INSTITUTIONAL RESEARCH

Indigo Paints

The promising one

Making inroads into the oligopolistic paints industry remains a herculean task, given strong distribution moats of the top few. Against this backdrop, Indigo Paints (founded in 2000) has been consistently chipping away market share within the ecosystem. The company has clocked 47% sales CAGR over FY15-20 (organic growth CAGR: 40%+; relative market share has moved from near-zero to ~2.5% over FY15-20 in decorative paints). Interestingly, revenue ramp-up has been smartly executed with consistently improving unit economics, which is amply reflected in the company's steadily improving fundamentals – (1) LTL revenue/dealer grew at 11% CAGR, (2) EBITDAM up 15pp+ at 14.6%, (3) cash conversion cycle halved and (4) RoICs improved from -13% to 25% over FY17-20. The pandemic-led demand destruction is likely to have the least impact (within peer set) on Indigo Paints as its exposure to big cities is negligible (Predominantly operates in Tier 2-4 cities).

- **Indigo Paints' (IP) bait-and-switch strategy seems to be working:** Indigo Paints turned a corner when it shifted focus from selling plain-vanilla cement paints to selling untapped paint solutions such as metallic paints, Floor Coat paints, Unique Ceiling coat paints, Roof Tile coat paints, and PU enamels **(the bait).** These innovative paint solutions gave the company a foot in the 'dealer' door, which has since been used effectively to populate its tinting machines and sell faster-moving mainstream paint products **(the switch)**. Emulsions now account for 45% of sales. However, of this, a sizeable portion is specialised emulsions (~20% of revenue). The success of the strategy is reflected in the company's relative market share gain (among Top 7) from near-zero to ~2.5% over FY15-20.
- **One-up on immediate peers (by a stretch):** IP has consistently outpaced peers (grew 47% CAGR over FY15-20 vs -5 to 21% for Tier 2 companies) courtesy its aggression in marketing and distribution. It spent 13% of cumulative sales over FY15-20 on A&P (highest within Tier 2 cohort; vs. 4-8% of decorative sales by Top 3) to improve brand salience. On the distribution front, it has stepped up dealer adds/tinting penetration over the FY18-20. It now has 13k active dealers (vs. ~27/21k resp. for BRGR/KNPL; 55k+ for APNT) and has seeded 4.5k tinting machines (most installed over FY18-20). Mgt intends to add 2-2.5k dealers/1.5k tinting machines/year.
- **Notwithstanding the aggression, unit economics continues to improve:** Despite the over-indexed A&P spends and higher freight bills (note: Indigo's outward freight costs are higher vs the Top 3 as the latter's plants are in proximity to RM sources and it has to travel longer distances for product delivery), the company remains hugely lean on other cost overheads (11% of sales vs. 11-14% for Tier 1s and 18-34% for Tier 2s) and has only improved with scale. This fact, coupled with improving revenue/dealer (HSIE: 11-12% CAGR over FY17-20) and cash conversion cycle (more than halved over FY17-20), has led to consistent improvement in unit economics and RoCEs.

Financial Summary

	FY16	FY17	FY18	FY19	FY20
Net Revenue	1,243	2,892	4,111	5,356	6,248
EBITDA	(56)	(19)	239	541	910
APAT	(60)	(159)	13	266	478
EPS (Rs)	(1)	(3)	0	6	11
RoE (%)	(8)	(13)	1	20	28
RoIC (%)	(11)	(13)	6	19	25
RoCE (%)	(7)	(9)	4	16	22

Source: Company, HSIE Research

SHAREHOLDING PATTERN (%)

	Mar-20	June-20
Promoters	62.0	62.0
Sequoia Capital	38.0	38.0

Source : BSE

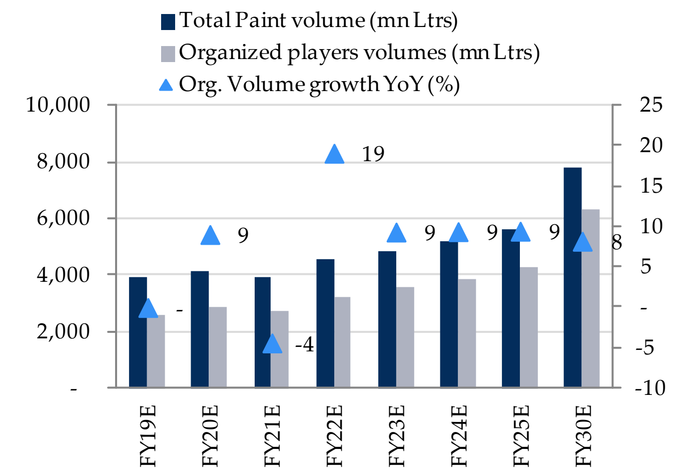
Jay Gandhi
jay.gandhi@hdfcsec.com
+91-22-6171-7320

