

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	MRCO IN
Equity Shares (m)	1,290
M.Cap.(INRb)/(USDb)	705.5 / 9.5
52-Week Range (INR)	553 / 333
1, 6, 12 Rel. Per (%)	3/18/10
12M Avg Val (INR M)	1161

Financials & Valuations (INR b)

Y/E March	2021	2022E	2023E
Sales	80.5	91.7	101.0
Sales Gr. (%)	10.0	14.0	10.1
EBITDA	15.9	17.5	20.7
EBITDA Margin. %	19.8	19.1	20.5
Adj. PAT	11.6	12.9	15.3
Adj. EPS (INR)	9.0	10.0	11.8
EPS Gr. (%)	10.4	10.9	18.7
BV/Sh.(INR)	25.1	35.3	37.5
Ratios			
RoE (%)	37.0	33.0	32.5
RoCE (%)	34.2	30.3	30.0
Payout (%)	84.4	83.4	81.6
Valuations			
P/E (x)	60.8	54.8	46.2
P/BV (x)	21.8	15.5	14.6
EV/EBITDA (x)	43.5	39.2	33.2
Div. Yield (%)	1.4	1.5	1.8

Shareholding pattern (%)

As On	Jun-21	Mar-21	Jun-20
Promoter	59.6	59.6	59.6
DII	9.7	10.2	10.0
FII	25.1	24.1	23.8
Others	5.7	6.0	6.6

FII Includes depository receipts

CMP: INR546
TP: INR635 (+16%)
Buy

In line result; gross margin likely to have troughed

- MRCO's 1QFY22 result was in line with our expectations. Sales momentum continues to remain healthy. With Copra prices sharply declining from their peak in recent months, coupled with price increases taken, the management said gross margin is likely to revive in 2Q before increasing significantly in 2HFY22.
- It maintained its strong growth guidance for the Foods business, with sales targeted at INR5b by the end of FY22 and INR8.5-10b by FY24. Honey, Noodles, and Soya Chunks are doing very well.
- Allied with sales of INR5b now targeted from e-commerce focused brands by FY24 (target shared for the first time in its 1QFY22 result call), there is a much required diversification of the portfolio, boosting its medium-to-long-term topline growth prospects.
- With sustained healthy topline momentum in its core brands now allied with newer revenue streams, higher P/E multiples compared to the past are justified. We maintain our **Buy** rating on the stock.

Sales beat; margin weaker than expected

- **Consolidated net sales grew 31.2% YoY to INR25.3b** (est. INR24.6b) in **1QFY22**. The domestic business grew 34.8% YoY. Consolidated EBITDA grew 3% YoY to INR4.8b (in line). PBT grew 5.4% YoY to INR4.7b (in line). Adjusted PAT grew 7.6% YoY to INR3.6b (in line).
- **Consolidated gross margin contracted by 760bp YoY to 41%** (est. 45.4%). As a percentage of sales, lower staff (-110bp YoY to 5.9%), other expenditure (-110bp YoY to 9.15), and A&P expenses (-20bp YoY to 6.9%) meant EBITDA margin contracted by 520bp to 19% in 1QFY22.
- **Business Segments:** Sales for Parachute/VAHO/Saffola grew 20%/35%/60% YoY in 1QFY22 on the back of 12%/34%/24% growth in volumes.

Highlights from the management commentary

- The management feels gross margin (GM) has bottomed out in 1Q and ought to recover in 2Q, with performance likely to be much better in 2HFY22. GM in FY22 may be slightly lower than FY21 levels.
- The management plans to undertake aggressive cost rationalization in FY22 as well (saved INR1.5-2b last year). Better Analytics, inventory efficiencies (reduced 26% of SKUs in FY21), and a hybrid way of working will lead to structural cost savings.
- **Update on new products:** It has done very well in Honey and Noodles, with an encouraging response. Saffola Oodles is among the top five selling Pasta and Noodle brands on Amazon, while MealMaker Soya Chunks already has 14% market share in Modern Trade and is now available nationally.

