

Deepak Nitrite

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	DN IN
Equity Shares (m)	136
M.Cap.(INRb)/(USDb)	278.1 / 3.7
52-Week Range (INR)	2085 / 567
1, 6, 12 Rel. Per (%)	13/96/191
12M Avg Val (INR M)	1641

Financials & Valuations (INR bn)

Y/E March	FY21	FY22E	FY23E
Sales	43.6	54.4	62.3
EBITDA	12.5	14.6	16.3
PAT	7.8	9.5	10.7
EPS (INR)	56.9	69.4	78.2
EPS Gr. (%)	27.0	21.9	12.7
BV/Sh.(INR)	172	231	297
Ratios			
Net D:E	0.2	0.1	(0.0)
RoE (%)	39.6	34.4	29.6
RoCE (%)	29.4	29.4	26.9
Payout (%)	9.7	15.0	15.0
Valuations			
P/E (x)	35.8	29.4	26.1
P/BV (x)	11.9	8.8	6.9
EV/EBITDA (x)	22.7	19.2	17.0
Div. Yield (%)	0.3	0.5	0.6
FCF Yield (%)	2.8	1.5	2.1

Shareholding pattern (%)

As On	Jun-21	Mar-21	Jun-20
Promoter	45.7	45.7	45.7
DII	10.4	11.6	13.5
FII	11.4	11.9	11.5
Others	32.5	30.8	29.3

FII Includes depository receipts

CMP: INR2,039 TP: INR2,350 (+15%) Buy

Focus on advance/high-value products intensifies

- Deepak Nitrite (DN) reported a beat on our estimates, driven by better-than-expected margins in Phenolics and margins expansion in Basic Chemicals. The EBIT margin for the Fine & Specialty and Performance Products segments contracted.
- **Despite the huge beat on our estimate, we continue to highlight the risk of overall margin contraction from the normalization of phenolics product prices. As a result, we build in an EBITDA margin of 27% in FY22E (up from 26% earlier) and 26% for FY23/24E.** That said, strong domestic demand for phenolics, with higher exports to countries such as the US and China, could keep product prices and margins strong in this segment – presenting an upside risk to our estimates.
- **At the 50th AGM, the management guided that the company aims to transition from being a chemical intermediates company to an advance products one (leaning towards life sciences – the need of the hour).** On this path:
 - **DN would continue to focus on bringing more products under the Fine & Specialty segment and close the gaps in the production value chain.** Around 125 acres of land at Dahej (called Dahej-II) would be developed to focus primarily on advance specialty/intermediates in the Life Sciences segment, especially in fluorination.
 - **In addition to the capex plans of INR4b per year in Deepak Nitrite, the board has approved further investments in Deepak Phenolics (DPL): (a) INR3.5b in specialty intermediates and (b) INR7b in downstream products (for the higher production of solvents).** It aims to be the largest player in Solvents and capitalize on import substitution.
- **We reiterate that** the increased focus on advance/high-value products would aid margin expansion and sustainability for the company – of which investors are most wary. This would further result in re-rating of multiples for the stock – as the mix of specialty/complex chemistry products increases.
- **Even on a conservative margin assumption, we forecast an EBITDA/PAT CAGR of 14–16% over FY22–24E.** The stock trades at relatively cheaper valuations (v/s peers in our Coverage Universe) of 26x FY23E EPS and 17x FY23E EV/EBITDA. Valuing the company at 28x Sep'23E EPS, we arrive at TP of INR2,350. Maintain Buy.

Beat on our estimates ...

- Revenue came in at INR15.3b (+20% est.; +126% YoY / +4% QoQ), driven by a continually robust performance from the Phenolics segment.
- Revenue for Phenolics grew 7% QoQ to INR10b (+202% YoY) on the back of sturdy product prices in 1QFY22.
- Revenue for Basic Chemicals was up 2% QoQ (+70% YoY) to INR2.5b.
- Revenue for Fine & Specialty was flat QoQ at INR2.1b (+48% YoY).

Research Analyst - Swarnendu Bhushan- (Swarnendu.Bhushan@MotilalOswal.com)

Research Analyst - Sarfraz Bhimani, CFA - (Sarfraz.Bhimani@MotilalOswal.com)

Investors are advised to refer through important disclosures made at the last page of the Research Report.

Motilal Oswal research is available on www.motilaloswal.com/Institutional-Equities, Bloomberg, Thomson Reuters, Factset and S&P Capital.

- Revenue for Performance Products at INR0.9b, missed our estimate (-14% est.; +55% YoY / +8% QoQ).
- EBITDA posted a beat of 27% at INR4.5b in 1QFY22 (+149% YoY / -1% QoQ). **The gross margin saw a 200bp QoQ drop to 46%. The EBITDA margin contracted 150bp QoQ to 29.6%.** PAT stood at INR3b (+30% est.; +206% YoY / +4% QoQ).

