

Dabur India Ltd. (Dabur)

Steady Growth; Initiate with Accumulate

Dabur is a 138 year old company which started operations as an Ayurvedic company. Today, it is a diversified company with operations across i) Healthcare (25% of sales) spanning Chyawanprash, glucose, honey, some ayurvedic OTC products, ii) Home & Personal care (34% to sales) spanning oral care, hair oils, shampoos, skin care and homecare; iii) Food & Beverages (12% of sales) spanning fruit juices, pastes used in food, milk drinks. Besides this, Dabur has a large iv) International presence with sales across MENA, USA, Turkey (26% of sales). Dabur's revenue & EBITDA have grown at a CAGR of 8.9% and 8.7% respectively over FY18-22. This is in spite of there being 2 COVID years in between which severely disrupted supply chain and consumption.

Dabur is a professionally managed company. Like other FMCG companies, it has a big umbrella brand in Dabur, has a large distribution network, is a low capex company, is a large dividend distributor, generates huge cash every year.

We assign **ACCUMULATE** rating with target price of Rs 588 per share.

Investment Rationale

- Has a strong brand, good distribution:** Dabur has a strong brand in Dabur, Vatika and Real. The company has a wide distribution network, covering ~7 mn retail outlets with a high penetration in both urban and rural markets. Besides, it has a distribution network touching chemists as well.
- Huge cash generator:** Dabur throws up free cash every year. Over the last 5 years, it has thrown up an average of Rs 14bn cash every year. Dabur throws up free cash every year.
- Promoters with a vision:** Promoters have been able to identify the pulse of the consumers and have made strategic entries into those businesses:
 - Entry into processed foods:** Around 1999, Dabur Foods introduced a range of ethnic cooking pastes and chutneys and packaged fruit juices. Dabur Foods was later merged into Dabur. More recently, it has acquired Badshah Masala for ground spices.
 - Entry into home & personal care through acquisition of Balsara:** Dabur acquired Balsara in 2005. Balsara had brands like Promise, Babool, Meswak (all 3 toothpaste brands), Odomos, Odonil, Odopic and Sani Fresh (later 3 are homecare brands).
 - Entry into skin care through acquisition of Fem Care:** Dabur acquired Fem Care in 2009. Fem has products in skin bleach.
 - Strengthening its international market foray through acquisition of Hobi Kosmetic (personal care) for the Turkish market and Namaste Labs for USA and Arica (ethnic hair care market):** Dabur acquired Hobi in 2013 and Namaste in 2010.
- Valuations are in line with the sector.** Dabur trades at a FY25E P/E of 41x; Hindustan Unilever trades at a FY25E P/E of 44x; Nestle trades at a CY24E P/E of 53x; Britannia trades at a FY25E P/E of 42x.

Key Risks

- India's GDP grows much slower than in the past.
- Rural, which has been a growth driver, slows down.
- Its journey of market share gains is halted.

Y/E Mar (Rsmn)	Revenue	YoY (%)	EBITDA	EBITDA (%)	Adj PAT	YoY (%)	Fully DEPS	RoE (%)	RoCE (%)	P/E (x)	EV/EBITDA (x)
FY21	95,617	10%	20,027	20.9%	16,957	9.6%	9.6	23.8%	28.2%	56	47
FY22	1,08,887	14%	22,538	20.7%	18,273	7.8%	10.3	22.8%	28.4%	52	42
FY23E	1,15,281	6%	22,493	19.5%	18,026	-1.4%	10.2	20.9%	26.0%	53	42
FY24E	1,25,134	9%	25,652	20.5%	20,703	14.9%	11.7	22.1%	27.5%	46	37
FY25E	1,36,499	9%	28,528	20.9%	23,144	11.8%	13.1	22.1%	27.5%	41	33

Source: Company, EISEC Research Estimates



East India Securities Ltd
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Rating: **Accumulate** Upside/(Downside): **10%**
CMP: **535** Target Price: **588**

Market Data

Bloomberg:	DABUR:IN
52-week H/L (Rs):	610 / 482
Mcap (Rs bn/USD bn):	948.1/11.6
Shares outstanding (mn):	1771.8
Free float:	33.76%
Daily vol. (3mth Avg)	2.2 mn
Face Value (Rs):	1