Varun Lohchab
varun.lohchab@hdfcsec.com
+91-22-6171-7334

- **Ample throughput efficiency/margin levers to tap:** We reckon there are enough levers to milk on throughput efficiency and margins. Mgt highlighted that, typically, revenue/dealer bumps up 3x once a tinting machine is installed and it intends to remain aggressive on dealer adds/tinting machine seeding. This can be seen in Indigo Paint's consistent improvement in revenue/dealer (LTL CAGR: 11-12% over FY17-20; Rs. 550k+, vs APNT/BRGR/KNPL's: 2.9/1.9.1.3mn revenue per dealer), despite the aggression on dealer additions (~20% CAGR over FY17-20). On the margin front, the company remains over-indexed on A&P spends (given its brand-building focus) and F&H costs (given longer distances travelled for product delivery to dealers). Both cost overheads could easily come down by 300-400bp each with scale. Low hanging fruits in cost structure could easily help the company crank up its EBITDAM by 200-250bp in the near-term (vs. 14.7% in FY20). Cash conversion cycle could also be bettered.
- **Other key takeaways:**
  1. **The COVID-19 blues:** Indigo Paints clocked rev growth of 16.6% in FY20 (Rs. 6.25bn). Mgt highlighted it lost ~Rs. 500mn in sales in 2H of March-20. Hence, it may have potentially ended FY20 with 24-25% growth. Demand destruction was severe in 1QFY21, courtesy the COVID-induced lockdown. Apr-20—the dominant sales month of the quarter was a washout**.** Business recovery commenced May-20 onwards and was swifter for Indigo Paints vs. its bigger rivals, given its predominant Tier 2-4 presence and nearly 100% decorative business. Note: The 5 Metros (Mumbai, Delhi, Bangalore, Chennai, Kolkata), account for a mere 1-2% of sales for Indigo Paints. Revenue recovery run-rates have been impressive at 0/38/12/25% in May/Jun/Jul/Aug-20 resp. All depots have been operational since end of May-20 with utilization levels of ~80%.
  2. **South and East markets chalked a better recovery vis-a-vis North and West:** States which opened up fastest with no major sporadic lockdowns were the southern states and Orissa, Bihar, Assam and other Northeast markets. States which have been hardest hit and where Maharashtra, Gujarat, parts of Kerala and West Bengal. We note that APNT has a strong presence in South and West regions, Berger is strong in East and South, while North remains KNPL's and AKZO's mainstay.
  3. **RM is likely to remain benign in FY21; flow-through to GMs lower-than-perceived:** Mr Jalan indicated that linkage of crude to input cost in paints is lower-than-perceived and is only reducing with an increasing share of water-based paints (65-70% of industry decorative paints). Currently, input costs are not materially lower than Jan-20 levels. Mr. Jalan expects the RM basket to see another 1-1.5% dip in 2Q but indicated that GM benefit is likely to be lower-than-earlier expected. Also, part of GM savings may find its way into dealer incentives for up-stocking.
  4. **Labour shortage not a concern, while the jury is still out on how the consumer will behave:** Indigo Paints has plants in Tiruchirappalli, Kochi, and Jodhpur. Labour force in Southern plants/Jodhpur is as high as ~100/70% resp. Hence, the company, fortunately, has not had to contend with labour shortage concerns. The jury is still out though on how swiftly will the consumer get over the fear of bringing painters/contractors home for a paint job during the pandemic.
  5. FY21-22 outlook: Mgt intends to resume its historical run-rate by FY22; however, demand prediction in FY21 remains hazy. It intends to improve upon margins. Capex is likely to be toned down in FY21.

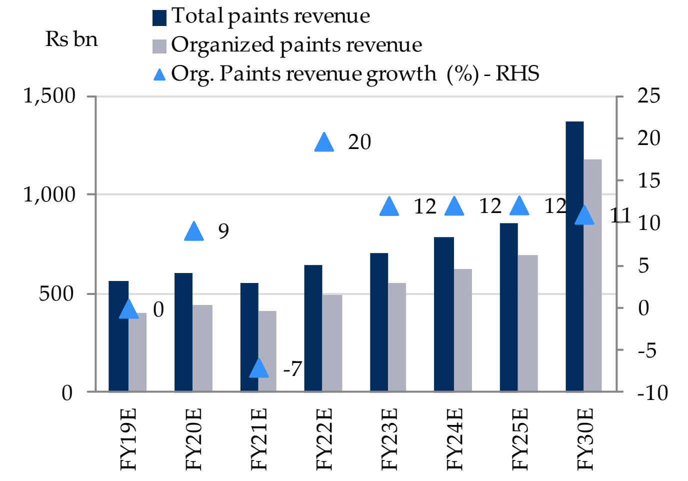
Story in Charts

Industry Paint Volume Forecasts



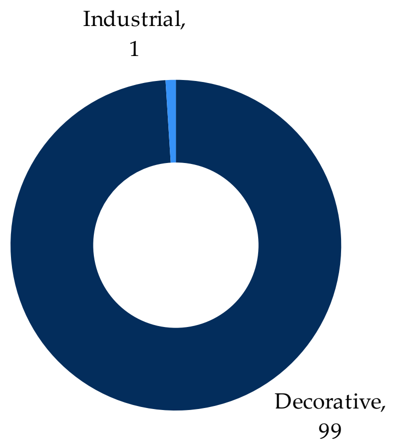
Source: HSIE Research

Industry and Organised Paints revenue forecasts



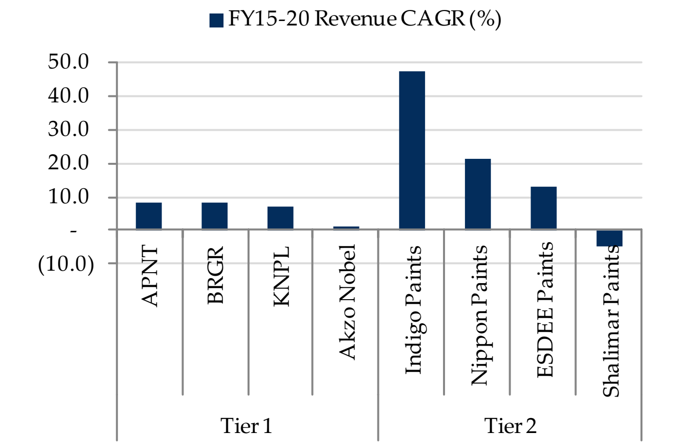
Source: HSIE Research

Indigo Paints: revenue mix (%)