...driven by margin expansion in Phenolics and Basic Chemicals

- EBIT in Phenolics rose 8% QoQ to INR2.9b, with the margin at 29% (+100bp QoQ). The margin continued to witness an uptick for eight quarters on the trot.
- EBIT in Basic Chemicals grew 20% QoQ to INR0.85b, led by a spike in margins to 34% (+500bp QoQ – the highest ever after 4QFY18).
- The EBIT margin in Performance Products stood at just 2%, continuing its sequential drop (declining for the last six quarters now).
- EBIT in Fine & Specialty stood at INR0.7b, with 600bp QoQ margin contraction to 33% (v/s 44% in FY21). In percentage terms, contribution from this segment to the total revenue shrank further to 13% (from 18% in FY21), with EBIT contribution of 15% (v/s 30% in FY21).

Valuation and view

- The management guided that it would continue to look at first-time products in the country, which would facilitate import substitution, with further integration in current processes. The company has been investing in building up the market intelligence team, which studies opportunities in newer and existing markets.
- The IPA expansion and captive power plant are expected to get commissioned by end-1HFY22. The captive power plant would make DPL more competitive in this segment.
- Further recovery in demand for OBA and DASDA (i.e., performance chemicals) is expected over FY22, while demand for agrochemical and personal care products continues to be robust.
- **Despite a capex plan of INR18b over the next three years, it is expected to turn net cash positive by FY23E, with FCF generation of INR17.4b over FY22–24E.**

We maintain a Buy rating, with one of the best ROE profiles under our coverage.

Y/E March	(INR m)											
	FY21				FY22				FY21	FY22E	FY22	Var (%)
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE				1QE
Gross Sales	6,745	9,873	12,347	14,632	15,262	13,180	13,179	12,821	43,598	54,443	12,770	20%
YoY Change (%)	-35.8	-1.6	10.3	38.6	126.3	33.5	6.7	-12.4	3.1	24.9	89.3	
Gross Margins (%)	51%	51%	45%	48%	46%	45%	45%	45%	48%	45%	46%	
EBITDA	1,816	2,757	3,350	4,547	4,515	3,513	3,475	3,074	12,470	14,576	3,548	27%
Margins (%)	26.9	27.9	27.1	31.1	29.6	26.7	26.4	24.0	28.6	26.8	27.8	
Depreciation	310	312	339	565	436	448	448	460	1,526	1,792	379	15%
Interest	247	196	157	142	109	88	70	92	742	358	114	-4%
Other Income	68	40	49	59	83	41	51	43	215	218	59	39%
PBT before EO expense	1,326	2,288	2,903	3,899	4,053	3,019	3,008	2,564	10,417	12,643	3,115	30%
PBT	1,326	2,288	2,903	3,899	4,053	3,019	3,008	2,564	10,417	12,643	3,115	30%
Tax	337	587	737	998	1,026	760	757	639	2,659	3,182	784	
Rate (%)	25.4	25.6	25.4	25.6	25.3	25.2	25.2	24.9	25.5	25.2	25.2	
Reported PAT	990	1,702	2,166	2,901	3,026	2,259	2,251	1,925	7,758	9,461	2,331	30%
YoY Change (%)	-24.8	13.2	38.2	68.4	205.8	32.7	3.9	-33.6	27.0	21.9	135.6	
Margins (%)	14.7	17.2	17.5	19.8	19.8	17.1	17.1	15.0	17.8	17.4	18.3	

