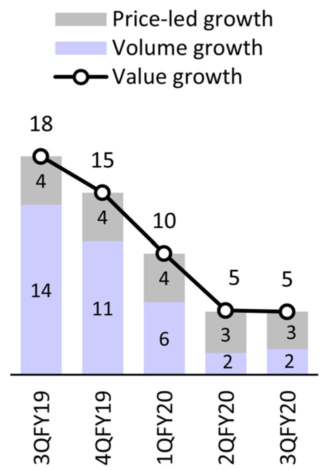
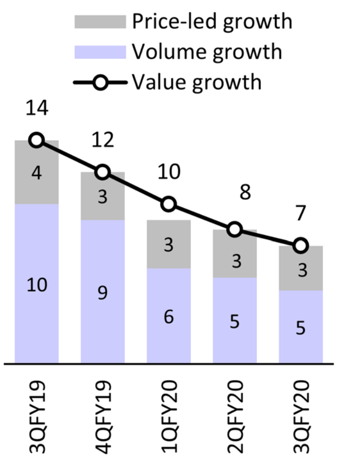
Sector Update | 28 January 2020

Consumer

While rural is decelerating...



... urban not as affected



Rural India – Green shoots visible, but pace of growth uncertain

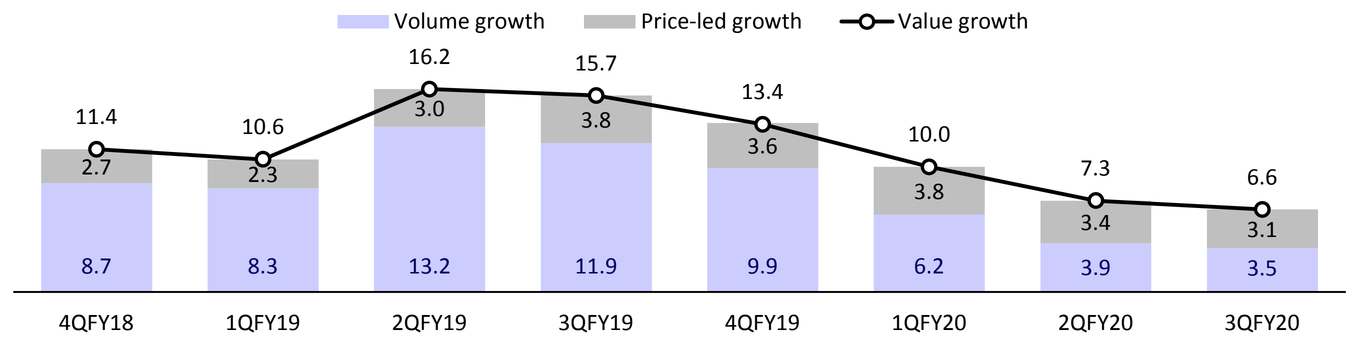
- **Once a key volume driver for Consumer companies, rural growth has been on a continuous slide for the past five quarters. Nielsen's data released on 21st Jan'20 too suggests continued slowdown in rural growth for the Dec'19 quarter. In fact, rural growth has slipped below urban growth for two successive quarters now.**
- **However, the worst now seems to be over based on the recent data on WPI food inflation, lower agri input costs and improved government spending post elections. Also, high reservoir levels post the monsoon season augur well for Rabi crop cash flows.**
- **Questions though remain on the pace of the recovery as corporate commentary over the past two months has turned incrementally negative, leading us to expect delayed recovery/overall growth in the rural sector.**
- **To play the rural recovery story – although the pace of revival may be slower than anticipated – we prefer HUVR for its nimbleness and CLGT for its newfound aggressiveness. On the other hand, we are cautious on DABUR due to high wholesale dependence and international business contributing over 25% to overall sales. We are also cautious on BRIT owing to rising commodity costs and the fact that biscuits' demand usually recovers with a lag.**

