Sharekhan by BNP PARIBAS

Powered by the Sharekhan 3R Research Philosophy

Hindustan Unilever Ltd

Q3 strong beat; Royalty hike will moderate margin growth

Consumer Goods	Sharekhan code: HINDUNILVR

Reco/View: Buy	↔	CMP: Rs. 2,650	Price Target: Rs. 2,900	↓

↑ Upgrade ↔ Maintain ↓ Downgrade

Summary

- HUL's Q3FY2023 performance was ahead of our as well as street expectation, with revenue/PAT growing by 16% and 12%, respectively (with 5% volume growth). OPM expanded by 33 bps q-o-q to 23.2%.
- Moderating inflation will aid recovery in volume-led growth in the coming quarters, while price-led growth will taper off.
- The board has approved an 80-bps increase in royalty charges to 3.45% for a period of five years from 2.65% earlier (done in 2013). This will lead to increased other expenses and moderate margin expansion.
- The stock is trading at 55x/47x its FY2024/FY2025E earnings. Overhang of royalty hikes after five years would reflect in some trim down on the valuation multiple. Long-term growth story remains intact. We retain Buy with a reduced TP of Rs. 2,900.

In Q3FY2023, Hindustan Unilever Limited (HUL) beat our as well street expectation with revenue and PAT growing by 16%y-o-y (Rs. 15,228 crore) and 12% y-o-y (Rs. 2,581 crore), respectively. Domestic volume growth in Q3 stood at 5% compared to 4% volume growth in Q2. Moderation in raw-material prices (largely palm oil) led to a 168-bps sequential improvement in gross margins to 47.5%. The company increased ad-spends by 80 bps q-o-q and margin expansion was moderated at 33 bps on a sequential basis. On the category front, homecare, beauty and personal care (BPC), and food and refreshment categories registered growth of 32%, 11%, and 7%, respectively, during the quarter. The company's board has approved the increase of royalty payment to parent to 3.45% of revenue from 2.65% for the next five years. Increased royalty charges will happen in a staggered manner over the next three years. However, benefits of collaboration with Unilever with help HUL to remain competitive in the market, drive in more efficiencies, and achieve consistent earnings growth in the long run.

Key positives

- Domestic volume growth came at 5% vs. industry volume decline of 4% in Q3.
- Fabric care category registered 30%+ revenue growth (40% of growth was volume-led growth).
- The decline in palm oil prices aided gross margins to improve by 168 bps q-o-q to 47.5%.

Key negatives

- Beauty and personal care growth moderated at 10%, affected by delay in the winter season and discretionary products impacted by higher inflation.
- The board approved increased royalty charges to parent by 80 bps, which will moderate margin expansion ahead.

Management Commentary

- Domestic volume growth stood at 5% in Q3. Industry sales volume improved sequentially with moderation in consumer inflation. Management expects volume growth to further improve if commodity inflation further reduces or remains stable in the coming quarters. In a stable inflationary environment, revenue growth in FY2024 will largely be volume-led growth for the company.
- Price-led growth in Q3FY2023 stood at 11%. The company has reduced prices in soaps and tea categories due to lower input prices. With raw-material prices expected to correct further, price-led growth will taper off in the quarters ahead.
- The company's board has approved the increase of royalty payment to parent to 3.45% of revenue from 2.65% over the next five years. The increase of 80 bps will be implemented in a staggered manner over the next three years. Management expects the benefits of collaboration with Unilever would further enhance the company's growth prospects, as it will help in remaining competitive through new product additions/entry into new categories, increased efficiencies through strong sourcing ability, and help in delivering consistent growth.
- Stable raw-material prices, improved mix due to premiumisation, and increased sales volume will help gross margins to improve on a y-o-y basis. Further, if commodity inflation reduces, it will add-on to margins in the coming quarters. However, the increase in royalty charges will moderate margin expansion in the near term.

Revision in estimates – We have reduced our earnings estimates by 1.7%/2.0%/3.2% in FY2023E/FY2024E/FY2025E to factor in the increase in royalty charges.

Our Call

View – Retain Buy with a reduced PT of Rs. 2,900: Strong collaboration with parent aided HUL to double its revenue and expand EBIDTA margin by 1,000 bps over the last decade. The company has agreed to pay incremental royalty charges by 80 bps to the parent in achieving its aspiration of consistent double-digit earnings growth in the coming years. Growth will be driven by revenue growth, while margin expansion will be moderate. The stock has underperformed the broader indices with overall slowdown in the demand environment and is currently trading at 55x/47x its FY2024E/FY2025E EPS. The overhang of royalty increase after a period of five years would reflect in trim-down of the valuation multiple. With long-term growth story intact, we maintain our Buy recommendation on the stock with a reduced 12-month PT of Rs. 2,900.

Key Risks

Sustained slowdown in rural demand or persistent volatility in key input prices from current levels would act as a key risk to our earnings in the near term.