1QFY22 – quarter in charts

Exhibit 1: Sales up 4% QoQ, led by Phenolics business

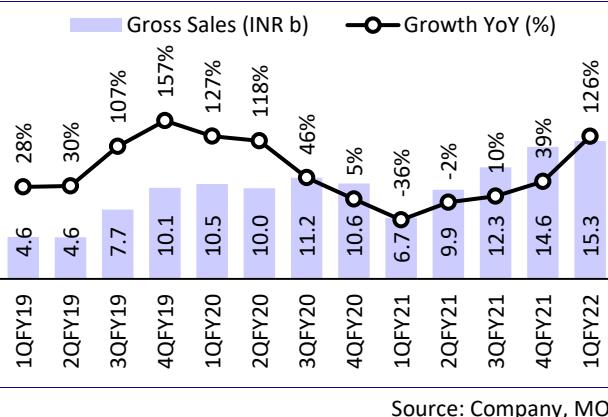


Exhibit 2: Margin contraction mainly due to Fine & Specialty

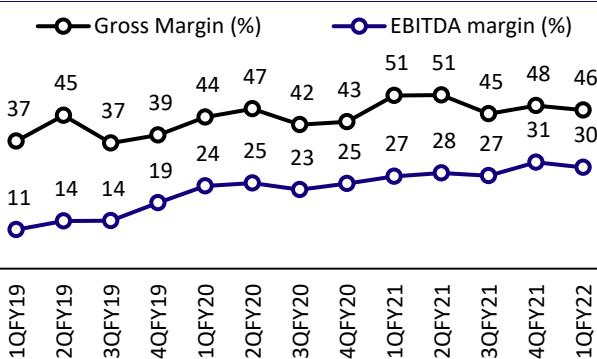


Exhibit 3: EBITDA flat QoQ (margin at 29.6%)

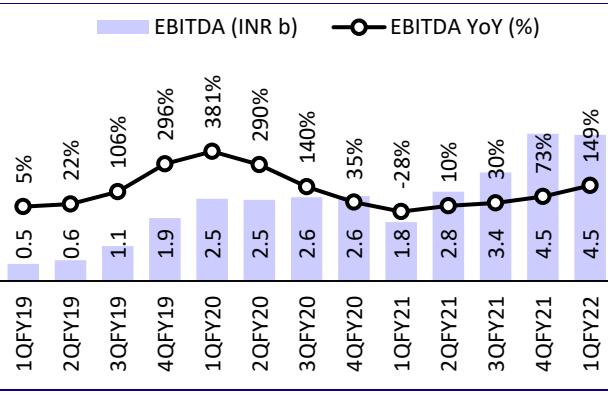


Exhibit 4: PAT up 4% QoQ (margin at 19.8%)

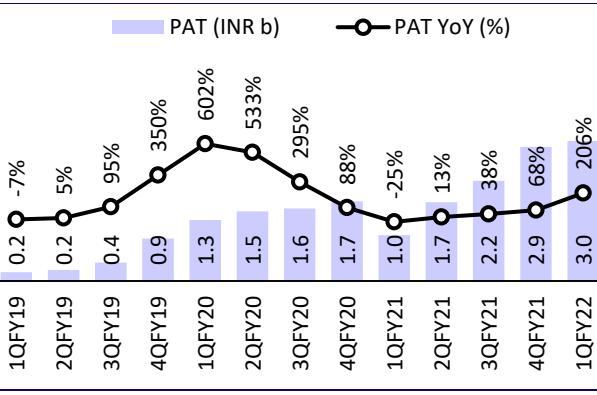


Exhibit 5: Basic Chemicals revenue up 2% QoQ...

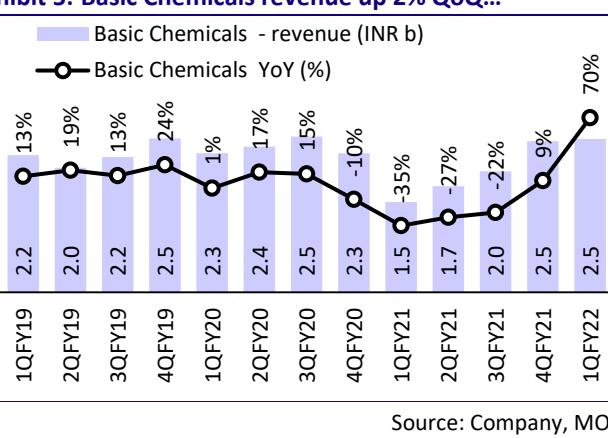


Exhibit 6: ...while EBIT margin expands (+500bps QoQ)

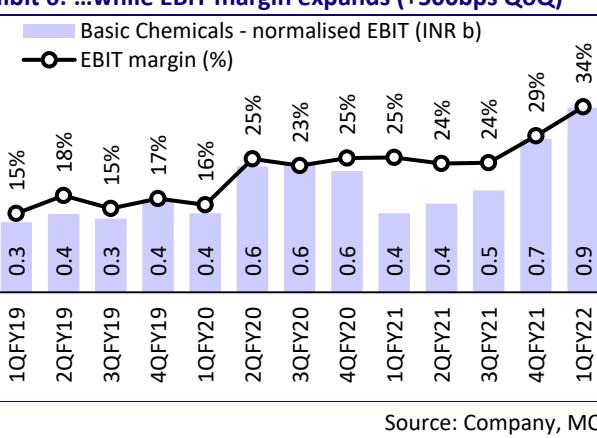


Exhibit 7: Fine & Specialty revenue flat QoQ...