Krishnan Sambamoorthy – Research analyst (Krishnan.Sambamoorthy@MotilalOswal.com)

Research analyst: Dhairya Dhruv (Dhairya.Dhruv@motilaloswal.com) / Kaiwan Jal Olia (kaiwan.o@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.

Valuation and view

- Sustained topline momentum, with improving margin prospects over the trough seen in 1QFY22, has led to a 1.9%/4.4% increase in FY22E/FY23E EPS.
- a) Ongoing topline growth momentum in each of its core segments, b) significantly higher growth rates as well as targets in the Foods portfolio, and c) INR4.5-5b now targeted from its 'Digital-first' range of products are highly encouraging developments for a business that had only ~6% sales CAGR over FY15-20, before reporting double-digit growth in FY21.
- The much required diversification could lead to higher multiples compared to the past. Valuations at 46.2x FY23E EPS appear inexpensive, given the promise of strong earnings growth compared to the past. We target 50x Sep'23E EPS to arrive at our TP of INR635/share, implying a 16% upside. We maintain our **Buy** rating.

Quarterly performance

Y/E March	FY21				FY22				FY21		FY22E		Var. (%)
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE	9.3	9.3	19.0	19.0	
Domestic volume growth (%)	-14.0	11.0	15.0	25.0	21.0	9.0	5.0	2.0	9.3	9.3	19.0		
Net Sales	19,250	19,890	21,220	20,120	25,250	23,072	23,342	20,078	80,480	91,742	24,640		2.5%
YoY Change (%)	-11.1	8.7	16.3	34.5	31.2	16.0	10.0	-0.2	10.0	14.0	28.0		
Gross Profit	9,360	9,550	9,950	8,880	10,360	10,386	10,735	10,017	37,780	41,498	11,182		
Gross margin (%)	48.6	48.0	46.9	44.1	41.0	45.0	46.0	49.9	46.9	45.2	45.4		
EBITDA	4,670	3,890	4,130	3,190	4,810	4,420	4,520	3,799	15,910	17,549	4,869		-1.2%
Margin (%)	24.3	19.6	19.5	15.9	19.0	19.2	19.4	18.9	19.8	19.1	19.8		
YoY Change (%)	1.3	10.2	10.7	13.1	3.0	13.6	9.4	19.1	8.3	10.3	4.3		
Depreciation	340	330	360	360	330	353	364	401	1,390	1,448	357		
Interest	90	80	70	100	80	81	78	77	340	315	91		
Other Income	190	270	240	290	270	292	288	301	920	1,150	266		
PBT	4,430	3,750	3,940	3,020	4,670	4,278	4,366	3,622	15,100	16,937	4,687		-0.4%
Tax	1,030	690	820	560	1,020	963	982	846	3,240	3,811	1,055		
Rate (%)	23.3	18.4	20.8	18.5	21.8	22.5	22.5	23.3	21.5	22.5	22.5		
Minority Interest	90	90	50	80	90	70	50	60	270	270	80		
Adjusted PAT	3,310	2,970	3,070	2,380	3,560	3,245	3,334	2,717	11,590	12,856	3,552		0.2%
YoY Change (%)	3.4	20.2	12.9	16.1	7.6	9.3	8.6	14.1	10.4	10.9	7.3		

