

Indigo Paints

Estimate change	↔
TP change	↔
Rating change	↔

CMP: INR1,496 TP: INR1,720 (+15%) Buy

Below our estimates, but better than peer trends resume

Bloomberg	INDIGOPN IN
Equity Shares (m)	48
M.Cap.(INRb)/(USD\$)	71.2 / 0.9
52-Week Range (INR)	2398 / 1375
1, 6, 12 Rel. Per (%)	-5/-11/-38
12M Avg Val (INR M)	98

Financials & Valuations (INR b)

Y/E March	2022	2023E	2024E
Sales	9.1	11.1	13.9
Sales Gr. (%)	25.3	23.0	25.0
EBITDA	1.4	1.7	2.8
EBIT Margin (%)	15.0	15.7	19.9
Adj. PAT	0.8	1.1	1.8
Adj. EPS (INR)	17.7	23.0	38.1
EPS Gr. (%)	18.6	30.2	65.8
BV/Sh.(INR)	136.6	159.6	197.8

Ratios

RoE (%)	13.9	15.5	21.3
RoCE (%)	13.6	15.2	21.0

Valuation

P/E (x)	84.7	65.1	39.2
P/BV (x)	11.0	9.4	7.6
EV/EBITDA (x)	50.3	39.1	24.1

Shareholding pattern (%)

As On	Sep-22	Jun-22	Sep-21
Promoter	54.0	54.0	54.0
DII	3.1	3.4	2.6
FII	8.8	9.1	11.6
Others	34.1	33.5	31.9

FII Includes depository receipts

- While INDIGOPN's 2QFY23 result was below our estimates it did not witness the huge mix deterioration reported by its peers. Consequently, the three-year sales CAGR stood at 23.6%, which is better than both APNT and KNPL, two of its Paint peers to have reported their results so far. While INDIGOPN posted much lower sales, the momentum seen in FY22 v/s its peers seems to be returning.
- The management indicated a continued sales momentum and a significant pick up in margin in subsequent quarters, led by lower commodity cost pressures. We maintain our Buy rating.

Sales in line; higher than expected pressure on GM

- Net sales grew 23.7% YoY to INR2,426m (in line).
- Gross margin remained flat YoY at 41.7%, but contracted by 350bp QoQ (est. 45.5%). This, along with stable employee costs (up 20bp YoY) and lower other expenses (down 220bp), as a percentage of sales, aided the **expansion of ~200bp YoY (but contracted by 180bp QoQ) in EBITDA margin to 13.9%** (est. 17.5%).
- A&P spends decreased by 7% YoY to INR146.5m. However, the same rose 13.6% YoY in 1HFY23.
- EBITDA grew 45% YoY to INR338m (est. INR429m).
- PBT increased by 53% YoY to INR282m (est. INR366m).
- Adjusted PAT rose 53% YoY to INR208m (est. INR274m).
- We have adjusted INR163.3m pertaining to the excess tax provision of earlier years being reversed in 2QFY23.
- Sales/EBITDA/adjusted PAT grew 33%/59%/62% to INR4,666m/INR690m/INR407m in 1HFY23.

Highlights from the management commentary

- Demand:** The management expects the loss in demand due to an early Diwali and an extended monsoon (Oct'22 was a dull month) to get covered by Dec'22 or Jan'23.
- Kerala performed extremely well in Oct'22. It was a blended impact of the campaign launched on 15th Sep'22 and a normalized monsoon in the state.
- EBITDA margin is higher in the third quarter and the highest in the fourth quarter vis-à-vis the second quarter. The management expects a healthy improvement in gross margin and EBITDA margin.
- Price hike:** The management raised prices by 20% in the past 12 months. There is no need for further price increases or decreases in the industry. As raw material prices are softening, trade discounts may be used aggressively by the industry.

Valuation and view

- As a result of the 2Q miss, the changes to our model have led to a 16% reduction in our FY23 EPS estimate. However, good sales momentum at a time when its peers are slowing down, and a sharp likely improvement in incremental margin meant that our FY24 EPS forecast has not seen any major cut.
- INDIGOPN has successfully surmounted the high entry barriers of the Indian Paints industry, through its patient and multi-pronged strategy, comprising: a) introducing of differentiated products, b) purposefully building a distribution network via 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 [initiating coverage](#) note in Dec'21.
- We maintain our **Buy** rating with TP of INR1,720 (40x Sep'24E EPS).