Valuation (standalone) Rs cr

Particulars	FY21	FY22	FY23E	FY24E	FY25E
Revenue	46,546	51,693	60,515	68,416	77,921
OPM (%)	24.3	24.2	22.3	23.1	23.5
Adjusted PAT	8,136	8,845	9,552	11,306	13,249
Adjusted EPS (Rs.)	34.6	37.6	40.6	48.1	56.4
P/E (x)	76.5	70.4	65.2	55.1	47.0
P/B (x)	13.1	12.8	12.7	12.3	11.4
EV/EBIDTA (x)	54.4	49.3	45.5	38.7	33.0
RoNW (%)	29.3	18.4	19.6	22.7	25.1
RoCE (%)	37.1	24.1	25.9	30.1	33.4

Source: Company; Sharekhan estimates

3R MATRIX

	+	=	-
Right Sector (RS)		✓	
Right Quality (RQ)	✓		
Right Valuation (RV)	✓		

\+ Positive = Neutral – Negative

What has changed in 3R MATRIX

	Old		New
RS		↔	
RQ		↔	
RV		↔	

ESG Disclosure Score NEW

ESG RISK RATING 25.8

Updated Oct 08, 2022

Medium Risk

NEGL	LOW	MED	HIGH	SEVERE
0-10	10-20	20-30	30-40	40+

Source: Morningstar

Company details

Market cap:	Rs. 6,22,700 cr
52-week high/low:	Rs. 2,741 / 1,902
NSE volume: (No of shares)	14.3 lakh
BSE code:	500696
NSE code:	HINDUNILVR
Free float: (No of shares)	89.5 cr

Shareholding (%)

Promoters	61.9
FII	14.6
DII	11.8
Others	11.72

Price chart

Price performance

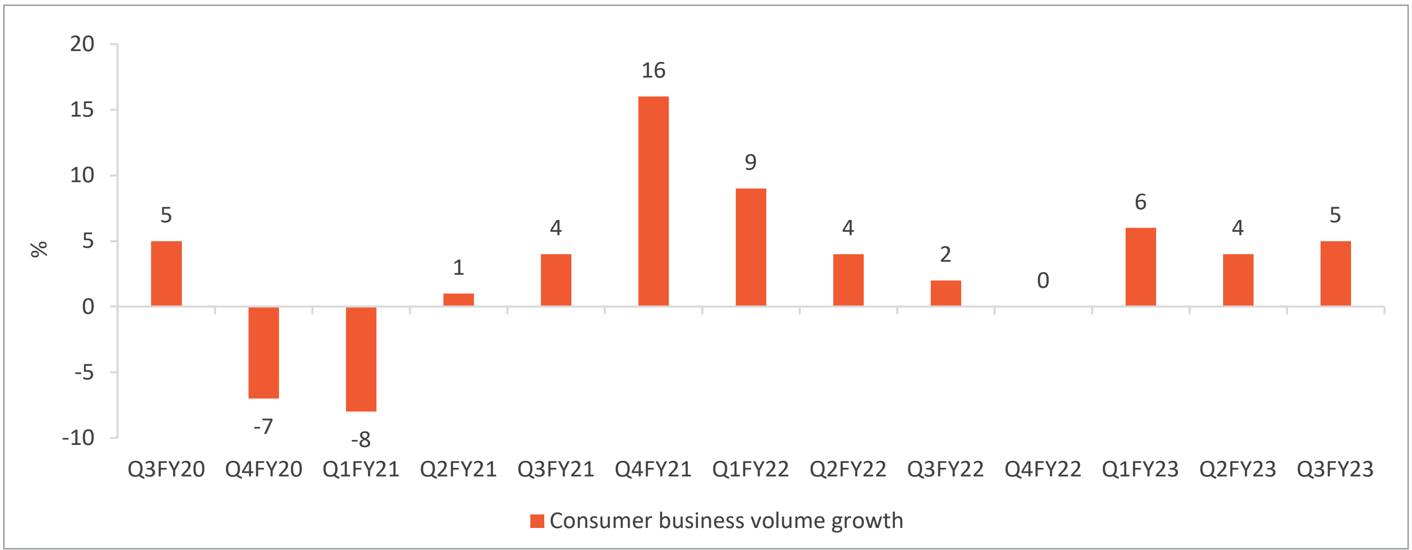
(%)	1m	3m	6m	12m
Absolute	0.5	-2.8	-7.7	13.5
Relative to Sensex	-1.4	2.6	9.3	1.3

Sharekhan Research, Bloomberg

Revenue growth at 16.3% y-o-y; Volume growth at 5%

Standalone revenue grew by 16.3% y-o-y in Q3FY2023 to Rs. 15,228 crore, largely led price hike of 11% while domestic sales volume growth stood at 5% y-o-y, in-line with our expectation. Around 75% of product portfolio continued to gain in value/volume market share. Revenue of the home care segment, personal care segment, and foods business grew by 32%, 11%, and 7% y-o-y, respectively. Gross margin contracted by 463 bps y-o-y to 47.5% mainly on account of higher input prices. OPM declined by 182 bps y-o-y to 23.2%, as the impact of higher raw-material prices was partly offset by better operating efficiencies. Operating profit grew by 7.9% y-o-y to Rs. 3,537 crore. In line with operating profit growth coupled with higher other income, adjusted PAT grew by 12.6% y-o-y to Rs. 2,581 crore. Other income was higher due to increased treasury yields and higher dividend from subsidiaries. Reported PAT grew by 11.7% y-o-y to Rs. 2,505 crore.