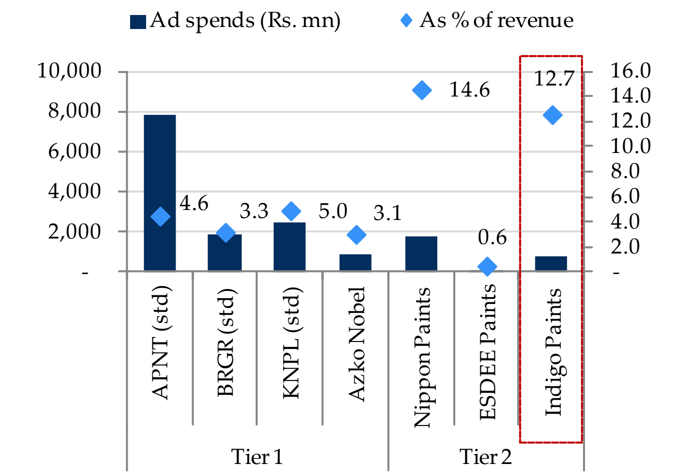
Source: Companies, HSIE Research

Within Tier 2 paint companies, Indigo Paints has outpaced peers by a stretch…



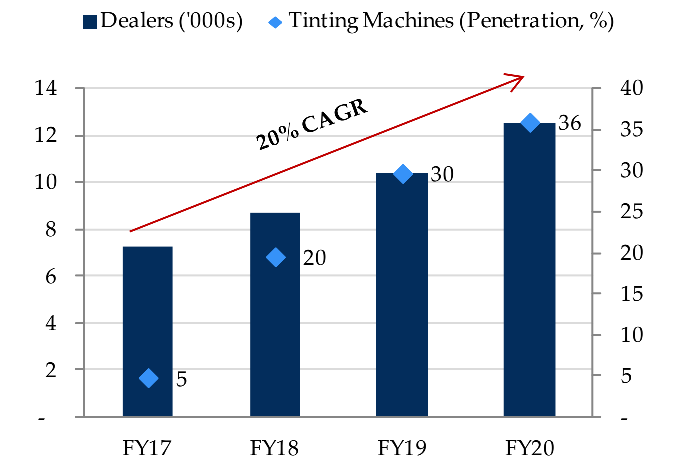
Source: HSIE Research

…courtesy its aggression on both brand building/marketing spends…



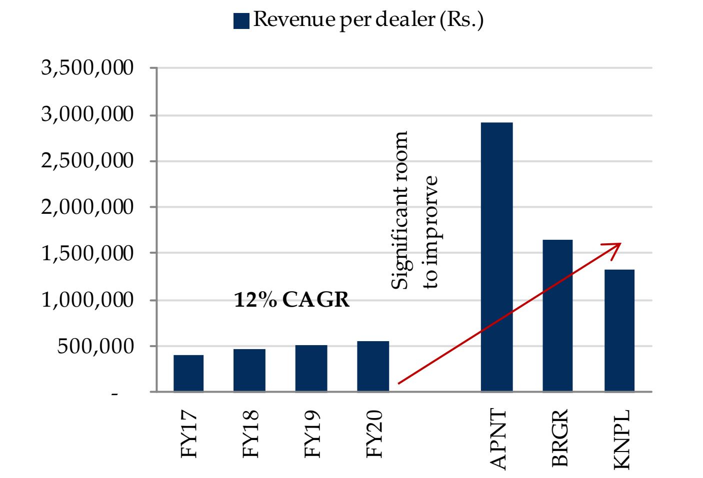
Source: Companies, HSIE Research

…and dealer additions (added dealers at an estimated 20% CAGR over FY17-20



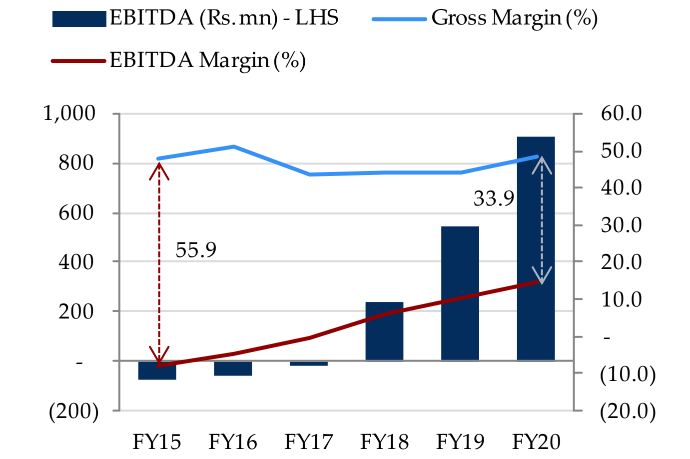
Source: HSIE Research

More importantly, as Tinting machine penetration improved, so did Indigo Paints revenue/dealer (despite aggressive dealer adds)