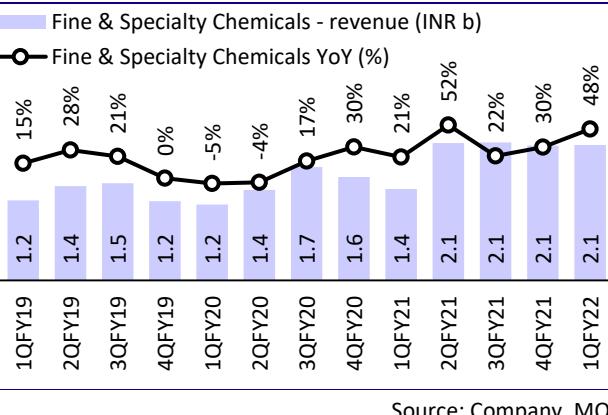


Exhibit 8: ...although EBIT margin contracts (-600bps QoQ)

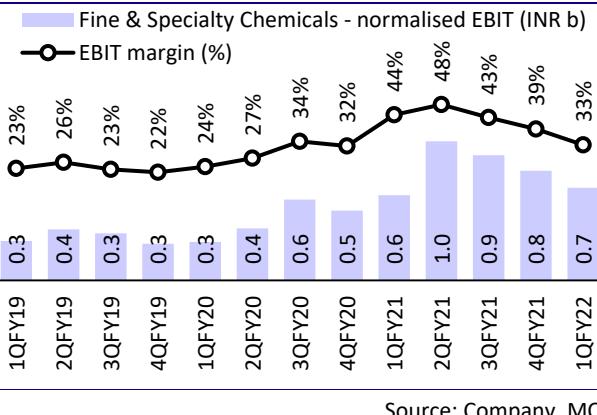
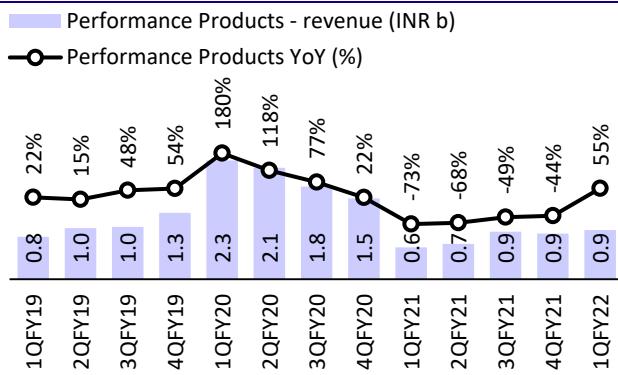
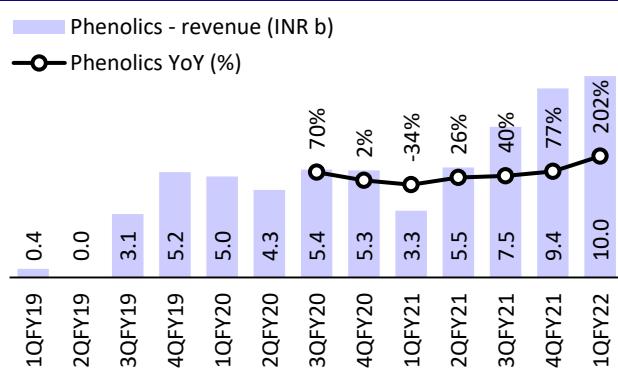


Exhibit 9: Performance Products revenue up 8% QoQ...



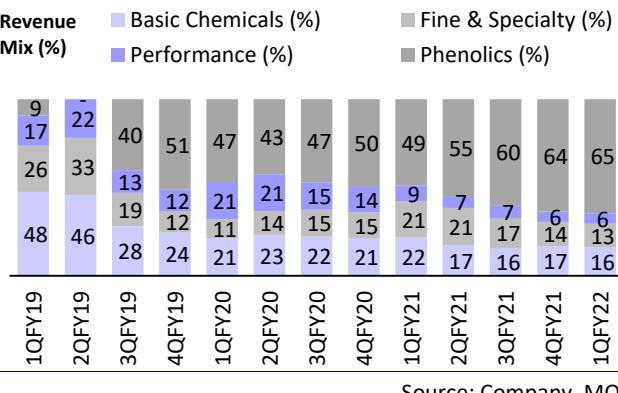
Source: Company, MOFSL

Exhibit 11: Deepak Phenolics revenue up 7% QoQ (34% ahead of our estimates)...



