

# Jyothy Laboratories

Estimate changes	
TP change	
Rating change	

Motilal Oswal values your support in the Asiamoney Brokers Poll 2021 for India Research, Sales, Corporate Access and Trading team. We [request your ballot](#).



Bloomberg	JYL IN
Equity Shares (m)	367
M.Cap.(INRb)/(USDb)	63 / 0.8
52-Week Range (INR)	187 / 119
1, 6, 12 Rel. Per (%)	12/-8/4
12M Avg Val (INR M)	123

## Financials & Valuations (INR b)

Y/E March	2021	2022E	2023E
Net Sales	19.1	20.7	22.3
Sales Gr. (%)	11.6	8.3	8.0
EBITDA	3.1	3.0	3.5
EBITDA Margins (%)	16.5	14.7	15.8
Adj PAT	2.1	1.9	2.3
Adj.EPS (INR)	5.8	5.1	6.3
EPS Gr. (%)	28.7	-11.7	22.5
BV/Sh (INR)	38.9	38.9	40.0
<b>Ratios</b>			
RoE (%)	16.1	13.2	16.0
RoCE (%)	14.7	13.1	16.1
Payout (%)	92.6	104.9	85.6
<b>Valuation</b>			
P/E (x)	29.4	33.3	27.2
P/BV (x)	4.4	4.4	4.3
EV/EBITDA	19.8	20.3	17.1
Div. Yield (%)	3.1	3.1	3.1

## Shareholding pattern (%)

As On	Jun-21	Mar-21	Jun-20
Promoter	62.9	62.9	62.9
DII	16.6	16.9	15.9
FII	11.9	12.5	14.1
Others	8.7	7.8	7.1

FII Includes depository receipts

**CMP: INR172**

**TP: INR168 (-2%)**

**Neutral**

## Weak results trend persists; material costs to weigh on margins

- Jyothy Laboratories (JYL)'s 1QFY22 sales came in above expectations, despite a higher COVID impact in the company's largest market, i.e., Kerala. Nevertheless, gross and EBITDA margins were significantly lower than expectations due to a higher material cost impact and higher-than-anticipated ad spends. Material cost inflation is unlikely to see any considerable respite, affecting performance in subsequent quarters as well.
- While improvement was seen in net WC days in FY21 and the company is now net debt free, topline growth is key for a company with sales of just INR19b. The likelihood of 15% sales growth (essential for any re-rating) continues to appear difficult. The sales CAGR has been 3.7% for the preceding five years.
- With margins likely to remain under pressure due to material cost increases, earnings growth prospects remain weak. Maintain **Neutral**.

## Double-digit volume growth benefit; high input cost impacts profitability

- Standalone net sales grew 21.8% YoY to ~INR5.2b in 1QFY22 (est. INR4.8b).
- **Gross margins contracted ~280bp YoY to 43.1% in 1QFY22.** High RM cost YoY as a percentage of sales (+280bp YoY), high ad spends at 8.2% (+360bp), marginally lower staff costs at 11.7% (-30bp), and lower other expenses at 10.8% (-30bp) led to **EBITDA margin contraction of 580bp YoY to 12.5%**.
- **EBITDA declined ~17% YoY to INR650m (est. INR 787m).** PBT declined ~19% YoY to INR476m (est. INR626m). Adj. PAT declined 20.5% YoY to INR401m (est. INR514m).
- The two-year average quarterly sales / EBITDA / adj. PAT growth stood at 13%/1.2%/10%.
- **Consolidated segmental performance:** Fabric Care / Dishwashing / Household Insecticides / Personal Care grew ~27%/22%/13%/13.5% YoY to INR1.8b/INR1.9b/INR718m/INR680m in 1QFY22.
- Margins for Fabric Care / Dishwashing / Household Insecticides / Personal Care contracted by 460bp/-940bp/+215bp/-730bp YoY and stood at 17.6%/11.3%/(0.9%)/18.2%.