Source: Bloomberg, EISEC Research

Shareholding pattern

	Dec-22	Sep-22	Jun-22	Mar-22
Promoter	66.2	67.2	67.2	67.4
FIIs	19.7	20.2	20.2	20.4
DIIIs	6.6	5.8	4.0	2.4
Public/others	7.5	6.7	8.5	9.8

Source: BSE

Price Performance (%)*

YE Mar (R)	1M	3M	6M	12M
Nifty 100	-5.3	-6.2	-3.3	5.2
Dabur	-4.4	-2.1	-8.3	1.1

As on 16 March 2023

Source: Ace Equity, EISEC Research

Shalini Gupta

Senior Research Analyst
+91 22 6192 5344
shalinig@eisec.com

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Background

Dabur is a FMCG company with a significant international presence – ~25% of sales come from the international markets. In India it has a presence across varied product classes i.e. Healthcare, Home & Personal Care and Foods & Beverages.

Dabur is a 138 year old company, promoted by the Burman family. It started operations in 1884 as an Ayurvedic medicines company. Dabur has successfully transformed itself from being a family-run business to become a professionally managed enterprise.

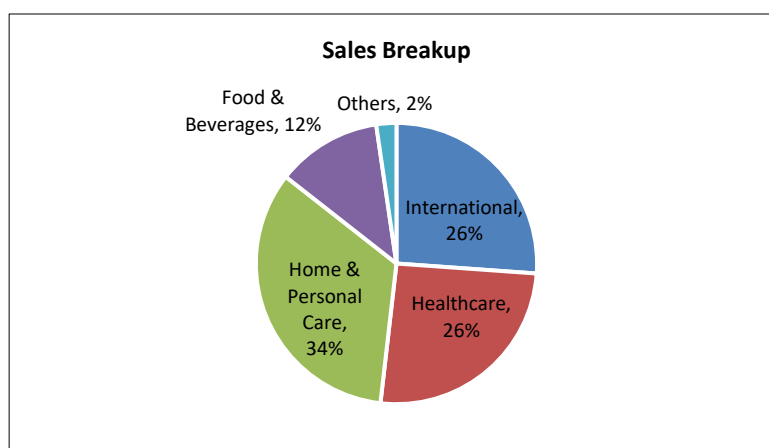
Today, Ayurveda forms the basis of its Healthcare Portfolio, which forms 26% of its sales. Ayurveda also forms the basis of a large part of its Oral Care portfolio, which forms ~12% of sales (EISEC Research estimates).

Promoter

Dabur has been promoted by the Burman family. The Burman family holds 66.24% of the shares of Dabur.

Dabur's Portfolio

Fig 1: Dabur's Portfolio



Source: Company, EISEC Research

Domestic Portfolio

- i) **Healthcare** – Dabur has a range of OTC products here – Dabur Chyawanprash, Dabur Honey, Dabur Gulcose D, Dabur Vedic Suraksha Tea. Besides, Dabur has a range of OTC products like Shilajit, Dabur Luhasava, Dabur Ashokarishta, Honitus Cough Syrup, Hotsip.

Market leading position in several categories in Healthcare portfolio

- a) Chyawanprash

As a category, Chyawanprash sees a lot of players. Dabur has a market share of ~60% in Chyawanprash. Other key players are Zandu, Baidyanath, Dhootapapeshwar.

- b) Honey

As a category, Honey sees intense competition. Dabur's answer to this has been premiumisation. Dabur now offers honey blends like Honey Tulsi, Honey Ashwagandha, Organic Honey, Honey Strawberry, Honey Chocolate. Also, it has introduced different packaging i.e. Honey in a squeeze pack. Dabur has a market share of ~45% in Honey. Other key players are Zandu, Patanjali. Recent entrants are Marico, Conscious Foods (organic), 24 Mantra (organic), Amazon's brand, Kitchen Cheer among others.

c) **Glucose D**

Dabur has ~40% share of the category. Zydus Wellness is the market leader with ~60% of the market.