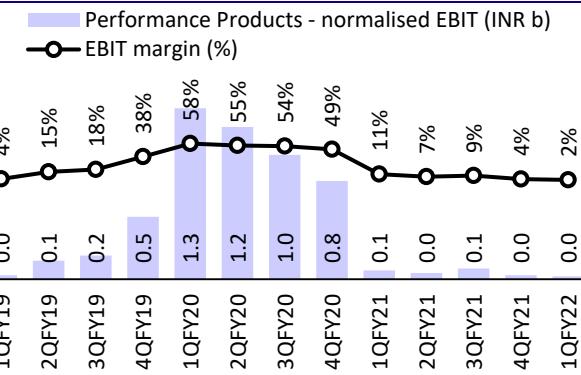
Source: Company, MOFSL

Exhibit 13: Contribution of Phenolics to total revenue and EBIT keeps increasing (65% in 1QFY22)...



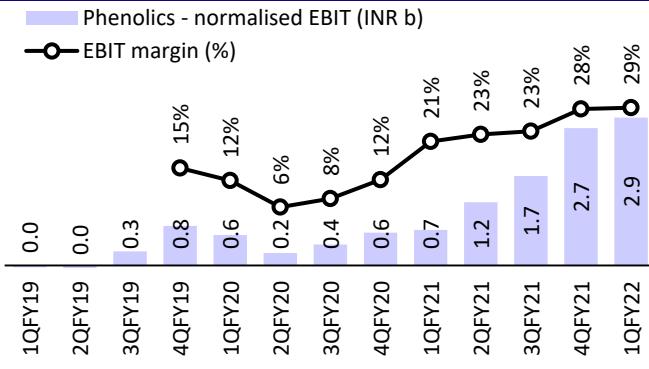
Source: Company, MOFSL

Exhibit 10: ...with EBIT margin at just 2%



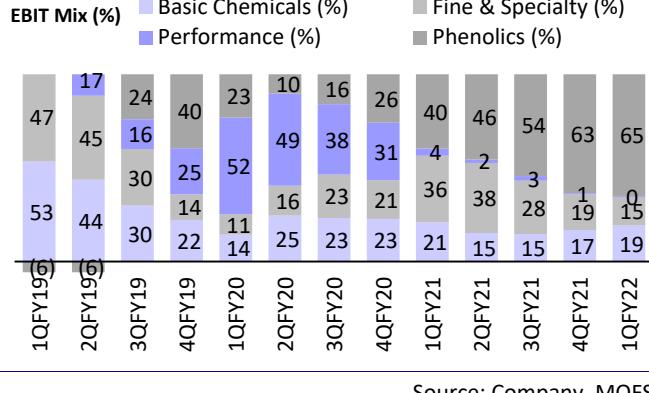
Source: Company, MOFSL

Exhibit 12: ...as product prices and margins remain robust (EBIT margin at 29%)



Source: Company, MOFSL

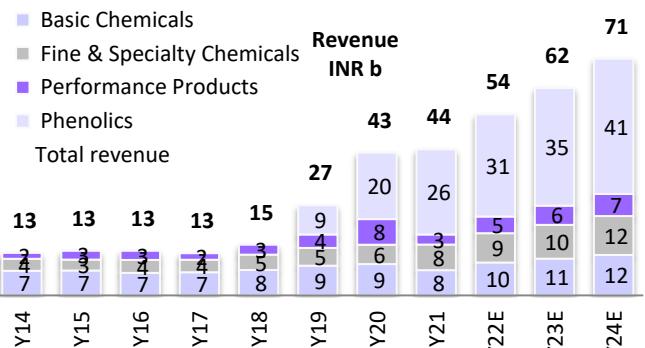
Exhibit 14: ...while contribution of Fine & Specialty contracts to 13% and 15% for revenue and EBIT, respectively



Source: Company, MOFSL

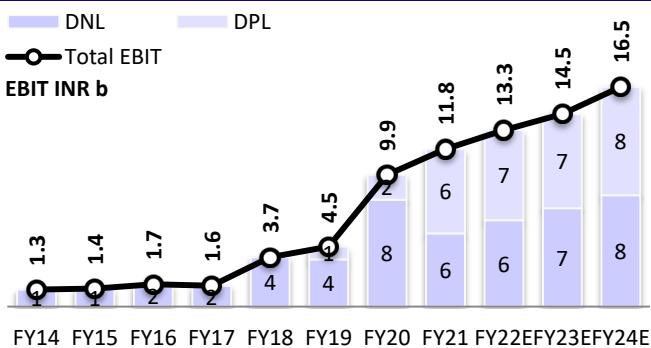
Financials – story in charts

Exhibit 15: Achieved ~90% utilization rate in Phenolics business in first year (FY20); currently operates at 115%