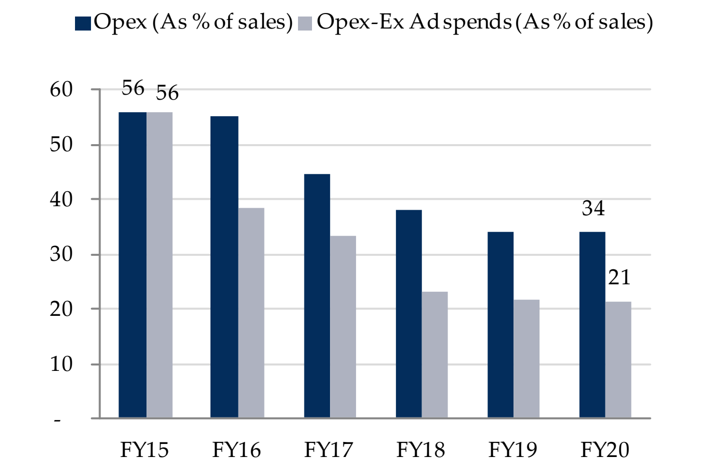
Source: Companies, HSIE Research

Profitability has consistently improved

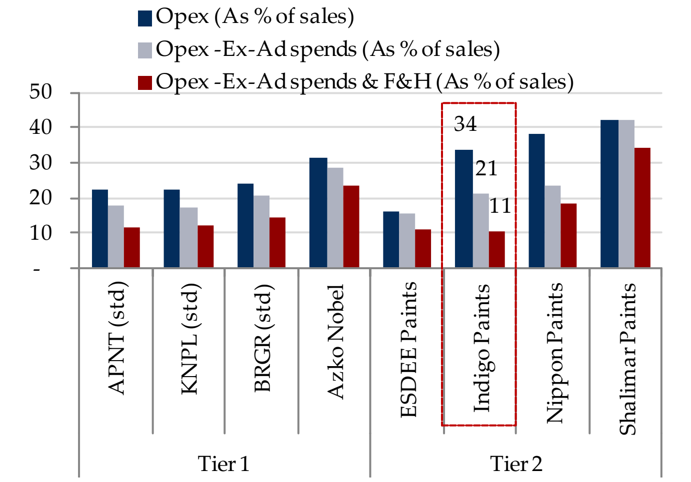


Source: HSIE Research

Sports one of the leanest cost structures among Tier 2 paint companies and Indigo has only improved on it over the years; Ex-ad spends and F&H, it matches Tier 1 companies

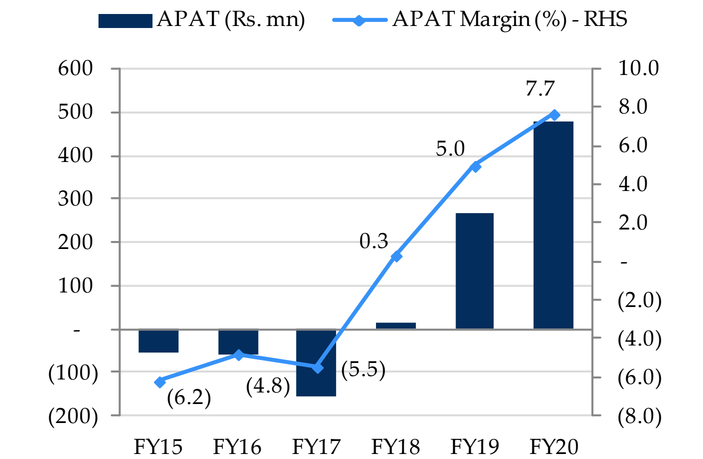


Source: Companies, HSIE Research



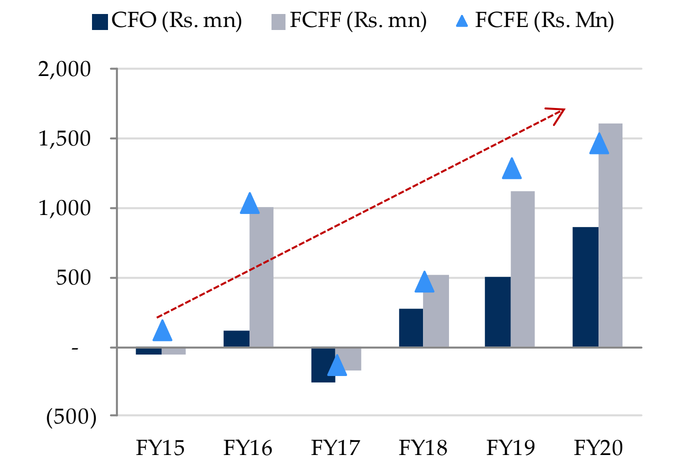
Source: HSIE Research, F&H – Freight & Handling charges

Indigo Paint's 5-year turnaround story



Source: Companies, HSIE Research

Cash generating power has considerably improved



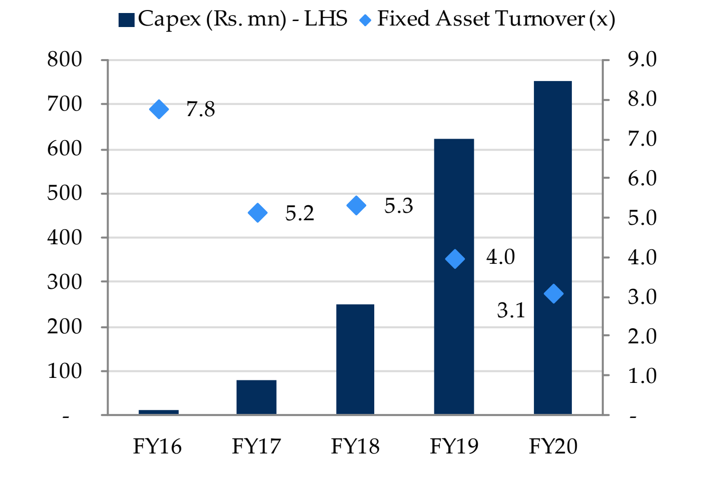
Source: HSIE Research

Indigo has more than halved its cash conversion cycle over FY17-20; more importantly, the quality of WC has consistently improved with a reduction in receivable days as well as reducing vendors/creditors support. Note: Other Tier 2 paint companies have had to increase their support from payables

WC (In days)	FY15	FY16	FY17	FY18	FY19	FY20
Tier 1						
Asian Paints						
Inventory	56	50	63	56	58	60
Receivables	23	23	29	29	28	24
Payables	41	41	48	48	46	37
Core Cash Conversion cycle	**38**	**32**	**44**	**38**	**39**	**46**
Berger Paints						
Inventory	62	65	77	73	76	75
Receivables	42	44	44	46	38	36
Payables	49	60	65	72	64	65
Core Cash Conversion cycle	**55**	**49**	**56**	**47**	**50**	**46**
Kansai Nerolac						
Inventory	56	56	63	64	74	69
Receivables	51	51	52	54	48	50
Payables	33	53	50	54	45	38
Core Cash Conversion cycle	**74**	**54**	**65**	**63**	**77**	**80**
Akzo Nobel						
Inventory	45	45	52	48	51	48
Receivables	40	49	58	53	56	54
Payables	66	81	88	89	76	93
Core Cash Conversion cycle	**19**	**12**	**22**	**12**	**30**	**10**
Tier 2						
Indigo Paints						
Inventory	47	44	60	45	47	45
Receivables	105	97	99	92	71	61
Payables	111	108	107	95	93	81
Core Cash Conversion cycle	**42**	**33**	**52**	**42**	**25**	**25**
Nippon Paints						
Inventory	57	48	58	52	56	
Receivables	65	68	75	77	68	
Payables	44	58	68	57	60	
Core Cash Conversion cycle	**78**	**58**	**65**	**72**	**63**	
Shalimar Paints						
Inventory	89	100	97	100	91	92
Receivables	129	130	130	142	126	76
Payables	133	142	135	188	124	102
Core Cash Conversion cycle	**86**	**88**	**92**	**54**	**92**	**66**
ESDEE Paints						
Inventory	-	-	59	54	53	
Receivables	-	-	57	58	50	
Payables	-	-	14	17	19	
Core Cash Conversion cycle	**-**	**-**	**101**	**96**	**84**	