E: MOSFL estimates

Key performance indicators

Y/E March

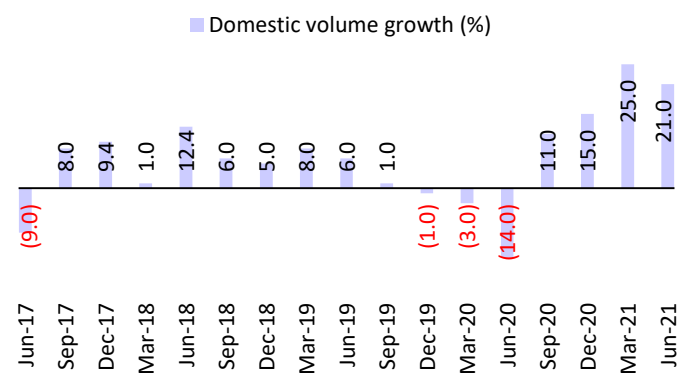
	FY21				FY22
	1Q	2Q	3Q	4Q	1Q
Volume growth (%)					
Parachute rigid	-11.0	10.0	8.0	29.0	12.0
Saffola (Refined Edible Oil)	16.0	20.0	17.0	17.0	24.0
VAHO	-30.0	4.0	21.0	22.0	34.0
Domestic	-14.0	11.0	15.0	25.0	21.0
International	-8.0	-8.0	10.0	20.0	20.0
Overall	-12.6	6.6	13.9	23.9	20.8
Value growth (%)					
Parachute rigid	-12.0	8.0	9.0	38.0	20.0
Saffola (Refined Edible Oil)	16.0	16.0	26.0	43.0	60.0
VAHO	-32.0	-1.0	21.0	22.0	35.0
Domestic	-15.0	8.0	18.0	27.3	26.6
International	2.0	12.0	11.0	25.0	20.0
International cc	-4.0	7.0	8.0	23.0	21.0
Overall	-11.1	8.9	16.5	26.8	25.1
Average growth (%) for the last two-years					
Volume	-4.0	6.0	7.0	11.0	3.5
Sales	-2.1	4.2	7.2	13.7	10.0
EBITDA	13.6	13.0	7.3	4.5	2.1
PAT	14.5	18.4	11.7	6.6	5.5
% of Sales					
COGS	51.4	52.0	53.1	55.9	59.0
Operating Expenses	24.4	28.5	27.4	28.3	22.0
Depreciation	1.8	1.7	1.7	1.8	1.3
YoY change (%)					
COGS	-13.0	12.3	21.4	48.3	50.6
Operating Expenses	-17.4	2.0	11.3	24.8	18.3
Other Income	-32.1	-22.9	-17.2	-9.4	42.1
EBIT	1.6	11.9	10.6	16.0	3.5

Exhibit 1: Overall/India business volume up 20.8%/21% in 1QFY22

Segment growth (%)	1QFY21		2QFY21		3QFY21		4QFY21		1QFY22	
	Volume	Value	Volume	Value	Volume	Value	Volume	Value	Volume	Value
Parachute rigid	(11.0)	(12.0)	10.0	8.0	8.0	9.0	29.0	38.0	12.0	20.0
Saffola (Refined Edible Oil)	16.0	16.0	20.0	16.0	17.0	26.0	17.0	43.0	24.0	60.0
Value Added Hair Oils	(30.0)	(32.0)	4.0	(1.0)	21.0	21.0	22.0	22.0	34.0	35.0
Domestic business	(14.0)	(15.0)	11.0	8.0	15.0	18.0	25.0	37.0	21.0	35.0