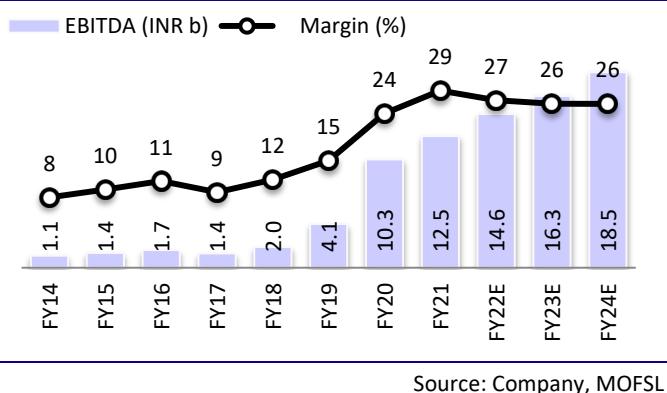
Source: MOFSL

Exhibit 17: Expect EBIT CAGR of ~14% over FY21–24 (as per company's segmental guidance)...



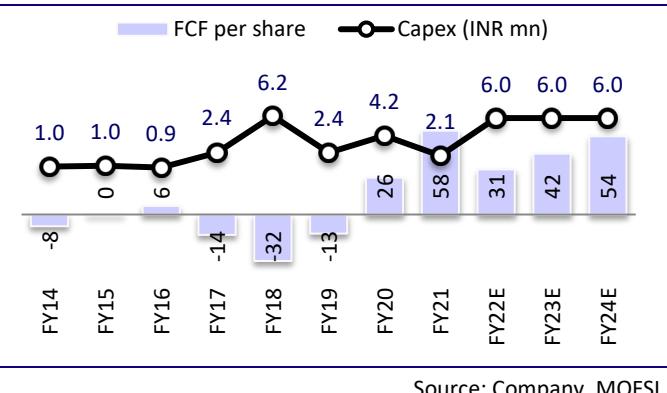
Source: Company, MOFSL

Exhibit 19: EBITDA margin to normalize from FY21 levels



Source: Company, MOFSL

Exhibit 21: DN to incur ~INR18b capex over FY22–24E...



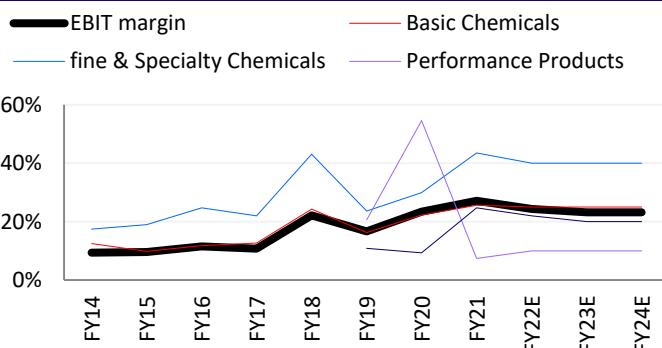
Source: Company, MOFSL

Exhibit 16: DPL constitutes over 58% of consolidated revenue; likely to stay at current levels