Consolidated Quarterly Performance**(INR m)**

Y/E March	FY22				FY23				FY22	FY23	FY23	Var. (%)
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE		2QE		
Net Sales	1,560	1,961	2,655	2,884	2,240	2,426	3,186	3,292	9,060	11,143	2,451	-1.0%
Change (%)	49.2	26.7	26.6	13.4	43.6	23.7	20.0	14.2	25.3	23.0	25.0	
Gross Profit	710	818	1,138	1,258	1,012	1,012	1,402	1,544	3,925	4,970	1,115	-9.3%
Gross Margin (%)	45.5	41.7	42.9	43.6	45.2	41.7	44.0	46.9	43.3	44.6	45.5	
EBITDA	202	234	387	538	353	338	500	557	1,360	1,748	429	-21.3%
Margin (%)	12.9	11.9	14.6	18.6	15.7	13.9	15.7	16.9	15.0	15.7	17.5	
Change (%)	6.1	-19.6	22.8	25.2	74.9	44.5	29.3	3.7	11.0	28.5	83.5	
Interest	3	3	3	5	4	3	3	5	13	15	3	
Depreciation	74	77	79	83	84	85	87	104	313	360	85	
Other Income	30	30	23	25	5	32	24	29	109	90	24	
PBT	156	185	328	474	269	282	434	477	1,143	1,463	366	-22.9%
Tax	40	49	85	128	70	74	106	118	302	369	92	
Effective Tax Rate (%)	25.5	26.6	26.0	27.1	26.0	26.4	24.5	24.7	26.5	25.2	25.2	
Adjusted PAT	116	135	243	346	199	208	328	359	840	1,094	274	-24.1%
Change (%)	38.2	-28.0	29.4	39.1	71.5	53.2	34.9	3.9	18.6	30.2	101.9	

E: MOFSL Estimates

Key Performance Indicators - Consolidated

Y/E March	FY22				FY23	
	1Q	2Q	3Q	4Q	1Q	2Q
Segmental volume growth (%)						
Cement Paints + Putty	23.1	9.2	0.1	7.9	12.7	6.2
Emulsions	73.1	24.2	15.9	39.8	34.4	-4.2
Enamels + Wood Coatings	17.4	10.2	-4.5	16	15.8	28.8
Primers + Distempers + Others	5.1	31.1	-3.6	21.4	2.4	13.1
Segmental value growth (%)						
Cement Paints + Putty	24.8	11.5	3.7	3.9	22.7	16.3
Emulsions	83.1	40.6	35.4	21.7	65.7	17.4
Enamels + Wood Coatings	25.6	20.3	8.9	2.9	38.1	46.9
Primers + Distempers + Others	7.4	43.3	18.5	5.4	28	22.4
2Y average growth (%)						
Sales	10.9	23.5	24.4	27.1	46.4	25.2
EBITDA	-	-	-	8.7	40.5	12.4
PAT	-	-	-	15.1	54.9	12.6
% of Sales						
COGS	54.5	58.3	57.1	56.4	54.8	58.3
Operating Expenses	32.6	29.8	28.3	25.0	29.4	27.8
A&P spends	10.1	8.0	11.1	9.4	9.4	6.0
Depreciation	4.7	3.9	3.0	2.9	3.8	3.5
YoY change (%)						
COGS	46.4	48.2	43.5	19.9	44.4	23.7
Operating Expenses	85.0	20.2	3.7	-4.9	29.7	15.4
Other Income	1,558.8	375.5	94.0	59.0	-83.9	4.6
EBIT	-4.8	-33.1	21.8	26.3	109.6	61.3

E: MOFSL Estimates

**Highlights from the management commentary****Performance and outlook**

- The management said demand remains strong, and that the dark clouds of material cost escalation and price increases are seemingly behind it.
- The emulsions category volumes are up 34% and price growth was ~65%. This is the second successive quarter of strong growth which is thereby leading to a better mix.
- Primer growth was the only category where there was disappointment.
- The management is cognizant of the fact that growth off late has been in line with industry, and hence it is focusing on Tier I and II cities as guided in its 4QFY22 call. INDIGOPN is seeing good early traction on this strategy. It said that greater clarity and impactful results will be visible over the next couple of quarters.
- The first quarter is usually the weakest for INDIGOPN. It expects 2Q, 3Q, and 4Q to be better sequentially.
- As INDIGOPN is only present in decorative paints and larger players have automotive/industrials as other categories, the growth of the larger players in 1Q and 2Q may appear optically higher compared to INDIGOPN.