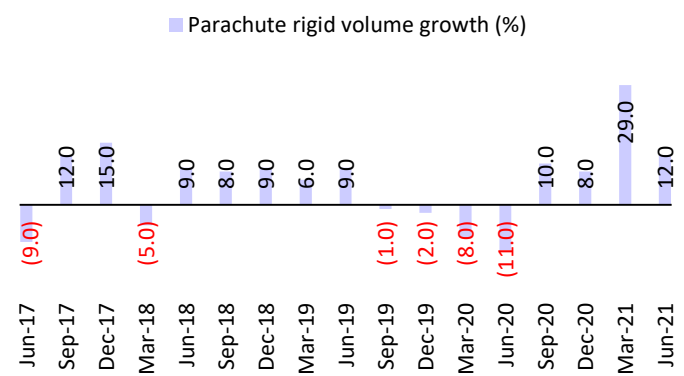
Source: Company, MOFSL

Exhibit 2: Domestic volumes up 21% in 1QFY22



Source: MOFSL, Company

Exhibit 3: Parachute rigid volumes up 12% in 1QFY22



Source: MOFSL, Company

Exhibit 4: Saffola (Refined Edible Oil) volumes up 24%

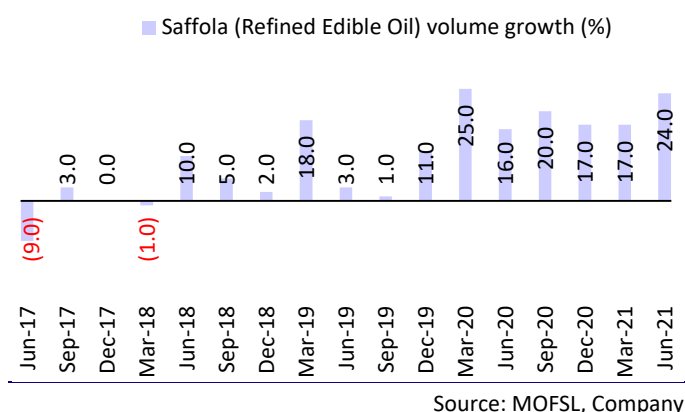


Exhibit 5: VAHO volumes up 34%

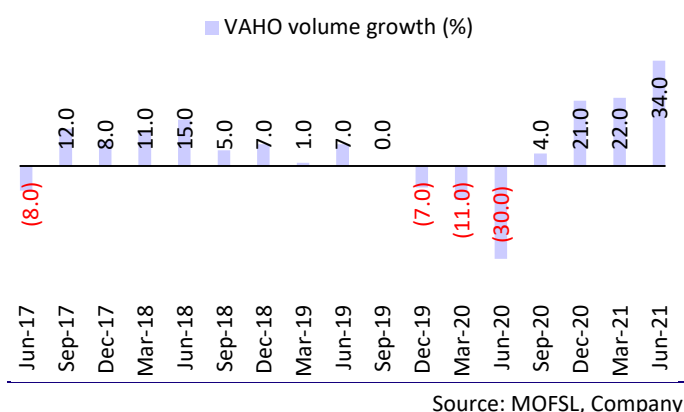


Exhibit 6: Consolidated segmental details

	1QFY20	2QFY20	3QFY20	4QFY20	1QFY21	2QFY21	3QFY21	4QFY21	1QFY22
Sales growth (%)									
Domestic	6.3	(2.8)	(4.8)	(7.6)	(14.5)	7.9	17.9	37.3	34.6
International	9.0	8.3	7.9	(5.1)	2.3	11.6	4.7	25.1	19.8
Total	6.9	(0.4)	(2.0)	(7.0)	(11.1)	8.7	14.7	34.5	31.2
EBIT margin (%)									
Domestic EBIT margin	21.1	19.2	21.6	20.8	24.2	19.4	20.0	16.1	17.8
International EBIT margin	24.4	20.4	19.1	16.3	28.1	21.6	20.6	18.9	26.1
Total	21.7	19.5	21.0	19.7	25.1	19.9	20.1	16.7	19.5

Source: Company, MOFSL



Highlights from the management commentary

Performance and outlook

- 1QFY22 started off on a good note until the second COVID wave affected business towards the latter part of Apr'21.
- The supply chain was not as affected unlike last year.
- 21% volume growth was reported in 1QFY22 in the domestic business, despite South India (a key market for MRCO) being more affected by COVID-19.
- Bangladesh and Vietnam, however, saw a surge in COVID-19 cases towards the end of 1QFY22. South Africa did well YoY in 1QFY22, but there has been some impact from the recent political unrest. The management remains hopeful of double-digit sales growth in FY22 from the international business, despite the likely impact in 2Q.
- Around 90% of the portfolio gained market share in India.
- Rural growth continued to exceed urban growth and the outlook remains positive.

Material cost and margin

- Unprecedented increases in material costs was witnessed in 1QFY22.
- The management feels GM has bottomed out in 1Q and ought to recover in 2Q, with performance likely to be much better in 2HFY22.
- GM in FY22 may be slightly lower than FY21 levels.
- The management plans to undertake aggressive cost rationalization in FY22 as well. It saved INR1.5-2b last year.
- Better Analytics, inventory efficiencies (reduced 26% of SKUs in FY21), and a hybrid way of working will lead to structural cost savings.
- It is also rolling out a cost rationalization exercise in the international business.