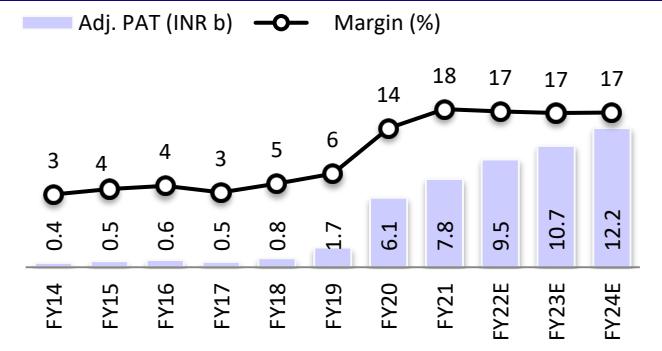
Source: Company, MOFSL

Exhibit 18: ...with Fine & Specialty enjoys highest EBIT margin



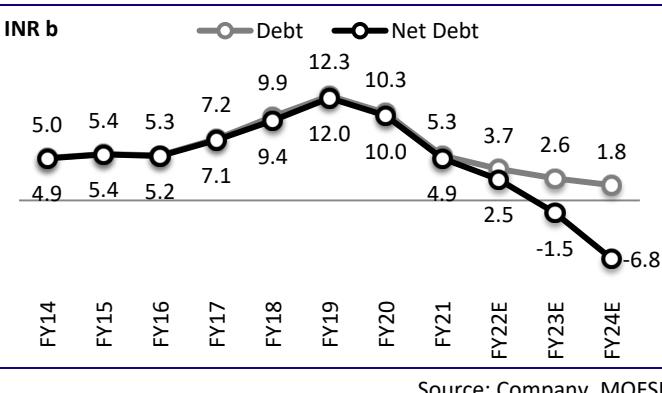
Source: Company, MOFSL

Exhibit 20: Expect ~16% PAT CAGR over FY21–24



Source: Company, MOFSL

Exhibit 22: ...but likely to turn net cash positive



Source: Company, MOFSL

Financials and valuations

Y/E March	FY16	FY17	FY18	FY19	FY20	FY21	FY22E	FY23E	FY24E
Total Income from Operations	14,571	14,547	16,762	26,999	42,297	43,598	54,443	62,312	71,106
Change (%)	3.0	-0.2	15.2	61.1	56.7	3.1	24.9	14.5	14.1
Gross Margins (%)	43.3	41.9	38.0	39.0	43.9	48.1	45.3	44.3	43.9
EBITDA	1,668	1,355	1,963	4,139	10,258	12,470	14,576	16,273	18,533
Margin (%)	11.4	9.3	11.7	15.3	24.3	28.6	26.8	26.1	26.1
Depreciation	395	480	526	778	1,397	1,526	1,792	2,056	2,319
EBIT	1,273	874	1,437	3,361	8,861	10,944	12,784	14,217	16,213
Int. and Finance Charges	397	341	451	832	1,149	742	358	220	154
Other Income	16	109	123	151	352	215	218	249	284
PBT bef. EO Exp.	891	642	1,109	2,680	8,064	10,417	12,643	14,247	16,344
EO Items	0	705	0	0	0	0	0	0	0
PBT after EO Exp.	891	1,347	1,109	2,680	8,064	10,417	12,643	14,247	16,344
Total Tax	262	382	318	943	1,954	2,659	3,182	3,586	4,114
Tax Rate (%)	29.4	28.4	28.7	35.2	24.2	25.5	25.2	25.2	25.2
Reported PAT	627	963	790	1,737	6,110	7,758	9,461	10,661	12,230
Adjusted PAT	627	458	790	1,737	6,110	7,758	9,461	10,661	12,230
Change (%)	18.6	-26.9	72.4	119.8	251.9	27.0	21.9	12.7	14.7
Margin (%)	4.3	3.2	4.7	6.4	14.4	17.8	17.4	17.1	17.2

Consolidated - Balance Sheet

Y/E March	FY16	FY17	FY18	FY19	FY20	FY21	FY22E	FY23E	FY24E
Equity Share Capital	233	261	273	273	273	273	273	273	273
Total Reserves	4,496	6,887	8,949	10,443	15,446	23,194	31,235	40,297	50,693
Net Worth	4,729	7,149	9,221	10,716	15,719	23,467	31,508	40,570	50,966
Total Loans	5,288	7,239	9,866	12,286	10,279	5,271	3,690	2,583	1,808
Deferred Tax Liabilities	567	391	454	775	796	1,078	1,078	1,078	1,078
Capital Employed	10,583	14,778	19,541	23,776	26,794	29,816	36,276	44,231	53,852
Gross Block	8,842	6,106	6,403	17,749	20,460	22,304	28,304	34,304	40,304
Less: Accum. Deprn.	2,924	306	528	743	2,140	3,666	5,459	7,514	9,833
Net Fixed Assets	5,918	5,801	5,875	17,006	18,320	18,637	22,845	26,790	30,470
Capital WIP	319	3,492	9,545	339	1,723	2,068	2,068	2,068	2,068
Total Investments	866	1,198	318	24	24	1,893	1,893	1,893	1,893
Curr. Assets, Loans&Adv.	5,838	7,385	10,167	11,910	12,019	13,005	16,126	21,145	28,171
Inventory	1,210	1,671	3,272	4,107	3,945	3,827	4,909	5,669	6,473
Account Receivables	3,132	3,603	4,118	5,750	6,127	7,563	7,887	9,027	10,300
Cash and Bank Balance	65	145	482	258	314	334	1,229	4,044	8,652
Cash	48	58	94	30	21	89	983	3,799	8,406
Bank Balance	17	87	388	228	293	245	245	245	245
Loans and Advances	1,431	1,965	2,296	1,795	1,633	1,281	2,102	2,406	2,745
Curr. Liability & Prov.	2,358	3,097	6,364	5,502	5,292	5,787	6,656	7,664	8,750
Account Payables	1,331	2,146	5,953	4,724	3,643	4,367	4,533	5,234	5,977
Other Current Liabilities	776	832	280	587	1,385	1,144	1,783	2,041	2,328
Provisions	251	119	132	191	264	276	340	390	444
Net Current Assets	3,480	4,288	3,803	6,408	6,727	7,218	9,471	13,481	19,421
Appl. of Funds	10,583	14,779	19,541	23,776	26,794	29,816	36,276	44,231	53,852