Cost and margin

- INDIGOPN has taken price increases in line with the industry. If raw material prices remain at the current levels then the company is unlikely to take further price increases. Only if material costs fall sharply will there be a price reduction. Typically modest deflation doesn't result in price reduction by paint companies.

- IPL ad spends were fully recognized in 1QFY23 unlike last fiscal, when the league was played across two separate quarters. This was the key reason why EBITDA margin was lower, despite an improvement in gross margin.

Key mix

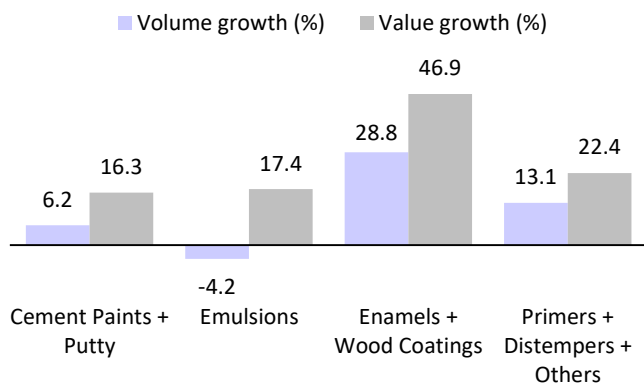
- Management highlighted that the expansion of dealers and tinting machines continues as before and except it to be incrementally more focused on Tier1 and Tier 2 cities compared to the past.

Other points

- INDIGOPN has signed actor Mohanlal as the brand for the Kerala market as it is their largest market and the mix is different compared to other parts of India. However, they intend to continue with cricketer MS Dhoni for other markets.
- The management said the expansion in dealerships and tinting machines continue as before. It expects to be incrementally more focused on Tier I and II cities as compared to the past.
- Company doesn't have sales to real estate players as viability maybe suspect and margins are also lower.
- Management highlighted few points regarding consumption/demand in paints industry - Consumption of paints is once in every four-five years unlike other FMCG categories which may be purchased every month. Paint is also correlated with marriages as fresh painting is done. Actual cost of paint is only 40% of the total cost and labour costs have not increased drastically. 20% increase in paint costs have resulted in only around 8% increase in the total painting costs. Lastly people have spent more time at home and hence noticed the need for painting.

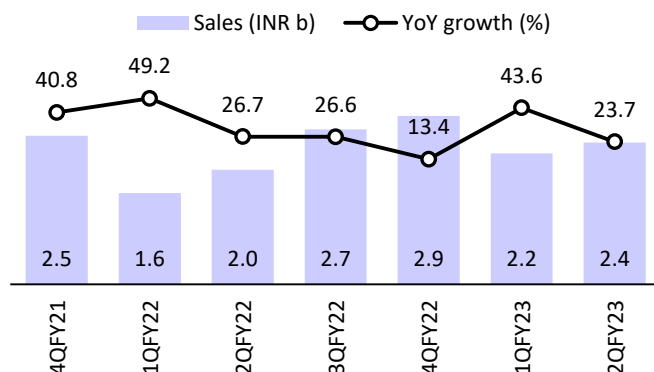
Key exhibits

Exhibit 1: Value growth significantly outperforms volume growth across categories due to price hikes in 2QFY23