Comments on key segments

- VAHO can deliver double-digit growth for the remaining three quarters, despite being flattish on a two-year basis in 1QFY22.
- Saffola's Edible Oil business can deliver higher single-digit volume growth over the medium term.
- Livon and Set Wet are likely to recover in FY22 and the targeted growth for these brands are over 20% going forward. Livon's growth path is clearer, while Set Wet's growth depends on people's mobility. e-commerce is a significant incremental opportunity, but MT and GT also provide large opportunities for growth as penetration is low. Sachets of Livon Serum could help.

New product performance

- MRCO has done very well in Honey and Noodles, with an encouraging response. Saffola Oodles is among the top five selling Pasta and Noodle brands on Amazon, while MealMaker Soya Chunks already has 14% market share in Modern Trade and is now available nationally.
- Honey, Noodles, and Soya Chunks are products that can achieve INR1b in sales.
- *Chyawanprash* has not performed to its expectations, and the management is hopeful of success with some tweaks over the next 2-3 months.
- It expects the Foods business to clock INR5b/INR8.5-10b in sales by FY22/FY24.
- The management is targeting 4-5 exclusively digital brands, with total sales of INR4.5-5b by FY24. This will be driven by organic and inorganic growth. Apart from 'Beardo' (which is likely to achieve INR1b sales in FY22) that they acquired a few years ago, it acquired 'Just Herbs' earlier in Jul'21. Margin could be significantly higher on this platform.

Valuation and view**What has happened in the last 10 years?**

- In key categories such as Coconut Oil and VAHO, MRCO reported healthy sales growth, with volume growth in Parachute actually improving in recent years.
- In Saffola Foods (oats), the company was able to strengthen its market share. It grew significantly in the Masala Oats category.
- Growth in Saffola (Edible Oil brand) has tapered off in recent years as a result of strategic mistakes in terms of pricing and due to the company being unable to cater to the recently emerged Super Premium market segment.
- Similarly, the brands acquired from Paras/Reckitt – Livon, Set Wet, and Zatak – have not scaled up as expected, despite a higher growth potential.
- Topline and earnings growth have been healthy over the past 10 years, with ~11%/15%/16% topline/EBITDA/PAT CAGR. Over the past five years, growth has been healthy, but has tapered off v/s the past (sales/EBITDA/PAT growth of ~5%/11%/~13%).

Our view on the stock

- Sustained topline momentum, with improving margin prospects over the trough seen in 1QFY22, has led to a 1.9%/4.4% increase in FY22E/FY23E EPS.
- a) Ongoing topline growth momentum in each of its core segments, b) significantly higher growth rates as well as targets in the Foods portfolio, and c) INR4.5-5b now targeted from its 'Digital-first' range of products are highly

encouraging developments for a business that had only ~6% sales CAGR over FY15-20, before reporting double-digit growth in FY21.

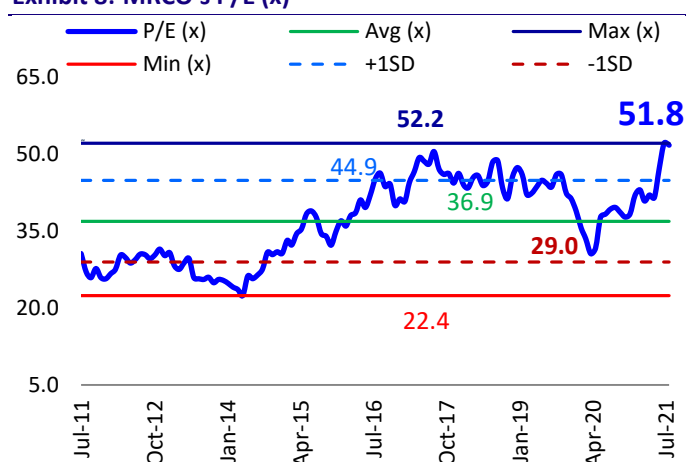
- The much required diversification could lead to higher multiples compared to the past. Valuations at 46.2x FY23E EPS appear inexpensive, given the promise of strong earnings growth compared to the past. We target 50x Sep'23E EPS to arrive at our TP of INR635/share, implying a 16% upside. We maintain our **Buy** rating.

