

# Devyani International

Estimate changes



TP change



Rating change



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



Bloomberg	DEVYANI IN
Equity Shares (m)	1,205
M.Cap.(INRb)/(USDb)	225.2 / 2.8
52-Week Range (INR)	199 / 108
1, 6, 12 Rel. Per (%)	8/2/-
12M Avg Val (INR M)	847

## Financials & Valuations (INR b)

Y/E March	2022	2023E	2024E
Sales	20.8	32.4	42.4
Sales Gr. (%)	83.6	55.4	30.8
EBITDA	4.8	7.7	10.1
EBITDA Margin (%)	22.8	23.7	23.9
Adj. PAT	1.8	3.1	4.0
Adj. EPS (INR)	1.5	2.6	3.3
EPS Gr. (%)	L/P	76.4	27.5
BV/Sh.(INR)	5.7	8.3	11.6

## Ratios

RoE (%)	43.9	36.7	32.8
RoCE (%)	20.3	19.8	19.2

## Valuation

P/E (x)	128.2	72.7	57.0
P/BV (x)	32.8	22.5	16.0
EV/Sales (x)	10.8	6.9	5.3
EV/EBITDA (x)	47.4	29.3	22.0
Pre-IND AD 116	75.2	47.0	34.8
Ev/EBITDA (x)			

## Shareholding pattern (%)

As On	Jun-22	Mar-22	Jun-21
Promoter	62.8	62.8	77.3
DII	6.3	5.8	22.7
FII	6.9	6.9	
Others	24.1	24.6	
FII Includes depository receipts			

CMP: INR187

TP: INR225 (+20%)

Buy

## Recovery in dine-in drives strong sales momentum

- DEVYANI's 1QFY23 result was in line at the operating level. Despite material cost inflation, overall gross margin fell only 10bp YoY and 20bp QoQ as a result of timely price increases. These hikes have been well absorbed, as highlighted in our Apr'22 [channel check update](#).
- For KFC, average daily sales (ADS), at 127k, surpassed 3QFY22 levels, with healthy profitability metrics, given the sharp inflation in chicken costs. While Pizza Hut continues to report a sequential improvement in brand contribution margin, ADS is still lower than our estimate.
- With an increasing focus on hygiene, convenience, and innovation, QSRs, with their strong brands, present a great investment case, given their low penetration levels in India. Strong pricing power helps combat input cost inflation. DEVYANI remains among our top picks in this space. We maintain our **Buy** rating.

## Strong operating performance was in line with our estimates

- DEVYANI reported a sales growth of 99.8% YoY at INR7b (in line).
- SSSG for KFC/Pizza Hut/Costa Coffee (CC) grew 63.3%/31.5%/206.8% (est. 30%/4%).
- It added net new units (NNU) of 27 for KFC, 23 for Pizza Hut, 14 for CC, and five for others (India). Geography-wise, it added one NNU in Nigeria, but none in Nepal. A total of 70 NNUs were added in 1QFY23. Store additions were in line with the management's stated guidance and our estimate.
- The number of stores stood at 391/436/69/65 for KFC/Pizza Hut/CC/ others (India) as of 1QFY22. Its total store count in Nigeria/Nepal stood at 29/18. As of 1QFY23, it had a total of 1,008 stores.
- Consolidated gross margin fell 10bp YoY to 71.1%. Gross margin fell 30bp QoQ for KFC, but rose 70bp for Pizza Hut.
- EBITDA (post-Ind AS) grew 167.5% YoY to INR1.6b (in line). EBITDA margin expanded by 590bp YoY to 23.4% (est. 23%).
- EBITDA (pre-Ind AS) grew 474% YoY to INR1,137m, with an EBITDA margin of 16.1%.
- Adjusted PAT stood at INR748m (est. INR610m) v/s a loss of INR143m in 1QFY22.