Consumer business' volume growth



Source: Company, Sharekhan Research

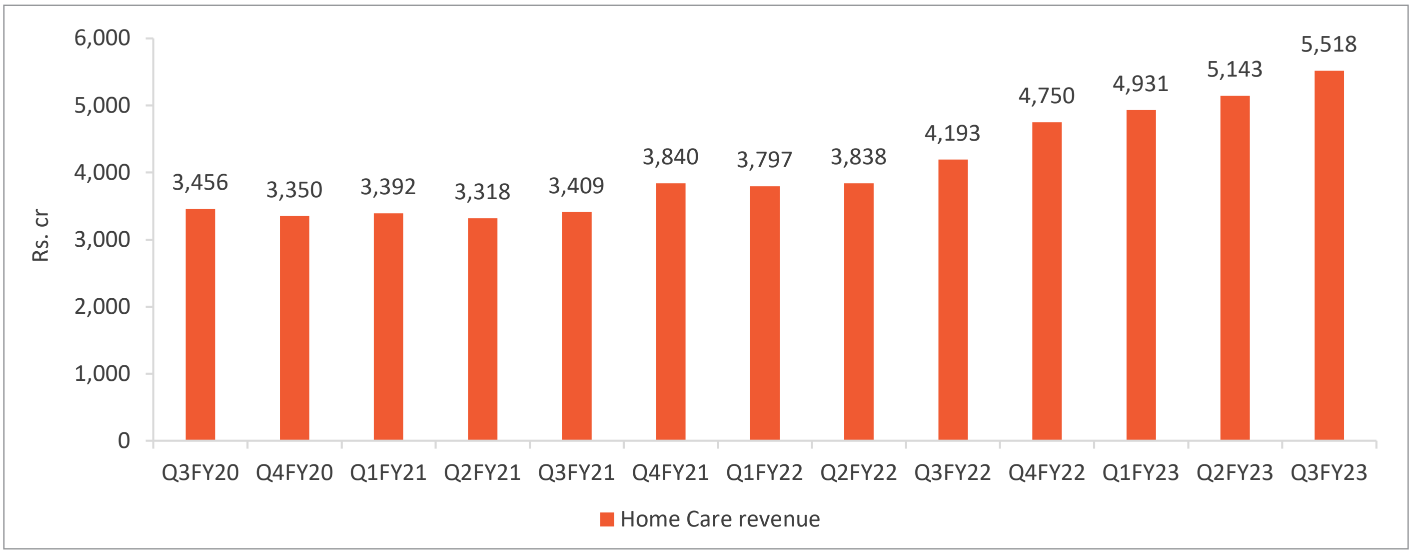
Revision in royalty charges will lead to moderation in margin expansion

The Board of Directors of HUL has approved the proposal to enter a new arrangement with Unilever group entities for the provision of technology, trademark licenses, and services to HUL. The current Technology, Trademark License, and Central Services Agreement with Unilever group was entered into in January 2013 for a period of 10 years. This granted HUL the right to use Unilever-owned trademarks, technology, and corporate logo and gave access to central services provided by Unilever group. During the tenure of the contract, HUL doubled its turnover and improved its EBITDA margin by ~1,000 bps. The new royalty and central services arrangements are proposed to be effective from February 1, 2023, for a period of five years. As per the new arrangement, royalty fees would be increased in a staggered manner by 80 bps over a period of three years from 2.65% to 3.45% of turnover, with a 45 bps increase in effective cost for February to December 2023, further 25 bps increase in effective cost for January to December 2024, and 10 bps further increase in effective cost from January 2025. Management is confident to deliver strong performance going ahead on account of Unilever's global brands, innovations, technical know-how, centralised services, and functional expertise. Management expects the benefits of collaboration with Unilever would further enhance the company's growth prospects, as it will help in remaining competitive through new product addition/entry into new category, increased efficiencies through strong sourcing ability, and help in delivering consistent growth. According to our calculation, the increase in royalty charges would lead to higher other expenses by Rs. 50 crore in FY2023, Rs. 300 crore+ in FY2024, and Rs. 600 crore+ in FY2025 with other elements remaining the same.

Home Care – Strong revenue growth, margins impacted due to inflation

The home care segment delivered 31.6% y-o-y and 7.3% q-o-q growth in Q3FY2023 to Rs. 5,518 crore, driven by strong double-digit volume growth. Both fabric wash and household care grew in high double digits with all parts of the portfolio performing very well. Fabric wash registered high double-digit growth, driven by premiumisation, market development actions, and strong market share gains. Liquids portfolio continued to deliver strong results, driven by effective market-development actions. Calibrated price increases were taken (up to 15%) in fabric wash and household care portfolios to partly offset input cost inflation. PBIT margins of the homecare business declined by 83 bps y-o-y to 19.8% due to sustained input cost inflation.