Exhibit 7: Revise our FY22E/FY23E EPS estimate by 1.9%/4.4%

INR m	Old estimate		New estimate		Change	
	FY22E	FY23E	FY22E	FY23E	FY22E	FY23E
Sales	90,913	98,223	91,742	1,01,030	0.9%	2.9%
EBITDA	17,357	19,889	17,549	20,676	1.1%	4.0%
PAT	12,620	14,618	12,856	15,266	1.9%	4.4%

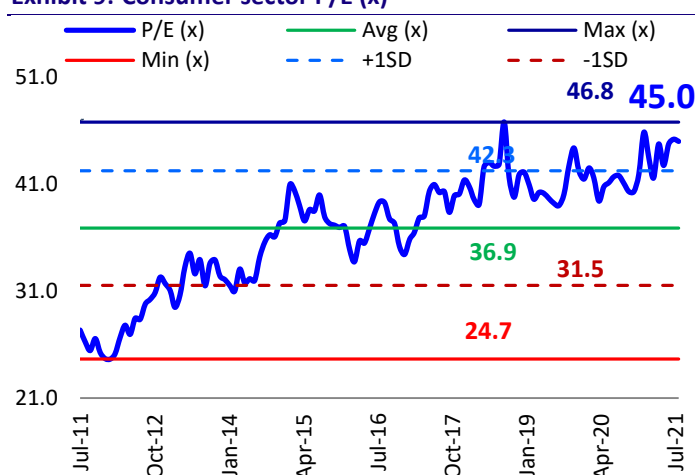
Source: Company, MOFSL

Exhibit 8: MRCO's P/E (x)



Source: Company, MOFSL

Exhibit 9: Consumer sector P/E (x)



Source: Company, MOFSL

Financials and valuations

Income Statement							(INR m)
Y/E March	FY17	FY18	FY19	FY20	FY21	FY22E	FY23E
Net Sales	59,178	63,220	73,340	73,150	80,480	91,742	1,01,030
Change (%)	-1.7	6.8	16.0	-0.3	10.0	14.0	10.1
COGS	28,472	33,720	40,170	37,680	42,700	50,244	54,543
Gross Profit	30,706	29,500	33,170	35,470	37,780	41,498	46,487
Margin (%)	51.9	46.7	45.2	48.5	46.9	45.2	46.0
Operating Expenses	19,113	18,130	19,920	20,780	21,870	23,949	25,811
EBITDA	11,593	11,370	13,250	14,690	15,910	17,549	20,676
Change (%)	10.3	-1.9	16.5	10.9	8.3	10.3	17.8
Margin (%)	19.6	18.0	18.1	20.1	19.8	19.1	20.5
Depreciation	903	890	1,310	1,400	1,390	1,448	1,604
Int. and Fin. Charges	166	160	400	500	340	315	296
Other Income - Recurring	973	850	1,030	1,240	920	1,150	1,400
Profit before Taxes	11,497	11,170	12,570	14,030	15,100	16,937	20,176
Change (%)	11.7	-2.8	12.5	11.6	7.6	12.2	19.1
Margin (%)	19.4	17.7	17.1	19.2	18.8	18.5	20.0
Current Tax (excl. MAT Ent)	2,922	2,840	3,310	3,470	3,350	3,726	4,540
Deferred Tax	455	60	-180	-160	-110	85	101
Tax Rate (%)	29.4	26.0	24.9	23.6	21.5	22.5	23.0
Minority Interest	-10	-130	-180	-220	-270	-270	-270
Profit after Taxes	8,110	8,140	9,260	10,500	11,590	12,856	15,266
Change (%)	12.1	0.4	13.8	13.4	10.4	10.9	18.7
Margin (%)	13.7	12.9	12.6	14.4	14.4	14.0	15.1
Extraordinary items	0	0	1,880	-290	130	0	0
Reported PAT	8,110	8,140	11,140	10,210	11,720	12,856	15,266