## Highlights from the management commentary

- SSG targets:** The management targets 3-4% SSSG in KFC on a steady state basis and a high single-digit SSSG for Pizza Hut.
- Delivery time shrinks in Pizza Hut:** Around 70-80% of orders are being delivered within 30 minutes v/s 35 minutes at the time of its IPO a year ago.
- Steady-state delivery contribution:** The steady-state delivery channel contribution for Pizza Hut/KFC is expected to be ~60%/35-40%.
- Price hikes:** The management deliberately did not raise prices to cover the entire extent of RM inflation in KFC (9% price increase taken in 1QFY23). For Pizza Hut, it was able to raise prices ahead of the cost increases.
- Material costs stabilizing:** Edible oil prices have fallen, while chicken prices have stabilized. While some other costs are inflating, there are no major worries currently.

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.motilaloswal.com/Institutional-Equities](http://www.motilaloswal.com/Institutional-Equities), Bloomberg, Thomson Reuters, Factset and S&P Capital.

**Valuation and view**

- While its 1QFY23 result was in line, the improving operating outlook led us to raise our FY23/FY24 EPS estimate by 2.4%/3.9%. We also increased our FY23 EBITDA estimate by 5%, but improving profitability meant that the management guided at full tax rates from 3QFY23 onwards.
- We remain bullish on DEVYANI's prospects on account of: a) KFC's strong brand equity and the growth opportunity; b) gradual turnaround in Pizza Hut, driven by the management's focus on delivery and improved store metrics; c) sharp network expansion across the portfolio; and d) healthy operating profitability in the mid-teens (on a pre-Ind AS basis).
- We maintain our **Buy** rating with a SoTP-based TP of INR225 per share (Jun'24E EV/EBITDA of 45x/35x for KFC/Pizza Hut on a pre-Ind AS basis).

**Quarterly Performance****(INR m)**

Y/E March	FY22				FY23E				FY22	FY23E	FY23	Var.
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE			1QE	(%)
KFC - No. of stores	284	309	339	364	391	416	441	464	364	464	389	
PH - No. of stores	317	351	391	413	436	461	486	513	413	513	438	
KFC - SSSG (%)	158.0	72.0	23.8	3.0	63.6	19.0	5.0	16.0	49.4	41.8	30.0	
PH - SSSG (%)	216.1	73.5	24.7	2.3	31.5	6.0	8.0	7.0	45.4	32.5	4.0	
<b>Net Sales</b>	<b>3,528</b>	<b>5,161</b>	<b>6,244</b>	<b>5,907</b>	<b>7,047</b>	<b>7,783</b>	<b>8,617</b>	<b>8,948</b>	<b>20,840</b>	<b>32,395</b>	<b>7,055</b>	-0.1
YoY change (%)	280.6	124.4	64.7	36.4	99.8	50.8	38.0	51.5	83.6	55.4	100.0	
<b>Gross Profit</b>	<b>2,511</b>	<b>3,664</b>	<b>4,457</b>	<b>4,209</b>	<b>5,010</b>	<b>5,549</b>	<b>6,161</b>	<b>6,400</b>	<b>14,842</b>	<b>23,121</b>	<b>4,974</b>	0.7
Margin (%)	71.2	71.0	71.4	71.3	71.1	71.3	71.5	71.5	71.2	71.4	70.5	
<b>EBITDA</b>	<b>616</b>	<b>1,233</b>	<b>1,478</b>	<b>1,397</b>	<b>1,647</b>	<b>1,844</b>	<b>2,051</b>	<b>2,119</b>	<b>4,760</b>	<b>7,661</b>	<b>1,623</b>	1.5
EBITDA growth %	-444.6	175.5	67.5	19.7	167.5	49.6	38.7	51.7	109.7	61.0	163.6	
Margin (%)	17.4	23.9	23.7	23.6	23.4	23.7	23.8	23.7	22.8	23.7	23.0	
Depreciation	482	526	558	648	637	680	720	772	2,213	2,809	660	
Interest	324	328	296	322	328	340	355	374	1,270	1,397	335	
Other Income	47	52	39	24	90	65	65	59	161	279	50	
<b>PBT</b>	<b>-144</b>	<b>431</b>	<b>663</b>	<b>451</b>	<b>771</b>	<b>889</b>	<b>1,041</b>	<b>1,033</b>	<b>1,438</b>	<b>3,735</b>	<b>678</b>	13.8
Tax	0	6	9	-335	24	89	262	260	-320	635	68	
Rate (%)	0.2	1.3	1.4	-74.1	3.1	10.0	25.2	25.2	-22.2	17.0	10.0	
<b>Adjusted PAT</b>	<b>-143</b>	<b>425</b>	<b>654</b>	<b>786</b>	<b>748</b>	<b>801</b>	<b>779</b>	<b>772</b>	<b>1,757</b>	<b>3,099</b>	<b>610</b>	22.6
YoY change (%)	N/M	L/P	L/P	271.2	L/P	88.5	19.1	-1.7	L/P	76.4	L/P	