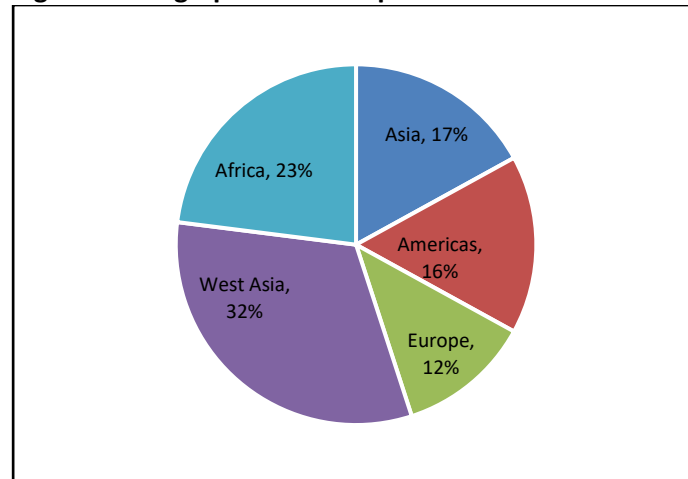
ii) **Home & Personal Care** – Dabur has products in Oral Care, Hair care (hair oils, Shampoos), Homecare and Skin Care.

Market share gains in several categories in Home & Personal Care portfolio

- **Oral Care** (12% of sales, EISEC Research estimates) – this is also a hotly contested category. Dabur has recently become the No2 market share brand in toothpastes, beating HUL. Dabur’s market share stands at 15.8%
 Dabur has a host of brands, all of which are backed by Ayurveda/natural ingredients.
- All the toothpastes and toothpowder are sold under the Dabur umbrella brand.
- a) **Hair Care** (13% of sales, EISEC Research estimates) – Hair oils, which are a large part of Hair Care, are also a hotly contested category with Marico and HUL both having brands in the category.
 - Market share in hair oils is at 16.2%, up 70bps.
 - The hair oils and shampoos are sold under the Vatika and Almond brand.
- b) **Home Care** (4% of sales, EISEC Research estimates)
 - Sanifresh faces competition. It has competition from Reckitt Benckiser’s Harpic, HUL’s brand Domex, Amazon’s brand Presto.
 - Odonil does not face excessive organised competition. It is only a decade back that Godrej Consumer entered the air & bathroom freshener category with its Aer brand.
 - Odomos does not face excessive organised competition.
 - The brands are sold under the Odonil, Sanifresh and Odomos names.
- iii) **Food & Beverages** – Foods constitute ~10% of the segment.
 - Foods are sold under the Hommade brand and are mainly cooking pastes, purees, coconut milk.
 - Under Beverages, Dabur sells fruit juices under the Real brand name.

iv) **International Portfolio**

Figure 2: Geographical breakup of international sales



Source: EISEC Research

- Africa & USA – Dabur services the African origin hair care market in U.S., Europe and Africa. Dabur’s acquisition of Namaste Laboratories was a step in this direction as Namaste had products aimed specifically at this ethnic market.
- Europe – it sells its Healthcare, Home & Personal Care products and Skin Care products.
- West Asia - Dabur’s acquisition of Hobi Kozmetik of Turkey helped it in its MENA and Africa markets. Hobi sells a range of hair care and skin care products under 'Hobby' and 'New Era' brands across the Middle East and North Africa and Turkey.
 - Hobby also sells Personal Care products like creams and lotions, hair styling products, liquid soap and shampoo.
- Asia – Dabur has a large presence in Pakistan, besides its presence in Nepal, Sri Lanka and other Asian countries. In these countries it sells its Healthcare, Home & Personal Care products and Skin Care products.

v) **Others** -these are exports from Dabur India to other countries.

About Dabur

Shareholding

The details of the shareholding are indicated in the following table:

Fig 3: Latest Shareholding

Particulars	% Holding
Promoter Group	66.2
Mutual Funds / UTI	3.0
Financial Institutions / Banks	0.1
Insurance Companies	3.4
Alternate Investment Funds	0.1
Foreign Portfolio investors	19.7
Public	7.5
Total Shareholding	100.0