## Highlights from management commentary

- The second COVID wave impacted JYL's service and distribution activities. However, no major disruption was seen due to adequate stock maintained in the pipeline.
- Strong overall double-digit growth resulted in market share gains across categories.
- The General Trade (GT) and e-commerce channels led growth, with e-commerce now contributing ~4% to total sales. Modern Trade (MT) and Canteen Stores Department (CSD) remained weak further weighing down detergent sales recovery

- Weighted inflation in the key RM basket was ~10%. MRP increase, reduction in trade schemes, and enhancing manufacturing efficiencies helped to offset 70% of RM inflation cost
- The management has guided to achieve EBITDA margins of 17–18% once the current volatile scenario returns to normal.

#### Valuation and view

- We lower our FY22E/FY23E EPS by 8.9%/1.3% due to a tepid sales growth outlook and rising material costs.
- For a company that has a far lower sales base of INR19.1b in FY21 (v/s peers), its performance over the past five years has been consistently lackluster (at 3.7%/7.2% sales/operating profit CAGR).
- RoCE at 15% in FY21 remains far inferior v/s peers. No marked uptick is visible over the medium- to long-term horizon. We maintain our 16x EV/EBITDA target multiple (~50% discount to peers) even as we roll forward to September 2023 targets, resulting in TP of INR168 per share. Maintain **Neutral**.

Standalone Quarterly Performance (INR m)										
Y/E March	FY21				FY22				FY22	Var. (%)
	1Q	2Q	3Q	4Q	1QE	2QE	3QE	4QE	FY21	FY22E
<b>Net Sales</b>	<b>4,287</b>	<b>4,996</b>	<b>4,694</b>	<b>4,873</b>	<b>5,219</b>	<b>5,546</b>	<b>4,929</b>	<b>4,708</b>	<b>18,850</b>	<b>20,402</b>
YoY change (%)	4.1	7.6	15.3	27.5	21.8	11.0	5.0	-3.4	13.2	8.2
<b>Gross Profit</b>	<b>1,968</b>	<b>2,373</b>	<b>2,269</b>	<b>2,197</b>	<b>2,250</b>	<b>2,495</b>	<b>2,259</b>	<b>2,180</b>	<b>8,807</b>	<b>9,184</b>
Margins (%)	45.9	47.5	48.3	45.1	43.1	45.0	45.8	46.3	46.7	45.0
<b>EBITDA</b>	<b>782</b>	<b>889</b>	<b>798</b>	<b>698</b>	<b>650</b>	<b>820</b>	<b>739</b>	<b>773</b>	<b>3,167</b>	<b>2,982</b>
EBITDA growth %	19.4	12.4	22.6	73.9	-16.9	-7.7	-7.4	10.7	26.8	-5.9
Margins (%)	18.3	17.8	17.0	14.3	12.5	14.8	15.0	16.4	16.8	14.6
Depreciation	187	193	198	200	206	193	208	210	779	818
Interest	51	29	20	18	17	29	24	22	117	91
Other Income	42	39	63	53	48	39	57	48	198	192
<b>PBT</b>	<b>587</b>	<b>706</b>	<b>643</b>	<b>533</b>	<b>476</b>	<b>637</b>	<b>565</b>	<b>588</b>	<b>2,469</b>	<b>2,266</b>
Tax	83	100	121	28	75	115	102	117	332	408
Rate (%)	14.1	14.1	18.8	5.3	15.7	18.0	18.0	19.9	13.4	18.0
<b>Adjusted PAT</b>	<b>504</b>	<b>607</b>	<b>522</b>	<b>505</b>	<b>401</b>	<b>523</b>	<b>463</b>	<b>471</b>	<b>2,138</b>	<b>1,858</b>
YoY change (%)	40.4	14.0	22.8	93.9	-20.5	-13.8	-11.3	-6.7	35.5	-13.1