Balance Sheet							(INR m)
Y/E March	FY17	FY18	FY19	FY20	FY21	FY22E	FY23E
Share Capital	1,291	1,290	1,290	1,290	1,290	1,290	1,290
Reserves	21,966	24,140	28,700	28,940	31,110	44,250	47,064
Net Worth	23,257	25,430	29,990	30,230	32,400	45,540	48,354
Minority Interest	133	120	110	130	180	180	180
Loans	2,388	3,090	3,490	3,350	4,700	5,150	5,600
Capital Employed	25,778	28,640	33,590	33,710	37,280	50,870	54,134
Gross Fixed Assets	7,440	8,120	9,140	13,440	14,180	15,240	16,540
Intangibles	361	600	550	410	2,300	2,300	2,300
Less: Accum. Depn.	-1,749	-2,480	-3,250	-5,270	-6,660	-8,108	-9,712
Net Fixed Assets	6,053	6,240	6,440	8,580	9,820	9,432	9,128
Capital WIP	112	270	450	580	240	240	240
Goodwill	4,795	4,860	5,030	5,380	6,130	6,230	6,330
Investments	6,082	5,430	4,500	7,330	8,710	13,000	13,000
Curr. Assets, L&A	19,191	23,920	29,120	26,560	28,340	40,865	45,964
Inventory	12,534	15,110	14,110	13,800	11,260	17,615	19,398
Account Receivables	2,470	3,400	5,170	5,390	3,880	7,339	8,082
Cash and Bank Balance	2,360	2,010	5,520	2,790	9,440	9,417	10,746
Others	1,828	3,400	4,320	4,580	3,760	6,494	7,738
Curr. Liab. and Prov.	10,329	11,880	13,710	16,250	16,980	18,897	20,528
Current Liabilities	9,040	10,560	12,260	14,920	15,750	17,539	19,004
Accounts Payable	6,966	8,220	9,440	9,780	11,340	12,752	13,836
Provisions	1,289	1,320	1,450	1,330	1,230	1,359	1,525
Net Current Assets	8,862	12,040	15,410	10,310	11,360	21,968	25,436
Deferred Tax Liability	-125	-200	1,760	1,530	1,020	0	0
Application of Funds	25,778	28,640	33,590	33,710	37,280	50,870	54,134

E: MOSFL estimates

Financials and valuations

Ratios

Y/E March	FY17	FY18	FY19	FY20	FY21	FY22E	FY23E
Basic (INR)							
EPS	6.3	6.3	7.2	8.1	9.0	10.0	11.8
Cash EPS	6.8	7.0	9.7	9.0	10.2	11.1	13.1
BV/Share	18.0	19.7	23.2	23.4	25.1	35.3	37.5
DPS	4.3	4.6	6.6	7.8	7.7	8.3	9.7
Payout (%)	67.6	72.4	76.3	98.1	84.4	83.4	81.6
Valuation (x)							
P/E	86.9	86.6	76.1	67.1	60.8	54.8	46.2
Cash P/E	79.8	78.1	56.6	60.7	53.8	49.3	41.8
EV/Sales	11.8	11.1	9.5	9.5	8.6	7.5	6.8
EV/EBITDA	60.3	61.6	52.7	47.5	43.5	39.2	33.2
P/BV	30.3	27.7	23.5	23.3	21.8	15.5	14.6
Dividend Yield (%)	0.8	0.8	1.2	1.4	1.4	1.5	1.8
Return Ratios (%)							
RoE	37.3	33.4	33.4	34.9	37.0	33.0	32.5
RoCE	33.3	30.8	31.3	33.0	34.2	30.3	30.0
RoIC	47.4	40.7	40.7	44.0	54.4	53.0	50.3
Leverage Ratio							
Debt/Equity (x)	0.1	0.1	0.1	0.1	0.1	0.1	0.1

Cash Flow Statement

(INR m)