- **Rural growth slowing considerably:** Rural growth was at the vanguard of driving volume growth for consumer companies until the past few quarters. According to Nielsen's data for Dec'19 quarter, while urban growth is still healthy at ~7% levels despite the relative slowdown compared to the past, rural growth has declined sharply from ~18% to ~5% over the last five quarters. This has led to an overall revenue slowdown with rural growth notably dipping below urban over the last two quarters.
- **Green shoots evident:** Recently, there have been green shoots on the rural growth front in the form of (a) higher food inflation over the past two months indicating higher realizations for farmers, (b) lower agri input costs, (c) improved government spending on rural, and (d) higher reservoir levels.
- **Rural growth to improve based on Nielsen's forecast:** In the third week of Jan'20, Nielsen expressed optimism on the growth path for the Consumer sector, led by their belief that the worst, in terms of the rural slowdown may already be over. The factors mentioned above are the key factors underpinning Nielsen's optimism.
- **Notably, recovery is off a trough with weak management commentary:** While these factors are likely to have an incrementally positive impact on rural demand, we believe that recovery will be off the troughs, coming out of a particularly tepid 2QFY20 and 3QFY20, when rural growth was at a 7-year low. We also note that despite the recovery, Nielsen's overall growth forecast for CY20 at 9-10% is identical to the growth reported in CY19, albeit better than the 6.6% reported in 3QFY20. Moreover, in contrast to the earlier expectations of a sharp recovery from 4QFY20, corporate commentary from large consumer companies (such as HUVR, ITC, NEST, BRIT and MRCO) is largely cautious on substantial rural recovery over the next couple of quarters.

Krishnan Sambamoorthy – Research analyst (Krishnan.Sambamoorthy@MotilalOswal.com); +91 22 6129 1545
Research analyst: Dhairya Dhruv (Dhairya.Dhruv@motilaloswal.com); +91 22 6129 1547 | **Pooja Doshi** (Pooja.Doshi@MotilalOswal.com); +91 22 5036 2689

- **HUVR and CLGT remain our top rural picks:** Despite our caution over the pace of rural recovery in the near term, we do have buy ratings on **two** companies under our coverage (HUVR and CLGT) that have substantial revenue share from rural or incremental share of revenue growth coming from rural.
- **HUVR** remains our top rural pick because its reinvigorated nimbleness in recent years enables it to take better advantage of rural recovery v/s peers. Taking into account synergies from the GSKCH acquisition, the stock is trading below its 5-year average P/E.
- **CLGT's** new-found aggression in ad-spends and product pipeline may affect its near-term earnings growth, but any material market share gain will be positively received by investors. Valuations of 41.4x FY21 are also attractive v/s peers.
- **BRIT's** long-term topline and earnings growth opportunity is strong. However, rising commodity costs, historically lagged recovery in the biscuits' category and expensive near-term valuations of 49.2x FY21 leads us to maintain **Neutral** rating.
- **DABUR's** high exposure to the wholesale channel (where recovery is even more uncertain compared to rural recovery), overseas business that contributes ~25-30% to overall sales and expensive valuations of 48.6x FY21 EPS leaves little room for an upside.

Exhibit 1: Pace of FMCG growth has declined sharply until 4QCY19 (3QFY20)



Source: Nielsen, MOFSL

Exhibit 2: Volume growth of companies with higher rural exposure/ incrementally higher rural sales

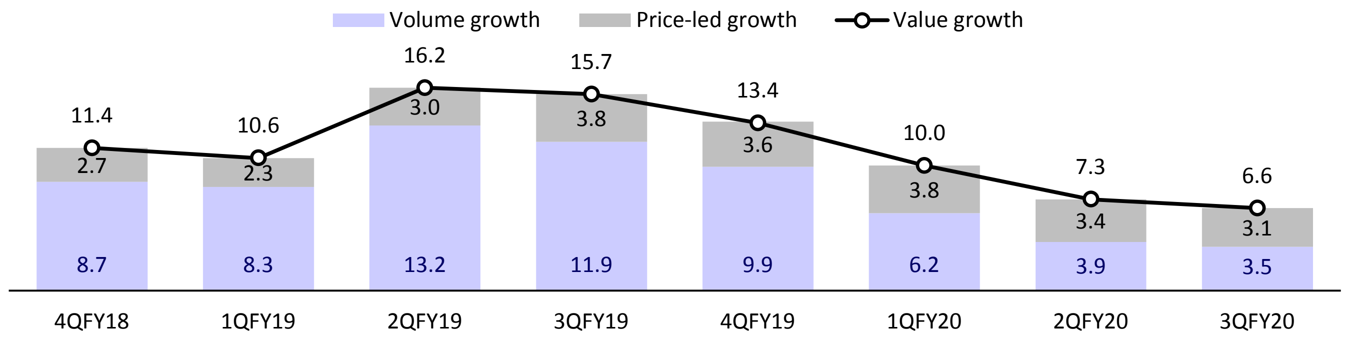
Quarterly volume growth (%)	3Q16	4Q16	1Q17	2Q17	3Q17	4Q17	1Q18	2Q18	3Q18	4Q18	1Q19	2Q19	3Q19	4Q19	1Q20	2Q20
Britannia (Base business)	11	10	8	10	2	2	2	5	11	11	11	11	7	7	3	3
Colgate (Toothpaste)	1	3	5	4	(12)	(3)	(5)	(1)	12	4	4	7	7	5	4	4
Dabur (Domestic FMCG)	(3)	7	4	5	(5)	2	(4)	7	13	8	21	8	12	4	10	5
Emami (Domestic)	9	18	18	11	0	(2)	(18)	10	6	8	18	(4)	4	0	0	1
Hindustan Unilever (Domestic)	6	4	4	(1)	(4)	4	0	4	11	11	12	10	10	7	5	5