E: MOFSL Estimates

Key Performance Indicators								
Y/E March	FY21				FY22			
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
<b>2Y average growth %</b>								
Sales	3.2	8.1	4.5	1.6	12.9	9.3	10.1	12.0
EBITDA	15.9	10.2	6.6	11.2	1.2	2.3	7.6	42.3
PAT	25.7	15.7	5.3	16.3	10.0	0.1	5.7	43.6
<b>% sales</b>								
COGS	54.1	52.5	51.7	54.9	56.9	55.0	54.2	53.7
Other expenditure	27.7	29.7	31.3	30.8	30.6	30.2	30.8	29.9
Depreciation	4.4	3.9	4.2	4.1	3.9	3.5	4.2	4.5
<b>YoY change %</b>								
COGS	7.8	4.0	13.8	26.6	28.1	16.3	10.1	-5.5
Other expenditure	-9.4	11.7	14.0	14.6	34.9	12.9	3.3	-6.1
Other income	-12.2	-27.7	18.6	19.6	14.2	0.0	-10.0	-10.0
EBIT	26.4	15.4	31.1	136.7	-25.4	-9.9	-11.4	12.9

E: MOFSL Estimates



## Highlights from management commentary

### Operating environment

- The second COVID wave impacted JYL's service and distribution activities. However, no major disruption was seen due to adequate stock maintained in the pipeline.
- In 1QFY22, the company achieved volume growth of 16.6% and value growth of 5% (via an MRP increase and a reduction in trade schemes).
- Strong overall double-digit growth resulted in market share gains across categories.
- GT and e-commerce led growth during the quarter, with e-commerce now contributing ~4% to total sales. MT and CSD remained weak, impacting Detergent sales.
- The Fabric Care category (Ujala / Detergent / Crisp & Shine) picked up sequentially, but is yet to reach pre-COVID levels.

### Financial highlights

- GM was impacted due to a sharp rise in key input prices (palm oil, HDP, and paper costs). Weighted inflation for the RM basket was ~10%.
- It passed on 50% of the inflation (i.e., 5% of inflation) through an MRP increase and a reduction in trade schemes. Furthermore, 2% gains were achieved by enhancing manufacturing efficiencies; the balance 3% impacted gross margins.
- Ad spends were higher YoY and would remain at 7–8% of sales annually.
- It expects to achieve EBITDA margins of 17–18% post normalcy.
- The effective tax rate would be around 18% within the next two years.
- Maintenance capex would be INR250–300m per annum in FY22 and FY23.

### Other points

- Further price hikes would depend on consumers and market dynamics.
- It is working on further enhancing manufacturing efficiencies to bring down costs.
- JYL would focus on achieving growth over margins in the short term, and it would continue to focus on its existing high margin businesses over NPD

## Key exhibits

### Exhibit 1: Consolidated quarterly performance

Category sales (INR m)	1QFY21	4QFY21	1QFY22
Fabric Care	1,422	1,803	1,812
Dishwashing	1,566	1,692	1,910
Household Insecticides	636	872	718
Personal Care	600	418	680
Other products	105	166	134
<b>Total</b>	<b>4,329</b>	<b>4,951</b>	<b>5,254</b>
<b>Category salience (%)</b>			
Fabric Care	32.9	36.4	34.5
Dishwashing	36.2	34.2	36.3
Household Insecticides	14.7	17.6	13.7
Personal Care	13.9	8.4	13.0
Other products	2.4	3.4	2.6
<b>Total</b>	<b>100</b>	<b>100</b>	<b>100</b>
<b>Category growth (%)</b>			
Fabric Care	(23.8)	15.8	27.4
Dishwashing	16.6	33.2	22.0
Household Insecticides	151.1	35.8	12.7
Personal Care	0.4	38.4	13.5
Other products	(37.0)	5.3	27.7
<b>Total</b>	<b>2.5</b>	<b>26.0</b>	<b>21.4</b>
<b>Category result (INR m)</b>			
Fabric Care	315	330	319
Dishwashing	325	288	216
Household Insecticides	-20	2	-7
Personal Care	153	71	124
Other products	-39	-37	-65
<b>Total</b>	<b>734</b>	<b>654</b>	<b>587</b>
<b>Result salience (%)</b>			
Fabric Care	42.9	50.4	54.3
Dishwashing	44.2	44.0	36.8
Household Insecticides	(2.7)	0.3	(1.2)
Personal Care	20.8	10.9	21.1
Other products	(5.3)	(5.6)	(11.0)
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>
<b>EBIT margin (%)</b>			
Fabric Care	22.2	18.3	17.6
Dishwashing	20.7	17.0	11.3
Household Insecticides	(3.1)	0.2	(0.9)
Personal Care	25.5	17.0	18.2
Other products	(37.1)	(22.1)	(48.2)
<b>Total</b>	<b>17.0</b>	<b>13.2</b>	<b>11.2</b>