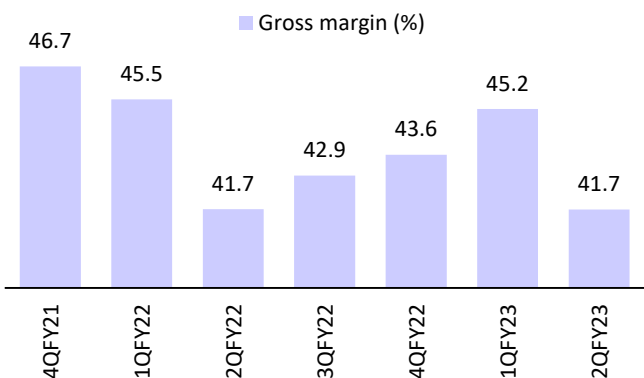
Source: Company, MOFSL

Exhibit 2: Sales up 23.7% YoY to INR2.4b in 2QFY23



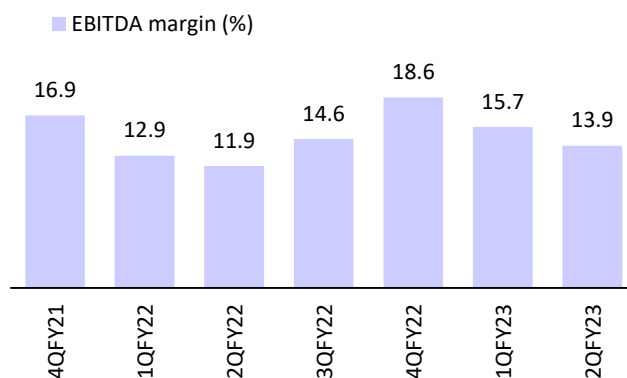
Source: Company, MOFSL

Exhibit 3: Gross margin remain flat YoY at 41.7% in 2QFY23



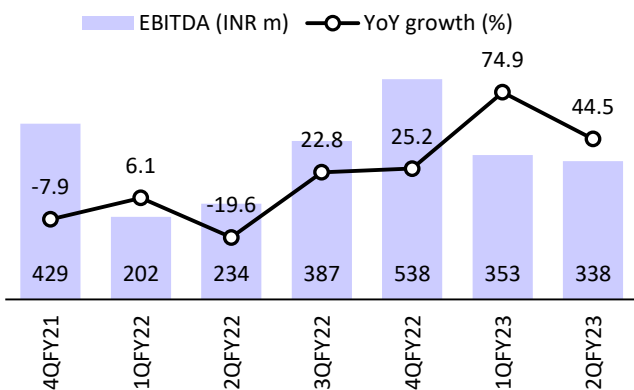
Source: Company, MOFSL

Exhibit 4: EBITDA margin up 200bp YoY in 2QFY23



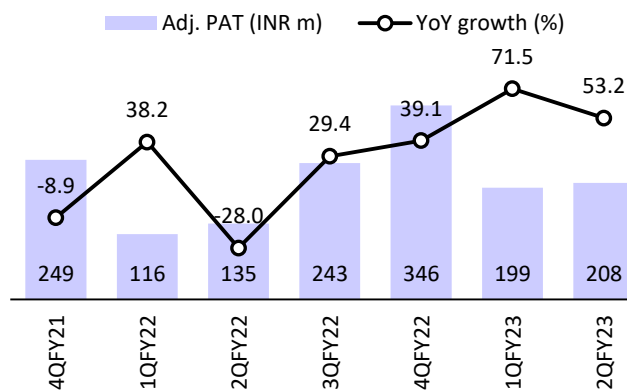
Source: Company, MOFSL

Exhibit 5: EBITDA up 44.5% YoY to INR338m in 2QFY23



Source: Company, MOFSL

Exhibit 6: PAT up 53.2% YoY to INR208m in 2QFY23



Source: Company, MOFSL

Valuation and view

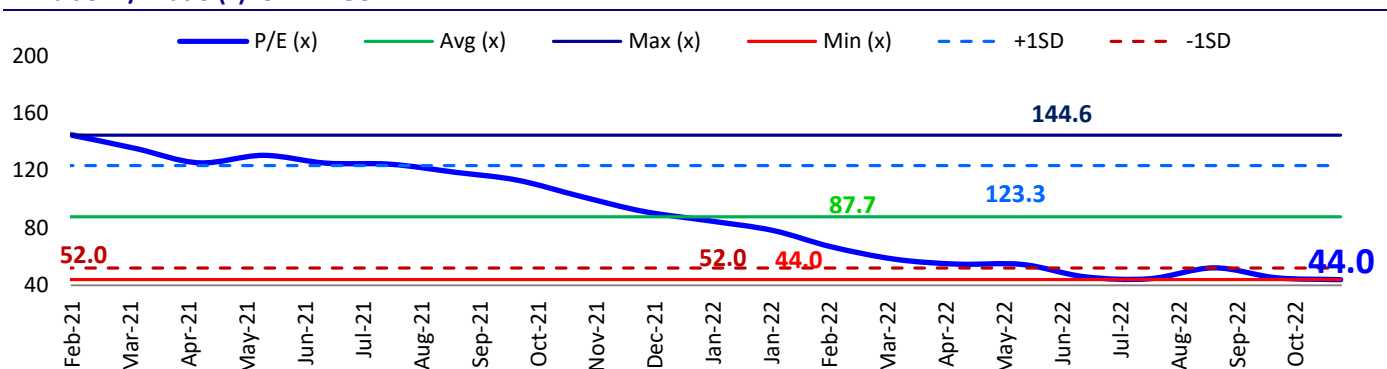
- Changes to the model have led to 16% reduction in FY23 EPS as a result of miss compared to estimates but good sales momentum at a time when peers are slowing down and likely sharp improvement in incremental margins mean that FY24 EPS forecasts have not seen any major cut.
- INDIGOPN has successfully 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 ads, d) rapidly driving the penetration of tinting machines, and e) engaging with influencers (painters/contractors) to build trust as indicated in our [initiating coverage](#) note in December 2021.
- We maintain our **Buy** rating with TP of INR1,720 (40x Sep'24E EPS).