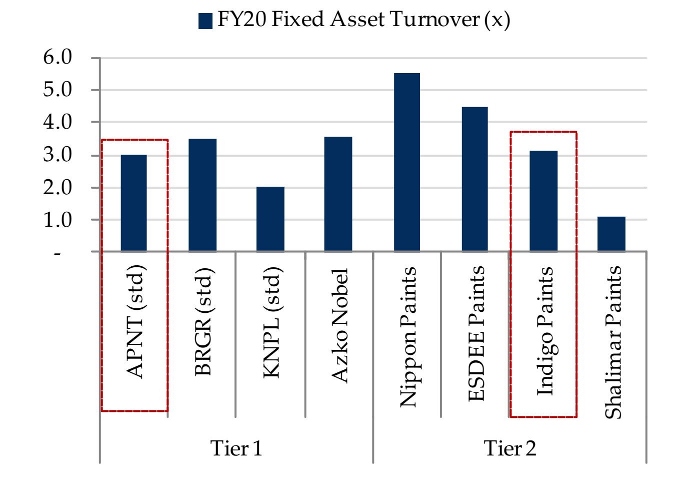
Source: Companies, HSIE Research

Indigo's Fixed Asset efficiency inched down as it front-loaded Capex and remained aggressive in increasing Tinting machine penetration over FY17-20…



Source: Companies, HSIE Research, 3-year rolling avg CFO/EBITDA considered for standalone operations

…still matches that of the best in the business



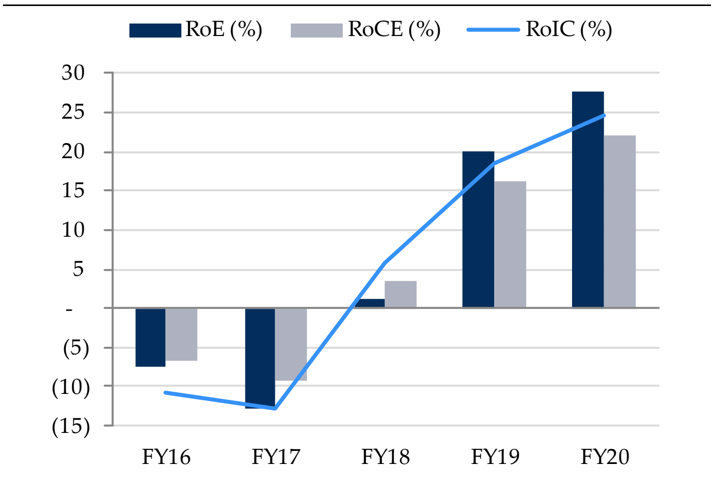
Source: Companies, HSIE Research,

Indigo's capital allocation has been improving over the past 3-4 years, despite the rise in Capex reflecting the improvement in cash-generating power

Sources of funds (Rs bn)	FY15	FY16	FY17	FY18	FY19	FY20
Cash from Operations (excl WC change)	(74)	(55)	(10)	251	516	803
Other Income	13	-	-	-	(38)	(24)
Total	**(61)**	**(55)**	**(10)**	**251**	**478**	**779**
Application of funds (Rs bn)						
Working Capital	(4)	(170)	249	(19)	(26)	(80)
Capex	-	897	81	248	623	752
Investments	-	343	(199)	(5)	-	-
Dividend	-	(3)	(1)	(0)	-	-
Borrowings	(186)	(31)	(72)	5	(201)	101
Others	118	(1,102)	(38)	24	10	68
Net change in cash	11	12	(30)	(1)	72	(62)
Total	**(61)**	**(55)**	**(10)**	**251**	**478**	**779**
Cumm. WC + Capex as % of sources of funds				**691.2**	**160.6**	**107.1**

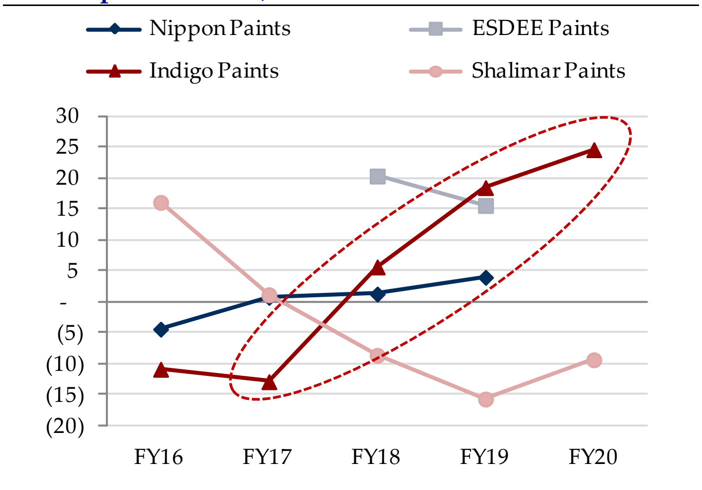
Source: Companies, HSIE Research

Indigo Paints: return profile (%)



Source: Companies, HSIE Research

Within Tier 2 paint companies, Indigo stands out in terms of improvement in unit economics, ergo the return profile (RoIC, %)



Source: Companies, HSIE Research

Company profile

Indigo Paints commenced operations in the year 2000 and had a modest beginning. It started with the manufacture of lower-end cement paints, and gradually expanded its range to cover most segments of water-based paints like Exterior Emulsions, Interior Emulsions, Distempers, and Primers. From an early age, the company spread its footprints across the country, rapidly expanding its reach across India. Today the company has emerged as one of the strongest contenders to break into the four-player oligopoly in the Indian paint industry. The company touted as being among the most innovative paint manufacturers in India has many firsts to its credit (in terms of innovative products doled out).