Source: AceEquity, EISEC Research

Board of Directors

Fig 4: Details of Board of Directors

Name	Designation	Profile
Mr Mohit Burman	Chairman	A fifth-generation member of the Burman family, Mohit is the driving force behind the family's foray into several sunrise sectors. He led the family's acquisition of majority stake in dry cell battery maker Eveready Industries, and Punjab Tractors Limited, which was later sold off to M&M. He was also instrumental in the Burman family's entry into the Life Insurance sector in a joint venture with Aviva Plc.
Mr Saket Burman	Vice Chairman	After getting his BBA in Marketing and Finance from the University of Wisconsin Madison, Saket has started up a number of companies in different industries in the UAE. He also serves as a member or an adviser on a number of entrepreneurial and angel investing groups. He is currently living in Dubai, where he is also Board member of Dabur International.
Dr Anand C. Burman	Director	Dr. Anand C. Burman is the Alternate Director to Mr. Amit Burman, Non-Executive Director of Dabur India Ltd. Prior to his appointment, Dr. Burman was honorary advisor to the Board of Dabur India. Dr. Burman is a trained pharmacist and is widely recognized for his interests in Research & Development that has helped him earn over 40 patents in his name.
Mr Amit Burman	Director	He is responsible for Dabur India's foray into processed foods business with the setting up of Dabur Foods Ltd. It is to Amit's credit today that Dabur Real and Hommade are household names. He is also responsible for driving all business strategy, development and communications at Dabur Foods
Mr Mohit Malhotra	Director	He is a Management Graduate from Pune University and holds Executive Masters in International Business from the Indian Institute of Foreign Trade, New Delhi. He joined Dabur in 1994 and handled key assignments in Marketing and Sales. In 2001 he took over as the Business Head of European Union. In 2004 he moved into Dabur's International Business as Head of Marketing, based in Dubai, and took over the reins as Chief Executive Officer of Dabur International in 2008. He is currently the Chief Executive Officer.
Ms Falguni Nayar	Director	She is the founder & CEO at Nykaa.com. She quit her 25 year career in finance to chase her dream of building India's premier online retailer for beauty and wellness. With a start in early 2012, Nykaa launched its online portal Nykaa.com by December 2012 and has since progressed to offering 300 leading brands on a single platform. Within a short span of 18 months, Nykaa has become India's no. 1 online destination for beauty products.
Mr PN Vijay	Director	He has a rich experience of about 5 decades wherein he has been a banker with SBI, ANZ Grindlays and Citibank. From 1990 till date he is running his own financial services company.
Mr RC Bhargava	Director	President & C.E.O., RCB Consulting Private Limited - RCB Consulting is a management and human resource consultancy firm, established in 1998. Joined Maruti in 1981, almost immediately after its incorporation, as the Marketing Director. Involved in establishing the project from the very start. Appointed Managing Director (CEO) in 1985

Name	Designation	Profile
		and Chairman & Managing Director in 1990. In 1992, when Suzuki acquired 50% equity in Maruti, was continued as Managing Director as Suzuki's nominee. Retired in August 1997 after 12 years as CEO.

Source: Company, EISEC Research

Key management personnel

Fig 5: Details of Management Personnel

Name	Designation
Mr Mohit Malhotra	Chief Executive Officer
Mr PD Narang	Group Director
Mr Ankush Jain	Chief Financial Officer
Mr Biplab Bakshi	Executive Director

Source: Company, EISEC Research

Why invest in Dabur?

Has a strong brand, good distribution and good marketing practises.

i) Strong brand franchise

On the face of it, Dabur has more than 35 brands. But, a noteworthy aspect is that it has only 3 mother brands i.e. Dabur, Vatika and Real. All its Healthcare and Foods brands are under Dabur, Beverages are under Real and Haircare is under Vatika.

ii) Dabur has a core strength in its understanding of Ayurveda and its distribution

Understanding of Ayurveda

Dabur's understanding of Ayurveda dates back to over 138 years. There is an increasing trend towards non-chemical medicines, cosmetics and food additives. Dabur derives ~35% of sales from Ayurveda backed products – 25% from its Healthcare portfolio and ~10% from its Oralcare portfolio.

Distribution

The company has a wide distribution network, covering ~7 mn retail outlets with a high penetration in both urban and rural markets. Besides, it has a distribution network touching chemists as well.

iii) Good marketing practises

Dabur has strong IT systems which help it to maintain details on inventories in each location. Thus, inventory days hover between 56-66.

- It undertakes micro marketing to better understand local consumer preferences.
- It has strong distribution setup for marketing to the modern trade.

Is a steady performer

Dabur's revenue, EBITDA & PAT have grown at a CAGR of 8.9%, 8.6% and 7.4% respectively over FY18-22. This is in spite of there being 2 COVID years in between which severely disrupted supply chain and consumption.