Home Care – Quarterly trend in revenue growth

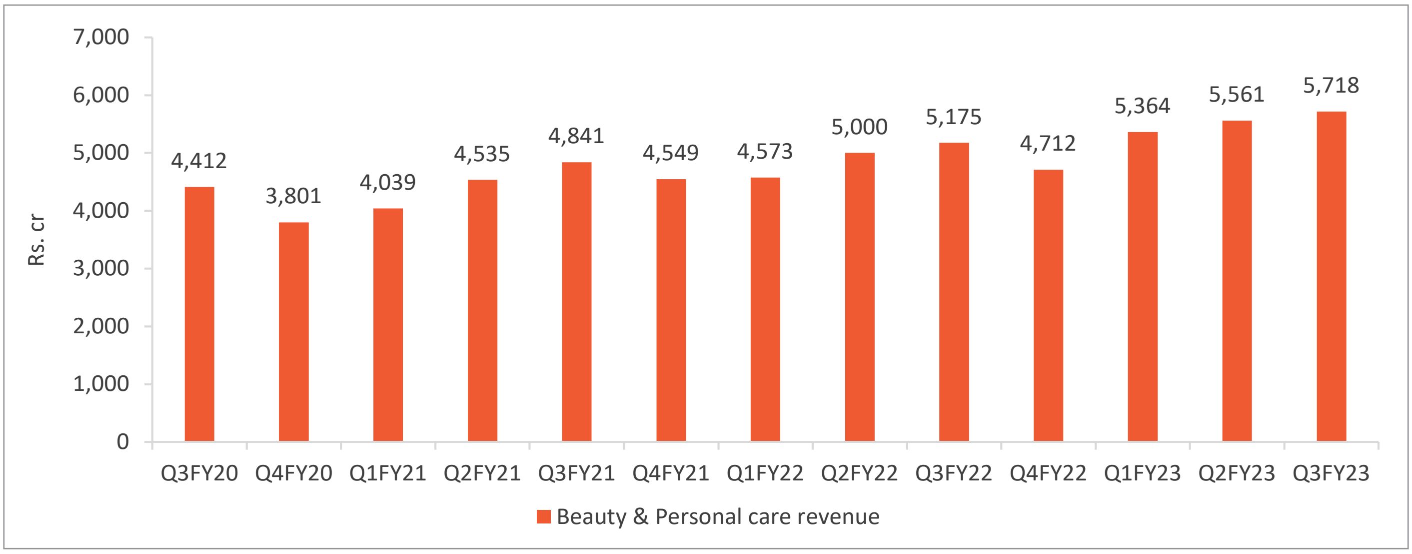


Source: Company, Sharekhan Research

Beauty and personal care (BPC) – Steady performance with 11% y-o-y growth

The beauty and personal care segment grew by 10.5% y-o-y and 2.8% q-o-q to Rs. 5,718 crore in Q3FY2023, aided by broad-based growth across the premium portfolio. Skin cleansing delivered strong double-digit growth with volumes growing in mid-single digit. Price reductions were taken in the soaps portfolio with softening in palm oil prices. Hair care grew in high single-digit, led by strong performance in Clinic Plus. Oral care delivered steady performance, led by Close-Up. Delayed winter impacted growth in skin care; however, the non-winter portfolio delivered double-digit growth, driven by continued focus on innovations and market-development actions in emerging and on-trend demand spaces. During the quarter, Tresemme's new hair care range with Protein Bond Plex technology, Lakme's new range of serums and compact, and Lifebuoy's superior formulation with Neem and Aloe were launched. PBIT margin of the BPC business declined by 252 bps y-o-y to 25.3% due to high input cost inflation.

