mutual Funds, PMS, Fixed Deposit, Bond, NCDs, Insurance Products and IPOs. Real Estate is offered through Motilal Oswal Real Estate Investment Advisors II Pvt. Ltd. which is a group company of MOFSL. Private Equity is offered through Motilal Oswal Private Equity Investment Advisors Pvt. Ltd which is a group company of MOFSL. Research & Advisory services is backed by proper research. Please read the Risk Disclosure Document prescribed by the Stock Exchanges carefully before investing. There is no assurance or guarantee of the returns. Investment in securities market is subject to market risk, read all the related documents carefully before investing. Details of Compliance Officer: Name: Neeraj Agarwal, Email ID: na@motilaloswal.com, Contact No.:022-71881085.

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