Exhibit 7: We cut our FY23/FY24 EPS forecasts by 16%/1%

INR m	New estimate		Old estimate		Change (%)	
	FY23E	FY24E	FY23E	FY24E	FY23E	FY24E
Sales	11,143	13,929	11,053	13,816	0.8	0.8
EBITDA	1,748	2,770	2,032	2,803	-14.0	-1.2
PAT	1,094	1,814	1,307	1,839	-16.3	-1.3

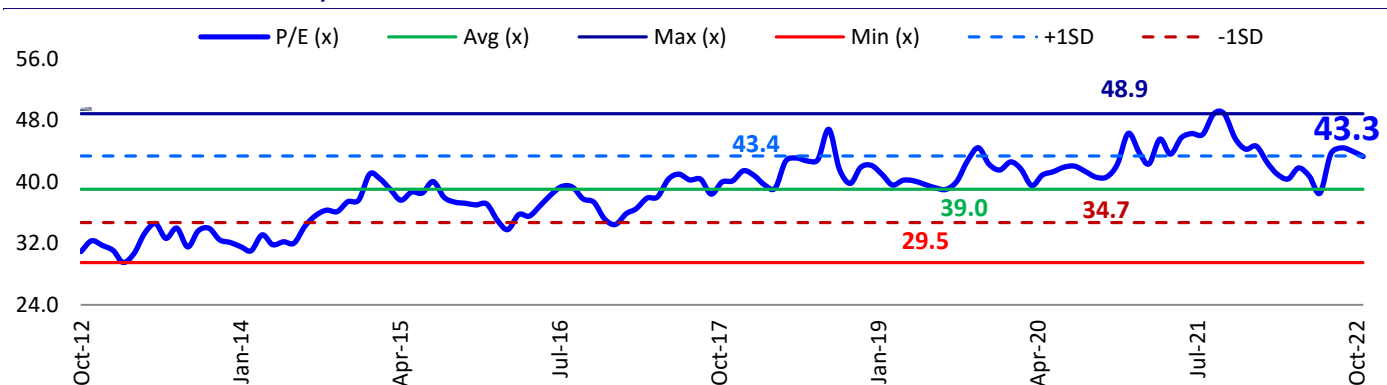
Source: Company, MOFSL

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	11,143	13,929
Change (%)		33.4	16.6	15.8	25.3	23.0	25.0
Raw Materials	2,377	2,985	3,220	3,765	5,135	6,173	7,243
Gross Profit	1,638	2,371	3,028	3,468	3,925	4,970	6,686
Margin (%)	40.8	44.3	48.5	47.9	43.3	44.6	48.0
Operating Expenses	1,380	1,830	2,118	2,243	2,565	3,222	3,916
EBITDA	258	541	910	1,225	1,360	1,748	2,770
Change (%)		109.6	68.2	34.7	11.0	28.5	58.5
Margin (%)	6.4	10.1	14.6	16.9	15.0	15.7	19.9
Depreciation	90	171	196	244	313	360	428
Int. and Fin. Charges	45	47	56	38	13	15	17
Other Income	16	16	16	36	109	90	100
Profit before Taxes	139	340	674	979	1,143	1,463	2,426
Change (%)		145.2	98.2	45.2	16.7	28.0	65.8
Margin (%)	3.5	6.4	10.8	13.5	12.6	13.1	17.4
Tax	-3	48	147	256	288	369	611
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	1,094	1,814
Change (%)		91.7	76.0	48.2	18.6	30.2	65.8
Margin (%)	3.5	5.1	7.7	9.8	9.3	9.8	13.0
Exceptional/Prior Period inc	13	3	0	0	0	0	0
Reported PAT	155	275	478	709	840	1,094	1,814