BPC – Quarterly trend in revenue growth

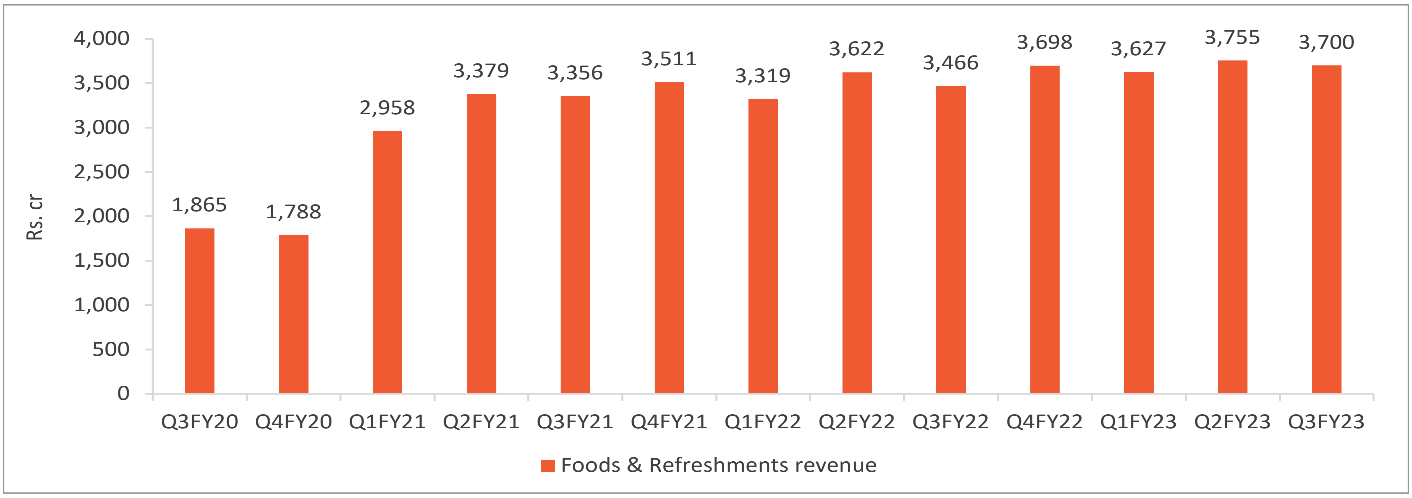


Source: Company, Sharekhan Research

Foods and Refreshments (F&R) – Strong growth in foods, coffee, and ice cream

Foods and refreshment grew by 6.8% y-o-y to Rs. 3,700 crore, driven by solid performance in ice cream, coffee, and food solutions. Foods grew in high teens with double-digit volume growth, led by jams, ketchup, and Unilever Food Solutions business. Ice cream had another strong quarter with double-digit growth on a very high base, led by robust performance across brands and formats. Tea continued its value and volume market leadership and delivered mid-single digit volume growth. Coffee continued to perform well, delivering double-digit growth. Health Food Drinks (HFD) grew in mid-single digit, with strong performance in Boost and Plus range. HFD continued to gain market share and penetration on account of focused market¬-development actions. During the quarter, Red Label's Maa Care – a new premium tea with 80% less caffeine, Bru 'Instant Decoction' coffee, Knorr Korean Meal Pot, and new flavours of Knorr Soup were launched. The F&R segment's EBIT margin declined by 77 bps y-o-y to 17.9%.

F&R – Quarterly trend in revenue growth



Source: Company, Sharekhan Research

Conference call highlights

- **Rural demand to pick-up gradually:** The company witnessed another quarter of urban leading growth, as rural remained muted. The company has seen more value growth over volume growth due to muted rural demand. A budget boost (MNREGA allocation) as well as moderation in the inflation will help rural demand to improve in the coming quarters. Rural slowdown is expected to bottom out in the next few months.
- **Differentiated price revision across categories:** During the quarter, few of the categories undertook price hikes due to sustained raw-material inflation, while the company passed on the benefit of the decline in input prices in certain categories. In Q3FY2023, marginal price increases were taken in fabric wash and household care and HFD categories due to higher prices of soda ash (up 40% y-o-y), skimmed milk powder (up 30% y-o-y), and barley (up 35% y-o-y). Tea and soap categories saw price reduction due to correction in raw tea and palm oil prices (down 30% y-o-y).
- **Sequential increase in gross margin:** Gross margins increased by 168 bps q-o-q due to lower net material inflation (NMI), which dropped to 18% in Q3FY2023 from 22% in Q2FY2023. As stated by the management, if raw-material prices remain stable, gross margin expansion would be achieved through premiumisation (mix change) and benefit of scale. Price vs. cost gap reduced from 10% in Q2FY2023 to 7% in Q3FY2023. The company is looking to maintain/reduce the gap going ahead.
- **Skincare impacted due to seasonality:** December 2022 was registered to be one of the warmest in several years. This had an adverse impact on certain categories. Vaseline and other skincare brands were impacted. Weak season coupled with price increase undertaken affected skincare performance in Q3FY2023. If inflation remains stable, then the discretionary category such as skincare is expected to see improvement.
- **HFD to gain traction:** The company is aiming to drive the segment's growth through cost synergy and revenue growth through market development by improving penetration and awareness. As per management, inflation had a meaningful impact on demand for HFD portfolio. If commodity prices remain stable, strong growth is expected going ahead. The company is gaining market share and penetration in the HFD category.
- Tax rate for FY2023 is expected at 24%.

Results (Standalone) Rs cr

Particulars	Q3FY23	Q3FY22	y-o-y (%)	Q2FY23	q-o-q (%)
Net revenue	**15,228.0**	**13,092.0**	**16.3**	**14,751.0**	**3.2**
Total Raw Material	7,997.0	6,269.0	27.6	7,994.0	0.0
Employee Expenses	676.0	657.0	2.9	709.0	-4.7
Advertising and promotions	1,200.0	1,189.0	0.9	1,041.0	15.3
Other Expenses	1,818.0	1,698.0	7.1	1,630.0	11.5
Total expenditure	11,691.0	9,813.0	19.1	11,374.0	2.8
Operating Profit	**3,537.0**	**3,279.0**	**7.9**	**3,377.0**	**4.7**
Other income	228.0	91.0	-	115.0	98.3
EBITDA	3,765.0	3,370.0	11.7	3,492.0	7.8
Interest	26.0	25.0	4.0	25.0	4.0
PBDT	3,739.0	3,345.0	11.8	3,467.0	7.8
Depreciation	260.0	255.0	2.0	248.0	4.8
PBT	**3,479.0**	**3,090.0**	**12.6**	**3,219.0**	**8.1**
Tax	898.0	798.2	12.5	833.0	7.8
Adjusted PAT	**2,581.0**	**2,291.8**	**12.6**	**2,386.0**	**8.2**
Extra-ordinary items	76.0	48.8	55.6	-230.0	-
Reported PAT	**2,505.0**	**2,243.0**	**11.7**	**2,616.0**	**-4.2**
Adjusted EPS (Rs.)	11.0	9.8	12.6	10.2	8.2
			bps		**bps**
GPM (%)	47.5	52.1	-463	45.8	168
OPM (%)	23.2	25.0	-182	22.9	33
NPM (%)	16.9	17.5	-56	16.2	77
Tax rate (%)	25.8	25.8	-2	25.9	-7