Source: Company, MOFSL

## Valuation and view

### What has happened over the past 10 years?

- Given its size, which is much smaller v/s peers (INR6b/INR17.1b in FY10/FY20), JYL's financial performance has been disappointing over the past 10 years.
- While it has reported a ~11% sales CAGR over this period, the EBITDA/PAT CAGR has been tepid (~11%/~8%).
- The sales/EBITDA/PAT CAGR at 2.5%/9%/5.5% for the last five years has not been much better.
- Growth has been restricted by a) the higher penetration and regional dependence of its largest brand Ujala and b) limited success in terms of achieving profitable growth in other categories/geographies outside of South India.
- The expiry of the Henkel option – which could have added more brands to its portfolio – has also been a setback.
- Given the above factors, it is not surprising that the stock has been an underperformer in recent years.

### Our view on the stock

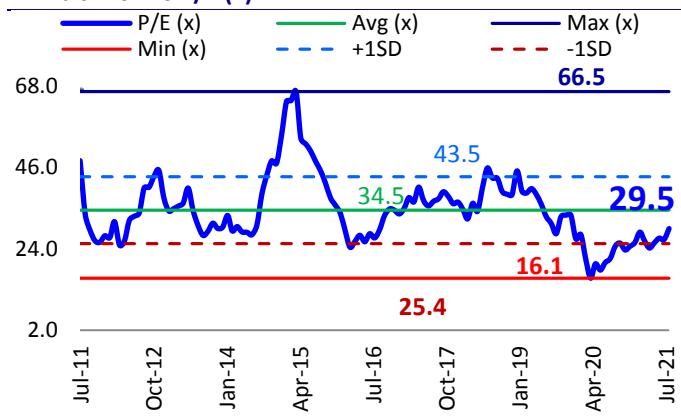
- We lower our FY22E/FY23E EPS by 8.9%/1.3% due to a tepid sales growth outlook and rising material costs.
- For a company that has a far lower sales base of INR19.1b in FY21 (v/s peers), its performance over the past five years has been consistently lackluster (at 3.7%/7.2% sales/operating profit CAGR).
- RoCE at 15% in FY21 remains far inferior v/s peers. No marked uptick is visible over the medium- to long-term horizon. We maintain our 16x EV/EBITDA target multiple (~50% discount to peers) even as we roll forward to September 2023 targets, resulting in TP of INR168 per share. Maintain **Neutral**.

### Exhibit 2: Change our FY22E/FY23E EPS estimate by -8.9%/-1.3%

	New		Old		Change (%)	
	FY22E	FY23E	FY22E	FY23E	FY22E	FY23E
<b>Sales</b>	20,670	22,324	20,237	21,856	2.1%	2.1%
<b>EBITDA</b>	3,048	3,535	3,148	3,489	-3.2%	1.3%
<b>PAT</b>	1,891	2,317	2,075	2,348	-8.9%	-1.3%