E: MOFSL Estimates

## Quarterly brand-wise performance in 1QFY23

	1QFY22	2QFY22	3QFY22	4QFY22	1QFY23
<b>KFC</b>					
No. of stores	284	309	339	364	391
Net store addition	20	25	30	25	27
SSSG (%)	158.0	72.0	23.8	3.0	63.6
Net sales (INR m)	2,029	3,014	3,621	3,526	4,250
YoY growth (%)	-	140.9	63.8	38.8	109.5
ADS (INR '000)	92.1	116.4	124.0	113.0	127.0
Gross Margins (%)	69.4	69.1	69.3	69.3	69.0
Brand Contribution Margin (%)	16.0	22.4	23.0	21.8	22.4
Channel mix (%)					
Off-Premise	65	44	36	41	35
On-Premise	35	56	64	59	65
<b>Pizza Hut</b>					
No. of stores	317	351	391	413	436
Net store addition	20	34	40	22	23
SSSG (%)	216.1	73.5	24.7	2.3	31.5
Net sales (INR m)	965	1,333	1,556	1,464	1,651
YoY growth (%)	-	111.6	63.6	41.3	71.1
ADS (INR '000)	38.4	45.1	47.0	41.0	44.0
Gross Margins (%)	75.9	75.5	75.6	75.5	76.2
Brand Contribution Margin (%)	14.1	15.8	16.8	17.6	17.5
Channel mix (%)					
Off-Premise	80	62	58	59	54
On-Premise	20	38	42	41	46
<b>Costa</b>					
No. of stores	44	45	50	55	69
Net store addition	0	1	5	5	14
SSSG (%)	732.0	1,007.0	1,176.0	1,106.0	1,258.0
Net sales (INR m)	37	94	143	137	176
YoY growth (%)	-	135.0	88.2	61.2	375.7
ADS (INR '000)	16.1	27.4	37.0	30.0	36.0
Gross Margins (%)	78.4	79.8	79.7	81.8	81.8
Brand Contribution Margin (%)	16.2	33.0	32.2	29.9	30.7

Source: MOFSL, Company



## Highlights from the management commentary

## Performance and outlook

- KFC's performance during the quarter was better v/s 3QFY22, a seasonally strong quarter. The management was happy with this performance.

## Costs and margin

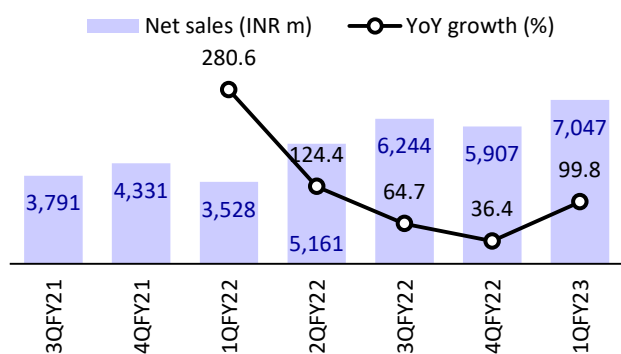
- The full impact of input cost inflation will be witnessed in 2QFY23.
- The management deliberately did not take price hikes to cover the entire extent of RM inflation in KFC (9% price increase taken in 1QFY23). For Pizza Hut, it was able to take price increases ahead of cost increases.
- Edible oils prices have come down while chicken prices have stabilized. While some other costs are inflating there are no major worries currently.
- In the case of Pizza Hut, margins are likely to stabilize at current levels for some time after several quarters of improvement.
- Costa Coffee's prices are comparable to those of Starbucks (90% indexed).
- There has been no material change in the take rates given to aggregators.
- DEVYANI's lease rental rates have not increased over the last year.