Source: Company, Sharekhan Research

Segmental performance Rs cr

Particulars	Q3FY23	Q3FY22	y-o-y (%)	Q2FY23	q-o-q (%)
Revenue					
Home Care	5,518.0	4,193.0	31.6	5,143.0	7.3
Beauty & Personal Care	5,718.0	5,175.0	10.5	5,561.0	2.8
Food & Refreshments	3,700.0	3,466.0	6.8	3,755.0	-1.5
Total	**14,936**	**12,834**	**16.4**	**14,459**	**3.3**
PBIT					
Home Care	1,091.0	864.0	26.3	889.0	22.7
Beauty & Personal Care	1,448.0	1,441.0	0.5	1,396.0	3.7
Food & Refreshments	661.0	646.0	2.3	744.0	-11.2
Total	**3,200**	**2,951**	**8.4**	**3,029**	**5.6**
PBIT margins (%)					
Home Care	19.8	20.6	-83	17.3	249
Beauty & Personal Care	25.3	27.8	-252	25.1	22
Food & Refreshments	17.9	18.6	-77	19.8	-195
Total	**21.4**	**23.0**	**-157**	**20.9**	**48**

Source: Company, Sharekhan Research

Outlook and Valuation

■ Sector view - H2FY2023 to be better compared with H1

Sustained slowdown in rural demand will continue to put a toll on sales volume of consumer goods companies in Q3FY2023. However, uptick in the festive season, sustained demand for premium categories along with stable demand in urban markets will lead to a sequential improvement in sales volume. Overall, we expect H2FY2023 to be much better compared with H1FY2023, with expected recovery in sales volumes. OPM is also expected to improve from Q4FY2023. Low penetration in key categories (especially in rural India), lower per capita consumption compared with other countries, a large shift to branded products, and emergence of new channels such as e-commerce/D2C provide several opportunities for achieving sustainable growth in the medium to long run.

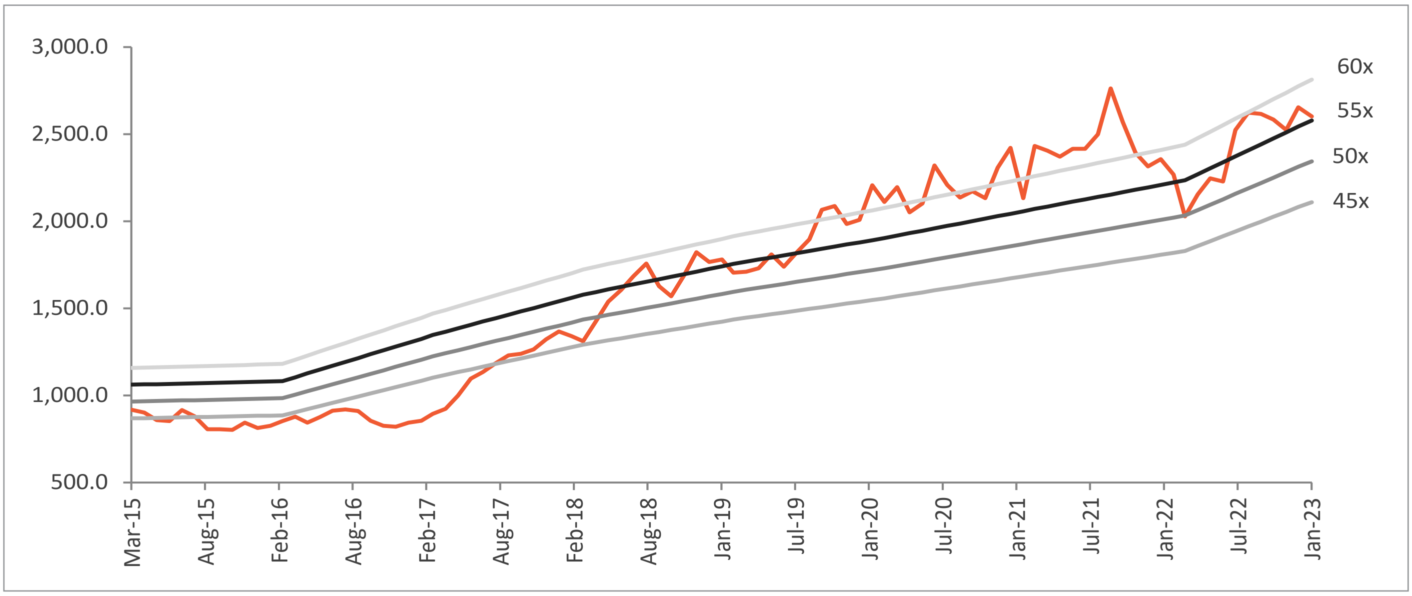
■ Company outlook - Focus remains on achieving competitive volume growth

HUL is well poised to achieve good growth in the coming years with a leadership position of over 80% of the portfolio and presence in more than 8 million stores. Recovery in rural demand, improvement in demand for out-of-home categories with better mobility, addition of relevant products in the portfolio, and sustained improvement in the penetration of key categories remain key growth drivers in the near term. The company continues to focus on achieving competitive volume growth with strategies in place in the near to medium term. Better product mix with recovery in discretionary categories, calibrated price hikes, and operational efficiencies along with integration benefits would help margins to improve in the coming years. However, the recent hike in royalty charges will moderate margin expansion.