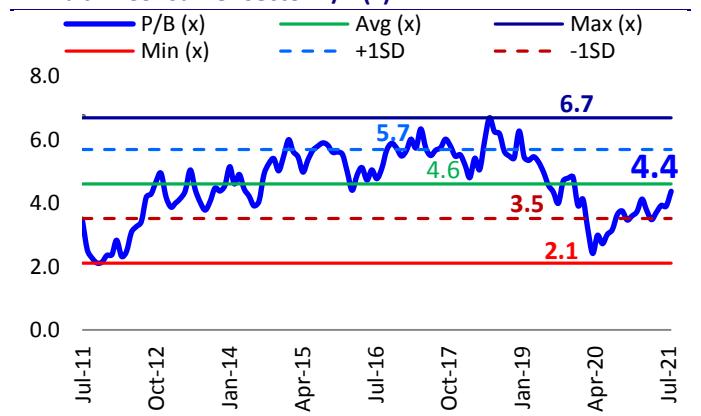
Source: Company, MOFSL

### Exhibit 1: JYL's P/E (x)



Source: Company, MOFSL

### Exhibit 2: Consumer sector P/E (x)



Source: Company, MOFSL

## Financials and valuations

Consolidated - Income Statement							(INR m)
Y/E March	FY17	FY18	FY19	FY20	FY21	FY22E	FY23E
<b>Total Income from Operations</b>	<b>16,830</b>	<b>16,724</b>	<b>18,136</b>	<b>17,112</b>	<b>19,091</b>	<b>20,670</b>	<b>22,324</b>
Change (%)	5.7	-0.6	8.4	-5.6	11.6	8.3	8.0
Cost of Materials Consumed	8,941	8,753	9,707	9,009	10,104	11,338	11,980
% of Sales	53.2	52.3	53.5	52.6	52.9	54.9	53.7
<b>Gross Profit</b>	<b>7,889</b>	<b>7,971</b>	<b>8,429</b>	<b>8,103</b>	<b>8,987</b>	<b>9,332</b>	<b>10,344</b>
Margin (%)	46.9	47.7	46.5	47.4	47.1	45.1	46.3
Personnel Expenses	1,752	1,908	2,076	2,193	2,325	2,480	2,567
% of Sales	10.4	11.4	11.4	12.8	12.2	12.0	11.5
Other Expenses	3,591	3,488	3,542	3,398	3,517	3,803	4,242
% of Sales	21.4	20.9	19.5	19.9	18.4	18.4	19.0
<b>EBITDA</b>	<b>2,545</b>	<b>2,575</b>	<b>2,811</b>	<b>2,511</b>	<b>3,145</b>	<b>3,048</b>	<b>3,535</b>
Margin (%)	15.1	15.4	15.5	14.7	16.5	14.7	15.8
Depreciation	301	311	306	529	556	821	833
<b>EBIT</b>	<b>2,245</b>	<b>2,263</b>	<b>2,505</b>	<b>1,982</b>	<b>2,589</b>	<b>2,227</b>	<b>2,702</b>
Int. and Finance Charges	565	481	352	329	192	115	81
Other Income	107	625	278	200	185	194	204
<b>PBT after EO Exp.</b>	<b>1,787</b>	<b>2,407</b>	<b>2,430</b>	<b>1,815</b>	<b>2,346</b>	<b>2,306</b>	<b>2,825</b>
Current Tax	-255	619	454	189	440	415	509
Tax Rate (%)	-14.3	25.7	18.7	10.4	18.7	18.0	18.0
Less: Minority Interest	40	73	75	77	88	88	88
<b>Adjusted PAT</b>	<b>2,042</b>	<b>1,789</b>	<b>1,976</b>	<b>1,664</b>	<b>2,142</b>	<b>1,891</b>	<b>2,317</b>
Change (%)	176.6	-12.4	10.5	-15.8	28.7	-11.7	22.5