Source: Company, MOFSL

Rural slows significantly over past one year, slips below urban

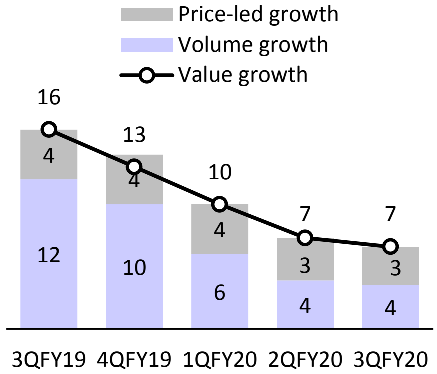
- **Significant slowdown in rural growth momentum:** Rural growth was at the vanguard of driving volume growth for consumer companies until the past few quarters. While urban growth is still healthy at ~7% levels (despite the slowdown) compared to the past, rural growth has declined from ~18% to ~5% over the course of the last five quarters. This has led to overall slowdown in revenue growth as well.

Exhibit 3: Pace of FMCG growth has declined sharply until 4QCY19 (3QFY20)



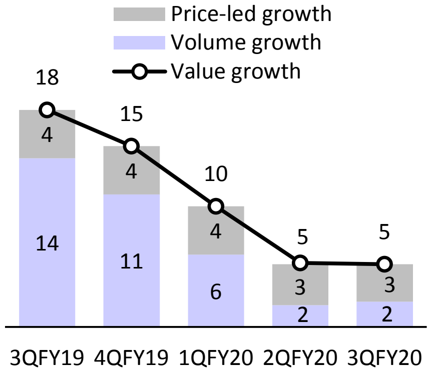
Source: Nielsen, MOFSL

Exhibit 4: All India (U+R) (100%)