Over time, the company found its niche in the paint industry through innovation. It kept churning out bright new ideas for painting solutions, with alarming regularity. Gradually, the industry began looking upon the company as a futuristic thinker and a storehouse of new product development.

Some of the firsts in product innovation are listed below:

- India's first metallic paint, which gives a unique look to walls
- India's first Floor Coat paint, which can withstand any vehicular traffic
- Unique Ceiling Coat paint, for brighter and whiter ceilings
- First-of-its-kind Tile Coat paint for roofs, which gives an excellent glossy look

With changing time and trends, Indigo Paints revamped its identity showcasing a new wave of thinking by the company. A few years ago, it clubbed all its multiple brands for different product categories into a single umbrella brand "INDIGO".

Against the backdrop of ~25% of annual attrition rate in the Indian paint industry, Indigo Paints stands out with an attrition rate of under 3% – a figure it has consistently achieved over the past five years. It has managed to achieve this by keeping an extremely horizontal organisation structure with a high degree of independence, responsibility and ownership assigned to its workforce. The company continues to reward its productive workforce progressively via ESOPs and otherwise and strongly believes in the concept of goal-oriented profit sharing.

Key managerial personnel and investors

Name	Designation	Description
Mr. Hemant Jalan	Founder & Managing Director	Mr. Jalan has a rich experience of over three decades in the paints industry and has been a trailblazer of sorts in introducing unique paint solutions to the industry. Before founding Indigo Paints, Mr. Jalan was a Senior VP at Sterlite Industries Ltd. He has an MBA degree in Marketing & Production from Chicago Booth, MS Chemical Engineering (Stanford), B Tech (Chemical Engineering) from IIT Kanpur
Mr. K V Narayanan Kutti	Executive Director	Mr. Kutti is an engineer from NITIE and an MBA from MBA Kolkata. He started his career in AP and Hi-Build Coating which Indigo acquired in 2016 and has 4 decades of exp in Paints.
Mr. Chetan Bhalchandra Humane	Chief Financial Officer	Has been with Indigo Paints since its inception
Sequoia	Investor	A marquee private equity investment firm with a broad presence in India through a variety of Investments in India including Indigo Paints, CarDekho, Prizm, Mu Sigma, Vini Cosmetics, Zomato, Zoomcar, JustDial , Practo, WhatsApp, Dropbox, Freecharge, Truecaller, BYJU's, Pine Labs

Source: Company, HSIE Research

Key Risks

Name	Description
Correlation of sales with the economy	While paint companies have shown resilience in terms of volume growth over the years, even during the extant economic slowdown, the sustenance of the slowdown could pose a downside risk to demand.
A sharp rise in input costs	There are several raw materials which are directly driven by crude oil. Approximately 70% of the input costs can be accounted for by crude derivations. The remaining ~30% of the input costs arise from non-crude (TiO2) forms. Therefore, any sharp increase in input costs could adversely impact the business
Finance risks originating out of currency fluctuations	The USD-INR exchange is an important component of the input costs. Hence, a depreciation of INR vis-à-vis the USD could affect the company's bottom line directly by way of gross margins.
Disruption in the supply chain	In a year of high uncertainty in the macro-environment and geopolitical scenarios, disruptions in the supply chain are an important risk to monitor. The unavailability of raw materials could impact the business negatively.

Source: Company, HSIE Research

Financials

Income Statement

Year-End (March)	FY15	FY16	FY17	FY18	FY19	FY20
Net Revenues	**901**	**1,243**	**2,892**	**4,111**	**5,356**	6,248
Growth (%)		38	133	42	(5)	17
COGS	470	611	1,625	2,301	2,985	3,220
Employee Expense	76	99	228	293	364	420
A&P Expense	-	211	320	627	677	791
Travelling and conveyance	17	25	45	57	64	75
Rent Expense	7	11	24	33	4	1
Other Expenses	403	343	669	561	721	832
EBITDA	**(73)**	**(56)**	**(19)**	**239**	**541**	**910**
EBITDA Growth (%)		**(23)**	**(65)**	**(1,330)**	**2**	**68**
EBITDA Margin (%)	**(8.1)**	**(4.5)**	**(0.7)**	**5.8**	**10.1**	**14.6**
Depreciation	7	9	141	170	171	196
EBIT	**(80)**	**(65)**	**(160)**	**69**	**371**	**714**
Other Income (Including EO Items)	5	9	11	5	16	16
Interest	8	3	27	38	47	56
PBT	**(83)**	**(60)**	**(176)**	**36**	**340**	**674**
Total Tax	0	-	(17)	(3)	68	196
RPAT before associate earnings	**(83)**	**(60)**	**(159)**	**39**	**272**	**478**
Minority Interest	-	-	-	-	-	-
Share of Associate earnings	-	-	-	-	-	-
Extraordinary Gain/(loss)	(13)	-	-	13	3	-
Loss)/PAT from discontinued operations	-	-	-	-	-	-
RPAT	**(69)**	**(60)**	**(159)**	**26**	**269**	**478**
Adjusted PAT	**(56)**	**(60)**	**(159)**	**13**	**266**	**478**
APAT Growth (%)		**7**	**165**	**(108)**	**26**	**80**
Adjusted EPS (Rs)	**(1.2)**	**(1.3)**	**(3.5)**	**0.3**	**5.8**	**10.5**
EPS Growth (%)		**7**	**165**	**(108)**	**26**	**80**