Consolidated - Balance Sheet							(INR m)
Y/E March	FY17	FY18	FY19	FY20	FY21	FY22E	FY23E
Equity Share Capital	182	182	367	367	367	367	367
Total Reserves	10,708	11,260	12,898	11,919	13,918	13,914	14,336
<b>Net Worth</b>	<b>10,890</b>	<b>11,442</b>	<b>13,265</b>	<b>12,286</b>	<b>14,286</b>	<b>14,281</b>	<b>14,703</b>
Minority Interest	-67	-139	-215	-291	-379	-379	-379
Deferred Liabilities	-1,115	-902	-928	-1,027	-962	-962	-962
Total Loans	4,983	5,441	2,809	2,830	1,169	669	0
<b>Capital Employed</b>	<b>14,691</b>	<b>15,841</b>	<b>14,932</b>	<b>13,798</b>	<b>14,114</b>	<b>13,610</b>	<b>13,362</b>
Gross Block	11,541	11,762	12,046	13,050	13,582	13,782	13,982
Less: Accum. Deprn.	571	855	1,040	1,558	2,114	2,935	3,768
<b>Net Fixed Assets</b>	<b>10,970</b>	<b>10,907</b>	<b>11,006</b>	<b>11,492</b>	<b>11,467</b>	<b>10,846</b>	<b>10,214</b>
Capital WIP	88	153	143	245	101	123	123
<b>Total Investments</b>	<b>285</b>	<b>1,132</b>	<b>1,044</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Curr. Assets, Loans&amp;Adv.</b>	<b>6,073</b>	<b>6,695</b>	<b>6,301</b>	<b>5,598</b>	<b>7,029</b>	<b>7,610</b>	<b>8,764</b>
Inventory	1,925	1,836	1,974	2,251	2,786	2,894	3,125
Account Receivables	1,228	1,674	1,534	1,224	944	1,034	1,116
Cash and Bank Balance	1,034	1,367	964	289	1,938	1,738	2,422
Loans and Advances & Others	1,886	1,818	1,830	1,834	1,361	1,945	2,101
<b>Curr. Liability &amp; Prov.</b>	<b>2,725</b>	<b>3,045</b>	<b>3,563</b>	<b>3,537</b>	<b>4,484</b>	<b>4,970</b>	<b>5,738</b>
Account Payables	1,490	1,720	2,134	1,450	1,920	1,964	2,232
Other Current Liabilities	654	663	715	1,299	1,744	2,180	2,725
Provisions	581	663	715	788	820	827	781
<b>Net Current Assets</b>	<b>3,348</b>	<b>3,650</b>	<b>2,738</b>	<b>2,061</b>	<b>2,546</b>	<b>2,640</b>	<b>3,026</b>
<b>Appl. of Funds</b>	<b>14,691</b>	<b>15,841</b>	<b>14,932</b>	<b>13,798</b>	<b>14,114</b>	<b>13,610</b>	<b>13,362</b>

E: MOFSL Estimates

## Financials and valuations

### Ratios

Y/E March	FY17	FY18	FY19	FY20	FY21	FY22E	FY23E
<b>Basic (INR)</b>							
EPS	<b>5.6</b>	<b>4.9</b>	<b>5.4</b>	<b>4.5</b>	<b>5.8</b>	<b>5.1</b>	<b>6.3</b>
Cash EPS	6.4	5.7	6.2	6.0	7.3	7.4	8.6
BV/Share	29.7	31.2	36.1	33.5	38.9	38.9	40.0
DPS	3.0	0.5	3.0	3.2	5.4	5.4	5.4
Payout (%)	64	12	67	84	93	105	86
<b>Valuation (x)</b>							
P/E	30.9	35.2	31.9	37.9	29.4	33.3	27.2
Cash P/E	26.9	30.0	27.6	28.7	23.4	23.2	20.0
P/BV	5.8	5.5	4.8	5.1	4.4	4.4	4.3
EV/Sales	2.1	2.0	3.5	3.8	3.3	3.0	2.7
EV/EBITDA	13.7	13.3	22.7	26.1	19.8	20.3	17.1
Dividend Yield (%)	1.7	0.3	1.7	1.8	3.1	3.1	3.1
FCF per share	5.9	13.6	7.2	3.5	10.3	5.8	8.5
<b>Return Ratios (%)</b>							
RoE	20.5	16.0	16.0	13.0	16.1	13.2	16.0
RoCE	18.3	13.1	13.7	12.5	14.7	13.1	16.1
RoIC	20.0	12.7	15.7	13.6	16.6	15.3	19.6
<b>Working Capital Ratios</b>							
Asset Turnover (x)	1.1	1.1	1.2	1.2	1.4	1.5	1.7
Debt/Equity	0.5	0.5	0.2	0.2	0.1	0.0	0.0