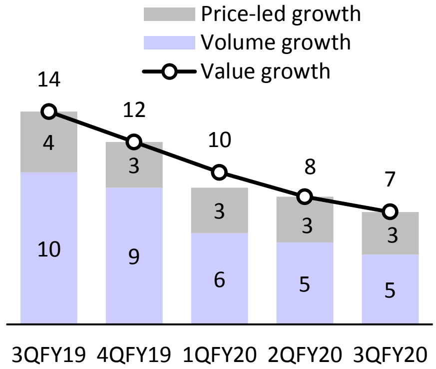
Source: Nielsen, MOFSL

Exhibit 5: While rural is decelerating…



Source: Nielsen, MOFSL

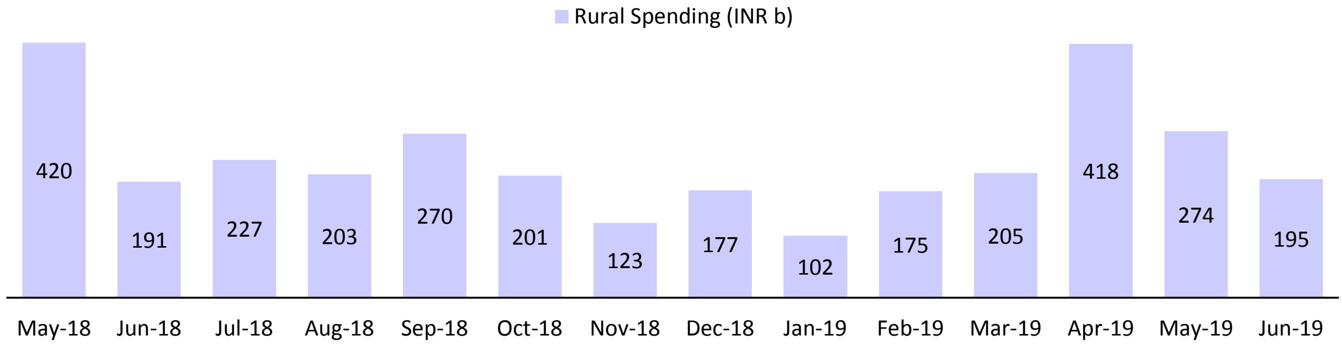
Exhibit 6: … urban not as affected



Source: Nielsen, MOFSL

- **Problems with channel liquidity and wholesale trade:** The slowdown that came along with the severe liquidity crunch in the general trade channel (~85% of sales for most companies), particularly affected the wholesale channel badly, which was anyways under pressure since the implementation of demonetization and GST. While channel liquidity issues persist, interventions by various companies in the form of (a) facilitating loans from banks (instead of NBFCs where lending has slowed substantially), and (b) extension of higher credit period than usual to distributors (thus also aiding the distributors ability to finance the retailers) has alleviated the situation to some extent on a sequential basis.
- **Government spending was halted in the run-up to the elections:** Due to Election Commission guidelines, government spending on rural was restricted, which further affected demand sentiment.

Exhibit 7: Government spending reduced in the run-up to the elections



Source: Company, MOFSL

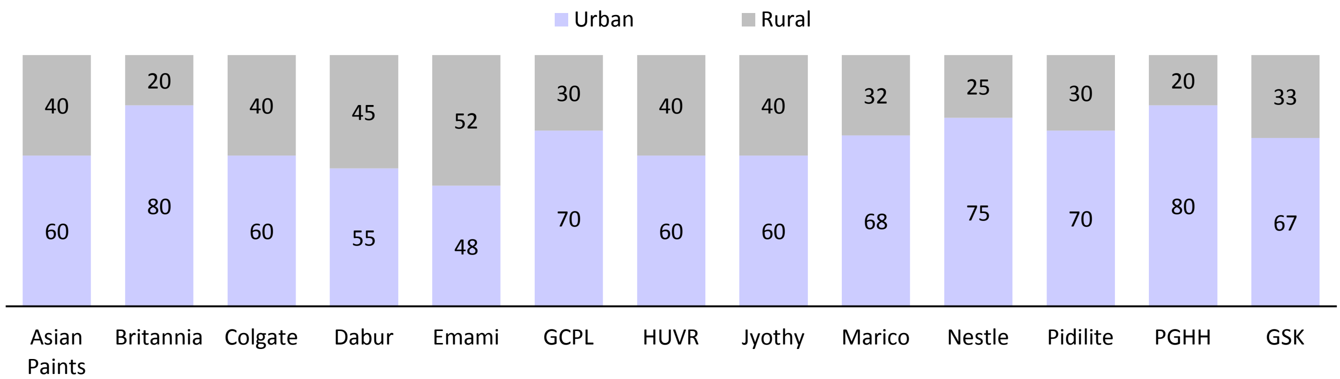
- Volumes and sales of rural dependent companies have come off.

Exhibit 8: Volume growth of companies with higher rural exposure/ incrementally higher rural sales

Quarterly volume growth (%)	3Q16	4Q16	1Q17	2Q17	3Q17	4Q17	1Q18	2Q18	3Q18	4Q18	1Q19	2Q19	3Q19	4Q19	1Q20	2Q20
Britannia (Base business)	11	10	8	10	2	2	2	5	11	11	11	11	7	7	3	3
Colgate (Toothpaste)	1	3	5	4	(12)	(3)	(5)	(1)	12	4	4	7	7	5	4	4
Dabur (Domestic FMCG)	(3)	7	4	5	(5)	2	(4)	7	13	8	21	8	12	4	10	5
Emami (Domestic)	9	18	18	11	0	(2)	(18)	10	6	8	18	(4)	4	0	0	1
Hindustan Unilever (Domestic)	6	4	4	(1)	(4)	4	0	4	11	11	12	10	10	7	5	5

Source: Company, MOFSL

Exhibit 9: Rural sales of FMCG companies to total sales (%)



Source: Company, MOFSL

Medium-term problems for rural demand persist, also affecting growth

While rural growth momentum slowed in the past one year, three factors affected rural sales over the past 5-6 years, thus creating weak sentiment. We believe is the dim sentiments are unlikely to turn around quickly by the recent news flow.