E: MOFSL Estimates

Financials and valuations

Ratios

Y/E March	FY16	FY17	FY18	FY19	FY20	FY21	FY22E	FY23E	FY24E
Basic (INR)									
EPS	4.6	3.4	5.8	12.7	44.8	56.9	69.4	78.2	89.7
Cash EPS	7.5	6.9	9.6	18.4	55.0	68.1	82.5	93.2	106.7
BV/Share	34.7	52.4	67.6	78.6	115.2	172.0	231.0	297.4	373.6
DPS	1.0	1.1	1.3	6.5	4.5	5.5	10.4	11.7	13.4
Payout (%)	26.8	19.6	27.0	61.6	12.1	9.7	15.0	15.0	15.0
Valuation (x)									
P/E	443.4	606.7	352.0	160.2	45.5	35.8	29.4	26.1	22.7
Cash P/E	271.9	296.3	211.3	110.6	37.0	30.0	24.7	21.9	19.1
P/BV	58.8	38.9	30.2	26.0	17.7	11.9	8.8	6.9	5.5
EV/Sales	19.4	19.6	17.2	10.7	6.8	6.5	5.2	4.4	3.8
EV/EBITDA	169.9	210.5	146.5	70.1	28.1	22.7	19.2	17.0	14.6
Dividend Yield (%)	0.1	0.1	0.1	0.3	0.2	0.3	0.5	0.6	0.7
FCF per share	5.9	-14.1	-32.1	-13.3	25.6	58.0	31.2	42.1	54.0
Return Ratios (%)									
RoE	15.3	7.7	9.7	17.4	46.2	39.6	34.4	29.6	26.7
RoCE	9.1	5.6	6.5	10.5	27.6	29.4	29.4	26.9	25.2
RoIC	9.9	6.5	10.7	13.5	28.0	32.4	33.8	31.6	31.3
Working Capital Ratios									
Fixed Asset Turnover (x)	2.6	2.5	2.9	2.4	2.4	2.4	2.6	2.5	2.5
Asset Turnover (x)	1.4	1.0	0.9	1.1	1.6	1.5	1.5	1.4	1.3
Inventory (Days)	30	42	71	56	34	32	33	33	33
Debtor (Days)	78	90	90	78	53	63	53	53	53
Creditor (Days)	33	54	130	64	31	37	30	31	31
Leverage Ratio (x)									
Current Ratio	2.5	2.4	1.6	2.2	2.3	2.2	2.4	2.8	3.2
Interest Cover Ratio	3.2	2.6	3.2	4.0	7.7	14.7	35.7	64.8	105.5
Net Debt/Equity	1.1	1.0	1.0	1.1	0.6	0.2	0.1	0.0	-0.1

Consolidated - Cash Flow Statement

Y/E March	FY16	FY17	FY18	FY19	FY20	FY21	FY22E	FY23E	FY24E
(INR m)									
OP/(Loss) before Tax	891	1,347	1,109	2,680	8,064	10,417	12,643	14,247	16,344
Depreciation	395	480	528	778	1,397	1,526	1,792	2,056	2,319
Others	403	-403	481	829	1,262	853	358	220	154
Direct Taxes Paid	-188	-162	-279	-561	-1,985	-2,365	-3,182	-3,586	-4,114
(Inc)/Dec in WC	171	-772	-9	-3,123	-1,092	-440	-1,358	-1,195	-1,332
CF from Operations	1,673	490	1,830	603	7,647	9,991	10,254	11,741	13,371
(Inc)/Dec in FA	-865	-2,412	-6,206	-2,410	-4,160	-2,086	-6,000	-6,000	-6,000
Free Cash Flow	808	-1,922	-4,376	-1,808	3,487	7,905	4,254	5,741	7,371
CF from Investments	-1,694	-3,526	-5,247	-1,626	-4,279	-3,962	-6,000	-6,000	-6,000
Inc/(Dec) in Debt	-254	2,160	2,626	2,033	-1,088	-5,217	-1,581	-1,107	-775
Interest Paid	-372	-342	-450	-841	-1,134	-736	-358	-220	-154
Dividend Paid	-125	-167	-188	-213	-1,060	-4	-1,419	-1,599	-1,835
CF from Fin. Activity	51	3,046	3,453	958	-3,376	-5,962	-3,359	-2,926	-2,763
Inc/Dec of Cash	30	10	36	-64	-8	67	895	2,815	4,608
Opening Balance	17	47	58	94	30	22	89	984	3,799
Closing Balance	48	58	94	30	21	89	983	3,799	8,406

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. 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, 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 of 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, 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: INA0000007100; 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.