Source: Company, HSIE Research

Balance Sheet

Year-End (March)	FY15	FY16	FY17	FY18	FY19	FY20
SOURCES OF FUNDS						
Share Capital - Equity	11	29	469	469	472	473
Reserves	264	1,286	688	713	1,003	1,497
Total Shareholders' Funds	**275**	**1,315**	**1,157**	**1,182**	**1,475**	**1,971**
Minority Interest	**-**	**-**	**-**	**-**	**-**	-
Long Term Debt	0	-	82	89	269	247
Short Term Debt	29	60	255	269	332	254
Total Debt	**29**	**60**	**337**	**358**	**601**	**501**
Net Deferred Taxes	**-**	**-**	**-**	**-**	**-**	-
Lease Liability						
Other Non-current Liabilities & Provns	**-**	**-**	**-**	**18**	**86**	67
TOTAL SOURCES OF FUNDS	**304**	**1,376**	**1,494**	**1,558**	**2,162**	**2,538**
APPLICATION OF FUNDS						
Net Block	124	133	911	949	1,180	1,702
CWIP	8	3	23	25	44	11
Goodwill	-	-	-	-	306	306
Other Non-current Assets	0	63	0	21	57	32
Total Non-current Assets	**132**	**200**	**935**	**995**	**1,587**	**2,051**
Investments	**11**	**1,237**	**155**	**150**	**197**	**208**
Inventories	115	150	475	508	693	768
Debtors	261	330	785	1,041	1,038	1,045
Other Current Assets	10	9	35	54	78	91
Cash & Equivalents	**78**	**30**	**77**	**46**	**139**	57
Total Current Assets	**464**	**519**	**1,372**	**1,649**	**1,948**	**1,960**
Creditors	273	366	847	1,075	1,362	1,386
Other Current Liabilities & Provns	30	214	121	161	208	296
Total Current Liabilities	**303**	**580**	**968**	**1,235**	**1,570**	**1,682**
Net Current Assets	**161**	**(61)**	**404**	**414**	**378**	**279**
TOTAL APPLICATION OF FUNDS	**304**	**1,376**	**1,494**	**1,558**	**2,162**	**2,538**

Source: Company, HSIE Research

Cash Flow Statement

Year ending March	FY15	FY16	FY17	FY18	FY19	FY20
Reported PBT	(69)	(60)	(176)	23	337	674
Non-operating & EO Items	12	(4)	26	59	(32)	(23)
Interest Expenses	-	-	-	-	47	56
Depreciation	-	9	141	170	171	196
Working Capital Change	4	170	(249)	19	26	80
Tax Paid	(3)	(1)	(0)	(0)	(44)	(124)
OPERATING CASH FLOW (a)	**(57)**	**115**	**(259)**	**270**	**504**	**859**
Capex	-	(897)	(81)	(248)	(623)	(752)
Free Cash Flow (FCF)	***(57)***	***(782)***	***(340)***	***23***	***(119)***	***107***
Investments	-	(343)	199	5	-	-
Non-operating Income/Others	(97)	9	34	15	1	1
INVESTING CASH FLOW (b)	**(97)**	**(1,231)**	**153**	**(227)**	**(622)**	**(751)**
Debt Issuance/(Repaid)	186	31	72	(5)	201	(101)
Interest Expenses	(8)	(3)	(26)	(39)	(45)	(55)
FCFE	**121**	**(754)**	**(294)**	**(21)**	**37**	**(48)**
Share Capital Issuance	0	1,100	-	-	17	18
Dividend	(1)	-	-	-	-	-
Others	(13)	-	30	-	17	(31)
FINANCING CASH FLOW (c)	**164**	**1,128**	**76**	**(44)**	**190**	**(169)**
NET CASH FLOW (a+b+c)	**11**	**12**	**(30)**	**(1)**	**72**	**(62)**
EO Items, Others	68	18	107	47	67	118
Closing Cash & Equivalents	78	30	77	46	139	57

Source: Company, HSIE Research

Key Ratios

	FY15	FY16	FY17	FY18	FY19	FY20
PROFITABILITY (%)						
GPM	47.8	50.9	43.8	44.0	44.3	48.5
EBITDA Margin	(8.1)	(4.5)	(0.7)	5.8	10.1	14.6
EBIT Margin	(8.8)	(5.3)	(5.5)	1.7	6.9	11.4
APAT Margin	(6.2)	(4.8)	(5.5)	0.3	5.0	7.7
RoE		(7.5)	(12.8)	1.1	20.0	27.8
RoIC (or Core RoCE)		(10.8)	(12.8)	5.7	18.6	24.7
RoCE		(6.7)	(9.4)	3.5	16.3	22.0
EFFICIENCY						
Tax Rate (%)	(0.1)	-	9.7	(8.6)	20.1	29.1
Fixed Asset Turnover (x)	6.3	7.8	5.2	5.3	4.0	3.1
Inventory (days)	46.7	43.9	60.0	45.1	47.2	44.8
Debtors (days)	105.5	96.9	99.0	92.4	70.8	61.0
Other Current Assets (days)	4.2	2.6	4.4	4.8	5.3	5.3
Payables (days)	110.7	107.5	106.9	95.4	92.8	81.0
Other Current Liab & Provns (days)	12.2	62.8	15.3	14.3	14.2	17.3
Cash Conversion Cycle (days)	33.6	(26.9)	41.3	32.6	16.3	13.0
Net Debt/Equity (x)	(0.2)	0.0	0.2	0.3	0.3	0.2
Interest Coverage (x)	(9.8)	(18.9)	(6.0)	1.8	8.0	12.8
PER SHARE DATA (Rs)						
EPS	(1.2)	(1.3)	(3.5)	0.3	5.8	10.5
CEPS	(1.1)	(1.1)	(0.4)	4.0	9.6	14.8
Book Value	6.0	28.9	25.4	26.0	32.4	43.3

Source: Company, HSIE Research

Disclosure:

We, **Jay Gandhi, MBA & Varun Lohchab, PGDM**, authors and the names subscribed to this report, hereby certify that all of the views expressed in this research report accurately reflect our views about the subject issuer(s) or securities. HSL has no material adverse disciplinary history as on the date of publication of this report. We also certify that no part of our compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view(s) in this report.