- Five straight periods of below normal or drought years were followed by drought and floods in 2019 (sixth consecutive period) as well.

Exhibit 10: Five consecutive periods of below normal or drought years

Jun - Sep	Actual Rainfall in mm	Rainfall in % departure from long term average
2014	782	-11.9
2015	761	-14.3
2016	864	-2.6
2017	846	-4.7
2018	804	-9.0

Source: Company, MOFSL

- Low MSP increases in recent years.

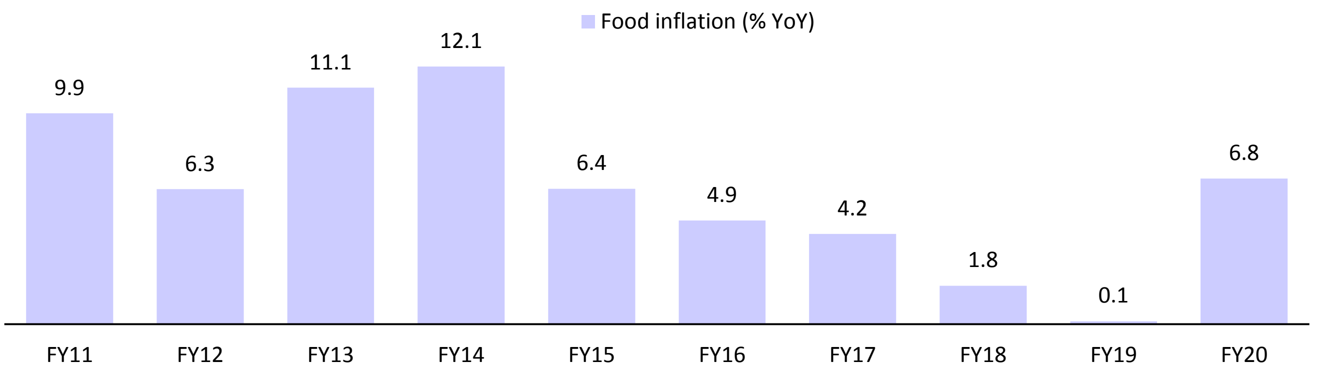
Exhibit 11: Low MSP increases over recent years compared to earlier in the decade

YoY % growth	FY12	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20*
Kharif MSP									
Paddy, common	8.0	15.7	4.8	3.8	3.7	4.3	5.4	12.9	3.7
Paddy, Grade A	7.8	15.3	5.1	4.1	3.6	4.1	5.3	11.3	3.7
Jowar, hybrid	11.4	53.1	0.0	2.0	2.6	3.5	4.6	42.9	4.9
Jowar, Maldandi	11.1	52.0	0.0	2.0	2.6	3.8	4.5	42.0	4.9
Bajra	11.4	19.9	6.4	0.0	2.0	4.3	7.1	36.8	2.6
Maize	11.4	19.9	11.5	0.0	1.1	3.0	4.4	19.3	3.5
Ragi	8.8	42.9	0.0	3.3	6.5	4.5	10.1	52.5	8.7
Tur (Arhar)	6.7	20.3	11.7	1.2	6.3	9.2	7.9	4.1	2.2
Moong	10.4	25.7	2.3	2.2	5.4	7.7	6.7	25.1	1.1
Urad	13.8	30.3	0.0	1.2	6.3	8.1	8.0	3.7	1.8
Cotton, Medium staple	12.0	28.6	2.8	1.4	1.3	1.6	4.1	28.1	2.0
Cotton, Long staple	10.0	18.2	2.6	1.3	1.2	1.5	3.8	26.2	1.8
Groundnut in shell	17.4	37.0	8.1	0.0	0.8	4.7	5.5	9.9	4.1
Sunflower seed	19.1	32.1	0.0	1.4	1.3	3.9	3.8	31.4	4.9
Soyabean, yellow	17.4	32.5	14.3	0.0	1.6	6.7	9.9	11.4	9.1
Sesamum	17.2	23.5	7.1	2.2	2.2	6.4	6.0	17.9	3.8
Average	**12.1**	**29.2**	**4.8**	**1.6**	**3.0**	**4.8**	**6.1**	**23.5**	**3.9**

Source: Company, MOFSL

- Low food inflation in recent years.