Huge cash generating machine

Dabur throws up free cash every year. Over the last 5 years, it has thrown up an average of Rs 14bn cash each year. The average free cash generated over 5 years, works out to 13% of FY22 sales. Dabur throws up free cash every year.

High dividend payout

Dabur has a high dividend payout of over 35%, hitting even 145% in FY18 and 50% as seen in FY21 & FY22.

Low capex – thus ROCEs are not at risk

Capex between FY18-22 CAGR was 9% to Rs 36bn. By and large, FMCG companies spend on brand building rather than capacity building.

Peer Comparison

Fig 6: Industry Comparison

Company Name	Net Sales (Rs. mn)			EBITDA (Rs. Mn.)			PAT (Rs. Mn.)			EBITDA Margin %			PAT Margin %		
	FY20	FY21	FY22	FY20	FY21	FY22	FY20	FY21	FY22	FY20	FY21	FY22	FY20	FY21	FY22
Dabur	87,036	95,617	1,08,887	17,924	20,027	22,538	15,478	16,957	18,273	20.6%	20.9%	20.7%	17.8%	17.7%	16.8%
Godrej Consumer	99,108	1,10,286	1,22,765	21,430	23,882	23,951	14,966	17,208	17,833	21.6%	21.7%	19.5%	15.1%	15.6%	14.5%
Hindustan Unilever	3,97,830	4,70,280	5,24,460	98,610	1,16,260	1,28,570	67,560	79,990	88,920	24.8%	24.7%	24.5%	17.0%	17.0%	17.0%

Source: AceEquity, EISEC Research

Company Name	CAGR FY20-22				CAGR FY20-22		RoCE (%)			Dividend Payout		
	Mcap Rs bn	Revenue	EBITDA	PAT	EBITDA % (bps)	ROCE % (bps)	FY20	FY21	FY22	FY20	FY21	FY22
Dabur	948	12%	12%	9%	10	-126	29.6%	28.2%	28.4%	34.3%	50.0%	50.3%
Godrej Consumer	966	11%	6%	9%	-211	-13	18.8%	22.2%	18.7%	54.6%	0.0%	0.0%
Hindustan Unilever	5,779	15%	14%	15%	-27	-9510	119.8%	38.8%*	24.7%	79.9%	119.0%	89.9%

Source: AceEquity, EISEC Research

* there was a goodwill of Rs 173bn because of amalgamation with Glaxo Smithkline Consumer Healthcare India.