Y/E March	FY17	FY18	FY19	FY20	FY21	FY22E	FY23E
OP/(loss) before Tax	11,487	11,170	12,570	13,740	15,230	16,937	20,176
Int./Div. Received	-43	-280	-130	-270	-140	-1,150	-1,400
Depreciation	903	890	1,310	1,500	1,390	1,448	1,604
Interest Paid	-197	-180	-140	-220	-250	315	296
Direct Taxes Paid	-2,964	-2,950	-3,200	-2,900	-2,850	-3,726	-4,540
(Incr.)/Decr. in WC	-2,698	-3,490	210	330	7,300	-10,630	-2,140
CF from Operations	6,487	5,160	10,620	12,180	20,680	3,193	13,997
(Incr.)/Decr. in FA	-815	-1,280	-1,430	-1,860	-2,690	-1,060	-1,300
Free Cash Flow	5,673	3,880	9,190	10,320	17,990	2,133	12,697
(Pur.)/Sale of Investments	15	700	1,030	280	-4,270	-4,290	0
Others	-760	740	270	-1,870	4,120	12,196	-497
CF from Invest.	-1,560	160	-130	-3,450	-2,840	6,846	-1,797
Issue of Shares	0	0	0	0	60	0	0
(Incr.)/Decr. in Debt	0	0	110	-530	-310	450	450
Dividend Paid	-5,088	-6,360	-6,820	-10,250	-10,290	-9,886	-10,716
Others	-652	690	-270	-680	-650	-625	-606
CF from Fin. Activity	-5,740	-5,670	-6,980	-11,460	-11,190	-10,061	-10,872
Incr./Decr. in Cash	-812	-350	3,510	-2,730	6,650	-23	1,329
Add: Opening Balance	3,171	2,360	2,010	5,520	2,790	9,440	9,417
Closing Balance	2,360	2,010	5,520	2,790	9,440	9,417	10,746

E: MOSFL estimates

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

*In case the recommendation given by the Research Analyst is inconsistent with the investment rating legend for a continuous period of 30 days, the Research Analyst shall 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://online.reports.motilaloswal.com/Dormant/documents/List%20of%20Associate%20companies.pdf>

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

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

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

Regional Disclosures (outside India)

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

For Hong Kong:

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

For U.S.

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

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

For Singapore

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

Specific Disclosures

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

The associates of MOFSL may have:

- financial interest in the subject company
- actual/beneficial ownership of 1% or more securities in the subject company
- 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 guaranty, representation of warranty, express or implied, is made as to its accuracy, completeness or correctness. All such information and opinions are subject to change without notice. The report is prepared solely for informational purpose and does not constitute an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments for the clients. Though disseminated to all the customers simultaneously, not all customers may receive this report at the same time. MOFSL will not treat recipients as customers by virtue of their receiving this report.

Disclaimer:

The report and information contained herein is strictly confidential and meant solely for the selected recipient and may not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent. This report and information herein is solely for informational purpose and may not be used or considered as an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments. Nothing in this report constitutes investment, legal, accounting and tax advice or a representation that any investment or strategy is suitable or appropriate to your specific circumstances. The securities discussed and opinions expressed in this report may not be suitable for all investors, who must make their own investment decisions, based on their own investment objectives, financial positions and needs of specific recipient. This may not be taken in substitution for the exercise of independent judgment by any recipient. Each recipient of this document should make such investigations as it deems necessary to arrive at an independent evaluation of an investment in the securities of companies referred to in this document (including the merits and risks involved), and should consult its own advisors to determine the merits and risks of such an investment. The investment discussed or views expressed may not be suitable for all investors. Certain transactions -including those involving futures, options, another derivative products as well as non-investment grade securities - involve substantial risk and are not suitable for all investors. No representation or warranty, express or implied, is made as to the accuracy, completeness or fairness of the information and opinions contained in this document. The Disclosures of Interest Statement incorporated in this document is provided solely to enhance the transparency and should not be treated as endorsement of the views expressed in the report. This information is subject to change without any prior notice. The Company reserves the right to make modifications and 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: 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.