### Consolidated - Cash Flow Statement

(INR m)

Y/E March	FY17	FY18	FY19E	FY20	FY21	FY22E	FY23E
OP/(Loss) before Tax	1,787	2,407	2,430	1,815	2,346	2,306	2,825
Depreciation	301	311	306	529	556	821	833
Interest & Finance Charges	493	413	314	304	161	115	81
Other income	18	-409	-25	-21	232	-194	-204
Direct Taxes Paid	-309	-251	-418	-386	-327	-415	-509
(Inc)/Dec in WC	-656	-38	409	-527	1,055	-295	298
<b>CF from Operating incl EO</b>	<b>1,633</b>	<b>2,434</b>	<b>3,016</b>	<b>1,715</b>	<b>4,022</b>	<b>2,338</b>	<b>3,325</b>
(inc)/dec in FA	-567	43	-383	-415	-257	-222	-200
(Pur)/Sale of Investments	598	-807	112	1,061	-1,048	0	0
Others	56	115	37	4	1,093	282	292
<b>CF from Investments</b>	<b>87</b>	<b>-649</b>	<b>-234</b>	<b>650</b>	<b>-212</b>	<b>60</b>	<b>92</b>
Issue of Shares	4,001	600	4	0	0	0	0
(Inc)/Dec in Debt	492	2,276	-610	41	-1,669	-500	-669
Interest Paid	-1,555	-600	-342	-212	-281	-115	-81
Dividend Paid	-181	-1,090	-182	-2,656	0	-1,983	-1,983
Others	-4,054	-2,639	-2,055	-211	-212	0	0
<b>CF from Fin. Activity</b>	<b>-1,298</b>	<b>-1,453</b>	<b>-3,185</b>	<b>-3,039</b>	<b>-2,161</b>	<b>-2,598</b>	<b>-2,733</b>
<b>Inc/Dec of Cash</b>	<b>422</b>	<b>332</b>	<b>-403</b>	<b>-674</b>	<b>1,649</b>	<b>-201</b>	<b>684</b>
Opening Balance	612	1,034	1,367	964	289	1,938	1,738
<b>Closing Balance</b>	<b>1,034</b>	<b>1,367</b>	<b>964</b>	<b>289</b>	<b>1,938</b>	<b>1,738</b>	<b>2,422</b>

E: MOFSL Estimates

NOTES

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

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

#### Disclosures

The following Disclosures are being made in compliance with the SEBI Research Analyst Regulations 2014 (herein after referred to as the Regulations). Motilal Oswal Financial Services Ltd. (MOFSL) is a SEBI Registered Research Analyst having registration no. INH000000412. MOFSL, the Research Entity (RE) as defined in the Regulations, is engaged in the business of providing Stock broking services, Investment Advisory Services, Depository participant services & distribution of various financial products. MOFSL is a subsidiary company of Passionate Investment Management Pvt. Ltd.. (PIMPL). MOFSL is a listed public company, the details in respect of which are available on [www.motilaloswal.com](http://www.motilaloswal.com). MOFSL (erstwhile Motilal Oswal Securities Limited - MOSL) is registered with the Securities & Exchange Board of India (SEBI) and is a registered Trading Member with National Stock Exchange of India Ltd. (NSE) and Bombay Stock Exchange Limited (BSE), Multi Commodity Exchange of India Limited (MCX) and National Commodity & Derivatives Exchange Limited (NCDEX) for its stock broking activities & is Depository participant with Central Depository Services Limited (CDSL) National Securities Depository Limited (NSDL), NERL, COMRIS and CCRL and is member of Association of Mutual Funds of India (AMFI) for distribution of financial products and Insurance Regulatory & Development Authority of India (IRDA) as Corporate Agent for insurance products. Details of associate entities of Motilal Oswal Financial Services Limited are available on the website at <http://onlinereports.motilaloswal.com/Dormant/documents/List%20of%20Associate%20companies.pdf>