Exhibit 12: Low food inflation in recent years



Source: Company, MOFSL

Green shoots on rural emerging over the past month

- **In a recent report, our in-house Economist has highlighted four factors indicating why the worst is now likely over from a rural perspective (link).**
- **Higher inflation indicates higher realizations for farmers – a positive:** While nominal wage growth was the same in 1HFY20 as a year ago, higher inflation has driven lower real wages. Besides, higher inflation is actually good for the farming community, as it is a reflection of the higher prices fetched for their output. Not only retail food prices, but wholesale food prices have also increased at 6-year highest pace in the first 8 months of FY20.
- **Terms of trade turning positive in FY20 – sweet spot for farmers:** While farm output prices (at wholesale level) have increased sharply at 7.3% in Apr-Nov'19, farm input prices have declined slightly during the same period, implying better profitability for the farm sector in FY20 after 2 years of margin decline (FY18-19).
- **Rural spending by the central government rising sharply**: Interestingly, the central government's spending on the rural sector has increased ~21% YoY in the first 7 months of FY20 (Apr-Oct'19), marking the fastest growth in 11 years. It was >13% of total spending, the highest in the last 8 years.
- **Unusually high water reservoir levels look promising for the Rabi season**: Combining the above mentioned facts with unusually strong water reservoir levels and pick-up in Rabi crop sowing activity, sufficient initial signs have sprang up that point toward the rural sector bottoming out.
- Apart from the above, we also note that **WPI inflation has been on an upward trajectory since the past 2 months**: Within primary articles, food articles' (WPI weight 15.3%) inflation stood at 6-year high of 13.2% in Dec'19 from 11.1% a month ago. This was led by 73-month high inflation in vegetables.
- **Moreover, the latest Nielsen data** released last week states that notwithstanding the continuation of the rural slowdown in 4QCY19 (3QFY20), FMCG growth is expected to sustain in the 9-10% range in CY20 led by the rural sector, albeit off a very low base in CY19.

A few notes of caution

- Some of the benefits of high reservoir levels for Rabi crops and increase in government spending were expected as the news has been around for the past few months.
- Management commentary remains cautious as the pace of recovery is likely to be slower than earlier forecasts.

Management commentary from media articles on slowdown

Alan Jope,
Unilever Chief Executive
Hindustan Unilever

- Unilever, the British-Dutch parent of HUL, cut its sales guidance for 1HCY20, mainly due to slowdown concerns in South Asia and West Africa. India is Unilever's biggest market by volume and the second largest (after the US) in terms of revenues. The maker of Dove shampoo and Lipton tea has said that it has seen this kind of a slowdown for the first time in a while, particularly in rural India, where rural is growing at a slower rate than urban India.
- As we look forward to next year, we are tackling some of the fundamental drivers of growth around refocusing on penetration of our brands, ensuring that we have strong savings programs for next year to fuel continued step-ups in investment. Some of the macro effects will take time to flow through. Generally, it appears that India will start to come back in 2HCY20.

B Sumant,
ED for FMCG division
ITC

- Fundamentally nothing has changed in the Indian economy. There is a growing consumer base. The current slowdown is a short-term hiccup, which should disappear by 2QFY21, when winter crop yield comes in, improving rural sentiment. Credit flow from NBFCs will boost wholesalers.

Suresh Narayanan,
Chairman and MD
Nestle India

- There are issues around overall economic growth, agrarian income, impact and outflow in the banking situation. Steps by the government to revive the economy could have a knock-on effect on consumption. The government has looked at areas like taxation and ease of doing business among other things.
- If more money comes into the hands of the consumers due to some measures contemplated by the government, then hopefully recovery should happen. For us to enjoy the 8-9% growth of the past, I hope it happens sooner than later.

Varun Berry,
MD
Britannia

- The slowdown has led Britannia to hold back its launches. We had a fairly packed calendar. But when we started to see the slowdown, we decided to postpone the launches.

Saugata Gupta,
CEO
Marico

- In addition to the slow consumption, constrained liquidity conditions have led to a correction in trade inventories, particularly in wholesale and rural, thereby affecting growth of companies. To navigate this, companies are trying to expand their rural reach and to approach more retailers directly rather than through wholesalers.