■ Valuation - Maintain Buy with a reduced PT of Rs. 2,900

Strong collaboration with parent aided HUL to double its revenue and expand EBIDTA margin by 1,000 bps over the last decade. The company has agreed to pay incremental royalty charges by 80 bps to the parent in achieving its aspiration of consistent double-digit earnings growth in the coming years. Growth will be driven by revenue growth, while margin expansion will be moderate. The stock has underperformed the broader indices with overall slowdown in the demand environment and is currently trading at 55x/47x its FY2024E/ FY2025E EPS. The overhang of royalty increase after a period of five years would reflect in trim-down of the valuation multiple. With long-term growth story intact, we maintain our Buy recommendation on the stock with a reduced 12-month PT of Rs. 2,900.

One-year forward P/E (x) band



Source: Sharekhan Research

Peer Comparison

Companies	P/E (x)			EV/EBITDA (x)			RoCE (%)		
	FY22	FY23E	FY24E	FY22	FY23E	FY24E	FY22	FY23E	FY24E
Nestle India*	81.8	75.0	61.4	52.7	49.6	41.4	138.3	129.4	125.8
ITC	26.9	22.8	19.8	20.3	16.3	14.3	27.1	32.6	35.3
Godrej Consumer Products	53.0	54.3	42.7	38.8	40.2	32.0	17.3	15.6	18.5
HUL	70.4	65.2	55.1	49.3	45.5	38.7	24.1	25.9	30.1

*Source: Company, Sharekhan estimates; *Values for Nestle India are for CY21, CY22E and CY23E*

About company

HUL is India's largest FMCG company present since the past 90 years in the country. The company has a strong portfolio in the homecare and beauty and personal care categories. The company is a subsidiary of Unilever Plc (that holds a 62% stake in HUL), the world's largest consumer goods company present across 190 countries. With over 50 brands spanning 15 distinct categories such as personal wash, fabric wash, skin care, hair care, oral care, deodorants, colour cosmetics, beverages, ice creams, frozen desserts, and water purifiers, HUL is part of the everyday life of millions of consumers across India. The company's portfolio includes leading brands such as Lux, Lifebuoy, Surf Excel, Rin, Wheel, Fair & Lovely, Pond's, Vaseline, Lakmé, Dove, Clinic Plus, Sunsilk, and Axe.

Investment theme

HUL has a leadership position in highly penetrated categories such as soaps, detergents, and shampoos in India. Sustaining product innovation, entering into new categories, premiumisation, and increasing distribution network remain some of the company's key revenue drivers. Addition of GSK Consumer's HFD business will make HUL a formidable play in the HFD segment and will enhance the growth prospects of its relatively small food business. A strong financial background, robust cash-generation ability, and leadership position in some of the key categories give HUL an edge over other companies and, hence, justify the stock's premium valuation.

Key Risks

- **Slowdown in the demand environment:** Any slowdown in demand (especially in rural India) would affect sales of key categories, resulting in moderation of sales volume growth.
- **Increased input prices:** Palm oil and crude derivatives such as linear alkyl benzene are some of the key raw materials used by HUL. Any significant increase in the prices of some of these raw materials would affect profitability and earnings growth.
- **Increased competition in highly penetrated categories:** Increased competition in highly penetrated categories such as soaps and detergents would act as a threat to revenue growth.

Additional Data

Key management personnel

Nitin Paranjpe	Chairman
Sanjiv Mehta	CEO and Managing Director
Ritesh Tiwari	Executive Director, Finance and IT; and Chief Financial Officer
Dev Bajpai	Executive Director, Legal, and Corporate Affairs; and Company Secretary

Source: Company

Top 10 shareholders

Sr. No.	Holder Name	Holding (%)
1	Life Insurance Corp of India	4.78
2	Blackrock Inc.	1.42
3	SBI Funds Management	1.32
4	Vanguard Group Inc.	1.30
5	JP Morgan and Chase	0.68
6	ICICI Prudential Life Insurance Co.	0.48
7	UTI Asset Management Co. Ltd.	0.43
8	Abrdn plc	0.33
9	Norges Bank	0.31
10	Veritas Asset Management LLP	0.30