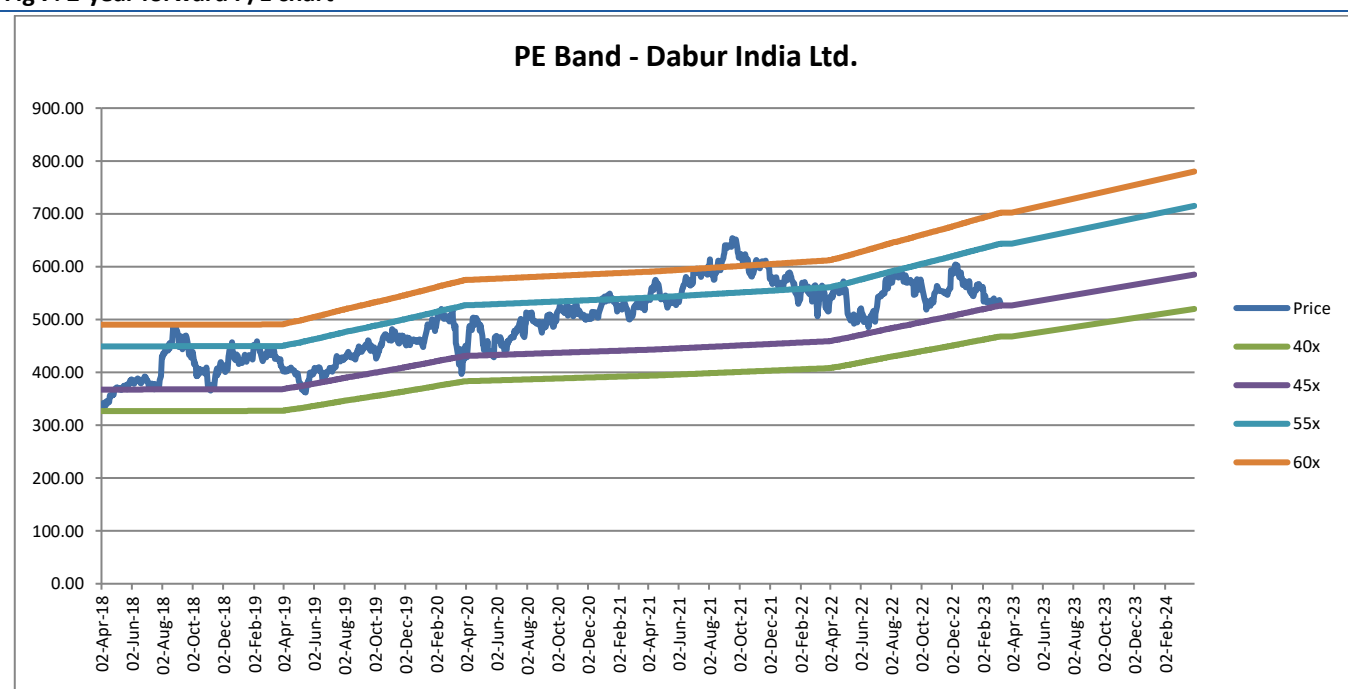
Valuation

Dabur has been a steady performer and has various growth drivers in place. Some highlights of its performance are:

- Choice of international markets and products to be sold there.
- It has a strength in Ayurveda by virtue of legacy and has been able to use this knowledge to capture the current trend towards ayurvedic / natural products. For e.g. for the treatment of diabetes, it has introduced giloy juice.
- In India, it has entered into high growth categories of home care, chutneys, condiments, out of home consumption drinks like juices.
- In the other seemingly fully penetrated categories like Chyawanprash, Honey, Oral care, Hair Oils, Shampoos, Homecare like Odonil and Odomos it is gaining market share by reaching territories not serviced well hitherto.

Dabur is currently trading at P/E of 41x on FY25 basis. We value the stock based on P/E methodology and assign multiple of 45x (2-year forward) on FY25E PAT of Rs 23,144mn to arrive at a target price of **Rs588** per share, which is potential upside of 10% from current market price and recommend **“Accumulate”** on the stock.

Fig 7: 2-year forward P/E chart



Source: AceEquity, Company, EIS Research

Financials (Consolidated)

Income Statement	FY21	FY22	FY23E	FY24E	FY25E
YE March (Rs mn)					
Revenues	95,617	1,08,887	1,15,281	1,25,134	1,36,499
% Growth	9.9%	13.9%	5.9%	8.5%	9.1%
Raw Material Expenses	47,890	56,397	62,627	64,944	70,570
% of sales	50.1%	51.8%	54.3%	51.9%	51.7%
Staff	10,335	10,800	11,426	12,388	13,513
% of sales	10.8%	9.9%	9.9%	9.9%	9.9%
ASP	7,844	7,779	6,492	8,884	9,691
% of sales	8.2%	7.1%	5.6%	7.1%	7.1%
Other expenses	9,522	11,373	12,243	13,264	14,196
% of sales	10.0%	10.4%	10.6%	10.6%	10.4%
EBITDA	20,027	22,538	22,493	25,652	28,528
EBITDA Margin (%)	20.9%	20.7%	19.5%	20.5%	20.9%
Other Income	3,253	3,932	4,210	4,630	5,050
Depreciation & Amortization	2,401	2,529	2,799	2,938	3,085
EBIT	20,875	23,941	23,904	27,345	30,494
Finance cost	308	386	651	0	651
Extraordinary Items	0	-850	0	0	0
Share Of Profits Of Associates	-10	-18	16	20	20
PBT	20,557	22,687	23,269	26,713	29,863
Tax-Total	3,611	5,264	5,243	6,011	6,719
Adjusted PAT	16,957	18,273	18,026	20,703	23,144