**Store expansion**

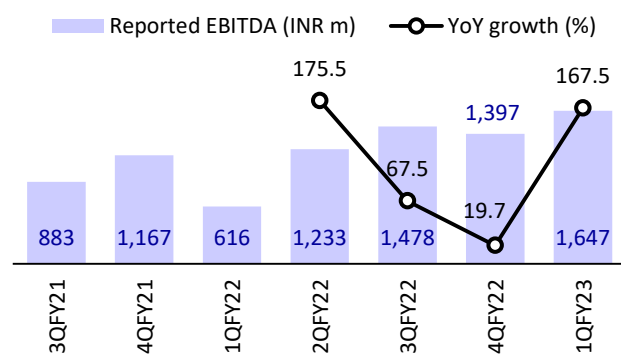
- The management aims to double total store count in 4-5 years.
- Non-metro stores now account for 52% of the total network.
- In FY23, the management guided for an additional 100 stores for KFC and Pizza Hut each with 40 additional stores for Costa Coffee.
- Large format dine-in stores for Pizza Hut are now only 10% of the total store network. Only 5% of incremental store openings will be large format stores which would primarily represent flagship stores in new cities.

**Other points**

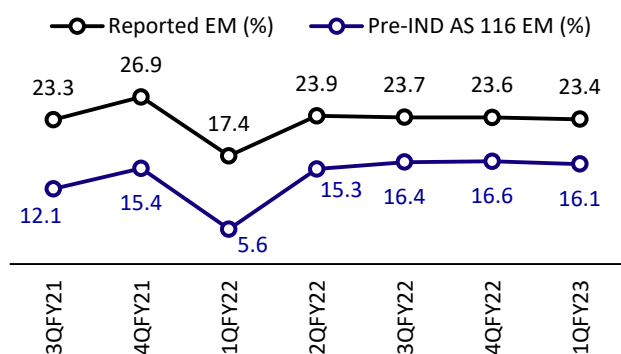
- The management targets 3-4% SSSG in KFC on a steady state basis and high-single-digit SSSG for Pizza Hut.
- 70-80% of PH orders are being delivered under 30 mins v/s 35 mins at the time of DEVYANI's IPO, a year ago.
- The steady state delivery channel contribution for Pizza Hut/KFC is expected to be ~60%/35-40%.
- There has been an 8-9% inflation in Capex per store led by an increase in air conditioning costs and imported equipment.
- Pizza Hut launched 'Flavour Fun Pizzas' – a value offering targeting the young population, college students and cost conscious consumers.
- New KFC stores take 16-18 months to reach system level ADS.