Source: Bloomberg

Understanding the Sharekhan 3R Matrix

Right Sector	
Positive	Strong industry fundamentals (favorable demand-supply scenario, consistent industry growth), increasing investments, higher entry barrier, and favorable government policies
Neutral	Stagnancy in the industry growth due to macro factors and lower incremental investments by Government/private companies
Negative	Unable to recover from low in the stable economic environment, adverse government policies affecting the business fundamentals and global challenges (currency headwinds and unfavorable policies implemented by global industrial institutions) and any significant increase in commodity prices affecting profitability.
Right Quality	
Positive	Sector leader, Strong management bandwidth, Strong financial track-record, Healthy Balance sheet/cash flows, differentiated product/service portfolio and Good corporate governance.
Neutral	Macro slowdown affecting near term growth profile, Untoward events such as natural calamities resulting in near term uncertainty, Company specific events such as factory shutdown, lack of positive triggers/events in near term, raw material price movement turning unfavourable
Negative	Weakening growth trend led by led by external/internal factors, reshuffling of key management personal, questionable corporate governance, high commodity prices/weak realisation environment resulting in margin pressure and detoriating balance sheet
Right Valuation	
Positive	Strong earnings growth expectation and improving return ratios but valuations are trading at discount to industry leaders/historical average multiples, Expansion in valuation multiple due to expected outperformance amongst its peers and Industry up-cycle with conducive business environment.
Neutral	Trading at par to historical valuations and having limited scope of expansion in valuation multiples.
Negative	Trading at premium valuations but earnings outlook are weak; Emergence of roadblocks such as corporate governance issue, adverse government policies and bleak global macro environment etc warranting for lower than historical valuation multiple.

Source: Sharekhan Research

Sharekhan

by BNP PARIBAS

Know more about our products and services

For Private Circulation only

Disclaimer: This document has been prepared by Sharekhan Ltd. (SHAREKHAN) and is intended for use only by the person or entity to which it is addressed to. This Document may contain confidential and/or privileged material and is not for any type of circulation and any review, retransmission, or any other use is strictly prohibited. This Document is subject to changes without prior notice. This document does not constitute an offer to sell or solicitation for the purchase or sale of any financial instrument or as an official confirmation of any transaction. Though disseminated to all customers who are due to receive the same, not all customers may receive this report at the same time. SHAREKHAN will not treat recipients as customers by virtue of their receiving this report.

The information contained herein is obtained from publicly available data or other sources believed to be reliable and SHAREKHAN has not independently verified the accuracy and completeness of the said data and hence it should not be relied upon as such. While we would endeavour to update the information herein on reasonable basis, SHAREKHAN, its subsidiaries and associated companies, their directors and employees ("SHAREKHAN and affiliates") are under no obligation to update or keep the information current. Also, there may be regulatory, compliance, or other reasons that may prevent SHAREKHAN and affiliates from doing so. This document is prepared for assistance only and is not intended to be and must not alone be taken as the basis for an investment decision. Recipients of this report should also be aware that past performance is not necessarily a guide to future performance and value of investments can go down as well. The user assumes the entire risk of any use made of this information. 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. We do not undertake to advise you as to any change of our views. Affiliates of Sharekhan may have issued other reports that are inconsistent with and reach different conclusions from the information presented in this report.

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 SHAREKHAN and affiliates 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.

The analyst certifies that the analyst has not dealt or traded directly or indirectly in securities of the company and that all of the views expressed in this document accurately reflect his or her personal views about the subject company or companies and its or their securities and do not necessarily reflect those of SHAREKHAN. The analyst and SHAREKHAN further certifies that neither he or his relatives or Sharekhan associates has any direct or indirect financial interest nor have actual or beneficial ownership of 1% or more in the securities of the company at the end of the month immediately preceding the date of publication of the research report nor have any material conflict of interest nor has served as officer, director or employee or engaged in market making activity of the company. Further, the analyst has also not been a part of the team which has managed or co-managed the public offerings of the company and no part of the analyst's compensation was, is or will be, directly or indirectly related to specific recommendations or views expressed in this document. Sharekhan Limited or its associates or analysts have not received any compensation for investment banking, merchant banking, brokerage services or any compensation or other benefits from the subject company or from third party in the past twelve months in connection with the research report.

Either, SHAREKHAN or its affiliates or its directors or employees / representatives / clients or their relatives may have position(s), make market, act as principal or engage in transactions of purchase or sell of securities, from time to time or may be materially interested in any of the securities or related securities referred to in this report and they may have used the information set forth herein before publication. SHAREKHAN may from time to time solicit from, or perform investment banking, or other services for, any company mentioned herein. Without limiting any of the foregoing, in no event shall SHAREKHAN, any of its affiliates or any third party involved in, or related to, computing or compiling the information have any liability for any damages of any kind.

Compliance Officer: Ms. Binkle Oza; Tel: 022-61150000; email id: complianceofficer@sharekhan.com;

For any queries or grievances kindly email igc@sharekhan.com or contact: myaccount@sharekhan.com.

Registered Office: Sharekhan Limited, The Ruby, 18th Floor, 29 Senapati Bapat Marg, Dadar (West), Mumbai – 400 028, Maharashtra, INDIA, Tel: 022 - 67502000/ Fax: 022 - 24327343. Sharekhan Ltd.: SEBI Regn. Nos.: BSE / NSE / MSEI (CASH / F&O/ CD) / MCX - Commodity: INZ000171337; DP: NSDL/CDSL-IN-DP-365-2018; PMS: INP000005786; Mutual Fund: ARN 20669; Research Analyst: INH000006183.

Disclaimer: Client should read the Risk Disclosure Document issued by SEBI & relevant exchanges and the T&C on www.sharekhan.com; Investment in securities market are subject to market risks, read all the related documents carefully before investing.