Source: Company, EISEC Research Estimates

Key Ratios	FY21	FY22	FY23E	FY24E	FY25E
YE March					
Growth Ratios (%)					
Net Sales	9.9%	13.9%	5.9%	8.5%	9.1%
EBITDA	11.7%	12.5%	-0.2%	14.0%	11.2%
Adjusted Net Profit	9.6%	7.8%	-1.4%	14.9%	11.8%
Margin Ratio (%)					
EBITDA Margin	20.9%	20.7%	19.5%	20.5%	20.9%
PBT margins	21.5%	20.8%	20.2%	21.3%	21.9%
PAT Margin	17.7%	16.8%	15.6%	16.5%	17.0%
Return Ratios					
ROE	23.8%	22.8%	20.9%	22.1%	22.1%
ROCE	28.2%	28.4%	26.0%	27.5%	27.5%
ROIC	33.0%	31.3%	28.6%	30.0%	29.8%
Turnover Ratios (days)					
Gross Block Turnover (x)	2.9	3.0	3.0	3.2	3.3
Inventory	66	64	64	64	64
Debtors	21	22	22	22	22
Creditors	73	68	68	68	68
Cash Conversion Cycle	15	18	18	18	18
Solvency ratio (x)					
Debt-equity	0.1	0.0	0.1	0.1	0.1
Net Debt-Equity	-0.1	0.0	0.0	0.1	0.0
Gross Debt/EBITDA	0.2	0.2	0.4	0.3	0.3
Per share (Rs.)					
Adjusted EPS	9.6	10.3	10.2	11.7	13.1
BV	43.3	47.3	50.0	55.7	62.7
CEPS	10.9	11.7	11.8	13.3	14.8
DPS	4.8	5.2	7.5	6.0	6.0
Dividend Pay out (%)	50%	50%	74%	51%	46%
Valuation					
P/E	55.9	51.9	52.6	45.8	41.0
P/BV	12.4	11.3	10.7	9.6	8.5
EV/EBITDA	47.2	42.1	42.1	37.0	33.2
Dividend Yield (%)	1%	1%	1%	1%	1%

Source: Company, EISEC Research Estimates

Balance Sheet	FY21	FY22	FY23E	FY24E	FY25E
YE March (Rs mn)					
Capital	1,767	1,768	1,772	1,772	1,772
Reserves & Surplus	74,868	82,045	86,782	96,854	1,09,367
Shareholders' Funds	76,635	83,813	88,554	98,626	1,11,139
Minority Interest	367	406	436	471	506
Total Loan Funds	13	2504	2629	2629	2629
Other Financial Liabilities	1342	1438	1439	1439	1439
Provisions	633	637	637	637	638
Deferred tax liabilities	139	823	823	823	823
Total Liabilities	79,129	89,620	94,518	1,04,625	1,17,174
Property, Plant & Equipment	18,117	19,680	20,663	21,697	22,781
Capital WIP	1473	1675	1675	1675	1675
Investment Property	505	490.7	491	491	492
Goodwill	3,360	2,512	2,512	2,512	2,512
Investments	34,023	53,556	57,000	67,000	77,000
Others	3233	1767	1767	1767	1767
Total Non Current Assets	60,711	79,680	84,010	95,043	1,06,129
Inventories	17,343	19,114	20,214	21,941	23,934
Current Investments	7,460	8,546	8,546	8,546	8,546
Trade Receivables	5,616	6,462	6,948	7,542	8,227
Cash & Bank Balances	13,290	5,701	5,748	4,336	5,238
Other current Assets	4,050	3,346	3,346	3,346	3,346
Total Current Assets	47,759	43,168	44,802	45,711	49,292
Borrowing	3,491	6,173	6,173	6,173	6,173
Trade Payables	19,153	20,180	21,477	23,313	25,430
Others	6,698	6,873	6,873	6,873	6,873
Total Current Liabilities	29,342	33,225	34,294	36,130	38,247
Net Current Assets	18,418	9,943	10,507	9,581	11,044
Total Assets	79,129	89,623	94,518	1,04,625	1,17,174

Source: Company, EISEC Research Estimates

Cash Flow	FY21	FY22	FY23E	FY24E	FY25E
YE March (Rs mn)					
Operating profit before WC changes	23,266	25,602	26,718	29,651	33,599
Changes in working capital	8,099	2,145	(518)	(486)	(560)
Cash flow from operations	27,754	22,483	20,957	23,155	26,319
Capex	(1,405)	(3,433)	(1,800)	(1,890)	(1,985)
Cash flow from investments	(21,336)	(22,966)	(5,244)	(11,890)	(11,985)
Cash flow from financing	(9,958)	(4,407)	(13,811)	(10,631)	(11,282)
Net change in cash	(3,540)	(4,890)	1,902	633	3,052