**Key exhibits****Exhibit 1: Net sales doubled YoY to INR7.0b in 1QFY23**

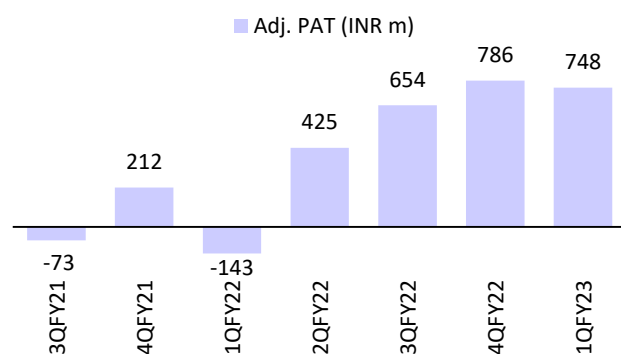
Source: Company, MOFSL

**Exhibit 2: EBITDA grew 167.5% YoY to INR1.6b**

Source: Company, MOFSL

**Exhibit 3: Reported/pre-Ind AS EBITDA margin contracts 50bp and expanded 80bp YoY to 23.4%/16.1% in 1QFY23**

Source: MOFSL, Company

**Exhibit 4: Adjusted PAT came in at INR748m**

Source: MOFSL, Company

## Valuation and view

- While the 1QFY23 result was in-line, the improving operating outlook lead us to increase our FY23/FY24 EPS estimates by 2.4%/3.9%. We also increased our FY23 EBITDA estimate by 5% but improving profitability also meant that the management guided for full tax rates from 3QFY23 onwards.
- We remain bullish on DEVYANI's prospects on account of: a) KFC's strong brand equity and growth opportunity; b) gradual turnaround in PH, driven by focus on delivery and improved store metrics; c) sharp network expansion across the portfolio; and d) healthy operating profitability in the mid-teens (Pre Ind AS basis).
- We maintain our **BUY** rating with a SoTP-based TP of INR225 per share (Jun'24E EV/EBITDA of 45x/35x for KFC/PH on a pre-Ind AS basis).

### Exhibit 5: SoTP valuation for DEVYANI based on pre-Ind AS EV/EBITDA

	Jun'24E EBITDA*	Multiple	EV
KFC	4.4	45x	199.4
Pizza Hut	1.2	35x	42.6
Costa Coffee	0.4	20x	7.4
Other brands	0.1	15x	1.9
International	0.6	25x	14.5
<b>Total</b>	<b>6.7</b>	<b>42x</b>	<b>265.8</b>
Net debt	FY24E		-2.2
<b>Equity value</b>			<b>268.0</b>
<b>TP (INR)</b>			<b>225</b>
<b>Upside (%)</b>			<b>20%</b>

\*Pre-Ind AS 116

Source: Company, MOFSL

### Exhibit 6: We change our FY23/FY24 EBITDA estimates by +4.8%/+1.9%

INR m	New		Old		Change (%)	
	FY23E	FY24E	FY23E	FY24E	FY23E	FY24E
Sales	32,395	42,372	31,276	41,162	3.6	2.9
EBITDA	7,661	10,132	7,313	9,940	4.8	1.9
PAT	3,099	3,951	3,026	3,801	2.4	3.9

Source: Company, MOFSL

## Financials and valuations

### Income Statement consol.

	(INR m)					
Y/E March	FY19	FY20	FY21	FY22	FY23E	FY24E
<b>Net Sales</b>	<b>13,106</b>	<b>15,164</b>	<b>11,348</b>	<b>20,840</b>	<b>32,395</b>	<b>42,372</b>
Change (%)		15.7	-25.2	83.6	55.4	30.8
Raw Materials	3,889	4,604	3,447	5,998	9,274	12,299
<b>Gross Profit</b>	<b>9,217</b>	<b>10,560</b>	<b>7,902</b>	<b>14,842</b>	<b>23,121</b>	<b>30,073</b>
Margin (%)	70.3	69.6	69.6	71.2	71.4	71.0
Operating Expenses	6,428	8,005	5,633	10,082	15,459	19,942
<b>EBITDA</b>	<b>2,790</b>	<b>2,555</b>	<b>2,269</b>	<b>4,760</b>	<b>7,661</b>	<b>10,132</b>
Change (%)		-8.4	-11.2	109.7	61.0	32.2
Margin (%)	21.3	16.8	20.0	22.8	23.7	23.9
Depreciation	2,028	2,233	2,295	2,213	2,809	3,576
Int. and Fin. Charges	1,356	1,584	1,528	1,270	1,397	1,607
Other Income	131	187	641	161	279	333
<b>Profit before Taxes</b>	<b>-464</b>	<b>-1,076</b>	<b>-913</b>	<b>1,438</b>	<b>3,735</b>	<b>5,282</b>
Change (%)		132.0	-15.2	-257.5	159.8	41.4
Margin (%)	-3.5	-7.1	-8.0	6.9	11.5	12.5
Total tax	13	18	-11	-320	635	1,331
Tax Rate (%)	-2.8	-1.7	1.2	-22.2	17.0	25.2
<b>PAT before Minority and Exceptionals</b>	<b>-477</b>	<b>-1,095</b>	<b>-902</b>	<b>1,757</b>	<b>3,099</b>	<b>3,951</b>
Gain/ (Loss) from Discontinued Operations	-349	-427	183	0	0	0
<b>Adjusted PAT</b>	<b>-825</b>	<b>-1,521</b>	<b>-719</b>	<b>1,757</b>	<b>3,099</b>	<b>3,951</b>
Change (%)		N/M	N/M	L/P	76.4	27.5
Margin (%)	-6.3	-10.0	-6.3	8.4	9.6	9.3
Minority Interest	-149	3	-78	-12	-57	-65
Exceptional items	116	-307	-89	206	0	0
<b>Reported PAT</b>	<b>-792</b>	<b>-1,217</b>	<b>-552</b>	<b>1,563</b>	<b>3,156</b>	<b>4,016</b>