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

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

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

#### Regional Disclosures (outside India)

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

#### For Hong Kong:

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

#### For U.S.

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

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

#### For Singapore

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

#### Specific Disclosures

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

The associates of MOFSL may have:

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

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

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

#### Analyst Certification

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

#### Terms & Conditions:

This report has been prepared by MOFSL and is meant for sole use by the recipient and not for circulation. The report and information contained herein is strictly confidential and may not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent of MOFSL. The report is based on the facts, figures and information that are considered true, correct, reliable and accurate. The intent of this report is not recommendatory in nature. The information is obtained from publicly available media or other sources believed to be reliable. Such information has not been independently verified and no warranty, 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 alterations to this statement as may be required from time to time without any prior approval. MOFSL, its associates, their directors and the employees may from time to time, effect or have effected an own account transaction in, or deal as principal or agent in or for the securities mentioned in this document. They may perform or seek to perform investment banking or other services for, or solicit investment banking or other business from, any company referred to in this report. Each of these entities functions as a separate, distinct and independent of each other. The recipient should take this into account before interpreting the document. This report has been prepared on the basis of information that is already available in publicly accessible media or developed through analysis of MOFSL. The views expressed are those of the analyst, and the Company may or may not subscribe to all the views expressed therein. This document is being supplied to you solely for your information and may not be reproduced, redistributed or passed on, directly or indirectly, to any other person or published, copied, in whole or in part, for any purpose. This report is not directed or intended for distribution to, or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject MOFSL to any registration or licensing requirement within such jurisdiction. The securities described herein may or may not be eligible for sale in all jurisdictions or to certain category of investors. Persons in whose possession this document may come are required to inform themselves of and to observe such restriction. Neither the Firm, not its directors, employees, agents or representatives shall be liable for any damages whether direct or indirect, incidental, special or consequential including lost revenue or lost profits that may arise from or in connection with the use of the information. The person accessing this information specifically agrees to exempt MOFSL or any of its affiliates or employees from, any and all responsibility/liability arising from such misuse and agrees not to hold MOFSL or any of its affiliates or employees responsible for any such misuse and further agrees to hold MOFSL or any of its affiliates or employees free and harmless from all losses, costs, damages, expenses that may be suffered by the person accessing this information due to any errors and delays.

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

Registration Nos.: Motilal Oswal Financial Services Limited (MOFSL)\*: INZ000158836(BSE/NSE/MCX/NCDEX); CDSL and NSDL: IN-DP-16-2015; Research Analyst: INH000000412. AMFI: ARN - 146822; Investment Adviser: INA000007100; Insurance Corporate Agent: CA0579; PMS: INP000006712. Motilal Oswal Asset Management Company Ltd. (MOAMC): PMS (Registration No.: INP000000670); PMS and Mutual Funds are offered through MOAMC which is group company of MOFSL. Motilal Oswal Wealth Management Ltd. (MOWML): PMS (Registration No.: INP000004409) is offered through MOWML, which is a group company of MOFSL. Motilal Oswal Financial Services Limited is a distributor of Mutual Funds, PMS, Fixed Deposit, Bond, NCDs, Insurance Products and IPOs. Real Estate is offered through Motilal Oswal Real Estate Investment Advisors II Pvt. Ltd. which is a group company of MOFSL. Private Equity is offered through Motilal Oswal Private Equity Investment Advisors Pvt. Ltd which is a group company of MOFSL. Research & Advisory services is backed by proper research. Please read the Risk Disclosure Document prescribed by the Stock Exchanges carefully before investing. There is no assurance or guarantee of the returns. Investment in securities market is subject to market risk, read all the related documents carefully before investing. Details of Compliance Officer: Name: Neeraj Agarwal, Email ID: na@motilaloswal.com, Contact No.: 022-71881085.

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