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	7,117	8,931
Net Worth	1,275	1,475	1,971	5,635	6,499	7,593	9,407
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	7,802	9,616
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	403	425
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	4,805	6,817
Inventory	552	693	768	947	1,177	1,448	1,810
Account Receivables	968	1,038	1,045	1,212	1,717	2,111	2,639
Cash and Bank Balance	46	140	57	2,583	996	741	1,734
Others	75	130	97	241	398	505	633
Curr. Liab. and Prov.	1,307	1,623	1,698	2,212	2,354	2,818	3,437
Account Payables	1,085	1,362	1,386	1,856	2,014	2,477	3,097
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	1,988	3,380
Goodwill on Cons.	407	306	306	306	306	306	306
Application of Funds	1,667	2,106	2,495	5,792	6,708	7,802	9,616

E: MOFSL Estimates

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	23.0	38.1
Cash EPS	4.9	9.3	14.2	20.0	24.2	30.6	47.1
BV/Share	26.8	31.0	41.4	118.5	136.6	159.6	197.8
DPS	0.0	0.0	0.0	0.0	3.0	4.6	7.6
Payout %	0.0	0.0	0.0	0.0	17.0	20.0	20.0
Valuation (x)							
P/E	502.1	261.9	148.9	100.5	84.7	65.1	39.2
Cash P/E	306.8	160.9	105.6	74.7	61.7	49.0	31.8
EV/Sales	10.7	8.1	7.0	9.4	7.6	6.1	4.8
EV/EBITDA	166.2	80.1	47.9	55.6	50.3	39.1	24.1
P/BV	55.8	48.3	36.1	12.6	11.0	9.4	7.6
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	15.5	21.3
RoCE	11.3	16.4	22.5	17.8	13.6	15.2	21.0
RoIC		16.8	23.3	25.3	18.4	17.7	25.2
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 (x)	0.2	0.4	0.2	0.0	0.0	0.0	0.0

Cash Flow Statement

Y/E March	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E
(INR m)							
OP/(loss) before Tax	126	337	674	979	1,143	1,463	2,426
Depreciation	90	171	196	244	313	360	428
Net interest	44	45	54	22	-47	-75	-83
Others	4	6	-8	-5	-19	0	0
Direct Taxes Paid	0	-44	-124	-164	-258	-369	-611
(Incr)/Decr in WC	-25	2	-69	137	-479	-309	-399
CF from Operations	238	516	723	1,214	652	1,070	1,760
Incr in FA	-181	-633	-613	-660	-1,208	-950	-300
Free Cash Flow	57	-117	110	553	-556	120	1,460
Pur of Investments	5	0	0	-2,522	460	-400	-500
Others	5	23	-21	2,138	-1,438	323	419
CF from Invest.	-171	-611	-634	-1,044	-2,186	-1,027	-381
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	-219
Net interest Paid	-38	-37	-47	-33	-2	-105	-117
Others	0	0	0	-41	-50	-50	-50
CF from Fin. Activity	-68	189	-172	2,357	-53	-298	-386
Incr/Decr of Cash	-1	94	-83	2,526	-1,587	-255	993
Add: Opening Balance	47	46	140	57	2,583	996	741
Closing Balance	46	140	57	2,583	996	741	1,734

E: MOFSL Estimates

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 be 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, Depository participant services & distribution of various financial products. 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 at the end of the month immediately preceding the date of publication of the Research Report or date of the public appearance.
- received compensation/other benefits from the subject company in the past 12 months
- 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.
- 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.
- Served subject company as its clients during twelve months preceding the date of distribution of the research report.

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.: 022-3980 4263; www.motilaloswal.com. Correspondence Address: Palm Spring Centre, 2nd Floor, Palm Court Complex, New Link Road, Malad (West), Mumbai- 400 064. Tel No: 022 71881000. Details of Compliance Officer: Neeraj Agarwal, Email Id: na@motilaloswal.com, Contact No.:022-71881085.

Registration details of group entities: Motilal Oswal Financial Services Ltd. (MOFSL): INZ000158836 (BSE/NSE/MCX/NCDEX); CDSL: IN-DP-16-2015; NSDL: IN-DP-NSDL-152-2000; Research Analyst: INH000000412. AMFI: ARN.: 146822. IRDA Corporate Agent – CA0579. Motilal Oswal Financial Services Ltd. is a distributor of Mutual Funds, PMS, Fixed Deposit, Insurance, Bond, NCDs and IPO products. Customer having any query/feedback/ clarification may write to query@motilaloswal.com. In case of grievances for any of the services rendered by Motilal Oswal Financial Services Limited (MOFSL) write to grievances@motilaloswal.com, for DP to dp grievances@motilaloswal.com.