### Balance Sheet

	(INR m)					
Y/E March	FY19	FY20	FY21	FY22	FY23E	FY24E
Share Capital	1,062	1,062	1,154	1,205	1,205	1,205
Reserves	-1,764	-2,953	-16	5,658	8,814	12,830
<b>Net Worth</b>	<b>-702</b>	<b>-1,891</b>	<b>1,138</b>	<b>6,863</b>	<b>10,019</b>	<b>14,035</b>
Loans	4,002	4,307	3,805	1,325	1,325	1,325
Other Liability	12,347	12,882	8,724	11,217	12,319	14,791
Minority Interest	-510	-391	-419	-47	-104	-169
<b>Capital Employed</b>	<b>15,136</b>	<b>14,906</b>	<b>13,248</b>	<b>19,358</b>	<b>23,559</b>	<b>29,981</b>
Gross Block	7,233	9,625	12,718	16,419	19,581	23,415
Less: Accum. Depn.	2,028	4,261	6,556	8,769	11,578	15,154
<b>Net Fixed Assets</b>	<b>5,204</b>	<b>5,364</b>	<b>6,162</b>	<b>7,649</b>	<b>8,002</b>	<b>8,261</b>
Capital WIP	115	135	143	68	68	68
Goodwill	161	224	644	644	644	644
Right to Use Assets	9,947	10,351	6,660	8,911	11,685	15,908
<b>Investments</b>	<b>471</b>	<b>414</b>	<b>456</b>	<b>351</b>	<b>351</b>	<b>351</b>
Current	0	0	0	0	0	0
Non-current	471	414	456	351	351	351
<b>Curr. Assets, L&amp;A</b>	<b>2,177</b>	<b>2,347</b>	<b>2,619</b>	<b>5,001</b>	<b>7,273</b>	<b>10,273</b>
Inventory	549	721	622	855	1,329	1,738
Account Receivables	230	173	169	211	327	428
Cash and Bank Balance	271	160	405	659	1,750	3,544
Others	1,127	1,293	1,423	3,277	3,867	4,563
<b>Curr. Liab. and Prov.</b>	<b>2,938</b>	<b>3,929</b>	<b>3,436</b>	<b>3,267</b>	<b>4,466</b>	<b>5,525</b>
Account Payables	1,368	1,632	1,619	1,964	3,053	3,993
Other Liabilities	1,400	2,138	1,565	1,043	1,126	1,217
Provisions	170	160	252	261	287	315
<b>Net Current Assets</b>	<b>-762</b>	<b>-1,582</b>	<b>-818</b>	<b>1,734</b>	<b>2,807</b>	<b>4,749</b>
<b>Application of Funds</b>	<b>15,136</b>	<b>14,906</b>	<b>13,248</b>	<b>19,358</b>	<b>23,559</b>	<b>29,981</b>