- Nielsen is actually forecasting the same pace of growth (9-10%) in FMCG demand for CY20 as was achieved in CY19, so the recovery is off a trough of 3QFY20 (4QCY19), which was anticipated anyway.
- Food inflation has only picked up pace in the last couple of months now. While growth will pick up off a trough, sustained growth at the earlier levels seen 4-5 quarters ago still seems a while away.

What other factors can change momentum?

- **Budget:** Increase in rural allocation in the upcoming budget as well as potential increase in Direct Benefit Transfers (DBT) will be keenly watched out.
- **Monsoons:** After multiple years of below normal monsoons or drought and the succession of drought/floods taking the sheen off the above-normal monsoons in FY20, FY21 monsoons will be crucial although they remain inherently unpredictable.
- **Income tax cuts:** While any announcement of income tax cuts in the budget will provide a salve in the weak consumption environment, we believe the incremental delta will be more toward discretionary consumption and urban consumption, rather than rural.

Our view on rural dependent stocks

- **Buy ratings on 3 rural dependent stocks under our coverage:** Notwithstanding our caution over the pace of rural recovery in the near term, we do have **Buy** ratings on 3 out of the 5 companies under our coverage that have substantial revenue share from rural or incremental share of revenue growth coming from rural.
- **HUVR** remains our top rural pick because of its excellent ability to take advantage of rural recovery compared to peers due to its reinvigorated nimbleness in recent years. In addition, if one takes into account the GSK merger impact and the resultant synergies, the stock trades at a discount to its 5-year average multiples. HUVR (unlike Dabur and HMN) has all its revenues coming from the domestic market, thus obtaining superior advantage of any strong eventual delta on rural recovery.
- **CLGT** is likely to have modest volume growth over the next six months, not only due to the uncertain pace of rural recovery in the near term, but also because oral care as a category historically tends to be a relative laggard in terms of benefitting from rural recovery. Nevertheless, a combination of (a) a much-needed aggressive focus from the new CEO on volume growth and market share gain, (b) better product development pipeline, and (c) sharp on-going increase in ad spends, further supported by multi-year benefits (v/s peers) due to the corporate tax cuts, can enable CLGT to recoup some of the lost market share in recent years. Earnings growth on volume recovery will be much stronger because of under-utilized capacity as a result of the massive capex between FY14-17 (**link** to MNC note). Valuation at 41.4x FY21 EPS is at a substantial discount to MNC peers and at significant discount to our coverage universe.
- **BRIT's** long-term topline and earnings growth opportunity is extremely enthusing. The continued market share gains in biscuits led by (a) better utilization of best-of-breed expansion in distribution, (b) success in its Low Unit

Packs (LUPs) in the hinterland, and (c) successful scale-up and strong pipeline in new product development. However, near-term earnings growth is likely to be under pressure due to lagged recovery in the biscuits category and RM inflation weighing on gross margins (already the lowest among large peers at ~40%). Valuation of 49.2x FY21 EPS does not leave any room for a significant upside from a 1-year perspective.

- **DABUR** has high exposure to the wholesale channel, where recovery is even more uncertain compared to rural recovery. Additionally, the overseas business (where the outlook is uncertain and also unaffected by any delta on rural recovery) contributes ~25-30% to its overall sales. Valuation of 48.6x FY21 EPS appears fair.
- While the outlook on **HMN,** perhaps, is the worst amongst peers, valuations of 22x FY21 EPS are half of peer valuations and do provide scope for ~21% upside on modest recovery in earnings. The on-going asset sales in the other group businesses should also lead to a decline in pledges and lead the company to regain focus on the listed FMCG business.

N O T E S

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 MOSL, 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 MOSL, Research Analyst and/or his relatives do not have actual/beneficial ownership of 1% or more securities in the subject company
3 MOSL, Research Analyst and/or his relatives have not received compensation/other benefits from the subject company in the past 12 months
4 MOSL, 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 MOSL has not acted as a manager or co-manager of public offering of securities of the subject company in past 12 months
7 MOSL has not received compensation for investment banking/ merchant banking/brokerage services from the subject company in the past 12 months
8 MOSL has not received compensation for other than investment banking/merchant banking/brokerage services from the subject company in the past 12 months
9 MOSL has not received any compensation or other benefits from third party in connection with the research report
10 MOSL 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 alternations 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.