Source: Company, EISEC Research Estimates

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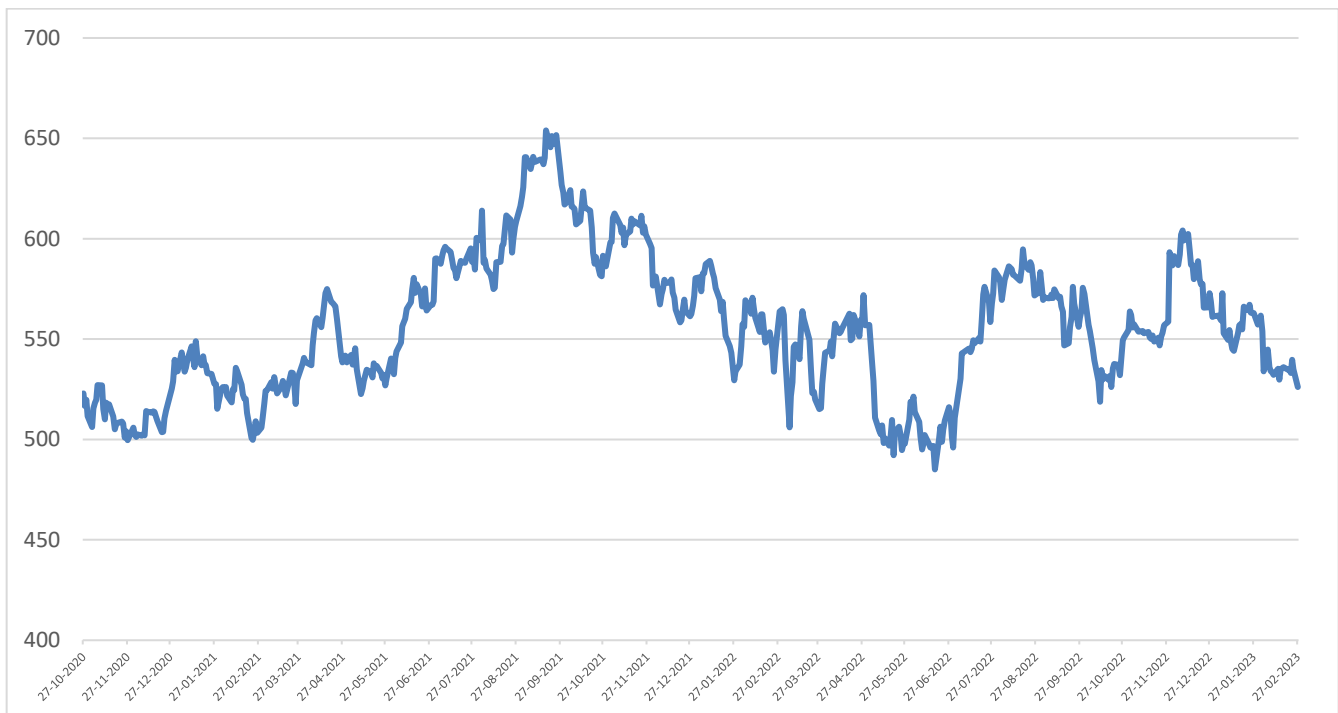
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Source: ACEEquity, EISEC Research

Analyst holding in stock: No

Key to EISEC Investment Rankings

Buy: Upside by >15%, Accumulate: Upside by 5% to 15%, Hold: Downside/Upside by -5% to +5%, Reduce: Downside by 5% to 15%, Sell: Downside by >15%

East India Securities Ltd. (<http://www.eisec.com/>)

Office: - 201, Garnet Palladium, Pandit Motilal Nehru Marg, Panch Bawadi, Behind Express Zone, Malad East, Mumbai – 400097

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Single SEBI Regn No.: INZ000190836

Research Analyst

SEBI Registration No. INH300003231

Website: www.eisec.com

Investor Grievance Email ID: mail@eisec.com

Compliance Officer Details:

Sumeet Kejriwal 033-40205901; Email ID: sumeetk@eisec.com

East India Securities Ltd. (CIN: U67120WB1995PLC072026)	
Registered Office Address DA-14 Saltlake City, Sector-1, Kolkata – 700064.	Corporate Office & Correspondence Address 201, Garnet Palladium, Pandit Motilal Nehru Marg, Panch Bawadi, Behind Express Zone, Malad East, Mumbai – 400097