E: MOFSL Estimates

## Financials and valuations

### Ratios

Y/E March	FY19	FY20	FY21	FY22	FY23E	FY24E
<b>Basic (INR)</b>						
<b>EPS</b>	<b>-0.8</b>	<b>-1.4</b>	<b>-0.6</b>	<b>1.5</b>	<b>2.6</b>	<b>3.3</b>
Cash EPS	1.1	0.7	1.4	3.3	4.9	6.2
BV/Share	-0.7	-1.8	1.0	5.7	8.3	11.6
<b>Valuation (x)</b>						
P/E	N/M	N/M	N/M	128.2	72.7	57.0
Cash P/E	165.0	278.8	136.9	56.7	38.1	29.9
EV/Sales	15.4	13.3	19.3	10.8	6.9	5.3
EV/EBITDA	72.3	79.1	96.3	47.4	29.3	22.0
P/BV	N/M	N/M	189.6	32.8	22.5	16.0
<b>Return Ratios (%)</b>						
RoE		N/M	N/M	43.9	36.7	32.8
RoCE		3.4	4.3	20.3	19.8	19.2
RoIC		2.2	-0.2	19.9	20.0	20.4
<b>Working Capital Ratios</b>						
Debtor (Days)	6	4	5	4	4	4
Asset Turnover (x)	0.9	1.0	0.9	1.1	1.4	1.4
<b>Leverage Ratio</b>						
Debt/Equity (x)	-5.7	-2.3	3.3	0.2	0.1	0.1

### Cash Flow Statement

					(INR m)	
Y/E March	FY19	FY20	FY21	FY22	FY23E	FY24E
OP/(loss) before Tax	-928	-1,196	-641	1,231	3,735	5,282
Depreciation	2,257	2,467	2,357	2,213	2,809	3,576
Net interest	1,348	1,594	1,518	1,180	1,118	1,274
Others	86	-74	-1,240	-177	0	0
Direct Taxes Paid	-3	-8	5	-103	-635	-1,331
(Incr)/Decr in WC	17	223	397	162	18	-147
<b>CF from Operations</b>	<b>2,778</b>	<b>3,007</b>	<b>2,396</b>	<b>4,506</b>	<b>7,044</b>	<b>8,654</b>
Incr in FA	-1,407	-988	-1,329	-2,930	-3,162	-3,834
<b>Free Cash Flow</b>	<b>1,371</b>	<b>2,019</b>	<b>1,066</b>	<b>1,576</b>	<b>3,882</b>	<b>4,820</b>
Pur of Investments	3	-2	22	-912	0	0
Others	-273	98	-2,263	173	-1,616	-1,686
<b>CF from Invest.</b>	<b>-1,677</b>	<b>-892</b>	<b>-3,570</b>	<b>-3,669</b>	<b>-4,778</b>	<b>-5,520</b>
Issue of Shares	0	0	3,476	4,486	0	0
Incr in Debt	-967	-1,791	-1,564	-4,776	0	0
Dividend Paid	0	0	0	0	0	0
Net interest Paid	-338	-435	-492	-147	-1,118	-1,274
Others	0	0	0	-146	-57	-65
<b>CF from Fin. Activity</b>	<b>-1,305</b>	<b>-2,226</b>	<b>1,420</b>	<b>-584</b>	<b>-1,175</b>	<b>-1,339</b>
<b>Incr/Decr of Cash</b>	<b>-204</b>	<b>-111</b>	<b>245</b>	<b>253</b>	<b>1,091</b>	<b>1,794</b>
Add: Opening Balance	475	271	160	405	659	1,750
<b>Closing Balance</b>	<b>271</b>	<b>160</b>	<b>405</b>	<b>659</b>	<b>1,750</b>	<b>3,544</b>

E: MOFSL Estimates

## 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.