Research Analyst or his/her relative or HDFC Securities Ltd. **does not have** any financial interest in the subject company. Also Research Analyst or his relative or HDFC Securities Ltd. or its Associate may have beneficial ownership of 1% or more in the subject company at the end of the month immediately preceding the date of publication of the Research Report. Further Research Analyst or his relative or HDFC Securities Ltd. or its associate **does not have** any material conflict of interest.

Any holding in stock –No

HDFC Securities Limited (HSL) is a SEBI Registered Research Analyst having registration no. INH000002475.

Disclaimer:

This report has been prepared by HDFC Securities Ltd and is solely for information of the recipient only. The report must not be used as a singular basis of any investment decision. The views herein are of a general nature and do not consider the risk appetite or the particular circumstances of an individual investor; readers are requested to take professional advice before investing. Nothing in this document should be construed as investment advice. Each recipient of this document should make such investigations as they deem necessary to arrive at an independent evaluation of an investment in securities of the companies referred to in this document (including merits and risks) and should consult their own advisors to determine merits and risks of such investment. The information and opinions contained herein have been compiled or arrived at, based upon information obtained in good faith from 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. Descriptions of any company or companies or their securities mentioned herein are not intended to be complete. HSL is not obliged to update this report for such changes. HSL has the right to make changes and modifications at any time.

This report is not directed to, or intended for display, downloading, printing, reproducing or for distribution to or use by, any person or entity who is a citizen or resident or located in any locality, state, country or other jurisdiction where such distribution, publication, reproduction, availability or use would be contrary to law or regulation or what would subject HSL or its affiliates to any registration or licensing requirement within such jurisdiction.

If this report is inadvertently sent or has reached any person in such country, especially, United States of America, the same should be ignored and brought to the attention of the sender. This document may not be reproduced, distributed or published in whole or in part, directly or indirectly, for any purposes or in any manner.

Foreign currencies denominated securities, wherever mentioned, are subject to exchange rate fluctuations, which could have an adverse effect on their value or price, or the income derived from them. In addition, investors in securities such as ADRs, the values of which are influenced by foreign currencies effectively assume currency risk. It should not be considered to be taken as an offer to sell or a solicitation to buy any security.

This document is not, and should not, be construed as an offer or solicitation of an offer, to buy or sell any securities or other financial instruments. This report should not be construed as an invitation or solicitation to do business with HSL. HSL may from time to time solicit from, or perform broking, or other services for, any company mentioned in this mail and/or its attachments.

HSL and its affiliated company(ies), their directors and employees may; (a) from time to time, have a long or short position in, and buy or sell the securities of the company(ies) mentioned herein or (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.

HSL, its directors, analysts or employees do not take any responsibility, financial or otherwise, of the losses or the damages sustained due to the investments made or any action taken on basis of this report, including but not restricted to, fluctuation in the prices of shares and bonds, changes in the currency rates, diminution in the NAVs, reduction in the dividend or income, etc.

HSL and other group companies, its directors, associates, employees may have various positions in any of the stocks, securities and financial instruments dealt in the report, or may make sell or purchase or other deals in these securities from time to time or may deal in other securities of the companies / organizations described in this report.

HSL or its associates might have managed or co-managed public offering of securities for the subject company or might have been mandated by the subject company for any other assignment in the past twelve months.

HSL or its associates might have received any compensation from the companies mentioned in the report during the period preceding twelve months from the date of this report for services in respect of managing or co-managing public offerings, corporate finance, investment banking or merchant banking, brokerage services or other advisory service in a merger or specific transaction in the normal course of business.

HSL or its analysts did not receive any compensation or other benefits from the companies mentioned in the report or third party in connection with preparation of the research report. Accordingly, neither HSL nor Research Analysts have any material conflict of interest at the time of publication of this report. Compensation of our Research Analysts is not based on any specific merchant banking, investment banking or brokerage service transactions. HSL may have issued other reports that are inconsistent with and reach different conclusion from the information presented in this report.

Research entity has not been engaged in market making activity for the subject company. Research analyst has not served as an officer, director or employee of the subject company. We have not received any compensation/benefits from the subject company or third party in connection with the Research Report.

HDFC securities Limited, I Think Techno Campus, Building - B, "Alpha", Office Floor 8, Near Kanjurmarg Station, Opp. Crompton Greaves, Kanjurmarg (East), Mumbai 400 042 Phone: (022) 3075 3400 Fax: (022) 2496 5066 Compliance Officer: Binkle R. Oza Email: complianceofficer@hdfcsec.com Phone: (022) 3045 3600

HDFC Securities Limited, SEBI Reg. No.: NSE, BSE, MSEI, MCX: INZ000186937; AMFI Reg. No. ARN: 13549; PFRDA Reg. No. POP: 11092018; IRDA Corporate Agent License No.: CA0062; SEBI Research Analyst Reg. No.: INH000002475; SEBI Investment Adviser Reg. No.: INA000011538; CIN - U67120MH2000PLC152193

HDFC securities
Institutional Equities
Unit No. 1602, 16th Floor, Tower A, Peninsula Business Park,
Senapati Bapat Marg, Lower Parel, Mumbai - 400 013
Board: +91-22-6171-7330 www.hdfcsec.com